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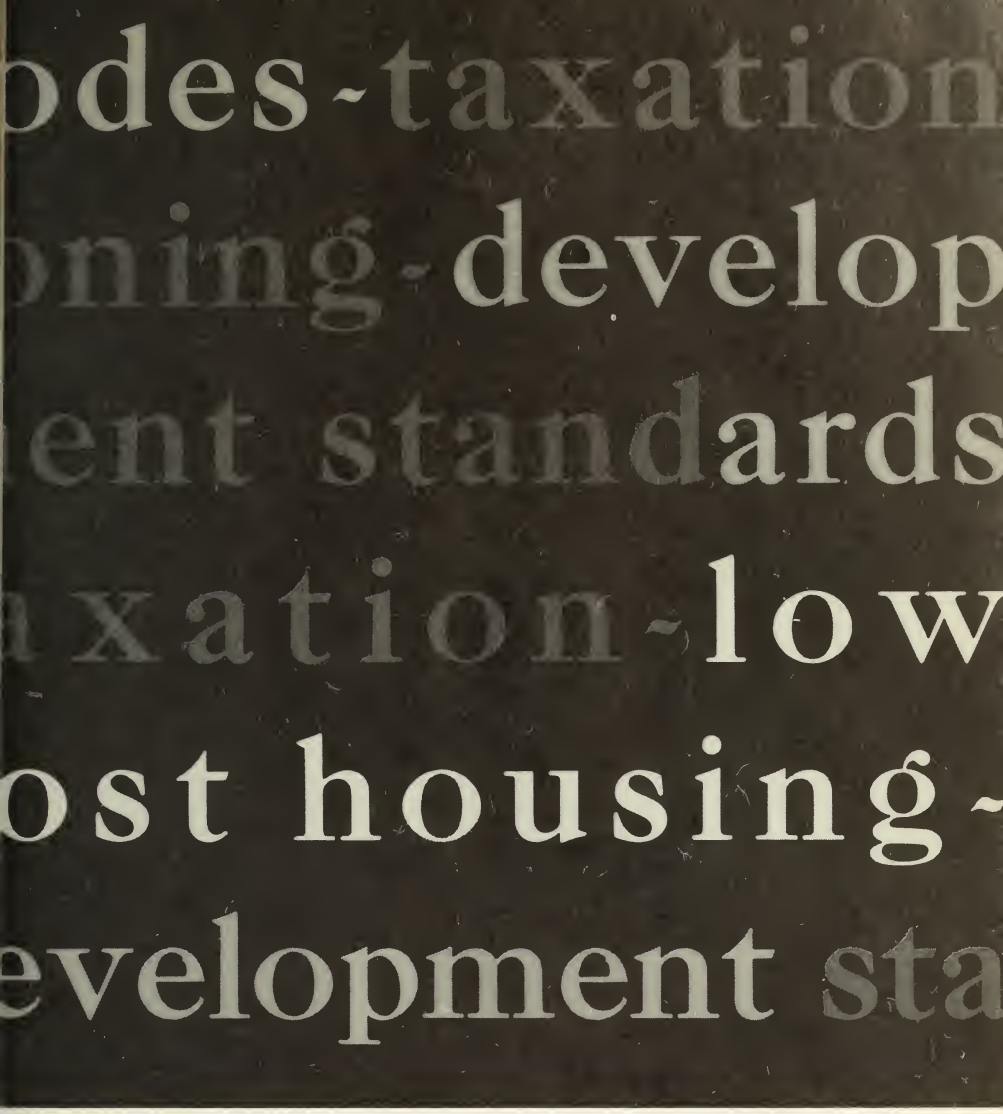
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EARINGS BEFORE THE NATIONAL
OMMISSION ON URBAN PROBLEMS

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HEARINGS BEFORE THE NATIONAL COMMISSION ON URBAN PROBLEMS

Volume I May-June 1967

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preface

The National Commission on Urban Problems was appointed by President Lyndon B. Johnson on January 12, 1967. He charged the Commission with seeking ways to increase the supply of decent housing for low-income families. He urged that the search for a "revolutionary improvement in the quality of the American city" focus on a variety of issues including building codes and technology, zoning and land use, housing codes, Federal, State and local tax policies, and development standards.

Congress in the Housing and Urban Development Act of 1965 authorized a study of these issues and provided funding in 1966. The Commission is to report before December 31, 1968, to the President, to the Congress, and to the Secretary of Housing and Urban Development.

During the first 10 months of its existence, the Commission spent 32 days holding hearings in 18 cities in all sections of the country, and in addition met in business sessions 13 times. The Commission heard from private citizens and experts, as well as from officials. To learn by seeing and hearing as well as by studying, the Commission spent long hours inspecting the slums and blighted areas and also the showcase developments of these cities. This, too, they did with officials, with private citizens, and by themselves.

Such intensive study gave the Commission the flavor of the American scene of the Sixties — the hopes and angers, dreams and frustrations, the plans that work and those that do not, ghettos and swimming-pool-in-every-yard suburbs, beauty and ugliness, slum nightmares and low-income neighborhoods reflecting care and pride, public housing atrocities and public housing gateways to the good life. And the Commission could not help confronting the complex issues of race which interweave so many aspects of urban life.

While the Commission is drawing conclusions from its hearings, on-site inspections, and a comprehensive research effort, this publication is offered in the belief that the public will find useful insights in the testimony.

For reasons of economy and for the convenience of readers, repetitive descriptions of the Commission's task, addressed to each new gathering, are deleted. Introductions of the invited witnesses are summarized in footnotes. The many public witnesses are identified according to infor-

mation they presented. Much valuable written material submitted to the Commission, incorporated into the official records, is on file and is receiving scrutiny by members and staff.

This first volume includes hearings from May 12 through June 10th. Successive volumes are being printed in the order the hearings were held (see inside back cover).

The Department of Housing and Urban Development, many of whose officials have contributed to the Commission's research effort, has been invited to present a statement in the final volume of the hearings, responding to statements and questions pertaining to Federal housing and urban development programs and policies.

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Opening Session

Commission Members Present: Chairman Paul H. Douglas, David L. Baker, Hugo Black, Jr., Lewis Davis, John DeGrove, Anthony Downs, Ezra Ehrenkrantz, Alex Feinberg, Jeh V. Johnson, John Lyons, Richard W. O'Neill, Richard Ravitch, Mrs. Cloethiel Woodard Smith, Tom J. Vandergriff, Coleman Woodbury

The opening session was held in a historic setting in Washington, D.C., where Mr. James W. Rouse of Baltimore was asked to speak about his broad national experience in dealing with housing and related matters.

Indian Treaty Room
Executive Office Building
Washington, D.C.
Afternoon, May 12, 1967

PURPOSE AND PLAN OF THE HEARINGS

Mr. Douglas: I am going to make an initial statement for the benefit of the record and the benefit of the press.

This is the first of the hearings which the National Commission on Urban Problems has scheduled between now and the end of October in 18 cities across the country. We are holding these hearings for a number of reasons.

First of all, the effects which Presidential Commissions may have are largely advisory and educational. We believe that by involving the public in our work through the method of hearings our efforts may have a greater long-term effect than they otherwise could.

Secondly, too often groups of our kind at all levels of government fail to educate themselves by seeing and hearing and viewing what is going on. We believe that both in our own interests and in the public interest, we are more apt to make findings and to propose remedies which are useful if we see what is going on in various places in the country. While thinking and studying are important, doing is important as well.

Thirdly, we are holding these hearings in order to examine in detail the subject matters we were charged to pursue when President John-

son created the Commission on January 12, 1967, and which are contained under Section 301 of the Housing Act of 1965. These subjects specifically include the question of how to provide an adequate supply of housing to people with low incomes. They also include the questions of Federal and local taxation, building costs, housing codes, land use, zoning, and development standards as they affect urban problems. We have found out in the few weeks of our existence that when one examines these issues in detail other urban questions such as poverty and pollution, and welfare and race, are bound up with them.

I think I can speak for every member of this Commission when I say that we do not intend to duck or sidestep the tougher issues. But I think I can also say that we intend to examine them methodically and responsibly, and to bring the facts and the evidence to bear upon them.

May I make it clear that we are not setting out to "investigate" any city or area. Instead, whenever we can find them we are seeking constructive examples of good things which have been done. That is why we are going to hold hearings in Baltimore tomorrow on the subject of rehabilitation, and why we are going to New Haven two weeks from now to take up the question of urban renewal. Let me repeat that our purpose is constructive.

May I also say that our purpose is not only to see what a particular city has done about a particular problem. We are trying to structure our hearings by subject matter. While we will hold a particular hearing in a particular city because that city is a good example of the subject we are pursuing, we will also enquire about that subject in its broader and in its national setting. Our witnesses will not merely be local witnesses. We will ask national experts to come to hearings at particular places in order to pursue a specific subject in some depth. I wanted to explain this at the outset of our hearings so that there would be no misunderstanding about it.

Our first witness is Mr. James W. Rouse[1] of Baltimore. It is fitting that Mr. Rouse should be the first witness at our public hearings. I do not believe that we could find a person with greater knowledge or greater stature in the field of urban problems to begin our hearings than Mr. Rouse.

Mr. Rouse, we welcome you. It is an honor to have you appear before us.

STATEMENT BY JAMES W. ROUSE

MR. ROUSE: Thank you, Senator. I didn't realize that I was to have the honor of being the curtain-raiser on the Commission's hearings.

---

[1] President, The Rouse Company (mortgage banking and real estate development) in Baltimore; President, Urban America, Inc.; developer of the new town of Columbia, Maryland; Chairman of the Urban Development Rehabilitation and Conservation Subcommittee of President Eisenhower's Housing Advisory Committee; former President and Chairman of the Board of ACTION (of which he was a founder); Trustee, Federal City Council of Washington, D.C.; founder, Baltimore's Fight Blight Fund, past Chairman, Greater Baltimore Committee.

I feel very grateful to have the opportunity to be here. I will try to philosophize only very briefly on the subject that you have asked me to think about with you, and I would then be happy to respond to such questions as may be in the minds of the members of the Commission.

Existing Housing: Greatest Neglect

I think it hardly needs to be said that the rehabilitation of our existing housing inventory is the most neglected aspect of the attempt to make our cities into fit places for people to live. It is always less dramatic than going in and ripping things out and building over again, or building new towns on the edge of cities or big projects of any kind.

And then, of course, it was unfortunately caught in the early crossfire of the old Taft-Ellender-Wagner days, when the rehabilitation of housing was promoted as an alternative to public housing, and both operations suffered because of it.

But, in truth, it doesn't take very much of either a visual look or a statistical look at the American city to know that we are not going to demolish the major part of the American city and rebuild it quickly enough to make it into a fit place to live.

On the other hand, the major part of the American city doesn't provide a fit environment for our people today. And any alternative to this must involve a significant rehabilitation of existing housing in scale, in depth, in innovative quality, beyond anything we have seen. I think many people sense this, and there are real problems that keep it from occurring.

The number one problem, I believe, is that there is not one good example in America today of what ought to be done. I don't think the Commission can find any really good example of what we must expect in our cities in the field of rehabilitation if we are to lift the cities to the standards that we should accept as minimum standards of life in the American city. I think we can't for two reasons.

First of all, as a Nation, as a community, we have so far been unwilling to face up to the fact that rehabilitation, to be effective, must be done on a massive scale. And this means acquisition of large areas and their reconveyance for the purpose of rehabilitation without being demolished.

So far, our concept of urban renewal powers has stopped with acquisition, demolition, and then resale. So far, the concept of urban renewal power has been that unless the property goes through the process of being acquired and demolished (the public function being performed by the demolition and reuse) there is not a legitimate sale to a private developer.

More than anything, I think this has frustrated any really imaginative effort toward rehabilitation. It has been impossible for a developer to get hold of a large enough quantity of housing to plan effectively.

I want to come back to that one in a moment.

But secondly, just in physical terms, the builder must average his risk

and average his losses. If you are going to buy a house here and a house there, your experience can either be all good or all bad on the plumbing, the wiring and the joists, and the whole structure of the house. And sometimes the experience is disastrous.

But if acquisition was on a large enough scale, the builder would be able to go in and perform the spot surgery that would be required on buildings that should not be rehabilitated at all. He would get some unhappy and some happy results in the quality of the housing he rehabilitated. And he would be able to remake the area into a community that had a contemporary quality of life, standards, and opportunities that were suitable for the neighborhood to take its place as a healthy part of the community.

Builder Needs to Work with Quantity of Housing

This simple fact of not being able to acquire a large enough quantity of housing in order to be able to operate over a large enough mass is a root problem in rehabilitation.

I am told that we are on the edge of a larger, bolder step in Baltimore than we have taken heretofore. I believe there is thinking along the line of finding a way so that this next step can proceed. It needs to be a wide national step. Somehow we need to equip the local renewal agencies with the power, the philosophy, and the strategy of acquiring and conveying large quantities of housing without demolition, in order that they may be rehabilitated.

Another fundamental weakness of every attempt at rehabilitation — and maybe it's the fundamental weakness in our whole approach to the city — is the failure to plan and develop over a large enough area of the city. There is no use in going in and rehabilitating an existing block or an existing series of blocks if we are going to come out with the same street pattern and essentially the same facilities — if it really is going to be the same institutional neighborhood and community environment that existed before.

We are misled by the popular view that the major problem in our cities is the physical condition of the housing. If all of our housing could, by some wave of the wand, be brought up to an acceptable minimum condition, we would still have very bad cities. And the forces which caused the deterioration in the first place would be there, working 24 hours a day to deteriorate them all over again.

We can do much much better than we have done in the enforcement of housing codes to resist that deterioration. But the deterioration occurs for reasons — and the reasons relate to the quality of life and the opportunity for living that exists in the massive heart of the city.

What we really ought to be doing in our cities is to make the city work for the people who are going to live there. If you started to do that and started by asking questions about how you would do it, you would go through a process of developing a plan and a program, and one of

the tools you would use to execute that program would be the rehabilitation of some of the housing units.

But rehabilitation without a plan and program can be as nonproductive, I think, as to go in and clear out an area and put in a big new public housing project — if it's just put down in essentially the same community.

The Role of the City

We need to ask, "What is the role of the city?"

One of the main responsibilities of the city is to receive the in-migrant. And yet this is what the city looks upon with the most grudging sense of necessity. It is looked upon as if all these people come from the South to get a welfare check — instead of recognizing that this migration is a part of the massive movement in our country, and all over the world, from farm to city, whether the people come from the rural South or Appalachia. As a society our first task is to receive them, and to receive them under circumstances where there is likely to be the best possible environment for their growth.

This means we ought to look at their needs. "What would it take to produce an educable environment?" This is the question that we need to be asking over and over again. How can this little family from Appalachia, which really isn't equipped to be here at all, be placed in a physical environment where it can relate to a neighbor in such a way that its fears can be diminished, its hopes can be lifted?

When you begin asking those questions, what do you do? We begin talking about what kinds of churches these people really seek — not what kind of church we want to give them. What kind of health facilities do they really need and how would they relate to them? What kind of educational facilities? It might be very different than what we seek to impose by taking an educational system and dropping it down on a lot of people.

And so with the second-generation people who haven't made it on the urban escalator, who are still down at the bottom of the barrel. They are there for a reason. All these people are there for a reason.

By getting at the reasons we may find what would produce an educable environment — a growth circumstance for the families living in these areas. What would be their relationship — to one another, to employment, to health, to religion, to education? We would begin to get a pattern of life that could be expressed in a schematic picture of a neighborhood, and then of a set of neighborhoods in a larger community, and eventually of a city.

If we then took that schematic plan and laid it over the existing city as it is and determined how we were going to remake the city to fit the plan, we would find that we would have to close some streets, open others, rip out areas, create open space, move industry. Then we would find that there were a great many buildings left that could be used and they would be rehabilitated, and only then would we be facing up

to a truly valid rehabilitation project. And it would be part of a whole system of making the city work for the people who lived in it.

There's one important hunch I have that I would like to express before stopping. And that is, if we ever followed this process of comprehensive planning through in one American city, the arithmetic it would produce would be irresistible.

Tax Benefits of Making a City Work

The tax benefits produced from the assessable base created by making a city work would more than service the debt required to make it work. We are living in this country with a notion that the city is a frightful burden, and that we face a horrible problem in trying to make it work. What we really ought to face in the city is the opportunity for a massive investment. If we would only understand the arithmetic, we would be in a hurry to accomplish this in order to get the city over a great many of its economic humps and make it a fit place to live in.

Now, this really isn't just a sloppy-headed notion.

There was a time when Nat Keith and I had the job of preparing a workable program for the District of Columbia. This was in the early years of the urban renewal program. The report was called *No Slums in Ten Years*. It was written in 1955. This is '67. We called it *No Slums in Ten Years* deliberately because it was the only way we knew to attract attention to the fact that slums could be eliminated – that the arithmetic would work.

There was absolutely no excuse in 1955 for the city of Washington to have a slum or blighted area by 1965. It was statistically possible to move the people. It was financially possible to do the job. It was a more economically prudent thing to do it than not to do it.

And it is still true in 1967 that it is a more prudent, economical, easier course to face making Washington a slumless city by 1977 than it is to do the timid, limited, uncertain, skeptical things we now do in temporizing with the problems of the city.

MR. DOUGLAS: Thank you very much. I am going to ask Mr. Baker to open the questioning.

QUESTIONS BY COMMISSION MEMBERS

MR. BAKER: *Mr. Rouse, you indicated the growth problem of the cities, and that if there were some way to control the environment of this growth, it might be a solution to part of the problem. Are you inferring that it might be desirable to seek the problem where the people come from, and try to solve the social and economic problems there, rather than to wait until they get to the cities and then face it head-on again?*

MR. ROUSE: No, I didn't mean that. When I was using "growth," I

was speaking of the growth of the individual rather than the population growth of the city. I don't mean to reject what you said, either. I think that we have reason as a society to question whether or not we can't make nonurban life a more productive life, too, so there isn't an aimless migration to the city, which I think there is.

When I used the word "growth," I didn't make it clear that I really was talking about developing an environment for the growth of the individual man, woman and family.

MR. BAKER: *In your experience, in expanding on planning, have you found that local governments through the regulation or the lack of regulation of land use and zoning codes have helped you or have hindered your progress?*

MR. ROUSE: By and large I think one would have to say that the administration of codes and regulations has been a negative force in the growth of the city.

Certainly in the inner city we have not used the potential of code enforcement for anything like what it is worth. I can't measure what its protective force has been. But if you look at the old worn-out areas of any section of Washington or Baltimore, or any other city, these conditions exist in violation of codes for the most part. You don't have to argue about it, you only have to look at the facts. The codes cannot have been enforced for these conditions to exist.

This still begs the question of why haven't they been enforced or can they be enforced. But there sure is a gap between the hopes and intentions expressed in any housing code in any city of America and the conditions that exist in the slum areas.

MR. BAKER: *I didn't mean to infer housing codes only. I was referring to the use of land, land use regulations and the zoning of land. Not so much to the housing or building code.*

MR. ROUSE: What has been the overall effect of zoning?

MR. BAKER: *Yes.*

Effect of Zoning

MR. ROUSE: Good rather than bad. But, you know, we have to look at this whole process of city as a growth process. We haven't been very long at the task of trying to make cities work. The first zoning law of the United States was enacted in 1918. Most cities in America didn't have any zoning until the late 1930's or early '40's. Most of the outlying areas have zoning dating from the late 1940's and early '50's. Neither of the two counties surrounding Baltimore City had any zoning until 1947.

So zoning is a lot more recent power than we realize. Like so many of these things, I think it was kind of grabbed with a hope that was greater than its potential. And now I think we are beginning to see in the best use of zoning that it's only an instrument to be associated with good planning. And without good planning it really is not a very effective instrument at all.

Although you can make a tremendous case for a terrible misuse of zoning in the country, I think that we have to see this as a growth situation. We are trying to learn and develop the way to use it better, and it's a dangerous power today.

MR. VANDERGRIFF: *Mr. Rouse, what has been your experience in regard to the willingness of the Nation's lending institutions to finance rehabilitation?*

MR. ROUSE: I have a wonderful speech by a member of your Commission which she gave at a talk to the people in our company on the question you have asked, the mortgage men in our company. She gave a talk called "Is Architecture Mortgagable?"[1] I am having it printed and distributed widely.

She made a considerable blast at the mortgage lending business, very effectively done.

But on the point that you raise, I don't really think this has been a restraining factor. I think the absence of money has been a restraining factor. To the extent that it has, I think maybe it should have been. The lack of real quality of undertaking in rehabilitation is very great. I have never seen a really worthy project proposed in the field of rehabilitation that failed because of lack of financing.

MR. VANDERGRIFF: *I see.*

MR. ROUSE: I don't really think this is a serious void. I think it is a part of a system that is a void. There are not very many worthy projects, and so there is not very much financing. All too frequently the rehabilitation task proposed is this building or that building in an isolated circumstance, and the neighborhood condition is not significantly changed, and the lender looks at it in terms of 15 to 20 years and has to ask, is lifting up the quality of this building enough for its survival, and the answer is, generally, "No."

MR. VANDERGRIFF: *I see. Well now, if the money is available, and if it can be done in a period of 10 years, this matter of eliminating slums, I am just wondering if in this book you wrote in 1955, did you make any projection at that time as to what it would cost?*

MR. ROUSE: Yes. We did it, I think, very responsibly. We used the indexes that were available then of the cost of renewal and rehabilitation, and there was sufficient experience to develop some insight. Obviously the indexes were not perfectly accurate; they couldn't be. But they were good measuring rods, and we were able to measure the total quantity of the problem and get figures on it and apply them to it and measure the cost of doing it — measure the impact on the assessable base.

I think we proved that it was a wholly economic venture, a sound investment for the city of Washington to totally eliminate slums and blight. And I don't think it is any surprise. I think it would be true of almost any major city in America.

---

[1] Chloethiel Woodard Smith, "Is Architecture Mortgagable?" given before The Rouse Company, April 14, 1967.

MR. VANDERGRIFF: *What was the total cost? Do you recall, by any chance?*

MR. ROUSE: Big.

MR. VANDERGRIFF: *Well, yes, I would imagine so.*

MR. ROUSE: But, you know—and this is the most shocking fact in America to me—that with all of the programs that have been mounted to deal with the American city, not one single city in the United States has made a comprehensive plan to make itself into what I think it ought to be and calculated the cost of executing it, and calculated the dividends to be received from executing it. Isn't it incredible that not one city in the United States engaged in this gigantic war in which we are engaged—not one city in the United States—has said they really expect to win it?

MR. VANDERGRIFF: *Well, on that point, what would you say—and perhaps you touched upon this in your initial testimony—but on that point, what would you say is the one paramount reason, if there can be one, as to why this is the case?*

One Good City Would Generate Chain Reaction

MR. ROUSE: State of mind. It's a lack of conviction in America that we can have good cities because nobody has seen one. The biggest single thing that could happen in the United States would be to produce one good city. If you produced one good city in America, the chain reaction, the generating force that it would have on this country would be incredible.

We see this, you know, we follow it all the time in American life. When Pittsburgh did the Golden Triangle, it was the first time anybody had really gone in and done anything about the ragged edge of any downtown area. From all over the country people have come to Pittsburgh to see the Golden Triangle. And this really became the father of commercial redevelopment. It worked, and it has worked everywhere. Success follows success.

You know the great opportunity in the city of Washington. If only the Federal Government would determine that it could darn well afford to spend the money to make the city of Washington into the best possible demonstration of what an American city could be! Suppose it cost a billion dollars—it would be cheap in relationship to the total value of the program—and you can do it for a billion dollars and you can do it in less than 10 years.

MR. VANDERGRIFF: *You can?*

MR. ROUSE: You can do it in less than 10 years. It's nothing but state of mind. We don't gear ourselves to the expectancy of doing the job. We undertake a project and we undertake it almost with a sense of futility. But if we really believed in it, we would prepare a plan. A city that believed in it would have to know what it was trying to do. You couldn't run a business without doing this. You couldn't build a col-

lege, you coudn't do anything that you really believed in doing without preparing a plan of what would happen if we did it.

We haven't done this in one American city. State of mind is a fundamental problem with making the American city work.

MR. FEINBERG: *Mr. Rouse, I was very much interested in what you had to say, and just to take up the last statement about "state of mind." When you say state of mind, whose state of mind? The city itself, the people who are trying to do the job, or the recipients of it — or a combination of them?*

MR. ROUSE: I mean leadership state of mind — the business, political, civic leadership. I think that people will respond quickly.

MR. FEINBERG: *You also stated earlier in your testimony that when a rehabilitation program is undertaken, the forces that brought about the blighted conditions as they then existed will still be there.*

MR. ROUSE: Right.

MR. FEINBERG: *Now, may I ask you whether or not you have any suggestions as to the disposition of that problem, because that is a problem, isn't it?*

MR. ROUSE: Yes. I think it's a big problem. But my view is that the really important ingredient lacking in the city is a sense of community; that unless there is a physical organization of buildings, space, institutions, in a manner that gives identity, separation, and scale so that a person lives in a place he can understand, belong to and identify, get a handle on, feel proud of and ashamed of, have neighbors respond as neighbors and feel neighborliness — until these characteristics that are very fundamentally human, until these yearnings can be fulfilled and these demands be put upon us as people — there are not the forces for responsibility working in a way that will cause a growth environment for people.

It seems to me that when massiveness and scale are so great that there is no community, no belonging — then the irresponsible forces of society have their maximum degrading impact.

More than Bricks and Mortar

MR. FEINBERG: *Of course I agree with you that it takes a definite plan, and it takes zoning to implement that plan. But in conjunction with the physical reconstruction or rehabilitation that takes place in a city, all these other factors that you are referring to must also come into play and be contemplated by those who have created the plan, do you not think so?*

MR. ROUSE: Oh, yes.

MR. FEINBERG: *So it's more than bricks and mortar, isn't it?*

MR. ROUSE: Yes. It's planning and it's a development program that has analyzed the forces of education, health, religion in the community, moving right along together.

MR. FEINBERG: *Would you say that those things must be put into play*

or into effect almost simultaneously with the actual construction, or prior thereto?

MR. ROUSE: I think they are so integral that it isn't one and then the other. They are working together throughout the whole process.

MR. FEINBERG: *I just have one further question, if I may. You said that in 1955 you, in conjunction with someone else—I didn't get his name . . .*

MR. ROUSE: Nat Keith.

MR. FEINBERG: . . . *made a report entitled* No Slums in Ten Years?

MR. ROUSE: Yes, sir.

MR. FEINBERG: *And you saw at the time no reason why that couldn't be accomplished, is that not so?*

MR. ROUSE: That's right.

MR. FEINBERG: *Will you tell us very frankly to what you attribute its failure?*

MR. ROUSE: I attribute it to a lack of conviction on the part of the political leadership of the District of Columbia—if you can say the District of Columbia has political leadership—which is a special problem. It was the lack of conviction on the part of the political, the public-life leadership, of the District of Columbia that it really could be done. I don't think anybody got fighting mad or disagreed with our report. I think they yawned about it.

MR. O'NEILL: *Jim, you spoke of the ideal rehabilitation as designed to meet the needs of the people in the slum areas by overlaying a scheme on that part of the city. You want to remove individual buildings, close streets, create play areas, save a church, tear down a garage. So it is to be rehabilitation and new construction and a changed land pattern and everything else?*

MR. ROUSE: Right.

MR. O'NEILL: *Could you give us some ball park figures—from whatever city you are most familiar with—whether it be Washington, Baltimore or whatever—of the cost per unit of new construction, how you might change densities from what to what, what your land costs might be—just ball park figures, the unit cost of rehabilitation and unit cost of new construction. And the tax base, by what percentage is it increased? How much do the assessments go up, and how do inhabitants of the rehabilitation area pay the taxes which represent the money to pay off the debt for having done all this?*

MR. ROUSE: Dick, I wish I could. I can't do all that. I can start from the end of your question, which I think maybe is the key question in your mind—that if you do these things, is it possible for the people who would live there to pay the effective cost for its having been done, both in terms of rent to cover the debt service, and the increased taxes? I think the answer is "Yes."

The reason I think it is "Yes" is that every time anybody takes a look at the rents being paid in the inner city, they are totally out of phase with the condition of the housing. Rents that are being paid are economic rents. The housing that is being produced is uneconomic housing.

You see a Negro family paying $25 a week—$25 a week per room is a

very standard rent within a few blocks of the Capitol — and $25 a week is $107 a month. What he is getting for a room or two for $107 a month would provide brand new housing, very economically produced, and he is living in a hovel.

There is a development in the Baltimore area which I think is a good illustration of this point. When you go over to Baltimore — on the way from the airport into Baltimore on the right-hand side — you will see some houses that are being built by a private builder. He is providing a living room, a kitchen, two bedrooms and a bath. It's being built without benefit of any special financing aids, not even FHA financing — it's being privately financed — built to rent for $70 a month for a two-bedroom apartment.

We took those same units and said, okay, suppose we made them a little better, what could we build them for in Columbia? We are satisfied we can take the same units and build an esthetically more satisfying, to us — I'm not sure whether it will be to the tenants — a project that will rent for $96 a month.

Now, just using that as a benchmark, that means that it's possible to produce in this area, before you even get into 221(d)(3), housing that reaches down to the wages of common labor. And if you can do that starting from scratch with new construction, if you take over an area under rehabilitation, and if you were going to use the renewal procedures creatively for rehabilitation, think what might be done.

The guy who takes it over takes it over with a lot of the street work done, sewers in, water in, many basements escavated, some exterior walls. It has got to be worth something. He has got to be able to produce a unit, even if he has terrible stuff to start with, and he would. I would make the bet that in the city of Baltimore (if we were going into really massive rehabilitation as a part of an effective total plan of the kind you described back to me, as well as I gave it to you), I think we would come out with two-bedroom units that rented at $40, $50, $60 a month.

MR. O'NEILL: *But a lot of that would be new construction?*

MR. ROUSE: That would be rehabilitation. I think you would have new construction also, in the $70, $80, $90 range.

MR. O'NEILL: *In other words, you think —*

MR. ROUSE: I don't think that the problem of getting housing quality is an economic thing. I think the problem of housing quality is a matter of planning and development. I don't think it's an economic problem at all.

MR. O'NEILL: *Okay. As we now view rehabilitation, block by block —*

MR. ROUSE: Excuse me. I think you would still need the rent supplement for indigent families.

MR. O'NEILL: *And some land, also?*

MR. ROUSE: Right. I am sure you would.

MR. O'NEILL: *But as we now view rehabilitation, our view is not very long. We say, block by block, the cost of a structure to the city or whatever level of government and to the owner is cheaper than the cost of a new unit to the owner in the city, in the long range, over a 30-year*

period. Are the costs comparable, or is the new construction more expensive?

MR. ROUSE: I think it varies. I think in some cases you would get bargains in which it would be a lot cheaper than new construction. I think in some cases you might wind up finding you made a poor investment and in 15 years it would be in worse shape than new construction.

But I think there is another thing you do if we were doing this comprehensive planning and development program in which we were making rehabilitation work effectively. I think there would be a lot more soul in these communities. I think they would be better places to be than the low-income housing project which we build. There would be more variety, more charm, more family places than we produce.

Responsiveness of the Electorate

MR. O'NEILL: *Just one more question. The New York City Planning Commission was created in 1939 and charged with the job of creating a master plan. Now 30 years later they still have not been able to do that. What blocked them usually was an angry constituency hammering at the door, screaming about this and that. Now, if you could change the city government frame of mind so that they were susceptible to this whole system, how could you create the constituency to say okay, and not vote them all out of office because they are changing things?*

MR. ROUSE: Over and over again in America in the last decade or so it has been shown that whenever anybody produces a really big plan and a really big solution, the people of American cities are likely to accept it. The degree of acceptance of the big plans and the big solutions in the American city runs awfully high.

The people of the San Francisco Bay area had to produce a two-thirds vote to accept a $600 million bond issue for their rapid transit plan. This was $60 per capita per year. Nobody thought they would do it, but they did.

My bet is, if that had been a $100 million proposal and didn't really solve the Bay area rapid transit problems, it would have been rejected.

When the Charles Center Plan was announced in Baltimore, we had had a history of tense urban renewal battles in the city council and throughout the community. Here was a plan that was to be paid for by merchants downtown; they put up the money. They never dreamed this was going to happen to them, but they put up the money. The Greater Baltimore Committee, an organization of businessmen, matched it. They got together with the city and produced a plan independently of the city government, but working with it. And the plan resulted in a proposal to demolish the whole heart of downtown.

This was the first time this had happened in the country, and it still hasn't happened very many times. Generally we assume downtown is all right, so let's build up everything around it. The Charles Center proposal was hard for many to accept — for a merchant who two years before had spent a million dollars rehabilitating his store which is

now going to be demolished. And yet Charles Center was unanimously passed by the City Council, and a $25 million bond issue was voted overwhelmingly on referendum.

If Charles Center had been a third as big, it wouldn't have passed because it would have offered no real solutions. The people are wiser than we know — they are tired of non-solutions.

MR. DEGROVE: *Mr. Rouse, your idea of one good city intrigued me a good bit. Do you think it might be a good idea to concentrate the resources of the Model Cities Program into one or two places and see if we couldn't create this?*

MR. ROUSE: I do think so. I think so very seriously. It would take a lot of political courage, but if we had the guts to do it and if we would pick one city or two or three of different sizes, we might accomplish more than scattering the money for smaller efforts by a lot of cities. I testified before Senator Ribicoff's Committee that you might think in terms of a competition among cities. Let them compete with plans, a program, with guarantees with respect to its execution. Let the prize be special Federal assistance. We would produce in this country one, two, or three cities that would do the job — would make themselves into the best they knew how to be.

MR. DEGROVE: *Continuing on the subject of political guts: If it really isn't an economic problem, and if, at least in your judgment, people will respond if they are challenged by imaginative and comprehensive programs, then is it in your judgment mainly a complete lack of commitment or imagination by the same American power structure in our urban centers?*

MR. ROUSE: Yes, I think it's that. I don't like to be on the side of, you know, just damning people, because I don't really think that way. I think it is a process of leadership growth. It's going to happen. It is a matter of when it will happen. We are not going to go on forever talking about doing something in the cities but never really meaning it.

We are doing bigger things. This Commission or any commission like it didn't exist 10 years ago. We are getting there. There are more and more business leaders who care. There are more and more mayors who care and who understand that big things can be done.

I think our attitudes are improving. But they are not improving fast enough, and especially they are not improving fast enough in relationship to the demands that we as a society are making on ourselves. We are living in a red hot period of time in which our democratic capacities have elevated our sense of the dignity of man to a point where indignity is becoming increasingly intolerable.

MR. DEGROVE: *You think we are upgrading our sense of what is acceptable as a good city — what can qualify?*

MR. ROUSE: Yes. The indignities that a person would have ignored in this country 15 years ago are not acceptable today. What 15 years ago was a kind of benevolent look towards the idea that we should have better cities has now become violent political demand that we have better cities. I don't think we have the time that we once had, and thank God we haven't.

MR. DEGROVE: *Just one other point: Do you, in your work in Balti-*

more or your assessment of programs elsewhere—and assuming again it isn't simply a matter of money or even mainly a matter of money—believe we have programs in health, welfare, housing, education which, if the spark to meld them into this comprehensive planning could be produced, we might get on the road?

MR. ROUSE: Right.

MR. DEGROVE: *Do you see encouraging signs in any or all of these areas?*

MR. ROUSE: Very.

MR. DEGROVE: *That we are moving?*

MR. ROUSE: Yes. I think the Model Cities Program and the Poverty Program are enormous efforts. I think it's thrusting on cities what they really are not prepared to accept—opportunities they are not geared to accept—and I don't mean by that to berate the programs. I just mean to describe the condition that exists. Many of the criticisms of these programs are in reality an expression of the lack of readiness in our cities to take hold and make themselves into what they ought to be.

But we are at it and we are doing better. You almost can't afford to say that for fear that everyone then relaxes. You have to maintain a state of high intolerance and impatience about the city to overcome these stubborn roadblocks that keep us from moving where we can go and ought to go.

You know if we stand back and look at our Nation, it is just preposterous that we have the cities we do. Here we are spending $2 billion for an SST aircraft which causes a 15-mile sweep of sonic boom across the United States and has a maximum achievement of taking two hours off our getting to London. Two billion!

There is a man you should have before this Commission, a brilliant man with a new voice and a new insight into the problems of the city, John Rubel of Litton Industries.

I was in a meeting with John Rubel, and he told the story of the new ship contract that Litton, General Dynamics and Lockheed are competing on. They have now all turned in their bids, and have been through the process by which this ship is being designed. Without boring you with all the steps, these private companies, with some Government contribution, will have spent about $50 million designing that first ship—one ship.

We haven't spent $50 million in the entire history of any American city trying to design one city. I don't mean the buildings in it. But I mean in planning and organizing the opportunity for better life. It just can't be that we can't have better cities than we do. It really is a state of mind. We just haven't made up our mind that we are willing to give this the same priority as the SST, or a new ship, or going to the moon.

MR. WOODBURY: *If it is not a presumption on my part, I would like to say how much I agree with you: The framework both in terms of in-migration to cities and the difficulties of living in cities; and how little we have invested to teach the people that art—and I think it is an art. Also, on your plea for rehabilitation on a large scale—not as a hit-or-miss operation, but if you think in terms of 10 or 20 years, the rehabili-*

tation operation is going to be a combined one, not only of the owner and rehabilitator, but of governmental agencies of one sort or another that are going to provide playgrounds, and so forth. It seems to me that one of the difficulties we face, therefore, is how we can assure the large-scale private rehabilitator, when he comes, that the city is going to do its part—not tomorrow, not the rest of this fiscal year, but over the period of time that is necessary. Do you agree this is the serious block that I think it is? If so, what can we do about it?

MR. ROUSE: Yes, I think it is a block. Some cities are moving ahead because they are doing that job; they are at work redeveloping, rehabilitating, moving forward; beginning to develop their own pressures, including political pressures. A city can't lag behind. A city will have a hard time in America without an effective renewal program. Houston manages to survive somehow without even any zoning. But there is, for the most part, a genuine spirit of competition among cities and a desire to learn from one another. As one city does the job, the whole process begins to operate.

I don't know how many people have been to Montreal lately, but I happen to have had the good fortune to be in Montreal a couple of weeks ago. This was absolutely a breath-taking experience. There is nothing that I have seen on the North American Continent like what has happened in downtown Montreal.

So today I was at a meeting of the Greater Baltimore Committee and was saying we must arrange a trip to Montreal to see what's happening. And you wait, by the time Expo 67 is over and enough people have been there and have seen what is happening in downtown Montreal, there are going to be all kinds of crowds going to Montreal to see what the city is doing about itself. This is a major downtown achievement.

Let a city come forward with a program that really makes this dull, gray, grim, soulless, middle rim into a socially and economically viable area where people want to live, where school systems can operate, where teachers can be excited about their relationship with children, where new things are beginning to happen, and, by gosh, the whole country will be coming to see that neighborhood, that community, that city, to find out how it was done.

This is the characteristic way that we do things in America. We don't have to administer the program from Washington if we can just get it stimulated locally so that the process begins to work.

MR. WOODBURY: *I had dinner with an economist last evening who was much interested in questions of employment in our economy at present. According to him, we have got the tightest labor market that the country has ever known outside of war conditions. He said that the only remaining pool of unemployment in most cities is in the slums.*

And he sees this not only in terms of the more well-to-do families moving out, but, also, places of employment dispersing. He feels that we have either got to find ways of getting the unemployed pool somewhere near the localities to which employment centers are moving, or we have got to find ways of keeping and perhaps bringing back employment into the areas in which the unemployed pool now exists.

Does this make any sense to you? It doesn't mean this is an either/or

thing. Maybe we have to do both. But do you think the separation of the place of residence of the unemployed, their physical separation from centers of employment, is a significant or crucial issue in urban life and welfare?

MR. ROUSE: I am sure there is much in what your friend said. But on the other hand, a major source of employment in almost every area in the United States is in the center of the city. There is a bigger pool of jobs there than any other place.

MR. WOODBURY: *But the growth has been opposite.*

MR. ROUSE: Well, I am not sure that's true. I think it all depends upon what that city is doing about itself. Look at the seven million square feet of office space built in the city of Montreal in the last six years. This is important. And our employment growth is not in the classic areas that we have looked to for employment in our heritage. There is a steady reduction in farm labor. There is a steady reduction in manufacturing labor. The growth in employment is in office buildings and office building types rather than manufacturing buildings.

The central city is a logical location for this growth, if we were, again, approaching the city in its totality – beginning with that little family living with another family to make their circumstances such that they were capable of growth and education and learning skills. And if we're locating business and industry in relationship to those people, we would make population that is unemployed capable of fulfilling the new job needs. It would surely not seem to be beyond our capacity as a country to do this.

But in the city of Baltimore with all the poverty programs and all of the Job Corps training programs, there is no intelligent system for discovering what the job needs are and relating the job training programs to the job needs.

This is really true. The job-training program begins with an assumption as to what skills are needed. But the job needs relate to what business and industry really need, and there is no cause and effect relationship between these two things. Clearly you are going to have pools of unemployed. But it doesn't take a miracle of technological genius to resolve this dilemma. Simple intelligence systems can discover from random sampling. From interviewing with employers, big and little, we can find out what jobs there are and what they are going to be, perhaps not with precise accuracy but accurately enough to have training programs that are intelligently related to job requirements.

We are not doing this. But we would be doing it if we were looking comprehensively at how to make a city work.

MR. JOHNSON: *We have heard it said many times that the private housing industry and the system simply can't provide housing for people of low incomes. What you have said tends to dispute that fact: the fact that people are paying higher rents for poor, rundown facilities than they should be paying or than they could be paying for new apartments. If this is true, and it's possible, why don't we have an enormous housing industry providing $70-a-month apartments that are being gobbled up? What is your assessment of the distinction, the differences, here?*

MR. ROUSE: Well, it's a good question. I think there are a lot of pieces to the answer. I think segregation is one piece. The housing that is being built is in the outlying areas. The land is not available in the inner city to build the new housing without urban renewal programs that clear. There is really no effective program for rehabilitation that we have talked about by which the existing housing inventory is to be made fit. This existing housing inventory ought always to be the biggest source of housing supply. We have developed a kind of an emotional state of mind that there is something unfair or a little bit indecent about providing used housing for lower-income families. And yet used housing constitutes the greatest source of supply of housing for all middle- and upper-income families.

What do we have — 50 million dwelling units in the United States?

MR. O'NEILL: *60 million.*

MR. ROUSE: And we build 1.5 million a year. On an average, 20 percent of the families move, we have 12 million vacancies every year, and we have 1.5 million new dwelling units. So we have a lot of people moving in and out of both new and used housing throughout all income levels.

We are completely failing to make the existing housing supply work to provide adequate housing for the lower-income market. This is one problem.

Secondly, I think that we are doing something about making the FHA 221(d)(3) program[1] provide a considerable quantity of housing. It's cumbersome, it's heavy, it takes a long time to get a project through.

But we are doing a better job in the country. We are doing a much better job in Urban America[2] in providing some leadership for the development of non-profit resources around the country that can bring these programs into being. The profit is less in low-income housing; the cash flow is smaller on inexpensive units. The private market gravitates towards the units that don't have quite as tight economic discipline. That market is strong.

Housing Segregation

I think all of these are pieces to the problem. Segregation is a real aspect of it. In outlying areas we are not for the most part really building for open occupancy. This is a myth, a state of mind, that open occupancy isn't acceptable to the market, and I think that myth is being wiped out every day. In the course of the next three, five, seven years we are going to see major changes in this aspect of the housing market.

We have had a very encouraging result in that respect in our own

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[1] Sec. 221(d)(3) — FHA mortgage insurance for new or rehabilitated rental housing for displaced or low- or moderate-income families with mortgages bearing below-market interest rates and purchased by the Federal National Mortgage Association under its special assistance program (National Housing Act).

[2] Urban America, Inc., privately supported organization of national scope concerned with improving the social and physical environment of cities. James Rouse is president.

development of a new city that we are building in Howard County. Here was a county that had voted for Wallace in the Democratic primary in '64 and had voted against the Public Accommodations Bill on the same ballot. Here we arrived and acquired 15,000 acres of land. This wasn't just one big tract of land. This was 165 separate parcels that we assembled, and there are 7,500 people living within the boundaries of our city right now as a result of our assembly around them. And these were among the people who had cast many of those votes.

When we had acquired the land and we started our period of planning, one of the early questions was on race. We said this would be a completely open community. They had all the cards. They could have stopped us from getting zoning. They could do all the classic things that have been done to frustrate the development. But they did none of them.

It has always been apparent to everybody that this was to be a completely open community, yet there has never been a single block put in our way and not one single person in Howard County opposed our zoning one year later. It's remarkable. And there is absolutely no question in anybody's mind that this is a completely open community.

I don't think this would have been possible three or four years ago.

MR. RAVITCH: *I would like to say first that I appreciate the implicit optimism in your approach. I wish I could completely agree with you that the questions were not basically questions of economics.*

I would like to ask you, on these apartments that were produced for $50, $60 or $70 a month, how—very roughly—is that $70 broken down as between debt, real estate taxes, operating expenses, and return to the owner?

MR. ROUSE: I can't break it down. I don't know.

MR. RAVITCH: *This $50 . . .*

MR. ROUSE: I said $70.

MR. RAVITCH: *You said $50 in the rehabilitation.*

MR. ROUSE: I estimated that if in building housing from scratch, a builder in the Baltimore area can reach a rent of $70 a month for a two-bedroom unit, then it ought to be possible, building on a large enough scale, to produce rehabilitation rentals in the scale of $50, $60, and $70 per month.

MR. RAVITCH: *Please don't misunderstand me. I am not doubting the accuracy of those figures. I am just interested as to why those figures can't be duplicated in any of the cities that I am familiar with. What is peculiar to the economics of Baltimore that would make it possible to create a new dwelling unit—I assume you are talking about garden apartments with frame construction—at such low rates? Is it just that the economics that you described are so out of line with the economics as I understand them to be in my own personal experience?*

MR. ROUSE: What is your city?

MR. RAVITCH: *New York City, Washington, Puerto Rico, Los Angeles, Boston.*

MR. ROUSE: I don't think many people can achieve costs quite as low as this particular builder, but I don't think there should be any difficulty reaching his rents using 221(d)(3).

MR. RAVITCH: *You were saying without any financial assistance?*

MR. ROUSE: Right. This builder is producing housing in large quantities at $70 a month with conventional financing. We think we can do it at $80 to $90 a month and do it a little better. I think we could do it in the Washington market as well.

MR. RAVITCH: *Well, this must be costing under $6,000 a dwelling unit then, including land.*

MR. ROUSE: The brick and mortar cost is less than $6,000.

MR. O'NEILL: *He can build for $6 a square foot, but that doesn't include the land or the overhead?*

MR. ROUSE: I think the two-story house is 16 by 24. What does that come to? About 750 square feet; $6,000 would be $8 a square foot.

MR. RAVITCH: *I think it is very interesting for the Commission if this can be done. I must admit to a certain degree of skepticism as to how much that can be duplicated in our major cities — for a whole variety of reasons. But let me ask you this: What form of ownership do you think makes most sense in the field of rehabilitation and in the field of new construction for people of low and moderate incomes?*

Home Ownership

MR. ROUSE: That is a very good question. I think that some form of ownership is desirable if it can be achieved. I think that the sense of ownership stimulates an attitude towards the property that is constructive, and generally the dwelling unit comes out better and, therefore, the neighborhood area does, too. But I don't think it is true in every case, and I don't think it should be forced as a one-sided decision that everybody should own. But there are desirable aspects of home ownership.

I have long felt that it was too bad that our public housing program didn't involve a system — which I believe now is being experimented with — of building public housing on a basis that made home ownership possible, so that units could be rented to low-income tenants at subsidized rents, the rent raised with increase in income instead of the tenant being kicked out for over-income. Then, when it reached the point that that house could be sold at the going rent, it would be transferred on a long-term mortgage contract, or whatever it might be, so that the dwelling unit and occupant move into the private housing market. This kind of tenure, I think, is desirable.

I also feel there might be some experimentation with forms of tenure that haven't been tried. We are urging this on a group that is going to build a nonprofit housing development in Columbia. You know, there is a classic form of occupancy under which low-income families have been housed. That is conversion of single-family housing into a two-family house. The reason it has been bad in the past is that the conversion has been poorly done and the owner has been so dependent upon the second-floor tenant that in the event of vacancy, there is a murderous financial situation.

But assume that a nonprofit housing corporation, instead of building housing for rent, encouraged a situation in which a moderate-income family acquire a two-family house, and the nonprofit housing corporation rented the second-floor unit, which might be a one-bedroom, two-bedroom or three-bedroom unit. The rental income would be the guy on the first floor would take care of the property and the maintenance as the owner, responsible for his tenant above. But he wouldn't have to be concerned about the fact that his tenant might lose his job or move out. This might be a way of making a productive system without the disadvantages of the past. This is an unproven approach.

MR. RAVITCH: *I think that may be a valid solution in a relatively stable neighborhood with essentially middle-income people in it.*

MR. ROUSE: No. I mean low-income.

MR. RAVITCH: *But we are concerned with the future of our cities. We see increasing densities, increasing population, the very important need of maintaining a significant amount of space as open space, recreational area. Consequently, a large part of the present volume of new construction that is going to take place in the cities is going to be high-rise construction.*

Are you suggesting that the cooperative form of ownership is the most viable way of producing housing for people of low income?

MR. ROUSE: No, I wouldn't make a case for or against cooperative housing. I am aware of the support for it and, also, the criticism against it. I have never been involved in a co-op project and I really don't have a philosophy.

MR. RAVITCH: *Then what form of ownership . . .*

MR. ROUSE: But I disagree with the premise that the major solution of the housing problem is going to be high-rise housing. I think this is going to be a minor solution although it will be an important solution in very dense cities like New York. But I don't think it is a logical answer for most families and, in terms of the whole national housing supply, this will not be the largest solution.

As to your response to what I say by suggesting that it may be all right for middle-income families in established neighborhoods, therefore implying some instability at the lower-income level: I would point out that there is no instability at the low-income level. The people are there; the market is there. The people may not have income, but you can remove the instability from this housing tenure if the contracting party is a housing corporation and has the ability to pay the rent in the event of default and to move in another family. It doesn't have to be an unstable situation at all. It can be a very stable situation.

MR. RAVITCH: *Who will be the entrepreneur in this situation?*

MR. ROUSE: Maybe urban housing corporations. The churches are showing new interest in the housing field. I don't know what this may mean over the next half-dozen years. They have become very big. Also labor unions.

MR. RAVITCH: *They are going primarily into situations where they can get 100 percent financing with some governmental programs. Isn't that true?*

MR. ROUSE: Right.

MR. RAVITCH: *We are talking for the moment about nongovernment financed housing.*

MR. ROUSE: I am not making a case against the 221(d)(3) program. I think this is going to be the major resource for the private housing market in financing low-income housing – the use of 221(d)(3) or some other form of what amounts to credit subsidy.

MRS. SMITH: *Mr. Rouse, if you were on this Commission, and time being what it is, how would you set up, assuming we were going to make a report that was as meaningful to as many people as possible? What order of what subjects or problems would you make? To what subjects should we address our major efforts? In what order?*

MR. ROUSE: I thank you for that question because I might not have made the answer I wanted to make if you hadn't asked it. The one thing that I would urge as a member of this Commission is not winding up with a report that attacks symptoms, but a report that proposes how we can produce a really fit American city. What we must be working toward is cities that represent the best that we know how to do in our society. Instead of addressing ourselves simply to cities that exist, and how we can piecemeal solve the problem of unemployment or transportation or poor housing or what have you, we should turn our approach inside out, and ask: "What would the right kind of American city be?" In your questions to people who appear before you, and in your examination of "solutions," you should not be asking: "Is it better than what existed before?" but "What does this have to say about how to make the American city into the city that is really appropriate for our civilization?"

Nobody has done this. Nobody has proposed what the American city ought to be and how to make it that. We keep taking the American city as it is and try to move it forward an inch. That isn't enough. It is just not enough for our society. It ought not be enough for any of us to accept.

MR. DOWNS: *Well, I am sorry to be going overtime, Mr. Rouse, but I just missed my plane to Chicago to ask you a few questions.*

MR. ROUSE: I doubt if that is going to be worth it, but I will try.

MR. DOWNS: *There are about eight million people in our central cities out of a total of 58 million who have incomes at the poverty level, and at least half of these have very large families and, therefore, would not be able to be accommodated in two-bedroom units, and even if they could, they could pay only $50 a month.*

Do you seriously suggest that we can house them by some kind of a program, still maintaining within their income level, and provide them with new housing which pays for the entire process itself?

MR. ROUSE: I think that, first, there is an existing public housing program. Secondly, there is a rent supplement program. I think that clearly these programs are necessary.

MR. DOWNS: *And on a much larger scale than they now operate?*

MR. ROUSE: I don't honestly know whether it is larger or smaller, because I don't think we have ever taken a city and worked through the housing supply to find out how the rents and prices would match against incomes and determine what is that residual quantity that needs, first.

public housing and, second, rent supplement, and, third, some other form of subsidy.

MR. DOWNS: *I thought that was what you did in 1955.*

MR. ROUSE: Well, as a matter of fact, we did. We came up with a quantity of public housing to be added to the existing housing supply to take care of the residual population.

MR. DOWNS: *Did you allow in that calculation for a large increase in the cost of education, crime prevention, provision of unemployment training, and so forth?*

MR. ROUSE: In the municipal budget?

MR. DOWNS: *Yes.*

MR. ROUSE: No.

MR. DOWNS: *So that the conclusion that the renewal of cities could be a self-financed proposition is probably not true?*

MR. ROUSE: No, I don't think that follows because what we are saying is that the increased assessable base resulting from making a city work would produce the revenues to service the debt to make it work.

MR. DOWNS: *But only the cost of housing, and not these other programs?*

MR. ROUSE: I didn't mean this was all to be municipal debt. We have built into that study the existence of the urban renewal program.

MR. DOWNS: *Yes. But you are talking about the rehabilitation of an entire city which would require, as you point out at the very beginning, a commitment as to education programs, employment training—all kinds of other programs.*

MR. ROUSE: Right.

MR. DOWNS: *And it seems to me unlikely that this can be financed out of assessment, particularly if you are taking into account all of the poor people who live in these cities.*

MR. ROUSE: Well, I think when you measure total costs you will find that it is cheaper to make the city work than to continue operating cities that don't work.

Now, programs of education and health can be provided, not only more extensively but more economically, within a framework of a city that works for its people.

MR. DOWNS: *But you can't get—*

MR. ROUSE: I wasn't implying that by physical renewal of a city we eliminate the need for the poverty program.

MR. DOWNS: *But you implied that we could pay for it.*

MR. ROUSE: No, I didn't.

MR. DOWNS: *I'm sorry; I thought you did.*

MR. ROUSE: As an example of what I am saying: Churches would be heavily involved in a comprehensive program for the renewal of the city. This is not going to take the place of anything in the school budget. However, I think it can help the school programs operate far more effectively . . .

MR. DOWNS: *Now, you said . . .*

MR. ROUSE: . . . By integrating the total programs of the city you get greater mileage with the same dollar.

MR. DOWNS: *You mentioned it would require a larger area for a re-*

habilitation program. Can you give us some idea of what minimum size area you would think would be viable?

MR. ROUSE: I can give two answers. One, for the economics of physical rehabilitation itself — for just the economics of real estate — to acquire, average out rehabilitation experiences, and so forth — I think we may be talking in the scale of 8 or 10 or perhaps 15 blocks — this kind of thing.

But to produce a socially and economically viable community would require an area of 100,000 to 150,000 people — there would be many individual rehabilitation projects in the area as well as many clearance and redevelopment projects.

MR. DOWNS: *If we tackled a city on that kind of a scale, during the period of doing it — which would be over some number of years — there will be a large relocation required of people living there. This gets us into one of the problems which has limited our urban renewal programs in the past. That is the necessity of relocating Negro population to all-white neighborhoods. Furthermore, our present growth — all of the growth of central cities from 1960 to 1966, in all of the 224 standard metropolitan areas — was in the Negro population, since the white population fell.*

Do you think in your description of the ideal city, or your description of how we ought to go about achieving the ideal city, that we should attempt to move large numbers of this expanding Negro population into the suburbs or should we maintain the continued trend of segregation in the central cities?

Ideal: Metropolitan Basis

MR. ROUSE: Well, if I could have my "druthers," I would put a Negro family in every block in every suburb in the country and, therefore, end the notion there was any place to flee to. And the problem would be over. But nobody is likely to have that opportunity; so we have the real fact that a city is one political boundary, and ideally this program should be done on a metropolitan area basis.

MR. DOWNS: *It couldn't possibly really be done any other way, could it?*

MR. ROUSE: The planning would certainly be imperfectly done on anything but a metropolitan area basis.

But you were reflecting by your questioning the state of mind that worries me the most; that is, the state of mind that really says these problems are so big that nothing can be done about them.

MR. DOWNS: *No, I don't think so. I am just trying to pin down what you think should be done.*

MR. ROUSE: Each of these points you are making, including this last one of relocation, can be looked upon as a problem so enormous that there is no solution, or it can be looked upon as a part of the ball game. There are plenty of solutions when we take on the whole game with a determination to win.

MR. DOWNS: *Doesn't the game imply that the solution is not the city?*

MR. ROUSE: The city is what we have. So we work at that solution, rather than wring our hands in despair because we can't deal with the whole metropolitan area.

This is the difficulty with the state of mind about the city. We are constantly finding some roadblock that we make insurmountable. It may be 50 years before we have metropolitan area government. But we can't wait 50 years to make the city a better place to live. Therefore, given that situation, we plan comprehensively within that limit, and in the doing of it I think we might find that it would release forces that would carry over into the outlying areas.

MR. DOWNS: *Do you think it would require any harder changes in attitudes to move, not necessarily toward metropolitan government but toward some wider form of decision-making, than is required in what you have described in sort of Norman Vincent Peale terms as the change to a positive attitude? Doesn't that require an equal change in attitude?*

MR. ROUSE: Well, perhaps. I feel we are reduced to a bit of semantics at the moment.

MR. DOWNS: *You said that the most important thing is a change in attitude. I think that is quite true. But shouldn't that change in attitude, if we are going to strive for it, be one that takes into account the suburban attitudes and brings them into the ball game?*

MR. ROUSE: I think so long as we do this in the frame of mind that we have many problems on which to work, then one big problem on which to work is the matter of better metropolitan area planning. Very little good comprehensive metropolitan area planning is proceeding in the United States. We are making better starts in some places. The first comprehensive regional development plan for the Baltimore area has been announced in the last two weeks. That is a step forward. And I think we are going to keep doing this. We must keep working on better regional transportation planning. While looking at the American city as a political entity, we can still be working on civil rights programs to break down the political barriers that segregate people.

We can develop a comprehensive plan and program to produce the best possible solution within the city. Political segregation will be a barrier, but it will not be an insurmountable one. We will be moving families into suburban areas in the course of executing these goals we set for the city.

MR. DOUGLAS: I am going to ask Mr. Davis to close the questioning.

MR. DAVIS: *I feel like the last guest. What is there left to say that hasn't already been said? But just one short question. I think we can all agree that we no longer live in a world where Napoleon III can commission a Baron Haussmann to replan Paris. With the methods and tools available, is it really possible to plan better cities, recognizing the entire spectrum of groups and subgroups and the multitude of components of self-interest?*

MR. ROUSE: Is it possible?

MR. DAVIS: *With the tools we have?*

MR. ROUSE: Is it possible? I think I can restate your question: Is it

possible really to do the job with the multiple groups and subgroups that we have?

MR. DAVIS: *In any kind of democratic method, where everybody's feelings are observed in the interrelationship of whose interests are planned?*

MR. ROUSE: Well, I think it's possible to produce a plan.

MR. DAVIS: *Great.*

MR. ROUSE: I think it is possible to produce a program for executing the plan, and I think there will be a host of barriers between the plan and the actual execution of it. But I think those barriers will all be lessened by the power, completeness, and visible strength of the planning program.

We are being overwhelmed in the city today by little forces that can be very big in relationship to small programs. If the city of Washington had mounted and had under way a program that had the prospect of making the city work to the very best that it could work, it still couldn't command authority in Arlington, Fairfax or Montgomery or Prince Georges County. But if it was proposing the best that it could do in Washington, then I think the support that would be generated behind it, and the momentum that would build up, would reduce the roadblocks. It would produce a result far better than anyone could anticipate.

MR. DOUGLAS: *Thank you very much. I want to close with the fact that it was Daniel Burnham, a distinguished citizen of Chicago, and, according to some, the first city planner, who said, "Make no little plans; they have no magic to stir men's blood."*

We are very grateful to you. We appreciate your testimony.

(Adjournment.)

Baltimore

Commissioners Present: Chairman Paul H. Douglas, David L. Baker, Hugo Black, Jr., Lewis Davis, John DeGrove, Alex Feinberg, Jeh V. Johnson, John Lyons, Richard W. O'Neill, Richard Ravitch, Chloethiel Woodard Smith, Tom J. Vandergriff, Coleman Woodbury

In Baltimore, the focus was on that city's pioneering efforts to save neighborhoods through rehabilitation of housing. The role of citizen involvement, housing code enforcement, and the housing court were examined in the morning session, using as a specific example the story of Harlem Park, where the Commission met. The afternoon session was directed toward rehabilitation in perspective — its implications for the country.

Harlem Park Recreation Center
Baltimore, Maryland
Morning, May 13, 1967

Mr. Douglas: You will forgive us if we start out in advance of Mayor McKeldin's coming. . . .

Baltimore is the first city aside from Washington in which we have held formal hearings. But between now and the end of October we will hold hearings in 18 cities across the country.

Our purpose is a constructive one. We are here to examine the subject of rehabilitation and housing and housing code enforcement. We have come to Baltimore to do this because this city pioneered in these matters. And while we are here to profit from your experience, we have also invited witnesses of national stature, including, indeed, some of your own people such as Mr. Steiner, Mr. Ewing, Mr. Rouse, and Mrs. Froelicher, who will look at rehabilitation not only as a Baltimore question but in its broader national setting. But let me repeat that we have come here to examine housing rehabilitation because this city pioneered in this subject.

We appear in the very midst of the Harlem Park rehabilitation project and we want to express our appreciation to the people of Harlem Park for the advance work which they have done and for their courtesy and kindness in greeting us.

We deeply regret that Mrs. Froelicher will not be with us this morn-

ing because of illness but I am told by her husband that the operation was successful and not serious as had been feared, so I hope you will convey our thanks to her, Mr. Froelicher, and our pleasure in the things that have been told about her.

STATEMENT BY HANS FROELICHER, JR.

MR. FROELICHER: [1] Senator Douglas and members of the Commission, I am delighted to be here representing the cause in which we are all interested and regret very much that the headliner of the family is not here to tell you the story herself. As Mr. Woodbury knows, in our family I am very much the senior but in the area of housing and related fields, my wife is the pioneer and it's a little different from the arrangement of one of the Governors in the South. I am speaking as the Governor now if I may.

I am tremendously interested too because as a volunteer in this field beginning about 25 years ago I clung to Miss Morton's coattails, and she later took my name, and that was fine. I feel supported too because my neighbor here, Mr. Ewing, and I were volunteers before he began his notable career in the field of housing renewal. Yesterday you heard from another Baltimorean, Mr. James W. Rouse, and interestingly enough, Mr. Rouse and Mr. Ewing and I sort of had our "kindergarten experience" in the Citizens' Planning and Housing Association together.

I think the president of CPHA, is going to be here, Mr. Casey. His deep interest in the field with which you are concerned was especially developed when he was chairman of a committee of ours which worked with ACTION [the American Council to Improve Our Neighborhoods] to make an evaluation in Harlem Park about two years ago.

Code Enforcement, Citizens Groups

Mrs. Froelicher has submitted a paper which I shall not read. I would like to outline her thesis and then read a few pertinent quotes which might lead to some questions.

Her thesis is that law enforcement [2] is the prime tool of rehabilitation. We in Baltimore agree with what Mr. Rouse told you yesterday, that rehabilitation must be relied on to a tremendous extent in the renewal of our city. In the second place, the involvement of people in this process is probably its most essential quality.

We believe that in every metropolitan area there must be a citizens'

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[1] Retired President and Honorary President of the Baltimore Citizens Planning and Housing Association; private school educator; appeared for his wife, Mrs. Frances Morton Froelicher, a pioneer in organizing citizens to support better housing and community improvement.

[2] of housing codes and related regulations.

group such as we have here in Baltimore, which has a metropolitan point of view, which develops expertise and which is an encourager, inciter, and watchdog of the processes of rehabilitation. At the same time, there is the immense job of involving people in neighborhoods in what it is possible for them to do with government's cooperation, over and beyond what the government can do — what people can do, block by block, neighborhood by neighborhood. We have devoted our organization and a tremendous amount of our energy toward the development of this, both as an art and as a spirit in a neighborhood. I'm sure that one of the first things you have encountered in your exploration is the lack of neighborhood spirit — what was originally the "villiage spirit," as a sustaining factor in the community.

Fix-up Not Enough

Another concern is this, that fixing up is a small percentage of the battle. Keeping up is the larger percentage. That is a complicated goal, but it must be done. In every experience we have had in Baltimore that has shown up.

We began in one block in South Baltimore and found it was not large enough. There was no self-sustaining group, despite a brave school principal and a brave school group. There was not enough continuing spirit to sustain that block.

We then turned to what we called the Pilot Area. The Pilot Area was 27 blocks. In a measure it was an enormous success. This was the first and probably the only time when every department of the city was involved that could possibly be concerned with it, and also each private agency that should be concerned with it. However, the small organization for housing law enforcement that existed then was demanded elsewhere in the city and, by tragic necessity, they had to leave. The permanent residents — the churches and schools and the business people — were not sufficiently strong or equipped to take over and give leadership. The local residents of the low-income group were not really ready for that leadership. So the thesis that "fix-up" is far from enough was demonstrated.

It is also Mrs. Froelicher's suggestion that some decentralization of city services into project areas will bring people closer to the sources of help that they need.

Community organization must be there. There must be some "conspiracy" among the permanent residents that this be a neighborhood. The services needed for people in such areas must be within reach in a geographical sense.

I'm talking, of course, about the problems of all cities. One of the great services we feel your Commission may render would be to accumulate and publish the experience in a number of cities. No city of which I know is perfect. Certainly we are not. Please make it possible for Baltimore to share the successes of cities elsewhere. Let our successes be put at the disposal of Los Angeles, California, or Portland,

Maine. We really hope your Commission will be able to help in this respect.

The idea of the Citizens Planning and Housing Association in Baltimore is about 31 years old. It began with Mrs. Froelicher's study of Wards 5 and 10 when she was in the New York School of Social Work. That was followed with real help from our Health Commissioner, from the director of our Department of Welfare, and by passage of the Ordinance on the Hygiene of Housing (the first one in Maryland) in 1941. Then the Housing Bureau was set up in the Health Department. Many of you know Mr. Yates Cook, the first director of the Bureau. He was an incorrigible optimist. He had the most contagious invitation to help. His appointment was followed by the development of the Mayor's Advisory Council to his bureau. Work on the Sharp Street block was the first concentrated effort. Today it shows no signs of having been rehabilitated.

Then followed the Pilot Area, the 27 blocks. Then over to a middle-income area called Bolton Hill where residents were more ready, more receptive, and more articulate. And then Harlem Park, where we are today. Of the Pilot Area, there is nothing left. It is now one of the critical areas of the city where the Community Action Agency (the poverty agency in the city) has much concern.

Now, if I may, I will just read briefly from my wife's text.

Necessary Precepts

"Probably the greatest problem we have to solve in the United States, in preserving low-income rehabilitated neighborhoods, is how can neighborhood pride be created and maintained so that overwhelmed people will continue to fight for city services and neighborhood upkeep. . . .

"In order to achieve good planning in the United States, universities must spend more of their time on urban problems. All schools, public, independent and parochial, at all levels should concentrate on urban problems. . . .

"Leaders in physical planning and social planning should learn more about each other." We find that to be crucial to our own city and that is being overcome step by step.

"Rehabilitation, which at the moment depends first upon good housing law enforcement, must be taken out of politics." That is, there should be no favored property owners.

"The ordinary citizen in the city must be able to think that his housing law enforcement program is effective and fair."

Plan with People

From our experience we have come to some conclusions. The first one is that the plan should be developed with the people. I'm sure

Mr. Ewing will talk about the gradual process of including people in this area. Harlem Park was begun under the aegis of the Planning Commission, which had no community organization potential. Organizations like the CPHA helped the neighborhood organize. (The first organization was under the chairmanship of a very able principal of this school, Mrs. Mary Brooks.)

Planning with people involves planning for improvements the people want even though the agency may not agree.

City services should be decentralized. I did refer to that. Residents are more likely to remain organized if they see that they can obtain services through request.

Harlem Park was, I think, a great opportunity for our urban renewal agency to learn a lesson on how people are involved. When they came over to the Mount Royal-Fremont Area, they were very careful to use the lessons they learned here.

Finally, new groups are coming into neighborhood rehabilitation.

That makes for difficulty. What has been developed has not worked perfectly. Therefore it's too often the thought, well, we have got to do something entirely new. Instead of going steadily ahead, they often will sort of take a bypass — picketing a landlord or things like that — where, even though it might be justified, it really is quite a waste of time.

The central feeling that Mrs. Froelicher would like to leave with you is this: devise ways and means of including people, both on the level of the metropolitan community and very much so on a neighborhood level. This is absolutely essential. The more ways and means by which this kind of spirit can be developed, invented, practiced, and made useful, the sooner our cities will be able to realize something of their potential.

Mr. Douglas: Thank you, Mr. Froelicher.

I'm going to call on Mr. Edgar Ewing now, and when he is finished, there will be questioning from the panel.

STATEMENT BY EDGAR M. EWING

Mr. Ewing: [1] Mr. Douglas, members of the National Commission on Urban Problems, the first thing I would like to do is welcome you to Baltimore City and tell you how glad we are to have you here, and we hope your visit will be a rewarding experience. We would not like to represent Baltimore City in the area of neighborhood rehabilitation as being a place that has all the answers, however. We have done some

[1] Director (at time of hearings, Associate Director), Baltimore Urban Renewal and Housing Agency; public housing manager in Baltimore, 1940–42; Assistant Director of BURHA for Rehabilitation from 1953, on initiation of Harlem Park project; Board memberships — Health and Welfare Council of Baltimore Area, Inc.; Citizens Planning and Housing Association; Baltimore City Zoning Commission, and Baltimore Urban League.

experimentation and we have done some work in improving the quality of life in the core of Baltimore. But there is much yet that remains to be done. The experience that we have had may be profitable to other cities. We hope by sharing our experiences with you that some good can come for the benefit of other cities that are trying to improve the physical characteristics as well as the social quality of our American society.

Concept of Neighborhood Rehabilitation

There are a few things in the way of introduction that I would like to say. First is to set in context what it is we want to talk about today. Our major emphasis, or the major thrust of this visit today, is a hard look at rehabilitation — neighborhood rehabilitation, as contrasted with what is so commonly called code enforcement as a device, technique, or tool for changing the quality of central cities. I would like to think of neighborhood rehabilitation, or at least the way we think about rehabilitation, as involving much more than just the structures in which people happen to reside. We think of a neighborhood as being something viable, a living, breathing organism that has the possibilities of its blocks being restored to something meaningful for residents who profit from living in such an environment. We are talking about street lights, we are talking about streets, we are talking about traffic, we are talking about education, we are talking about all kinds of supporting facilities that are necessary in any environment. So many people think if you improve houses and backyards or bathrooms that you have done the job. That's not what we are talking about. That's code enforcement of sorts, but rehabilitation to us is a broad program that includes many, many ingredients. The minute we forget that a neighborhood must have all of these ingredients, we have forgotten what rehabilitation is all about.

By way of orientation, let me just spend a minute at the map showing where Harlem Park is in relation to the balance of the city.

This map represents the whole of Baltimore City, about 93 square miles including the harbor, with something less than one million population.

The urban renewal program operates in the colored area on this map. The ordinance establishing our agency allows us to operate as an official part of the city's developmental family only in those areas that have been approved for treatment by the express vote of the City Council.

The area to the left is the Harlem Park renewal area — this yellow area right here, with about 150 acres and 32 blocks and about 13,000 people.

Another study area, in green, is known as the Mount Royal-Fremont area — about 1,000 acres and about 70,000 people. In it two neighborhood rehabilitation projects are presently being executed. The orange area largely encompasses the center of the city, about 1,000 acres in

the heart of the city. The downtown area is in this particular section. Several projects are in it, one being a rehabilitation project known as Mount Vernon, which we refer to as the cultural hub of the city. In it we find the Peabody Conservatory, the Walters Art Gallery, the English Speaking Union, and such other things that support the cultural life of Baltimore.

Another study area on the east side of the city is known as the Gay Street area. The lighter areas are either active or proposed concentrated code enforcement areas which are under the responsibility of the Department of Building Inspection.

So now we have the areas of activity to which we will confine our remarks today, but more specifically to the Harlem Park area, which was the first urban renewal area of Baltimore and one of the pioneer efforts in neighborhood rehabilitation in the country.

I hope that you got some flavor of the area as you walked through this morning by seeing some of the things we tried to do. But it's impossible for you to make any comparison because you don't know what Harlem Park looked like before you started. I wish you did.

MR. DOUGLAS: Mr. Ewing, would you suspend for a minute? Mayor McKeldin has come in.

MR. EWING: I'm always glad to defer to the Mayor.

MR. DOUGLAS: Baltimore's unique in that its mayor is also a former Governor and so I am going to introduce him as Governor-Mayor Theodore R. McKeldin and say how very much honored we are in your coming during a tempestuous day to greet us in Baltimore. Some day I will inquire of you how you are so successful.

WELCOME BY MAYOR McKELDIN

MAYOR MCKELDIN: Thank you very much, Senator. I was supposed to be at Mass at 9:15, and then at breakfast for the Mass at 10:30, and in Patterson Park at 11:00, and that, unfortunately, is why I am late.

I admire this Senator, this man, as much as any other man in America. I think he was one of the greatest senators who ever sat in the United States Senate and if we had more of his type there, the country wouldn't be in the condition that it is.

MR. DOUGLAS: I may say this, that I think you have a combination of Southern hospitality and Irish blood.

MAYOR MCKELDIN: In my heart, Senator, I mean this. I said this all the time because you represent the type of thinking that I represent, because I followed your fine leadership. What a great honor it is for you to accept this job, to do this work for us now, and it is a great honor for me to come here and welcome you and tell you how proud we Baltimoreans are of you.

May I say this before Mr. Ewing resumes: Dick there who is head of our urban renewal — Dick Steiner — I appointed when I was mayor 20 years ago in 1943. Every 20 years we elect a Republican mayor. I

was elected in '43 and twenty years later in '63, and I started him the first time in '43. It was early that I appointed him and he did such a good job the Federal Government liked him and took him to Washington, but when I came back as mayor this time, I went into action and brought him back to Baltimore and he is doing a magnificent job.

MR. DOUGLAS: Thank you. Please continue now, Mr. Ewing.

MR. EWING: It has been said that the wealth of our country is in our cities and that the wealth of our cities is in the housing. This being true, there can be no greater command to our cities than to conserve and preserve the housing supply. Unfortunately, the existing inventory, in too many instances, has been neglected and has been allowed to depreciate and decay.

The Congress in 1954 recognized that more far-reaching programs must be developed and implemented which would be directed to not only conserving but upgrading the residential neighborhoods of our cities. Out of this recognition grew the concept of neighborhood rehabilitation as a Federal program. Simultaneously, it was agreed that the Federal tools of clearance and rebuilding on a small project basis were insufficient to remove existing slums and that very little action had been taken to actually improve the housing quality in residential communities.

Neighborhood Planning

Soon after the passage of the 1954 legislation, Baltimore City engaged a study board in which one of your members, Mr. Coleman Woodbury, participated. Now this study is known as "the Bible" around here in Baltimore and has been used many, many times in cities about the country as an example of, and guide on, how it is possible to establish and create a municipal administration and organization in such a way as to effectively prosecute an urban renewal effort.

As a result of this study, the Baltimore Urban Renewal and Housing Agency was created. Blanketed into it were several separate departments and functions of city government which had previously operated autonomously. One of these was the neighborhood planning process, which previously had been located in the City Planning Department.

The Harlem Park area had been designated as an urban renewal area, and some surveys had been made and early planning studies conducted for this community by the planning department prior to the advent of the Baltimore Urban Renewal and Housing Agency. It was recognized early in the planning process that Harlem Park represented the kind of community in which the provisions of the 1954 legislation could be implemented by initiating the first federally supported neighborhood rehabilitation undertaking. Harlem Park was selected because of its location and nearness to the central core, because of its physical condition, which was neither good nor rock-bottom slum; because of its social character; because of its neighbor-

hood characteristics, which could easily be delineated; and because it was felt that here was a section in which most of the ingredients of a neighborhood rehabilitation program could be tried.

Harlem Park Project

Baltimore is a city of approximately 290,000 dwelling units. Prior to the execution of the rehabilitation process Harlem Park was a community of about 2,400 structures and approximately 4,400 dwelling units. The population approaches 13,000 people, with an average family income of about $4,000. Structures are about one-third owner-occupied. There are 32 square blocks located on about 150 acres. That is a physical description of what Harlem Park represents.

The objectives of the neighborhood rehabilitation plan for Harlem Park can be briefly stated:

(1) To upgrade the neighborhood to the extent that would assure many more years of good sound economic life.

(2) That upgrading of structures would be within the financial capacity of the owners.

(3) The area would be rehabilitated with a goal of retaining as many of the present residents, or other residents of similar economic characteristics, as possible. It was not the goal to improve Harlem Park to a level which would require the present residents to move out to let a new and higher socio-economic group of people to move in. Neighborhood rehabilitation must be done, if we are to retain or make available in our cities suitable places for the present occupants at a level within their means. We can't continue to clear and build and provide housing for people that are of a higher economic class.

(4) That population density in the area should be reduced.

(5) That adequate recreational and educational facilities to serve the neighborhood would result.

(6) The planning, execution, and maintenance of the neighborhood should involve to the fullest possible extent the participation of the residents of the area. If I don't say anything more about this, I think this is central to any rehabilitation program and it is an area in which Mr. Froelicher and Mrs. Froelicher have been most active over the last several years. The objective is to bring to the community those kinds of social tools that are designed to improve the social fabric, the social fiber, if you will, of the community. I believe it is a mistake to improve the physical characteristics of the community without simultaneously doing something about the habits and attitudes and aspirations of people who live there. It is a futile undertaking. There must be tools and skills available to achieve this goal.

(7) That nonconforming and incompatible uses should be eliminated or controlled.

(8) The provision of landscaping of public streets and areas with trees and shrubs in a manner which would complement adjacent buildings and areas.

These, then, were the objectives of the Harlem Park undertaking, as of the balance of the rehabilitation program in this city.

One of the central foci of the plan – to achieve the goal of reducing the density in the area – was elimination of the dilapidated structures found on the small cross streets, sometimes referred to as alleys, which housed about 400 families.

Now, if we mean what we say about engendering respect for one's environment, we must respect the people that live in a community. In Baltimore we don't talk about people living on alleys. People live on small streets. Nobody likes to think he lives on an alley. The map in the back of the Harlem Park plan, which is before you, indicates where we wanted to do something about these small cross streets where many people lived.

When this was done, the peripheral houses on the front streets remained and by the removal of the interior structures, a "hole in a doughnut" was created. In these voids were built, at public expense, interior block parks. These parks were largely designed with the participation of the residents whom the inner block parks were supposed to serve.

There were initially 900 street trees planted in the area to meet esthetic and health objectives of the plan. The Department of Education constructed two new schools designed to serve the Harlem Park area and the surrounding neighborhood. This recreation center in which we meet this morning is a part of that school complex.

These street trees would not have survived, many of them, if it had not been for the encouragement of the children to be concerned about their environment through involving the school in neighborhood improvement. The summer after the first street trees were planted, we had a terrific drought. It was gratifying to see children bringing buckets and dishpans of water from their homes to water these trees which otherwise would have perished. This is a direct result of trying to involve citizens, and especially the young people, in an undertaking of this kind.

Most of the nonconforming and incompatible uses have either been removed or the owners have entered into covenants running with the land which assure that their subsequent use, if the land is sold, will be controlled.

Involve Residents and Absentee Investors

Every opportunity has been afforded for property owners, tenants, and business to participate in a meaningful manner in the planning and in the execution of the program.

Now I think it's important to take note of the kind of involvement that it is necessary to have on the part of businesses and property owners – and not only the resident property owners, who are very important people. We must also have the full participation and interest of the absentee owner, the investor owner. We feel it is an obliga-

tion of the city, the agency, and the staff to encourage this kind of participation, to go out of your way to involve the absentee owner in helping him to recognize that there is something profitable for him as an entrepreneur in becoming interested in and participating in a meaningful and, if possible, a voluntary manner.

We are happy to have been associated with the Property Owners Association of Baltimore City in Harlem Park. They have been extremely helpful in prosecuting the Harlem Park effort and in bringing about the upgrading of that two-thirds of the area which is investor-owned.

It is believed that a neighborhood rehabilitation program can have substance only to the extent that the process has meaning to the residents of that community. It can have meaning only to the extent that there is brought about a feeling of spirit and pride in what they have helped create.

The number of properties that have been rehabilitated to date exceeds 95 percent of the total. This has been made possible largely by the staff assistance to owners in obtaining financing and in assisting with the contracting of the work. Harlem Park has served as a prototype for solving the myriad problems associated with FHA insurance for neighborhood rehabilitation. Time will not permit an examination of this experience.

It was necessary to include in the urban renewal plan for the rehabilitation of the structures extra standards to be exacted from property owners which were not in effect in other sections of the city. These standards were required since it was felt that the existing home improvement codes of the city were not high enough to assure a quality of improvement which would have lasting benefits. Since the plan was approved by City Council ordinance, these standards had the full force and effect of any other city code.

The plan contains provisions which enable the city to acquire properties from owners who have not improved them within 12 months and to resell them to buyers who are anxious to rehabilitate the structures. It was not necessary during the period of the plan to exercise this prerogative.

One of the essential tools in achieving neighborhood rehabilitation in Baltimore is the existence of the housing court, to which recalcitrant owners may be summoned for failure to correct structural, health, or safety violations.

Those few structures remaining to be improved are hardship cases, tax delinquent properties, and a small number where work is in progress but is slow in being brought about.

Lessons from Harlem Park

Many lessons have been learned from the Harlem Park experience. Among them are the following:

(1) A plan must be devised to assure that the small percentage of

structures not rehabilitated – for one reason or another – at the end of a project are eventually rehabilitated. It is our opinion that it is not enough to have 90 percent, 95 percent, or one rotten apple, left in the barrel. It can readily be seen that if a part of the area is being rehabilitated, if a part of the structures is being improved, and there are still unimproved structures in a community, these can present unsatisfactory influence on those that have been improved and it is our objective then to eventually find a way to improve all of these.

(2) An appropriately rehabilitated building which will serve as an office in the project is highly desirable. An office in the area of a suitable character and quality is essential, not only to give to people in the neighborhood a place around which they can rally and hold their meetings, but to bring City Hall to the people, to the neighborhood. You don't expect the people to go downtown to see their representative. He is right there in the neighborhood to hear and to feel and to see the problem.

Conversely, the staff can look out of the window and see the problems confronting the community.

(3) A rehabilitation project should have a central anchor of some kind which lends impetus to the project. If this is new housing, it must be provided with rents comparable with those usually paid in that particular neighborhood.

Nothing breeds success like success. If there is an anchor, and especially if it is new housing, it will do much to increase the concern of the people about the environment and create a feeling of, well, others are doing something, why shouldn't I?

(4) An adequate staff with appropriate skills is mandatory. You have a list of job descriptions, of the kinds of people that we engage to prosecute the Harlem Park effort. Without these kinds of skills, without these dedicated individuals, one is going through the motions of improving a neighborhood without achieving the full potential of the undertaking.

(5) Staff must be authorized and charged with aggressive action, firm but helpful.

(6) To assist with proper enforcement of housing codes there must be a housing court, or its counterpart.

(7) Rehabilitation standards must be realistic and achievable.

(8) There must be adequate financing for property owners: FHA insurance, conventional money, low-interest loans and grants, and financing aids for the elderly, handicapped, and indigent must be available.

(9) Do not expect to rehabilitate what cannot be rehabilitated. Be prepared to declare structures economically unsalvable, if and when such conditions are found.

(10) There must be created an informed and actively participating citizenry for the planning and execution of a program.

(11) Public improvements must be made either prior to or concurrently with home improvements. We can't expect people to improve their properties until there has been some demonstration on the part

of the public authorities that they mean business too. Let the public improvements be made first.

(12) Municipal services must be provided of a quality and a quantity to assure that the area is properly served. Special reference is made to refuse collection, police protection, and public recreation leadership.

Areas of this kind in the center of the city often suffer from the lack of attention — a kind of neglect — and if we are to improve the physical and social character of these communities, it is our job to assure that the community services are of a desirable quantity and quality.

(13) A total community commitment for neighborhood rehabilitation must be present. And this is the *sine qua non* of the whole business of rehabilitation. Special reference is made to municipal government, the complete staff of the local public agency, the neighborhood itself, the community social service agencies, the financing fraternity, and the business community.

It isn't enough for a public agency to say we want to prosecute a neighborhood rehabilitation program, unless there is a total commitment of the community that the city really wants such a program. This is important if we are to have neighborhood rehabilitation that has real substance on a city-wide basis.

(14) A plan for followup to insure that standards achieved are maintained. This is imperative.

(15) Provision must be made for removal or control of negative influences on residential characteristics during the planning stages, to the greatest extent possible.

(16) Study should be given to some form of real estate tax incentive, in order to stimulate rehabilitation.

(17) If homeownership in the area is low, a plan for strengthening and increasing homeownership is desirable.

This is but a brief overview of the very intricate process of neighborhood rehabilitation. Several other neighborhoods in Baltimore are due to receive a similar type of treatment. It is the firm conviction of this city that an accelerated effort must be made to conserve the existing inventory of housing before greater depreciation takes place. Our emphasis must shift from largely clearance operations to making our residential sectors more livable.

QUESTIONS BY COMMISSION MEMBERS

MR. DOUGLAS: Thank you very much. I am going to ask Mr. Woodbury, who was connected with the 1955 study, to lead off the questioning.

Neighborhood Organization

MR. WOODBURY: *First I would like to ask Mr. Froelicher for a little expansion of the social or neighborhood participation, the maintenance of the neighborhood spirit, in an area of this sort. I gather from*

your paper and remarks that, in the initial pilot project, as long as the public agencies were active, things went well. When they were forced to or did draw out, then things didn't go so well. And that later, welfare agencies of one sort or another, public and private, were able to fill some of that gap, in later projects. My question is, sir, do you think that agencies concerned with neighborhood organization and activity need any reorganization, reorientation, or whatnot to make them more effective in areas of this kind? Do I make myself clear?

MR. FROELICHER: Yes, I think so. I think the bottom dropped out of the Pilot Area when the public agency withdrew and the obligation of permanent residents — I refer to businesses, schools, churches — to take the lead was not clear, and it was not undertaken. Therefore, deterioration began to set in the minute the public agencies left.

Where you have an articulate middle-class area you have built-in support to start with. The great problem is how public agencies can contribute toward the maintenance of a spirit engendered by the renewal processes such as Mr. Ewing described.

In our agency there's a Community Organization department. They work only in renewal areas — on the basis that they do not really drum up trade. They do not tell neighbors what to think. They offer every conceivable help where neighbors want to get together, when they want to develop leadership, when they want to be articulate, and when they want to reach a governmental agency.

In the Mount Royal-Fremont area to which Mr. Ewing referred (at the moment I chair the areawide council) there are 65 different organizations. The history of improvement associations is that they stand up more if an activist is in charge when something happens. But if you just proceed from one chairman to another it dies and nothing happens.

Now the subtle point to make is: when is it the privilege of a community organizer to bridge over gaps like that and to what extent should he go representing, let's say, the great power of government in engendering further such organization? In our area we have several articulate, really able groups, and we have some that merely meet once a year to elect officers. I think probably the most successful experiments now going on in this large area, the Mount Royal-Fremont area, are those which have been locally engendered. Here leadership spontaneously sprang up from people who do not wish to live and do not wish their neighbors to live in less than a civilized way. A patent on a method of doing this has not been defined, but it must be uppermost I think in the minds of all who have a concern that this be the objective. It begins right in a block and a block is never strong enough to survive alone in an area. It must go from there to the neighborhood.

MR. WOODBURY: *Thank you very much.*

MR. FROELICHER: I should say that the Bureau of Building Inspection, which now has charge of law enforcement here, has been enabled by some Federal grants to begin to develop some community organization aides, people of that kind. Now they are charged with the total

city responsibility (that is, other than urban renewal areas) and that may be a hopeful prospect. But as of now it is experimental.

MR. WOODBURY: *Thank you very much. You have given us an accurate and balanced account of your program and conception of it here and I hope this doesn't sound like an unfriendly question. I am sure it isn't meant that way, but what was the weakest point?*

MR. EWING: Well, it seems to us that the weakest point was in the involvement of the residents. It's no job to dig a hole in the ground and build a new building. It's no job to enforce your code if you really mean it. But it is a considerable job to involve people to the extent that this experience represents a meaningful upgrading of citizens so they will maintain the community. There are many weaknesses. But the main weakness it seems to me is the inability to involve as many of the residents, both tenants and property owners, to the extent that is desirable. Of course we are not looking for what is referred to as a "gold coast." We are looking for a livable community. We are looking for a clean community, we are looking for a community that has no more of the asocial attributes than those found in what we so glibly define as a middle-class neighborhood.

So what we've got to strive for is more intensified activity toward the involvement of people in the program in a meaningful and lasting kind of way—the development of leadership from the area. I think this is a goal toward which we still have a long way to go. Finally, let me say that some people think of the poverty program as brand new, something that just began here last year. We had the same concept of the poverty program seven years ago in Harlem Park. In fact this whole neighborhood program is founded on the same concept of involving citizens, of giving people the feeling that they could be articulate about their needs once they recognized they had problems. A lot of people had problems they didn't even know they had. Until these problems are identified by the citizens and until they are able to talk about them and know what the resources of the community are, and are able to take advantage of such resources, we haven't done the job.

Financing Problems

MR. O'NEILL: *Mr. Ewing, I have two questions. First, about the financing? What was the receptivity of the lending agency from 1954 to date in lending from FHA 220 and conventional mortgages? And under the conventional mortgages, what were the terms and the period of years? I note here on this data sheet you ran ten years down to six years. What was the true interest rate on that and what was the receptivity of the lending institutions through the period? The second question is, what did you do with the people that you had to relocate?*

MR. EWING: The financing problem is one that takes a session by itself, but I will be as brief as I can.

When we started the execution of Harlem Park, the residents in this community couldn't borrow a quarter for three reasons. One was that

it was a predominantly Negro community and in Baltimore it was the practice at that time for lending institutions to have a different set of standards for those who wanted to borrow money, for the white and nonwhite.

Secondly, there was a large number of three-story structures in this area which the financing fraternity felt were investment properties and that, because they had several families in them, if money was loaned on them they would depreciate before the term of the mortgage expired. Thirdly, they had no assurance that if they loaned money on X house that Y and Z house next door ever were going to be fixed up. They felt that if every house on the block was going to be fixed up and that there was going to be something done in the total community, their investment with X property would be more secure. These three things had to be overcome. It took a lot of work and a long time but by constantly meeting with the building and loan associations and the lending institutions of the community, I am glad to say that these difficulties were eventually overcome. Lending institutions were able and willing to make loans in Harlem Park.

There is an article before you, "Baltimore's War on Blight," written by the president of one of the largest savings and loan associations here. He gives an adequate description of the participation of the lending institutions in a rehabilitation effort: Thirty-two building and loan associations banded together and agreed to take mortgages from this area on a turn basis. Now, as to the time: Most of these mortgages at the beginning, if they were to be made conventional, were for a short term — 10, 12, and not more than 15 years — and most of the time with a mortgage having a loan-to-value ratio of 60 to 70 percent. With the advent and the working out of the details of the FHA 220 process (which as I said before was quite an undertaking) Harlem Park is now famous around the country for having developed what we call a one-stop process. Here is an FHA application which we developed in our agency and we now do all our own processing. The lending institutions agreed to participate with the 20- to 30-year 97 percent mortgage. The willingness of the lending fraternity to participate in rehabilitation now is all right. Now your second question?

Relocation

MR. O'NEILL: *What do you do with the people to relocate them?*

MR. EWING: There were about 400 families that had to be relocated from small streets. These people were relocated in housing not too difficult to find. They had extremely low incomes on some of these small streets. The rent was $8, $10, $11 a week, and even in 1960 you couldn't buy much housing for that amount of money. We were able to relocate these families in safe, sanitary housing elsewhere in this city or in public housing. Our experience indicated that most of the families desire to relocate within a mile or a mile and a half of their present location.

Another problem is one of extremely large families of 9, 10, 11 members. We have families of 16 who must be relocated, and finding a facility for large families is a difficult thing. We do it but it just takes a little bit longer. It takes more searching, it takes more involvement of everybody to get it done. For those who permitted us to work with them in the relocation process — and of course the service is available to everyone — we feel a satisfactory job has been done.

One last thing on that: Baltimore is fortunate in that we have a high vacancy rate in the city and, secondly, there has been a movement of the nonwhite population in many directions. So the nonwhite is not restricted to the inner city. In over half of the census tracts more than 5 percent of the population is nonwhite in Baltimore City as of the last count.

MR. FROELICHER: I think there is another opportunity in relocation. They had preferential standing in applications for public housing vacancies, isn't that correct, Edgar?

MR. EWING: Oh, yes indeed. We put several of the very low-income families in public housing, where we have about 1,700 to 1,800 vacancies every year and a 10,000-unit program.

Citizen Role in Decisions

MR. DAVIS: *Mr. Froelicher, you made reference that it is about time that physical planners and social planners be attuned, that they had an idea of what they were doing. I might say it takes an economic form, and hope that some day we have just one type of plan which includes all these. With community action and community participation what kind of structure did you use to set up order of priority in what the community needed? For instance, as you walk through the inner park, you see areas where one can meditate and sit. They seem to be areas where adults congregate. Other areas are for children to play. Everybody likes children and likes playgrounds, until someone places one right in his backyard. How is this established and how do you get a good rapport?*

MR. FROELICHER: It was the first wholesale job I have ever seen or know of — taking out the tremendously dilapidated old stables and old carriage houses and things like that that had gone practically to rot, and replacing them, as Mr. Ewing said, with the kind of facility that the neighbors in the surrounding block wanted. In other words, if it was largely an adult group, then you had the quiet places. If it was largely children, effort was made to serve them. Is that right, Mr. Ewing?

MR. EWING: Yes.

MR. FROELICHER: Another thing: that is on the litter. Keeping the parks clean isn't successful fully. The original idea was that the neighborhood on the block would be expected to keep up its park and man it. That didn't work even with the first two experimental blocks.

There wasn't enough coherence in the neighborhood. We kept talking to the Department of Parks and Recreation in the city. As it stands now, they have undertaken the responsibility for the care and maintenance of those parks. Is that correct?

MR. EWING: Yes. I think that what Mr. Davis states about the blending of social, physical, and economic planning is an absolute essential whether you are planning a rehabilitation project or any other kind of project. Since in Baltimore we do our own neighborhood and our own project planning, we are sure that all of these are melded in such a way that the economic, social and physical considerations represent a reasonable blend when it is concluded. I would like to say about planning the innerblock parks here, this was an experience in itself.

Our planners came to the neighborhood and held evening meetings in kitchens, in living rooms and dining rooms with groups of people on the block, bringing sponges and clay and laying out possibilites in a configuration that people could understand. Lots of people can't understand three-dimensional drawings if you hang them up all day, but they can see a piece of clay and they can see a tree that is represented and know where they want the bench and where they want the barbecue pit and that sort of thing. By moving these things around you get the kind of design that represents the will and the wishes of the people and give them a feeling that this is something they desire. It's unreasonable to assume we are going to get very much maintenance and very much concern if they have the feeling this is something the city gave them. This has got to be participated in. It is a two-way kind of operation.

MR. DAVIS: *Mr. Ewing, as we walked through this inner-green belt I had a sense that this was a rebirth of the neighborhood. There are 13,000 people in this neighborhood, which is larger than most parishes. Is this just a beginning, the first plateau? Are you now moving to higher levels of planning where you begin to understand what kind of neighborhood shopping you will need, what kind of transportation, what kind of special services, where you have an interaction of all these areas which you might exclusively designate as shopping, commercial, et cetera?*

MR. EWING: In the center of Baltimore?

MR. DAVIS: *No, in Harlem Park. Or is this going to be a residential neighborhood part of Baltimore?*

MR. EWING: This is a residential community, and what you see now is largely the end of a plan and the execution of the program. It was designed and planned as a residential area for the socio-economic group that is here. We believe there is adequate recreation space and adequate provision for parking. We know that the street lighting is adequate, and that's one thing that is most important in a residential neighborhood. The streets are still in process of being improved. You never know what's improved because tomorrow you will see a new street dug up for putting in a new sewer, but the streets are satisfactory.

One thing that remains to be done is the installation of an adequate

traffic plan for Harlem Park: to prevent the free flow of traffic on a cross basis that is not service traffic. With the installation of a traffic plan, we believe most of the work will have been done. Then when the balance of the properties are fixed up, the job will be to retain what has been attained.

Public Aid for Self-Help

MR. DAVIS: *Is there any kind of public financial assistance where some improvements are to be made for the occupant who can provide the labor but has to go out and buy materials?*

MR. EWING: That was tried as an experimental thing in this area. The owner bought the material and we engaged students from vocational schools—the embryo electricians, plumbers, carpenters, and what have you—to come in and do work under supervision of their teachers. But beyond that there has not been a pool for buying materials where anybody could just go ahead and do his own work under a self-help kind of program. However, there have been some few families who have been capable of doing some of their own work on a voluntary basis rather than contracting for it.

MR. DAVIS: *So you don't get financial assistance unless you go out and hire an outside contractor, is that it?*

MR. EWING: That's right. There is financial assistance, as you know, under the grant program. But then the person still has to get a contractor to do his work.

There was an experience, Mr. Davis, with a group in this neighborhood that had some experience in the pilot area Mr. Froelicher mentioned, operated by the Church of the Brethren. The Church of the Brethren has what they call a Pilot House adjacent to this area. Now, there are assigned to this Pilot House by the church young people on a continuing basis who, believe it or not, are able to do a lot of the home improvement work for people as free labor if the materials can be secured. I think the Pilot House and the Church of the Brethren are to be complimented and commended for the contribution that they have made to the low-income people who could not hire a contractor.

MR. DOUGLAS: We have some panel witnesses this morning who will speak on housing courts and neighborhood problems, and we want to thank you, Mr. Ewing and Mr. Froelicher, very much. Does anybody have a particular question?

MR. JOHNSON: *I do have one, Senator. Mr. Ewing, you gave your definition of rehabilitation, with which I heartily agree, how it is more than the bricks and mortar. You were discussing the withdrawal of the Federal agency, and it was apparent from what you stated there seems to be somewhat of a stalemate now in the progress of the rehabilitation in Harlem Park. Am I correct in assuming that?*

MR. EWING: Well, I wouldn't say so much a stalemate, sir. I would say we are getting near the end, where we have these few remaining properties that we are just struggling with to get rehabilitated. We

have several possibilities of bringing them to a rehabilitated state. We intend to have some of them purchased, maybe by the Housing Authority, for use for low-income people, and rehabilitated; that is, purchased and sold.

MR. JOHNSON: *Perhaps I misinterpreted but I had the feeling that from your remarks there seemed to be a breakdown in the continuity of the foundation of the so-called community pride of the people in Harlem Park. Didn't you say that?*

MR. EWING: Well, I said it hadn't matched our expectations.

MR. JOHNSON: *May I ask you this question? I hope it won't embarrass you. To whom do you attribute this responsibility? Who is responsible for this?*

MR. EWING: I don't think you can pinpoint a responsibility. I might use a high-sounding word, I think that the metamorphosis that must take place in people, the change that must be engendered in their way of thinking about things, is a time-consuming and a long-drawn-out process that doesn't happen overnight. I think firmly and strongly that there must be supporting professional skills to help people to function effectively. I don't believe that people in a neighborhood of this or any other kind can become involved in all these kinds of things until they know how they can become involved and until they know what the resources of the community are, until they know how to fuss back and tell you what's wrong with your operation. If I were going to say anything about making it stronger, I would say it requires a saturation of more of the professional kinds of skills. That doesn't necessarily mean in our agency. It means the involvement of all the social agencies in the community.

MR. JOHNSON: *Then it is not a breakdown in the flour, it is a breakdown in the toast, is that right? That's all, thank you, Senator.*

MR. DOUGLAS: Mr. Baker, did you have a question?

MR. BAKER: *Yes, Senator. Mr. Ewing, you referred to negative influences in some of the program. Is this in organized social disturbances, or what did you particularly have reference to?*

MR. EWING: In the planning I referred to negative influences as the kinds of incongruous uses, the incompatible uses that just have grown up and are not consistent with the kind of residential environment we are trying to build. We had a rug factory here with a lot of noise and dust and vibration. That shouldn't be in a residential neighborhood. We had a gasoline station with flashing lights and greasy lifts and all that kind of thing. These are negative influences on the residential quality of a community and in our planning — if you are going to make a residential neighborhood, you must get those kinds of things removed or at least controlled. If you don't, you just kind of polish it up around the edges.

MR. RAVITCH: *Who has title to these inner-block park areas?*

MR. EWING: The city.

MR. RAVITCH: *Acquired under the process of eminent domain?*

MR. EWING: That's right.

Rehab and Tax Assessments

MR. RAVITCH: *By what percent did the level of assessments go up after rehabilitation?*

MR. EWING: 76 percent of the properties remain the same. About 5 percent have gone up and the balance has decreased.

MR. RAVITCH: *You have no administrative or legal basis for freezing assessments or taxes?*

MR. EWING: No, we do not. We have an understanding with the Department of Assessments in Harlem Park (and other rehabilitation neighborhoods) that unless there can be a demonstration that there has been something added to the property of a capital nature guaranteed to increase the income-producing potential of the property, then the improvement represents what should have been done all the time. There is no increased assessed value to the property.

MR. RAVITCH: *Do the nonresident owners who improve their property generally, to the best of your knowledge, have a higher yield now on their investment than before? And a second part of that is, did you use the club or the carrots more? Which was your bigger weapon in terms of getting the nonresident owners to improve their properties?*

MR. EWING: I think we used too much carrot — that we have been too long on a project of this kind. From 1960 — actually January 1961 — to now is a long time to prosecute any kind of rehabilitation effort.

MR. RAVITCH: *Do they get a higher return on their investment now than they did prior?*

MR. EWING: I think that is a fair question but I wish you would address it to one of the panelists who will follow who is representing the investment-owned properties.

Code Enforcement Machinery

MR. DOUGLAS: Mr. DeGrove.

MR. DEGROVE: *Mr. Froelicher, do you think Baltimore's government is structurally designed now to give the most effective code enforcement you could have?*

MR. FROELICHER: There are many strengths now that it didn't have. For instance, the Housing Court. That came about through citizen pressure, and every step of the way pressure had to be applied. The Housing Court came about because, when the first ordinance for the Hygiene of Housing was to be enforced, we had a magistrate system of police courts. As housing cases were brought up, they were brought up to justices who maybe a minute before had had a murder to care for and the next minute they had a dilapidation to look out for, and they could not see this as a big problem requiring close attention.

We got every official of the city except the Mayor in one room one day and said, no one leaves this room until you solve this problem. The

zoning enforcement officer at that time, C. William Brooks, who was a very useful man, finally came out with the suggestion that there be a magistrate specifically assigned to housing cases, and that's the cornerstone of law enforcement.

The difficulty, and I suppose Judge Arabian will touch upon it, of placing the responsibility for a given house on a specific owner is still open. Some of the gaps have been filled up. We worked constantly with the City Solicitor's office to work out ways of pursuing the ownership of the property. They are the persons who should really come across and fix up. And the care of vacant houses. Vacant houses are a nuisance, a disease in the city, and we are just beginning to get at that. We have had a couple of ordinances passed recently which make it possible to get at them. But without citizen pressure focused directly on the agencies and officers in charge, it never would have happened.

Housing code enforcement calls for interfering with the lives of people in a way that never has been done before. It is a very serious question still, needing many, many improvements, and the cornerstone is the Housing Court.

MR. EWING: Senator, I have been derelict in not having made reference to the Harlem Park Neighborhood Council, the citizens organization which has been active in Harlem Park since its inception and which provides dynamic leadership for the citizens in this area. We just couldn't function without the Harlem Park Neighborhood Council.

MR. DOUGLAS: Thank you very much. We are deeply obliged to both of you gentlemen, Mr. Froelicher and Mr. Ewing. You have helped us a great deal.

I would like to invite the witnesses on the second panel to come forward: Mr. Robert Deitrich, who is in charge of housing inspection in Baltimore; the Honorable Mary Arabian, Judge of the Municipal Court of Baltimore City; the Reverend Sidney Daniels, President, Harlem Park Neighborhood Council; Mr. Howard Offit, President, R. S. Construction Company, Inc.; and Mrs. Juanita J. Mitchell of the Maryland NAACP.

STATEMENT BY THE REV. SIDNEY DANIELS

MR. DANIELS: [1] Mr. Douglas, unfortunately I have a funeral at my church at 12 o'clock, so if you could get to me before, I would appreciate it.

MR. DOUGLAS: I didn't know. Will you go ahead and be the first witness?

MR. DANIELS: I will begin by saying this, Mr. Douglas. I have followed your career more or less as the Mayor has, and I want to indi-

[1] President, Harlem Park Neighborhood Council; Pastor, Emmanuel Christian Community Church.

cate here that one of the fundamental things you have embraced in your career that will have a lasting significance for the entire country is this – that you have always felt that the Negroes of Illinois were represented by you. One of the cardinal mistakes that occurs in America is that when we think about the inner city, we think about Negro residents as something separate and apart. My basic tenet is this, that things that deal with the welfare of the nonwhite population, by virtue of lifting them and leading them to further self-development, are good for the white population. So when urban renewal or what-have-you leaves out the nonwhite population by the very structure of that endeavor, it lessens the ability of the white population to function at its highest level. The health of a community is affected by the health of the least person in that community.

My responsibility is to speak about neighborhood organization, and some facets of this inadvertently have been touched upon by the other two presentations.

Rehabilitation in its basic meaning is renewing old housing structures physically. Before we can establish a rationale for such a program of rehabilitation, we must spell out a few of the basic reasons that have caused slums and ghettos.

Reasons for Slums and Ghettos

The first reason is a natural one. The housing in the inner city is for the most part housing that has been relinquished or abandoned by the exodus of the white population to the suburbs and the counties. And then, open housing is not available.

This housing is composed overwhelmingly of old structures that have deteriorated because of age. The tax base on slum housing is so low that it makes slum housing extremely profitable. Many landlords, therefore, avoid their responsibility in the proper maintenance of this housing. Deterioration is thus caused by inadequate maintenance, thereby decreasing the annual tax rate. The fact of less taxes conversely makes the property more profitable to rent. One of the sociologists has suggested that the tax rate on property be based not on the physical condition of the particular property but on the income that is produced from that kind of housing.

The residents of the inner city, because of the poor housing environment, become less and less interested in the sanitary and physical maintenance that lies within the scope of their responsibility. Inadvertently, they become unconscious participants in their own subjugation and degradation by insensitive and often callous landlords.

Now, certainly, I am speaking about those landlords that are callous, and there are landlords around who, you know, don't have this kind of attitude. Certainly, I am not talking about them. I pray that there be more of the other kind than the kind I have indicated.

The rehabilitation and renewal of inner city housing is an essential factor in the overall improvement of the living conditions for the black

inhabitants of the ghetto of the inner city. It is imperative that a two-fold approach be made upon these deplorable conditions that distort the human resources and potentials of vast numbers of the population of the large cities of our great Nation. The residents of the inner city must be given adequate sanitary services by the Bureau of Sanitation and a definite and speedy enforcement of housing codes by the Bureau of Building Inspection. In too many instances there is lax enforcement of housing codes. The adjudication of enforcement is too cumbersome and time-consuming. It places the poor at a definite disadvantage. The structure of these judicial proceedings favors the property owner. The renter is subject to being evicted because he insists upon proper maintenance.

The dominant obstacle as I see it is lack of services for the inner city. Another obstacle is the fact that too many of the poor do not feel that they have a stake in their own community. This has been caused by the neglect of services and difficulty of meeting one's own responsibilities in an atmosphere of neglect by constituted authority and bureaucratic indifference either because of inadequate staff, insufficient funds, or because of disdain and contempt for the poor. In Harlem Park I believe that we have overcome these obstacles with an appreciable degree of success. In other words, we have engaged in the organization of the poor to help themselves. Sanitation, pride, and proper maintenance of property and health measures become not solely the responsibility of an outside agency. The people share that responsibility. It is a constant struggle to see to it that the agencies of city government perform their duties in providing services for Harlem Park residents. The Council has reached a substantial number of people. It, however, would be the first to admit that it has not reached its maximum potential in terms of people or programs. Nevertheless, it has created an atmosphere of pride and care.

This aspirational attitude influences not only the active members of the Council, but creates an aura of hope brought about by what the people have done for themselves. Other speakers touched upon this and I think I can sharpen this in these words:

Creative Partnership

A creative partnership has developed between BURHA's [Baltimore Urban Renewal and Housing Agency] Harlem Park office and the Neighborhood Council. Professionals have made their knowledge and resources available to the people. This is not done on a condescending basis. I think this is very imperative. But the residents control their own destiny and denote the points and places of help. The residents call the shots. They are, therefore, more responsive to the role that they should properly play and to the acceptance of gentle guidance by the considerate professional staff who almost invariably have a humane and warm approach. (Now Mr. Steiner and Mr. Ewing didn't tell me to put this in, but I put it in because I believe it is so.)

It moves the people beyond cold and impersonal bureaucracy. The professional workers become their friends. This clearly demonstrates the need for decentralization of city services. The very geographical location of a BURHA office in the Harlem Park area has a salutary effect. The people who deal with the professional feel that the relationship is on a horizontal basis, not a vertical. This is very vital. When poor residents have to deal downtown with city agencies, you know, there is somebody you look up to as you come in with your hat in your hand, bowing and scraping in order to be considered by him. And if you are a little impudent then you are put at the bottom of the list.

This neighborhood office is vital. It serves as a catalyst in sparking a sense of responsibility and confidence in the resident. Without this, no plan of rehabilitation in housing, job training, or what have you will succeed. The demeanor and distance of many agencies instill dislike and mistrust for agencies; consequently, you have definitely developed defenses of alienation and hostility. It results in an unconscious protest of I-don't-care and self-negation. The Neighborhood Council bridges the gap between words and deeds. It shows that there is a dynamic that occurs when programs emanate from the people rather than being dumped upon them. That makes for success.

I have two points that I have outlined here: So often you have to goad the bureaucracy to do the job of providing city services for which they were established. This is being overcome to some extent in Harlem Park, and I speak about Harlem Park because my experience here has been of some depth.

Secondly, as people learn to help themselves and organize for the benefit of their community and realize that they have a definite responsibility along with others, this broadens the base of democratic participation.

The neighborhood organization is successful to the extent that the organization gives the people a sense of identity and self-satisfaction. I think this is at the very heart of neighborhood organization. We kick this around. Middle-class and other persons in a higher bracket come in and try to indicate to the people that "I have all the know-how and I'm doing it and you listen to me because you are really basically dumb and uninformed." This kind of approach does not work. Furthermore, as neighborhood leaders become involved and project themselves you must always realize that there must be success for the participants and individuals in the organization on various levels. When all success accrues to one or two individuals, then those who do not have the essential success or satisfaction drop by the way. They say, "This is yours, well, we will let you go ahead with it. We don't care what it is." The lack of fully resolving this problem works against the wider involvement of people. Community organizations are time and time again reaching out for people. Frequent consultation and contact with people are essentials. The staff of social workers and community organizers is necessary. The quality and intensity of contact largely determine the cohesion and discipline of the group.

Group Discipline

When immediate group mobilization is needed, it will not be forthcoming without discipline. Group discipline is not easily achieved, because of our multifaceted society with its competing concerns.

In other words, when you come in to organize people around housing, this is the sole reality that these people are grappling with immediately. They have some other interests and you also have to deal with them constantly. Then they see this housing is something they ought to be interested in—something of vital concern to them. This is a long, time-consuming process. Dr. Martin Luther King went to Chicago (this is Mr. Douglas' bailiwick, Illinois) and I think perhaps I could give Dr. King, whom I admire, some advice after the fact: if he had gone into Chicago and organized the people over a period of a year or two before any demonstration, this would have been much more effective. In other words, in order to muster power, in order to involve people, it is not always the glamor and the dramatics of demonstrations. And I will demonstrate in a minute, won't I, Mrs. Mitchell? But, let me say it is something else: as Saul Alinsky says, the dull, uninteresting, day-by-day moving and working with people.

The Poor *Can* Be Productive Citizens

The book, *New Careers for the Poor*,[1] I think indicates quite clearly that we must find within the poor their abilities and try to utilize those abilities in a way that they can become productive citizens. We need to re-think entirely our structure of wages and profits. In other words, I think every person, from the person on welfare to the person who lives on the gold coast can make a contribution to our society. That contribution cannot only be determined by dollars and cents. Just consider one program in Baltimore, the work-experience program of the Welfare Department. Some of these young ladies in that program who are on welfare become secretaries, clerks, by going out and being exposed to work experiences in a nonprofit agency. But even though they may not achieve a job as a clerk or a secretary, the very fact that they have engaged in some sort of work to enhance their dignity, it seems to me, moves them toward a better life in our community.

Persons are caught behind the sinister snare of the formidable color curtain which encloses the neighborhood in self-contained destruction. There is a need for open housing to overcome this factor. The education and employment level of the Harlem Park area is low, a reflection of the general condition which prevails in the inner city. A 1959 study showed that almost 6 percent have some college education. Median education of those 16 years and older is 8.6 years. The median income for renters is $3,598. The median income for owner-

[1] Arthur Pearl and Frank Riessman, *New Careers for the Poor*. (New York: Free Press, 1965)

occupants is $4,357. The estimated median income for nonwhite Baltimore residents was $3,800 in 1957.

Homeowners show a more responsive attitude and action in the affairs of the neighborhood group. Homeowners more easily perceive the goals of the neighborhood group. This is primarily because their stake in the community is immediately obvious to them. I hasten to add that there are notable exceptions to this general rule. This is due largely to the skill of certain leaders who are able to relate quite meaningfully to the realistic needs and inherent dignity of the poor. This type of leadership is able to plan with people rather than for people. The development and utilization of indigenous leadership is also a determinative factor.

The older section of the poor population has a great respect for religious tradition. They respond to appeals of betterment because, despite the paucity of material goods, they have endeavored to be good and upright. The younger poor respond because of the appeal of forging their own destiny through devotion to a common cause that fires their imagination and sense of adventure. Demonstrations and direct action have the greatest appeal for them. When the neighborhood group becomes staid, the young may fall away. Excitement attracts some people, perhaps particularly the young. Routine work, constant study, substantial solutions may be unglamorous. Nevertheless, these are the ingredients that will ultimately elevate the poor to new heights of creative and responsible citizenship.

Harlem Park elementary and junior high schools and this new Recreation Center—having new facilities in the inner city—are important. Teaching disadvantaged children is certainly difficult and almost defies any kind of success when the physical facilities are inadequate.

The Negro does not have representation at every level. The Caucasian does. He has a broad-based, complete saturation of representation and spokesmen. No special effort need be spent on saying, "This is for white people." If housing is built, it is for white people. When housing is built, it may or may not be for the Negro. This applies to every facet of life. If jobs come into existence, they are for whites. When jobs exist, they may or may not be for Negroes. In other words, white people are handed things without question. The Negro must question. The Negro must somehow compensate for this inadequacy of representation.

Demonstrating v. Dull Work

As a matter of fact, everything in America has been or is for him, a may or may-not thing. He must come knocking on the door of exclusion. Occasionally, he must shout with moral fervor and persistent action before the walls around Jericho (the promise of the American dream) come tumbling down. Tokenism is not enough. Constantly the Negro leaders and followers must be able to discern the difference

between substantial progress and victory without substance. This happens so often; you get a demonstration, or you go down town and the power structure will talk to you and say "Oh, yes, we are going to do this," and you come back six months later and you haven't made any further progress. In other words, just cool it. They procrastinate and soft-soap, and we must know when this is happening.

This great Nation will not fail. We are engaged in a painful and paramount march toward the bright day of justice and opportunity for all. This Nation was conceived in the womb of that hope. Let us not falter.

MR. DOUGLAS: Thank you very much, Reverend Daniels. We deeply appreciate this statement. Mr. Deitrich, will you continue?

STATEMENT BY ROBERT G. DEITRICH

MR. DEITRICH: [1] Thank you. I appreciate very much the opportunity of appearing before this Commission to present some of the problems we have at the working level.

I expect I will digress considerably from strictly rehabilitation because of the fact that my interests are much wider and the problems outside of rehabilitation areas are not essentially different from the ones in the rehabilitation areas.

Building and Housing Codes: A Regional Basis

I would like to begin by speaking of the building program because the building codes of the past are the cause of our problems today. I feel that a building code should be based on regional considerations rather than on local, individual municipalities and rather than on a national basis. The national basis might provide guidelines, but the building code itself should be on a regional basis. I could give many examples of the reasons for this, but I think it is beyond the scope of this meeting.

The housing code is a collection of rules and regulations for property for residential occupancy which has been built some time before by standards which today are not acceptable. This requires certain changes and alterations in the building code, fire code, and health code. Here again I recommend a regional basis.

One of the big problems in housing codes I find is the fact that we think in terms of existing buildings. Then you can build a building according to the building code. But when you examine it you find it probably doesn't conform to the housing code, so this merits a lot of attention.

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[1] Chief, Bureau of Building Inspections, Department of Public Works, Baltimore.

Importance of Inspector

In enforcement of codes the inspector, by whatever name you call him, is probably the most important person in the whole operation. This is because he is the one who has the most contact with the tenant, landlord, owner, or whoever is involved. Superficially, you would think this would be a very highly qualified technical person, who would say yes or no, this is it, this isn't. Unfortunately, I don't feel this always works out that way. He should be a man of many disciplines. First of all, of course, he has to be sure that the building is structurally safe, and safe also in the areas of fire and health.

In order to do his job properly he must have the ability to deal with many people. When an inspector knocks on the door and the lady says, "My baby is sick—can you come back another time?" he has to recognize this. He must have a feeling for the little old lady who doesn't have money to fix up her home and he should know where to send her for help.

We hire a housing inspector through some sort of a civil service process and he is considered fully qualified. But when he comes to us, all he is is a candidate for training as a housing inspector.

In our experience most of these people are not well enough trained to go out on their own for a period of approximately a year. And even after that training period, we have to let some of them go because they are not suitable or interested in the work. Some of them figure they are sheriffs. One quit just a couple of weeks ago because he said he didn't know that anyone who worked for the city ever worked that hard.

There are two things we need—an objective study as to what makes a good inspector, coupled with a suitable and effective aptitude test to select the best material for training. Certainly, we can't get the perfect inspector (nobody could afford to pay him!) but we can try to train the most likely candidates.

For inspection followup all sorts of records are required—legal records for the court, physical condition data, work analysis evaluation and followups. These are all important parts of our program and have to be studied so that we can furnish data in a readily usable form.

Experience in records and record keeping shows that the forms used should be designed around the inspector because the time you can save him is multiplied many more times than the time you can save anyone else.

"Hard-Core" Violators

Following the inspections it is our experience that about 40 percent of the violations are corrected within a reasonable time—not necessarily overnight. The inspector then becomes a salesman to get the other people to make a correction and another 40 percent of the cor-

rections will be accomplished. At this point we run into difficulties. Hardship cases are ones you come up with face to face. These come in two general classifications. One are the genuine hardship cases. People bought a house in the neighborhood and lived there; it deteriorated; they no longer have the facility to borrow money and they don't have enough of their own money to repair the house. Fortunately, in these rehabilitation areas we have loans and grants which take care of this pretty well. People outside of these areas, where such grants are not available, are not taken care of.

There is another type of person you recognize. This is the landlord who sometimes owns a substantial number of properties and is operating beyond his means and just doesn't have the money to make necessary corrections.

We have inept owners. A man builds up a nice estate for his children, but they do not participate in any part of the business. They do not understand real estate, so when it falls on these heirs to manage these properties, they don't know what is going on. The buildings depreciate and the owners don't know how to dispose of them. We have the problem also of determining ownership, and we have properties that nobody owns. Ownership has been a problem. Often records are completely nonexistent. Laws to restrict a transfer of property — or the liability for violations — and holding them to the original owner for a specified period of time may help to eliminate some of this problem.

Then of course there are the recalcitrants who believe nobody is going to tell them what to do. These are Housing Court cases. These may be long drawn out. I can think of one particular case which to the best of my knowledge has extended over a period of six years and the corrections have not been completed yet.

At the risk of stepping on Judge Arabian's toes I would like to make a few comments about the Housing Court.

Judge Mary Arabian: I hope I don't step on yours.

Mr. Deitrich: Okay.

When you start out you know how many code violations you have. But you don't know which of the cases you are going to have in Housing Court. Of course the matter of presenting evidence is very stringent these days. I feel that the preparation of records and going to court should be done under the direction of the prosecuting authorities. In Baltimore a member of the State's Attorney's office has been assigned to us to prosecute all of our cases in all of our courts.

This means when you direct operations, details do not get lost because someone else doesn't regard it as being important. It's equally important that one or several staff members be assigned to preparation of these cases so they are familiar with the necessary procedures. I feel very strongly that one court should be a housing court — one session, or whatever sessions are necessary, devoted only to housing cases. A judge should serve for a long enough time to become familiar with the problems. The time in Baltimore is a year, and this should be a minimum.

One of our major problems unfortunately is vandalism — vandalism of vacant property and vandalism of occupied property.

It's entirely outside of the rehabilitation area, but one of our bigger problems is the Federal policy on the acquisition of real estate for expressways and public housing programs. Once anyone announces there is going to be an expressway through an area, people start moving out and the property deteriorates. If we take a person into Housing Court because of deteriorating property in such an expressway area he explains it to the judge and the judge says, "Why doesn't the city take this over and get it off our hands?" So these properties go down and down and down and really get to be a big headache.

Measuring Stick Needed

One of the needs of an enforcement program is a means to measure the degree of success of a project. Those of us who are pushing the project have a tendency to take the best facets and extrapolate them to an overall area and say we did a very fine job. The opponents will pick up the worst case and say it is evidence you did a lousy job.

Somehow or other we need some sort of a measuring stick to say whether we have or have not done a good job of code enforcement. We need a countrywide method of reporting with uniform statistical methods. Then I could compare my operation with Chicago, New York, or other cities to see what we can expect, what one can do. At present this is not possible.

Finally, I think we can take a lesson from our space program. I don't mean we are going to send houses to the moon, but that we do need a real honest-to-God study in operations from a management standpoint. For instance, I have no idea how long an inspection-enforcement program should take. The size of the caseload for inspectors is purely my own judgment. In followup, in an ideal situation, an inspector would be there the next day to see that the work is done, also the following day and the following day, until you are accused of harassment. On the other hand, if you wait too long, you are accused of neglecting the whole program. These matters need to be studied by management with computer methods, not necessarily for one city but to serve as generalities for the entire country.

Mr. Douglas: Thank you very much. Judge Mary Arabian, I would like for you to go ahead and tell us about the Housing Court.

STATEMENT BY JUDGE MARY ARABIAN

Judge Arabian: [1] Thank you, Senator Douglas and members of the Commission.

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[1] Judge of General Municipal Court of Baltimore City; first presiding judge of the new Housing Court, May 1961 to June 1962, serving intermittently on that court since then.

Mr. Froelicher referred to the creation of the Housing Court and I should like to probe this a little further. After World War II, Baltimore had the reputation of being the worst slum city in the country. There were a number of causes for this; one was the lack of enforcement of existing laws. There were various reasons for this.

One: Both the police and the magistrates considered housing cases trivial when compared to other criminal cases such as burglary, assault, or larceny, and both types of cases were heard in the same court. It was felt that a garbage-can case was not as serious as a strictly criminal case.

Two: Physically, the magistrate court system, with a courtroom located in each of the various police districts in the city, was so spread out that there were a number of magistrates, with varying attitudes. Some magistrates deemed housing cases serious while others had a different attitude.

Three: Housing laws generally, including all of the various codes such as the fire code, plumbing code, electrical code, and so forth, are rather technical, and some magistrates having to deal with them were untrained in the law and did not understand all the technicalities.

Development of Housing Court

In answer to the problem of growing slum conditions in Baltimore, the people decided to take some bold steps. Let me point out that the CPHA, the Citizens Planning and Housing Association, was primarily responsible for creation of the Housing Court. This court, established on July 22, 1947, by executive order of the Governor, had exclusive jurisdiction in criminal cases involving the housing code, building code, electrical code, plumbing code, fire code, sanitation laws, etc.

The Baltimore Housing Court was recognized as a model court all over the world and was universally praised and commended. Therefore Baltimore acquired the reputation of having met its problems realistically and with vision, overcoming its original reputation.

A municipal court law was passed reforming our judicial system. It provided for full-time judges, with only attorneys who had practiced law at least five years qualifying for judgeships. The legislature also considered the Housing Court and, for the first time, the Housing Court appeared in the law itself. This law provided that the judge assigned to the housing part of the court would remain on said part at least one year, while judges assigned to other parts of the court should be rotated.

Generally speaking, housing cases fall into two categories, landlord-defendants and tenant-defendants. As far as landlords are concerned, normally a fine and the publicity such defendants usually receive upon conviction, are considered deterrents to a repetition of housing offenses.

When I first presided in the Housing Court in 1961 (and I may add I have not presided in that court in the last five years except sporadically to fill in when a judge is on vacation), law enforcement officers gen-

erally did not charge landlord defendants for more than one day of violation. The maximum penalty in most cases was $100 for each violation. Under the sanitation code, the maximum penalty was $50. In many instances the defendant was not charged or required to appear in the Court for a year or more after the violation was detected. It is easy to see that it became a bargaining matter. Most of the landlord-defendants who came into the court were perfectly willing to pay a maximum fine and buy the time to either delay or avoid doing the work that they had been instructed to do.

Stiff Penalties Help Educate

At that time, I did prevail on most of the persons who had the responsibility of enforcing the law to enter multiple charges; that is, one for each day of violation. Additionally, the City Council of Baltimore recently passed a law which increased the maximum penalty in almost all cases under the housing code to $300 for each violation. Consequently, multiple charges have become a significant matter.

There is still the problem of not having cases come up promptly. Violations discovered by an inspector may go unprosecuted for a year, two years, or longer. On the other hand, there's a problem of getting the public acquainted with the risk of high fines in Housing Court if a housing offense is committed.

I noticed in the newspaper just the day before yesterday that a man was fined approximately $1,200 and he almost fainted. He was so shocked that he was getting this kind of punishment that he just could not comprehend it. When the public becomes acquainted with the fact that heavy fines may be imposed for noncompliance, then the element of surprise may be eliminated and the money can be spent to correct the violation initially rather than on fines.

As to tenant-defendants, however, there's quite a different problem. We have less of these, but still a sufficient number to warrant special consideration. In the past, we found that imposing a fine placed a tremendous financial burden on most tenants. Generally they didn't understand what the fine was for and it wasn't really a deterrent to future violation.

Housing Clinic for Tenant Violators

Former Magistrate Robert Sweeney (a magistrate in the Housing Court prior to establishment of the Municipal Court), together with the Citizens Planning and Housing Association and other community leaders, conceived the idea of a "housing clinic." The idea is this: to give the tenant-defendant the option to attend the housing clinic instead of paying a fine. He does not have to go. He has the choice of paying the fine. It isn't mandatory, but if he does agree to go, the court places him on probation. My practice was to place the defendant on probation without a verdict so he wouldn't have a record, if he com-

plied with the probation conditions by attending the Housing Clinic. Supervising the clinic are two excellent volunteers, both experts in adult education, Dr. Herbert Stern and Dr. Richard Bateman.

The clinic's eight-week course begins with an orientation when the judge himself appears to explain why the person was in Housing Court and, in general, acquaints him with the housing laws. Then they study health laws, sanitation laws, cleanliness, nutrition, safety in the home, and available services in the city. The last session is a field trip to homes of the class members to see how they have improved conditions. I have talked to several of the defendants who have attended the clinic, and they really take great pride in the improvement. Following the field trip, a small party is held and sometimes defendants even commend the judge for sending them to the clinic.

The Housing Clinic, too, received worldwide praise when it was initiated, and I think it is an effective means of achieving code enforcement and, thereby, rehabilitation.

Just some general comments: Many times code-enforcement officials are so concerned with substantive matters in these cases, they completely ignore the legal technicalities and therefore the court must dismiss the charges. Often these cases involve the worst violations.

Now, an Assistant State's Attorney prosecutes in all building inspection cases, but since it is not the general policy of the Department of Building Inspection to follow certain legal procedures, the legal ills cannot be cured after the prosecutor walks into the courtroom.

I also have to emphasize that we deal in court with just a few individuals. No court ever has a great number of people. It can only make an example to the community of those people who are charged in the courtroom. However, we are dealing with individuals, too, so that while the judge knows the purpose of the law, he must also remember that each case involves a human being who is entitled to individual consideration. I do have to say that there are too many hardship cases brought into court. In cases that the inspector doesn't know what to do with, he throws up his hands and expects a judge to solve problems which should have been solved in the department. Although the threat of being punished does help the judge in some instances to accomplish enforcement, often the problem remains unresolved.

In Housing Court I find some resentment because code enforcement is not general, but limited to specific areas. You may clean up one particular area, because it happens to be a project, but next to it grows another slum. Or a better neighborhood may have homes just as dirty with as many broken-down porches, and so forth, but they escape enforcement. There should be some approach to general enforcement of the law.

In conclusion, I feel that cities are in a crisis, Baltimore City included. Completely aside from the subject of rehabilitation, at least in the area we are discussing today, I think we have to consider not concentrating low-cost housing in the cities but moving them to suburban areas as well.

Better Code Enforcement Essential

Recently the city administration obtained the Fels Report[1] on improving code enforcement. Better enforcement must become a fact; otherwise Baltimore is going to have the same epitaph on its tombstone as that on the hypochondriac's, which says, "See, I told you I was sick."

MR. DOUGLAS: Thank you very much.

We have with us Mr. Howard Offit,[2] President of the R. S. Construction Company. He has a distinguished record, too, of civic activity, and will discuss the role of the property owner.

STATEMENT BY HOWARD OFFIT

MR. OFFIT: May I first take the opportunity to thank those responsible for affording me the privilege of appearing before this Commission.

Our industry, or a major portion at least, has concerned itself not only with our own day-to-day operations of real estate investments and property management and how urban renewal and concentrated code enforcement programs affect our business, but we also have to concern ourselves about the overall cause and effect of the common and perplexing problems of urban blight. We certainly don't profess to be experts in the answer field, but we do recognize the need for a lot of experts and professionals, some of whom are here today, in many fields, to cope with the many problems. Experienced technicians and strong public support are vital ingredients.

We in the real estate industry some years ago, upon learning about the introduction of a new program called urban renewal and residential rehabilitation, immediately contacted the local agency in an effort to determine how we would be affected. From this group, I am happy to say, a constructive relationship developed and still exists today. This isn't to say on occasion we may not differ in our opinions about a given issue, but the lines of communications are open for this purpose.

Financing: Major Obstacle in Rehab

Rehabilitation obstacles and their size sometimes vary from project to project. Probably the greatest obstacle, however, doesn't seem to vary and that is financing. While much has been accomplished in this direction, and perhaps as much as one might have a right to expect,

[1] Government Consulting Service, Fels Institute of Local & State Government, University of Pennsylvania, *City of Baltimore Organization for Code Enforcement* (Philadelphia-December 1966)

[2] President, R. S. Construction Co., Inc.; President, Property Owners Association of Baltimore.

there does remain room for improvement. Being specific, I believe, compared to other large cities, Baltimore was and still is the leader in the use of FHA 220 mortgages[1] for rehabilitation. This, I know, did not come about overnight. It took a magnitude of hard work, sweat, and patience on the part of agency staff, the FHA, elected officials, and property owners.

Today, unfortunately, I understand that certain types of 220 mortgages are not now being purchased by FNMA (Federal National Mortgage Association) under their special assistance program. As a consequence some progress is seriously affected, causing some very fine proposed rehabilitation to come to a halt. The accomplishments to date warrant serious reconsideration of purchasing policies on the part of FNMA. This avenue of loan funds must not be littered with detour signs.

The new Section 312[2] loan program enacted by Congress certainly provides a very fine opportunity for owner-occupants of from one to four dwelling units to do a very thorough rehabilitation job, as well as refinancing existing indebtedness so that these same owners will not have to carry two or more mortgages.

Investor-owners, however, are unable to include in Section 312 rehabilitation loans the refinancing of existing indebtedness. This is a stumbling block. The addition of a second loan against a property may make the total investment economically unfeasible from the point of view of monthly intake and output. Most investors do have mortgages outstanding against their properties, and few have the ready cash in thousands to put out for rehabilitation of several buildings, no matter how anxious they may be to proceed.

I am not proposing that millions of dollars be used for the refinancing of large apartment houses. Rather, that investor-owners of properties containing from one to 11 dwelling units be permitted to refinance existing obligations so that the financial structure of the investment—the finished financial product—is sound. As a result, I earnestly feel that the investor will not only be able to do a higher quality rehabilitation job, but he could be put in a position to place some of his investment return aside for repair and replacement. Marginal investments, after a number of years, can become risky if large sums of money are needed, particularly for costly replacement items.

The cost of borrowing money, interest rates, and lengths in terms of years for the repayment of mortgages, all contribute or detract from residential rehabilitation. There is a direct relationship.

Vandalism in Vacant Properties

Another obstacle which exists is the problem of vandalism. Property owners, as well as municipal agencies who have the responsibility for

[1] Sec. 220 of National Housing Act establishing FHA insurance for new and rehabilitated homes and rental housing in urban renewal areas.

[2] Three percent Federal loans for rehabilitation in urban renewal and concentrated code enforcement areas.

the care and management of real estate, experience the costly destruction and raiding of buildings. Properties which are occupied by tenants who do not have to move while rehabilitation is being accomplished present no problem. But vacant properties, during the rehabilitation stage, are a constant target of vandals. Plumbing fixtures, including radiators as well as other equipment, disappear overnight.

Some years ago our City Council passed an ordinance which requires the photographing and fingerprinting of licensed itinerant junk collectors. This law definitely improved conditions somewhat—for a licensee once caught and convicted of stealing or possessing stolen goods had his license taken away. This provided law enforcement officers with a more efficient spot-checking system of those engaging in this business. This law is a good preventive measure, but we are still faced today with this costly problem. Insurance companies, understandably, will not underwrite.

The tenant market in the inner core of our city, and more particularly in Harlem Park, some six years ago reached a crisis stage. Vacancies were at an alltime high. People seemed to want to move out. Six years and some millions of rehabilitation dollars later, I am happy to report, have seemed to stabilize this market to the point where the vacancy ratio is low and demand for housing accommodations is firm. This is a healthy sign.

While on the topic of tenants, I would like to touch briefly on a problem which is not necessarily confined to urban renewal or concentrated code enforcement areas, but does affect and concern investors. Tenant care of a rented apartment or house can reflect in hundreds of dollars in the cost of repair and replacement. It can also make the difference between a profitable investment or a financial loss. The new housing code, recently passed by our City Council, contains provisions for tenant responsibility, as well as owner responsibility. A joint effort is required on the part of both. The owner is certainly expected to provide good and acceptable housing, but the tenant should respect the property in which he lives.

I am fully aware that there are some recalcitrant landlords who are not outstanding examples of what a "model investor" should be—so these, too, must be dealt with.

Tax Incentive

In closing, I would like to recommend that some consideration in the area of tax assessment be given to residential property owners who spend sizeable sums of money on rehabilitation. There are instances where neighborhoods have been upgraded considerably as a result of extensive property improvement, and the addition of community facilities. A strong tax base, I realize, is the foundation for municipal support, but some moratorium might be given these owners as an incentive to do a good job, or as a reward for their contribution to the community.

If it doesn't sound too revolutionary—and I'm not a tax expert—I would like to suggest that some thought be given at a Federal level to

afford property owners in these areas some tax advantage incentive when money spent for rehabilitation exceeds a determined minimum amount per dwelling unit. This may or may not be practical — I don't know. Nevertheless, it would be considered an incentive.

In summation, may I say from a property owner's viewpoint, there have been problems but there has also been progress. These massive programs require the closest possible cooperation and coordination between the Federal Government, local municipal agencies and departments, and the people affected. This is a must if we are going to make our city and our neighborhoods what we want them to be.

Property owners, I earnestly believe, have played an important part in the progress to date. We know, however, that we must continue to share the responsibility along with others if our common objectives are to be achieved.

MR. DOUGLAS: Thank you very much. Our final witness is Mrs. Juanita J. Mitchell.[1]

STATEMENT BY MRS. JUANITA MITCHELL

MRS. MITCHELL: May I first express appreciation for being in the presence of a great humanitarian? Since 1890, we have had no Negro Senators in the U. S. Senate. For many years we had to depend upon great spirits like Senator Paul Douglas to have the concern and give leadership to the efforts to enact the kind of legislation which would right ancient wrongs and provide in the law the implementations needed for constitutional guarantees. His departure from the Senate was a loss that we could ill afford at a time when America is in a process of transition.

We are very happy that the panel has come to Baltimore. We have made progress, but there are many things that need to be done to make permanent progress, and in this area there is need for better legislation and Federal help to the cities.

I have been asked to outline what the obstacles are, how these have been handled, and what major unresolved problems remain.

Show of Strength to Vested Interests

The first major problem that we citizens experience in communities which are undergoing urban redevelopment, rehabilitation, slum clearance, renewal is the failure of the municipal agency, to whom is delegated the responsibility for these programs, to stand up to the politicians, real estate interests, liquor interests, and other interests.

In June of 1960, when the Harlem Park Urban Renewal ordinance was before the City Council, the NAACP [National Association for

[1] President, Maryland State Conference of National Association for the Advancement of Colored People (NAACP) Branches.

the Advancement of Colored People] urged certain strengthening amendments to that ordinance.

We have some very dedicated leaders who head our housing agency, but there was the fear that if they insisted on the principle that basic tools for rehabilitation remain in their hands, they would not get the ordinance through.

We were privately told that there was danger of incurring the wrath and opposition of powerful interests in the city, more specifically of the real estate and alcoholic beverage interests.

I served on a municipally appointed committee to study the correlation of the excessive number of liquor outlets in the central city with residential blight, slums, and deterioration of residential neighborhoods. We spent over a year making a study for the benefit of the Mayor, the Liquor Board, and the Urban Renewal Agency. We found a high correlation between the number of liquor outlets and residential blight.

In Harlem Park our committee found not only an excessive number of liquor outlets, but an oversaturation. There were 36 taverns and liquor stores in 32 residential blocks. Further, we found that most of these liquor outlets were in nonconforming commercial uses in residences on the first floor of residential buildings.

So we urged a strengthening amendment to the Harlem Park ordinance that would give the Urban Renewal Agency the power to eliminate nonconforming commercial uses, thereby eliminating excessive liquor outlets.

The Urban Renewal Agency disapproved, it refused. It also used its community organization workers to brainwash the residents so they would not support the NAACP's proposal, although these same residents had called on us to represent them at the Liquor Board to oppose the renewal of licenses and ask for the elimination of these nuisances in their community, because no one wants to live in an area where there are drunks and indecent performances by people who are under the influence of liquor.

There was another thing. There was a model block, Block 314[1] in the 600 block of Carey Street. The Urban Renewal Agency, in order to get people in the area interested in the possibilities of rehabilitation, took that block to demonstrate what could be done before it went to the City Council with the urban renewal ordinance.

Now one of the basic causes of residential deterioration, blight, and slums is overcrowding. It is as simple as that. There was dense overcrowding in the Harlem Park area, as there is in all blighted areas and in slums.

We urged the agency to support our request to the City Council that the ordinance be amended to give the agency the power to eliminate the nonconforming overcrowding which the Zoning Board had permitted during previous years and which had caused the blight that we were called on as taxpayers to spend millions to correct.

We were privately told by renewal officials that they had gotten the

[1] So-called because of Sec. 314 demonstration grants provided in Housing Act of 1954.

support of certain real estate interests and that if we pressed this, they would oppose the ordinance and maybe it wouldn't get through.

So what do you have in Block 314, with about six houses in the block? Zoning law requirements of population density permit no more than three families in a dwelling. Yet you have a house in which seven families are allowed to remain, while the city and the Federal Government spend millions to rehabilitate the area.

This happened all over. In that one block alone there were about six houses where there were seven and six and five apartments in dwellings which really should only accommodate three. Some of the residents who had an individual three-story brick row home bitterly protested. Next door an absentee landlord had come and put an apartment in what was a parlor, another apartment in what was a dining-room and kitchen – two apartments to a floor, six apartments altogether, overcrowding that dwelling, paying no attention to the number of children and adults living in the dwelling. The homeowner who had been required to spend a lot of money to bring his dwelling up to par would be living next door to an overcrowded slum.

No matter how much was put into the slum next door physically to rehabilitate it, with that continuation of overcrowding the city and the renewal agency were deluding themselves.

I could go on. For example, in most new suburban construction there are facilities in each individual apartment for the tenants to furnish their own heat. This is supposed to be a convenience to the tenant. In the inner city this is a cause of great transiency. Poor people have found that to have individual gas heat in each room is most expensive. The gas bill at the end of the month is very high. They pay on it and pay on it until the gas company shuts off the service; then they move out.

So we asked for a strengthening amendment in the ordinance to require that in these inner city areas where poor people have to live there be a central heating facility in each apartment dwelling to furnish the heat. That, of course, was disapproved.

Conflict with New High Standard Codes

In this Harlem Park area were a number of elderly homeowners, poor homeowners, retired schoolteachers, and retired postal carriers who had nice, clean, decent, safe, and sanitary housing that didn't conform, however, to Mr. Deitrich's new housing code with all of this new electrical wiring. They had lived 30 years in a house with old-fashioned faucets. Their children had grown up, and none of them were diseased or dying. But under Mr. Deitrich's new plumbing code it would cost $60 for a plumber to come in and put new equipment in their bathtubs which is supposed to prevent the dirty bath water from remaining in such a way that disease could result. It was a tremendous hardship for people who lived on pensions and on Social Security to pay these exorbitant bills and, at their age, they couldn't get the financing.

We suggested that there be established a municipal rehabilitation fund supplied from the city treasury as well as from private resources, supervised by representatives from local banking and commercial enterprises, which would provide long-term, low-interest financing of repairs. We got nowhere with that proposal. We who live in the inner city know that it is a tragedy when the old homeowners begin to exit out of the inner city. We wanted to keep them here. We felt they gave stability to the area. While we are happy to have absent landlords of the type of Mr. Offit, in any inner city area the strength of the area is going to come from the homeowners who have a stake and roots in the area, and in increasing their number.

We felt also that the requirement in the proposed ordinance, which would let the city condemn a house for failure to make repairs within one year after notice, should be enforced only against nonresident owners; that long-term, low-interest financing to make repairs be made available to resident owners by the city. We got nowhere with that.

If you cut down the tree of blight and leave the roots, no matter how many millions of tax funds you spend in building and in improving the physical accommodations, you are going to have the burgeoning of the old tree of blight. In 10, 20, or 30 years you are going to have the same situation that you spent millions to eliminate.

Non-Coordination of Agencies

Now, that's No. 1, the willingness of the housing agency to compromise basic principles of renewal in the interests of political expediency.

The No. 2 problem is a gross lack of coordination of municipal agencies. There's too much in Baltimore, and in most other cities, of the right hand of the government not knowing or even caring what the left hand is doing.

For example, we have a slum clearance project going on now in the Druid Hill Avenue area called the McCulloh Homes Extension Slum Clearance Project. There is an obnoxious tavern there. The residents were happy about slum clearance because the tavern would be removed.

The NAACP learned that the tavern had applied to relocate right next door to a school, which would not be in the official McCulloh Homes Extension Slum Clearance Project, but just beyond where the city was taking the dwellings. We opposed it before the Liquor Board, but the Board granted the license.

Finally, the residents, the mothers in the area, went and sat down on the vacant land that the tavern owner was going to use to build his new tavern. Then the city stepped in. But the city was up against a legal proposition that this tavern owner had already acquired the legal right to both the land and the liquor license. The Urban Renewal Agency simply had not known that the tavern owner was going to relocate there, or if it knew, it was helpless and couldn't do anything about it.

The residents of the area themselves went down to the Mayor and the Liquor Board, and everything was too late. This is the kind of municipal indifference and lack of coordination which prevents the city from really doing a job of renewing inner city areas.

There is the problem of trash and garbage collection. I live in another renewal area, Mount Royal-Fremont. I invite you gentlemen to visit before you leave today some of these renewal areas. We have complained and complained and complained about the insufficiency of two trash collections a week in the inner city, the same number which the city gives in the fine residential area of Guilford and Roland Park. There really ought to be daily trash collections in these overcrowded, congested areas. Colored people don't want to live in dirt and filth, but we are powerless against municipal indifference. And some people talk about Negro apathy.

I would say that apathy is a way of life that the Negro has had to develop or he would commit suicide.

Many white people come into our areas, into our meetings, and say "How do you stand this?" We have had to stand it, and the only way to exist is to adjust to it. We don't like our children playing in the midst of garbage and filth and broken bottles. Yet the city continues to fail to give the appropriations to provide the sanitary services to keep these overcrowded and congested areas clean. It's really spitting in the face of urban renewal. It's a disgrace to America.

The Sun papers just had, one day this week, a series of pictures on the Pennsylvania Avenue section. I say it's a disgrace to urban renewal, a disgrace to the Mayor and City Council of Baltimore, and all of the municipal agencies, that in this day of our Lord, 1967, such conditions are allowed to exist. But this is business as usual. Therefore I would say the lack of coordination of municipal agencies is a main obstacle to the very thing that the President, in his Great Society programs, the demonstration cities programs, and all urban renewal and housing programs, is attempting to do.

Unequal Treatment of Poor

Now, the third problem, a major obstacle which causes great resentment, is the unequal treatment of the poor by the Federal Government, by municipal agencies, and the courts. I sat in Housing Court with a client not long ago. I might say that all judges are not competent to sit in the Housing Court. They are insensitive. I sat in Housing Court and saw a young $60-a-week Negro truck driver testify. Some smart young men, just out of law school, had formed a corporation, and they were buying up old properties in the inner city. When the violation notices began to come from the building inspectors, and a property would require too much expense to renew and the financing wasn't there, they unloaded the property on ignorant Negroes who wanted to own something. They gave them the idea they could pay so much a

week, and the like. As I sat there in that court I saw the tale unfold. They had not given a good title to the truck driver who, as title holder, would be responsible for repairs. They didn't have the books of the corporation available, they were entirely unprepared, but every courtesy was extended to them. On the other hand, such sharp questions were asked of this ignorant Negro would-be homeowner. "Why didn't you do this?" "You mean to say you took this house without good title?" The poor man was so browbeaten that I was almost tempted to offer my services to him out of indignation, but we are already overloaded with people who can't pay. There ought to be a state's attorney to prosecute absentee landlords. And there ought to be a Housing Court defender to protect ignorant Negro citizens who get caught in such schemes. These are the very people about whom Judge Arabian has spoken, poor homeowners who have two- and three-page-long violation notices, and to whom the city has failed to open avenues of financing for them to make the repairs.

There is unequal treatment of the poor, straight down the line. I wish this panel would go take a look at the McCulloh Homes slum clearance extension project.

In the days before we won Shelley v. Kramer in the Supreme Court, which prohibited the judicial enforcement of restrictive covenants, these two streets used to be our pride and joy. But they are going downhill. However, a lot of elderly home owners settled in that area and still live there. Now, all these years they have been paying taxes on the municipally assessed values of their homes. We won a court case about five years ago in which the City Assessor testified that assessed value is 65 percent of the fair market value of the property at the time of assessment. So these homeowners have been paying the full taxes to the city on assessed value.

Along comes urban renewal. The area needed clearing. There were homeowners who spent a great deal of money in beautifying and keeping up their homes, as far as they were able, after the announcement was made. The city fooled around with this area for ten years. First it was going to be a redevelopment area, then it was going to be a rehabilitation area, and finally they announced it would be a slum clearance area, because there were too many dwellings that couldn't be saved. In the meantime, in ten years, the absentee landlords just let their properties go to pot. But these elderly homeowners had to stay because they didn't have the funds to go elsewhere: so they kept their properties up. In fact, two years before the city designated the area for slum clearance, because the city was not quite sure there was going to be slum clearance, the city sent stringent violation notices to these homeowners. Some are still paying mortgages that they got to fix up their property to comply with these notices.

However, when forced to sell, these homeowners were not offered prices based on the municipal assessment of their homes. The city blames this on the Federal Government. They say, oh, we, the City Real Estate Department, have nothing to do with these prices that have

been given. It's a tragic problem. One man who paid $6,000 and is paying taxes on a $4,000 mortgage on his Druid Hill Avenue home has been offered $1,700.

There are others who still have mortgages on their property, and what the city offers them is less than what is necessary to pay off the mortgage.

They protest but get involved in all of this governmental red tape. The Urban Renewal Agency says, very, very sympathetically to us, well, it's Philadelphia [Regional Office of HUD]. We employ appraisers from the National Association of Real Estate Appraisers. They come in and are impartial. They tell us what this property is worth on the market, and we can't give any more than what these appraisers, hired according to Federal regulations, say we should give.

So, we go to Washington. Washington sends us to Philadelphia, and it goes around and around. In the meantime, the absentee landlords sell out. The city begins to tear down buildings so fast that the poor homeowner is caught there. In desperation they say, you can't win. They don't want to go into an old folks' home. They don't want to go into a housing project. They want to end their years in independence. But they just give up in disgust, because the Federal government, the municipal agencies, and the whole power structure don't give a hoot about the poor.

Gentlemen, that's really the truth. We want nice areas through which we can travel downtown to our offices. We do not want our consciences bothered by the slums and filth and debris which we see as we come downtown in our new cars. We don't want our consciences bothering us by the Sun papers showing all these conditions on Pennsylvania Avenue. We aren't bothered very much about this, because it's so seldom that it gets in the paper. What we really want is to have nice new areas, so that when we see them, we will feel better about the things we haven't done for the poor people.

Poor people are human beings, the kind of thing Reverend Daniels was talking about. They are not ciphers or figures. This country was created to preserve individual liberties. It was founded on respect for the individual human being. But we have gotten so big that we don't care about the poor individuals in this or other areas.

Lack of Human Services

Finally, the other obstacle is the lack of human services that go along with physical rehabilitation. One organization, just Saturday a week ago, took a tour through the Harlem Park area and looked at all these beautiful new parks, the inner parks, which are fine on paper. The question which everybody asked was, where are all the children? It was Saturday morning, about noon. School was out, but there were no children in all of these beautiful parks. The city had spent thousands of dollars tearing down inner block dwellings to make these parks.

But there were no children. Where were the mothers with their babies? The ones who come out for the sun? They weren't there.

Mr. Offit also talks about landlords who are interested in fixing up beautiful new apartments, and then have people move in from the rural areas who do not know how to use the new flush toilets and some of the other finer things. The people want to, but they just don't know, so the breakage is there.

I could have told the people that asked where are the children in those beautiful new parks that slum children find more fun and excitement in breaking windows and dodging heavy traffic than they do in these "still" parks, where there is no playground leader to direct them in constructive recreation.

It's no fun back there. The cement is there, and some play equipment is there, but there is no direction of these children in constructive use of leisure time. You can build all the parks you want, but if you don't put recreation leaders there to help organize the community, and direct these children and teach them, it's all in vain.

The same is true with these people who want to live decently in Mr. Offit's beautiful apartments and don't know how. There's some idea that if you put people in beautiful new surroundings, that of itself will be enough. This isn't always true.

So we do need the human services, we need the continuing human services to go along with the physical renewal.

MR. DOUGLAS: Thank you very much, all of you.

(Adjournment.)

Sheraton Belvedere Hotel
Baltimore
Noon, May 13, 1967

MR. DOUGLAS: It's a pleasure for me to introduce the President of the Baltimore City Council, Thomas D'Alesandro, III.[1] I am a repressed and frustrated city politician myself. I never rose to the heights of Mr. D'Alesandro. All I could do was to be an alderman, but let me tell you this: it's the most exciting life there is and I often thought that the United States Senate was an anticlimax.

Mr. D'Alesandro comes from a most distinguished family. His father was Mayor of Baltimore for many, many years. He is now Chairman of the Renegotiation Board in Washington, and a great public servant. He is going to speak on the relationship of city politicians and officials to urban renewal. This gives me a chance to vent my own prejudices that politicians are extremely important people to have around – and that if you destroy the political organizations, you destroy the instruments of our democracy. The political organizations, particularly ward and precinct organizations, should be the intermediaries between officials and citizens in various municipal activities.

Thomas J. D'Alesandro, III, President, City Council of Baltimore.

[1] Elected Mayor of Baltimore City in November 1967.

MR. D'ALESANDRO: Thank you, Senator Douglas. I understand our Mayor McKeldin extended an official welcome to the city, and I extend the same welcome to you.

I understand you are on a fact-finding mission, and I would like to get down to the merits and the meat of my conversation with you — a politician in the big city and the problems concerning us — with specific reference to urban renewal and housing development.

To give you a little breakdown of our city: We have a population of 913,000. This represents a decrease in the last decade of close to 75,000. In 1957, we were close to 1,000,000, approximately a million — 990,000. Now, today, we are down to 913,000. The composition of the city is such that out of 913,000, roughly 310,000 are under the age of 21; 95,000 are over the age of 65, and this group of 95,000 represents 40 percent of all the senior citizens of the State.

When you take into consideration the 309,000 under 21, and the 95,000 over 65, and subtract that from the 913,000, we got the so-called breadwinners in the family. You have to subtract from that the housewives and the stay-at-homes, the mothers in the family. You come down to the fact that out of 913,000 people, we have 305,000 taxpayers.

Out of the 305,000 taxpayers, we have 208,000 paying taxes on a taxable income of $3,000 and less. Again bear in mind that 9.7 percent of the 913,000 are on the welfare rolls. We have a disproportionate share of poor people, who have a high demand for services on one hand but who are least able to pay the cost for these services on the other. This story can be repeated many, many times over, in the cities to which you travel.

One thing really astonishes me. We get calls from various congressional committees. Senator Ribicoff had a call in to Mayor Yorty of Los Angeles, Mayor Lindsay of New York, Mayor Cavanagh of Detroit, and Mayor Lee of New Haven, to come to Washington to tell his subcommittee on urban affairs what are the ills of the cities. Something is wrong when a request like that has to be made, when the congressional delegations — especially those from the cities — are not cognizant of the problems that we local politicians have to deal with on a day-in-and-day-out basis.

In the area of urban renewal and public housing, this is what is on my mind. We are supposed to have one of the finest urban renewal and housing agencies in the country, and one of the finest programs. We are the leaders in the nation, supposedly, in the implementation of public housing, and have somewhere in the neighborhood of 10,000 housing units. Nonetheless, we have around 25,000 on the waiting list. It's just a "guesstimate" on my part (and I know that Gene Feinblatt and Dick Steiner will take me to task), but I think we need approximately 25,000 additional housing units. I would like to get away from what we call housing projects, where you have, technically, apartment-type living. The way it works, a family gets into the project primarily because they are in a low-income category. If a person becomes gainfully employed, he gains some seniority in his job and he increases his pay.

At the same time the family is growing. A young boy or young girl may now be able to go out and get a job and supplement the family income. They begin to make a decent salary and provide themselves with the necessities of life. Well, then they are violating some of the income restrictions placed on them by the Housing Authority. They have to get out onto the open market. Once again they are caught in the cycle of competing with high-priced private development.

I am an advocate of trying to get away from more housing projects. I would never buy them in this area. I never believed in high-rise public housing, never. Low-rise, no higher than two or three stories, yes, but not these cages that are built in the city.

I am a firm believer in private homes. I would like to see the urban renewal and housing authorities, Federal and local, concentrate on building more homes for the individual. Wherever we have home ownership, we have a fine citizen. When we have renters concentrated, we have trouble. I think with home ownership, you establish a finer personality for the individual and his family. By tending to their own, they tend to the needs of the neighborhood, and it helps to make a better city.

I introduced a plan in City Council. I don't know where I am going to go with it. Whenever you introduce a plan that doesn't conform to the establishment *per se,* they always find reasons why it can't work. If the same plan were initiated by the establishment, they would find all the good reasons. This plan was received extremely enthusiastically when it went around the city prior to its introduction, and I was surprised how the enthusiasm evaporated after its introduction.

Just to give you an example of what my plan calls for: Here in Baltimore we had a problem 10 to 15 years ago, of providing adequate off-street parking. So the city government established an Off-Street Parking Commission, floated loans and obligation bonds on its own credit, and allowed private developers to come in and build off-street parking establishments. The city, I think, put up 15 percent, and all the private developer had to put up was 50 percent, and long-term mortgage arrangements were made. It was a cooperative effort on the part of private developers working under city auspices to provide off-street parking. I want the same thing to carry over to homes. First I wanted the city to use its obligation bonds to float a loan by which a developer can come in and borrow the funds for construction. But I understand now that isn't even necessary, that there is enough money available for the developer to actually make a loan. So I shift to the other side of the ledger and allow the funds to be used by the purchaser of the home. What I want to do is to set up, under the Baltimore Urban Renewal and Housing Agency, a special housing commission that would clear the plans and specifications for the development of slum areas. I realize that you are concentrating today on rehabilitation. My aides don't like this when I say it, but I am a strong advocate of demolition. Of course, there may be some areas where rehabilitation works, involving homes built about fifty years ago. But we are talking about homes built two hundred years ago. I am cognizant of the criticism I will get from the Historical Society, but some of these homes have to go. We need to clear out large segments, large areas, because you can't concentrate on one

block at a time. We've got to have an altogether new approach. Demolish a whole area, build homes, build swimming pools, make the area appealing to those people who have to live in it. Make it attractive, as far as maybe attracting other elements into the community. Have the shelters that are provided for people, proper facilities – they don't have to be stereotyped row homes. We in Baltimore are famous for our white steps and rowhouses. But we can have a set of plans and specifications that put an emphasis on the esthetic beauty of a community, and have different type homes.

In the inner city, one of the best ways to do away with the hot summers everybody talks about, is to have adequate recreational facilities. In these new communities you have to build not only the different type homes, you have got to build recreation centers in a very practical bread-and-butter approach. You've got to build swimming pools, little league parks, the whole complex. Only in that way are we going to cure the slum conditions that exist in the city.

From my association and familiarity with the homebuilders, I understand they are making tremendous expansion on the city fringe areas which are still underdeveloped, the rural areas, suburbia. That effort could be diverted, say, split in half, to advance in suburbia and, also, to return to the inner city and build the same type of housing there.

You heard yesterday from Jim Rouse who is building a tremendous complex right here in Baltimore City. He calls it Cross-Keys, with apartments running from maybe $200 a month and up. What I would like to see is a low-cost Cross-Keys, in the inner city. That's what's needed from a very practical point of view.

Time and time again, I have introduced ordinances concerned with code enforcement, new plumbing laws, new fire code, new zoning laws. But there is a real big hiatus between the introduction and the passage of these ordinances on the one hand, and their enforcement on the other. A lot of people in government feel that once an ordinance is passed, automatically all the ills covered by the ordinance are cured. The truth of the matter is that enforcement is the big key. What's needed (I can't get into my political qualifications here) is leadership to close this gap between the passage of the ordinance and the ills. That's enforcement.

In essence, I would like to emphasize community-type developments in slum areas. I am willing to say rehabilitation somewhere along the line has to fit in. I still like to stress slum clearance.

Another idea I would just like to throw on the table, to give you an idea of what I am talking about. We are now in the process of passing in the City Council about five major ordinances of condemnation and land acquisition for the construction of the interstate highway system called the East-West Expressway. And what I would like to see done, if it could be done in the ordinances of acquisition and condemnation, is to broaden the scope of the properties that are going to be taken, so that along a certain route you can build industrial parks, along another route you can expand it to build recreational facilities, and new communities.

Why new communities? Because when you talk about constructing

seventeen miles of Federal highways in the city, you are talking about displacing close to 5,000 families. So we need this kind of coordination where you can clear the land and you can replace these people in safe communities.

We have a piecemeal approach. We have the Gay Street Project, a 15-block area. It's really a slum area. The way BURHA is going about it is tremendous. They called in the people who live in the neighborhood and asked those people to help them with the plans. BURHA is not going down to the Gay Street area and tell the people that they are going to have to live according to these plans and specifications in this house or in these apartments, in accordance with laws and regulations that we set down. So we have had a tremendous amount of meetings and the neighbors themselves have helped in the formulation of these plans, calling for rehabilitation of certain areas in the project and demolition in others.

What's developing here in the city, meanwhile—and you will probably find it in the course of your travels throughout the country—a new illness is beginning to crop up. We have now in Baltimore City over 4,000 or 5,000 vacant homes. Now, this started out one a block, two a block. Now the city is acquiring this land as a result of delinquent taxes, after it has been milked by whatever developer had it. Now they are beginning to form clusters of vacant homes. To get back to my initial idea, where you have these clusters of homes, I wanted the city to go in, with its right of eminent domain. Most of the property, as I say, is city-owned, due to delinquent taxes. For those houses which are deteriorated and dilapidated, use eminent domain to let the proper developer come in.

We have had a terrific program in BURHA. We have used the turnkey housing.[1] We have had rent subsidy.[2] We have had other programs. Please don't take this as a personal affront, because Gene Feinblatt and Dick Steiner are great fellows and are making a great contribution, but they remind me of majorettes. They are always raving about their accomplishments. But I think it's a little pebble—1,500 units—is still a pebble on the beach. I think we need 25,000, and if I am fortunate enough to be elected mayor after November, you are going to have this town whirling.

I think the Federal Government feels that all these programs they pass are making a great dent in our problems, and I don't think they are. I think what's needed is implementation or modification of these programs. These could originate, strange as it may seem, from local politicians through their congressional delegation. I know this. I am in my fifth year as President of the Council, and President of the

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[1] A method of providing public housing through purchase of privately produced construction from the builder, who follows general requirements instead of minutely detailed Federal specifications. On satisfactory completion of the project, the builder turns over the key (hence the name) to the public housing agency. This approach was first adopted in 1966; it is also used in the provision of rehabilitated housing for public housing tenancy.

[2] Federal payment of the difference between 25 percent of the income of a low-income tenant and the rent he must pay for standard private housing. Housing and Urban Development Act of 1965.

Board of Estimates. We are always reacting to Federal programs. Never did the Federal Government react to our proposals. That is what I think is lacking here.

I don't know how many of you have had any experience in trying to get clearance. I read in the evening paper that we just got clearance for a project for which we had an ordinance passed in the City Council — how long ago, Dick, two years ago? Something is wrong in that set-up. The ordinance is put in with the idea of trying to correct a certain need, and it takes two years to get Federal approval.

MR. STEINER: Fast.

MR. D'ALESANDRO: Is that fast? If that's fast, we really have problems. I think the local politicians are cognizant of the problem. I think we have to improvise a new approach, different from the standards set down by the Federal Government.

I think one of the things that the Commission can accomplish, Senator Douglas, from your travels throughout the country — one of the problems I would like to see solved — is to have a liaison representative to our congressional delegation in Washington. Apprise them of our feelings on certain legislation that concerns itself with Federal programs in the area of housing. I think you have to have a deviation from what we call housing projects, a stress on homes, and not wholly homes but recreation, health service, and everything incorporated in a whole community set-up.

Take into consideration that we have our own budgetary problems in education, law enforcement, water, sewerage, sanitation, and what have you. Take the political structure — because we are an independent city, not part of a county like Chicago in Cook County. And 43 percent of our population is colored. In Baltimore County, suburbia, so to speak, 3 percent of the population is Negro. Take into consideration that in 10 years there has been a decrease in percentage as well as in numbers of whites in the city. Without hesitation I am recommending another try for a national fair housing bill to correct this ghetto that is developing in the inner cities.

I think, if you can provide decent housing for people, some of the other negatives that accompany ghetto-type life would disappear. Legislation at both the Federal and local levels calls for better codes, fire codes, plumbing codes, zoning codes. What good are all these codes if they are not enforced? You have to provide leadership for enforcement.

If anybody has any questions, I will be glad to answer, other than Feinblatt and Steiner.

QUESTIONS BY COMMISSION MEMBERS

QUESTION: What does it take in terms of personnel to administer to the needs of the City of Baltimore?

MR. D'ALESANDRO: We in Baltimore City today employ 40,000 municipal employees. Close to 13,000 are in the Department of Education, 4,000 in the Police Department, about 2,500 in fire. Our welfare rolls —

the social workers and staff—are increasing. In the Department of Public Works and Health are the remainder. We are the biggest employer in the State of Maryland.

We are in the process now of trying to streamline our operation by reorganizing the Department of Public Works that services the city with its butter and bread needs of water, sewerage, sanitation, mechanical, electric, and what have you. With transit and traffic, we are hoping by consolidation that we can hire more competent personnel on a higher salary scale rather than employ a large number of people who are unskilled and underemployed as far as pay scale is concerned. We employ 40,000 people who service all the needs of the municipal government. It's awful big.

MR. DOUGLAS: A member of our Commission who has been mayor for the past 15 years of a rapidly growing city halfway between Dallas and Fort Worth has a question.

MR. D'ALESANDRO: If you can introduce to me a mayor who in this day and age can keep the peace for 16 years he has it over me.

MR. VANDERGRIFF: *Well, interestingly enough, Mr. D'Alesandro, my question has to do with keeping the peace. I was quite impressed with the Harlem Park development this morning. I wanted to ask the question this morning but perhaps now is a better opportunity. You were talking about eliminating some of the social problems. I am not presumptuous enough to suggest there was a crime problem in that area before that development. I don't know. But whatever it was, has the crime rate decreased in that area since all of the work has been done?*

MR. D'ALESANDRO: I don't know about that specific area, but crime is on the increase in the urban centers of this country. You never get any bad news from BURHA. Listen to this. Statistics have gone down in Harlem Park but right across the street statistics have gone up. In the housing project areas, you have a better type of life, more *esprit de corps* among families that live there and in the surrounding blocks. So the statistics reflect that, all well and good. But we have a serious problem with crime in the central city, a tremendous problem. Some night functions have been discontinued, some of our church functions have been rescheduled, you know, from night to day. It's one of the most serious problems in urban life.

I introduced a curfew in Baltimore City ordering all youngsters under the age of 17 to be off the street at 11 at night Sunday, Monday, Tuesday, Wednesday and Thursday until 6 the next morning and from 1 to 6 A.M. on weekends. You would be surprised at the tremendous amount of hostility I received from the high schools with respect to my curfew. But crime in the inner city cannot be belittled. Actually it has an effect in the overall package that we present in attracting new industry, new business and new commerce. Crime and vandalism are tremendous.

MR. DOUGLAS: Mr. Eugene Feinblatt [Chairman, Baltimore Housing and Urban Renewal Agency], I think, has some figures on the Harlem Park project. I wonder if you care to tell us.

MR. FEINBLATT: We don't have the actual statistics with us, but we

will send them to your committee.[1] However, we have been keeping, based on police reports, careful crime statistics on the Harlem Park area. This was an area which started off with a high incidence of crime. Our statistics related to crimes of violence. During the period of execution, particularly in more recent years, reported crimes of violence have gone down measurably in the Harlem Park area. This is not true of the city as a whole.

One of the problems, of course, in using crime statistics is that crime reporting, in Baltimore as in many other major cities, is a very faulty system. We do not use the same system as the FBI, so I don't underwrite the validity of the reporting system. But based on the system used here by the Police Department, the incidence has gone down measurably in Harlem Park.

(Adjournment.)

Harlem Park Recreation Center
Baltimore, Maryland
Afternoon, May 13, 1967

MR. DOUGLAS: I want to thank the Director of the Center for the warm welcome and the very friendly services for the meeting which he has given us and we give our thanks to him and members of his staff. We deeply appreciate it. Thank you very much.

We meet for the final session on the general subject of rehabilitation, not necessarily the Baltimore situation, but the perspective in the country as a whole. We are very happy to have with us Mrs. Gabel, who has been active in housing rehabilitation work for many years and is now a delegate to perhaps one of the most important bodies meeting in the country, the Constitutional convention of the State of New York. We are very happy to have you here, Mrs. Gabel. Please lead off in your own way.

STATEMENT BY MRS. HORTENSE GABEL

MRS. GABEL:[2] Senator Douglas, Mrs. Smith, and gentlemen. I am glad to be here. To testify before Senator Douglas is an honor. I am also very pleased to be here in the city of Baltimore to acknowledge a debt (in terms of my own training and understanding) to a former Federal urban renewal commissioner, Richard Steiner, who as a Federal official

[1] BURHA reported that, in the Harlem Park area, total crimes of violence fell as follows: 1958 — 306; 1960 — 246; 1963 — 219. BURHA did not have specific figures for Baltimore City but asserted that "the crime rate has not declined." The figures given do not take into account differences in population before and after the neighborhood rehabilitation and removal of inner-block areas.

[2] Private consultant in housing. New York City Rent and Rehabilitation Administrator, 1963–65; Assistant to the Mayor for Housing, New York City, 1960; asked by New York Mayor Robert Wagner to develop city's Neighborhood Conservation Program, 1959; Deputy State Rent Administrator, 1955; General Counsel, Temporary State Housing Rent Commission, 1954; organized New York State Committee Against Discrimination in Housing, 1949; Assistant Corporation Counsel, New York City.

gave Bob Weaver, then New York State Rent Administrator who was then my boss, and me the first demonstration grant in the country to study the feasibility of rehabilitation. Later on, when I worked for Mayor Wagner, Mr. Steiner and the then HHFA [Housing and Home Finance Agency] Administrator, Norman Mason, again were good enough to give my agency a sum of money to establish the country's first neighborhood conservation program.

All over the United States, government agencies, social welfare and social action groups, and more recently, financial, manufacturing, and construction circles are turning from clearance to rehabilitation of dwellings and neighborhoods. They believe many of these neighborhoods may retain the social values of viable or potentially viable neighborhoods. I think you saw a demonstration of that in Harlem Park today. Many believe that rehabilitation can minimize or eliminate relocation problems, and that reconstruction can be less expensive and faster than new housing. Finally, some industrialists, and some other people, think it can open new opportunities for investment.

This nationwide interest has produced a variety of proposals, and some small-scale programs included are under the undefined rehabilitation umbrella. Rehabilitation is often used to describe stepped-up code enforcement activities or information programs for home owners and tenants. Some are for "home management," "tenant education," or "self-help" proposals.

Others conceive of rehabilitation at somewhat higher levels. In a few cities—New York, Philadelphia, Baltimore and Pittsburgh—nonprofit and limited-profit groups have been organizing to acquire single and multi-family structures and rehabilitate them in depth with the assistance of Federal mortgage insurance. In New York City, rehabilitation experiments have combined HUD [Housing and Urban Development] and OEO [Office of Economic Opportunity] assistance, nonprofit front money, below-market loans, rent assistance, expert personnel and relatively new technological systems in quite sophisticated rehabilitation experiments.

Nevertheless, rehabilitation programs are in the main being developed on a very small scale. Prior to 1966 the rehabilitation program of Pittsburgh's ACTION-Housing affected 22 dwellings. In New York, which probably has the most advanced program in the country, less than 5,000 low rent units were affected.

I think it is conservative to say that if we move at the rate we have been moving and contemplate moving, in theory we might be able to eliminate these substandard dwellings in the next 50 years. This is a rather long time-span for us to consider.

Rehabilitation Interest Expanding

But in the last 18 months, a nationwide, almost feverish interest in rehabilitation has developed. Philadelphia is talking about fixing up 5,000 dwelling units on a turnkey basis. Pittsburgh is organizing to

rebuild 1,000 units annually. The United States Gypsum Company is expanding its operations into several cities. Industrial trade associations, systems companies, and other private groups are taking a new look at the older sections of our cities.

One of the most recent developments is the organization of at least 12 nonprofit urban development corporations throughout the country. Some of these are extremely well financed or potentially well financed. They are in the main concerned with work in the major cities.

There are, however, problems. We have long been familiar with the social problems that are endemic to slums. I must associate myself with what Mrs. Mitchell said this morning. I believe that the social problems and the failure of coordination have long been the subject of literature and impassioned speeches.

There are many other major problems which we have only recently begun to identify. These are the high cost of land and buildings, the high cost of money; the lack of development funds to cover preliminary legal, technical, and organization expense, and preliminary acquisition costs; the antiquated work and performance technology; the failure to understand the links between standard dwellings and education, jobs, transportation, sanitation, sewage disposal and other required services; and the lack of information and access to expert counseling.

These problems are interrelated. When cities fail to solve them they produce exorbitant shelter costs for the poor in an inadequate physical and social environment. This insufficient and inhumane environment is maintained by the municipality at exorbitant capital, as well as operating, costs. All of these constraints must be taken into consideration if neighborhoods are to be upgraded.

Technology, Personnel, Management Deficiencies

Some of these problems I believe are of particular importance only because they have been stressed so little. I will refer to three of them:

First is antiquated technology. Systems analysis and engineering of construction and reconstruction processes are almost nonexistent. Research by construction companies is restricted mainly to rather crude experiments in materials handling and installation methodology. Local building trade unions often have a vested interest in compelling the use of obsolete materials and systems. Materials producers spend a great deal in the development of their individual products, but virtually nothing in trying to develop improved systems, nothing at all in efforts to improve the interrelationship of a particular company's products with those of other firms. Industrial efforts to establish cooperative research and development programs have had limited success.

Research by the design professions has been mainly in the area of space planning. Data on materials flow to the designer primarily from catalogs, and so forth, supplied by the materials industry. Data on cost and construction methods are mainly composed of rather sketchy information on past performance of contractors.

Though there are strong indications that this may change, Federal Government research is limited by pressures from Congress, from labor and from materials supply groups. Local research is confined largely to land use and traffic studies.

Sewage and refuse disposal systems, which have a vast impact on the quality of neighborhoods, have not progressed in an appreciable degree for the last one hundred years, with the exception of the questionable improvement of incineration.

I think equally difficult is the basic problem of inadequate personnel in and out of government. The lack of government expertise is critical. Most middle-level Federal and local government personnel have limited understanding of the components of a rehabilitation program. They are confused and dilatory in decision-making, and often unable to communicate decisions effectively when made. This is compounded by most housing agencies because they have a perception of themselves as reviewing rather than servicing mechanisms.

When I ran a large municipal department I quickly learned how difficult it was to get the standard employee to understand that he is not presiding at an adversary proceeding when an applicant came before him. I figured if one out of 25 understood that he was a public servant and said what he was supposed to say, I would believe I had a pretty good average and success.

Even today academia gives little attention to rehabilitation. Schools of law, architecture, planning and business failed to teach appropriate courses.

Until recently, most major contractors, operating in the horse-and-buggy school of trial and error, were afraid of rehabilitation. In New York City, the 114th Street project was undertaken with great hesitancy by a well-established general contractor, and only because of a strong sense of social commitment by one of the firm's members — I refer to Dick Ravitch, who was a pioneer in trying to bring effective large-scale contracting to the rehabilitation industry. The need for involving indigenous residents, community groups, and local contractors and subcontractors has only begun to be explored. Training these local groups, often of minority extraction, will be difficult, but not impossible, and it is absolutely necessary.

A serious problem I want to address myself to is what happens after you rehabilitate a house. You heard a lot of talk about good landlords and bad landlords, good tenants and bad tenants. In my own judgment, the management of a building is the key to it all. Management of older, smaller structures is at an absolute primitive level. Because of this, responsible real estate firms hesitate to undertake these jobs. Local management groups frequently do as much to run buildings down as they do to collect rents. Applications of the European concierge system, cooperative tenant-management plans, janitor training programs, and many other devices are beginning to emerge as a result of the poverty program. We need far more experimental programs with far broader application.

There's a total need, I would say, to train and retrain all segments

of the rehabilitation complex to use efficiently our present tools and to work in the innovation area.

The challenge which faces both government and private enterprise is the rehabilitation of the totality of urban slum neighborhoods in which five million households reside. Conservatively estimated, $50 million could easily be the cost of it. The need is for programs to rebuild the physical structure of the communities while their socio-economic viability is maintained and enhanced.

For this purpose, I view the dwelling, the multi-family structure, the neighborhood itself as an aggregate of systems designed to satisfy the physical and social needs and desires of the residents. The range is from toilets to community facilities, from privacy to group activities affecting the entire community. Some of the systems we are concerned with are physical. I won't go into too many of them but I will mention the lay-out, design, and prospects for modification with changing needs.

Walls, floors, ceilings, windows — their materials and their maintenance, their first cost and their total cost.

Heat, light, ventilation, water and sewage disposal systems and so on. And most important is this matter of security, which has substantially broken down and for which there are many avenues to innovation.

Some of the problems relate to organization of the neighborhood, the provision of community facilities and programs, and the utilization of outdoor space, on the streets, the backyards, the roofs and the parks.

The need for technological breakthroughs is critical. The public and private sector, working together, must be concerned with materials and methods of installation, and the management and maintenance of each system.

Most important, we must be concerned with systems for the fastest and most economical methods of integrating these installations. These systems must also be designed so that the luxuries of today can be added at some modest cost in the future, since today's luxuries in this country almost inevitably become tomorrow's necessities.

Nine Points of Attack

I think that I have been able to identify at least nine needs which we must address ourselves to. The first is the necessity to identify elements and systems which through standardization and mass markets can reduce costs and improve quality.

The second is to find institutional devices which will establish national performance standards for those components which can be mass-produced.

Thirdly, the key for developing these mass-produced components is the organization of common markets for the distribution of mass-produced products. It doesn't do us much good to talk about innovation — and if I were a material supplier or a building contractor or systems company, I would say, "That's lovely. Sure, I will take a contract for you, Mr. Secretary, or from you, the University of Minnesota, or

wherever it is, to do a research job but I certainly am not going to put it right in my shop until there is a market for it." The challenge I think few people in this country have faced is to find institutional ways to develop this common market.

Fourth, I think too we need to give some good hard thinking to finding the incentives that will bring new forms of private investment to new and rehabilitated housing and to the special facilities in the inner city. This can include combinations of Federal guarantees, tax incentives, rights to franchises, residuals and other benefits which can attract long-term capital.

Fifth, somehow we have to find the managerial and real estate skill to parlay the trade-offs between yields and risk ratios.

Sixth, it's important too to identify the entrepreneurial and management tasks which can best be performed by local and regional development corporations with the planning and participation of local residents, industries, labor, and municipalities.

Seventh, we need to provide managerial competence and the funds to assist in the organization of local development corporations which need the specialized technical skills and the managerial competence, the access to capital and support of service which are being denied today.

Despite this need, I am amazed at the way industry, government, and frequently Negro leadership, are beginning to organize on their own.

In Warburg, Connecticut, for example, a city that has never had a great reputation for being a pioneer, the president of a great brass company, the mayor, the Negro leadership, the labor groups (both the UAW [United Automobile Workers], which has a large stake in that city, and the building trades), have just organized and have pledged to raise $500,000 to manage a development corporation which will operate in this small city. That $500,000 in a city of 60,000 is comparable to at least $5 million in any major city. This is just one of several organizations that I have worked with and have seen emerge. They are separate and had no notion the other fellow was in business. They still have no notion of the potential power they have, if they organize, work together, develop the markets which can induce innovations.

Eighth, we need also to develop the kind of long-term incentives for unions and contractors to raise industry productivity. I think this is of critical importance. This can best be done through developing systems for continuity of operations and providing greater job and income security. Again, I am conscious of the basically regressive roles the construction trades have often played in the whole matter of building housing and facilities in our country.

However, I often think if I were a man, a construction worker, 45 years old, and had three kids, and I saw the industrial union threat over my right shoulder and a Negro revolution over my left shoulder and even though I have high hourly wages, but I am subject to the whims of weather and time and money recessions. I wonder really how progressive I would be.

I think it is very easy to understand and to criticize construction

trades' restrictions, but it is a lot more difficult to find constructive ways to meet some of the genuine problems that they face. I hope that this Commission would address itself to this question of job security and annual income in relation to the productivity that can be achieved which, in turn, I believe, can trigger a kind of work technology that will result in improved building standards, faster building and more massive building.

Ninth, and finally (and I believe the function of this Commission should almost be continuing), there is a need to continuously evaluate and adjust the structure and scope of the objectives of our housing and community development programs in this country.

This National Commission, I believe, has a tremendous opportunity to tell us now where we are — not in the mid-century but in two-thirds of the century — and I would hope that this kind of objective, evaluating mechanism would be part of our country's yardstick for the inner city as well as the new cities of the future.

I have some very short recommendations about what I think should be the next steps.

Training in All Skills

The first is training. It is absolutely imperative to train in necessary skills the architects, engineers, government officials, lending institutions, managers, contractors, subcontractors, and craftsmen. Training programs must reach beyond the conventional devices of conferences, seminar classrooms, and apprenticeship. They might well include experimental devices such as: Internships to permit senior practitioners to spend periods of six weeks to three months in areas where rehabilitation seems to be working.

We might consider the payment of costs for training indigenous contractors, real estate, management personnel and other segments of the industry. I will tell you that one of the most remarkable things that Mr. Ravitch's concern, HRH, did in this 114th Street experiment was to work with the Negro subcontractors, to lead them by the hand almost into some semblance of modern scheduling practice. Dick Ravitch undertook this, took great risks, and happily he did not suffer from the risks. It is this kind of handing down in ways that the little guy can understand — but in ways that do not penalize the contracting industry — that will help enlarge the base of the contracting industry in the inner city.

I have talked about the public and private information and counseling service which are necessary to bring the latest developments to the attention of the general and special publics.

Finally, I must go back to the necessity for a really effective research and development program. I believe that the universities have a role to play and I believe HUD has a role to play. But I think the only way we can assure the proper kind of research and development is to develop a sure market for the products as they come out of the laboratory and on to the scene.

Mr. Douglas: Thank you, Mrs. Gabel. We are very happy to have with us Mr. Leon Weiner, President of the National Association of Home Builders.

STATEMENT BY LEON N. WEINER

Mr. Weiner: [1] Thank you. I would like to begin by saying that against the total problem of housing the American people in the time to come, the question of rehabilitation obviously occupies an important position. This position is dictated not only by the number of dwelling units involved, but also by the character of their location and its relationship to the central city and the metropolitan core areas. Our industry fully recognizes that without viable urban cores this Nation cannot continue to survive or to grow. I think, however, it might be good for a moment to put into some perspective the extent of these numbers so we understand that while the problem is important, it is still a relatively small part of the total production of the housing which will be needed for the American people in their growth and expansion.

Estimates show that in the past 10 years or so about 85 to 90 per cent of the growth potential of our communities took place outside the central core areas of the cities. Indications or estimates for the next 10 years show that perhaps as much as 80 percent to 85 percent will continue to take place in those "outside" areas. This suggests that housing needs of the low- and moderate-income families, as well as middle-income families, must receive some attention outside of the urban core areas as well as in the cities. This is required both to establish some heterogeneity for our total communities and to facilitate an inflow of people into the center core areas. The infusion of varied types of people is essential if our core areas are going to remain viable. The five million units talked about in some estimates of rehabilitation represent about two or two-and-a-half years inventory of raw material when you consider that nationally we will be needing an additional two or two-and-a-half million units per year of habitable dwelling units to keep up with demand.

Economic Advantage of Rehabilitation Still Not Proved

However, the problem remains that rehabilitation is perhaps one of the most difficult, one of the most complex and one of the least understood programs we have. It is discussed by people who have very little

[1] President, National Association of Home Builders; President, Leon N. Weiner Associates, builders and developers, Wilmington, Del.; first Chairman, Land Use Committee of the NAHB and Urban Land Institute; President, Delaware Home Builders Association, 1957; Past Chairman of the NAHB Services Development Division and Community Facilities Committee; member, Block Blight, Inc., Wilmington; developer of urban renewal and rehabilitation projects.

understanding of whether or not the process is economically feasible aside from all the social, political and other factors involved. Does anyone know what the real economics are with regard to the basic question of rehabilitation versus clearance and new construction?

I was very interested in President D'Alesandro's comments today in which he said he isn't so sure whether he was for clearance or for rehabilitation and whether or not he felt it was right to be in favor of rehabilitation. I suggest that for many reasons, political, social, and otherwise, there is some merit in rehabilitation which goes beyond simply its economic aspects. The question of preserving viable communities merits unusual approaches. But on the other side of the coin is the question, "Are we preserving ghettos while we are preserving these viable communities?" Is this what we want? Are we looking solely for dispersal of the ghetto? If we rehabilitate and keep the same communities, are we fulfilling some other objectives?

Now in terms of pure economics I have seen the case made in both directions that the cost of rehabilitation can frequently be far greater than the cost of clearance and new construction, or the other way around.

I suggest that one of our problems is that we have not fully explored the questions, much less the solutions. Some of our present financing programs are limited to financing the habitable unit itself. If we only provide rehabilitation of a living unit in itself, even though to some desirable level of shelter, this improvement alone is completely inadequate to do the total job we are talking about.

The dilemma can be illustrated from my own experience, not speaking as president of the Home Builders Association, but as a builder. In order to produce low-cost housing through a rehabilitation program we were forced by the tremendous costs involved to basically ignore the making of any appreciable change in the exterior structure of the building other than to update it, paint it, decorate it, and bring it to some level of freshness. There was minor, if any, activity toward introducing a new amenity such as changing the width of narrow streets. How do you go about solving some of the built-in problems here? The lack of adequate recreational facilities and a million and one other problems all must be dealt with. Obviously the problem of rehabilitation involves a total environmental approach rather than simply achieving some habitable level of structural conditions.

While I recognize that we are here to tackle the problem of rehabilitation (and incidentally it seems to us that the concept of rehabilitation has now received wide political acceptance, both from the Republicans and the Democrats), I would like to comment upon the fact that many people have adopted the slogan, "Get rid of the bulldozer." I would like the Commission to understand that the bulldozer is one of the greatest inventions, one of the greatest technological advances that has been made in the area of building since the hammer and nails were developed. I don't subscribe to saying get rid of the bulldozer, on the one hand, and on the other hand saying we are backward technologically.

So if we are going to take the road of "abandoning the bulldozer" (a slogan which has become completely political in every sense of the word) let's see how perhaps we can come to a workable answer to rehabilitation, even if it isn't as economically feasible as clearance and new construction might be.

Simplify Procedures

Number one, the procedures of rehabilitation must be simplified in order to get mass involvement of the entrepreneurial interest and skills which exist in great abundance in our Nation.

I suggest that the problem which existed after World War II, when we had a tremendous shortage of housing, was solved by an industry which at that time was looked upon as being backward, archaic, and unorganized, if not disorganized. In many respects, this was true. Much of the criticism we ourselves leveled at our own industry. But in general, the homebuilding industry did a fantastic job of raising the standard of living by providing decent housing for the American people. Much of this mass production housing is now attacked as being ticky-tacky because it was repetitive. It was the kind of production which resulted when developing massive approaches with repetitive raw material. This is the secret of the automobile industry and other mass production industries. Obviously we have been subjected at the same time to criticism that we have produced monotonous, regimented types of structures that today's population does not want to inhabit. However, we have changed from a seller's market to a buyer's market, and the general market place has been able to change this.

I am of the firm opinion that low- and moderate-income families are not going to accept regimentation either. Fully imbued with the kind of middle-class aspirations that have permeated our society in general, they are not ready to accept any kind of regimented approach. They demand the same kind of existence in the same kinds of community that their more affluent neighbors have. For example, some of our homebuilders in the Watts area of Los Angeles have been deeply concerned with providing housing. They have found it impossible—once the community becomes involved—to talk about the high-density, multifamily types of housing, which they were ready to provide under programs such as 221(d)(3), or the rent-supplement program. They found that these people were looking for the kind of housing that would involve them in home ownership. There is an ebb-and-flow in this matter that, in my opinion, does not lend itself to an overall, simplified answer. I think that only through incentives which lead to the involvement of entrepreneurial skills and initiative are we really going to be able to get this task of rehabilitation accomplished.

I certainly agree that development corporations or nonprofit groups have a role. But the total nonprofit, or more correctly, perhaps, not-for-profit kind of structure has not yet demonstrated its ability to act

in this third sector role of combining both the public and the private interest and effectively doing the job. There are many examples where it has, but there are many more examples where it has failed to carry through this load. I think this tool is most important if we are going to accomplish some of the things that neither private industry by itself nor the government by itself can do. But much more thought must be given to its role. I am not sure that the format and the method of approach have yet been developed which will readily lend themselves to wholesale execution.

Flexibility in Standards

Simplification means the creation of greater flexibility in the governmental approach to rehabilitation and the establishment of Federal minimum standards. We talked today about code enforcement and code application. I suggest that some of these codes and some of these Federal standards, including some of the FHA standards, are such that you can't economically do rehabilitation unless there is great flexibility and understanding on this matter.

A simple illustration will show what I mean. The rehabilitation of a small rowhouse — or if we want to dignify it, a townhouse — in the City of Wilmington was undertaken by an entrepreneur on behalf of a very fine not-for-profit organization. The head of this not-for-profit organization wanted to become a city dweller. My builder friend discovered, after opening up the structure, that there was a four-inch all-brick party wall between his structure and the house next door. Obviously he was confronted with the problem that a single-thickness brick wall was not going to meet the fire code requirements. Immediately the question became one of how this official, who was heading this not-for-profit organization, while sponsoring code enforcement programs in the city, was going to go to the building inspector and ask him to waive the code. In the same house it developed that there were common floor joists. When the building was built, whatever the number of years ago, they built the floor joists from one dwelling completely through the other. The task of raising the party wall, of cutting those floor joists and staggering them according to the code became a completely impossible situation either economically or structurally.

To make Federal standards and codes flexible, and to understand the problems involved, is a very difficult task. No amount of training, whether in a seminar, workshop or elsewhere, can equip a new man to make the entrepreneurial decisions that are going to have to be made on the job as to what to fight for, what is necessary to be waived, what is necessary to be adopted in order to accomplish this rehabilitation.

I don't pose these as simple tasks. While essential, I do not contend that the necessity of leaning heavily on the available entrepreneurial skills will lead to a complete solution. I think other safeguards are also important.

Labor Practices

Now, with regard to labor practices, about which much has been said. One of the greatest difficulties encountered in the mass rehabilitation program in the City of Philadelphia was that labor practices in the construction industry — based upon new construction and in most cases upon heavy construction — were impossible in the course of rehabilitation.

Rehabilitation may call for the skills of a mechanic who will be on the job for one, two, or three hours to do a small part of the work. Upon completing his job, his activity is finished and he must leave. In many areas, this man would get a full day's pay, or a minimum of four hours' pay. He can do no other work, nor could another employee take over his skill, because of union jurisdiction. The use of the "indigenous labor" in the community, people who have been handy men and who have many of the skills necessary for rehabilitation, is also difficult. The economics of rehabilitation are such as to make it almost impossible to conduct this kind of massive effort without some very radical changes with regard to our labor practices. People who already have experience should not have to go through prolonged, four-year apprenticeship programs either.

I think an avenue which needs to be examined much more carefully is the use of the slumlord himself in this work. Frequently, a slumlord, who has faced the problem of minimum maintenance in order to rent, is in the best position to upgrade his units. He has the capital and may have the workers. He needs motivation. We have found that in many of the communities that need rehabilitation, the slumlord is not quite as hated by the tenant for whom he provides the housing as he is by some of us who look down on the slumlord because slums provide his major source of making a living. To many of the tenants in the slum community, the slumlord is providing housing and they recognize the fact that while he duns them for the bill, he sometimes waits for the rent too. This is a very important thing because that slumlord has also developed a huge army of craftsmen — painters, plumbers, carpenters and others — whose skills he can use in the course of much of this rehabilitation. Developed carefully and with the necessary prodding and/or incentives, the slumlord could move quickly. Mrs. Gabel has some wonderful illustrations of cases where tax abatement became a tremendous incentive for the installation of central heating systems by owners of slum properties.

Examination of all these questions — the labor practices, the codes, the fire safety codes, many of which are excessive — is very important. A recent issue of Mr. O'Neill's journal [*House & Home*] suggested that this Commission had jettisoned the problem of codes, and I sincerely hope the Commission really did not.[1] Without digging deeply into this question, one of the serious obstacles to accomplishing rehabilitation will have been overlooked.

[1] The Commission is undertaking detailed investigations of codes.

Home Ownership Concepts

Another problem, which is of serious concern, obviously is the question of home ownership. It is clear that the concept of home ownership in these areas is receiving increased attention. We feel that regardless of whether it is home ownership through the Percy plan, the Ribicoff plan, the Sullivan plan or any of a multitude of other proposals,[1] it is a step in the right direction. We think, however, that these plans have to be very carefully examined in the light of reality. They must be denuded of their "pie in the sky" character and they must be brought down to the level of practical operation. We think the principle is good and we think that with proper stimulation this will bring about the solution of the important management problems to which Mrs. Gabel addressed herself. The incentives of home ownership and the accumulation of equity in their own structure can act as a goad to getting people to move actively to protect their properties and their communities.

The problem of assembling large groups of structures in order to do a massive or effective, repetitive kind of rehabilitation is a very different problem in the City of New York than it is in most other cities in the country. I don't know of any other city that has the same kind of effective rent control. They also have other tools that have been demonstrated to be quite helpful in the acquisition and assembly of structures in order to rehabilitate them as a group.

The problems of the nature of the sites, of whether the original structures even lend themselves to rehabilitation, or the very hard and politically unpopular decision that demolition is really necessary, must all be dealt with. Otherwise you waste public and private funds to rehabilitate something that will have no real life. I submit that in many of our southern cities some of our shotgun type houses, mainly frame in structure, are going to be very difficult to rehabilitate into anything that is going to be meaningful in terms of housing supply.

I think finally that we cannot hope to attack this problem unless we rely on something more than the strong sense of social conviction that Mrs. Gabel spoke about. This is very important, but it is not enough by itself.

Unfortunately, at the present time much of our urban renewal activity has been based upon this strong sense of social conviction. A homebuilder came to me and asked if I would suggest that he go into urban renewal. My answer was, "Yes, if you can survive economically and are making a living in some other activity. I would suggest you go into urban renewal as part of your program for fulfilling the responsibility you have to the community." Unfortunately, this is still the answer in the complex, typical urban renewal program. In the field of rehabilitation, I would say it is doubly true.

[1] All introduced in the 90th U.S. Congress.

Profit Factor

Until rehabilitation becomes the kind of program to which we can attract people who come in with a reasonable hope and understanding that they will make a fair profit, we will not succeed in our task. I don't want to look as if I am making a plea from a strictly business sense. But I sincerely believe it is important to couple social convictions and an understanding of the problem with its implications for our entire industry if there is to be genuine accomplishment in rehabilitation.

The National Association of Home Builders as an industry is deeply concerned with urban rehabilitation. In March and April of this year, in the cities of Washington and St. Louis, we conducted schools and seminars on the question of rehabilitation. It was our hope to train builders in the means by which these entrepreneurs could get more deeply involved in the question of how to do the things required by rehabilitation, including anything from the technological skills to the financing skills. In late April of this year, we had a conference in Washington at which we called together people who had been doing remodeling and rehabilitation interchangeably and who had been dealing with the problem in depth, in an attempt to get the "gutsy" issues that need solutions and to exchange information.

I will finally say that if the President of the United States were to call for a national White House conference on the question of rehabilitation, some of the results would certainly be welcome. Because until we turn our full attention to this problem, we're going to continue to dabble with it as we have for so many years.

MR. DOUGLAS: Thank you very much. We are also happy to have with us Mr. Richard Steiner, now director of the Baltimore Urban Renewal and Housing Agency and formerly Commissioner of the United States Urban Renewal Administration. Like Anteus, who obtained strength by touching the ground, Mr. Steiner has acquired strength by touching the ground of local problems.

STATEMENT BY RICHARD L. STEINER

MR. STEINER: [1] Thank you very much, Senator. It's a real privilege to appear before you and your associates. I remember the many occasions upon which I appeared before you and your associates on the Housing Subcommittee of the Senate. From those experiences I have personal

[1] Director, Baltimore Urban Renewal and Housing Agency since 1959; subsequently (October, 1967) became Special Consultant to Secretary Weaver of the Department of Housing and Urban Development, Washington, D.C.; Deputy Commissioner and then Commissioner of Urban Renewal, HHFA, 1954–59; Director, Baltimore Redevelopment Commission, 1946–54; project planner, U.S. Housing Authority; Past President, Baltimore and Washington chapters, American Institute of Planners; Past Governor, National Association of Housing and Redevelopment Officials.

knowledge of your very great insight into urban problems and equally great conviction that they must be solved.

All of us involved in the better cities movement were tremendously pleased when the President appointed you as chairman of this Commission and when he provided you with such able associates as you have in the other members of the Commission.

MR. DOUGLAS: I see that urban renewal work develops politicians.

MR. STEINER: I might add I am also grateful to you and your associates, particularly to you and Senator Clark, for teaching me well the lesson that a witness must do his homework. A person who is on the agenda at the end of a day like this is in an awkward position in a way. Almost all the brilliant thoughts that he had have been pronounced several times. On the other hand he is afforded the opportunity of rebuttal. However, I hesitate to indulge myself very much in rebuttal lest you should go away with any thought that we are on the defensive, which of course we are not.

I think perhaps there are two points which might be well for me to mention quickly. Something was said about liquor licenses—a very difficult problem. There is no question that studies here and elsewhere, I am sure, indicate that the ratio of people to liquor outlets is lower in the inner city than it is in the community generally.

It is true that in the Harlem Park area we do not have a deliberate objective of diminishing the number of liquor outlets. However, we have done something in this direction. We have actually negotiated a treaty with the Board of Liquor License Commissioners here in the city which I think is rather unusual—to restrict additional licenses in urban renewal areas and to deal with relocations in certain very special and cautious ways.

In a later rehabilitation project which involves some clearance we are eliminating about 18 liquor licenses. We believe that when we're all done in that area there will be about three new ones. I think this does indicate the kind of concern we have with this problem. It is an extremely difficult problem.

One other point I would like to touch upon, mentioned this morning, doesn't relate directly to rehabilitation but does relate to the treatment of inner city urban renewal areas. This is the matter of purchase price. There is no question that this problem is well overdue for attention. Our BURHA Chairman, Mr. Feinblatt, whom you have met, has made a very sound recommendation to Secretary Weaver that some additional compensation must be paid to home owners in deteriorated areas who have put their properties up above the general level of the properties in such areas. We are inclined to think this cannot be done as real estate compensation; it probably has to be done by way of some additional relocation grant.

It's very difficult for me to give a short talk on this subject in which I have been emotionally and personally involved for so long. Perhaps the best insurance that I will not give a long talk is for me to read a relatively short statement.

The Commission and staff of the Baltimore Urban Renewal and

Housing Agency are very proud to have the National Commission on Urban Problems hold its meeting today in Harlem Park, a pioneering urban renewal project in neighborhood rehabilitation. We are also very proud of the work which has been done and the results which have been achieved here, but we are far from satisfied; first, because 81 structures out of 1980 have not yet been rehabilitated to urban renewal plan standards and, second, because too much hard work, determination, and tenacity were required to achieve the result which you have seen.

Urban Rehabilitation: A New Industry

Unquestionably, housing rehabilitation and neighborhood rehabilitation constitute the most effective long-term potential in this country for achieving a massive program of acceptable middle-income housing and neighborhoods. This goal, however, will not be achieved on a scale which the public interest demands unless procedures can be simplified and operations accelerated.

Last fall, our agency, jointly with the city planning department, published a report on the Community Renewal Program for Baltimore indicating that 61,000 units out of a total city inventory of 318,000 will be in need of rehabilitation during the next 15 years. In addition, the report emphasized the importance of effective and vigorous conservation measures to prevent additional neighborhoods and thousands of dwelling units from crossing the line into the blighted and deteriorating category. The above figures indicate that 19 percent of the inventory of dwelling units in the city will be in urgent need of rehabilitation.

It should also be pointed out that if the Harlem Park cost experience is any guide, we are talking about an expenditure of, and related business volume potential of, about $120,000,000 in private expenditures plus at least an equal amount of public costs. To date, this great business potential is being met only by the little contractor with a broken-down pick-up truck who must have his money every Friday night. It is obvious that if rehabilitation is going to fulfill the important role which exists for it in the urban scene, a whole new industry must be born. Our experience here would indicate that this is not the industry of the suburban homebuilder nor of the home improvement contractor specializing in finishing attics, improving club cellars and installing patios, swimming pools and barbecue pits.

Guides from Baltimore Experience

Based upon our experience to date in Baltimore, I think it is possible to assert a few principles of residential neighborhood rehabilitation as well as to suggest further measures which need to be taken to facilitate the rehabilitation process. A few of the principles which might be asserted are:

1. Rehabilitation should only be attempted in those areas which have a reasonably good potential for the successful application of this process. Nothing but trouble and failure can result from attempting rehabilitation in an area which is so far gone that it should be cleared. More and more we have come to feel that the feasibility test must be economic, since almost any structure can be rehabilitated with the expenditure of sufficient money. The obsolescence of the neighborhood and of street and land use patterns must also be carefully considered, as well as the extent to which specific building floor plans are susceptible to the application of modern building standards.

2. The question of standards must be resolved by building upon minimum code standards rather than by starting with new house construction standards as a point of departure.

3. The neighborhood and neighborhood facilities must be modernized, as well as individual houses and apartments. Municipal services must be first-class.

4. The time-dimension must be such as to give a neighborhood a new lease on life for 30 to 50 years — otherwise it is impossible to justify sufficient mortgage amortization periods to assure low monthly payments. Neighborhood rehabilitation must be clearly differentiated from a paint-up, clean-up, fix-up campaign.

5. Social services must be available in generous supply since rehabilitation areas are generally populated by families having a multitude of financial, health, educational, and social welfare problems.

6. Perhaps the most important single element of neighborhood rehabilitation and the most difficult to achieve is the strengthening or re-creation of neighborhood spirit and pride. Unless a sense of possessiveness and of belonging exists amont the inhabitants of a rehabilitated area, no amount of expenditure for improved neighborhood facilities and vigorous code enforcement will have any lasting effect.

7. Eternal vigilance is the price of continued success. It will never be possible to close out a rehabilitation urban renewal project in the sense that clearance and rebuilding projects are closed out. We are convinced that continuing inspections and community organization assistance will be necessary indefinitely.

8. A rehabilitation program built upon concepts of voluntary compliance by property owners with rehabilitation standards is a waste of time. Standards which are clear-cut, reasonable, and fair, as well as an effective enforcement mechanism, are essential ingredients of an effective neighborhood rehabilitation program.

9. A variety of financing mechanisms must be readily available under simple procedures. Trained personnel must be available to help owners utilize such financing and to assist them in their relationship with contractors.

Expediting the Process

I will now discuss some of the measures needed to facilitate the rehabilitation process:

1. A great deal of attention has been given to the matter of improved and simplified financing for residential rehabilitation. Of particular importance are Section 115 [1] grants and Section 312 below-market interest loans.[2] Tremendous efforts have been made both at the Federal and local level to adapt Federal Housing Administration Section 220 Home Mortgage and Project Mortgage financing to residential rehabilitation. But, unfortunately, it must be conceded that the utility of this mechanism today is very disappointing, not because of lack of cooperation and interest on the part of FHA but because of restrictions in regulations and cash availability to back up such financing through purchases from special assistance funds of the Federal National Mortgage Association. FNMA take-outs are available for some categories of work through secondary market funds but here the discount points are so great as to defeat the applicability of such financing to the practical problems of rehabilitation.

Specifically, consideration should be given to the possibility of increasing grants or raising income limits for Section 115 rehabilitation grants, and under Section 312 below-market interest loans it would be desirable to give investor-owners the same opportunities to refinance existing debt as are now afforded to owner-occupants. New owner-occupant purchasers should also be permitted to finance under this section both purchase price and rehabilitation cost. Various finance mechanisms should not be looked upon as mutually exclusive alternatives. It is important to have as many financing tools for rehabilitation as possible in order to meet the whole range and variety of situations. As I have indicated, standards and procedures have been developed effectively for FHA section 220 financing, but immediate attention is needed to opening up special assistance funds for purchase of such mortgages.

It is also desirable to do more to ease the burden of the elderly in bringing their properties to rehabilitation standards. We advocate a variation of Section 312 loans specifically for the elderly, under which interest would be paid currently but the principal of the loan would be satisfied from the proceeds of liquidation when an elderly person's property is sold as a result of a voluntary sale or settling an estate.

2. I am increasingly convinced that much can and should be done to facilitate residential rehabilitation through modifications in taxation, both locally and nationally. In urban renewal clearance projects a valid objective is frequently to increase a real estate tax revenue, but in residential rehabilitation projects, a more limited objective of preventing further tax-yield decline must be accepted. Some property owners have been faced with increased real estate assessments as the reward for their cooperation with rehabilitation efforts. This sort of penalty for cooperation should be ended and replaced by a system of real estate assessment freezes for a limited period of years after rehabilitation work has been done. There has been some argument as to

[1] FHA-administered grant of $1,500 for rehabilitation of housing in urban renewal areas.
[2] See fn., page 62.

whether such an incentive should be limited to specific categories of owners such as owner-occupants, elderly, and so forth, but I believe that the public interest will be best served and administrative complications avoided by instituting this practice for all properties in urban renewal rehabilitation areas.

I also believe that serious attention should be given to the treatment of rehabilitation and housing maintenance expenditures in relation to Federal income taxation. Investment owners are permitted to charge rehabilitation expense and depreciation against income from rental properties, but in a nation which looks upon home ownership as a virtue, the homeowner is discriminated against in that he can deduct neither maintenance expense nor depreciation when preparing his personal income tax. It may be argued that in inner city areas where homeowners typically have low incomes, such a concession would be of little benefit to them. Nevertheless, the advantage would be real to many home owners and the psychological incentive would be very great. Furthermore, I believe that some deduction for home maintenance expense should be allowed to all homeowners, regardless of whether or not they are located in urban renewal areas, since it is important not only to rescue the areas which are in need of urban renewal attention but to prevent better residential neighborhoods from falling into this category.

3. It is desirable to encourage home ownership in rehabilitation neighborhoods and every effort should be put forth to make workable Section 221 (h), FHA financing, as well as to explore further possibilities of facilitating home ownership. There is little or no experience in promoting the pride and concern of home-ownership in such areas through the mechanisms of cooperatives and condominiums, and certainly this ought to be encouraged also, since many properties in the central part of cities are not suitable for ownership by separate individuals.

4. So far, housing rehabilitation has been approached largely on a house-by-house retailing sort of basis. In Baltimore we are beginning to plan for what we call consolidated or wholesale rehabilitation. I think it is important to explore and promote this procedure further as quickly as possible. Under such a procedure an agency like ours might buy all the properties in one or more city blocks and sell them to a single investment cooperative, or nonprofit corporation, either before or after rehabilitation. Such a procedure should effect economies in costs and set the stage for the entry of larger and more efficient contractors into the rehabilitation field. It would also permit the consolidation of interior block open land for common use as parks and playgrounds by the occupants of the adjoining property without establishing such areas as public parks.

5. Tied right in with the concept of consolidated rehabilitation, and the entry of larger contractors into this field, is the whole large ques-

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[1] FHA insurance for mortgages at a below-market interest rate, to finance the purchase and rehabilitation of substandard housing by nonprofit organizations for subsequent resale to low-income home purchasers.

tion of new technology. Some experimentation is being conducted today with large standardized bathroom and kitchen units, as well as with new materials and equipment. I am inclined to believe that research and development in new materials and equipment may be more productive than attempts to produce large standardized units. Even in Baltimore, which appears to be a city of relatively standardized rowhouses, there is such a tremendous variety in floor plans, building ceiling heights, etc., as to present many problems in connection with utilization of large standardized units. On the other hand, new materials for such purposes as covering old and splintered floors or ceilings of fallen plaster, and equipment to replace obsolete and inefficient heating plants, could be of great value. As I have indicated above, there is a tremendous volume of business to be done in the rehabilitation market and certainly extensive research and development efforts are fully justified.

6. If, as I have said, eternal vigilance is the price of continued success in rehabilitation areas, Federal urban renewal legislation should be modified to provide assistance and incentives for continuing some inspection and community organization work in such areas indefinitely. A small annual matching grant to protect the $5,431,961 of Federal money invested in Harlem Park would certainly be money well spent.

In conclusion, I should like to emphasize that a considerable proportion of our national population will be living in older houses in the central parts of our cities for some decades to come. It is simply not feasible from a financial, social or political point of view to engage in massive clearance and rebuilding of these areas within the space of a few years. Even the demonstration cities program cannot provide this opportunity. It is therefore of tremendous importance to advance rapidly with the rehabilitation of such residential neighborhoods and to facilitate the process as much as possible.

QUESTIONS BY COMMISSION MEMBERS

MR. DOUGLAS: I'm going to call first on the members of the Commission who did not have a chance to ask any questions this morning. Mayor Vandergriff.

MR. VANDERGRIFF: *First, I want to say how impressed I have been with all this testimony this afternoon. It certainly has been most helpful to me.*

Mr. Weiner, the president of your Texas Home Builders Association is currently rehabilitating an old, old house for me. It is taking them twice as long and twice as much money to do this than if I had given them a contract to build me a new home. It is on a narrow street. There is no economic justification for this project. There are some other reasons why my wife wants to do it, and so we are doing it. I believe that such will be the case in terms of the rehabilitation of vast

areas in the country—there probably won't be too much economic justification.

Don't you think it might be well for your association to advance some ground rules under which it might be economically justifiable for you to lend your expertise, your background in this field?

Can Homebuilders Set Ground Rules?

MR. WEINER: Thank you, Mayor. I'm glad you started off with those comments in the beginning because I too live in an old house that has been rehabilitated. As a matter of fact, our house was originally built in 1740.

MR. VANDERGRIFF: *You top me.*

MR. WEINER: Yes. There's just no economic sense in the rehabilitation of our home. Fortunately it started before we bought it and was completed by us, but therein lies part of the total problem. There are many areas of the city—and I've seen it happen in Philadelphia as well as in Wilmington—where many downtown structures which were either basically sound structurally or were in certain locations and had certain historical appeal or other amenities have been rehabilitated. The old brownstones in New York are one example; I saw one recently on which $230,000 was spent on rehabilitation. I guarantee you that the value put in is never recoverable in any sense.

The problem we are dealing with, however—and I don't know whether my fellow panelists really would agree—is the ability to take structurally sound units and to provide housing with them for low-income or moderate-income families. I think this is the substance of it. The kind of market that you and I were talking about is always going to be a viable market. Incidentally, we don't need a new industry for that because there are many of us who have found it quite good and economically feasible. The real problem here is the question of whether or not, even if rehabilitation is not economically sound, there needs to be a program of financing because of other overwhelming reasons such as the maintenance of viable communities and neighborhoods.

The question, frankly, involves the political considerations. One of the surest ways to kill a whole urban renewal revitalization program of a city is to start to demolish and clear homes of the constituents in a given city councilman's or congressman's district. You would be surprised how he suddenly comes out against clearance and runs to rehabilitation because he wants to maintain the voters, you know, his constituents, because they elect him. So with all these practical and social considerations, I believe that the question of subsidy—which may be a dirty word in some languages—is something we have to face. By subsidy, we are trying to talk about the write-down in terms of something less than 100 percent. But I would suggest that by the time you deal with the total community, the neighborhood, community facilities, and other amenities, we may be talking about write-downs that go beyond 100 percent. We are as a Nation going to invest in these five million units to a greater degree, with local, State and Federal

investments, to the point where it is that important to reach the families that live there. We may have to do it. Yes, I would agree that this is why our association of builders is recognizing the fact that we are not particularly impressed with this whole new industry that must be born. We are impressed with the fact that it has to be worked out so that it can be profitable, frankly. If you want to make it sound better—so that it can have its rewards, both social and otherwise.

MR. VANDERGRIFF: *You answered the second question I wanted to pose to you; that is, if you agree with Mr. Steiner that you were not equipped, or could not be equipped to do this job. I take it that you feel that perhaps a new industry does not have to be born?*

MR. WEINER: That's right.

MR. VANDERGRIFF: *And that perhaps some adjustments are needed within your industry.*

MR. WEINER: That's right.

Effect of Rehab on Turnover

MR. JOHNSON: *I have a question left over from this morning. I am interested in knowing what the rate of turnover in Harlem Park is now, and what it was before rehabilitation started. I would also like to know, as part of that, if very many of the occupants of the buildings here are buying them now, and if so, how many more than before rehabilitation started.*

MR. STEINER: Perhaps Mr. Ewing and Mr. Sanderson may want to comment also. I think we really can't tell you about turnover. We have no statistics on that. Mr. Ewing said this morning that one-third of the properties are owner-occupied, two-thirds are investment properties. At what rate these property owners are changing tenants, we really don't know. I think we can say that vacancies have declined, so that this is indicative of the area being more desirable. I believe Mr. Offit of the Property Owners Association referred in his remarks to there being a soft rental market here six years ago, disturbingly so, and that the market has strengthened. I think this is as much as we can say.

MRS. GABEL: I wonder if you would like comparable statistics on the 114th Street project? This is a long block in the middle of Harlem, which doesn't have many of the protections that an urban renewal program would give it. There are buildings which, I think in a better world, many of us would not have rehabilitated. They are five-story walk-ups. I hope when you come to New York you will see them. They are rental properties. Nevertheless, prior to rehabilitation, there were 438 dwelling units involved in this block. The turnover in that block was substantially over 15 percent. Since rehabilitation has commenced, it has been cut down to 7½ percent. Of the families who have moved, at least half have moved for reasons people typically have to move for—somebody died, or somebody got a better job in another city, or the family changed in one way or another.

The other thing, which I think was absolutely spectacular about

that experiment, is that of the 380-odd tenants who were there when it started, and those who were left, only 4 were dispossessed for nonpayment of rent. The rate of rent delinquency has been one of the most spectacular indications of what you can do even with rental property, even with the kind of high-rise, five-story walk-ups which New York has—relatively far more than any other place in the country. I don't know whether this experiment is unique, but the figures are all on the good side.

MR. STEINER: Mr. Ewing has told me the figures on vacancies: about 6 percent vacancies here when we started, and about 3 percent now. This represents a certain amount of turnover vacancy, but also represents a considerable number of these 81 properties out of almost 2,000 that have not yet been fixed up to satisfactory standard. On purchases, I do not think we have researched this recently. We did about a year or so ago, in connection with a study of assessments, and it was surprising how few transfers of property there had been in this area in the last several years. There really have not been very many transfers of property.

MR. JOHNSON: *I am curious, now that you mentioned it again, why you consider these 81 units so terribly important. We heard reference to that several times. It is a comparatively fine job that has been done. Why do you feel that these 81 units out of 2,000 are so important?*

MR. STEINER: Partially because we are perfectionists. We are tenacious, stubborn and obstinate about getting our job done. But also (Mr. Ewing touched upon this earlier) we feel that these buildings still exert a strong blighting influence. The analogy of the bad apple in the barrel is very applicable. Some of you saw some of these buildings before you came in here this morning, and they are very bad—the kind of buildings we refer to as "shells." We know that they can be fixed up. You saw the demonstration block. Maybe they were not pointed out to you, but two buildings which are in quite good shape were "shells" originally. The city bought them and resold them to someone who fixed them up. We sold them for practically nothing, but they were fixed up.

We are in the process, now, of buying some of these out of our other pocket. We operate the urban renewal and public housing programs in the same agency here. We are buying some of these buildings to fix up as part of our overall public housing inventory that we will rent to low-income families. This, we think, will be desirable socially. Also, it is a way of getting after the tough properties with all kinds of problems—problems of title, problems of incompetent owners, etc.

Schools of Law, Architecture: Urban Training

MR. JOHNSON: *I would like to ask Mrs. Gabel about a statement she made earlier, that she didn't think that the law schools and architecture schools were teaching the right courses. I would like to know*

what they should be doing. I have had a feeling that a fairly well trained person can certainly learn in four weeks in the field a job that would take a whole year to learn in school.

MRS. GABEL: I perhaps speak with somewhat better understanding of my own discipline of law than I can of architecture. My criticism of architecture schools, I think, basically, comes from the fact they haven't paid any attention to the field of low-cost housing. There are very few courses in any curriculums I have seen which address themselves to those problems. In my own field, it seems, by and large, until the last two or three years, we have addressed ourselves to all of the tax problems, all the land-searching problems, and all of the problems which result in high-cost housing. I think it is basically a matter of focusing commitment on the part of the faculties of both these schools.

I see a much healthier job when I go around to talk to the graduate schools of urban affairs. There they are beginning to work with the cities, on slum clearance particularly, from a systematic point of view. Hopefully that kind of approach can move over into other types of schools, such as yours and mine.

Subsidy to Homeowners — Not Homebuilders

MR. BLACK: *Mr. Weiner, I understood from what you said, you don't believe you can get builders to participate very much in the rehabilitation industry, or "non-industry," as it exists today. You've got to have a way of assuring a reasonable profit. Do I gather, from what you said, you think that a reasonable profit for homebuilders ought to be assured by some sort of subsidy?*

MR. WEINER: No sir. What I said breaks into two points. One, there needs to be a reasonable assurance that the cost and difficulty of getting into the program be simplified. A man shouldn't have to have a degree in law, in architecture, and urban studies in order to get involved in the program. At the moment, with all due respect to Mr. Steiner, the discussion of 221-H, 220-K, 203-K, or 220-H and all the other digits, indicates what's required in our field of knowledge, plus all the accompanying forms. I don't know if you have ever seen them, Mr. Black, but I've got to tell you, you know, a law degree is indicated.

MR. BLACK: *Is it enough?*

MR. WEINER: I'm not sure it is enough. I was thinking that four weeks in the field were not enough, especially for trying to fill out some of the forms. So that is certainly part of the problem.

The second part of the problem is that the subsidy that I am talking about is not to the builder, not to the entrepreneur. The subsidy has to be there so that ultimately the consumer, the purchaser or renter, gets it. The rent-supplement program is suffering seriously in the Congress of the United States right now. Appropriations were cut from $40,000,000 down to $10,000,000, and we have all been working under the most difficult hazards, trying to convince your colleagues, both Republicans and Democrats.

MR. DOUGLAS: *Mostly Republicans.*

MR. WEINER: Now I come back to say that the builder who is building Mayor Vandergriff's house was very helpful in convincing one of the Democratic colleagues in the state recently to go along with rent supplements. So maybe we have problems on both sides of the aisle.

This kind of a program needs to be made to work. A rent supplement program has been circumscribed because of the great fears on the part of the Congress that it would be used for people beyond the proper scope, instead of for building real minimal housing. Mrs. Gabel suggested that we need housing that would be viable and desirable, and not reduced to the point where we can't have the second bathroom, no matter how large the family is, and can't provide air conditioning, even in climates that need air conditioning. So many other things get involved in the whole question of the subsidy. No, I think the subsidy has to come, not to the builder, and not to the entrepreneur, but to the other end, in order to make it work.

MR. VANDERGRIFF: *How can we assure the builder a reasonable profit?*

MR. WEINER: Well, if I used the word "assure," I would like to modify it.

MR. VANDERGRIFF: *What can we do to make him believe he will make a reasonable profit during repairs?*

MR. WEINER: Well, I think one way is simplification of the program. The obstacles and hurdles that one has to go through on the question of standards and codes, need to be simplified. So do the processing procedures. We didn't get mass housing in America, frankly, in my opinion, after World War II by accident. The FHA and the Veterans Administration, which were the great stimuli towards mass housing production in this Nation, were simplified to the point where you didn't need a law degree, really, to come in and make an application, and to get the processing going for the consumer. I think that kind of simplification (and I am over-simplifying simplification) is one of the things needed to get builders into the program.

MRS. GABEL: I wonder if I can make a comment? I am in great sympathy with almost everything that Mr. Weiner said. But I do hope, on your visits to other cities in the country, you will see some of this mass housing. Three or four days of the most heart-breaking times that I have had in the last year and a half were when I visited two mass-produced neighborhoods, one in the lower backwater of New Orleans, and another in Watts. Most of Watts was built up after World War II by homebuilders under the "608" program [FHA insurance]. Most of those dwellings are today decrepit. They are decrepit, not only because of the tragedies of the families who lived in them, but because of the shoddy construction, because of the great desire to make a buck, and because of the incentives without controls that were offered at that time.

When I went into the lower Ninth Ward in New Orleans, after the floods, I saw the same shocking, heart-breaking things. There, in contrast to Watts, were houses that some of us call "sliders." Negro families had scrimped, saved and struggled, had done everything they

could to buy from builders jerry-built houses, that looked attractive but were built on swamp lands without minimum precautions, without proper foundations. These jerry-built houses crumpled under the flood. Jerry-built houses should never have been allowed to be built. Not all builders are alike by a long shot, and I don't mean to imply that they are. But when you say we don't need the kind of controls, when you say we don't need the kind of experimentation that would mean we can build a house that will stand up in a flood, and will certainly survive through normal building strains — that is really begging the question. All of us need education, and I would submit that the builders need it, too.

MR. WEINER: May I?

MR. DOUGLAS: Go ahead.

MR. WEINER: I promised not to talk about bureaucrats . . .

MRS. GABEL: I talk about them. I know how bad I am.

MR. WEINER: . . . because I think it serves no real constructive purpose at the moment. I think that basically the shoddy construction bit, the jerry-built houses, is not a question of whether we can build houses to withstand hurricanes like Hurricane Betsy in the Ninth Ward in New Orleans. Because they could not withstand it. There is legislation now in the Congress to try to get some insurance relief for these people. There's no question that some of the construction practices led to jerry-built homes. I would be the last one in the world to deny this, but I think it's basically a red herring. The guy that built that little rowhouse in the city of Wilmington, with a four-inch brick wall, you know, didn't cut the studs, or didn't cut the joists, although they knew in those days that this had to be done, and those houses have been there about 140 years.

Now, the point really to be made here is that there is no desire, in my opinion, by the responsible elements in the homebuilding industry for the abandonment of the necessary minimum and adequate standards of construction. The question is that there has sprung up, both in the building codes and in many of the standards, all the barnacles that go with increasingly rigid enforcement.

Is it in the public interest, for example, to insist on a four-hour fire rating in the fantastic fire codes which exist in some of our cities? Really, what we should be talking about is a two-hour fire rating, because of the basic necessities that are involved. The argument devolves as to whether four hours is better than two hours. Now, compared to what? Is it better, and under what kind of circumstances? I think these are the kinds of things that need to be examined.

I definitely agree that any shoddy construction, jerry-built houses, and so forth, are bad. But I would suggest, also, that the percentage is a very, very small one.

The problem that developed in Watts I would also suggest was not a structural problem.

MR. BLACK: *May I suggest to Mrs. Gabel that if New Orleans had adopted some kind of building code program, they wouldn't have had the trouble there.*

Mr. Weiner: They also couldn't afford the houses.

Mrs. Gabel: There is not much point in going into the lower Ninth Ward of New Orleans. Nobody could have withstood a hurricane. But what the flood revealed was the incredibly bad foundations that were used for that swampland.

Special Financing for Elderly Defended

Mr. Black: *Mr. Steiner, you mentioned the elderly families, their problems of financial difficulty. I think there's an inclination to write off the elderly. The problem you mentioned specifically is a significant one. But I must submit, with all my sympathy for these problems, I back off a little bit on differential treatment. We have enough trouble without compensating people and saying, if you are an owner, or old, or poor, that we will pay you more, and if you are not all those things and only two of them, we will pay you less, and so forth. It seems to me that this kind of dealing will get us into difficulty.*

Mr. Steiner: I feel special concessions for the elderly definitely have merit. I think my suggestion ought to be tried. One of the great fallacies is to approach solutions in terms of alternatives in an either/or kind of category. I think they have to be approached in terms of adding as many tools to the tool kit as you can.

For example, I think there certainly are some situations where the following would apply. We have not done it yet, but we have talked and we are planning here to buy for our public housing account a few properties from older people who have not got the resources to fix them up. We will fix them up as public housing units, and let the occupants remain there as public housing tenants. The problem is that the older persons lived in the area when it was a better area, they have a certain degree of lethargy about wanting to move, their associations are in that particular neighborhood and particular house. They go home and close the door and the windows before dark anyway, so they don't have to wander around in the streets at night, with all the crime problems. They hope their home will be tenable for the rest of their time. This is the real problem, and of course, it is a problem that brings forth great sympathy and concern.

I think it is very useful to devise means for older people to remain in their homes. I might just say this technique was used very skillfully and effectively by the University of Akron in Ohio, in connection with its campus expansion requirements. Without the power of eminent domain, they went just beyond the campus and bought a great many properties from widows and older people subject to life tenancy, and just let them stay there for another eight, ten, twelve years, whatever it happened to be. Some of the houses turned out to be rather unattractive when the old homesteads got completely surrounded by the black asphalt of a parking lot. But this technique has been applied successfully there.

Relationships of Planning Agencies

MR. BAKER: *Mr. Steiner, assuming the Baltimore metropolitan area is extended beyond the limits of the City of Baltimore, and you look at the needs of the entire population, do you work closely with your county counterparts?*

MR. STEINER: There is a good and vigorous regional planning council here, and it is looking at the whole situation. I think it is only fair to say that the fairly classic dichotomy between central city and the suburbs is particularly emphasized here by the fact of different political jurisdictions. There are some organizations, such as the Citizens' Planning and Housing Association, and Baltimore Neighborhoods (concerned with the promotion of integrated living), which do operate on a metropolitan basis. I would say that a good deal of looseness has now been achieved in terms of racial occupancy within the city, but when you get to the city limits, you come to a very pronounced barrier. There's no question about that.

We have a very serious problem, I think, in the Federal requirement relative to the "workable program."[1] It would be very desirable to have 221(d)(3) moderate-rent housing built in counties surrounding the city, and I think there's enough motivation to get that done among church groups, various civic groups, labor unions and so on. But the requirement that there must be a workable program builds that racial barrier or wall higher than it would normally be. This is something which certainly ought to be overcome, if possible, because, I think, until the total metropolitan area deals with the problems of the total area, we are fighting a very, very difficult situation. I might add, we do not have the workable programs in the surrounding counties.

MR. BAKER: *Coming back to the city of Baltimore, what about your relationship with the city planning agency? Are you satisfied with this?*

MR. STEINER: Yes, I think we have a good relationship here. Basically, the division of function is that the City Planning Commission — the city planning department — is concerned with overall master planning, guiding development. I guess we might more appropriately say "redevelopment" of the city, because practically everything within the city limits is built up. There are a few pieces of vacant land left, but not very many. In our own agency, the Urban Renewal and Housing Agency, we do project planning, as opposed to the master planning, which is done by the city planning department. The individual project planning is done with our own staff and our own consultants. I think this is a good breakdown, and we have a good relationship. Unfortunately, the master plan guidance, which is available to us today as we proceed with a specific implementation program, is nowhere nearly as good as it should be. We hope that the Planning Commission will be on top of this situation within the next couple of years. They are

[1] The workable program is a series of prerequisites which must be carried out by communities in order to qualify for certain Federal aid programs including urban renewal, public housing, 221(d)(3) and, under some circumstances, rent supplements.

working very diligently, and I think very successfully, in this direction now.

The Community Renewal Program, the report of which was published last November, was a joint enterprise of our agency and the Planning Commission.

MR. BAKER: *What kind of planning agency exists in the county?*

MR. STEINER: I would say, generally, pretty good. I think they are getting stimulation and encouragement from the Regional Planning Council, which is well staffed. One of the sad episodes around here was the demise of an incipient urban renewal program in Baltimore County, which includes the vast majority of the suburban territory. There was a fine effort there to get an urban renewal program going, but this was completely defeated in a referendum several years ago, unfortunately.

MR. BAKER: *Why don't they have a workable program in the county, if they have a regional plan?*

MR. STEINER: I presume this may be because they don't feel they need any of the programs for which Congress has made the workable program a prerequisite, such as urban renewal, 221(d)(3) and public housing.

MR. DOUGLAS: *Why not be brutal and just say because they don't want Negroes?*

MR. STEINER: I don't think that is true. It was Mr. D'Alesandro who recited at lunch that the Negro population or percentage of Negro population in Baltimore County had declined in recent years.

MR. DOUGLAS: *I appreciate this. Something has been going around in my mind all day, and I want to get your judgment on phases of this. Rehabilitation should be conducted in large units. Instead of picking out a house here and a house there, or a block here and a block there, should it not be in larger units? Right?*

MR. STEINER: I would certainly say you would have to approach the problem from the point of view of rehabilitation of housing in an entire neighborhood. And I think, if we can get some kind of consolidated or wholesale approach, technically, this will be very desirable. There are problems, however, in the use of eminent domain to acquire property and condolidate whole blocks, as this means the forced purchase and taking of homes from some homeowners, unfortunately.

MR. WEINER: I think the problem of getting eminent domain to acquire those properties is going to be a long and a hard one, frankly. I think that there are other tools. One which was mentioned was rent control, which has helped in New York. Mrs. Gabel added a couple of others, and I am sure she can address herself to those.

I think that we need a multi-faceted program. It's got to be. We should not say the only way to approach rehabilitation is through massive programs of rehabilitation. At the same time, I completely agree that the rehabilitation of the dwelling unit in itself is not enough. Obviously we are not going to accomplish the overall purpose unless we develop pleasant environments in whole communities in the course of this. But I think to wait until nothing but massive operations take

place is to deny the fact that we already have done rehabilitation on a small scale, in blocks and half-blocks, and so forth. Providing that it be part of an overall plan is important.

I think that the tendency when viewing the desire for a massive program is to say that you are not going to be able to ultimately involve the small entrepreneurs that I spoke about, or the middle-sized ones, but must wait only for those people with the kind of financial resources that the large industrial giants are going to bring into this. I think if we wait for that we have an awful long wait coming.

MRS. GABEL: I agree.

Usefulness of Mass-Produced Materials

MR. DOUGLAS: *Granted that you don't think it's necessary, is it desirable that rehabilitation be conducted in large units in order to bring to community development the advantages of mass production of materials, and so on?*

MR. WEINER: I think there are great advantages in some of this. I think it's a combination that's really going to go forward. One of the big problems in urban renewal has been the fact that many communities are only looking for those people to conduct urban renewal programs who can take large areas, come in with projects, and work in large numbers. As a result, many of the small home renewal programs, which are completely feasible and viable, have gone by the board.

Role of Eminent Domain

MR. DOUGLAS: *To the degree that projects in large areas or neighborhoods are desirable or necessary, can they be undertaken without the power of eminent domain? Or can it be just a gradual expansion?*

MR. STEINER: I would say definitely that it cannot be gradual because I think that we have got to deal with the upgrading of the entire neighborhood, and this means almost invariably, in our experience, considerable improvement of public facilities. It means that we must have eminent domain to buy land for playgrounds, for schools, other traditional public facilities. Also, to deal with some other properties which are too far gone, there must be eminent domain. More and more, as we study the inner city, we think of the real objective not in terms of the solid clearance area, or solid rehabilitation area, but of an area which involves a mixture of both, and a reweaving of the holes in the fabric through some new construction.

MRS. GABEL: I agree with Dick Steiner. Outside of a handful of cities, you simply have to have eminent domain, not only to acquire the property, but also to wash out some of these eroding values. As you go around the country, you will find that aside from the cost of acquisi-

tion in these properties, not to acquire them simply means that the rehabilitation or rebuilding isn't going to come along for some time.

We deal with just four elements here. As far as I am concerned, we have one set of goals. We want to build these neighborhoods better, faster and cheaper. We want to do what Dick said, to build or rebuild the character and structure of a neighborhood. To accomplish this, I think we are going to have to develop the institution which will enable us to reach high on the scale, which in turn will mean an innovation, and this in turn will make the program faster and cheaper. We have a kind of economy of scale. That economy of scale attends large-scale public projects, and in turn, attracts capital for investment and managerial talent. Then we will begin to reach those areas. But if we think of it as two institutions which can produce this, we still have got to have retail stock clearance, retail spot rehabilitation.

MR. WEINER: I understand the need of eminent domain. We are going to need it in many areas in order to accomplish this program. Reliance on eminent domain alone, however, is absolutely, in my opinion, a completely incorrect kind of approach. This is the thing that I was getting at. I believe that the development of additional programs beyond the eminent domain approach is important and necessary if we are going to accomplish these things. I suggested in some of my comments before that some of the slumlords, for example, some of the legitimate realtors who are dealing in property, and some of the owners — the absentee owners — can be stimulated as well as the owner-occupants, in the carrying out of this program. You can't just talk about a massive scale because you get reduced to thinking in terms of only the kind of massive things applied at the New York level that are not going to be applicable in other parts of the country. So my point is, that it is not only the massive approach that is effective. I want to emphasize that, because otherwise we are talking about going to the Congress only for the funds to carry through that kind of program. I think there are other means that need to be developed, that can be augmented, and can be highly successful.

MR. DOUGLAS: *In other words, you are not opposed to the massive efforts, you simply want to augment them or supplement them?*

MRS. GABEL: I agree.

MR. WEINER: Sure, that's right.

MRS. GABEL: And we both agree.

MR. WEINER: May I add one thing? I didn't mean to give the impression — and I would like to correct it if I did — that I feel that we should use eminent domain in inner city rehabilitation areas to change ownership of their properties. I think much useful, successful, and acceptable rehabilitation can be achieved with property staying in the hands of the present owners, just as they have done in Harlem Park.

MR. DOUGLAS: *In order to get eminent domain, don't you have to have a public authority to exercise that right? This can't be done by purely private interests, can it?*

MRS. GABEL: In my State, Senator Douglas, we have a program which is operated, on occasion very effectively, which does give this right to

nonprofit and limited-profit corporations. The limited-profit corporations require 10 percent equity. It works out so that basically it's about a 12 percent return on the investment, which is not bad.

MR. STEINER: To my knowledge eminent domain can be exercised in Maryland only by a public agency or instrumentality. In Baltimore City, practically and legally, the right to use eminent domain and the right to grant its use rest with the City Council. So, eminent domain is not used for a highway, a new police department building, a school, urban renewal or any other purpose, even for public housing, without a consent on the part of the City Council for the specific undertaking.

MRS. GABEL: That's true in New York, too.

MR. DOUGLAS: *Well then, to the degree that massive rehabilitation is carried out, to that degree you have to have a public authority release that power of acquisition of property as a last resort weapon—and to accumulate such property as is needed for recreation, or for public housing areas—and to be offered as an intermediary between the first and the eventual owner-occupants?*

MR. STEINER: Yes, sir.

MR. DOUGLAS: *Could you have built up Harlem Park unless you had the power of eminent domain from public authority?*

MR. STEINER: No.

MR. DOUGLAS: Very well. Any questions?

I want to thank you all for coming, and I want to thank the local community officials for the very warm welcome which they have given us.

(Adjournment.)

New Haven

Commission Members Present: Chairman Paul H. Douglas, David L. Baker, Lewis Davis, John DeGrove, Alex Feinberg, Jeh V. Johnson, Richard W. O'Neill, Chloethiel Woodard Smith, Tom J. Vandergriff, Coleman Woodbury

As a city which gained national attention for its extensive use of urban renewal, New Haven seemed a logical place to inquire into the practice, problems and promise of urban renewal. Advance newspaper publicity invited public participation to assure a broad spectrum of views about the renewal process and its impact on low-income families, business, property owners, suburbanites, and local government. Suggestions for possible new directions were sought.

Conte School
New Haven, Connecticut
Morning, May 25, 1967

Mr. Howard E. Shuman: I wonder if we can come to order and start our hearing. Mr. Douglas, who was in New York late last night and was going to fly up here to be present at 8 o'clock this morning, has been prevented from arriving on time by the weather, as you can see. However, he is coming by car, and we hope he will be here shortly.

I am here to welcome you initially, Mayor Lee. Mr. Douglas asked that Coleman Woodbury of our Commission take over the chairmanship duties until he arrives. So I will now turn the meeting over to Mr. Woodbury, to preside for the moment.

Mr. Woodbury: Let me read the statement that the Senator would have given if he had been here. No one wishes more than I do that he arrive promptly. (Mr. Shuman is Executive of our staff.)

The National Commission on Urban Problems, established by President Johnson last January 12, is now holding hearings in 18 cities over the United States. We are not investigating these cities. Our hearings are on the specific subjects which the President and the Congress charged us to look into; i.e., building codes, housing codes, zoning, development standards, taxation, urban sprawl and blight, how to provide an adequate supply of housing, and the issues associated with them. And these issues must necessarily include poverty and pollution and race and welfare.

Instead of holding our hearings behind closed doors in some government building in Washington, we decided to hold them at a specific city which illustrated in a constructive way some of the problems under our mandate. . . .

Today, our subject is urban renewal and how it relates to our charge of finding the means to provide adequate housing for the American people, especially for Americans with low incomes, and to renew our central cities. We have come to New Haven to hold the hearing because this city illustrates as much, if not more, than any other city in the country, what an urban renewal program can do.

But we are not here to investigate New Haven. We are approaching this subject from a national point of view. Witnesses have come here from a wide geographical area and they bring a broad background to the subject.

We are going to hear first from your Mayor about urban renewal because he has had more experience on the subject than almost any other man in the country. He is preeminently qualified to talk about it. If we were to hold a hearing on urban renewal in San Francisco, we would invite Mayor Lee to appear before our Commission. And I know that Mohammed, in the person of Mayor Lee, would be more than willing to travel to the mountain. But this is a case where we thought it wiser to bring the mountain to Mohammed. I say all of this so that there will be no misunderstanding either of our purpose or the nature of the hearings here today. Now it is my privilege to welcome Mayor Lee.

STATEMENT BY MAYOR RICHARD E. LEE

MAYOR LEE: [1] Thank you very much, sir. I am honored that you are here. I am frank to tell you that I am a little embarrassed about the weather, but there is really nothing I can do about it, although I will probably be blamed for it. We are honored to have you in New Haven.

I don't know how you selected the cities which you plan to visit, but if you are selecting cities on the basis of the problems they have, certainly New Haven qualifies as a city with problems. Some people talk about New Haven as being a model city, and I always put in a disclaimer at the beginning of my comments when anyone makes such a remark in introducing me or anyone else. I say that if New Haven is regarded as a model city, God help urban America. Because while we have done a great many things, for everything we have done there are five things we have not done, and for everything we have done which has been successful, there are three things we have done which were

[1] Native of New Haven and Mayor, 1953 to date. Known for pioneering work in urban renewal and development of human resources. Past President, U.S. Conference of Mayors; member of Executive Committee of National League of Cities and of Advisory Commission on Intergovernmental Relations; M.A. Hon., Yale University, 1961, recipient LaGuardia Memorial Award, 1959, both for New Haven achievements.

wrong and have failed. And for everything we have done, as I have said before, there are all kinds of areas where we have not yet explored or done the work necessary to help the process of remodeling a nineteenth century city into a city preparing for the twenty-first century.

I don't intend to talk about New Haven, for example, as a blueprint for any other city, simply because I don't feel that the experiences in New Haven necessarily would fit the patterns developed in another city. We have a variety of problems which involve not only the physical restoration of New Haven but the human resources of New Haven as well. As some of you may know, we have building programs now — either finished or on the boards — which amount to close to $300,000,000, and more than that is planned in the next five years. So the program of rebuilding New Haven and restoring it in a physical sense is well over a half-billion dollars.

Of course, the money which is spent on construction is only one small phase of what we are attempting to do in a whole variety of ways to solve the problems of the people who live in our city. The money being spent, including not alone money to provide housing — as limited as our efforts have been in that — but in other areas as well; programs, for example, to combat poverty, and programs to combat illiteracy, and programs to provide equal opportunity, job training and the like, all are part of the life of New Haven and in this whole field of human resources.

The program known as Operation Head Start literally began in New Haven before there was such a thing as the Office of Economic Opportunity. Our attempts to upgrade the learning potential and to give the child who is entering first grade, usually from a nonwhite family, equal opportunity to start on the same basis as the other first-grade children, was very much a part of our thinking seven long years ago. We do recognize, and we will continue to recognize, that education is perhaps the most important single tool which can be provided any person in the struggle for equal opportunity.

One of the interesting things we have done is to establish community schools in several of our neighborhoods, and hopefully and ultimately in all the major neighborhoods in New Haven. The school in which you are gathered today is an example of the kind of community school we are developing. This school is open from 8:00 in the morning until 10:00 at night. We have a principal to serve the day shift and a principal to serve the afternoon and the evening shift. We have week-end programs.

The programs we offer are not just programs for education of children from kindergarten to the eighth grade, but they are programs which fan out into the neighborhood and provide nursing opportunities, medical care — at least medical checks in the programs for the parents — programs to fight illiteracy, and, on occasion, referrals to such a thing as the Work Skill Center, which is part of the Office of Economic Opportunity.

We have done a variety of things, and it is perfectly obvious that we have explored in a number of areas where many cities have not

ventured as yet. We have done some housing. We haven't done nearly enough housing, but we have done everything from low-income senior citizens, scattered housing, to 221(d)(3), to rent-certificate, plus all the standard approaches, of course — the usual high-rise, low-income, high concentration of people with problems, which unfortunately is what public housing in too many cities represents. In New Haven, unfortunately, we have not been any more successful with that problem than any other city I know of.

One of the things that I would like to stress is that whatever we do, in whatever neighborhood we may work, in whatever sector we may concentrate, all of these programs cost money. We are spending city money. We are spending State money, but to a limited extent. We are spending Federal money to a substantial extent, and we are also spending very substantial Ford Foundation grants and similar kinds of grants from smaller foundations.

We do not have, however, the kind of financial resources which we feel are necessary really to meet the programs on a broad enough basis. I feel very strongly that the problem a city has — and the mayor who is on this panel I am sure, will agree from his experience — too many cities are confined in their income on a taxing basis by the antiquated property tax, which is regressive and restrictive, and cannot be expanded indefinitely to meet the expanding needs of the city and its people.

Federal Tax-Sharing For Cities

Ultimately, quite beyond the block grants or the grants for specific projects from Federal assistance — and quite beyond what I hope will be a growing endeavor on the part of the states to involve themselves in the future of the cities, which are corporate creatures of the state — is going to be some form of Federal assistance in a tax-sharing program, which I hope will be the next step ultimately on a Federal level in helping the towns and cities all over America to meet not only their physical problems but the problems of the people who live in those cities as well.

I feel that the tax sharing plan is going to come about. I feel, as a mayor, that the tax sharing plan should not be directed just to the states. I feel when the tax sharing plan is implemented, as I am sure it will be, that some of the monies which are siphoned to the states will be directed specifically to cities on a population basis, on a per capita basis. If necessary checks and balances should be written into it so that specific amounts be acquired or appropriated; for example, for such things as education and law enforcement and human resources. This is the kind of program I feel the cities need in the field of fiscal reform, if our program is to meet not only their physical responsibilities, but their human responsibilities as well.

We have done a great many things. We have done as much as we could, even if we had more money. But the truth of it is that today, as we proceed into the balance of the twentieth century, we need a great

deal more in the way of funds, and we need it from unrestricted sources. And the city does not have unrestricted sources.

I have filed a statement with the Committee.* I will be glad to answer questions either on that statement or on what I have just said.

MR. WOODBURY: Thank you very much, Mayor. It is the custom of the Commission to have a brief period of questions. We try to limit this with a ten-minute rule, to keep any of our more loquacious members within bounds.

*EXCERPTS FROM MAYOR LEE'S PREPARED STATEMENT NOT COVERED IN ORAL PRESENTATION

I hope the New Haven experience with urban renewal and the development of our human resources can be helpful to your study of national urban problems. However, at the outset, I must be candid and say that we have only made a beginning in New Haven and for all we have done, there is as much, or more, yet to do.

I will do my best to translate fourteen years of experience into a few words about the problems of cities and their ability to solve these problems. . . .

Urban renewal is an effective tool for combating slums and blight. Urban renewal can provide new housing, parks, and community facilities in neighborhoods that have been neglected and ignored for as much as fifty years. And yet urban renewal cannot solve all of the problems of people. Other programs are needed to provide equal opportunity in employment and education, and to develop in every way possible the full potential of all the people.

Cities cannot do this work alone. This is not just a city problem. It is a national problem and it is a State problem, as well. The urban problem "happened" because of national changes, not because of city-induced changes.

I have a sense of urgency about the problems of urban America. And my sense of urgency deals not only with the brick and mortar which make up our cities, but it deals, as well, with people.

In the early 1950's, urban renewal legislation was new and untested. The objective of renewal in those days — to eliminate slums —was only a step beyond the goals of public housing philosophy of the '30's.

Much has been accomplished since that time. Today renewal provides for the rebuilding of downtown, the relocation of industry, and the comprehensive renewal of entire neighborhoods.

A modern downtown is the vibrant heart of a thriving city economy. The commercial success of downtown, and the relocation of industry into new modern plants, can provide the economic and political impetus for a city to pursue all its other planning objectives on a broader scale and with greater daring, vigor, and confidence.

Urban renewal also enables a city to attack the problems of old residential neighborhoods on a comprehensive scale. Neighborhood renewal — in New Haven, at least — employs an entire arsenal of tools and approaches. We demolish only that which is beyond repair and provide new facilities to meet every community need, from shopping to libraries.

In New Haven we have given housing the most important priority in our plans. During my term as Mayor nearly 2,500 units of low- and moderate-income public, private and cooperative housing have been completed or will be under way this year.

But we must provide more low-rent housing, especially for large families, and we must avoid building new ghettos by using the small scattered-project site program and by encouraging and expanding the rent-certificate and rent-supplement programs. And, perhaps most important of all, we must help families who are beset by a whole host of social problems.

We must help rehabilitate existing housing and hire the best architects available to improve and renovate old, neglected projects, and thereby take full advantage of our existing housing stock. Nearly 9,000 dwelling units — some 15 percent of our

housing supply — have been rehabilitated by private property owners as part of our urban renewal plans.

The best housing and the finest physical renewal programs, however, cannot by themselves cure our sick cities. Human problems must be attacked just as aggressively as we have attacked our blighted buildings. We cannot set priorities between matters such as employment, education, and housing. We must continue to press for solutions to all these problems, and neglect none.

The war on poverty began in New Haven before the national legislation was passed. Since the formation of Community Progress, Incorporated, in 1962, more than 5,000 persons have received job training, retraining and placement.

More than 600 persons, not immigrants, are enrolled in adult literacy programs at one end of the scale, and at the other, an equal number of three- and four-year-old children are getting their first exposure to the world of books and music and ideas in the pre-kindergarten programs of Operation Headstart. The concept of the Headstart program must continue through the primary grades and must involve the parents. . . .

Many existing programs can be successful, and they can meet some of the basic needs of our cities. They have in New Haven, but we must do more. We must be prepared to make a total commitment.

Every city should strive to become a model city. The entire nation must demonstrate with action and a firm commitment that we can make our cities showplaces of democracy, and decent, vital, exciting places in which to live and work.

QUESTIONS BY COMMISSION MEMBERS

MR. VANDERGRIFF: *Mayor Lee, I am wondering if you can tell us a bit about public reaction to your program. Obviously, it has met with rather convincing approval, or you wouldn't be in office for such a long period of time, for which we certainly commend you. But we are wondering about the matter of hearings in the neighborhoods, the specifics of public reaction to urban renewal. Could you expand a bit on this for us, sir?*

MAYOR LEE: I certainly can. I have had my lean days, to put it mildly. Housing is our principal problem, and always has been. Relocation is our principal problem, not only residential or family relocation but also business relocation. It hasn't been easy to dislodge people from neighborhoods — even though the neighborhoods might be considered to be blighted or slum neighborhoods — and to move them elsewhere, especially when they lived in that neighborhood for any length of time. Obviously, the law calls for public hearings on all phases of our redevelopment programs. We have had them.

Our first project was a number of years ago. We relocated 886 families from one neighborhood, and we have been doing neighborhoods, one at a time, sometimes more than one at a time, over a period of more than a decade. The relocation program has met with varying degrees of success and cooperation and some resistance. But all of this is natural. Perhaps our most serious problem, gentlemen, came in 1961 when Interstate 91 was built by the State of Connecticut. Thirteen hundred families received dispossess notices. The city had to take on the responsibility — not by law but morally, because these people lived in the city — of finding housing for them in a period which was much shorter

than normally would be given or should be given to us or to any group to find housing for that large a number of families.

By and large, our programs have run the gamut, not only from residential development and clearance, but restoration, rehabilitation, and then the reconstruction of our central city. The neighborhood where you are now sitting is perhaps the most exciting example of what we have been able to do in restoring an old neighborhood to once again a lovely neighborhood. This was a neighborhood where there was a great deal of blight and a great deal of nonresidential encroachment on a basically residential area. Where we are sitting, as a matter of fact, was completely industrial, and perhaps less than 75 yards from where we are now, less than ten years ago we had a tragic fire in which 15 people lost their lives in the worst industrial fire I think in the history of Connecticut.

So it hasn't been easy. The Church Street Project — I don't know whether you were downtown this morning and saw that — the Church Street Project very nearly spelled my political demise, because we were caught up in an era when there was a shortage of risk capital, and we had cleared the prime real estate in the central city, the "Tiffany" real estate, even though the buildings were, to put it mildly, less than "Tiffany." But we did manage to build some things, including a new hotel, an office tower, related shops, a mall, a subsurface parking garage, a 1,300-car parking garage above the street, and two major department stores.

All the related improvements are now going on in the central city, but they have been difficult. And in the days ahead, as we proceed with the balance of our plans to rebuild New Haven, or restore New Haven, I anticipate difficult days as well. But the answer to all of this, of course, is that the easiest thing for any mayor to do is to do nothing. That kind of mayor is the only man who will escape criticism and will not make enemies.

MR. VANDERGRIFF: *What we have seen today is eloquent testimony as to what you have done. What about housing for the elderly? Has this been a particular problem for you?*

MAYOR LEE: No. The particular problem we have is housing for large families, families with six or seven children. We have a constant battle to provide them with housing. We have about 87 families in this category now who present serious relocation problems. We have been remodeling units in public housing. We take four units and remodel them into two, and convert them into large family living quarters. We do that at a rate, according to the Housing Authority, of about two units a month.

The senior citizen housing, as a matter of fact, happens to be one of our more exciting successes, and a very real success. We have something close to 500 units that we have completed, and something in the neighborhood of 400 on the drawing boards. These are all designed in a rather special way. We have brought in some of the finest architects we could get, including Paul Rudolph, who designed a 15-story high-rise downtown for 109 families; and we have done vest-pocket units

in scattered sections of New Haven. The purpose of that, very frankly, is to avoid the ghettoization which public housing in too many cities represents. We feel that in all public housing efforts in the future, we should not concentrate a great number of low-income families in one neighborhood, because that means that basically the school which serves that neighborhood becomes a public housing school, and there is a stigma that ultimately will follow that child right through graduation.

When all of the problem families are concentrated in one part of the city or in one neighborhood of that city, it is an unfortunate social stigma, and it just should not occur in a modern society. This is one of the things we have been attempting to avoid.

MR. VANDERGRIFF: *I take it the state has not assisted too much as yet in your program here. Is this why you favor a more direct relationship between the Federal government and the cities in the tax-sharing plan which you advocate?*

MAYOR LEE: Well, our State has been more enlightened, I think, in the last several years in the way of assistance to the cities. The General Assembly is currently in session — it adjourns two weeks from today — and in two weeks I can hope they have a vastly enlightened attitude toward the problems of the city. But I was speaking as a mayor with some national experience. I was talking in a general sense when I said that the states have not been living up to their responsibility. I was not speaking specifically of Connecticut.

I was President of the U.S. Conference of Mayors, and have taken part in many of their deliberations and conferences. I was a director of the National League of Cities, in which as probably you have been involved, and I find more and more that this is the cry all over the Nation: If tax-sharing plans are set up, what is going to happen to the money? How much is going to go back to the cities, where the bulk of that tax money is collected? This is a very important question.

MR. BAKER: *Mayor Lee, in touring the city this morning, I was much impressed by the rehabilitation program that has taken place. But this poses a displacement question. I understand in Connecticut there is no county government, and that the cities are responsible for all of the areas within the state; that is, you extend beyond the city core to outlying communities. Has much consideration or any effort been given to the displacement of these people from the central city into the outlying areas, where you can begin from undeveloped land and progress to a finished community?*

MAYOR LEE: No, sir, there hasn't. We have no such thing in Connecticut as an unincorporated town. Our cities and towns are very old. They have their own responsibilities and their own standards. The cities are not able to project their thinking beyond the borders of their own cities, in our case beyond the borders of New Haven, except in noncontroversial areas.

We have been able to build an incinerator which has served the Greater New Haven area. We have regional air and water pollution programs. We have a regional planning program. But we are not able

to get a regional airport program, or a regional park program, even though our parks, many of them, bisect the town line, and two-thirds of our parks at least in these three areas are in other towns.

MR. BAKER: *This means then that you could not form what might be known as a joint powers agreement to relocate displaced people outside of the New Haven city limits?*

MAYOR LEE: That is correct.

MR. BAKER: *Would it be possible through Federal assistance or through state assistance to do this?*

MAYOR LEE: Not under any Federal law I know of, and certainly not under any State law I know of. I think what you are talking about depends to a very large extent on voluntary cooperation, or the regional concept of governmental leadership, into which I do not believe this could be fitted.

New Haven at Maximum Land Use

MR. BAKER: *Is your City of New Haven at the point where it has reached its maximum saturation, or is there sufficient undeveloped land where displaced persons could be relocated?*

MAYOR LEE: No, sir, we are at our maximum. Less than two percent of the land in New Haven is undeveloped. Most of that two percent is marsh land which should be maintained as open spaces. The only way that we are going to renew our city, sir, is to do exactly what we are doing—which some people fail to understand or accept—which is to tear down and rebuild or restore. We have been doing a great deal of restoration. We have restored something in the neighborhood of 9,000 living units at a cost of $17,000,000 in private capital. This program is just going to have to continue until the city is restored. In some areas we are going to use the bulldozer simply to rebuild. We are using all the tools we know.

MR. BAKER: *Much of government revenue comes from the tax base of property tax. Reducing these units in density and reducing them in size and structure, what effect does this have on the city's tax base?*

MAYOR LEE: Well, the buildings that we have demolished, for example, have been producing the absolute minimum of tax yield for a very long time. In clearing the land, we certainly have never reduced the value of the land itself. The land, of course, is a constant as far as value and taxable return are concerned. And much more often than not, even if a building that we build is only a two- or three-story building, it yields far more in taxes than the building which once stood there, simply because it is new and more modern and more attractive and more expensive.

MR. BAKER: *This of necessity would increase the value or perhaps increase the rent, thereby eliminating certain low-income families from owning property or from being able to pay the taxes. Is there any consideration of tax exemption for low-income families?*

MAYOR LEE: What you are talking about, of course, is a matter of state

law. We are not allowed to do that in New Haven. The State has resisted it for a very long time in industrial enticement, on the ground that this is an advantage which is unconstitutional. And it has not been tried, as a result, in housing. It is done in public housing with a subsidy given each year in lieu of taxes. But it is not done in any other fashion.

MR. FEINBERG: *Mayor, may I add my compliments to those that you have already received for what I think is a most outstanding performance that you have accomplished here in New Haven.*

Obviously you have so little ground left that is undeveloped—I think you said less than two percent?

MAYOR LEE: That's right.

MR. FEINBERG: *You indicated that you have but one course to follow—to tear down and rebuild, or to restore. In the process of doing this, have you found any great difficulty in particular areas which are zoned residential, where you have existing nonconforming uses?*

MAYOR LEE: Well, we have difficulty because we root out nonconforming encroachments. This is what I assume you mean.

MR. FEINBERG: *Yes.*

MAYOR LEE: This neighborhood here was a classic example of it. We had some very real concern when we were planning this neighborhood. Many people forget this because it is now more than 10 years ago—and one of the things which I have as an asset (some people think it is a liability) is continuity, so I can speak of what happened more than 10 years ago—in this neighborhood here a great many of the people who lived here were employed in walk-in jobs. They could walk from their home to their work. And even though industry was an increasing factor in the developing blight in this neighborhood, many people who lived in this part of New Haven not only resented any attempt to change this pattern, but they resisted it strongly.

We had a whole series of frustrating experiences as we were planning in this neighborhood, working with all the elements living here.

And in a very negative sense—and I do not regard this as a virtue at all, I must underscore that emphatically—when this Franklin Street fire occurred where 15 people lost their lives, this became the catalyst for impelling people to understand as they never did before how important it was to do away with those old-fashioned, obsolescent industrial structures, old-fashioned, mill type factories with heavy, oil-soaked floors, all wooden, perhaps with a brick exterior, which were more than a century old, and were built long before there was any kind of fire code whatsoever.

Where this fire occurred something like 37 people in a period of about seven years lost their lives in similar fires, but this one major disaster compelled the people of the neighborhood and of the city to take a good cold look at the program to root out this kind of problem. We did it, and did move forward.

MR. FEINBERG: *Not to belabor the point, but in those areas confined to rehabilitation and restoration instead of tearing down, where let us say, you have a nonconforming use existing: Do you have in the*

State of Connecticut any planning or zoning laws which will enable you over a period of time to constitutionally remove or vacate the nonconforming use without actually resorting to condemnation, as you might in an urban redevelopment area?

MAYOR LEE: We don't have a state law like that.

MR. FEINBERG: *Or a state enabling act which would give the municipality the right to adopt the appropriate laws?*

MAYOR LEE: We do not have that. We do, however, have the Federal redevelopment program under which we can take a neighborhood like this.

MR. FEINBERG: *But then you have to resort to the power of eminent domain?*

MAYOR LEE: Correct.

Code Enforcement

MR. FEINBERG: *Do you have any programs such as enforcement of building codes, to keep properties in a better maintained condition?*

MAYOR LEE: Yes, sir. We have rewritten all of our codes in the last 10 years. We have a modern building code, a modern fire code, a modern plumbing and electrical code, a modern sanitary code. We have the inspectors to go with the code.

MR. FEINBERG: *And may I ask with what success you have met as far as enforcement is concerned?*

MAYOR LEE: Well, we have got a lot of people in court, sir. We haven't lost a case yet.

MR. FEINBERG: *I am sure you haven't. But do you rigorously pursue the enforcement of these codes?*

MAYOR LEE: We have a major "slumlord" program. Our cases have been tested in the Supreme Court of Connecticut. I understand we have one now going to the United States Supreme Court. We have a program whereby all major property owners of multiple-family tenements or flats or apartments are regularly inspected, and this includes the Public Housing Authority. We apply the same kind of inspection to them. That is, I might say, a recent development, within the last three months. But we do inspect, and apply the law. When we have people who refuse to comply, we have what is known as our Code Enforcement Committee, which is composed of all the departments involved in the application of various codes on these properties, and the property owner is summoned to appear before that Code Enforcement Committee. Upon investigation, he is requested to sign a statement of compliance.

If he refuses to sign a statement of compliance, a warrant is issued for him. If he signs a statement of compliance and refuses to comply within the given stipulated period of 30 or 60 or 90 days, at least to begin, a warrant is issued. This is not to say that we have solved the problem of the slum landlord or the problem of the slum dweller.

As fast as we are rehabilitating some units, others slide back. I would say this, that of the 9,000 units which have been restored, I am frank

to tell you that the success of compliance and keeping a level has been extraordinary, something over 60 percent. The continued repeaters who are blacksliders, if that is the word, are by comparison to the total, minimal, but they are still there.

MR. FEINBERG: *When did you first institute your program of renewal and redevelopment here in New Haven?*

MAYOR LEE: About 12 years ago.

MR. FEINBERG: *Over that period of time, I am certain that you have observed the census of New Haven. Can you tell me whether or not there has been a decrease in the population? Has there been an exodus of any kind, evidenced by the fact of what you are doing, or has it remained constant?*

MAYOR LEE: There has been a decrease of about 10,000 people in the last 15 years in the population of New Haven. The population has gone from about 162,000 to the census figure in 1960 of 152,000. I might say it is probably down to about 149,000 to 150,000 right now. I can't be certain, but there has been a decrease. The decrease, I might say, has been exactly the same percentage that has been experienced in other cities such as Hartford and Bridgeport. The percentage of decline has been almost exactly the same.

MR. FEINBERG: *Mayor, can you pinpoint to any extent the reason, in your opinion, for the decline in the population, the so-called exodus, as minimal as it might be, from the city during this period of time?*

MAYOR LEE: Well, I would say first of all that part of the decline is the normal attrition of the middle-income family that wishes to move to the suburbs, and feels that with the increase in the wage earner's standard of living, this gives him an opportunity which was denied him as he was growing up. Some of it may be the usual kind of ethnic problem which develops in cities.

Then I think, in some small measure, part of it was due to the fact that as we worked in some of these neighborhoods, we were reducing the population density per acre, and eliminating not only slum violations but indeed demolishing some of the slum units where many people were living in total violation of all the laws on our books.

MR. DEGROVE: *Mayor Lee, I understood you to say that there have been about 9,000 units restored in your neighborhood program. Would you make a guess as to how many more need restoration?*

MAYOR LEE: I would say an equal number.

MR. DEGROVE: *And at what rate is this happening?*

MAYOR LEE: Well, the restoration is going on as part of our regular pattern. I wouldn't project on an annual basis, but I would say, to give you what I consider an educated guess, it will take us perhaps another three years to reach the level of another 9,000 units restored. I might say the actual figure is 9,700 units.

MR. DEGROVE: *And does restoration typically reduce density in a neighborhood?*

MAYOR LEE: On many occasions it does, yes sir. We find many units where people are living in violation of our laws — two or three families living in the square footage of space required for one. We find units

which have been illegally converted, for example, from two-family units to four-family units, or from two-family to three-. Of course, we not only have the problem of having these units comply with the law, but we have a very real other kind of problem which is directly related; and that is, maintaining the neighborhood. When you have a small house, for example, which might be a two-family house, and there are four families living there, it not only contributes to the rapid deterioration of the physical condition of that house, but there are many more people on that lot size than normally could be expected, and it contributes very substantially to the rapid deterioration of the neighborhood.

In turn, this affects other properties which are adjacent. People grow careless and they just literally give up. We have had many experiences like that.

MR. DEGROVE: *How many public housing units do you have in New Haven?*

MAYOR LEE: I would say we have about 3,000.

MR. DEGROVE: *How is this expanding—at a rather constant rate? Or is there any significant change in it?*

MAYOR LEE: The significant changes which have occurred have been in the area of 221(d)(3), which is not really low-income housing. But we are putting rent-certificate housing in those units. We plan close to a thousand new units of housing in an area known as Church Street South.

MR. DEGROVE: *Public housing?*

MAYOR LEE: Some of that will be public housing. I would say that when we finish, Church Street South, between the low-income public housing and the rent certificate housing will have close to 300 families living down there in that category. We have proceeded at a deliberately slower rate in building new low-income public housing units for the simple reason that we do not want to carry on the ghettoization of low-income families as was typified in several of our neighborhoods.

MR. DEGROVE: *If you go too slow, do you have a problem, in effect, of forcing low-income people outside the city, if you reduce density in your rehabilitation areas?*

MAYOR LEE: Yes. One of the problems that we have is that people fail to recognize that a slum dweller is not always a low income family from the standpoint of the rent he pays. Many slum dwellers pay far more than they would pay in an ordinary house in the private sector owned by a private property owner, based on what he pays on the average per room per week, and this does not include heat or hot water, for example.

MR. DEGROVE: *The public housing and urban renewal programs are quite distinct in their statutory basis, and so forth. How do they relate administratively in New Haven? Are they all under one administration here?*

MAYOR LEE: No, they are not. They are in some cities, but they are not in New Haven. Public housing was set up 30 years ago, completely separate from city hall, and it is run in that fashion today. This is not to say that I think that is right.

MR. DEGROVE: *I was going to ask you that.*

MAYOR LEE: Well, I will be glad to volunteer the answer to that one. The public housing program is administered by a set of Federal employees who live under distinctly separate regulations and patterns than do city employees. They work in a distinctly different atmosphere and environment physically. They are completely divorced from the city and from all of its programs. This has been traditionally the case in public housing in Connecticut, and probably in New England. The sole exception to that is the fact that the Mayor appoints the commissioners of the Public Housing Authority.

The Mayor does that. But it has been distinctly separate — officially, formally and actually — from my functions. Now, having said that, let me say this to you, that in perhaps only three instances has the Housing Authority met in my office, and each time at my request. But actually, in the last several years I have been bringing the Housing Authority program much closer to the city program and the other Federal programs which are administered by the city than ever occurred before.

The whole rent-certificate program was initiated by city hall. The senior citizen housing program has been something which was developed on our initiative. The choice of architects was one in which we had a very substantial voice. The Housing Authority has been very cooperative.

We have introduced new ideas on the basis of legislation for which I lobbied in Washington. And as usual — and I say this as an impatient man — things have not proceeded as fast as I would like. But then in modern society, especially in government, what does?

MR. DEGROVE: *One last question, if I may. If the New Haven metropolitan area has maybe 300,000 plus people and the city has 150,000, I don't think I am going to get a chance to ask anybody else so I will have to ask you: What does the town — if that is the governmental unit responsible for the rest of the New Haven metropolitan area outside the City of New Haven — what is it doing in this whole business of mobilizing, conserving, rehabilitating human resources? Are the towns doing anything, or just being complacent suburbs?*

MAYOR LEE: Well, I am not going to label it as that, but I would be less than honest if I didn't say, "Not very much."

MR. DEGROVE: *Do you see any possibility of a move toward a metropolitanwide government in the New Haven metropolitan area?*

MAYOR LEE: No, sir, I do not.

MR. DEGROVE: *Do you think it would be desirable?*

MAYOR LEE: I do not believe it is possible under the very strong traditions which New England has in maintaining the separate political jurisdictions which these towns and cities have. We can and we are developing metropolitan programs of cooperation. But to do it by law is something else; and in my opinion, it is not only unlikely but impossible.

MR. DEGROVE: *The towns and cities are creatures of the State?*

MAYOR LEE: Yes, sir, they are.

MR. O'NEILL: *Mayor Lee, as an approximate figure, what percentage of your city budget, total city revenues, goes for education and welfare?*

MAYOR LEE: For education from a fourth to a third. That is just for

the operating budget. The capital budget for building in our school program goes much higher. I would say that another third of our capital budget each year is for school construction, school maintenance, school repairs and improvement, the bondable program, in other words.

Now, on welfare we have a rather unusual situation in Connecticut. We have State welfare programs as well as the city welfare programs, and the program is being taken over more and more by the State. I would think that within five years the city's programs in welfare will be phased out and taken over completely by the State. I would say that right now more than half the welfare program in the New Haven city jurisdiction is assumed by the state. I can't give you the exact percentages.

MR. O'NEILL: *What percentage of the city's total expenditures is derived from property taxes?*

MAYOR LEE: I would say 80 percent. I think it might be a little higher. I can check that figure out for you and give it to you formally before the day is out, before you leave. It is very high.[1]

Urban Renewal Enlarges Tax Base

MR. O'NEILL: *How has the tax base increased under urban renewal, in urban renewal areas?*

MAYOR LEE: The tax base has increased quite dramatically, especially in the central city. The value of the properties which have replaced what were there before has skyrocketed. In the Oak Street area, which was also an underdeveloped neighborhood, the tax income from Oak Street in 1956 was $105,000 a year from 42 acres. The cost of maintaining Oak Street was $200,000 in the form of all kinds of services, such as police, fire, welfare, and so on.

Today the tax income from Oak Street is about 10 times what it was in 1956 because of redevelopment and renewal. This does not take into account the fact that of the 42 acres in Oak Street, 15 acres of those 42 have now been given over to an expressway to bring traffic into the city in a controlled pattern. So what we are talking about is a dramatic increase of 10 times what we got in taxes 10 years ago from 27 acres today as opposed to 42 acres 10 years ago.

MR. O'NEILL: *What percentage of usable land in New Haven is zoned industrial?*

MAYOR LEE: A very small amount. I would say that right now, if we were to be asked how much industrial land we have left available for development, counting land we are about to reclaim, it is less than 100 acres.

MR. O'NEILL: *And what percentage is that of the city area?*

MAYOR LEE: We have 12,000 acres. That excludes the harbor.

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[1] New Haven Redevelopment Agency reports that property tax supplies 75 percent.

MR. O'NEILL: *Has this industrial land use increased at all in the last twelve years?*

MAYOR LEE: No, it has not. It has declined.

MR. O'NEILL: *Approximately how many families are there in New Haven with incomes under $4,500 a year?*

MAYOR LEE: I do not have that figure. There is a survey which the Community Progress, Inc., organization has preliminarily completed. I will file it with this committee today. I have not yet received my own copy. I understand it is available today, and I will get it for you today. I do not have the figures.[1]

MR. O'NEILL: *You can't give me a "ball park" figure on it?*

MAYOR LEE: No, sir, I can't. I read a story in the newspaper, but I prefer to read the report itself.

MR. O'NEILL: *What is your income limit on public housing?*

MAYOR LEE: Can you give that figure, Mel? [Melvin Adams, Development Administrator, City of New Haven]

MR. ADAMS: It varies. For a single elderly person, it starts probably about $3,000, and it might go up, for large families, to $4,500.

MR. O'NEILL: *$4,500. The rehabilitation project that we saw this morning, we were told, rented for about $100 to $125 per dwelling unit. Does this reach any families under $4,500?*

MAYOR LEE: I don't think it does, not at $125 a month, $135 a month. Court Street, which is across the Green here, which was a very shabby street 10 years ago, we did as a demonstration grant. We bought those units, condemned them for an average of about $13,000 a unit, and we remodeled them at a cost of $16,000 more. Then we put them on the market at $21,500.

We, the Federal Government and the city, took a loss of $7,500 a unit, solely to prove that this kind of program was workable. We felt that selling those units at $21,500 was the kind of thing that we hopefully could extend into other neighborhoods. Then it would provide some housing in the private market sector for the price that you and I obviously feel that we should. The units sold for $21,500. We had extraordinary success.

The only trouble is that the rents which are now being charged are in that category. Instead of getting the indigenous poor in that neighborhood, we now have some indigenous faculty members from Yale.

MR. O'NEILL: *Wouldn't it have been cheaper to tear them down and build new construction?*

MAYOR LEE: No, I don't think so. In the first instance, they are very attractive, old-fashioned Georgetown-type construction. They are quaint, in the sense that they make a real contribution aesthetically to the neighborhood. When you figure it out, $29,000 is the actual cost of those buildings. They are all brick, they are four stories, all modern, they have 220 wiring. I don't know of anybody today who could build anything like that for two families for $29,000. The private money

[1] New Haven Redevelopment Agency reported sample in CPI survey not of significant size for a finding.

market is certainly not able to do it, and the public sector, even with subsidies, could not do it.

So the point of it is, however, in this free society in which we live, the property owner himself gets more than a reasonable return on an investment which sometimes has been underwritten by the Federal Government. And the rents in that neighborhood over there now are as much as $135 a month, and that is not a poor man's rent.

MR. O'NEILL: *Has the 221(d)(3) program*[1] *worked here in New Haven?*

2,000 Dwellings under 221(d)(3)

MAYOR LEE: Under 221(d)(3), we have built and will start in 1967 about a thousand units. We have 1,115. The 221(d)(3) units started off very well. They sold for $326 down, and you were able to get a two-bedroom apartment, which included a kitchen with electric refrigerator and electric stove, a dinette, a living-room, a bathroom with a shower, for $85 a month. And the $85 a month included heat and hot water, and also taxes and maintenance.

So from any standpoint, this met a very real market need. Now, what has happened, of course, at the beginning it was not pegged to a constant 3 percent interest charge. It was pegged to the market level. The result is that as the market changed, the 3 percent rose to 3-½ percent and 3.7, 3.8, to 3.95, and the rents were raised accordingly. The monthly charge was raised accordingly. Now a comparable two-bedroom apartment, after the down payment of $326, is in the neighborhood of $112 or $115 a month. This is unfortunate, because we felt that 221(d)(3) was the greatest thing that happened since low-income public housing had been conceived.

We felt in our city that hopefully this was in part an answer to housing for the poor which they could not only live in, but own. It was in a sense an investment in dignity for people, but not at the price of $115 or $120 a month. Many of these families we tried to reach had four or five or six children, and four bedrooms is up in the neighborhood of $125, $128 a month. Therefore, the rise in the monthly carrying charge almost defeats the purpose of 221(d)(3) as we conceived it.

And I was one of those who conceived it, and lobbied for it. One of the interesting things we are doing in 221(d)(3) in planning new housing is that approximately 25 percent of all the new 221(d)(3) housing we are building the Public Housing Authority is going to take the ownership title to, and is going to use them for public housing families. So that we are going to build low-income public housing as part of our 221(d)(3) housing, and not ghettoize public housing.

MR. O'NEILL: *You mean incomes under $4,500?*

MAYOR LEE: Yes, that's right.

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[1] See fn., page 18.

MR. O'NEILL: *When you mentioned rent certificates, what did you mean?*

MAYOR LEE: Well, I meant rent certificates in a situation, for example, of a man who makes $75 a week and has four children. Obviously, his monthly rental charge should not exceed $75 a month. He can't afford the kind of quarters he needs for four children since, with his wife, he needs not less than three bedrooms. The rent-certificate housing is a program under the public housing authority whereby the PHA in New Haven—the New Haven Housing Authority—can approach a private owner and make an arrangement, enter into a lease for not less than three years and often as much as 10, whereby the man we are talking about can move into this housing unit, and the public housing agency pays the difference between the rent which that man can afford to pay and the rent which the property owner expects as a reasonable return on his investment.

MR. O'NEILL: *A rent supplement?*

MAYOR LEE: It is a rent certificate. It is different, sir.

MR. O'NEILL: *One last question: Does Connecticut have any laws on the books or in the works like the New York State Mitchell-Lama Law for moderate income housing?*

MAYOR LEE: Not to my knowledge. We have two weeks to go in the Assembly.

MR. JOHNSON: *Just a quick question: You have 3,000 units of public housing now, including the units that are being occupied under this rent-certificate program and the housing for the elderly. How many units are presently under construction and how many are contemplated in the future, not including the percentage of the 221(d)(3) housing units that are to be used under rent certificate?*

MAYOR LEE: I couldn't give you the breakdown, but again I can get the figure for you today.[1]

MR. JOHNSON: *Probably there has been a slowing down in the actual number of public housing units because of creating the "vest pocket" or smaller projects which are harder to put together?*

MAYOR LEE: That's right.

MR. JOHNSON: *I am personally concerned that it slowed down the momentum.*

MAYOR LEE: It has. The other problem, of course, is this: Would you increase the momentum and add to the ghettos, and then would you ignore the directive which has been put out by Bob Weaver, running HUD, which is to concentrate on integration of public housing opportunities in the cities of America? We are caught on the twin horns of a dilemma. And an additional horn, making it three horns, is the increasing reluctance of Congress to face up to the question of public housing itself. The present attitude in Congress is a good example. I don't need to spell that out beyond the pages of the *New York Times*

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[1] Report from New Haven Redevelopment Agency: 2,783 occupied; 1,247 under construction.

every day, or the *New Haven Register.* (I don't quote the *Register* very often.)

MR. O'NEILL: *We all know who dropped the Model Cities bill.*

MR. DAVIS: *Mayor Lee, what is the priority of need in New Haven that outside, additional Federal money could provide?*

MAYOR LEE: Substantial Federal money in the area of human resources would be of striking assistance. We could expand extraordinarily all of our programs, on-the-job training programs, programs to combat illiteracy, programs which would establish community schools in other sections of the city, expand the functions of community schools which are already in existence.

You name the social problems a city has, and additional Federal monies would provide more staff and more programs. Considering the fact that sometimes, unfortunately, the faucet is turned on in July and turned off in December, our city has been doing fairly well. What we have to have is a continuing and dedicated commitment on the part of all levels of government to city problems.

The tragedy is that, not only on a state level in America but on a Federal level in America, too many people think of the problems of the cities as the problems exactly of the cities, and as problems of the mayor and not of a governor and not of the Congress, and not of the Senate and not of the House. The truth is that the city is a separate corporate entity of the State, established under state laws. The people who live in those cities are the direct responsibility, not just of the mayor, but also of the State, and as well of the Congress.

What I am really saying is that the problems of the poor, the problems of the so-called disadvantaged, the problems of the people of unequal opportunities are everybody's problems, and we had better begin to face it as a society.

MR. WOODBURY: *When you were talking about the increase in revenue — I think it was the Church Street project . . .*

MAYOR LEE: I talked about the Oak Street project. Church Street has been very dramatic, but I didn't cite that.

MR. WOODBURY: *Do your operating costs in that area go up also with the increase in revenue?*

MAYOR LEE: Not actually. The police problems have reduced. The problems of service are not as much as they were, except in the 109 units for senior citizens where we have special kinds of assistance that are required. There are subsidies for their program. There are different kinds of subsidies. We are spending in the Oak Street area more than we were spending in the Oak Street area before, but they are just as important, because they embrace the new concept in Medicare, and the other kinds of special assistance which was not available, for example, 10 years ago. It would be very difficult to break it down.

As you gentlemen know, certainly as Senator Douglas would know if he were here, trying to figure out how much Federal assistance goes into a city today in all kinds of hidden ways, not secret but hidden ways, is impossible. The cost of providing services for Oak Street has reduced.

MR. WOODBURY: Well, I am sure I speak for all members of this

Commission in thanking you very warmly, both for giving this amount of time, and particularly for the very useful information and outlook on city problems that you have presented. I would like to add just one little comment of my own to your last statement about the general orientation of our urban problems—that they are not the problems only of the city officials. After all, with something now approaching 75 percent of the population in this country living in the cities, I think it is time that we wake up to the fact that we are an urban nation, and not focus entirely upon the officials of the municipal corporations.

I think we will have to proceed now to the next section of our program.

MR. FRED HARRIS:[1] You people have listened to the Mayor. How about listening to us? If this is supposed to be a public hearing, you should allow the people that are involved in all this redevelopment area to speak their opinion, seeing that we are the ones that have to go through all this redevelopment, all these urban programs. If you are having a public hearing, how can you not let the poor people stand up and voice their opinions as to what is happening to their lives?

MR. WOODBURY: I hope very much that we can have an opportunity for you.

MR. HARRIS: You hope?

MR. WOODBURY: One of the witnesses has to catch a train shortly after noon.

MR. HARRIS: How are you people helping us when you listen to people like that, that decide what happens to our lives, and we are never given a chance to speak up and say what we think should help our neighborhoods?

MR. WOODBURY: What I am saying is that we will try to give you a chance to speak.

MR. HARRIS: You will try? Our lives are involved. Our wives and children are involved in all this, and you are going to try? What is trying, man?

MR. WOODBURY: Do you want us not to try?

MR. HARRIS: We want you to give us a chance to talk, and let some of these people talk that go through this stuff. You have got the man presenting a big whitewash up here, and you are not letting the people that go through this stuff voice their opinion.

MR. WOODBURY: We will proceed with our next two people.

MR. HARRIS: It's a lot of jive—a public hearing, man. We have to go through this. We have to live through this.

MR. WOODBURY: We will proceed with the scheduled program. Of the two gentlemen across from us now, one is, I am sure, very well known in this town—Mr. Sviridoff. Mr. Jack Meltzer—"Jack" by the way, is his correct name and not a nickname—has been for the past several years Director of the Center for Urban Studies at the University of Chicago.

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[1] President of New Haven Neighborhood Citizen Group; Hill Parents' Association.

STATEMENT BY JACK MELTZER

MR. MELTZER: My name is Jack Meltzer,[1] and I am the Director of the Center for Urban Studies of the University of Chicago. As Mr. Woodbury has indicated, I have spent a number of years before coming to the university in various capacities connected with urban renewal and its predecessor programs.

I have been asked to appear here today to talk with you about urban renewal. As I understand it, you want me to be brief, and I will try to do so, to permit some time for questioning.

I have elected to spend very little time in this very brief statement on the historical, statistical, and operational aspects of renewal, growing out of my prior experience as an urban renewal practitioner.

It is important, however, not to lose sight of the fact that urban renewal, like other operational programs, constitutes but a phase in a continuous process directed toward enhancing and sharpening our capacity to adapt environmental forms and patterns to the changing needs of society and the ever-rising expectations of its citizens. We all too frequently view each legislative enactment as a culmination, reluctantly accepting experimental modifications, and then, in the face of disappointment and frustration, charge forward with new enactments, advanced as representing fresh—and again culminating—programmatic panaceas. No program at any point in time warrants chauvinistic attachment or unbridled indictment. Each ought to be viewed as a stage in developing insight and skill, reflecting our knowledge and the threshold of acceptability at any given moment. We are coming to recognize that each program solves some problems and creates new problems—and it is the net effect that must therefore be assessed.

While, I have no intention of dwelling on urban renewal's history, I do feel the need to simply refer to its public health and welfare, and spatial origins; to its more recent public works, public housing, slum clearance, and slum prevention background; to its latest code enforcement, demolition, and rehabilitation loan and grant embellishments; and to the amalgam among the historical public health and welfare, and spatial threads, sought to be achieved by the impending Model Cities program. And I would boldly suggest that the Model Cities program will itself constitute a predecessor to a series of future enactments which will build logically on the Model Cities' experience, but which will be politically rationalized as dictated by the inevitable "model cities" shortcomings.

At another level, I am aware of a series of major technical issues involved in the urban renewal undertaking, and similarly intend here

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[1] Director, Center for Urban Studies, University of Chicago, since 1963. Private planning consultancy 1958–1963; Associate Director, American Society of Planning Officials, 1957; Director of Planning for Southeast Chicago-University of Chicago 1954–58; field representative, Federal Urban Renewal Administration 1952–53.

to do no more than take note of the presence of these questions by a simple recital of some of them for illustrative purposes only.

1. The imposed superstructure of Federal reviews has resulted in a nearly duplicated local staff at the Federal level, and frequently triplicated by further distinctions between the Federal-regional, and the Federal-Washington levels. The need exists to explore the use of the post-audit technique, in lieu of the elaborate Federal review procedures at each stage in the renewal undertaking with attendant burdensome local package submissions.

2. The extensive time lags (although currently being substantially reduced) between project initiation and completion are a continuing cause for concern. The opportunity exists to permit an overlapping of stages in the renewal process, rather than the almost complete conformance to a process in which each stage is undertaken in sequence.

3. The failure to adequately compensate the aged and the low- and modest-income property owner, is a product of the reliance on universal market practices, which has the result of decreasing the prospects of subsequent home ownership for this group. Some method must be found to compensate for this marginal difference between acquisition prices paid in renewal areas and the prevailing cost of homes available to this group. I recognize that this is a difficult challenge, since it invades a traditional area of inviolability with respect to acquisition values and practices. However, the consistent need to assure as an absolute minimum level of performance, that residents are at least no worse off after urban renewal, demands an effective public response. And certainly, the public cannot long tolerate a set of circumstances which additionally penalize residents affected by renewal action, as is the case in those instances of ownership status through contract sales, in which the resident's interests and financial equity are dissolved in a public acquisition.

4. The inability of the current urban renewal practices in partial clearance and conservation areas to guide and influence effectively the character of change in the nonacquired segments of the renewal project (which may constitute a large percentage of land and buildings) results in a distortion of the public goals that in the first instance motivated substantial public expenditures. The reliance on city zoning and housing and building codes to deal with these latter nonacquired segments has largely proven ineffective and therefore threatens to transform renewed communities to other than original purposes. One possible corrective measure that suggests itself is the experimental use of the benefit assessment in renewal areas, as obtains in Britain, in which accretions in land values to certain users (in accordance with predetermined ratios), resulting from public programs and expenditures, are either retained by the public or distributed to those users who are disadvantageously affected by the public programs and expenditures. This would also suggest the accompanying examination of the land tax and of differential taxation.

5. The unfortunate tendency to view projects as separable has frequently resulted in renewal financing for projects predicated on

identical market calculations. Cities in close proximity have often sought to restore or reinforce their downtown shopping areas, for example, on the assumption that each will capture the market in which both are competing. The effort to achieve a degree of metropolitan compatibility is of course being sought by the Federal Government. However, efforts to date are little more than a deferential tribute, rather than an evidence of successful resolution.

Other specific issues and technical questions can be recited and explored. My purpose, however, is to turn to other matters, on the theory that more fundamental questions are involved in a consideration of urban renewal, and that as a matter of fact, these fundamental questions are exposed by the supposedly dramatic successes and achievements of renewal, rather than its deficiencies.

My purpose in raising these questions is hopefully to contribute increased understanding of the appropriate uses of urban renewal, and thereby to help fashion the perspective in which urban renewal is examined.

I am of the conviction that urban renewal constitutes a rebuilding instrument, available to the public to adapt and modernize the environment; that its use can only proceed acceptably and successfully on the premise that society, the family, and the individual have the demonstrated capacity to deal with all of the attendant social problems associated with the rebuilding. This suggests that urban renewal is a byproduct of affluence, since it proceeds on the theory that a reordering of the environment is the critical ingredient in stemming or reversing an area's decline or decay. In these circumstances renewal can comprise the occasion to create new and exciting community patterns. However, renewal's use as the governing instrument in a public program dedicated to aiding and assisting disadvantaged populations may be a delusion and, in fact, constitute a setback to the advances achieved by an aspiring population.

Need for Graduated Choices

An aspiring group must rely on the availability of graduated choices, since situational improvements are likely to occur by stages over time; and urban renewal has only limited capability to perform this supportive role. In those instances where the individual or family is burdened by social and emotional disabilities, has neither the resources nor the opportunity to find satisfactory alternatives — and society fails to provide, or affirmatively prevents, acceptable compensatory solutions — changes in the physical environment are not only likely to be of limited or no value, but may tend to compound the problems faced by the residents.

This is reinforced by the predominant characteristics of urban renewal planning. The application, for example, of the principle of separation of land uses — particularly residential and industrial — may destroy employment-generating facilities, which is a far more critical

factor in dealing with the problem of slums than land use and space considerations. This is underscored additionally by renewal's eligibility criteria, which rely on absolute measures of condition to establish an area's appropriateness for diverse public actions. No attempt is made to relate the relative change in condition of housing for families over time. An area or a dwelling may constitute an abandoned area or residence to one segment of the population, but to another it may represent an upwardly mobile achievement in its steady movement toward self-improvement. The imposition of absolute environmental and structural determinants is a justifiable luxury in an affluent society, but a questionable action if our purpose is service to the disadvantaged, since their modest advancements may be weakened in a societal setting which has failed to provide a housing supply to compensate for the losses.

We have attempted to correct for the imbalance by an increased concern with social planning, but all too frequently have defined social planning as the mere provision of social services. It is my view that for the disadvantaged, and for the slum areas, an understanding of the social structure, and of the social forces that are operative, is not only an indispensable coordinate activity, but should dictate the timing and environmental character and form of urban renewal planning and programming.

From this vantage point two prevalent characteristics of urban renewal would require transformation in the process of adapting it to use within slum areas. First, an increased reliance on selective environmental measures related to the needs and resources of the resident population, rather than on comprehensive programs directed toward the universal achievement of predetermined norms; and second, the modification of market criteria as the basis for establishing future land use patterns in programs which seek to serve the lower-income population, among others. Social problems of the disadvantaged, and the problems' resolutions, will rarely lend themselves to competitive advantage in a market analysis among alternative uses. The result anticipates a shift in focus, away from the use of urban renewal as the means of restoring the municipal plant, to its application as a viable tool in a city's social plan and program.

Relocation has received the largest amount of attention in urban renewal and has generated the most criticism. This fact highlights my earlier contention that renewal can only operate effectively on the premise that a demonstrated capacity exists to deal with the social problems attendant to rebuilding. With respect to the disadvantaged Negro, no American city has yet fully demonstrated such capacity. I said in 1953, 14 years ago, in a volume on urban development that ". . . In the final analysis any relocation plan is dependent on an available supply of housing, both public and private. To recognize the fact that relocation must inevitably accelerate competition for an already inadequate supply of housing, particularly for housing at levels that the bulk of relocatees can afford, and then to proceed with the relocation of families without providing for meeting this need is to

fly in the face of reason and reality. This becomes doubly serious when Negroes are being relocated, since the competition for housing is most serious for the Negro, and further, a situation is created largely by public action that results in pressures upon the social fabric without an assumption of responsibility for coping with the effects of these pressures." [1]

This is no less true today. The issue is not inhumanity of local or Federal administration, since the public on the whole now makes a sincere effort to worry out the housing needs of the family on an individual basis with a diminishing number of known cases of abuse. The issue is the actual state and character of the housing supply which represent the focal determinant in projecting the core relocation and rehousing capability.

Relocation as an "Affirmitive"

Although hardly a novel suggestion, since it has been made time and again, we may have reached a point where it is imperative that we view relocation, not as an unfortunate obstacle to be overcome so that we can move on to the prime task of rebuilding, but rather as an affirmative occasion to rehouse the families we seek to serve. What I, and others, are suggesting is that rehousing constitute a major programmatic ingredient and goal of coordinate, if not greater, importance than the ultimate act of rebuilding itself. This will obviously entail a substantial increase in the housing supply for the displaced residents either in existing housing or in new construction, inside or outside the city.

Although politically difficult to achieve, urban renewal will face continuing conflict, until we reach a stage where we are willing to use its acquisition powers to acquire sites in a wide-ranging area, and see the displacement circumstance as the occasion to house families in the construction which would be stimulated on such sites.

I view as an issue of fundamental importance the municipal programs to "save our cities" in which urban renewal has constituted the principal weapon. These programs are predicated on three basic points: the reinforcement of commercial, industrial, and institutional property commitments for tax and allied purposes; the retention and attraction of middle- and high-income individuals and families; and community stability. Commercial areas have been modernized and their sales and employment opportunities have been expanded. Markets have been restored in juxtaposition to commercial concentration, development and expressways. Middle-income integrated areas have been achieved (frequently the only such achievement in the city). Institutions have secured space for growth in more amenable surroundings; and communities have been provided assurance and assistance which have promised to safeguard their character.

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[1] Part V, C. Woodbury, ed., *Urban Redevelopment: Problems and Practices* (University of Chicago Press, 1953)

Paradoxically, the successes for these programs (although hardly universal) are striking. Yet they account in my judgment for the difficulty faced by cities in terminating or significantly altering their continued undertaking because the achievements have reshaped the traditional character of the city. Whereas the city had been a fluid place where the restless could aspire, these programs have rigidified its institutional forms and have reduced the opportunities for social mobility. Stability and mobility challenge reconciliation.

The principal thrust has become the "spirit of city renewal." The major ingredient in this nurtured "spirit of city renewal" is stability: save your neighborhood, avoid panic. Mobility and community fluidity are considered almost treasonable acts against place and city. Stability, in turn, is in large part associated with ethnicity, single-family home ownership, and social and economic homogeneity. The attitude is almost agricultural and rural in conception. The idea, however, has great appeal, particularly to those who have only recently achieved a modicum of economic security and, therefore, have only limited choices and for whom investment in home and local institutions represents dominant values. The drive to save our cities, by modernizing the municipal plant and improving facilities and housing conditions in order to root people in the central city, has come to characterize nearly all of a central city's renewing activities.

The ingredients of a direct confrontation and value conflict have in consequence been self-created. For accompanying this drive to save the central city is the concurrent national need to meet and solve the problems of our disadvantaged populations. Since the city is the place of residence of the largest concentrations of such disadvantaged populations, this national reality becomes a city reality. The push for "open occupancy" and the "open city," the inclusion of nondiscrimination clauses in a vast number of Federal programs, scattering of public housing projects, and the rent-supplement program all tend to sharpen the weapons of controversy by directly confronting the value system built into the city's current programmatic responses.

The controversy and conflict are unavoidably compounded by the fact that the neighborhoods and communities in which the slogans of stability are most firmly entrenched are the neighborhoods and communities which provide the most realistic opportunities — geographically and financially — for the disadvantaged to bridge the wall of their containment.

Consequently, urban renewal needs to readapt its premises and practices to reflect and reinforce the process of upward population mobility. An aspiring population, whether disadvantaged or in the stream of active self-improvement, is dependent on public programs that accept and encourage the existence of diverse communities and that regard communities as stages of advancement reflecting rising individual and family financial capacity. Public programs which are undertaken in relation to presumed yardsticks of absolute achievement obstruct the orderly process of urban change. The central theme of the urban system must be fluidity, in which change is achieved over time and in which public programs provide both direct and indirect assistance to accel-

erate the process of change and to accommodate it in both personal and impersonal terms.

In this context urban renewal must find a new frame, constituting neither the instrument of:

1. the professional planner and administrator who sees it as the means by which the urban plant can be restored and the ideal environment established; or

2. the financier and developer who sees it as the means to use land, up to its highest value, with accompanying maximum return; or

3. the small property owner or neighborhood resident, who sees it as the means of maintaining the status quo and resisting change; or

4. the municipal executive who sees it as the means to stem the tide of out-migration and achieve a degree of stability.

Rather than any of these alone, urban renewal must rather be regarded as a facilitator of social change, the means by which an aspiring population can secure essential public program support, and as the program which builds on, and reinforces, the evidences of upward population mobility within a metropolitan setting. This may demand not less, but more, population movement and an accelerated population distribution throughout the urbanized area.

I have not touched on the fierce problems of rehabilitation which are so indivisibly a part of urban renewal; nor on the close interdependence of public housing and urban renewal.

The principal points I have tried to make are that:

1. Urban renewal is a highly successful instrument to achieve physical change; and far less successful as the means for achieving broadly conceived social or other goals.

2. The cold and objective fact is that relocation cannot be undertaken successfully until we have (a) open occupancy on a metropolitan basis; (b) an adequate supply of standard housing available throughout the metropolitan area; and (c) such housing provided at a range of prices which the relocatee can afford.

3. The application of absolute measures of housing condition and definition, and predetermined environmental goals are simply not adaptable to the social needs of a disadvantaged population, which requires the application of standards reflecting relative indices of change.

4. And finally, urban renewal seeks to achieve stability in the face of a Negro and other low income population that depends on movement and mobility to lift itself out of its morass. So long as our vista is confined to the central city—in the light of this circumstance—conflict is inevitable.

I realize that reflection is no substitute for policy recommendations—and I have been of only limited help in this regard. However, we now possess more wisdom and know-how than we frequently realize—and tools that can be more effective than our experience to date would suggest.

Our programmatic inconsistencies are reflected in a sense by an ambivalence as to whether we are dealing with what Galbraith called "The Affluent Society" or with what Michael Harrington called the

"Other America." Is our mission to furnish the facility investment demanded by the majority, which for certain activities can only be provided by the public? This emphasis is likely to give heavy weight to environmental ingredients and to physical facilities. Or is it our mission to concentrate our resources and programmatic effort on the disadvantaged population — which is likely to result in a de-emphasis on environment, a substantial reliance on social welfare and related measures, and solutions that will demand economic, social and emotional accommodation on the part of the majority population?

Since we cannot resolve our dilemma, I suspect that we make do with measures at half-throttle as a means of buying time, good will, and civil amity, pending the political and social sanction necessary to make our programs truly relevant and fully operative. At best we push the implementation of legislative enactment as far as we dare at any given moment in time, but nearly always short of our capability, and almost always short of the need. By this device we endorse a process which seeks to achieve sanction by imperceptible stages. Maybe this has to be the continuing story of the American political and administrative system.

MR. WOODBURY: Thank you very much, Jack. We are getting into a bit of a time-bind here. By my watch, it is now 11:30. We certainly want to hear from you, sir. Without an opportunity to consult with the other members of the Commission, I have taken the responsibility of saying that if one of the Hill Parents' Association representatives here this morning would care to present their point of view, we would be happy to have that. And Mr. Alfred Harris — is that the correct name?

MR. HARRIS: Mr. Fred Harris.

MR. WOODBURY: My suggestion is that we schedule that for about 12 o'clock.

MR. HARRIS: Can I say one thing? Most of these men here have to go back to work. We would like to say what we have to say and leave, and you people can continue with what you have to do. These people have taken off time from their families and jobs to come here and see if you people would try to see what is happening here, so we can have a decent place to live.

MR. WOODBURY: I would suggest that inasmuch as you, Jack, have to leave shortly, that perhaps we will have some questions on your statement now.

QUESTIONS BY COMMISSION MEMBERS

MR. DEGROVE: *Mr. Meltzer, you put your finger on a couple of things that I think are crucial. I take it you believe that Federal influence ought to be tighter, not looser, in terms of trying to bring about some metropolitanwide consideration of these problems that grow out of urban renewal?*

MR. MELTZER: I really was not addressing the issue of how to make

all this manageable. I would rather respond by saying that what your question implies has to come to pass. Just to mouth the metropolitan need is almost a cliché. We all give lip service to the need and recognize it. It was put to Mayor Lee in about four or five different forms, with the recognition that he was trying to cope with the problems of New Haven and really trying to deal with a cauldron which can only be pacified on a scale which is beyond the capacity of New Haven. Now, something has to give. I don't think there can be any question about that.

Buying Time with Interim Activities

We may, as I indicated, be buying time with many interim activities. We obviously can make our current resources more effective than we are making them. If we want to distribute populations we have resources now to do so, if we care to.

We talk about rent supplements. As the Mayor indicated, we have variations of this through public housing now. The issue then is to try and get sanction—social and political sanction. Since that sanction is not coming except very slowly, most of our activity as a consequence is really buying time until, hopefully, we can get sanction. May I say I don't quarrel with the mayors who face that dilemma. This is no indictment of any single mayor or any single city. But these are dilemmas that Mayor Lee faces and other mayors face. I look forward to your report, for insight on how to get out of this jungle.

MR. O'NEILL: *Mr. Meltzer, is there any way other than through a massive reallocation of those physical resources by which you think we might house the millions of persons—for instance, the six-person families—with limited incomes who can only afford to pay $70 or $80 a month including maintenance and management?*

MR. MELTZER: I recognize that one of the critical problems is the entire issue of the feasibility of financing new housing and financing rehabilitation. It has almost become passé to talk about the pittance that we appropriate to deal with the problems of our cities, and the usual references traditionally have been to agriculture, and now increasingly to the space program. All we have done is to change the cliché we refer to rather than change the problem, or the capacity to solve the problem.

But I would suspect that in some ways even more important than money, without minimizing the need to expand our financial allocations, the scale is a phrase that the Mayor used, and it is a good one: that is, to start meaning business. I don't really think any of us mean business.

There is still—even within the existing framework of programs—far more that we could do than we are doing. I tried to suggest to you a few examples a few moments ago, in response to Mr. DeGrove. I hope I haven't, in the process of answering you, suggested that we need not expand the scale of activities substantially, nor to even find other methods that are far more effective than those we have.

For instance, in rehabilitation, with the reliance on almost pathetic foundation experiences, we grasp for straws when we discover that there is a private, nonprofit foundation in some city somewhere that has acquired one building and has managed to provide some help for half of the building's residents. And this in a vast country. I am exaggerating, but not by much. It may be that our citizens are far more sophisticated than we realize, that the citizens generally are aware of the implications of a total commitment, and are not quite ready to respond to the commitment. And the result is that Federal administrations can only and simply continue to peck away, or continue to maximize every administrative and legislative opportunity, in the hope that somehow in the process the movement towards the kind of sanction that is necessary will be achieved.

MR. FEINBERG: *I was very much impressed by your reflections as you categorized them. Perhaps I may have been mistaken, but I gather that there was an innuendo in your statement in respect to relocation — which is a part and parcel, of course, of all urban renewal and redevelopment — an innuendo of criticism. I am certain you are conversant with the method that is being used in relocation. Am I correct that you feel more could be done, and things could be improved greatly?*

MR. MELTZER: I find it difficult to find a word to explain what forms the basis of my criticism, because my preference is to provide the identical answer I did a moment ago — that it isn't a question of the inhumanity of a relocating agency. Nor do I think it is a question of the statistical gamesmanship which all too frequently goes on in redevelopment and renewal programs.

I would say that most cities I am aware of make a sincere attempt to try, on a kind of case-by-case basis, to match families and new housing. But this is not quite the way we are really ever going to deal with the relocation problem. In large terms, it seems to me, the issues of relocation relate back to the whole question of housing supply, and the availability of that housing supply on a metropolitan basis.

MR. WOODBURY: Mr. Harris and his friends can perhaps open the discussion after you have presented the ideas you have, Mr. Sviridoff. Is that satisfactory to you?

STATEMENT BY MITCHELL SVIRIDOFF

MR. SVIRIDOFF: [1] Because of the time problem and because of the quality of Mr. Meltzer's statement, I would be delighted to have his statement stand as my background statement. I have submitted a written state-

[1] Administrator, New York City's Human Resources Administration; now Vice-President, National Affairs, The Ford Foundation; Director, Community Progress, Inc., New Haven's anti-poverty program, 1962–1966, used as model for later developed Federal program. Extensive background in community development, civic and trade union work. Member of Maxcy Commission on Connecticut's economic plan, 1959–61. Special Assistant to U. S. Coordinator of Alliance for Progress, 1961. President, National Association of Community Development.

ment and would just as soon go to questions. I hasten to emphasize, however, that I am not here as a housing or renewal specialist. My field has been and continues to be the field of human resource development.

PREPARED STATEMENT BY MITCHELL SVIRIDOFF ON HUMAN RESOURCE DEVELOPMENT

I appreciate the opportunity to appear before you and to share with you some of the approaches that I believe we must explore in our efforts to renew our cities.

Most of what I know about this subject I have learned from my experience in this city, under the leadership of Mayor Richard Lee. It was his vision and imagination that shaped a new kind of urban renewal program in America — a program in which the social and economic aspects had equal priority with the physical side. Ed Logue and I worked hand in hand under Dick Lee's direction in an attempt to tackle the total problem. This broad-gauged approach is Mayor Lee's unique and lasting contribution to the solution of the urban crisis of our time.

Now, we are seeking to develop a similarly comprehensive policy for New York City.

In his report on the extensive hearings on urban problems which he held last year, Senator Ribicoff traced the accumulation of these problems to what he called the programmatic approach. Whenever an issue came to the surface and needed attention, a new program was set up. As a result, we have today a veritable jungle of alphabet agencies — on the federal, state and local levels — through which only a few experts can find their way. What has been lacking, to quote Senator Ribicoff again, is a system.

Welfare agencies, innumerable job-training programs, anti-poverty groups, day care organizations and many others all are operating in their own independent ways. The public school system is spinning in its separate orbit, in splendid isolation from most other city departments. In addition scores of voluntary agencies are running their programs with little effective relationship to those of public institutions.

What this amounts to is a great deal of duplication, vast gaps where programs are urgently needed, and the waste of already scarce funds where the total resources available to the community should be mobilized in support of clearly defined goals. In short, if we are really to fight a war against poverty, we need a strategy. This means setting objectives and priorities, surveying all the resources, and then mounting a program which makes maximum use of these resources in support of the declared goals and priorities.

Planning has long been employed in the development of housing, schools, parks and other physical facilities. Even in economics, we have accepted it, though we may not call it that. There is a Council of Economic Advisers which has an overview of all the elements affecting the course of the economy and which assists the President in shaping broad economic policies and guidelines.

It is in the social area where strategic thinking is still the exception rather than the rule. But I am confident that, as we face steadily mounting social problems, we are moving toward comprehensive policy-making in this field as well.

The people in the communities see the interrelationships more clearly than many public administrators. Community action groups are pressing for quality education, for new approaches to welfare, for more flexible hiring standards and career ladders in public institutions and private industry. The need, and the community response to it, do not respect artificial dividing lines between bureaucratic entities or funding sources. Administrators must do the same.

This is the rationale for New York's establishment of a Human Resources Administration. Its job is to develop a city-wide strategy for human resources development, and to apply it by cutting across bureaucratic lines whenever necessary. Thus, our Welfare Department and the Community Development Agency, which administer anti-poverty programs, are pooling resources in a MEDICAID ALERT program —

employing welfare clients to enroll people in MEDICAID. We are in the process of establishing a network of Neighborhood Manpower Centers — similar to the ones that have been operating so successfully here in New Haven — which will be staffed by personnel from the Manpower Agency, from local anti-poverty groups, the Welfare Department, and the State Employment Service. These centers will feed people into work experience and skill-training programs. At the other end of the line we have established a formal, working contact with the business community as well as with city and other public institutions, to develop jobs and career openings where trained people can be placed.

We have just received a study calling for a comprehensive child development program for the city which would bring all agencies involved in preschool and early grade programs together in support of a rational early childhood program that makes maximum use of available resources.

But merely to link agencies together is only half the job. Changes must also be made in the policies and structure of each component agency if a real meshing of efforts is to be achieved.

One area where new thinking and new policies are urgently needed is welfare. New York is fortunate in having a brilliant and courageous Welfare Commissioner, Mitchell Ginsberg, who is hard at work trying to reshape this huge and complex department to meet modern needs. He is seeking to draw a clear dividing line between income maintenance and social services.

Clearly, those who are unable to work due to old age, illness, physical handicaps or other factors should receive public assistance as a basic right. Mitch Ginsberg puts it this way: "Public welfare is a human resource, an entitlement for persons in need, a right for those eligible and a basic component of the war on poverty. . . . Public assistance should be a program of relief in the positive sense of that word. It should relieve the pressure of the daily fight for food, shelter and decency for persons who have no other resources and thus enable them to take advantage of the supportive and rehabilitative programs we are able to devise."

However, even when viewed as an entitlement, public assistance payments fall far short of sustaining a living standard above the poverty level.

One means of improving the income level of welfare recipients, and eventually to reduce the welfare load, is to provide for an income exemption. Such exemptions are now allowed for the blind, the aged and the disabled by the Federal Government, and could be extended to the employed welfare recipient. At present, persons on welfare who work have their allowances reduced by the amount of their earned income — a 100 percent tax on earnings.

Across-the-board budget exemptions which up to now have been limited to persons employed in anti-poverty programs will be a real incentive to work. Under New York City's plan, budget exemptions would be made for the first $85 earned in a month, plus 30 percent of the remainder up to a reasonably adequate level. After that, public payments would stop. The Federal Government has just approved this proposal, and the way is cleared for implementation.

The largest group of potentially employable welfare recipients are mothers with dependent children. New York has 100,000 such mothers, thousands of whom want to work. What keeps them home is their children. We are now working on programs to expand day care and training facilities to give these mothers an opportunity to learn skills and find employment.

In creating the Manpower and Career Development Agency, New York has pioneered. This is the first comprehensive manpower department in any city. It is evaluating all manpower programs, pulling many of them together under its own administrative roof and coordinating with others run outside the aegis of the city.

The accent is on career development. We can no longer afford to train people without relation to the demands of the labor market; or to land them in a job from which they may not be able to move up and which they are therefore likely to quit after a short time.

Manpower training and job development must be a continuous service — from intake to follow-up on the job. Its components are intelligent recruiting, good skill-training facilities and an effective job and career development operation. A good

manpower program can be as important to the city's business community as to the unemployed or underemployed men and women who need jobs. In New York City, some forty to fifty thousand jobs go begging today, while a quarter-million people in the poverty areas either are out of work or in marginal jobs where they don't earn enough for a decent living. Thus, we have a skill shortage rather than a labor shortage. This is why the business community has responded strongly and enthusiastically to our plans and is working with us in training and placing people.

Meanwhile, new opportunities have been opened by the Scheuer amendment to the Economic Opportunity Act. In New York, the program has been adopted to build a career labor force in the areas of health and welfare. Scheuer monies will serve to meet present critical shortages in these areas in the short run, while also building for the future.

A four-step progression from an entry-level position to a professional job in casework has been designed in the Department of Welfare and similar progressions are possible in the Departments of Health and Hospitals. With these opportunities open to them, those who enter the program can look forward to sounder economic status and more job prestige.

A human resources strategy would be futile without relating it to the educational system. It is possible and necessary, with full respect for the independence of boards of education, to establish programmatic links between the school system and other programs of human resource development.

We are attempting to do this in New York through an Office of Education Liaison in our Administration. This office will be the administration's and the Mayor's staff arm and information source on educational affairs, and will advise the city administration on educational policy. It will work with the Board in relating educational goals and priorities to overall human resources objectives. It will cooperate with the Board on developing innovative projects, new patterns of community involvement and on resource allocation. There will be close, day-to-day work with the Board on the development of special education programs funded under the Economic Opportunity Act or the Elementary and Secondary Education Act. And the Manpower Agency has already established close contact with the Board on vocational education programs run by the schools.

What the school can become in, and for, a poverty area is convincingly demonstrated by the Community Schools that have been established in this city. Adults are as much at home in the community school as children. It is open day and night. Its programs serve a broad range of neighborhood interests. It gives residents responsibilities in planning programs. It encourages changes in teaching techniques or development of new educational methods, such as team or cluster teaching and ungraded classes.

Because it draws parents so directly into school life, it is an incentive for adults to improve their own education. They want to learn the new math, science and reading that will enable them to help their children at home.

On this subject, on which confusion abounds, I would like to take my text from a distinguished scholar. He said: "Along with the . . . program must go the organization of those who are at present weak and who need to acquire that which the world respects, namely power. . . . Unless these things are done, we are likely to find the permanent benefits of Rooseveltian liberalism to be as illusory as were those of the Wilsonian era."

The author of these words is the distinguished Chairman of this committee, and the year was 1933. What Professor Douglas said then holds true today. It is this same concept that underlies the 1964 Act, which seeks to help a minority to accomplish the purposes which the New Deal sought to achieve for the majority in the nineteen-thirties. Applying it to our subject here, it means that to rebuild a blighted area without involving the people who live there may be slum clearance — but is not renewal. Only the active and fullest possible participation of the neighborhood people in such a program can yield lasting and meaningful results.

New York City is trying to broaden the opportunity for community involvement in a wide range of development programs through the vehicle of the Community Corporation. These corporations, established by democratic procedures monitored by the Council against Poverty, have responsibility for planning and coordinating

development programs for each of the 26 designated poverty areas. But their functions are not limited to programs funded under anti-poverty legislation. The Corporations can and should become engaged in working with the educational authorities in the district; should be the sponsors of manpower training programs; and should develop relationships with relevant public and private institutions in the area. The Corporations undoubtedly will also work closely with housing and renewal agencies in the slum areas. This leads me to the potential that renewal holds as an economic and social opportunity for the residents of a slum area marked for change.

Renewal can mean an adequate income, better jobs, better education, better health. To cite jobs as an illustration: A recent report by the New York Housing and Redevelopment Board lists 39 occupational titles in the field of new construction and 19 in rehabilitation. Bureaus and agencies of the Board will hire a considerable number of housing inspectors, real estate managers, accountants, planners, draftsmen, maintenance, and clerical personnel. Some residents of the renewal area can qualify for jobs immediately. Others require training.

The encouragement of small business in the slums is closely related to employment opportunities and, again, to the renewal process itself. Small businesses give people a chance for independence in self-employment. They also open new jobs. And the small businesses like material suppliers, movers, landscapers, and building maintenance firms can actually work in the renewal process.

Renewal can lead to new shopping centers and other buildings to house business and industry. This creates another source for both business and job openings.

None of the strategies discussed here can be applied with any hope of success in the absence of two basic ingredients: political leadership and financial resources.

New Haven could not have accomplished what it has accomplished without Dick Lee. It takes a strong, imaginative and committed political leader to create the atmosphere and build the coalition of interests within which ideas can bear fruit and talent can function effectively.

As to resources, we are close to making a mockery of our lofty goals. New York City's guideline for community action programs for this year is $17 million. With an estimated two million people in the city living in poverty, this means eight dollars and a few cents per person. To make another comparison with the '30's — and I quote from a recent article by Professor Howard Zinn: "The poverty program draws on one-fifth of one percent of the gross national product. In 1938, FDR was spending fifteen times this percentage on public works alone, and that was not enough."

Even when we add other resources available for use in our urban slums, the supply of ammunition falls far short of fueling a war on poverty.

Many of our cities are now heeding the call of our national leaders and of Congress to put their houses in order so they can use funds effectively. Having built up our capability on the local level, the Congress is cutting appropriations.

The argument for cuts in domestic spending is that the costs of defense leave no choice. This is a dangerously specious argument. For if our cities decay beyond repair, and if poverty undermines the very fabric of the country, what kind of a society do we have left to defend?

Thank you.

QUESTIONS BY COMMISSION MEMBERS

MR. WOODBURY: *Jack Meltzer said, in effect, if I understand him, that he thinks that urban renewal as we have conceived it in the past is a pretty weak reed when it comes to human resources and programs for dealing with some of the difficulties in that area. I take it you agree. Do you think this leads then to the conception of a separate administration, such as you have in New York City now in that area, more or*

less coordinate with the physical rebuilding? Do you think this is what we are heading for or ought to head for in most sizable cities?

MR. SVIRIDOFF: Yes. I think at both the local and national level, we lack a human resource strategy. At the national level we have a Council of Economic Advisors which is responsible for developing an economic strategy. We have a National Security Council which is responsible for a national defense strategy. We now have a new cabinet, HUD, responsible for the development of a physical rebuilding strategy. But nowhere do we concentrate a responsibility for a human resource strategy. Consequently, we have been reacting to our problems nationally and locally with sporadic programs.

We have suffered, therefore, from a bad case of "programitis," and we have failed to develop our social service or human resource systems. One need only look at any major city, at the state of our manpower programs, for example. In one area of New York City we found during our study that there were 90 separate manpower programs supervised by a dozen different agencies, completely unrelated to one another, yet containing within themselves the elements of a manpower system.

I think that is one of the remarkable things about New Haven, that it has begun to develop effective social service systems. It has, as I am sure the Mayor told you this morning, a long way to go, because much of the ability to progress depends in the final analysis on the national commitment which Mr. Meltzer talks about, and a commitment to substantially more resources. But the framework for the development of such systems exists here.

The Community School Concept

The other thing that is interesting about the renewal process in New Haven is that it did, in fact, give rise to a concern for social planning and human resource policy development. This very school, which I think reflects something in the way of social change and social policy, grew out of the urban renewal program. It was the conception of the people responsible for the renewal program, some of whom are here today, that the renewal program contained within it the seeds of a subsidy for the strengthening of the educational system. And by placing a school, and particularly a school of this type, a school which was planned for this neighborhood and a school which in conception goes well beyond the limits of what we conceive of as a school in this country — by placing it in a renewal area, the land cost which under normal circumstances would have been something like $1,250,000, amounted to about $50,000.

So that this school stands here long before any kind of Federal aid to education was passed, as a result of a very substantial Federal subsidy through the renewal process.

And out of the planning for this school also grew the idea — which had been started in some of the other neighborhoods of this city, but it came to a fuller flowering here — of the community school concept, the idea that the school should be designed to serve not just children

of school age, but the entire community; that it should be open, not just during school hours but it should be open all day and the evening, and every day of the year, if necessary, and that the school should become the center of community life and even the center for social services.

So you find in this school complex, when you enter, a library which serves not only the school but the neighborhood, and a senior citizens' center which serves the elderly citizens of this area. You find recreational facilities serving all ages of the population in this area.

You will find in this school too the central office for the Community Action Program for this neighborhood, and other services, such as health. So there is evidence in New Haven that the renewal process, intelligently administered, need not limit itself to the narrow constraint of a physical rebuilding program.

MR. DEGROVE: *Mr. Sviridoff, I don't want to sound like a broken record, but it seems to me what you just said about this school is very encouraging. It draws together the many governmental programs that operate in New Haven, and tries to bring the advantages into one place physically. So it is easy for poor people who need these kinds of help to find it.*

But in talking to Mayor Lee this morning and listening to you, I see not enough, it seems to me, concern about what I think is necessary, not only to go beyond the physical and social elements of renewal. Jack Meltzer put his finger very strongly on this. We have got to go beyond the bounds of the New Havens of this country. The renewal problem can't be dealt with in the New Haven metropolitan area, if all you are going to do is deal with what is in the city limits of New Haven. Do you agree with that?

MR. SVIRIDOFF: Absolutely.

MR. DEGROVE: *What about the possibility — if we are talking about massive injections hopefully of additional Federal money for the same programs plus additional money for new, imaginative programs — of conditioning that money on a metropolitan approach, and just not leave these areas any choice? Is this totally unrealistic politically?*

MR. SVIRIDOFF: I think it is a worthy goal. I think it is unrealistic. I can't conceive of the General Assembly of the State of Connecticut, for example, placing such conditions on housing funds or on school funds. I can't conceive of the Congress of the United States doing that.

This is not to argue against it. It is only to say that I do think at this point in time it is politically unrealistic. What you are saying is that the representatives from the suburban towns around New Haven and the Congressman who seek votes in these towns will require — and I am for this — that before New Haven gets funds for public housing, there be a metropolitan public housing program, so that public housing will be located in Woodbridge and in Orange and in all of the surrounding suburban towns.

MR. DEGROVE: *That's right.*

MR. SVIRIDOFF: That is a worthy goal, and I think if the ghetto is going to be dispersed, it cannot be dispersed within the boundaries of the city. I think we are in a rather futile race with time on this one. If our schools are going to be integrated, they are not going to be inte-

grated within the boundaries of the city. Therefore, the solution must be directed towards breaking through these boundaries. But I needn't belabor the point of political realism.

MR. O'NEILL: *Mr. Sviridoff, is there anything that your administration in New York City can do with the body of zoning and planning in New York City to create a broader industrial base? Less than 5 percent of the usable land in New York City is zoned industrial, and the greatest need is for jobs, industrial jobs, at the lowest economic level. Sure, everything else is needed too, but without a job, there is not much hope. What about enlarging the industrial base, and what can agencies like yours do to enlarge the industrial base?*

MR. SVIRIDOFF: Well, that is an extremely difficult problem in a city like New York, which is suffering from a very severe housing shortage, or severe shortage of adequate housing which meets minimum standards, and where the land shortage is as serious as the one which Mayor Lee described. There is the Brooklyn Navy Yard.

MR. O'NEILL: *Fifteen thousand jobs.*

MR. SVIRIDOFF: Yes. After that, the city must do what it can to make more land available. You cannot have industrial development in a large city unless you can make a substantial amount of new land available. The city is addressing itself to that problem now. The Housing and Development Administration has been meeting with the Economic Development Council to see if they can't find a way of accomplishing this. There is little reason to be optimistic that they will.

That being the case, the city must turn its attention to strengthening those sectors of its economy which can expand even without industrial growth and without additional land — the service industries obviously, the new technological growth industries which do not require land and factory space, clerical, technological trades, finance, and so forth.

Training Manpower for the Service Industries

To strengthen the city's economy in these areas is primarily a problem of providing manpower, trained manpower. It would seem to me that the city must place a very high priority on its limited resources, and an investment in the training of manpower to meet some very severe shortages in these sectors of the metropolitan economy.

MR. O'NEILL: *To your knowledge, is anyone in Congress considering the idea of changing the Internal Revenue Code so as to subsidize private industry to induce them to invest in the center cities? We have a nice oil depletion allowance of 17 percent. So how about private capital coming in and finding it desirable to invest in plants in the center city because they get a tax shelter?*

MR. SVIRIDOFF: Senator Ribicoff's speech to the Senate, a 65-page document which followed the first round of his hearings on urban problems, suggested the use of the incentive idea to induce industry to invest in industrial development in the metropolitan areas.

MR. WOODBURY: Mr. Harris, if your statement can be made now, it will get us through here shortly after 12 noon which I hope is satisactory

to you. Members of the Commission have abided by the ten-minute rule, and we suggest that you might too. We are happy to have you. I understand that you represent the Hill Parents' Association of New Haven, Mr. Fred Harris.

STATEMENT BY FRED HARRIS

MR. HARRIS: [1] First of all, I would like to thank you gentlemen for recognizing us. I am not going to apologize to you people for our actions. It is unfortunate that we have to do this type of thing to be recognized as people and as human beings. You know, when you have a hearing, it seems like the people that are involved in the neighborhood that you are speaking of would be there to speak for themselves rather than to have city officials speaking for them.

Our whole thing is this, that we have witnessed three redevelopment programs that have gone through our city. It has affected the poor people, black, white, and Puerto Rican. The thing that has happened, you look down Oak Street, which was once a black slum, and now there is a telephone building there, there's parking lots there.

Where did the people go? Every single area that has been developed, where did the people go? The black man and Puerto Rican and some of the poor whites face a problem of finding a decent place to live. Our rents are exorbitant. Some of these fellows right here that are in our group, some of my brothers, they pay $145 for four rooms, and they have to pay the utilities with this. These are poor people, but they pay this rent. The rooms are crummy places.

Your gas bills are very high because you can't heat them because of the inadequacy of the buildings.

The thing that we feel very disturbed about is, when people are going to redevelop or bring a change in our neighborhoods, if you involve the people in the neighborhoods, they feel as though they have a part. They feel as though they are helping to decide what is going to happen to their community. We don't want to move to Woodbridge or Orange. We don't want to be going into white neighborhoods where we are not wanted. Let us stay in the slums, but fix it up so it will be decent, so we can live there. Sure, we should be integrated, but why force ourselves on people if it is going to create problems? Give us a decent place to live, and make the rents within our means so we can afford to live there, so that we can afford to have money left over to buy some curtains, so that a person doesn't get engulfed in apathy, so that they don't want to wash their floor or sweep the floor because the walls are cracked and because the housing code is not enforced. The DNI, Division of Neighborhood Improvement here in New Haven, the rules that they are governed by are obsolete. They are outdated. Our organization does more than DNI. We don't get paid. These men and women in our organization devote their time free, all of us do, to try and better

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[1] See fn., page 129.

our community. Most people think we are rabble rousers, because they never come down in our neighborhood with open minds and see what is happening.

All that we want is a decent place to live and decent schools for our children, and to give us rents that we can afford, so that we can become desirable citizens. And we are tired of having all these kinds of hearings and everything without letting us be involved in deciding what happens to our neighborhood. It's like someone mentioned—moving us to Woodbridge. We don't want to move to Woodbridge. We don't want to move to Orange. We want to stay where we are.

Another thing—the poverty program here, the only thing that the poverty program has done here is bought off the black leadership. The jobs that they are training people for, in five years they will be obsolete. There's a lot of fellows in poolrooms that have a lot of ability. No one is getting to these guys. We try to help these guys. These guys have more ability than most of the people that are doing things. But they are turned off by the bureaucratic system.

And Lee controls the whole poverty program. So therefore, you have neighborhood organizations that are supposed to become involved in neighborhood programs, but they don't do nothing. Now, to me, welfare would seem like a poverty problem. Bad housing would seem like a poverty problem. CPI isn't involved in that. You know, if this program is going to help the people, let's help the people. And let's get some indigenous participation in these programs, because they are the people that can relate to the indigenous people. And you can't take a guy with a white shirt and a tie, with a college degree, that doesn't understand the functioning of these people's minds, and comes down looking down his nose on us, when he lives in Woodbridge or he lives in a better neighborhood and doesn't have the same problems that we have, and he's going to tell us, "Clean yourself up. Pull yourself up by your bootstraps."

There is a psychological problem with these people that this system has created and made these people the way they are. And we are trying to do away with that problem. We are trying to help our brothers and sisters get themselves together, so when the white community looks on us, they can look at us as human beings and as respectable citizens.

My brother Kiensler would like to say a few things about our housing.

STATEMENT BY COLUMBUS KIENSLER

MR. KIENSLER: [1] I would like to say this. I heard Mayor Lee talking about these housing projects that he started from $85 a month and up. Where? In New Haven? I haven't seen them.

I am a married man myself, and I have kids. I have been looking for something like that. Now, he wants you to pay $326 down on one of

[1] New Haven citizen

these apartments like Florence Virtue. Where is the average man going to get $326 cash? We don't have these type of jobs where we can go up here and make that kind of money or get that type of loan. We have got to have a co-signer, someone with property around behind us and say, "Well, I will vouch for this guy, if he don't pay." If you don't have this, you are out. I know what it means by being out. I have been down that way. I am trying to pick myself up.

He talked about tearing down, tearing down old places, just like Fred say, Oak Street. Oak Street was housing, I would say, approximately 5,000 people. What do you have there now? You have got a hospital there. You have got a hospital and a throughway. The throughway you do not need, because that's why they are having too many accidents on these throughways today. They have got too many exits and entrances on the throughways, causing so many accidents to date. People getting on and going off, that's what causes it.

Now this is what he has done to New Haven. Otherwise he's pushing us completely out, and in a way that he don't know — maybe he know how he's doing it, but he thinks other people can't even see it. But I'm down there with these people every day. We associate as brothers and sisters. We live together as brothers and sisters. We and I want to know why he's trying to push us all out of New Haven where nobody can see us. Now he has us so far in three neighborhoods. You have got the Newhallville section, you have the Congress Avenue section and the Washington Avenue section. You have got a few living out in Fair Haven. But now they're coming through Congress Avenue, as I understand, with a new turnpike through Congress Avenue.

Now what are they going to do, push all the people right up on Newhall Street? You have got Legion Avenue. That's another place. We call them slums. The turnpike is coming through there, and where are all these people going? You can't put us all out in Westville, because those people are not going to have us out there. They are not going to have us there.

Those folks in Orange, that's no good. We have got a choice. We can work and get ourselves a week's pay and try to get on back down South where they want us — they don't want us there. I came here and worked, and I have been trying to make myself a halfway decent living. And now you get into a little trouble and they say, "Why do you do this?" Why do I do it? Why did I do it? That's a good question. Why did I do it? Why don't you give me a decent place to live?

Why don't you let me go and walk around, so I can take my wife out once a week or something, and take her out to dinner? Let my kids go to a decent school, and wear shiny shoes, you know. I appreciate that. I'm not asking for a million dollars. All I want is the little things out of life the little things that I have dropped down that you don't even want me to pick up. That's what I want. I can't even get that, not with Lee in the chair. Why? Because Mayor Lee is saying one thing. He say, "Build, build, build." What is he building, parking lots? If you take a ride through the city, you will see more parking lots than you will find apartment houses, right here in New Haven. That's true.

I'm sorry if I am offending you, but what I am saying is true. If you take a tour through the city, you can see it. Now, turnpikes, I want to know where are all these people going in the Negro population here in this Town of New Haven? I don't know. I don't know the population of it, but I think it is somewhere pretty close to about 100,000 Negroes around here in West Haven and Branford and all around together. Where are all these people going after they get through building these parking lots? They are going to tear down Legion Avenue. They are going to tear down Congress Avenue, and they do not have enough houses on Newhall Street to support all these people that they are going to push down with that bulldozer. Where are they going?

Now they are going to try and put us in Waterbury. Why should I go to Waterbury when I have been in New Haven all my life? Why should I go to Bridgeport? The Puerto Ricans, they have the same problem we have, and there are a few poor whites that have this problem.

I talk to these people each and every day to learn these problems. I want to know, where are these people going? The reason why we are here today is to try and find out, so somebody can tell us something, you know. We want to know what we are going to do, just before you put us all in the basket, in other words. All right?

MR. WOODBURY: *Thank you very much. The problem of housing accommodations for poor people, I can assure you, is very much in the minds of this Commission. It is one of the questions we are trying to get information and leads on, in the meetings we are holding around the country.*

Of course, we can't comment on the various districts of New Haven with which we are not familiar. But certainly you have given us a graphic picture of the difficulties of renewal that displaces housing with throughways and nonresidential buildings of one sort or another.

I was wondering, Mr. Sviridoff—you know this town better. Do you feel that an enlarged public housing program hooked in with urban renewal, for example, would have helped any on this problem? Do you think the problem is as difficult as it sometimes appears?

MR. SVIRIDOFF: The problem is very difficult. The fact is that this city, however, has done more than any other city, with very, very limited tools to meet the problem. The city has built more for a population of this size, has built more 221(d)(3) housing than any city I know.

Now, granted that "(d)(3)" housing even at $85 a month is not within the reach of a poverty family, it does increase the housing supply, and it has increased the housing supply in New Haven very substantially. The city has built more housing for the elderly than any other city I know of.

The city has engaged in the most successful rehabilitation of old housing of any city in America. The city initiated the first rent-supplement plan, conducted the first low-rent demonstration for welfare families, and successfully, which led to the consideration by Congress of a national program.

The city has introduced more innovation under Mayor Lee's leader-

ship, working as I said earlier with the most limited resources, the most limited Federal resources with respect to this problem.

But the problem cannot be solved by the city alone. It cannot be solved without the kind of national commitment that Jack Meltzer talked about, and that commitment hasn't yet been made and is not likely to be made, unfortunately, in the foreseeable future. What Mayor Lee has demonstrated is what a mayor in an urban center can do if he is sufficiently creative and bold and courageous, with all too limited resources.

MR. WOODBURY: Do any of the other members of the Commission want to address any questions or comments on this subject?

MR. BAKER: *I would ask Mr. Harris, do you feel that anything that has been done has been of significance?*

MR. HARRIS: All the things Mr. Sviridoff has said have been done, but they have been done on such a minute scale. It looks good on paper. They are still not hitting the people that they really need to hit. When you gentlemen finish, I would like to take you on a personal tour of our town, and show you our tour—not the city's tour—you know, where we live and the things that happen, and the people who live in these neighborhoods, and see these people.[1]

This just isn't black people, nor Puerto Rican. These are white people. Everything done here is being done on a tokenism basis, on a very small scale, and they are not dealing with the real problem. It looks like it's nothing but a black removal program coming through this city here.

MR. SVIRIDOFF: I think you ought to take the tour, but on a better day than this rainy one, however. This city, the State Civil Rights Commission determined after a study of all of the major cities in Connecticut, has succeeded through its renewal program in achieving a higher level of housing integration than any other city in the State of Connecticut, and that probably means any city in the Nation. There is no question, as I have said—as Mayor Lee will be the first to admit—that neither he nor the city has solved the housing problem of New Haven, the education problem of New Haven, the job problem of New Haven. But this is not within the grasp, this is not within the ability of a city to solve by itself.

What is important is that the city has and continues to lead the Nation in innovation and in making maximum use of extremely limited resources.

STATEMENT BY THEODORE HABER

MR. HABER: [2] They are outright lies. No. 1: New Haven has had more Federal money per capita than any other city in the Nation. These are not limited resources.

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[1] Several Commission members and staff personnel did take this tour after the hearing.

[2] New Haven citizen.

No. 2: More houses have been torn down in renewal areas than have been built, and most of those that have been built in the last 10 years have been middle-income or higher-income housing.

No. 3: No low-income housing has been built in the city since 1954.

No. 4: We have studies done by CPI itself that show in a renewal neighborhood that white people went to stable neighborhoods, and colored people were put in public housing or one of the other areas which are almost black or Puerto Rican. New Haven might be the best in the State, but the renewal program has made the city a less desegregated city in each of the renewal areas that has been tackled, not more.

There has been an increase, not a decrease. Are these lies or are they misrepresentations?

MR. SVIRIDOFF: I am not going to engage in a debate on this level, Mr. Chairman.

MR. WOODBURY: *While the argument may be made that New Haven has had a higher per capita use of Federal funds than in other places—and that I believe is true—it still doesn't mean that they are adequate to cope with the problem in New Haven, and that is recognized by the officials of New Haven and the former officials.*

MR. HARRIS: Could I speak to what you just said, sir? This is our whole problem. As long as we have officials sitting back drawing up plans for our neighborhoods—this is what we are talking about. Maybe these people really mean well, but their plans have constantly been failures. Then they have to change their approach. By changing their approach, if they are involving the people like it's supposed to be in a so-called democratic society, then the people can answer their own problems. And if they work along with the city officials, all the different people that are involved in the neighborhoods, so that they voice their opinion as to how they want to live, and what kinds of things they want—white, black and Puerto Rican in the neighborhood—then I think you would have some kind of harmony, and I think you would have the kind of neighborhoods that the people would need, and the neighborhoods and the building would meet the needs of the people.

But the city officials cannot do it living in Woodbridge and driving through the neighborhood, flying over it in an airplane. They have to come in there and ask the people, what do they need. Because they don't understand themselves. Because if they did, they would have been able to give us this type of housing.

MR. VANDERGRIFF: *It isn't for me to speak for New Haven. As far as that is concerned, I am not familiar with it to the degree that I should be. But by almost every statistical yardstick, New Haven seems to have done more in this overall area than anybody else. Now, perhaps that isn't nearly enough. In fact, even Mayor Lee said, "If this is a model city, God help our country." I think he seemed to be the first to make that statement.*

So we all seem to know that we are "here" and we all seem to know that we want to go "there." The problem is, how to get from "here" to "there."

We are interested really in solutions, in proposals as to how to reach that destination. Is your major condemnation of what is being done here that it simply does not involve you enough? Is it simply that you have no voice?

MR. HARRIS: That's right.

MR. VANDERGRIFF: *No voice in what is being done?*

MR. HARRIS: If we had a voice, I think we could have a better city, and I think it would eliminate most of the problems that exist here. Because Lee is a dictator. He controls the whole town. The people don't have no voice here.

MR. SVIRIDOFF: He stands for election every two years.

MR. HARRIS: Sure he does, because the people that have to eat work for him. That's why he wins.

MR. SVIRIDOFF: As I said, I see no point in conducting a debate on this level.

MR. HARRIS: You live in Woodbridge. That's why.

MR. DEGROVE: *I am asking Mr. Sviridoff about New Haven because he, by his statement, was involved in the urban renewal project pretty much from the beginning, the early days of it.*

MR. SVIRIDOFF: I was not directly involved in the urban renewal program, but I am acquainted with it.

MR. DEGROVE: *Was Oak Street mainly a residential Negro slum?*

MR. SVIRIDOFF: Oak Street was one of the worst slums in America. In fact, there is a very famous short story by Sinclair Lewis that appears in most short story anthologies about the Oak Street slum, which was written I believe before the First World War. It was a terrible slum then. There was no excuse for allowing Oak Street to stand any longer.

Now, it is true that in the place of Oak Street there is a highway, and there has been hospital expansion and there is a Telephone Company, and commercial buildings and there is parking area. But the record of the relocation of these families is a public record. It is not a perfect record. To accomplish a perfect record in this field under the circumstances we have been discussing is not possible. But it does stand as one of the best records of relocation anywhere in the country. And the facts are there to be examined.

MR. DEGROVE: *Do you have any notion of the number of people who lived in the area?*

MR. SVIRIDOFF: I believe Mel Adams could give you the exact figures.

MR. ADAMS: About 800 families, half white, half Negro.

MR. SVIRIDOFF: And all relocated to standard housing, and better housing than they were living in previously.

MR. HARRIS: They were relocated, most of them, to other areas that were going to be redeveloped again, and these people were relocated three and four times. The next thing is that the Highway Department doesn't work with the New Haven Relocation Department. They operate separately. So that means when the highway comes through a neighborhood, the Relocation Department of New Haven doesn't have to find people houses.

During this Oak Street thing, and after that, the relocation in New Haven, when they did get involved, they put people in hotels, two rooms, families of five and six in hotels. How can they live like that? There's a whole lot going on down here. You have got your stuff down on paper and it looks good. But like I say, come through the neighborhood and talk to the people, and they can tell you what is going on.

STATEMENT BY J. R. TOWNSEND

MR. TOWNSEND:[1] Can I say a word? I am only speaking for my black brothers. That might seem funny to a lot of you, but this is it. I live on Congress Avenue. I have been living there for approximately seven years. I really know what is going on, what is the problem on Congress Avenue. Congress Avenue is right now almost a slum. In another couple of years it will be a slum. On Congress Avenue you have these apartments. Some are six-room apartments with no heat, no hot water, no proper electricity. We have all of this on Congress Avenue.

Then you have roaches, rats. Maybe one of you gentlemen here haven't seen a roach or a rat. But do you realize what a rat can do to a small child of only eight months or whatever it may be? This is the problem that we are trying to overpower. We are trying to fix it so that we can live better and that we can have proper facilities and the proper residence, just like the people in Woodbridge have.

You go in Woodbridge right now and I'll guarantee you, five to one, just five to one, they don't need a street cleaner. We do not have a street cleaner on Congress Avenue. We do not have this. We do not even have a policeman to walk up and down Congress Avenue, Friday, Saturday, in the critical points of the week. We do not have all this.

I am just saying for myself and my black brothers, and the rest of the poor people that's here today, if we don't get it now, we'll never get it.

MR. WOODBURY: Thank you. You give a very graphic account of the difficulties that I am sure you are laboring under. Thank you again, Mr. Sviridoff.

(Adjournment.)

Conte School
New Haven, Connecticut
Afternoon, May 25, 1967

MR. DOUGLAS: Let us resume the discussion. We are very happy to have with us two distinguished Americans—Professor Kaufman, of Yale, and Mr. Lawrence Cox, Executive Director of the Norfolk, Virginia, Redevelopment and Housing Authority. Let us start with Professor Kaufman.

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[1] New Haven citizen

MR. KAUFMAN: [1] It is a pleasure to be here. I hope I can be of some help to the Commission. The staff said that what they would like is a few comments at the start and some discussion. So let me try and hold it down. Although, as you know, an academic's failing is that he runs 50 minutes whether he likes it or not.

I thought I would speak generally about some of the problems of urban government today, and maybe not only of today.

I will talk first about the difficulties; secondly, about some of the lessons from New Haven; and thirdly, about some of the indicated courses of action that the Federal Government might pursue.

Governmental Obstacles

In general, it seems to me the greatest difficulty in all governments, particularly in urban governments today, is kind of a built-in tendency towards inaction. If you take the vetoes that can be wielded by the variety of interests in the urban setting, the growing strength of the bureaucracies — which I use not as a pejorative term but a descriptive term — and the multiplication of formal requirements that hem in public officials at the local level, you find that almost every innovation must run such a gamut of opposition that the vast majority of proposals die by the wayside or are watered down. This has advantages in that it keeps the system from making rapid and extreme swings, but it is frustrating when you are trying to promote change. And it is the very structure and context of local government that accounts for this problem.

Secondly, I would identify the weaknesses of the chief executives at the local level as a source of difficulty for the development of the kind of urban renewal and creative spirit that we see here in New Haven. The weaknesses stem from two major kinds of vulnerability on their part. First is the growth of what the Kestnbaum Commission called "vertical autocracies of functional specialists." They refer, for example, to the relationship between the health officers at the local, State and Federal levels, the relationships between the highway engineers at the local, State, and Federal levels. In housing, in manpower, in education, all the way through the line, they have grown to such an extent that the local chief executive is a relatively weak presiding officer in the face of these very strong and expert groups. I think this presents a constant and growing problem at the local level.

In addition, there is a new form of fragmentation developing at the

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[1] Chairman, Political Science Department, Yale University, since 1964; member of Yale faculty since 1953. Past Chairman, New Haven Housing Authority and New Haven City Planning Commission. Author (with Wallace Sayre), *Governing New York City; Politics and Policies in State and Local Government*. Research analyst, President's Committee on Civil Rights, 1947.

local level, represented by the claims of groups that hitherto have been unorganized. You heard some of them this morning, making their claims, registering their preferences on the political system.

All of these present challenges and difficulties at the local level that make it difficult for a chief executive in a city or other local government to move.

The third problem is the fragmentation of Federal and State agencies and programs, which obliges the locality in a sense to put together the programs of aid and regulation with which they must comply. In point of fact, looking at the problems of coordination from the Federal level, we were intrigued to find there was a good deal more coordination at the local level than there was in Washington, simply because the localities were forced to put these things together.

As you gather your testimony, I think you will find that the officials will spell out the problems they have in dovetailing programs that end at different times, that have different sets of requirements—even for such things as relocation allowances, where the provisions of one statute administered by one agency are different from those provided by other statutes and administered by other agencies. These things have to be worked together somehow at the local level, but it presents an enormous challenge to the talent at that level.

One of New Haven's achievements has been that it has managed to do this. Many communities are simply baffled by the whole thing, and throw up their hands. This is intensified by a problem that is receiving increasing attention, and that is the lack of field officer discretion in Federal agencies. It is getting increasingly difficult for a local officer to get a decision, even a negative decision—which is not the kind most of us want out of the field officers of Federal agencies. Things are referred back to headquarters, and as a consequence you will hear local officers complain of gaps of 12 to 15 months at times before a decision is made on an application they have filed.

MR. DOUGLAS: *Does this mean that the ultimate decision is made regionally or nationally?*

MR. KAUFMAN: It is made nationally—this is one of the great problems—since field officers are sometimes not authorized to act, and even where they have some authorization are hesitant to act. I will speak about some of the possible remedies for this in very general terms.

A fourth problem is the inadequacy of our standard programs to reach that part of the community that has hitherto not been served systematically. There is nothing inherently wrong with our educational or welfare or housing or manpower programs; but they were designed to meet a different population, and they did reach that population, particularly during the depression. But today in a condition of relative prosperity, they have to reach a population that simply is not borne along with the general prosperity. And those programs simply are not geared to this group.

This presented a problem, I think, to the localities. How do you somehow sensitize established agencies to the needs of a clientele that

they have not previously singled out for special service or identified as a special problem?

These are the major problems, it seems to me, and the lessons of New Haven in trying to meet them, I think, are fourfold. One is that when you are faced with this series of difficulties, you need a very unusual mayor, or other local leader. In New Haven we were fortunate to find one. I think every analyst who has studied New Haven – and I include academic analysts – has been impressed with the personal role of the Mayor and the unusual collection of attributes that has made him so exceedingly effective in the face of these difficulties. He is probably more aware than many of his critics of the shortcomings of the programs. This doesn't detract from the fact that New Haven is in the forefront among most cities of the world, and that much of this progress is due simply to the fact that we have a Mayor who is a consummate politician and an imaginative man with great integrity. Put these together and it is just the accidents of politics that have put New Haven where it is. I don't know how to take this lesson and apply it elsewhere. But if there is any way, that is certainly the first lesson.

Secondly, I think it is important to notice – because there is a hint here of some of the difficulties you face at the local level – that he was able to move in part because he could build what amounts to a new bureaucracy. He was not confined to the professional expertise of the existing agencies but, with considerable freedom on his part in the appointing process and in the process of executive direction, was able to assemble new teams, both on the redevelopment side and on the human progress side in Community Progress, Inc.

MR. DOUGLAS: *If I may interrupt – is this due to the fact that these were new ventures, or that you do not have municipal civil service?*

MR. KAUFMAN: We do have municipal civil service, but enough of the redevelopment was exempted from the formal requirements of civil service to give him a free hand in assembling this team. Community Progress, Inc., is not a public agency.

MR. DOUGLAS: *You would be opposed then to the establishment of civil service for these new agencies?*

MR. KAUFMAN: I would think that the entire civil service system at the State and local level is going to require re-examination.

MR. DOUGLAS: *Well, let me ask you specifically, would you favor the application of civil service to city redevelopment, city housing, city poverty programs, city education programs and the rest?*

MR. KAUFMAN: I can't give a blanket answer. I would say at the upper levels, I would prefer wide exemption and discretion for the chief executive.

MR. DOUGLAS: *This is exactly my idea. But this is anathema to the average newspaper editor, it is anathema to the average reformer, it is anathema to the intellectual establishment.*

MR. KAUFMAN: I am not sure that the intellectual establishment belongs in that category. But you have omitted one of the most powerful forces defending the existing set of requirements, and that is the organized public service, the existing bureaucracies. They are very protective and very defensive of those provisions they have worked into

the law. I can't say that I blame them. But I can say that the labyrinth has grown so intricate that there must be broad discretion for chief executives.

MR. DOUGLAS: *Professor Kaufman, if this is true locally, is this not true nationally?*

MR. KAUFMAN: I know it is indeed.

MR. DOUGLAS: *So what you are really saying is that nationally we need to get away from civil service and from the established group of public officials?*

MR. KAUFMAN: I am saying that we must create opportunities for chief executives to assert their own influence, and this means that at the top level certainly they need more discretion than they have. The secret, for example, of Secretary McNamara's success in part rests on this, that he was able to assemble a team in spite of, not because of, civil service regulations.

MR. DOUGLAS: *Do you teach public administration here at Yale?*

MR. KAUFMAN: Yes, I do.

MR. DOUGLAS: *How do your fellow teachers in public administration feel about this? Do they agree with you?*

MR. KAUFMAN: I think you will find in the public administration community today that there is a division. But there is an increasing concern with the deterioration of the power of chief executives. More and more of them are writing essays defensive of the elected chief executive.

MR. DOUGLAS: *For many years the teachers of public administration believed that the elected officials should go to sleep and allow the experts to run the affairs of the city and State and Nation.*

MR. KAUFMAN: I think that is quite true, and I can identify the period in which the attitude of the academic public administration community changed. That was in World War II, when most of them went to work for the government.

MR. DEGROVE: *As a teacher of public administration, I would like to join Professor Kaufman and indicate that his sentiments represent the considerable majority feeling among political scientists today on this matter.*

MR. KAUFMAN: I think this is the case. I am careful to leave some escape hatches, because there is a period at which the introduction of a formal and rigid civil service system has some beneficial effects. There is also a period when that sort of system becomes unduly constrictive of the executives responsible for operating large agencies. Certainly in the Federal Government the assumption that the relaxation of civil service protection would result in the introduction of the old patronage system seems to me misplaced. If anybody has a commitment today to the recruitment of the best talent, it is the men who are in charge of the administrative agencies, far more so than the civil service reformers. But there are stages.

MR. DOUGLAS: *I advise you to be very active in the National Civil Service Reform Association.*

MR. KAUFMAN: They know my views. If I may continue, I would say that the development of the professional staff of the Redevelopment

Agency here, and the fact that the community action agency, CPI, was outside the scope of the normal civil service requirements gave the community a chance to experiment in a way that would not otherwise have been the case. This is one of the lessons, I think, of New Haven.

Long-Range Planning Needed

Now, there are defects in the New Haven operation, although they are defects only from the point of view of an academic, and from the point of view of a former Chairman of the New Haven City Plan Commission, which I was for several years. There is, it seems to me, inadequate emphasis on long-range planning, and particularly on planning for cooperation across political jurisdictions. It is not that the men who are running the city are unaware of these problems. But the day-to-day demands of their jobs prevent them from giving much emphasis to this, and indeed from applying much in the way of resources to these planning problems.

I would like to see more of it, although I must confess that on their piecemeal basis they have done remarkably good planning. But I am concerned with the long-range impact, partly because it gets more and more difficult to know how to measure, how to determine whether a particular proposal for redevelopment of a particular area is in the best interests of the city. Pretty clearly there was not much difficulty in identifying the most urgent problems, and I think they attacked many of the major problems and overcame them remarkably well. But as they solve the major problems and then go on to the improvement and refinement of the program, it becomes more and more difficult to measure, largely because we have no sense of long-range direction, long-range goals. I think it would be in our interests to try and promote this as much as possible.

Likewise, it would be in our interests to begin exploring now the opportunities for cooperation among local units of government. In this connection I would say another need is to find a way to institutionalize some of the forces for innovation that have been introduced into the New Haven city government. I think almost everybody in New Haven shudders to think of the day when Dick Lee will no longer be Mayor. But even Dick Lee is probably not immortal. And there must be, I think, some way to institutionalize what he has done. There is a risk that this thing will come to a stop, grind to a halt, and the institutions he has assembled will disperse, unless some way is found to put them on a systematic basis. And this is still lacking here.

"Glue Money" Would Be Useful

If I may turn to a third issue, what can the Federal Government do? I am afraid I don't have any panaceas. One proposal that I particularly like is to include what came to be known in Washington as

"glue money" for city and State governments — that is, money to be spent at the discretion of the chief executive, whether governor or mayor, to improve his own organization. In grants to universities, this is now built in. Every grant to a university for research purposes creates additional problems that the Government recognizes by including an overhead sum that goes to the university administration to enable it to pick up the burden of these many functional grants. We have never done this with the State and urban governments. There is no percentage that goes for overhead. So the locality or the State finds itself trying to administer many new programs and to handle a great deal of money coming from the Federal Government, but to do it with its existing resources, or by diverting money from non-subsidized programs to enable it to administer these new programs.

It seems to me this provision of "glue money" that enables a man to enlarge his staff, to improve his managerial talent in his own office, could contribute greatly to invigorating local governments, leading to the kind of innovation we are seeking.

For the rest, I think I would suggest that we merely assist and encourage a number of efforts already underway. I think there now are and will be further presidential efforts to improve coordination through the executive office and within departments. I think the President deserves all the support he can get in this.

Before we can improve operations at the local level, we must coordinate in Washington. And in a very considerable measure the continuation of the thrust toward urban renewal — urban rejuvenation, let me say, to distinguish it from the particular Government program — depends on whether or not we can achieve coordination in Washington.

I think we are going to have to do all we can at that level before we can make things run smoothly here. I think we need to support the efforts to broaden grant-in-aid categories, which have become so narrow, so specialized and so encumbered with very detailed restrictions that they have prevented the exercise of discretion at the State and local levels.

I think we have to encourage and support the efforts now underway in many departments and through the Advisory Commission on Intergovernmental Relations to promote cooperation among neighboring governments and to promote planning at the local level.

I think, finally, we need to encourage the development of some kind of information office that can assist local governments. You would be amazed at the extent to which the achievements of New Haven rest on the fact that New Haven officials are unusually aware of where to go, whom to see, what programs are available when they are looking for help in the development of local programs. You can go 50 miles in any direction from here — well, not out to sea — in three directions from here and find communities that haven't the slightest idea of what is available from the Federal Government, of how you apply for those things, of where to file the applications, or even where to get the application forms.

It seems to me that one of the things the Federal Government can

do, and is doing increasingly, is to provide information for what is at the local level very often a lay board running a unit of government.

MR. DOUGLAS: Thank you very much. Our second witness this afternoon is Mr. Lawrence Cox. Mr. Cox, you have been Executive Director of the Redevelopment and Housing Authority since 1940 in Norfolk. You must have had the longest period of service of any comparable American official. I am sure everyone wants to know the secret. We would be very glad to hear your testimony, not merely on that, but on the problems which you have encountered and the next steps which you think we should take.

STATEMENT BY LAWRENCE M. COX

MR. COX: [1] Senator Douglas and members of the National Commission on Urban Problems: It is my pleasure to respond to your invitation to appear before this distinguished Commission.

Let me explain that while I have been identified to you as the President of the American Association of Planning Officials and as a past President of the National Association of Housing and Redevelopment Officials, my appearance before you today is as a local public official from a community that has a fairly extensive program underway for the elimination and prevention of slums and blight.

It is quite fitting that you have chosen the city of New Haven as the site for one of your hearings. This city, under the very able leadership of Mayor Richard Lee and men like Ed Logue, Ralph Taylor, Tom Appleby and Mel Adams, has moved with great decisiveness and effectiveness in its efforts to renew the community. These men are widely known and highly respected throughout the Nation.

We in Norfolk like to look upon our city along with New Haven as a pioneer in the movement to renew and revitalize our urban centers.

Norfolk was the first city in the Nation under the Housing Act of 1949 to move a redevelopment project into the execution stage. Thus we have the dubious distinction of being "in the business" of redevelopment with Federal aid as long as, or perhaps a little longer, than most other cities. This in itself gives us no claim to fame and does not make us more knowledgeable than others. Perhaps some would say it has given us more time to make mistakes.

We are not here today to represent to you that we have accomplished

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[1] Executive Director, Norfolk (Va.) Redevelopment and Housing Authority, since 1940. Past president, American Society of Planning Officials; National Association of Housing and Redevelopment Officials. Awarded Knight Commander, Order of Merit, of Peru, for service with U. S. State Department mission on housing and planning and as consultant to Peru's Presidential Commission on Housing and Land Reform. Consultant on housing to U. S. High Commissioner to Germany, 1949. Active in International Federation for Housing and Town Planning. Member of National Trust for Historic Preservation. Consultant to "Downtown Progress," Washington, D. C., and member of Committee on Community Development, U. S. Conference of Mayors. Lecturer in housing and planning, U. S. universities and abroad.

the most in this field or that we have done the best job. We cannot claim that we have used all the tools available or that we have made the most effective use of those that we have used. We can say this, however, that Norfolk is an enthusiastic participant in the program of Federal aid for renewing and redeveloping cities, and with this aid has undertaken a substantial program of clearance, rebuilding, and renewing.

In Norfolk, we have taken seriously the national housing policy enunciated by Congress in the 1949 Housing Act which called for: ". . . the elimination of substandard and other inadequate housing, through the clearance of slums and blighted areas, and the realization, as soon as feasible, of the goal of a decent home and a suitable living environment for every American family."

The job in Norfolk is by no means finished, and at times it seems that we are hard pressed to stay ahead in the fight against the increase and spread of blight. What we have undertaken is built on the foundation of the two basic programs of slum clearance and public housing. To these we have added and made use of the new programs as they have become available and new techniques as they have been developed.

Since that first slum shack was demolished in 1951 the redevelopment and renewing process has converted, and continues to convert, community liabilities into community assets.

Thus far it has meant — the clearance of over 500 acres of slums in the core-area of our city — slums that have been characterized by some as among the worst in the Nation.

It has meant — the clearance of another 350 acres beyond the center city.

It has meant — the start of neighborhood conservation emphasizing property rehabilitation and blight prevention.

It has meant — decent homes in new public housing for 3,200 low-income families previously consigned and confined to a life in the slums.

It has meant — the relocation of thousands of other families into the first decent housing they have ever occupied.

It has meant — the relocation and re-establishment of several hundred businesses.

It has meant — the development of substantial new private improvements which have created new jobs during construction and, more importantly, permanent employment in the expanded and the new business establishments.

It has meant — a new hope for preserving and stabilizing the Central Business District with new construction including residential, several office buildings, and hotel and motel development, all of which add jobs, taxes and economic stability to the entire community.

It has meant — rights-of-way for new roads and highways needed for an adequate traffic circulation system for the center city.

It has meant — the start of a new convention center to attract to Norfolk its share of the fast-growing convention industry.

It has meant — the promise of an excellent center for the performing arts and other activities which will improve the cultural life in our city.

It has meant — the site for a major medical center which will provide Norfolk and Tidewater Virginia with vastly improved medical facilities and services, and provide for the training of men and women for the medical profession. This new center now employs 2,000 persons and promises to become one of the major medical centers in this country with a full-time employment of close to 10,000.

It has meant — that a dozen or so important structures of historical and architectural significance have been preserved and their settings enhanced by appropriate improvements to their surroundings.

It has meant — the city could obtain a suitable site on which has been built a complex of new municipal buildings to house the offices of the city government and the courts.

It has meant — sites for a multiversity of public facilities, including two new elementary schools, fire stations, police precinct stations, public parking and parks, and community centers and recreation areas.

It has meant — a 40 acre expansion of the Old Dominion College campus.

It has meant — initiation of plans to build a major new high school and to expand by 50 acres the campus of the Virginia State College.

It has triggered a program of progress throughout the entire city.

It has taught the citizenry to plan and act with significant boldness.

It has meant all these things and more too, because it is a program of great diversity and great opportunity.

Where renewal is teamed with the new coordinated Model City Program approach, an ever growing and effective impact on our urban social and physical problem areas can be anticipated. I should note here that Norfolk is one of the anxious candidates.

We are proud of our successes in Norfolk and cognizant of the opportunities that lie ahead. We hope we are mindful, too, of our shortcomings. The renewal process is, of course, far from perfect, and I would like to mention for your consideration concerns that I have regarding certain aspects of the program.

During the past 18 years we have witnessed the development of improved and new legislative tools and imaginative development techniques which give cities greater capacity to do an increasingly more skillful and selective renewal job.

Traps in Present Practices

I sense, however, a growing feeling that somehow these essentially supplementary techniques can, in fact, substitute for the clearance process and for large-scale public housing and, in fact, do the bulk of the job of rebuilding our cities. I believe that such a concept is delusive and dangerous. It overlooks both the hard reality of the renewal process and its challenge as well as a stated objective of our

National housing policy: "To eliminate substandard and other inadequate housing through the clearance of slums and blighted areas and to facilitate community development and redevelopment." Clearance, selective and properly conceived, and carefully phased with proper relocation, programs responsive to the total needs — social and economic — of the families involved, will continue to be central to the renewing of our cities. By central I do not mean predominant. In Norfolk, we are successfully using rehabilitation and neighborhood conservation programs. Code enforcement and spot demolition are others of our tools. Together with clearance, these give us an effectively diversified approach to the renewing of our city.

Another theme — frequently heard along with the foregoing concept — holds that those who live in a renewal area — no matter how meanly — must be rehoused in that area, neighborhood and block. This view is often voiced, paradoxically enough, by those most vocal about the elimination of the ghetto. Mindful always of the grave responsibility the community assumes in the taking of a shelter and the rehousing of its inhabitants, we should not accept as the principal measure of success for our programs the degree to which families are returned to the old plot or block. To do so in many cities is to perpetuate the ghetto and to inhibit our opportunities in planning best for both our social and physical needs. Just as each community must be concerned totally with those to be relocated, it must be permitted to plan the reuse of cleared land to meet the community's highest order of needs.

We are now moving to the end of the second decade of Federal aid for city renewal. During this period, the rate of increase of public expenditures and taxation borne by our cities has far outstripped that of the Federal Government and the States. As the cities responded to the growing and necessary demands for local services — including renewal, rebuilding and redevelopment — their financial capability has been seriously burdened. Many communities are reaching the edge of fiscal solvency which makes even the one-third, two-thirds bargain of federal renewal funds unaffordable. I hope that the Commission in its investigations may discover new possibilities for fiscal relief for our cities — if nothing more, sufficient Title I renewal funds to accommodate the backlog of applications now just resting in Washington.

In the once-in-a-century opportunity we have through the renewal program to save our downtowns and close-in residential areas, I am acutely aware of pressures which can and do lead to the premature disposition of land for unwise redevelopment uses — premature and unwise, that is, in the context of the life span of our communities and particularly the downtowns. As we gain a fuller understanding of the areawide significance of the revitalization of downtown, particularly in terms of employment of the low-skilled and unskilled, the transportation linkages and the commercial and cultural activities, we see the real necessity for hardheaded decisions on the timing of reuse construction. The clearance of hard-core slums or severely blighted areas in or near downtown will often produce more land than

can be quickly absorbed for its highest and best uses. Remembering always that land at the center is a scarce commodity, community officials must be diligent in their dedication to reuse which is compatible with the long-haul needs of the community.

Under existing legislation and administrative policy, the execution stage of a project is expected to terminate in a few years — five, six, seven or eight. The emphasis is on an even shorter period. It is not difficult to understand this policy because in a federally aided program, the Government should not be expected to stay with the projects indefinitely.

The Federal concern is matched in part by a general local desire to see cleared land quickly and visibly put back to use. All of us share that wish but we must be guided by the fact that the redevelopment plan must take into account the facilities and services that the city will need in future as well as what it does need today.

The hard truth, of course, is that in many cities, and mine is one, downtown redevelopment will not — and should not — spring full-blown overnight. Nor in five years. I was heartened to hear of the counsel Phillip Klutznick gave the National Housing Conference in Washington only last month. Mr. Klutznick (President, Klutznick Enterprises, Chairman of the Board, American Bank and Trust Company, and one of the pioneers in post-war development and community building with his work at Park Forest, Ill.), reminded the housers that he had hoped to finish the job in five years. It took closer to fifteen. Proper, planned development takes time.

Usefulness of a Land Bank

I believe that the Federal interests and the redevelopment timing problems of the community can be reconciled without hurt to either. I have long advocated a land-bank concept, and I believe now that extension of Section 113 of the renewal statutes could serve this purpose. That section authorizes "the disposition of any land in the project area designated under the renewal plan for industrial or commercial uses to any public agency or nonprofit corporation for subsequent disposition — in accordance with the urban renewal plan." This legislative provision, added to the Urban Renewal kit by the Economic Development Act of 1961, now applies only to depressed areas. But as the legislative history shows, there was support, at the time of passage, for the proposal that Section 113 be made available generally for renewal projects.

The nonprofit corporation for these purposes might in some instances be financed by the city itself; or it might be financed by subscriptions from public and private enterprise. Speculation could be avoided, and it should be avoided, by providing that any excess realized from the ultimate sale or lease of the land beyond the oiginal investment, plus a reasonable interest or carrying charge, would be

returned to the Federal and local government on a two-thirds, one-third basis. Such a mechanism would enable communities to plan for the present and the foreseeable future, and it would enable the Federal Government to get in and get out of a project with a reasonable period of time. Thus, in my opinion, the Section 113 principle if extended to projects generally would enable the urban renewal program to serve an added purpose in many communities. It will require some change in the statute. It is, I believe, now timely and appropriate to give consideration to such change.

In closing, let me express my appreciation for the privilege of participating in this hearing. The task before your Commission is an awesome one—but one that is vital if our urban centers are to have the will and the tools to meet the real needs of their people in the age just ahead. Thank you very much.

MR. DOUGLAS: Thank you, Mr. Cox. We had expected Rev. Walter Fauntroy of Washington to appear before us. Because of weather, he is unable to be here. I am going to ask Mrs. Chloethiel Smith to begin the questioning.

QUESTIONS BY COMMISSION MEMBERS

MRS. SMITH: *I probably shouldn't begin by asking these questions, because I am just an architect, and I am much better sticking to my last. However, I would like to ask Mr. Cox about his idea on total planning, and perhaps Mr. Kaufman can add to that. This is an excellent idea, expressed in the last three points you made. But the problem is that there is no program in any city that I know of that is really long-range, effective—so far ahead that you could plan to it. Ideally, you could make contemporary use, for example, of a land bank of 10 or 20 years, or you could say, "Let's not relocate people back where they started; they belong somewhere else."*

But I do not know of any city with that kind of twenty year true city planning program that is so broad that you could tie such a program to it. If you know of them, I think it would be helpful to tell us about it.

MR. COX: Mrs. Smith, some of us feel that we are pretty close to such programs if we had the tools available to utilize them. I think in this country, in the public arena as well as the private arena, that we do have the inventiveness, the capacity to innovate and develop plans to meet our long-range goals. I think we can be just as creative in the field of planning for the communities that we live in as we have been innovative in the field of space.

MRS. SMITH: *I think we could and should be. But I am asking, where have you been that you would feel comfortable locking in the type of program you are talking about in your last three points?*

MR. COX: I don't know that I can identify any community where we have been that far ahead. But as I have tried to make clear earlier,

the cities of the country are hard pressed. It takes about all the running they can do just to stay in the same place financially. Unless there were held out a prospect of this kind of aid, of this kind of a tool, it is not unlikely that the planning would be done in a vacuum in the communities. The only way I know that the tool is going to be created is through leadership on the part of the Federal Government. I am not an anti-federal government local official by any means. I feel that much of the gain in our communities in the last decade has been through a good partnership between the cities and the Federal Government.

MR. KAUFMAN: I suspect that there aren't any communities that meet your requirement, but that isn't surprising. When you are trying to cure a cancer in a man, you don't discuss retirement systems with him. We have acute problems. I think the emphasis, of necessity, has been on those.

There are other reasons too that planning hasn't had the reception that you might anticipate. One is that it has been in the hands of planners. Planning is too important for planners, as war was too important for generals. The emphasis has almost always been on the physical side of planning. If we have learned anything in New Haven, it is that when you have solved some of the physical problems you have only begun to deal with the issues before you.

I would add a third reason for the failure to develop this kind of long-range planning; that is, the risks of premature planning. I have cited again and again the marvelous example of New York City, which introduced a plan in 1811 based on the expectation of using the latest technological development of the age, the steamboat. The city was laid out in such a way as to facilitate access to the rivers where it was presumed the steamboat would provide rapid transit. They are still choking on that plan.

Premature planning has costs as well as benefits. And unless the planners improve, until the immediate problems are not solved but alleviated, and until the human as well as the physical side of planning becomes a critical element of planning, you are not going to get that long-range view. I hope New Haven will pioneer in this area, as it has in others. It hasn't yet.

Land-Bank Explained

MR. VANDERGRIFF: *Mr. Cox, I want to be sure that I understand this thought of yours at the very conclusion of your remarks. You were referring to the resale of the land, and you had particular reference to nonprofit corporations. Could you develop that point just a little bit more for us, so I am sure I understand what your approach is here?*

MR. COX: Yes. Thank you, Mayor. I welcome the opportunity. The idea of the land bank and holding the land in a nonprofit corporation would be temporary in this sense. It isn't the idea of substituting a nonprofit entity for the profit motive of private enterprise, but merely

as an interim holding device. So most of this land, if not all of it, would ultimately go into the hands of private enterprise when conditions in the community have ripened to the point where private enterprise could justify investment in the land for its highest and best use.

You have to clear a lot of land some time in order to change the posture of the area, to begin to get private enterprise to move in. But you can't get private enterprise to move in on all of it at one time. You can't build five office buildings competing with one another, all opening on the same day in the downtown area of a modest-sized American city. So the idea here would be to clear what is necessary, put in the improvements, set the stage, and then turn the land over, sell it to a nonprofit entity that would merely serve the public purpose of holding it, to ultimately dispose of it in accordance with the original plan at the proper time.

It is purely a timing device, an interim holding device that would not only enable the city to ultimately make the maximum use of it, but would enable private enterprise to take the time necessary to justify the kind of investment that is involved.

MR. VANDERGRIFF: *You would rebate this money to the Federal and the local governments?*

MR. COX: First of all, I would call for the payment into the project (immediately after the land was transferred to this holding entity) of what then appeared to be the fair use price of the land. All I am suggesting is that, to avoid the accusation or the possibility of that holding entity making a speculative profit, we do as much as we did during the war in the renegotiation of contracts. We should call for any supplemental funds over and above what the entity paid for the land, any so-called profits made on it, to be fed back into the United States Treasury and the city treasury on a two-thirds, one-third basis, so that there couldn't be any speculation involved.

MR. VANDEGGRIFF: *This reminds me of "What's My Line?" because I am getting some help here from "Bennett" next to me. Where would the capital come from, Coleman asks? I think it is a good point.*

MR. COX: I think the capital would have to come either from the city itself, which is the hard way, or from public subscription in the community—some foundation in the community that is designed or that is created and operating to serve the public interest. It would merely be a *pro bono publico* action. It wouldn't work unless the money could be raised by the public or by public-oriented activities in a given city.

I don't propose that the Federal Government hold back what it expects as a reasonable return on that land for twenty years. It gets from the project the sale price of the land on a reasonable basis. The community—if it wants to use this tool which is not now available—would have to find a way to raise the money to put the land in escrow.

It may be that the truly temporary uses that could be five, ten, fifteen or twenty years, let's say, might pay enough income (from at-grade

parking, for example) to at least carry the cost of the investment in buying the land for the holding purpose.

MR. VANDERGRIFF: *Thank you very much. You are quite an advocate, obviously, of the clearance process, in a time when there seems to be more and more talk of rehabilitation. But in terms of relocation of people from the cleared land, what has been your experience in Norfolk? Are most of these people being rehoused in the area having previously been cleared?*

MR. COX: No, but being rehoused, and adequately rehoused, in many instances, in other areas that are cleared. Areas that are being reused for residential purposes are being devoted predominantly to low and middle-income housing with some luxury housing available. But some of the areas that we have cleared of residential use or mixed commercial and residential use—in the interests of the community, and in the interests of the very people who were there—should not have been residential. It seems to me we are not always justified, in order to accommodate the present generation, in gerrymandering the property and the reuse to put them back in. Why consign future generations to living in the wrong place? And this is what can happen.

MR. VANDERGRIFF: *Professor Kaufman, you spoke of regional planning, the regional effort. We have touched upon this with other witnesses. I would like to get your viewpoint. Would you attach even more strings to Federal aid in a metropolitan area to require regional approaches?*

MR. KAUFMAN: My instinct would be to provide additional incentives.

MR. VANDERGRIFF: *Well, you have a better choice of words, but I would like for you to expand the point.*

MR. KAUFMAN: I confess I haven't read the legislation carefully, but some of the legislation under which communities are now operating gives them added benefits if there are cooperative plans extending beyond the boundaries of the single jurisdiction. And it is this type of mechanism that I have in mind. It has been used by States in dealing with their localities as well. The device is available, and it has been used successfully. I think it needs all the encouragement it can get.

MR. JOHNSON: *I would like Professor Kaufman to talk a little bit more about the question of additional funds from the Federal Government to be used for helping local communities improve their intergovernmental working. In specific terms, how would you see this money being spent?*

MR. KAUFMAN: Somebody who knows the legislation in more detail than I can probably cite the illustrations. There have been, in some of the drafts of the Intergovernmental Cooperation Act, provisions of this kind. But in general, as I understand the provisions, they add a premium, an increment for those localities which jointly submit plans. And they will provide for additional planning if the communities get together and say they are going to do it. But they need the financing for it. These are two kinds of fiscal incentives to produce a

plan that goes beyond the boundaries of a single political jurisdiction. I think it is as simple as that.

MR. JOHNSON: *I thought perhaps your comments went a little bit further, and went into the question of reorganization of municipal or local services.*

MR. KAUFMAN: You mean the creation of some tier of metropolitan government? This encounters such enormous difficulties, it is achieved at such costs, and the experiments in it have been so limited and have encountered such difficulty, that I would see that only as a possible long-range solution. The history of local governments in point of fact is that the cooperation has come, not across the board, but function by function. And when you finally have a series of independent functions—such as health, education, welfare, pollution, sanitation—operating beyond the boundaries of a single jurisdiction, it may be possible to pull them together under a common agency, and then you have the beginning of a new unit of government.

Here I would depend on some sort of a gradual process, although I would think it needs constant pressure to achieve the result.

In the shorter range, I think our biggest hope lies in collaboration among existing local units of government. I am not sure that answers the question, but I am evading it deliberately.

MR. JOHNSON: *You said initially that a lot of what you feel to be the success of New Haven's work over the past few years has been because of the ability of one person to pull together all of the necessary services. Do you feel that this has to rely ultimately on the individual, or can this be structured somehow to make it possible in other places?*

MR. KAUFMAN: Well, I think our local units of government are so designed that an extremely able man has an uphill fight, that a man of less outstanding talent is apt to be frustrated from the beginning. I think there is a great deal, in other words, to be done structurally within our cities.

It may be that in ways that I haven't really fully considered—for example, steps in directions now taken toward assisting the recruitment and development of municipal manpower—the Federal Government can make a contribution to this improvement. I don't think it is only a matter of extremely able men, but I do think that there are frustrations now that probably discourage many men from seeking municipal office.

If you were to look at the structure of New Haven government in terms of the standard textbook descriptions, it is a weak mayor form, that is, it is pulled together locally by the strength of a single man and by the staff he has assembled around him. One of the things that could keep this momentum going is institutionalizing those staff developments.

MR. FEINBERG: *Professor Kaufman, I am certain that you are intimately conversant with the renewal program that has taken place over the years in New Haven. Am I correct in that assumption?*

MR. KAUFMAN: Not intimately, by a long shot.

MR. FEINBERG: *Well, pretty well versed?*

MR. KAUFMAN: Reasonably, but I can't claim to be expert.

MR. FEINBERG: *Well, at the risk of your pleading ignorance, I am sure not in the literal sense, I am going to ask you about a question that was raised this morning as to the program that has taken place in New Haven as of this date. An accusation was made, if I may characterize it that way, that, recognizing the limitation of funds in our program, the monies that were available were not actually used to the best advantage for that class of persons in the city of New Haven who were the most urgently in need of this assistance by way of housing. I speak of the very low-income class.*

Many things took place. There was a lot of redevelopment, very fine and wonderful. But they said it didn't reach the grass roots, it didn't take care of certain slum areas that still exist. And it was a matter of choice of priorities, and that was the reason that they were brushed aside and ignored. Can you shed any light on that?

MR. KAUFMAN: In the first place, it seems to me that there is some truth in the allegation that there were priorities that didn't confine themselves purely to residential development. It is a misconception of the purposes or techniques of redevelopment to assume that they achieve their major results by concentrating exclusively on providing housing for those who are inadequately housed. You are concerned also with the economic life of the community. And merely providing housing will not produce that growth of—what shall we call it—gross local product, that is a prerequisite to solving a whole series of other problems. You cannot concentrate exclusively on residential housing. You must reinvigorate the commercial and eventually the industrial life of the community, along with trying to meet the housing problems. So I think the accusation has some justice in terms of its effects. But as a strategy, I would not be prepared to abandon it.

MR. FEINBERG: *Now, let me reduce it to another stage. There was some housing, obviously, involved in the urban development in New Haven, is that correct?*

MR. KAUFMAN: That's right.

MR. FEINBERG: *But the accusation again was made that the wrong level was chosen with which to apply the money to do this work. As I recall, the words were that middle-income and the higher-income areas were taken care of, but the low-income area, the real slum areas, were ignored. Can you shed any light on that?*

MR. KAUFMAN: Well, I would have to know more to answer intelligently. I would have to know more about the details of the charge. I think what those who offer the complaint have in mind is, for example, that there are three massive high-income towers constructed right downtown here. I think it was almost inevitable in the beginning stages of the program that it had to be economically feasible, and this meant there was unusual attention to being economically self-sustaining. This was true.

But if you project into the future plans for redevelopment, you will discover that there is more and more intentional mixed income

housing at all levels, public, cooperative, private, all mixed in the same development. I think this is merely a stage of getting the thing moving.

MR. FEINBERG: *Don't misunderstand me. I am being a devil's advocate, trying to find some answers to these problems.*

MR. KAUFMAN: I understand. I think they are legitimate concerns, and I think the application of pressure and the voicing of these complaints serves a useful purpose.

Public Housing Vital: Not Only Solution

MR. FEINBERG: *One more question. Do you think that public housing would fill that gap?*

MR. KAUFMAN: Now, this is an interesting problem, one that, as chairman, I know the Housing Board has debated. I think public housing, per se, is only a palliative. In the long run, it seems to me the solution to substandard housing cannot be met by public housing alone.

Inevitably the best solution would be one of raising the floor under incomes to the level where people could compete for better housing in the private market. If you look at the percentage of housing starts that are represented by public housing, you realize that it is just a drop in the bucket.

Moreover, since public housing agencies are under pressure to become the residence of those people in the community who simply cannot, not only economically but for other reasons, compete for housing in the open market, public housing has a tendency, as everybody has noted, to become a ghetto, and to become a ghetto of hard core cases.

MR. FEINBERG: *I understand that. Please forgive my persistence in pursuing this particular subject. But let's take the instances in New Haven now, where we admit, do we not, that there are certain slum areas that need some remedial action now, is that correct?*

MR. KAUFMAN: That is true.

MR. FEINBERG: *And Mr. Cox I think in his testimony stated that sometimes we must do things on a temporary basis, and he defined "temporary basis" as long as two decades. Do you recall him saying that?*

MR. KAUFMAN: That is quite true.

MR. FEINBERG: *Taking that into consideration, even though as you have described it—and I agree with you personally—that public housing is not a panacea, would it not be better to get a start? Would it not help in the very thing that you are talking about if there was immediate action in this situation?*

MR. KAUFMAN: What do you mean?

MR. FEINBERG: *I am talking about public housing, even though I am not an advocate of public housing.*

MR. KAUFMAN: We pushed our public housing program. I don't

mean we abandoned it. We were trying to find sites for new projects, and I think we are making progress, although we have to run behind redevelopment in this because they can acquire the sites for us.

MR. FEINBERG: *I am talking about that area where you and I both agree that it is economically unsound to go out and do the other things because the people's income will not permit it.*

MR. KAUFMAN: But there are many techniques of doing that through public housing, not merely the building of high-rise projects. Those devices we were pursuing behind the leadership of the Mayor very vigorously. For example, there was the rent-certificate program, which enabled us to spot families all over the city, not merely in any concentrated area. It enabled us to find housing that could accommodate large families. One of the problems is that much of the public housing that we are dealing with was built in the period of the depression and the war, when families were smaller. Today it is difficult to house a family with five, six or seven children in a public housing project.

The rent-certificate program enabled us to go out and scatter the families and also to provide them with facilities that could accommodate them. Public housing can help in this.

MR. FEINBERG: *It could be a factor, could it not, in conjunction with the other approaches and other types of work that we know are necessary to really rehabilitate and to imbue the individual with community spirit, is that so?*

MR. KAUFMAN: Good heavens, if I have given the impression that public housing could be cut back without drastic consequences in the community, let me erase that right now. It is a vital element because it is trying to take care of the most difficult cases on an emergency basis. What I am saying is that in the long run you can't rely simply on this.

MR. FEINBERG: *Oh, no.*

MR. KAUFMAN: But if you were to abandon this, this would be the equivalent of allowing somebody to bleed to death because you couldn't think of a long-range rehabilitation program for him.

MR. FEINBERG: *Well, let me ask you this, to summarize the first part of my question. The application of the funds in the renewal program as pursued by the City of New Haven to date has been controlled a lot by economic considerations and by fund limitations, isn't that true?*

MR. KAUFMAN: In the early stages. I don't think that is true in the plans now afoot.

How Can Local Governments Help Themselves?

MR. BAKER: *Professor Kaufman, you have indicated that part of the problem is the deterioration of the power structure of the local governments to operate. Do you attribute this to the balance of power between the various levels of government from the Federal agencies*

down to the state agencies, or to the lack of local government, or the lack of ability of local government to stand up and fight for this power which you say is so badly needed?

MR. KAUFMAN: I don't think it is the result of either a lack of will or ability on the part of local governments or a conspiracy on the part of States or the Federal Government. It derives from the fact that we attack each problem individually and uniquely as it confronts us. We have a problem in education and we introduce an education program. We have a lot of unemployed during the depression and we introduce a welfare program. We have a problem of preparing people for the job market and we introduce a vocational rehabilitation program. You go on down the line in this fashion, adding programs, bit by bit, point by point, as you spot a problem and as somebody voices the need for a remedy.

Now, in each of these cases you tend to get a separate, autonomous line of funds and of control of funds to the locality. This is not because anybody said, "By this method we can whittle away the power of the community, the power of the local government," but because that was a convenient and a reasonable way to solve the difficulties. It has been a gradual process of erosion.

I don't mean to give the impression, incidentally, that that is the only source of erosion. The other is the nineteenth century tendency toward creating independent boards and commissions in an effort to weaken political authority.

MR. BAKER: *As I understand it, you are saying that local governments fail to recognize their responsibility to perform these operations, and therefore have gotten assistance and solutions elsewhere?*

MR. KAUFMAN: It isn't that they have not recognized their obligations, but the localities operate under tight fiscal restraints.

MR. BAKER: *You have made constant reference to the Federal Government, and aid from the Federal Government as solutions to these problems. But it is amazing what local governments can do if they will, how they can help themselves. And of necessity there is a cooperation, an intermingling of local and Federal and State cooperation or agencies in order to accomplish this. What do you suggest the local government can do to help itself?*

MR. KAUFMAN: It seems to me many of them are trying desperately. I know New York and New Haven best. You can watch New York City coming to grips with its problems now. In part, there is a need to modernize the machinery of local government. And in this the Federal Government can provide assistance. But the drive must come from the locality, and it is going to have to come from the States. The States have a role to play in this too. One of the things the localities can do then is to improve their own position, to modernize their structure. But the problem is in part that they are hamstrung in this by State controls, and particularly by the fact that the localities, having the last pick of sources of taxation – since the Federal Government and the State take the most lucrative ones first, are simply in a financial bind where they cannot carry the load any longer themselves.

MR. BAKER: *You indicated that they must strengthen themselves. On the one hand you indicate that they cannot, because of the lack of enabling legislation of State agencies to permit them to. Are you suggesting then that this Commission through some means bring pressure to bear on the States to allow more freedom, more enabling legislation within the States within which they can operate and work towards these solutions?*

MR. KAUFMAN: I think this would be salutary. I think if the Commission were to identify the responsibility of the States for the plight and the future of cities, that it would make a great contribution to the redistribution of responsibility.

MR. BAKER: *How would the application of home rule help the local communities?*

MR. KAUFMAN: That is a problem I haven't given any thought to, and I am willing to shoot from the hip, if you will give me a second to collect my thoughts. I think to rely on the old slogan of home rule is to raise a spectre with little substance. I am not sure that the slogan has a great deal of sigificance. It is terribly ambiguous, about who the "home" is that is to rule. It is also uncertain about what the communities would gain if some of the most ardent defenders of home rule had their way entirely.

I don't think simply to come out for home rule is likely to do a great deal. One of the things, for example, that would occur to me right off the bat would be to emulate and strengthen the kind of office of local government that the government of New York State has introduced. It seems to me the time has come when every State ought to have something, if not directly parallel to, at least somehow analogous to the Department of Housing and Urban Development. There must be a voice for the cities within the executive structure, and it must be systematized. This might be one proposal that would alleviate some of these conditions.

MR. BAKER: *One more question. There has been reference to relocation and to the removal of the slums, the ghetto. But many of these ghettos or slums are still in a marginal condition where they could be improved. It would seem that the city could prevent further deterioration by performing certain responsibilities which are traditionally those of the city. As we have traveled around our Nation, I have found that in many areas the city has failed to do this.*

I am speaking in terms of keeping the streets in a good state of repair, in the cleaning of alleys and proper trash collection, the failure to enforce housing codes properly. It would seem that if just any city were to be strengthened in this area, that we would decrease further deterioration, and create an incentive within the community itself to care more for their homes. And it would seem that the cities have failed in this particular area, thereby compounding the problem. Would you comment on that?

MR. KAUFMAN: I think this is probably an outcome of the fiscal bind. When you have a series of priorities to meet, one of the first ones to go is the one that doesn't arouse an immediate local hostile response.

Reducing marginally, say by one collection a week, your garbage collection does not at that stage produce any severe community reaction. So the tendency is, when you are strapped for money, to concentrate on the things that seem like emergencies, to cut out what seem peripheral services.

But the collection of those marginal cuts gets to be very serious. That is why I think that is a function of the fiscal plight of the locality, that as the costs of services rise — and the costs of services have risen far faster than the revenues of the localities — there is only one thing they can do, and that is reduce service.

MR. BAKER: *Certain sections of the city don't have this problem. Their streets are swept, their garbage and trash are collected on a regular schedule. They don't seem to be reduced the same as other sections of the city. If it could be reduced, why would it not be reduced in those areas which could better afford it?*

MR. KAUFMAN: Well, I am turning over in my mind whether or not this is actually the case. What happens . . .

MR. BAKER: *I am speaking from observation in the last three or four months.*

MR. KAUFMAN: What I am turning over in my mind is the possibility that — let's take trash collection as an example — you collect by area, and you collect with equal frequency in two neighborhoods. But one neighborhood happens to have a much larger concentration of population, so what is a surface uniformity turns out to be a deficiency in certain areas.

If you are asking me, why don't they then adjust to the population, the answer obviously is, in part, the political consequences of cutting services in an articulate, well-financed politically alert neighborhood, as opposed to one that lacks community organization.

MR. DOUGLAS: May I interject and say that we want to make an opportunity for representatives of citizen groups to have a chance to state their points of view. We have to leave at approximately 4:30, because we have to get to Boston tonight.

I am going to ask Mr. O'Neill to ask such questions as he wishes — I am sure he will be brief. At 4 o'clock we are going to ask these three representatives to testify.

MR. O'NEILL: *I only have one question of Mr. Cox. Under urban renewal, which admittedly was designed to revive the downtown central city areas and provide them with a better tax base, wouldn't you say after our experience since 1949 that we really should have two urban renewal programs: one directed toward the central business districts, raising the tax base, and the other directed toward the housing elements, which so often in the past did get lost, because of the way the law was written and the intention of the locality to put the act into effect?*

MR. COX: I never interpreted the law as written to be directed toward the central business district. Conversely, I think in the early days you couldn't get any money unless you either began or ended with a pre-

dominantly residential emphasis. What has happened since—and I think appropriately so—is that the law has been changed to enable 35 percent of the funds available from the Federal Government to be put in areas that were not initially residential or that may not be redeveloped for residential. So that at most only 35 percent of the available Federal funds could be used for the central business districts. It is still a predominantly residential program. Fortunately, the law did recognize that first things in a certain city could come first. And there was a certain amount of money that Congress allowed for the commercial emphasis.

The difficulty with having two separate programs, as against only one that has a certain amount clearly earmarked for residential—the remainder may or may not be used for commercial—the difficulty is that there seems to be a feeling among many that there is something immoral about renewal of a commercial or industrial area and that unless you affect people directly, this program is bad. This is one of the reasons why I put such an emphasis on reciting here on the community-wide good that can come from a diversified program.

I believe Mayor Vandergriff prefaced his question with the fact that I seemed to be emphasizing clearance as against rehabilitation. I don't mean to be doing that. I said this was not predominant in our view but that it was important, because there has been such a pulling away from the clearance, and an attitude developed that this is all bad. I was hopeful of reminding the Commission that it isn't all bad, and that it is only one tool in the renewal process. Properly balanced with rehabilitation, code enforcement, and backstopped by an effective, responsible, properly phased relocation program, it is a necessary tool. It isn't the whole pie. It is really a small portion of it. What I do fear is that if there were two separate programs, there may be a different attitude taken toward Federal aid, because it has been suggested on numerous occasions in the commercial area that you stand on your own and you don't need any Federal subsidy. This, of course, would be totally impossible for the cities to live with. So that if we would invite—by divorcing these two into separate programs—the curtailment of the two-thirds Federal grant to commercial and industrial areas, we will be defeating the purpose—and will be evading the opportunity—that Professor Kaufman described here of strengthening the economic section of the community, which is so essential in providing the services that an urban people need over the years. You can't have an all bedroom community and live.

MR. MARSALKA: Would you permit a question, before he leaves, of Professor Kaufman?

MR. DOUGLAS: Not yet. We are going to have Mr. DeGrove ask a question. We have made a promise that three representatives of the local community may speak.

MR. MARSALKA: It is very brief, on the influence of the Navy at Hampton Roads, and whether that doesn't have a major part in this whole development which is ignored here.

MR. DOUGLAS: I know that Norfolk is a complicated community. It

is part of a cluster of communities, and so forth. But I think perhaps that question could be better addressed to Mr. Cox after the meeting. I will ask Mr. DeGrove to ask one question.

MR. DEGROVE: *I certainly endorse everything you have said, Professor Kaufman, about the need for intergovernmental cooperation, which carries with it the implication of metropolitanwide planning. Would you also endorse the stick as well as the carrot in terms of Federal grant-in-aid funds? Indeed, this latter is included in some of the recent legislation—the Transportation Act of 1965, for instance. We now have extended the idea that many Federal grant-in-aid programs have to be cleared through area planning boards that cover a certain metropolitanwide area. There apparently are plans to make this not just a clearance, but to give the area planning board authority to reject projects that come up to the cities in the area of this board. Do you think this is moving in the right direction?*

MR. KAUFMAN: Yes, I do. But let me just enter one caveat here. If you require prior approval by the metropolitan boards, I would have to know a great deal more about the composition of the boards before I agreed to it. I don't know who has the built-in veto there. It may be the elements you don't want in order to get real metropolitan planning.

A second item is that if communities have difficulty getting together, you don't want to be in a position where you cannot then aid any of the communities. You must keep a line open to those communities that are badly in need of help, even if the local situation is such that they can't achieve a concerted program with other communities. If you can answer both of those questions, then I think the notion of an incentive, of a punitive as well as of a reward nature, makes sense.

MR. DOUGLAS: Thank you very much. Gentlemen, we are greatly obliged to you. We want to thank you, Mr. Cox, for coming up all the way from Norfolk to testify. And we are very glad to have you here, Professor Kaufman.

We now have approximately a half-hour of testimony and questioning of witnesses from New Haven itself. I am going to call first on Mr. Stephen J. Papa, past President of the Dwight Association. If you would limit yourself to five minutes, then each of the other two witnesses will limit themselves to five minutes, and we will have some questioning and discussion.

STATEMENT BY STEPHEN J. PAPA

MR. PAPA: [1] Thank you. I would much rather have been invited than have to get to talk in this sort of a way.

MR. DOUGLAS: You are invited.

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[1] New Haven citizen

MR. PAPA: Yes, I am now. Let me say for the record, I am here as a private citizen and not representing the Dwight Improvement Association or any other group.

I see this as an investigation, and you do have witnesses. Usually in an investigation or a hearing, there are both sides of the story heard. Fortunately, one of the gentlemen in the early morning session got up and asked to be heard. Perhaps this is why we three others are going to be heard. But listening to this session, I wasn't sure whether it was a political rally or mutual admiration society. I do hope and I do understand that you people are going throughout the country in the same process, having hearings and investigations, and I do hope that you do get to the people. And when you send out invitations or make it known that the public in different areas of the towns, such as here in New Haven—we do have different sections and different people representing different sections—if their views could be heard as well as the people who are running the city, I think that is important. They have done a nice job this morning. They usually do.

Of course, I have made a few notes. I am not prepared. I did not come here thinking I would be able to speak, but I did want to come. That was the most important thing, that you people change your line of thought and not just pick your witnesses, but let anyone, or the people who feel that they can be of help to you people, so you get both sides of the story. I only have five minutes, so I will go over this very quickly.

One of the early questions one of you gentlemen brought out was, "What is the population of New Haven now?" And what was it? Where did these 12,000 to 15,000 people go? And why did they go? One of the reasons is, of course, the redevelopment, new roads and such. But if the thing was properly planned, perhaps we would still have these people. And who are these people who have left? This is the important thing, not only in New Haven but other cities. This is the most important thing. The people that have left are the backbone of the community, the middle-class people, the man who brings home $125, $150 a week.

If this continues in the present trend, we will have high-class people that can afford University Towers, Madison Towers and such, and we will have the low-class and the poor people who are in public housing. When we get to this stage, we are going to be in a lot more trouble than we are in now.

Again, these 12,000 to 15,000 people who have left were the backbone of the community. And we are getting more of the same all the time. How can we get to keep the remaining ones that we have here?

With careful planning. We don't go in and take an area and tear it down and try to relocate these people. I say we must give them housing that was similar to what they were used to. Now, not all housing that came down was slums. Contrary to what you might think, there are many good houses, two- and three-family houses, with five and six rooms to a flat—you know what I am talking about—these were torn down.

Why can't we give these same people, middle-class people who like

to live in their own flat, if you call it that, the same opportunity to come back again? We are not doing this. We are giving them co-op housing or public housing in a great big concept which they are not used to. So what are they doing? They are moving out. They are going out to Hamden, West Haven, East Haven, where they can get this kind of housing, the kind of housing that they were used to living in.

With careful planning, if the Redevelopment Agency would take into their confidence people who know the needs of the people in New Haven — and as the gentleman stated this morning — get these people together and listen to them — yes, they will listen to you. But there is a saying around, "There's a right way, the wrong way, and the redevelopment way." And any of you boys, if you have been in the Army, you heard this when you were in the Army. This happens far too many times.

As I say, sometimes they will listen to us, but it doesn't make any indentation.

MR. DOUGLAS: Mr. Papa, your five minutes are up. Will you excuse me if I ask for the next witness?

MR. PAPA: Yes. Just one item, very small, if I may. It will take one minute. There were three people who were displaced. They were asked if they would come back. One moved out to Hamden and she said, "No, not even if they were to give it to me free. I wouldn't trust those people again." That is the Redevelopment Agency. This is a lady who was displaced.

Another lady said, "The balance of my mortgage was just about clear, and we reached the point where we didn't have to worry, and then they practically pushed us out, either that or go to jail."

And one more, this lady said, "What's the use of making any expressions or saying anything? 'You can't fight city hall,' she said with a sigh."

These are three people, only three that were displaced and that were interviewed.

Now, if I can, I would like very much to get a complete transcript of this hearing without having to be charged for it, because this thing will run about $200. I have paid for them before, but I would like one for free, and then I will gladly look it over and give you people a report on another day. I understand that this meeting will be left open for the record. If this is possible, I would appreciate it very much.

MR. DOUGLAS: It would be very expensive to do this. I am sure if we furnished this to everyone who wanted it, we would be attacked for wasting public funds.

MR. PAPA: If I can get a copy, I will make up copies.

MR. DOUGLAS: If the hearings are printed, you will certainly get a copy.

MR. PAPA: Thank you very much.

MR. DOUGLAS: We have had a paper submitted by the Ripon Society, which is part of the Commission's records. I am going to ask Professor Lawrence DeNardis of the Ripon Society, New Haven Chapter, to speak to that memorandum.

STATEMENT BY RIPON SOCIETY (LAWRENCE DeNARDIS)

MR. DeNARDIS: [1] Mr. Chairman, members of the Commission: Thank you very much for allowing me these few minutes to speak. My name is Lawrence DeNardis. I am Assistant Professor of Political Science at Albertus Magnus, the "other college" here in New Haven.

We of the Ripon Society, which is a national Republican research organization based in several of the major cities of the country, have been acutely aware of the urban problems that have been discussed here today, and we want to enter our remarks into the record.

Now, we note that the Commission in its field visits is attempting to obtain a national view. Therefore, my remarks will be as general as they can be. But upon the occasion of your coming to New Haven, you do indicate that you are coming to places where you feel some measure of success has been achieved in particular aspects of the urban renewal program. And as this visit was billed, you felt that housing, and an adequate supply of housing for all groups, was successfully encompassed by New Haven in its urban renewal program.

We feel, no, this has not been the case, and that is the purpose of our visit today. The objective of urban renewal, as all of you know, as per the Housing Act of 1949, is the realization as soon as feasible of the goal of a decent home and suitable living environment for every American family. Well, as you well know, it didn't take very long for the housing focus to go out of urban renewal. It switched into the more economic program, the downtown projects where big things and commercial things which produced the money, and which added prestige value, were soon substituted.

But we still need a housing program. Now, we feel that in the area of the urban renewal program that has to date been most effective, it is in the area of the procedures and the definitions for selecting and acquiring property, compensating owners and then disposing of the land for reuse. In other words, in the real estate aspect of the urban renewal process, it has worked quite well. Plants have been sold, buildings have gone up, and so forth. This aspect notwithstanding, we think that the original legislative intent of urban renewal speaks about the conditions of life in certain areas that are threats to the health, safety, welfare and morals of the inhabitants. This is the basic purpose of Government entering into an area and saying that slum and blight presumably are a threat to the inhabitants of the area. The rebuilding of the area after people have been moved from the area is, in a sense, a consequence of the original intent.

But coming back to the purpose, one can raise the question, "Have we done adequately by the people whose health, safety and morals we were concerned about in the first place?" The rights of property owners

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[1] Assistant Professor of Political Science, Albertus Magnus College, New Haven. Representative of New Haven Chapter of the Ripon Society, National Republican research organization.

in the urban renewal process have been fairly well defined simply because they are defined by the Constitution in the first place; that is, due process, just compensation, and so forth. But the rights of the inhabitants of the property are not defined in any way, and certainly not in most highway programs.

In urban renewal, as you know, Uncle Sam says, "You have to look for a place for those people. You have to pay their moving expenses if they are going into standard housing," and if they go into substandard housing, the option of paying the moving expenses is sometimes a little cloudy.

What really are the rights of the people who live in slum areas who are asked to move, and what really are the responsibilities of public authorities to these people? These questions, we submit to you ladies and gentlemen, concern what remains today as one of the most controversial aspects of the urban renewal process.

Relocation Accomplishment in Question

What about housing and relocation in the city of New Haven? You have come to New Haven because you feel a measure of success has been achieved here in housing and relocation. Well, we have a current controversy. We have the threat of Route 34 to be extended to the Oak Street Connector, which has been mentioned several times today. Under this threat, which also involves accompanying urban renewal activity, a group of Yale law students have done the community a great service. They called themselves the Dwight Neighborhood Advocate Planning Team, and they have conducted a study of New Haven's past history of housing and relocation, in order to judge what might be expected of the city in this matter for residents of the threatened Dwight neighborhood.

They found that urban renewal in New Haven thus far caused the relocation of well over 5,000 households, and to date has been responsible for the construction of only 1,676 units of new housing, 700 of which have been in the luxury price category. Not one unit of public housing, except for the elderly, has been constructed since 1954.

We contend that the poor are being placed out of the New Haven housing market by: (a) the massive destruction of low-rent, substandard housing; (b) the higher rents resulting from the rehabilitation of existing housing; and (c) the failure of responsible public bodies to provide adequate replacement of low-income housing units.

Moreover, the Negroes have suffered more than the whites at the hands of urban renewal. The survey shows that 40 percent of New Haven's Negro population has been displaced, while only 8 percent of the whites have been removed.

Mr. Douglas: I regret to say that you have taken approximately six minutes. We have got another witness, and then there will be some time for questioning.

MR. DENARDIS: May I bring my remarks to a conclusion? I think I can within the next minute.

MR. DOUGLAS: If you can do so briefly.

MR. DENARDIS: We consider relocation one of the major shortcomings of the urban renewal process, and we ask the Commission, "Who is responsible, and to what extent should care be given to every family that is displaced by governmental action? Whose responsibility is it to find relocation assistance in housing, paying moving expenses, and so forth."

We suggest that possibly this might be a prime responsibility of State Government, although we know at this point of no State Government which has gone very far in this regard. We also are very concerned about property tax, and how the central city mayors are trying to attract winners and slough off losers and drive the low-income people out. That idea is also expressed in this paper.

I am sorry we are pressed for time, but thank you for allowing me these few minutes.*

*FURTHER STATEMENT SUBMITTED BY THE RIPON SOCIETY

We conclude by observing that a major barrier to adequate housing in the United States exists because of the local property tax. As long as cities are compelled to rely on real estate tax that they can collect within their own confines, they are going to be encouraged, if not compelled, to seek industry and other heavy users of land that will pay high taxes in order to support school and community services.

Therefore, the pressure to increase the yield from real estate taxes compels cities to get out of the housing market and into the industrial-commercial one. And if they must "house," it is certainly not low-cost housing.

It is this kind of view which has resulted in the urban renewal program spending three billion dollars to actually drastically reduce the housing available to the poor when we thought we were improving that situation.

It has, ironically, created a situation where our planning is not planning for the overall betterment but planning for selected benefit — whether the benefitees be certain groups or certain towns.

It drives central city mayors, for example, to try to swap poor people, who occasion very high welfare and service costs, for luxury, high-rise apartments, hopefully in order to provide higher tax revenues, and to provide a population occasioning far lower costs.

We submit in conclusion, that it appears evident that the housing and relocation aspect of urban renewal — which is the program's prime purpose — is failing in the cities of this country and is failing here in New Haven.

The answer may very well be inexorably bound to the problem of the local property tax. If that be so, the Federal Government may have to force the metropolitan regions of the country to look at the region's housing supply as the *region's* housing supply. Or else, as Prof. Norton Long of Brandeis University has said, our local government leaders will continue to be "under very heavy compulsion to attract the winners and shuck the losers."

MR. DOUGLAS: *Thank you. There is one statement I should make. It so happens that I was responsible for the drafting of the successive amendments [in the Federal act] which provided for moving expenses. If my memory is correct — and I am told that it is — the moving expenses go to people who do move without regard to the places into which they are moved.*

The second point I want to make; I have just asked the Commission's Executive Director, Mr. Shuman, to have the staff prepare an inventory or a balance sheet of the number of housing units destroyed in a series of cities — as many as possible — as compared with the number of public housing units built, plus the number of housing units under the various other government-fostered methods. I think this is a valuable suggestion, and we should get an index of it, not merely for New Haven, but for the country as a whole.

So I am going to ask the staff to prepare this study as quickly as possible. I think this has been a very valuable discussion, perhaps one of the most valuable that has grown out of the hearing.

Now, the final witness is Mr. Robert Cook.[1] If you will remain here, Professor DeNardis, perhaps the members of the Commission will have some questions for you.

STATEMENT BY ROBERT COOK

MR. COOK: I would like to thank you very much, Senator Douglas. I do think you should somehow find more time at these hearings for appearances like this. I would also like to say that I represent the American Independent Movement as well as myself, a local political organization. And we declare here our intention to file a much longer statement, of which what I am about to say is a very short summary.[2]

I should make several disclaimers at the start. I live in this area in a house that was rehabilitated under the renewal program. I like it. My children go to the school and they like it. I know many of the people in the city agencies, and I think they are highly capable and intelligent, and I think they are trying to do a good job, and they intend to do the very best by the city of New Haven.

I think we share many of the same values. It is because of this, and because New Haven is taken as a model city for the entire country, and because some of us think that things are going wrong here that I think we have to look at the much more fundamental issues which underlie our critique.

I will put these in three parts: physical, political, social.

In the first place, we think what is happening in New Haven is that the city is not being renewed — that it is being destroyed. Let me say what I mean by that. New Haven is being turned into the suburb, on the image of the highway, the shopping center, and the isolated activities. Housing, shopping, cultural, government, educational activities are isolated in small pockets. One moves around from place to place on highways to these; and the heart of the city, the neighborhood, the community, is essentially being destroyed, with the possible exception, in New Haven, of Wooster Square.

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[1] Assistant Professor of Sociology, Yale University.
[2] Statement not received.

At the same time one is cutting the city up into homogeneous units, one is turning people away from the city streets, destroying the multiplicity of uses, the diversity, the liveliness that characterize a real city. If you want to see the difference in this, I suggest you take some pictures of old New Haven, of which the Redevelopment Agency has many, and compare them with the new New Haven. The old pictures look like the European cities which American tourists pay many dollars to go and visit. Or look at San Francisco. The new New Haven looks like a highway, a high rise tower, and so on.

Plea for More Citizen Participation

The political aspect of this—I disagree here strongly with Mr. Kaufman that the answer to the political problems are more centralization and more power for the executive. I think that is exactly what has happened. I think this is a totalitarian approach. I think it is antithetical to the American democratic tradition. I also think it is bound to fail in the long run. A centralized executive never has the opportunity to mobilize the talents and the abilities of the masses of people. As an alternative to centralizing the ability—giving the executive more power—we suggest dispersing the power, allowing the talents and abilities of the bulk of people in the city and country to be mobilized in a new way, in a way that they have never been mobilized before. Each one of these is a self-reinforcing process. If you centralize authority and power, you get, I think, a lack of participation on the bottom.

If you start to decentralize and mobilize people, you get more participation, more interest and a growth of people's abilities to participate in a plan and work for themselves.

Finally, on the social aspects of this, I think what the anti-poverty program is doing in the country and in New Haven is providing more Joneses for people to keep up with. It is not dealing with the fundamental issue in this country, which is the maldistribution of income, which has remained approximately the same since 1900; that is, one-fifth of the American people get 45 to 50 percent of our income, and the poorest people get about 4.6 percent of our income.

The number of poor in New Haven as a percentage of the inner city population has not changed since the anti-poverty program began, as the crude statistics of the New Haven CPI itself will indicate.

I think here we have to commit ourselves to something much more massive and much more radical than giving a few jobs and a few training programs. We have to commit ourselves to the redistribution of income in the United States into a major shift of a whole portion of the population relative to the rest, not absolutely. This is what has been happening. But we have to begin to move in the direction of more equality.

Let me say this, that the way in which society functions at the moment is that it needs a bottom. We need the poor people because why would someone do the kinds of jobs that one has to do to make a mediocre

living for one's family – that is, at $50 to $100 a week – if one could work at a decent job, or if there was some kind of a guarantee of a decent standard of living?

Why, for example, would you work in a local defense plant under the kinds of conditions one faces on an assembly line, where the bathrooms have glass doors, if you had some kind of choice of a decent job and a decent way of living for your family.

MR. DOUGLAS: Mr. Cook, I regret – can you finish in a minute?

MR. COOK: Yes, I can. There is another suggestion that was made today with which I would like to take issue, and that is that what we need is incentives for private investment in the city. What this will do is the same thing that the oil depletion allowance did. This allows a lot of people to make money and contribute to the maldistribution of income, off the public resources of the American people. And I suggest just the opposite, that is, we increase our income tax, start redistributing income, confiscate the property of the slumlords, and pay the people in the slums a decent salary to rehabilitate and rebuild their own neighborhood and their city.

MR. DOUGLAS: That is quite a program, Mr. Cook. Any questions?

Well, thank you very much, sirs. I want to thank the people who have helped to set up this meeting, and for their help in getting a searching look at urban renewal, Louis DeLuca, Marion Morra, Don Byers, Mel Adams, the principal of this school, Gerald Terrazi, and many others whom we could mention. Thank you very much, ladies and gentlemen.

(Adjournment.)

Boston

COMMISSION MEMBERS PRESENT: CHAIRMAN PAUL H. DOUGLAS, DAVID L. BAKER, JOHN DEGROVE, JEH V. JOHNSON, RICHARD W. O'NEILL, MRS. CHLOETHIEL WOODARD SMITH, TOM J. VANDERGRIFF, COLEMAN WOODBURY

"Red-lining," the practice by many banks and insurance companies of refusing to do business in certain areas of cities, was the major thrust of the Boston inquiry. To what extent have certain business enterprises, and the municipal government itself, denied basic services and condemned neighborhoods of blight or near-blight to further decline? Emphasis was placed on constructive solutions — how financial institutions, particularly, can benefit themselves and their communities by contributing to the maintenance and improvement of housing in the central city. (Because informal discussions during the Commission's box lunch in New Haven had proved enlightening, the comment of local citizens during the box lunch in Boston were transcribed for the record.)

Old South Meeting House
Boston, Massachusetts
Morning, May 26, 1967

MR. DOUGLAS: Ladies and gentlemen, here in Boston we are pursuing the problem of financing housing in blighted areas but we are not here to investigate Boston. Let me make that clear. We have come to the Cradle of Liberty to get hints as to how the country should move. We believe from our preliminary study that Boston has done many things in this area which may well set a constructive pattern elsewhere; and to the degree that Boston has a problem, it is a problem which other cities across the country have.

I think it is appropriate that we are holding our hearings today, first, in the Old South Meeting House, which as a New England boy I used to visit, and this afternoon, at the Roxbury YMCA in the Washington Park Renewal Area. These two meeting places symbolize what our Commission hopes to do; namely, to combine the best of our experience from the old and the past with the new and the innovations of the future.

I want to point out that two members of our staff are from Boston; namely, Mr. Walter Smart, who has had vast experience here with problems of relocating those who have been uprooted by Government or community action, who is working with us in the area of social welfare problems; and Mr. Frank DeStefano, who is an expert on housing codes and who is working with us in the general area of housing programs.

During our hearings we will hear from the major experts in the United States in the field of urban problems. There is no doubt that your Mr. Ed Logue is one of the stars in the urban firmament, probably one of the most creative and original thinkers and also a man of action.

We were in New Haven yesterday, where he was the original mover and shaker with Mayor Dick Lee, and I spent most of the springtime in New York and I know that New York was seeking very much to get him as their primary mover. I think Boston should feel very proud that he, unlike so many other Bostonians, was able to resist the temptation and solicitations of the major metropolis of the country and stayed here in Boston. We could not come here, to Boston, without hearing Ed Logue and getting his views, based on his vast experience in the field of urban problems. I find that not only was he responsible for the large rebuilding in New Haven but he was an assistant to another New Englander, Chester Bowles, our Ambassador to India, so he knows the problems of all kinds of cities.

We therefore are delighted to hear you, Mr. Logue, as our first witness. We do not want to limit you to the subject of financing housing in gray or blighted areas. We ask you to speak your mind, as you always have, and to give us your judgment and your opinions on the basic questions which are before our Commission. Mr. Logue.[1]

STATEMENT BY EDWARD J. LOGUE

MR. LOGUE: Senator Douglas and lady and gentlemen, as a native New Englander, Senator Douglas knows that there is nothing extraordinary about 40-degree temperatures and windy rain in late May. We haven't found a way to cure that, although I will say this spring we are a little tired of it.

I have the privilege of knowing many members of your Commission individually and two in particular. Chloethiel Smith and Coleman Woodbury have taught me a good deal over the years.

I would like to say, Senator Douglas, that those of us who work in the urban field are delighted to have a group as distinguished and as

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[1] Native of Philadelphia, graduate of Yale University and Yale Law School. Development Administrator, Boston, 1961–67. Lecturer in urban affairs at Boston University. Headed New Haven deveopment under Mayor Richard Lee, 1954–1960. Member personal staff of Chester Bowles as Governor of Connecticut, (1951) and Ambassador to India (1952–53).

varied as yours consider this problem, particularly in the way that you are going about it. This Nation has for a very long time needed this kind of approach; the fact that it has the initiative of the President and the support of the Congress, I think, means a great deal and gives us great hope. It is one of my private hopes—and I am sure it is widely shared—that you may venture far enough to suggest to the Congress that perhaps they in the present committee structure are not equipped to cope with this problem and to consider it adequately.

We are particularly pleased to have you here in this room because it was in this room in September of 1960 that the enterprise shown on these maps was formally launched to a large and probably the most varied collection of Bostonians ever assembled outside of Fenway Park. We had the business leaders, the leaders of the professions and the universities, and people from the various neighborhoods of the city. It was a great occasion; and despite the kind of political quarrels that come more colorfully in Boston than other places, unity around this program has remained.

I was particularly pleased to note that you were interested in soliciting comments and hearing about experiences that were positive in nature. One of the things that has happened in the last several years, as some of our academic friends have focused on the urban problem, is that they can tell us that we don't know how to relocate families, though we do; that we don't know how to consult with citizens, although we make it our basic practice; and I think it is useful for the United States to have spread on the record the kind of experience that does indicate that these problems can be dealt with effectively.

I have chosen, frankly out of prior experience in testifying before congressional committees, not to submit a formal statement. I will be prepared to do that as a result of the discussion this morning. But a formal statement which I read and you listen to, even this early in the morning, can put us all to sleep.

I would like to try to talk about the important problem of housing finance as it is necessary to think about it for those people at income levels in this country who are not taken care of by either the normal market mechanisms or the upper part of the FHA programs. But I think it is necessary to consider the housing problem in its overall context. I hope this will not duplicate too much what you saw in New Haven. If I were to guess what you did in New Haven, if Dick Lee had anything to do with it, you were spun around from one housing project and hotel and office and school building to another. If you spent any time in Wooster Square yesterday, where the Conte School and the library and that marvelous center for the old people are located and looked at the rehabilitation there, that is the thing that I think symbolizes for me more than anything in the United States what can be done with a neighborhood which, I assure you, would have been a helpless slum today without it. It is that kind of thing on a larger scale that I think we are trying to do in all of these older neighborhoods.

I travel around a lot, as each of you do, and I am asked constantly, "Well, how do you do it in Boston? How did it happen in New Haven?"

And of course, it is not happening just in those two cities. Things are moving in many cities. It seems to me that there are five elements, five questions, around which this kind of discussion should focus.

Comprehensive Program Against Blight

First of all, there is the matter of a program — and I want to talk first about the Boston program — but I want to suggest that without a program, a city really doesn't have a chance. Now if you think of the cities, including some of the cities which some of you happen to know particularly well, you ask some basic questions about a program — and I am now talking primarily about a program of physical development, renewal, rehabilitation, with a major emphasis on housing — if you think of the cities in the United States that have such programs, there are not very many that are comprehensive.

You can see small projects; for example, in Washington which most of you know quite well, there is the enormous Southwest Project, a kind of urban renewal which, attractive in itself, cannot be duplicated or replicated on any significant scale. But there is not really in effect a program for the whole of Washington in the areas which need it most. There is no program of any significance in, say, Cleveland or Indianapolis, or many, many other cities.

On the other hand, in a city like Philadelphia there clearly is a comprehensive and competent program.

It seems to me that a program which is not commensurate with the size of the problem is self-defeating. But there are only a handful of American cities which have a serious program and master plan to do something about basic problems of blight. It seems to me a program which does anything other than emphasize rehabilitation is an idle, wasteful, futile dream because there is no way — and I can speak somewhat irreverently as an ex-bombardier — there is no way to make the bulldozer work on the scale that we might like to think it should work.

In Harlem, for example, much as we can all quickly agree that the old row tenements ought to be destroyed as quickly as possible, there is no way to make that happen; so even they have to be rehabilitated. And one of your Commission members, Dick Ravitch, can tell you some of the difficulties of doing that.

I think you have traveled enough through these cities to see the community facilities, the schools that tend to be run down. You will go long and far before you find a modern police precinct station in the older neighborhood of any city I know.

And, finally, a program has to involve citizen participation, not so much as a matter of doctrine but as a matter of simple expediency. I think we have to understand that. You cannot develop programs of physical change for neighborhoods of the size of these without careful consultation with the people who live in them and without their support because, finally, the success of enterprises of this kind depends upon elected local officials who must believe that it's not only good for the city but that it won't cost them their survival.

Now I would like to talk about Boston's program briefly. That map just beyond Mr. Baker is a map of the so-called "regional core of Boston." It's the central commercial area, the area of which this very building is close to being the center.

I know that there is some skepticism about the capacity of urban renewal to deal with areas like this. I would like to try to demonstrate this morning that we can.

It is becoming fashionable today, particularly in Washington, to downgrade the importance of central business district renewal because of a concern for blighted residential neighborhoods. It seems to me this is a most unwise course for two very different reasons. One is that the prime source of employment for the people who live in the older residential neighborhoods must be in the downtown area. Unless the employment opportunities are fostered through the renewal process, unless you have the dynamism of midtown Manhattan, in very few other centers are you going to get the kind of investment that will create the jobs that will give work to people in the blighted neighborhoods. So for this reason alone it is very important to have a far greater emphasis than the Department of Housing and Urban Development is today placing on this kind of center city program.

Second, it seems to me that though we in Boston consider ourselves more fortunate than most, the centers of our great cities are too often uninteresting. They lack the magic appeal of the western European cities. A city must be more than a collection of scattered neighborhoods. It must have a focus; it must have something that lifts the spirit if urban life is not to become a very dreary thing. And even on this dreary day in Boston, I think you can get some of that spirit out of this city.

I think the urban renewal process can be used to preserve what's good and to create some of the things that are missing.

In Boston we began this process on the edge of the central area in the West End with the kind of bulldozer urban renewal that removed one population and replaced it with another. This was done in many other cities. The end product, while it admittedly could be more attractive, is useful. No one will ever know whether the pain that was caused was worth it. Let me just say we will never do that again. And we are rather proud to say that the only high-rise housing which is being built in this program today is being built on the Boston waterfront. The only creatures that are being displaced are fish, and we are building an aquarium right next door.

MR. DOUGLAS: *That will endear you to a certain Congressman.*

MR. LOGUE: Most of you have heard of Scollay Square, the Old Howard, and that part of Boston's immediate past. It is pretty well finished; in its place today is being created a Government Center in which the Federal, State and city governments are competing with one another to build the most attractive buildings.

MR. O'NEILL: If we are going to have references to places on this map, I am not that familiar with Boston; so could Frank serve as a pointer for you?

MR. LOGUE: Tad Tercjak will do that.

MR. O'NEILL: That will be a little more meaningful.

MR. LOGUE: I may say that I can see Walter Smart's hand in some of the ways in which you plan to spend the rest of the day but I hope you can spend – it would take no more than 15 or 20 minutes if you are on your way out to Roxbury – to stop off at 151 Tremont Street, which is very near here, to see the plans and some very magnificent models that we have just unveiled. I would be very glad to be there with you.

MR. DOUGLAS: We will do that.

Boston Renewal

MR. LOGUE: It is a very exciting thing; if you can stop to see them, I will cut this part of my presentation short, other than to show the West End, then the Government Center and the waterfront. This part of our waterfront [under planning] became technologically obsolete with the advent of the clipper ship. I think with the single exception of downtown New Haven which you saw yesterday, we have more of the major part of our area under orderly and planned development than any city in the United States. And if that were all we were doing, heaven knows it would be enough. But there is much more to this than the downtown area. I would like to show a portion of it to you on this South End plan.

We have a total of approximately 120,000 people, which is just under 20 percent of the population of Boston, living in residential areas which are under urban renewal loan and grant contracts.

MR. O'NEILL: Could I hear that figure again?

MR. LOGUE: Approximately 120,000 people live in residential areas in the city of Boston which are under urban renewal loan and grant contracts. That is about 20 percent of the population of the city, a little bit less. This is clearly an effort on a major scale.

Now, to just repeat myself a bit, the areas in dark color are the city of Boston. You can see we have a rather interesting shape. Now the areas in light brown are areas that are in relatively good, relatively sound condition – West Roxbury, Hyde Park, Roslindale, Dorchester, the lower parts of Dorchester, Allston and Brighton, which are out there by themselves, and the Orient Heights section of East Boston. (You came in from the airport, I assume, through East Boston.)

The dark brown areas are areas for which we have completed general neighborhood renewal plans which, if there were community interest in them and more Federal monies available, we could take to more detailed planning. The blue areas are areas which are fully funded and approved urban renewal plans. So you see, if you compare this with an equivalent map of the city of New York, the city of Chicago or the city of Philadelphia, we have in six years put a great portion of the city under contract.

It is in these older neighborhoods where the residential character and future of this city will be determined, and we have taken in the Washington Park and the South End. You are going to see it today. I would

like to just give you some feeling, if I can, through these two maps of the South End and Washington Park, of our approach.

In the first place, our renewal project neighborhoods average about 25,000 people in about 500 acres. Frankly, if your project has only 1,000 people involved or only five acres, there is not one single Federal step less. We believe in wholesaling it. If we had the number of individual redevelopment projects of average size totalling up to the Boston program, we would have to have a major computer to keep track of the projects. The Washington Park project has 25,000 residents. It was a middle- and lower middle-income neighborhood of some topographical variety, a part of Roxbury known as Washington Park, a pleasant environment on the whole, rapidly on its way to becoming a deteriorated ghetto. The population today is overwhelmingly Negro. The area map shows that this project is now four years in execution. What is yellow on our maps represents existing structures which will remain for rehabilitation. They may be churches, housing, public and parochial schools, and institutions of various kinds.

Now if you will look at that map and the similar map of the South End, there is one very important point to be made: that the neighborhood character can be preserved throughout the renewal process. You need not obliterate everything that exists and substitute something entirely new. You will also notice the relatively large percentage of yellow, which suggests that most of the inhabitants of the area will not face forced removal. This is essential, because we believe—and I don't think there have been any serious studies of it—but as a rule of thumb we believe that 75 percent of the existing occupied structures must be kept and rehabilitated if you are going to do this on a large scale. We think it's worth doing. We recognize that there are people who say, "Tear it all down." But we think that's not necessary.

The housing component of this program, which is what you are focusing on today, is basically of three kinds: First, and clearly quantitatively most important, is the rehabilitation of existing structures. This we do through a combination of programs. We have a rehabilitation staff. I should say that we have a project office in each of these projects and the project director has a great deal of independent authority to make decisions on almost everything of significance except the valuation of the property, which we do downtown. A system of having relocation and rehabilitation functions and negotiations with developers and things of that kind of a major focus in the project office gives the people in the community a sense that they are dealing with somebody they know. Frankly, also, it gives the project staff enough incentive so that they don't take all the job offers they get elsewhere.

The basic component of rehabilitated housing is financed in one of two ways; first, by the "220" rehabilitation program wherein FHA has been good enough to give us far more flexibility than any other city in the country. We have used that flexibility under Bob McGilvray, our rehabilitation director, who is here.

MR. DOUGLAS: *Mr. Logue, does this flexibility come from rulings by Washington or from the regional office?*

MR. LOGUE: It comes from a very imaginative district office staff which, when it needs help in achieving local variation and local flexibility, gets it from Washington – never quite as quickly or as much as we would like, however. Let me give you a specific illustration.

You take a house. In a way, though this is not a house, you could take the ceiling of this meetinghouse. If you want to rehabilitate it, should you repair or replace that window? Mr. McGilvray and the BRA rehabilitation staff want to repair wherever possible because it lowers the cost and increases the economic feasibility. The typical FHA bureaucrat wants to replace, because by replacing his record is sure. Nobody scores any points against him for not processing an insurance commitment. That's very important. There is no record of failure kept for people in FHA offices who don't process, and I can see that Chloethiel knows exactly what I am talking about.

McGilvray says, "Repair"; and FHA says, "Replace." The difference in the job can be between $3,000 and $7,000. Then the bureaucratic process of trying to get this together adds a totally unnecessary dimension of time, and this added dimension of time is the largest single element of frustration in the FHA rehabilitation program and also in the new construction program.

Well, we finally had a meeting in our office about it and we made a proposal. We said, "McGilvray . . ." (He was with the Boston Building Department. He is a qualified and licensed builder.) We said, "McGilvray is competent. He knows as much about these structures as anybody in your office. He is honest. Nobody has ever questioned that. Why not give him a stamp and let him certify to FHA that we have met FHA standards and let that end it right there?"

All of you have had enough experience in government to be perhaps as surprised as I was when they agreed to do that on an experimental basis because they liked McGilvray so much and because we were bothering them so much. But with that new arrangement, the processing problem was broken down.

I will not talk about the Boston banks' urban renewal group because Joseph Bacheller and Robert Morgan, two distinguished and very cooperative bankers, are here; I am sure it is far more interesting from their perspective. But without their participation this whole thing would have been a disaster, I think.

"312" and "115" Programs

Now the "312" and "115" loan and grant programs for rehabilitation, which are in a sense in competition with the "220" program, are nonetheless of extreme value. Respectively, these are the $10,000 3 percent loan and the $1,500 grant programs. These are the most useful things that have been done by the Congress to promote rehabilitation in the 12 years I have been in this work. The only thing we are unhappy about is that we see some tendency on the part of FHA – it is sort of like dough rising, an irresistible force within that agency – to be

cautious, to raise standards, to minimize risks. I think it raises with me the very serious question about FHA nationally—and I am not just being locally politic about the Boston office; if the rest of the FHA offices performed the way the Boston one has I wouldn't be saying this—whether FHA is still oriented toward new construction in the suburbs. I do not believe that you can alter that bureaucracy. That bureaucracy has been in existence with a suburban orientation for 25 years. There has been implicit in it a process of residential segregation, and I personally, thinking nationally, do not believe that FHA has the capacity to turn around. This is not because there is no desire in Washington but because such an administrative body just cannot be turned around. It is too late. I personally believe we need a new instrument.

Now let's go, if we may, to what you will see this afternoon, the "D3" program [FHA 221(d)(3)] which is the second best thing that the Congress and the President have done for housing for the kinds of families we are interested in. You will see that we have been able to get outstanding design. You will see that we have been able with major help from the city of Boston and the urban renewal process to keep the rental levels remarkably low. But we are also there faced with increasing efforts by FHA and Washington to restrict the flexibility of the program, to downgrade the importance of nonprofit sponsors.

We happen to think it's a wonderful thing in Boston that churches in the Roxbury community have been willing to come up and say that they will participate. They have learned in the process how to manage property. They have learned about its details such as insurance. Can you imagine a ceremony in Mayor Collins' office for the signing of an insurance policy? This was a million-dollar insurance policy and the largest then ever written in Massachusetts by a Negro firm.

FHA says about the sponsors, "Look at the assets; they only have a few hundred dollars in the bank." So what? They have the good will of the community. They have an endless list of people who are willing to live, white or Negro, in those apartments. They are beginning to build strength in the community. The idea that it's preferable to give this business to outside real estate developers or to long-established and somewhat stuffy foundations seems to me to be a mistake. I think we ought to encourage these groups. Houses aren't going to burn down; the people aren't going to be evicted. FHA will just have taken some risks.

The "D3" program can be a program aimed at taking care of the people who are displaced in this area and not for importing new residents. We are not trying to export and import population groups. Anybody who tries to do that in this country today is only going to do it on a very small scale. We have unions, Protestant and Catholic churches, as well as foundations involved in this effort and I think they have done well. You will see, and you can judge this evaluation for yourselves. The "D3" program needs the flexibility of the rent-supplement program, but the Congress and the Department of Housing and Urban Develop-

ment by regulation have removed most of that flexibility—which seems to me unfortunate.

I am sure you know that when this kind of housing and rehabilitation program is carried forward you had better also plan for schools, because over and over—and I can say this as one who has recruited staffs and helped other cities recruit staffs—you always want to know, if you are coming in from the outside, about the quality of the schools.

Our schools in Boston, we think, are getting better. We have had a controversy about racial balance legislation which has been bitter and not exactly productive; but a truce has been signed and our school construction program, we believe, is now going to move forward. In the YMCA, in the branch library, and courthouse and police station, and the other community facilities, we are trying to put other amenities—as the architects and planners use the word—into the neighborhood.

Now our objective is not to bring suburbanites in. Our objective is that when any Boston family can afford a choice—and whether it be a family from Charlestown, which is overwhelmingly white, or one from the South End, which is the most racially heterogeneous neighborhood in New England—our objective is that when there is an opportunity for a family which has achieved the economic resources to move out, it doesn't automatically move out because things are better outside. This is the story of Chicago, of Philadelphia, of New York, of New Haven, of all of them—that when you get the income, you go outside because the schools are better; the streets are safer; the services are more adequate. The idea of pulling all of those people back is impossible. There isn't room for them. But at least we want to be competitive and have a fair chance of keeping the people we have; and when people come to town, we don't want them automatically, if they have children, to decide they have to live outside, which is what they will decide in almost every American city I know anything about. So our objective is competitive. We want these city schools and facilities to be as good as the suburban ones.

Now to move on, we have a shopping center there which is not owned by the people in the community but largely—99 percent—staffed by the people in the community. It has some problems. Mr. Morgan is a tenant with his bank out there and he may talk about that. But for the first time, the people of this major part of the Roxbury ghetto have competitive shopping right inside their own community.

We have very little industry, and I regret to say that it is unlikely that we will have major industry in this program. This is an important thing and an unfortunate thing, but industry today requires flexibility. It requires one-story structures; it requires sufficient flexibility so that the technological changes which come so rapidly can be accommodated. It requires accommodation to success, which means in conventional banking terms 50 percent expansion room; it also requires accommodation to failure, so that if the occupant goes bust, somebody else can come in. All that, plus the fact that factory workers overwhelmingly drive their own cars or car pool to work, requires parking space. Throw

in just a minimum of landscaping, and you have a total land requirement for a factory which a built-up city cannot accommodate. We would be more disturbed about it if we were not proving that we could compete with the rest of the country, and with our suburbs, in office use.

Our future development, economically, is vertical, and there is enough verticality in downtown Boston.

Attention to Design

I don't want to talk overlong about design but I must say that we try to pay very careful attention to the quality of what we are doing. In the last six years I think this has been accepted, not only in urban renewal areas (where there is no choice but to care about design under our rules), but outside it. We were particularly pleased when the Boston Five Cents Savings Bank decided when land was offered to them to hold an architectural competition. You will see the model that has resulted and the building that will go up nearby. I think you have all seen enough Federal buildings in Washington, and of urban renewal projects elsewhere, to know that too often the final product is going to look like something nobody cared about. We cared desperately in Boston, and I think we have made it fashionable for other people to care. I may be claiming too much there.

I am not going to say more than a word about relocation except for one thing, and that is to say that we are very happy that Walter Smart is able to be helpful to you just as out of my spare time I am very happy that I can try to do a little useful work in the Bedford-Stuyvesant section. I think that this kind of extra work ought to be done more — in the first place to keep staff from getting restless; also so the operating know-how that people have to work with in local agencies can be put to wider use than is customary today.

Relocation, we think, is in good hands here in Boston. It's the hallmark of any successful urban renewal program. There is no amount of progress which is worth achieving at the cost of sloppy or harsh relocation. We think we are doing it sensitively and, I think, with Walter Smart as Director, with distinction.

Social Renewal Underfunded

I won't try to say too much about social renewal except to say that it should be a very important part of any comprehensive housing program. It is totally underfunded. In any quantitatively significant sense, programs of social renewal do not exist in this country today. We have never been able to get from the poverty program the kind of follow-through needed. It had always been our hope that with ABCD [Action for Boston Community Development] and OEO, [Office of Economic Opportunity] when a family was placed in our relocation caseload, it could have the kind of social attention, the kind of social analysis and

social welfare aid, that would help to make the housewife a better house-keeper; that would help identify the problems that children might be having in school; and identify the important underlying problems of income. We had always hoped that as families were placed in the relocation caseload, these resources would be available.

The poverty program nationally has never understood the importance of this interacting of physical and social renewal. So as far as I am concerned, it has frittered away most of its resources in arousing expectations which it has no prospect of funding. I think the opportunity to complement a renewal program of this kind with a program of social renewal is one which has almost entirely been missed. I don't think it is necessary or irrevocable. I think that we should be able to do it. After all, in a neighborhood like Washington Park or the South End, we tend to remove only the worst housing, which only the people who have the least choice live in. Therefore there is rather naturally a serious problem of income, and often there are problems of social maladjustment of one kind or another.

To encourage the formation of poverty programs in small towns throughout Massachusetts and in parts of the city of Boston which have much less serious problems compared to those in the "ghetto" is frittering away limited resources. This attempt to build a constituency, naturally, seems to me to be wrong.

If we had the resources — and Walter Smart and the people with him have done a splendid job in helping to reorient the private agencies from whom we have had enormous help, but nowhere near enough — this new program could have been significantly helpful. It has not been. I hope we can shape it and make it so and I hope you will consider this line of inquiry as you make your studies.

I would like to say one thing about standard housing. People who live in the very lowest income parts of the city require it. We have all heard stories about coal in the bathtub. By and large, those stories are false, but we do know that there are true stories about families who have been relocated into decent housing which, thanks to their housekeeping habits, has not remained decent very long. We cannot expect to solve this problem unless we get this component of social renewal built into it.

Public Housing "Most Significant Failure"

I would like to talk briefly about public housing, which as a lifelong Democrat I think is probably our most significant domestic failure. The public housing program as it has developed in the United States has been almost a total failure in European terms. If the Irish in Dublin will welcome new public housing and the Irish in Boston will reject it, and if other ethnic groups take the same attitude, we have to look at the way we do it. By and large we build vast institutional blocks. They have them in Chicago, a solid mile of them. We have them in Boston in Columbia Point. We have them in Philadelphia. We have them jut-

ting out in the skyline all over New York. They do not create communities; they create institutions. They create an undesirable, inhuman environment which people move into only because the choice of staying out is so much worse.

All my 12 years in this work and before I have supported the idea of public housing, but I am gradually coming to the belief that it is impossible. I believe it is impossible to turn the Housing Assistance Administration into the creator and sponsor of livable public housing communities which fit into their neighborhoods. The insignificant effort nationally where this has been done is far outweighed by the continuation of construction of ugly large-scale housing which, to everyone's surprise after completion, has major problems of vandalism and social disorder.

Not to encourage you on a junket, but I think there is more to be learned about successful public housing for America in the city of London than in the whole of the United States. I think you should visit London County Council Housing Estates, where they have shown this can be done. You will always find at the center of each housing estate a school, a green grocer, a library, a chemist, a branch bank, and somehow or other a pub. Imagine putting a pub in the middle of that mile of public housing in Chicago; imagine putting a pub out at Columbia Point! But what we are saying, instead, is that 2,500 families in Columbia Point either don't drink or shouldn't. That is the kind of public arrogance which is really unforgivable. We must make public housing attractive for the people who live there. I think it's time we admitted it is a failure in America today. Nobody is going to get hung in effigy; nobody is gong to be turned out of office. Why not say it is wrong? It doesn't work. Let's go at it afresh.

I began by saying we have a program. We think we do have a program. It includes an up-to-date master plan. It includes a transportation policy for the city of Boston in relation to the agencies which really control transportation in the metropolitan area. It includes a capacity to relate to the metropolitan area planning problems. We have a helpful Metropolitan Area Planning Council with a very talented staff but with no significant powers. We are very reluctant across the Nation to give any significant powers to metropolitan or regional planning bodies; so we are very slow on open space, and we are nowhere on air and water pollution. And the lowest priority item on any regional or metropolitan planning body I know is the matter of a metropolitan housing policy which might loosen the "white noose" as Dick Dilworth [former Mayor of Philadelphia] described it.

Then there is the whole matter of metropolitan education policy. I would say it is clear in Boston, in Chicago, in New York, in Washington, and countless other cities that racial balance in public schools on an enduring basis is not achievable within the corporate limits of a single one of these center cities.

If that's true, and if it is as important as I think it is to have a greater degree of housing and school balance than we are getting, then it

requires a level of state attention and state priority which we are nowhere receiving.

I think that this problem, which does concern you and concerns us all, is something that must be studied and thought about on a national as well as a metropolitan basis.

Local Administrative Integration

I would like, having said what I have had to say about program, and without being too long, to talk briefly about structure, because I can't resist it. Most of our cities operate on the assumption that an independently organized housing authority, an independently organized redevelopment authority, separate planning commissions, and Heaven alone knows how many other agencies, can somehow or other be pulled together into a coherent and forward-moving program which can achieve quality and momentum and so on.

I suggest that if you look at the cities, you will find that every city that has made progress has created either formally or informally an administrative integration, an administrative mechanism, that has made the difference. Here in Boston the Boston Redevelopment Authority is almost the only such agency in the United States which is also the City Planning Board. We practice the rather simple policy that those who make the plans should carry them out. Almost no other city does. We don't mind because competitively it has been a great help to us. Basically we have tried to create a system, and most recently in the Boston Public Facilities Department, we have created a system of public construction which I think is going to astonish the city in a year or two. This is something which the workable program requirement of the Federal Government has failed to recognize. It has accepted any kind of administrative papering that any community offered up, and I think the results are unfortunate. We have had experience with the necessity for administrative inventiveness, and innovation in the private sector such as the Boston Banks' Urban Renewal Group, the Downtown Waterfront Corporation, which made our waterfront plan what it is, and the Committee for Central Business District. You cannot make a plan with the most talented staff and consultants available in the world for this area without an effective partnership with the community affected. Citizen participation, maximum feasible participation, is as valid in downtown planning as in suburban planning.

Just a word about staff. I think as you go from city to city you will find that more cities than not assume that long-established civil servants can make a program of this kind work and that civil service itself is a necessary factor. I would suggest that one of the more important reasons for the success you saw in New Haven and for such progress as we are making here is that civil service does not apply to either one of those staffs. And again we don't mind that our competitors have to live with civil service. In this way we have been able to put together a staff of

over 500 city planners, architects, landscape architects, economists, traffic engineers, social workers, rehousers, rehabilitation specialists, lawyers, public administrators and a few generalists to keep it all together. We are rather proud too that we have the smallest quotient of political appointees, shall I say, of any public agency around.

You are aware of the crucial necessity for leadership in cities if useful change is to take place. In your chairman, in Mayor Daley [Mayor of Chicago] and in the other distinguished mayors, you have this leadership quotient. Too many cities assume they can get by without.

I want to conclude with what I consider the most vital and most unfortunate aspect of this whole problem — which is the matter of resources. It is easy enough for you and me, together and separately, to put together a program, a structure, a staff, and hope for the leadership. We have worked to get the leadership. When I was in Philadelphia the other day, where they have an excellent staff and a magnificent program and where they have had the leadership, they don't have the resources. The resources are not available for Philadelphia to do what must be done.

I think what John Lindsay [Mayor of New York City] has done in a year and a half in creating a program, and in creating a structure and getting an exciting staff and providing leadership and getting civic leadership, is extraordinary. But every consideration of New York must begin and end with the question of resources.

Curiously enough, it is not the local government's resources for capital investment that presents a problem under the urban renewal program. We are able without straining to carry our one-sixth share of the net project cost, and this Commonwealth of Massachusetts is, without strain, able to carry its one-sixth. It is the Federal Government which doesn't seem to be able to afford to renew New York and Philadelphia and Chicago and Boston. I don't think this should be so. I don't think it need be so. I recognize that the war in Vietnam has a major claim on these resources, and I would not ever advocate that anything be taken away from that effort and put into our troubled neighborhoods; but I don't think we are limited to that choice.

I think that the space program can and should be cut back drastically and quickly. I don't think that it's important to put a man on the moon or put a new town on the moon ahead of the Russians. I would be very glad to let the Russians carry that cost while we try to solve these urban problems. If you walk the streets of Harlem or the West or South sides of Chicago, and you don't feel safe doing it, that is another way to see the enormous dimensions of that problem.

But I see no hope to cut Jim Webb [Administrator, National Aeronautics and Space Administration] back to a quiet little program. I think of the many wise things that President Eisenhower said — that warning he gave us all about the power of the military-industrial complex of contractors, is something that none of us has ever fully appreciated. They are stronger than we are and they are a hell of a lot stronger than the people who live in the slums; so I don't see any hope of cutting the space program back. Nor do I see any hope of having a

slum tax, a little added rider of 3 percent for slums. I would hope you would advocate it.

As I think of the years I spent going to Washington with my begging bowl, and passing resolutions and drafting resolutions for others to pass or consider, I think the question of Federal cash is a question that I am willing to put on the table. I am tired of arguing for it. I see no prospects of getting it.

Private Enterprise Absent from Ghettos

I do think that there is something else—and this is the very last thing I promise I will say—I think there is an opportunity to put the great missing link in this area. The great missing link in our ghettos is the absence of private enterprise. We have the most effective, the most creative, the most dynamic private enterprise system the world has ever known and it doesn't work in the ghettos. It gets out of the ghettos; and with the exception of people like the bankers whom you will hear from this morning, there is a turning away. In New York and in Washington, in every part of the country—I know of no place where there is an exception. The plants pull out; the stores pull out; the supermarkets pull out; the loans are not made. The private phrase is "red line." We have created a red line that is as high as the Berlin Wall around these ghettos, and private enterprise is staying out. We must bring them in. I suggest there is one simple way to do it, and that is to revise the internal revenue code to make it attractive to invest in a ghetto.

Now, Mr. Chairman, I believe I am familiar with the established doctrine about the internal revenue code, which is that it should not be used as an instrument of social policy but as an instrument for producing revenue in the fairest way possible. But that too is as unsuccessful as our appeals for more money. We are not going to knock out the depletion allowance. We are not going to do any of these things. If you look at what happens to a slumlord on the South Side of Chicago or in Harlem today, that slumlord can have a hundred violations on his property; he may not have put a dime into maintenance but every year he can deduct depreciation. The internal revenue code is helping him. But the people that Bob McGilvray wants to persuade to invest in the rehabilitation of their owner-occupied homes, when April 15 comes around and they look at the money they have put into their properties, the internal revenue code has no line for that. So we are encouraging slumlords in the most powerful center of encouragement, which is not the local housing inspection department or the local renewal agency, but the internal revenue code.

It seems to me that there are a couple of things that could be done. The Congress could adopt legislation which would say that nobody gets a deduction for depreciation who can't present a certificate of standardness. And Dan Finn, the Housing Inspection Commissioner in Bos-

ton, could readily provide that or not provide it, and it would have an effect on the flow of investment. If Bob McGilvray could add to his sales talk the idea that you could get a thousand dollars a year deducted from your taxable income if you could prove that you spent it, the only evil that I could see coming from that is over-improvement, and I don't know what's wrong with that.

And if we could say to our friends in the banking community — and I recognize there is disagreement with this — that if you buy school bonds you get tax-exempt income, why not, if you buy mortgages in blighted areas, why shouldn't they be tax exempt? Why not, until we have solved the problem?

We watch the way capital flows in and out of areas. This is the way it could be channeled. If we could say to other investors that we recognize that going into the ghetto is a great risk, and we will write it off just as rapidly as we write off an investment in new machinery even though this is an investment in people, we might just turn investment into areas where it is moving out. And if we recognize that training untrained, alienated people for useful employment is a hazardous business, and if we allowed any income that was achieved from that and any extra cost of it to be given extraordinarily favorable consideration, I think there would be an increasing sense of social responsibility on the part of American business.

I think we all know that we cannot expect the business community to engage in wholesale charity. We have an instrument whose effectiveness has been proved. This is the internal revenue code. I don't expect that we are going to defeat the space program. I don't expect we are going to get a slum tax, but I would like to say that this adaptation of the internal revenue code needs to be seriously studied by somebody. It seems to me it could be studied by you. The most delightful thing about it is that it would cost the Treasury of the United States not one dime; it would cost the city government nothing; it would cost the State government nothing, because this is all income that otherwise would not exist.

I have talked much too long, Mr. Chairman, and I apologize.

MR. DOUGLAS: That was extraordinarily fine testimony. I would like first of all to call on Mr. Johnson.

QUESTIONS BY COMMISSION MEMBERS

MR. JOHNSON: *Thank you, Mr. Douglas. Mr. Logue, one thing that interests me very much is the question of the nonprofit sponsors for the 221(d)(3) projects. I would be interested in knowing who some of the sponsors are for the projects, say, in Washington Park, and what their experience has been with these projects.*

MR. LOGUE: Well, Mr. Johnson, I think the basic idea that we find exists in a community like Washington Park or a community like Charlestown is that people don't want to be *done for;* they want to *do*

with. And the St. Mark Congregational Church, which is located right in the middle of Washington Park with an active lay group and a very energetic pastor, came to us and said,

"There is going to be housing here. Why shouldn't we serve as sponsors?"

And we said, "Fine. You are going to have to learn things you don't know, but so are we."

There are four parts to this team. There is a sponsor. There is an architect, and in this case the architect is a Negro firm in the area which has done work that Ada Louise Huxtable of the *New York Times* says is the best thing between here and Finland. (That may be a little extravagant but we won't say so.) There is a contractor. And there is somebody who has specialized FHA knowledge. But the sponsor has a critical role in deciding such questions as bedroom distribution, what kind of amenities, what kind of housing is preferred.

St. Mark Congregational Church formed Marksdale Gardens. An African Methodist Episcopal church formed Charlame. The Building Services Employees Union formed Academy Homes. St. Joseph's Church also did one. Warren Gardens is being done by the Charlesbank Foundation, which had a history of providing housing of this type in the West End in an earlier era. We are very pleased to have them in Washington Park.

You will also see sales housing being built, but we cannot encourage the construction of sales housing, because the Federal program provides no special inducements. You have to pay the normal interest rate and everything else. While there is a tremendous desire for home ownership, we can't seriously push new construction with the programs that exist since it comes out at monthly costs that miss too much of the market.

In the South End we have selected the People's Baptist Church, the Tremont Methodist, and the Union Methodist Church, all neighborhood churches.

Over in Charlestown we have selected a group which is composed of longshoremen, teamsters, businessmen, and pastors and we think this adds strength to the community. We don't see why, if the thing is going to go, why the FHA wants to see a balance sheet on each nonprofit corporation. We now have had enough experience with completed nonprofit housing and the maintenance is good. Families are not stacked one on top of the other; there is a chance for identity. I think FHA is making a mistake in discouraging nonprofit sponsors. I don't think we alone are going to change them one bit.

MR. JOHNSON: *I agree with you. I think this Boston experience is a very desirable thing to happen in the community.*

The other thing I wanted to pose was just this: Looking at the creation of a neighborhood within a wall like this, it is pretty clear that you probably didn't have too much to say about its size or the extent. How much do you have to say with respect to the location of the highways? Which comes first?

MR. LOGUE: Unlike some other parts of this metropolitan area, we

don't have problems on highway location. We just wish they would build them. They don't seem to be able to build them. It has taken a very long time. Where that highway is supposed to go is the single most blighted part of Boston. This indecision and inactivity on the part of our State Public Works Department has been a very significant generator of blight.

We, by the way, have contracted with them — we're volunteers — to do the relocation, partly because we should, I suppose, and partly because, in all candor, I thought we would get blamed for it anyway. But this neighborhood has an identity. One of the great things about Boston is that it has topographical variety and history. Charlestown is not a planner's creation. It really is a thing that has a life of its own just like East Boston and South Boston and Roxbury. Washington Park is a part of Roxbury. And Roxbury, because of the rapid turnover in population, had ten years ago, I think, rather little sense of community. I think the urban renewal program has been a major factor in creating a positive sense of community. But the South End neighborhood is broken into 16 subneighborhoods. The people who live there broke it up, not us. We can show you maps where Tad Tercjak, the project director, and his predecessor there would walk the streets, the blocks, section by section and say, "What do you think ought to be done? What should be left? What should go and what should take its place?"

MR. JOHNSON: *I just mention that because there are other places in which the highway pattern has created little island neighborhoods that really would not have been created otherwise, would not have existed otherwise, and that didn't really count as neighborhood units. Perhaps this one is a workable one.*

MR. LOGUE: I hoped they would emphasize this yesterday in New Haven. The highway system there was laid out to conform with an overall plan for New Haven and the Quinnipiac Valley. The program has been adapted to conform to the inner belt. The design has been done with great care and I will give full credit to the Public Works Department for that. In fact, the construction of that highway will be a major positive advance for the South End, because the South End is now the filter for too many different kinds of traffic.

If you look at Bedford-Stuyvesant, for example, you see the same thing. There is no effective arterial system in that part of Brooklyn and therefore you have the neighborhood hazards of trucks and high commuter volume going through.

MR. WOODBURY: *There are many things in your talk I would like to ask about but let me limit it to two. One is the old standard question: What happens to the rents in the rehabilitated areas?*

MR. LOGUE: They go up somewhat.

MR. WOODBURY: *Roughly how much?*

MR. LOGUE: I would say on the order of 20 percent or less.

MR. O'NEILL: *What are the exact figures?*

MR. LOGUE: Well, I think Bob McGilvray could give you that

in more detail and I think I would like to submit it in some detail,[1] but let's just say from a range around $70 to a range around $90.

We are finding as we move rehabilitation that the owner-operators are having to do this to higher standards all the time. As I am sure you all know, low-income families do not have cheap housing any more — not in cities like this or any of our major areas. The housing is relatively quite expensive. When measured on a square foot basis, the expense is frightening. But this program makes refinancing possible.

In the red line ghettos of America, the financing is crazy, and in Boston and New Haven and any other city which does this on a scale, you can in many cases reduce the monthly cost by extending the mortgage and lowering the cost of financing. But the cost of rehabilitation in terms of rent increases has not been a deterrent in any significant sense in any part of this program anywhere in this city. I think 10, 20 percent more is worth it. Often it isn't that.

We would like to be able to relocate people who live in substandard housing into standard housing at no increase in cost. I don't know anybody who does.

"Reverse Commuting" to Employment

MR. WOODBURY: *My other question relates to employment possibilities. Again in Roxbury, I wonder if the phenomenon of reverse commuting is beginning to play any part. I mean with industry moving out of the city, are some people instead of coming in to work going out to work?*

Three or four years ago someone indicated there were about 330,000 people coming into the city of Chicago (which you know is a much larger area proportionately than Boston) and almost exactly a third of that going out to work — 110,000, something of that sort. Do you see any movement in this direction in the Boston area and would this be in any sense a prospect for helping to maintain the viability of the residential districts, even when you are in a bind on industrial space?

MR. LOGUE: One of the most fascinating sights in America is to go out to Chicago in the morning — catch an early plane — and watch the white commuters struggling in and the Negro commuters struggling out. It's not entirely healthy but it's awfully striking. We have the same thing in Boston — not in as concentrated a way — but we do have people fanning out to get to work. You remember what I said about the way in which we get low-level industrial construction.

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[1] As reported by the Boston Redevelopment Authority, rents in housing rehabilitated under the 221(d)(3) program rose approximately 20 percent. Under the FHA 220 program (1 to 11 units) rents in the rehabilitated housing rose no higher than 10 percent. Shorter processing time, lower overhead, and exemption from paying prevailing wages in the rehabilitation procedure were reasons given for the more advantageous rents.

This is taking place out here on Route 128. Very exciting. And the growth of that, which I trace largely to Harvard and MIT and Northeastern and our other universities, has given us a very strong economic base. We are increasingly having factory operators going out there.

Interestingly enough, in the South End, which some years ago could have been accurately described as the most studied slum in America, certainly in New England — more PhD. dissertations — we now have a substantial number of young business and professional families moving there.

MR. WOODBURY: *I want to make clear that I am not promoting commuting for commuting sake, but I think this is a problem we are running into in a number of places with the industrial space limitation and so forth.*

MR. LOGUE: The local suburban governments in America, in every metropolitan area I know, positively discourage low-income families of different races from coming out and sharing in the amenities of suburban life. I think to make this an individual act of heroism on the part of every non-white family to get outside is dangerous.

MR. VANDERGRIFF: *First of all, Mr. Logue, about your plan for investment in the ghettos: what are the means to trigger such investment? And since this isn't the first time that you have advocated this — I read a bit about it recently — what has been the reaction? Have you acquired any disciples?*

MR. LOGUE: I am looking for somebody else to be a disciple on this. I was frankly somewhat startled, when I first made the suggestion publicly to the Ribicoff Committee, that the staff director said, "Nobody else has talked about the income tax." This surprised me, and I have talked about it, and in a sense I am taking advantage of you all this morning, but I intend to. I think we need a book like Phil Stern's *Great Treasury Raid*[1] on the unintended damage done to central cities by the Federal Government, by FHA, by the Bureau of Public Roads, by the internal revenue code — things that were never intended by the Congress or the executive. We don't seem to understand how the creation of attention in one place positively discourages attention somewhere else — in the ghetto, for example.

I have had some interesting response and I think I will have more. What I am really trying to do is to get it on the agenda of urban discussion. I am hoping to persuade some people at the Harvard Law School who know an awful lot about the income tax and nothing about slums to think about it, and some people in Philadelphia where they have very serious and sophisticated citizen-concern with this problem. But I haven't had a letter from the Chairman of the House Ways and Means Committee.

MR. VANDERGRIFF: *Two other quick questions. First of all, I have understood from what you have said today and from what I have read about you that you believe it's important for your agency to*

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[1] Philip M. Stern, *Great Treasury Raid* (New York: Random House, 1964)

have great flexibility, great freedom. Could you expand just a bit on this?

MR. LOGUE: I don't want to make another speech, but I think you ought to look sometime from this point of view at the very helpful document the Office of Economic Opportunity produced called, "Catalog of Federal Assistance Programs," geared to both individual and community improvement. It is about two inches thick and it describes all these things. The latest one is a program for rat control. Now we really don't need a Federal program of rat control with a Federal rat administrator and regional rat administrators.

We have one small Federal-aid program here which has taken more bureaucratic time of the Feds and more local staff time than the main urban renewal project for $750,000. It is not worth it. We have a serious problem because the minds of people in Washington are at least as inventive as ours and perhaps much more so, and they keep inventing categorical programs and keep creating staffs. As one of my friends says, maybe we should impose this workable program requirement on the Federal Government. When you try to coordinate Health, Education and Welfare, HUD, OEO and Labor in one of these neighborhood facility things you have a job on your hands. When we are dealing with national issues of the complexity of the war in Vietnam and the space program and economic policy and all of that, we ought to have one level of government that has some freedom to do something. Every time we put out another Federal manual, we are helping to destroy creativity at the local level. I think that we are as honest as anybody in Washington and that we know our problems a lot better. I think that our priorities in Boston are different from those in Chicago and Washington and New York and New Haven and Baltimore.

We ought to get block grants. All we really need out of the Federal Government is money. We take a lot of advice because that's the only way you get the money.

Because of our national economy, the most effective way to collect revenue is through the Federal income tax; the least effective way is to assess property here. The Mayor of Boston has got to be very careful how much he tries to get out of real estate because the investment is mobile. The Governor of Massachusetts has to be very careful because the Governor of Arkansas keeps sending that literature up here. This is a national revenue problem, and I don't care whether we call it the Heller Plan or the Nixon Plan or the Johnson Plan or the Reagan Plan. We have got to get money, and without a stifling amount of bureaucracy at the same time.

MR. VANDERGRIFF: *One more question—and this is somewhat removed from what we have been talking about today but you are the man to whom I would like to direct this question.*

In New Haven yesterday I was tremendously impressed with the Conte School in terms of social renewal. Now I don't know that anybody in New Haven would have told me what's wrong with it or why it doesn't seem to have been duplicated in more places like

the ghetto areas where we have been. But what is wrong with it, if there is anything, in your judgment, and why hasn't it been duplicated in more places?

MR. LOGUE: Well, there is only one thing wrong with it, and that's my fault—it is a little bit expensive, but the investment is worth it.

When I get weary sometimes and wonder whether we are ever going to get anything done, I find that a visit to the Conte School will give me encouragement again. That's my favorite place to visit in New Haven or anywhere else in this program. And what I like about it and what's important about it is not that great big swimming pool and basketball court and the special programs for the kids and the fact that there is a branch library which is a kind of neighborhood study hall, but I love to go in there and see those old Italian gentlemen playing cards for money in a public building.

I will tell you what's really wrong with it. The only time that Dick Lee ever double-crossed me—I wanted to put a public restaurant in that place. I wouldn't have minded having a liquor license in there too, not for myself but for somebody to have a license. But the Mayor and the neighborhood priest had a conspiracy while I was on vacation, and they knocked it out.

We are trying to do that in Boston. We have had—and I won't bore you with it—the terrible problems of divided authority and then the racial imbalance law, which I think is not workable; but we will try to have schools like the Conte School. I think you will see more because people from local communities like Bedford-Stuyvesant or from anywhere, when they go to look at New Haven, that's the thing they take away more than anything else—not the new hotel; not the garage; not the housing. They take that.

MR. VANDERGRIFF: *I echo those sentiments.*

MR. O'NEILL: *Mr. Logue, one question. You said that it was absolutely essential for the revitalization of downtown areas to create employment for the people in the old neighborhoods. What I would like to know is what kind of work you might be thinking of, because you also said that you cannot accommodate the land requirements for industrial uses in downtown areas.*

MR. LOGUE: Well, there are jobs, office jobs of all kinds. We shouldn't think of office jobs as being primarily clerical. The banks have major problems; the BRA has major staffing problems. There are opportunities for far more jobs in Boston than are filled today. We could hire more. The bank could hire more, but we need to have these generators of employment opportunities and one of the things we need to do is find ways to train people carefully.

MR. O'NEILL: *What is the educational level of the unemployed in some of these older neighborhoods?*

MR. LOGUE: It is grade school. And the basic problem is not so much the amount of the education as the extent of alienation. That's a tough problem. Too many of us are too often inclined to be critical of them because "there is something wrong with them."

I remember when I was growing up in Philadelphia there was a

guy that came around every evening and turned on the gaslight. He was like the man in the poem "Leary the Lamplighter." And every morning he or somebody came around and turned it off. I live now on Beacon Hill. We have gaslights over there and they are on 24 hours a day, 365 days a year, because Leary costs too much.

The point of that story is that we don't have that type of job anymore, where a family man could raise a family in dignity—if not in comfort at least in simple dignity. Those broad-back jobs are disappearing. We have to cope with that on some significant scale, but we do not. I don't believe that the Government should provide the answer. I would like to make it wildly profitable for the private developers to do this through the internal revenue code.

MR. DEGROVE: *Mr. Logue, you certainly touched a sensitive and responsive nerve on my part in saying that there is a real problem of structure in trying to have a comprehensive, overall plan in a metropolitan area. I take it that by no means does all of the Boston metropolitan area lie within the city limits of Boston.*

MR. LOGUE: Less than 25 percent.

MR. DEGROVE: *Okay.*

Now, I was not so happy to hear you say that what you really need is just more money from the Federal Government. It seems to me that along with the block grants, along with the flexibility in terms of program, maybe there had better be some added strings, if you will, or requirements, in order to put some starch and backbone into the effort to look at these problems on a metropolitan basis. If massive amounts of money are going to come from the Federal Government and/or State government, if the millennium is here for reapportionment, it seems to me there are certain kinds of controls that need to be strengthened at the very same time we are relaxing other kinds of controls that aren't very functional. Would you respond to this?

MR. LOGUE: In a very informal way that's the way it works now. You will find that Chicago does relatively far better than New York in getting Federal urban renewal money. That's because they have, and have had in the past, let's say, a far more effective instrument. I think Mayor Lindsay has created that instrument [in New York]. It doesn't happen overnight, but he's going to be a first-rate competitor. I am glad we got there ahead of him.

I would have no objection, and would positively encourage, the Federal Government to say, "Show us that you have got a system that will work" instead of doing it formally. What they do now is give anybody one project, but they won't give very many second projects to people they don't think can handle it.

They should cut out the nonsense. Every business relocation claim we have has to be reviewed in detail in New York. I don't mind their reviewing property appraisals—that helps keep us honest—but the stuff that they are concerned about is stuff that they have no need to be concerned about. If we could free up the staff that's doing unnecessary things, we could probably staff up half a dozen cities.

MR. DEGROVE: *I think you put your finger on it yourself in saying that the problem of getting OEO and HEW together is tough. Well, it is tough, but it's just as tough in my experience with cities to get the planning board and the urban renewal development authority and the public housing local authority — to get these people together.*

You indicate to me that you have done a very good job of this in Boston. Do I understand that the public housing authority is within your organization?

MR. LOGUE: Let me not claim too much. I suspect at the end of the day you will hear some testimony about how inadequate we are, but that will be at the end of the day, and you may be tired by then.

I think that in Boston we have a degree of administrative integration. We have taken down $200 million of capital grants in six years, which is more than any other city has of any size; and this is, I think, because we have demonstrated a capacity to use it effectively.

Now we do not have this kind of administrative integration of the housing authority. I see no need for centralized control of the management of public housing. But I think that although our cooperation with the Boston Housing Authority is improving, it is the victim — and I am not trying to push it all off on the Federal Government — of a Federal program which is moribund. We have very close working relations with Commissioner Finn; we have very close working relations with the Public Facilities Department. You don't need total integration.

I believe one of the things that we considered very seriously in the work we did for Mayor Lindsay last year, one of the most important recommendations we made, was decentralization. It is one of the things that I hope we will come to in Boston and in Chicago and in Washington and in all the cities of half a million or more in size.

I think really I am suggesting, Senator Douglas, that I don't believe that in Chicago you should have to go to City Hall to make the decisions about urban renewal and public housing and public works and even education. After all, we are all rather confident that a suburban community of 5,000 or 10,000 can do all of these things; so why shouldn't the center city neighborhoods be able to? I think we are going to see more and more and more interest in that, and I hope we don't get so much that we obscure the question of resources.

MR. DEGROVE: *Just one last comment. One of the most exciting things I have seen happen in cities lately, being involved as an observer in the effort of the Miami metropolitan area to put together a Model Cities program application, is that the effort has brought people in that community and the bureaucracy face to face with one another in some kind of meaningful dialogue often for the first time. I don't know if this is the best way to do it, but it happened there. It's going to have to happen in the metropolitan area if any kind of coordination — not only of planning but of planning implementation — is going to take place. I enjoyed your testimony.*

MRS. SMITH: *We are running so late I will pass.*

MR. BAKER: *Mr. Logue, you indicated not many cities throughout*

the Nation have any kind of comprehensive program and that the reason for this perhaps was lack of resources. You mentioned resources both in terms of funds and leadership. You dwelt on ways to deal with the funding problem but the leadership problem also is of great concern. How would you suggest this could be resolved?

Five Elements for Success

MR. LOGUE: I think there are these five things, and I would put them around a circle: There is a need for a program. Otherwise, you will do nothing important. This is a comprehensive plan and a program to carry it out. You need a structure that has some hope of working. You need a staff, and you need both public and private resources. The $200 million of Federal money that we have received has resulted in a commitment of $2 billion worth of construction, both public and private.

But the leadership is the other element without which none of it will come together. Now every mayor that I know or have watched has tried to get talent into local government from law offices and from university faculties and from elsewhere. What happens? The guys say "No," because the challenge in local government is not sufficient. The structure is not there, so they can do a job. They all sail off to Washington and become assistant secretaries and all kinds of things—what Dick Neustadt [Prof. Richard Neustadt, Harvard University] calls the "in-and-outers."

We need to get some "in-and-outers" from the local law firms in local government instead of having them all run down to Washington to do their public service. I think the wives, by and large, would be in favor of it. But we are missing this temporary involvement. I happen to want to make public service a long-term career, but that's a purely personal decision. I think it is possible for lawyers, bankers, and architects who very seldom perform this kind of public service to come into local government and provide administrative leadership.

The political leadership is, again, a factor. You find very few mayors who want to stay in the job forever. It's too demanding, and the resources are too limited. Most mayors want to be senators.

MR. BAKER: *Do you feel the leadership problem is due, at least in part, to the archaic structure of our State legislatures?*

MR. LOGUE: The rural over-representation has been a major factor but I don't think we should blame State government too much. In a way, being governor is a very unsatisfactory job today. You get money and you give it out. A very large portion of the State's money goes to local communities, and the poor governor has nothing to say about it; he is just a tax collector.

On the other hand, no governor, with the possible exception of Nelson Rockefeller, has seriously involved himself in imaginative

thinking about the ghetto. Until they are willing to face up to the metropolitan aspects of it, I think we at the local level certainly don't want to have Federal aid go through the State government. We see very little effective interest on the part of the State government in our problems. We have provisions for State aid for urban renewal, but we are getting no recognition on the part of the Commonwealth of Massachusetts.

MR. DOUGLAS: *So you would not favor block grants to States without restrictions as to how the States would spend the money?*

MR. LOGUE: Not unless there was also another program of block grants to cities similarly unrestricted.

MR. DOUGLAS: Thank you very much. That was marvelous testimony.

One of the fine institutions of New England is the establishment and fostering of mutual savings banks. We have three distinguished leaders of the mutual savings banks here this morning — Mr. Robert Morgan, Chairman of the Board of the Boston Five Cents Savings Bank, where I do my banking to the extent of six cents; Mr. Joseph H. Bacheller, Jr., President of the Suffolk Franklin Savings Bank; and Mr. Leo Stanley, President and Treasurer of The New Haven Savings Bank. I wonder if they would all come forward and speak to the problem of private financing of rehabilitation and housing in gray areas and slums.

STATEMENTS BY ROBERT MORGAN AND JOSEPH BACHELLER, JR.

MR. MORGAN: Mr. Senator and members of the Commission, I would like to open my remarks this morning by not referring to what I was going to talk about but by following up on what Ed Logue has just said in connection with the structure. He makes a fine case for his five points.

The thing that to me is most important is the structure, and the structure is what is making the Boston picture special and what is missing, in my humble opinion, in many of the other cities. And he has quite properly paid due respect to the Mayor of this city as being the key to this situation.

We have been fortunate over a period of some 13 or 14 years in having two strong mayors back to back, both in favor of the programs that you are going to talk about this morning.

Now I would like to defer my comments, if I may, because of the shortness of time, so that Joe Bacheller can answer any questions or tell you a little bit about the workings of the savings banks here and their part in the operation of the housing field in Boston. He is the Chairman of the group.

MR. BACHELLER: Gentlemen, I do not have a prepared speech. However, following Ed Logue's presentation I do think you might be interested in the part that the banking fraternity — more particularly the savings and thrift industry — in this city has put into this effort.

Savings Banks and Rehabilitation

We started about the same time that Ed Logue came here. Bob Morgan and I, representing the thrift industry, met with the city leaders and those who were interested in the urban renewal program. To make a long story short, we got together 21 thrift institutions — all of the mutual savings banks, several of the cooperative banks, including the larger ones, and the larger savings and loan associations. Unlike most of the country, our savings and loan association is smaller in this city. We got these 21 banks together and explained to them what we had in mind.

Essentially what we had in mind — I am speaking now for Mr. Morgan and myself — was to get the thrift institutions to commit themselves to finance any program approved by the Boston Redevelopment Authority and the FHA. These 21 banks agreed to do this. We formed a committee of five members, one from each of the largest banks in the group. Incidentally, we called this group B-BURG — Boston Banks Urban Renewal Group. That's all it is; it's a group. We have no formal organization. We didn't then and we do not now.

We went to the Mayor and told him that we would made $20 million available for rehabilitation. This was over and above those new projects that we had financed, such as the many millions of dollars we put into new apartment house projects. This $20 million was earmarked. I admit very frankly we pulled the figure right out of the air, not having any idea how much money would be needed. And I don't think we know to this day just how much money is needed. Subsequently we told Mr. Logue and the Mayor that the $20 million figure was a purely arbitrary one and there would be no limit to the money that we would make available for rehabilitation.

The Washington Park project, which I understand you will see today, is one we are very proud of. As Mr. Logue told you, the BRA established an office out there. Mr. Morgan's bank and my bank between us have kept a staff person at that office, at the South End office, and at the Charlestown office. We allocate the cost of this among the 21 banks and furnish them with six-month reports.

I don't think there is any question (based on our experience in talking with people from other cities) that these programs will not work unless all of the component parts — the urban renewal authority, the city and the financial interests — work together. We have had absolutely no trouble in operating this group. Our staff allocates cases that are submitted from the BRA and the FHA to our banks in turn according to size, and there has been no question on the part of any of these banks in taking a loan that is approved by the BRA and the FHA. In other words, no discretion is exercised by the individual banks. It is exercised entirely by our staff, which is run by the committee composed of five representatives from the five largest banks.

I could go on talking about this for quite awhile because it's something very close to my heart. I will just say this: Mr. Logue was very charitable in speaking about his attitude with respect to banks investing in these areas. We don't do it in any sense whatever except

in a civic sense. It is not profitable business, because it takes a great deal of work not only on the part of the BRA and the FHA but ourselves – work which we furnish free of charge to anybody.

The program, I think, is successful and I think that Mr. Logue deserves a great deal of credit. I was interested to hear him talk about the FHA's attitude in the beginning and how they changed. Both Mr. Morgan and I were at that meeting. It was a most interesting one. They could not believe – the top men from Washington – that the procedures were as complicated and unnecessarily bureaucratic as they were.

I don't know that I need say very much more about this in a formal way. I would be delighted to answer any questions that I am able to answer.

MR. DOUGLAS: That is extraordinary testimony.

MR. MORGAN: I would be glad to supplement what he has said about this group if you want me to.

MR. DOUGLAS: Yes.

MR. MORGAN: We studied fairly carefully the operation of renewal in Philadelphia in the years when Boston had no renewal in process. We were most successful and most delighted that we were able to induce Logue to come here from New Haven. New Haven's loss is Boston's gain.

And in the process of developing this pool, we had complete cooperation from the FHA at the Washington level and here at the local level. This is an unusual situation wherein the Boston Redevelopment Authority and the FHA are working in such complete harmony as they are here together with the lenders.

Now, there are two types of blighted areas, and I imagine you want to ask some of us about financing in the second type. The first type of blighted area is an urban renewal area that is designated as such. It is in this type of area that these banks are now lending on rehabilitation.

The savings bank pool you have heard about from Mr. Bacheller is actually operating almost on an assigned risk basis. We went into the area when insurance was not even available on the buildings and this was not an easy thing to do. The secret of the operation was the coordinated field operation that Mr. Bacheller has described involving BRA, FHA and the banks. Decisions were made in the field itself, with no office red tape, at one, two and three levels above. The insurance companies subsequently immediately came back in and were willing to grant insurance when the banks worked together with the BRA.

Multi-Unit Rehab Hard to Finance

Now, the areas in which the operation has not been as successful as we would like to see it – and these are the kinds of things I think you want to dig out today – have been the larger units. An example is an apartment building with 20 units which was built 60

years ago. It probably should be rehabilitated but we have not come up with the money for that type of rehabilitation, nor have there been many proposals for that type of rehabilitation. But that's going to be necessary in all the cities that you are interested in and I don't think any of us have the final answer yet.

The real problem in connection with the 20-unit job is that it takes too long to put the property together. By the time all the sticks are laid together in a straight line—by that time the building has run down so that there is nothing left but a shell. When buildings start to be abandoned, as they are in these areas, you have to act very quickly. In the larger jobs, neither the FHA nor anybody else has been able to work quickly enough to save them.

I would like to point out one other thing particularly. I think that the drag in the redevelopment of the city's facilities itself is one of the things that's holding back urban rehabilitation more than anything else. The city is not putting in its streets, its curbings, its sidewalks, its police stations, its trees. The street cleaning by and large has not been up to par. Abandoned cars, believe it or not, are among the major problems—because these cars abandoned on streets are not worth the $50 it costs to haul them away. We even had to change our State laws to cover this situation. Also, when a building is to be improved, if adjacent buildings are abandoned and not removed by the city, the rehabilitation program doesn't get started; this is another of the key things.

Now, these are the areas, I think, where Federal assistance has got to come forward and push the cities and towns to do their job more quickly, whether it be in the form of aid or whether it be in the form of discipline for doing better policing.

Now in the nonurban renewal area: here, I think, is the area where you have the real problem. These are the areas that are alongside the renewal district, not inside it, the ones that are just two blocks on each side of a district where there is no FHA insurance and where there is a real degree of risk largely because of abandoned dwellings. FHA is not available so we need some new form of FHA insurance in this kind of area. I am going to take the liberty of suggesting to you the kind or form of FHA insurance I think we need.

There are many of us—many certified lenders—who have been in the business for years and years and years since the start of it. The FHA knows all about us. They know what kind of loans we have sent to them and what their loss has been on the loans we have sent. It seems to me that some kind of insurance could be worked out where the top of our loan [1] in blanket form could be granted to us in these areas designated—if you will—by them. The lenders themselves could be designated by the FHA on the basis of experience. They should not be afraid to make a selected list of FHA lenders who have done a good job for FHA in all other fields, and leave to the individual banks, the individual lender, the underwriting in these particular areas. This is the best method of getting the work started

[1] See p. 225 for discussion of "top of the loan."

quickly and promptly. Then the Government can make orderly checks, semi-annual checks, to see whether the bank or the lender is doing the right kind of job. But this is the way to get money into these areas quickly. Mr. Logue is a hundred percent right. Federal money itself will never do this job. State money — there is none. City money — there is none. And if these areas are going to be rehabilitated, they are going to have to be rehabilitated with private money. Mr. Logue is entirely correct in my humble opinion.

Secondly, I think that there ought to be a greater interest in code enforcement. Frankly, we loaned in some of these areas four years ago, and the houses next door have still not been made to be rehabilitated. Now I know this is a real problem. It's difficult to tell a man and his wife 65 years old that they have got to convert their single-family house to a three-family affair and start to be landlords for the first time in their lives. This is difficult. So since they do not want to do it, the house stays the way it was and is a blight on the good properties next door. On both sides, where we have tried to do a rehabilitation job, it's hurting the value of what we have done. This makes financing very difficult so we need more enforcement in the areas that we are working in.

Know-How to Groups With Seed Money

Now in addition to this, it seems to me we need more encouragement for the equity groups, for the seed money people. You heard Mr. Logue this morning tell you about the church groups — he rattled off a whole long list of church groups. There are also charitable funds that could go into this business, and they are doing it. He gave you the names of several unions; they are doing it. More encouragement for the seed money is very necessary. On the other hand, it seems to me the area where they need help is not in putting up their money — they have the money — but in providing them with pros to do the job. Obviously a church group knows nothing about acquisition of land, hiring of architects, financing, construction, leasing, management of property afterwards. One of the big delays — and if Mr. Logue were to come back on the stand he would tell you so — is that these groups have little know-how. They have a great deal of interest. They have enough money. But they do not have the pros in their organization. They don't know how to go at this. This is one of the forms of help that both BRA, if given funds for this, and Federal people, if given funds for this, could provide. This is one of the biggest holes in the whole picture.

I would like to go just one step further with regard to what Mr. Logue had to say in connection with the poverty program. One of the things that's bothering us terribly is that the poverty program money isn't being spent to back up these housing programs. Let me give you one example, and then I will quit.

In Washington Park, which is in the heart of the colored district here and in the heart of the renewal and rehabilitation area, our

bank put in a small branch. Therefore we have been very interested in what goes on in that area. In one week on one day one of the stores caught 53 shoplifters. Within the same week there were two knife threats to our tellers at the windows. This is where the whole area is being made new. Within one week the wire glass windows in our bank were twice smashed. In the telephone company's booths, all the equipment was removed and snatched out so that somebody could take away a little motor and sell it. This kind of vandalism is prevalent in some of these areas. We need the poverty program for education to help people follow up so these things don't happen and so people are not discouraged from lending in the areas. With that I conclude.

MR. DOUGLAS: *That is very fine testimony. I would just like to ask a few simple questions. Behind your testimony there seemed to be the implication that there were areas in Boston which FHA would not insure. Is that true?*

MR. MORGAN: That is correct.

MR. DOUGLAS: *Are they indicated on a map of the city?*

MR. MORGAN: I don't think so. I think it would be buildings adjacent to some of these areas [indicating renewal areas].

MR. DOUGLAS: *There was further testimony that there were also areas in which the fire insurance companies wouldn't insure. Is that true?*

MR. MORGAN: That was true. It was true of big areas. They have since come back in.

MR. DOUGLAS: *They have come back in?*

MR. MORGAN: Yes. For several years now they have been back in.

MR. DOUGLAS: *But at one time did they have sort of a* cordon sanitaire *within which —*

MR. MORGAN: I don't believe they ever made a map. But if you could have seen some of the blocks where we would have five and seven fires within one week, you could understand their attitude.

MR. DOUGLAS: *Now, then, we come to results. Have you loaned the $20 million?*

MR. BACHELLER: No, we haven't, Senator. We still have plenty of leeway in this $20 million.

MR. DOUGLAS: *How much have you loaned?*

MR. BACHELLER: $2 or $3 million in rehabilitation work. The rehabilitation work has been accomplished through three money sources — our group as a group, individual banks where a homeowner had some entrée, and by savings. It has been astonishing to us how many properties have been rehabilitated without any formal financing — obviously from private funds, savings, or whatnot. And curiously enough, these three types of rehabilitation are almost equal — those furnished by the banks as a group; furnished by the banks individually; and furnished by persons individually.

MR. DOUGLAS: *My staff reminds me that I have been violating my own rules by asking questions before all witnesses have testified. I hope you will forgive me if I commit one more; then I will conform.*

MR. MORGAN: May I interpose one thing. That is, the money that

has been advanced by the group, once again, is the seed money that brings in other people because, when the lenders in the area know that we are ready to lend, then we find that other institutions are ready to take hold and lend as well.

MR. DOUGLAS: *At the risk of displeasing the members of my staff, I would like to ask a question of Mr. Bacheller. How much money have you lost — the individual banks as well as your group?*

MR. BACHELLER: In the urban renewal area I don't think we have lost anything. You are referring now to principal?

MR. DOUGLAS: *Yes.*

MR. BACHELLER: Our loss, if you want to call it loss, has been that the business is not particularly profitable.

MR. DOUGLAS: *What interest do you charge?*

MR. BACHELLER: The FHA rate, whatever it has been during this period. It is currently 6 percent.

MR. DOUGLAS: *But that doesn't meet your costs?*

MR. BACHELLER: Let me say we can lend elsewhere more profitably, Senator. For instance, from loans on commercial properties in this area — and I think this is a national picture — we can get from 6½ to 7 percent. But we forego these loans in favor of residential loans. My bank had been very active over the years in lending on commercial property, but we are completely out of the business of lending on commercial property today because we feel that our function in the financial scheme of things is to finance homes. We do not use money for purposes other than to finance homes if there isn't enough to go around for everybody. In other words, residences come first.

The demand for mortgage money for homes in this area has suddenly, in the last couple of months, increased very substantially.

MR. DOUGLAS: *Do you loan outside the urban renewal areas for residences?*

MR. BACHELLER: Oh, yes. The Boston banks on the whole lend all over the metropolitan area and some of us go as far afield as Cape Cod.

MR. DOUGLAS: *And blighted areas too?*

MR. BACHELLER: The Boston Five and ourselves are probably the only two banks which have done any substantial lending in what you might call blighted areas. For instance, we were both very active in the South End before it was declared an urban renewal area. Both our banks have lent there quite freely in the last six or seven years.

It was interesting to hear Mr. Logue's testimony. I assumed he knew this. The complexion of this area has changed very substantially.

MR. DOUGLAS: *I owe you an apology, Mr. Stanley. I will stop my questioning and, Mr. Stanley, you may go ahead.*

STATEMENT BY LEO F. STANLEY

MR. STANLEY: I was beginning to wonder if my principal reason for being here was to pass the microphone back and forth.

Of course you have heard from Mr. Logue, and I must first tell you

I have only been in New Haven five years, so he knows much more about New Haven, really, than I do.

Since housing rehabilitation as a part of urban renewal began in New Haven eight years ago, over 9,000 dwelling units have been rehabilitated. This has involved an expenditure in private capital of an amount in excess of $17 million. The vast majority of this rehabilitation has been voluntary and much of the financing necessary to accomplish this has been provided through the cooperation of local New Haven banks.

I would like to throw in here, after listening to Mr. Morgan and Mr. Bacheller, that we apparently didn't have the problem in New Haven that other cities seem to be having. But I can see also from their testimony and having listened to Mr. Logue that from his experience in New Haven he is making sure that you don't have some of these problems ahead of time, for example, by lining up the seed money that you speak of. I think that is a good idea.

Last year alone $1,850,000 was spent by private home-owners in the six inner-city project areas to rehabilitate their houses, and an additional $1,300,000 was committed to be spent in the next year.

Federal low-interest rate mortgages available to residents of urban renewal projects, coupled with commitments from local banks, have made this wide-scale rehabilitation possible. In addition to voluntary rehabilitation, New Haven's code enforcement program includes systematic surveys of all properties owned by certain absentee landlords, properties which are frequently in badly deteriorated condition. These landlords are ordered to rehabilitate all of their substandard properties; and in the past two years, close to 170 such dwellings have been brought into compliance with the city's housing code at a cost of $900,000. Of this total, $300,000 was spent by three owners alone in bringing their properties up to code. Local banks have provided much of the financing necessary to carry out this large-operator program successfully.

During 1966 alone more than 400 new housing units were completed in New Haven. The year 1967 will have witnessed groundbreaking for several hundred new low-, moderate-, and middle-income units in various inner-city projects. To date more than 1,700 new housing units have been built under the renewal program. More than 200 units of low-cost housing for the elderly were opened in 1966, and the immediate occupancy of every unit convincingly attested to the program's success. There are now six elderly housing developments, of which 333 units are occupied. Several hundred more units are planned, including 150 scheduled for construction this year.

For every new housing unit built under the renewal program, five have been rehabilitated. More than $14 million has been invested voluntarily in the rehabilitation of nearly 9,000 dwelling units by private owners. Less glamorous and often less noticeable than newly constructed housing, the rehabilitation program has provided decent, standard, attractive homes for thousands of families who once lived in substandard conditions.

I mentioned earlier that much of the financing necessary to accomplish this program in New Haven has been provided through the cooperation of local New Haven banks. Let me now tell you of the part that The New Haven Savings Bank, which I represent, has played, and why we are pleased and even enthusiastic about both the program and our participation.

In the year between April 1, 1966, and March 31, '67, The New Haven Savings Bank made 1,276 local mortgage loans totaling more than $27 million. Of this amount approximately $2 million went into redevelopment and rehabilitation loans in our city. At the present time we are prepared, and fully expect, to commit another $2 million in this type of loan during the present year. In addition, we are presently committed to make three loans on 221(d)(3) low-to-moderate rental projects in a total amount of over $2.5 million.

Our activity in this field encompasses and has encompassed all phases of the FHA program. As a matter of fact, The New Haven Savings Bank has never stopped making FHA and VA mortgage loans even through the tightest of money conditions.

We have been involved in a substantial manner in all six of the New Haven inner-city areas. We look upon ourselves as a vital, silent partner in all such projects.

Now the question has arisen and arises again: Do we consider our participation worthwhile to The New Haven Savings Bank and to its depositors? My answer is an absolute "Yes." First of all, we take quite seriously our role as trustees. We believe that we justify our existence by not only protecting and investing the money placed in our charge by more than 100,000 depositors in the greater New Haven area but also by being of service to a community in which we all live. By participating in the financing of the rehabilitation and redevelopment of our city, we are serving both our depositors and our community, which in fact are one and the same.

From a loan officer's point of view, these loans must be considered as good loans. Redevelopment authorities have exercised constant supervision over them, thereby relieving the lender of much of this worry. All properties — this is, of course, in rehabilitation — all properties have been brought up to code and in many cases beyond the code. Many slum landlords have been eliminated and many have been converted. Presently held mortgages in rehabilitated areas are upgraded.

This, incidentally, is pointed out in answer to those lenders who alibi their failure to participate by saying that they presently have enough money invested in any particular area.

In addition, I am pleased and proud to state that up to this moment we have not had one foreclosure and do not expect any.

Now, how has the bank itself fared as the result of our policy to participate whenever possible in the rebirth of our city? During the early part of 1966 The New Haven Savings Bank suffered deposit

losses perhaps even greater than most institutions of our kind. This, as you will recall, was the result of many different factors. In September of 1966 we decided to take our own case to the public. Through newspaper ads and radio commercials, we told the people of our role in the local economy. With bold facts and figures we bragged about our policy of putting all available funds to work locally and thereby helping to boost the economy and well-being of our area. We told them of our participation in the financing of the inner cities and other projects and explained our philosophy of putting their deposits to work right in their own area. The results have been dramatic and most pleasing. Almost overnight our deposit trend was reversed and we have continued to gain to this day.

Now, I realize that the easing of money conditions and perhaps some other factors have, without question, contributed to this experience but it is interesting to note that our deposit gains have been and continue to be at a greater rate than all other institutions in our area. We also found a new kinship with the builders and realtors, some of whom had not favored us with their mortgage business for many years. We found favor with city officials and others and even received a congratulatory letter from the Mayor. All in all, we seem to have hit the jackpot. More than that, we felt that we were doing what our depositors and neighbors wanted us to do and we continue to be a vital partner in our city's rehabilitation and redevelopment programs even though we no longer remain silent about it.

Now, I appreciate this opportunity to share my views with the National Commission on Urban Problems and thank you for your attention. I would like to close my remarks with the following—and you must keep in mind, of course, that anyone from New Haven has been somewhat brainwashed by our energetic and, in my opinion, enlightened Mayor—so I would like to say this: Although I am a banker and not a city official, I would like at this stage to address one point which I feel should receive more attention than it has in the past. It is a point which has been made by the Mayor of New Haven, Mr. Lee, and I would like to emphasize its validity from where I sit—not only as a businessman but as a citizen who does not live in a city but rather in a suburban community of greater New Haven. It is time that all of the states and the Federal Government formally begin to understand that the problems which are in the cities did not occur just because of the neglect of the cities. They were created because of problems in the structure of our society. More and more, in recent years, cities have become and are becoming the place where all of the poor gather or all of the people with problems live, just as, in turn, more and more the leadership class has found its way to the suburban areas outside the core city. We must face up to this fact, all of us, that the problems of the city are not alone the responsibility of the Mayor or the legislative body in the city. The problems of the city and of the people in those cities are the responsibility of modern society. They are also the responsibilities of elected officials on a State level and of the elected officials on all Federal levels.

New Haven has done some remarkable things, but the Mayor of our city is the first to say that New Haven is not a model city. For everything which has been done, there is much, much more yet to be done. New Haven cannot solve its problems alone, nor can they be solved with just city funds although they have done pretty well in procuring Federal funds. The States must understand that the mayors of America cannot be left to shift for themselves, nor can the cities. Vigorous and sympathetic support and leadership must come from the State level. The cities are corporate entities of the States. They could not have come into existence without the formal legislative approval of the States. The people who live in the cities not only live in the cities but they also live within the boundaries of each single State and it is time, more than time, that the States began to help, not just in a limited way financially, but morally and with total dedication, including financial.

Thank you very much.

MR. DOUGLAS: An extraordinarily good statement.

QUESTIONS BY COMMISSION MEMBERS

MRS. SMITH: *I just have one question. I don't mean it glibly. I would like to know, is architecture mortgagable, because we have had some interesting cases—primarily with new construction—in which we can't find out the value of either a well-conceived or poorly conceived design. Have you approached this on rehabilitation in your areas?*

MR. STANLEY: I don't know that I can really answer that question. I don't consider myself a mortgage specialist as such. Perhaps Mr. Morgan—and I don't mean to throw it at him—but I think he is more qualified than I am in this case.

MR. MORGAN: I think the lenders are gradually appreciating good architecture. I think, on the other hand, if the architecture is unnecessarily expensive in connection with rehabilitation, they would rule it out. We have had cases on both sides.

MRS. SMITH: *We have no formulae to study. I am very glad you mentioned the expense because we are supposed to be terribly cheap and terribly beautiful but there is no criterion for how much.*

MR. BAKER: *Gentlemen, as we have traveled over the country we have heard comments from area to area regarding the exploitation of the buyer by indiscriminate sellers, or financing arrangements where the buyer purchases under contract terms within which he cannot live. Have you had experience in this, and, if so, what have you done to correct it?*

MR. MORGAN: I assume you are addressing your comments to rehabilitation?

MR. BAKER: *Not necessarily. Many times we have found that people desire to be property owners, so they invest unwisely through indis-*

criminate sellers and through indiscriminate lenders. They are forced almost into bankruptcy or forced deeper into poverty because of their inability to meet the obligation. I just address this question to you in general, not to anyone specifically.

MR. BACHELLER: I have never quite been able to understand the part of your story that refers to "indiscriminate lender." Why any lender would lend money to someone who, it was obvious, couldn't carry the obligation, I am sure I don't know. Aside from the fact that it is very poor underwriting, it's very poor business from a selfish standpoint.

I do know that at times because of pressure of an oversupply of money—and I think this is true much more in the western part of the country than it is in this part of the country—that lenders have perhaps, let me say, leaned a little too heavily to the luck side. But I think they do so in the expectation that the borrower was going to be able to weather the gale somehow.

Now this, I think, has been a matter more of poor judgment than the term "indiscriminate lending" that you used because even those lenders who had an excess of money—which was true with many of the savings and loans associations in the far West and some parts of the South—certainly they didn't lend deliberately knowing that the borrower couldn't carry the obligation. This obviously would be very poor self-interest.

Now, as far as the seller is concerned, who can say? If Sam Brown wants to sell his home and John Jones comes along and somehow or other finds the money to buy it, I would suppose that nine times out of ten the seller would have no knowledge as to the ability of the buyer to carry the property. It isn't customary for a seller to look into the financial background of a buyer, not in my forty-odd years of experience in this business.

MR. DOUGLAS: Let me say Mr. Baker comes from southern California.

MR. BACHELLER: I see.

MR. STANLEY: I don't think that's a problem that we have in general. In all honesty we haven't run into this problem in a general way.

MR. JOHNSON: *I think Mr. Baker was actually talking about a form of home ownership in which the contract of sale is actually planned so the bank does not get involved in the shaky finances of the buyer. Thus the house just goes back to the person who gave the contract.*

MR. BACHELLER: A great many sales are made this way, Mr. Baker. For instance, if we have a mortgage on a property given to us by a Sam Brown, and John Jones goes and buys that property from Sam Brown, we have nothing to say about it. If the owner is willing to sell subject to the mortgage that we hold on the property, we have no control over the situation whatever. But here again, I don't see that the seller can be tagged with doing wrong because he has no reason to look into the financial problems of the buyer. Now I admit that the seller is being foolish in this regard because he still stays liable on that note.

But there are a tremendous number of people in this country who

pay no attention to this aspect of the real estate transaction either through ignorance or because they don't care.

MR. BAKER: *I first want to thank Mr. Johnson for rescuing me from an awkward position. My question was intended in the light that he spoke. This matter has been raised in several of our meetings, describing the buyer—referred to as a contract purchaser—who finds himself in a position where he can not meet his obligations; therefore, the foreclosure takes place. This has been a repeat system to which the seller may over a period of time sell the same piece of property to several people under the same conditions. I wondered if you had this kind of experience in the Boston area.*

MR. MORGAN: There is none of this in New England that I have heard of. There has been a lot of it, or some of it, I should say, in the Southwest and in southern California, where there has been a tendency to sell houses at full market price without any money down from the buyer; and to the extent that a person has to put nothing down, he probably will often overpay.

MR. BAKER: *This is common practice in southern California.*

Top-of-the-Loan Insurance for Bank Financing

MR. O'NEILL: *Bob, I would like to ask you about your proposal for FHA insuring in "red line" areas where they don't insure now. What do you mean by the "top of the loan?"*

MR. MORGAN: Well, I think these are the areas that need help at the moment from the point of thinking out a type of loan that can be made. It seems to me that here we could make a loan two blocks outside some of these urban renewal areas if we had some sort of a blanket insurance on loans made in those areas. In other words, we lenders could make loans if the top 20 percent of what we would underwrite in those areas could be insured without going through all the red tape that's necessary to go through for the ordinary FHA loan. I don't believe the FHA should be asked to do this.

MR. O'NEILL: *You mean if FHA approved a 90 percent rehabilitation loan, you would want them to insure the top 20 percent and you would go in?*

MR. MORGAN: Yes, if they will say to me, "Go into these areas. We will tell you where the areas are. You do your own underwriting and we will insure the top 20 percent of your loan, whatever your loan."

MR. O'NEILL: *If the buyer defaulted, you would still have the property that is worth 70 percent?*

MR. MORGAN: That is right. And it seems to me this is the quickest, easiest way to solve this problem. Try it out on an experimental basis. None of these programs have to last forever.

MR. O'NEILL: *Are there any regulations in the works that might cover a thing like that?*

MR. MORGAN: I don't think so. I would hope this is one of the kinds of solutions that a Commission such as yours could recommend.

Mr. DeGrove: I would like to yield my time.

Mr. Vandergriff: *Just one question to you men whom I consider to be extremely responsible businessmen. You are investors in the blighted areas, rehabilitation areas, that is. Would you care to comment on Mr. Logue's proposal for making it more attractive for the private sector of the economy to invest in these regions?*

Mr. Stanley: Very frankly, I couldn't hear him very well so I am not familiar with his comments. I am not dodging this, but without reading his remarks I wouldn't care to comment.

Mr. Morgan: I don't believe that depreciation is a very big factor with a lot of individuals who own property in this area — the individuals I am talking about.

Now to the investor in properties in this area, this would be all the difference between day and night. On the other hand, Mr. Logue's approach to this thing — that there will never be enough Federal, State and local money for these jobs — is right. Therefore devices have got to be found to bring private money into them. You can just see what the seed money has done in these renewal areas in Boston. You can see how the little seed money that the savings banks come out with fans out. Often the lending gets to be 10 times what the group itself does. This is private money going into the area.

Mr. Stanley: I don't know if this fits in with Mr. Logue's comments. As I say, I really didn't hear them.

I think that one of the problems with many of the lenders is the fact that something which comes out of Washington immediately is suspect. I don't just mean to disagree with my colleague, Mr. Bacheller. I find these loans profitable. If I can make an FHA loan at 6 percent when the market is 6¼ on conventional loans, I would just as soon have the 6 percent loan with the insurance involved. I don't really see why so many people want to stay away from this kind of lending. I am not suggesting now that anyone is necessarily staying away. But there has been some reluctance on the part of lenders.

As I mentioned in my comments, there are some lenders who have said, "We don't want to go into this area because we already have too much money in there right now." They have said this as an excuse to stay out of a blighted or less desirable area.

I look at it the other way. The minute rehabilitation goes in, it enhances the value of the mortgage that we have there right now because the whole area has been upgraded. So I don't know what we have to do to get more private lenders in except, I think, to start with those of us in our own communities. Certainly this is being done in Boston as I understand now, and we feel we are doing it in New Haven, although I must brag and say that I think that we have done the most of it in our particular institution. I think it has got to start, like all of these programs, right at the grass roots, right in the city itself. Let the institutions which are supported by the people start and lead the way towards putting money to work in rehabilitation, redevelopment, or what have you, right in their own cities. I believe it can be done in a great measure.

Mr. Bacheller: May I make a comment?

MR. DOUGLAS: Certainly.

MR. BACHELLER: I hope I didn't give a completely wrong impression. I should perhaps have emphasized a little bit more that there are more profitable ways of lending than lending in these areas. But I must say my distinguished friend from New Haven has reminded me of something that in all honesty I think Mr. Morgan and I should admit or confess.

About 12 years ago, long before the urban renewal program got underway in this community of ours, for various reasons which I shan't go into, the savings banks in our community stood back and took a long look at themselves. We finally confessed, privately at least, that we had done a perfectly lousy job in these areas of our city. And from that time on, at least the savings banks of Boston went into these areas, with or without FHA insurance. We did it, of course, a whole lot more cautiously than we would with FHA insurance.

Frankly our experience has been so-so in this type of loan. This has been our largest area of foreclosure in spite of the fact that we try to do our underwriting intelligently and properly in the first instance.

Our experience in the urban renewal areas, as I said a few minutes ago, has been the same as our New Haven banker has spoken of. We have not had trouble in the urban renewal areas. We have had some trouble in some of the other areas into which we went before the urban renewal program started.

MR. JOHNSON: *I would be interested, Mr. Bacheller, in knowing what kind of standards you apply to the ability of people to repay when you make loans. Do you use the same standards that you would use for a suburban house or—*

MR. BACHELLER: Yes, Mr. Johnson. By and large we consider that a borrower should pay something between 20 and 25 percent of his income for shelter and we apply these same standards to all of our lending, regardless of where. This does not apply, of course, in higher income brackets but for the lower income brackets. Let's say up to $7,000 or $8,000 a year it does apply and we apply this rule. I think it's generally accepted.

MR. JOHNSON: *These are generally 6 percent loans as you said before?*

MR. BACHELLER: They are currently 6 percent but this is the highest rate, of course, that we have that the FHA has approved.

MR. MORGAN: I would like to add that the cost of financing is not a major factor in any of this rehabilitation work. As a matter of fact, I am inclined to think that it's the lack of enough contractors of the right kind of size to do these jobs that is causing the high cost that we are experiencing. Most people who are living in these areas can afford more money than they are now paying for rent. Originally they were probably paying a proper proportion of their income for rent but as the neighborhoods have run down, they have tended to pay a smaller proportion. I am not talking about the people who are in houses owned by landlords but rather houses which they own themselves. This is substantially what most of this is. We think that most people can afford 20 to 22 percent of their income for rent. When we find people in the

rehabilitation areas saying they can't afford more than 15 percent, we just say to ourselves, "Well, they are not properly acclimatized to what portion of the rent they should pay." The net result is the 20 percent increase that Mr. Logue spoke about, and I think that is on the low side. Most of these people have all been able to pay. There has been practically no removal of people from neighborhoods where we have done rehabilitation. I think that's the great thing in favor of rehabilitation as against renewal. In renewal the rents are normally double.

Upgrading City Housekeeping

MR. WOODBURY: *Mr. Morgan, you mentioned your concern about the city picking up the housekeeping level in the renewal areas—doing its part to make the areas more attractive. I wonder whether this experience has gone on long enough for you to say whether this will continue to be a serious matter or not.*

MR. MORGAN: I think it is going to be one of the most serious of all. We can't make loans on these houses and never have the streets fixed. We can't make loans on these houses and not properly police some of the houses in between. We can't have them leave the old police station or have an area that is all worn out from lack of public facilities.

I think part of the problem lies in the fact that the city's responsibility for new facilities is so spread among various departments that there is no cohesive element working towards renewal in a particular area. That's where the model city picture is good.

The other approach to this is the one that Boston has just taken. They have put through the Legislature a bill which places all public building and responsibility for maintenance in Boston in one pocket now. We have had areas here that were rehabilitated while the schools were being closed and abandoned, and there are no good schools there yet. The separate school building commission waited and waited and waited and waited and waited. These things have to be timed together. Somebody who is going to fix up a house and live in an area doesn't want to wait five years for a school, because by that time his kids are out of school.

MR. WOODBURY: *One other step on that. Do you think it is going to be possible over a period of years for the City of Boston, or any other city, to give a higher level of services in designated renewal areas than they are giving elsewhere? I agree with you completely, of course, on the importance of this but I sometimes wonder how you are going to continue a distinction in service levels.*

MR. MORGAN: My experience in real estate tells me that unless the city does its portion, the private sector will fall down. Nothing makes a street of houses look better than good curbs, trees, good sidewalks, and good maintenance. And you can't have abandoned cars at every third house down the street.

MR. STANLEY: A lot of this is going to be solved also by neighborhood action in some of these various neighborhood programs. This is after

the city has obviously done its part. Then the neighborhood must take over and keep the place going which I might say is what is being done in New Haven to a great extent. I am sure you gentlemen saw some of these neighborhood things yesterday.

MR. DOUGLAS: *If I may ask one or two questions. I am a very naive person. When I first heard the words "red line district," I first thought they were referring to a "red light district" but I hear this mysterious term — a "red line district." If it is a colloquial expression, it describes something which is commonly used but has not yet come into the dictionary or risen to the conscious surface of knowledge. So in my untutored, unsophisticated fashion I would like to ask what is a "red line district?"*

MR. O'NEILL: *I am the one who used the expression.*

MR. DOUGLAS: *And Mr. Logue also used it.*

MR. O'NEILL: *A red line district is a district in which the fire insurance companies will not insure and lenders will not lend.*

MR. DOUGLAS: *If it is said that there is a line, that must mean it is drawn somewhere, either on paper or in people's minds. Is this a common practice, Mr. O'Neill?*

MR. O'NEILL: *Walter Smart, is this a common practice?*

MR. DOUGLAS: *Everybody passes this question to somebody else.*

MR. O'NEILL: *I think it is an unspoken rule in most cities.*

MR. MORGAN: There are whole areas in New York that would fall within what somebody calls a red line.

MR. DOUGLAS: *Not in Boston?*

MR. MORGAN: I think we have had areas in which we would not lend, yes.

MR. DOUGLAS: *You never drew a line?*

MR. MORGAN: We never drew a line.

MR. DOUGLAS: *It is up here in your mind?*

MR. MORGAN: We don't believe it could be defined as a "line" but it included certain blocks or certain streets, yes, because the houses were too run down.

MR. BACHELLER: I would subscribe to what Mr. Morgan has said. I think that actually the term has been misinterpreted. I think what Mr. Logue said was that there were areas around which a red line existed beyond which nobody would walk either for lending or for insurance. But I do think, as Mr. Morgan says, that these districts are not defined exactly. They are general areas. No map is drawn. Yes, as you said, perhaps it's "up here" but not a definite area that you could actually define by bounding it by streets.

MR. DOUGLAS: *I must confess that I suspected it was something like that. When I ran into similar problems in Chicago, I was able to obtain the dismissal of one FHA director and his replacement by another. I had a very serious conversation with this replacement, urging him to insure loans in areas where previously they had not insured. I tried for five years to do this. I had polite conversation constantly from him; never any action. And while I had never heard the term "red line," I had the feeling that this existed.*

This is a very serious charge, if true, that fire insurance agencies and lending agencies have marked off certain sections of our cities as hopeless, and the Government, too.

MR. MORGAN: From a lender's point of view, there are certain streets on which, if you ever had to foreclose the house, whether it be the lender or whether it be FHA, we would probably not sell the property. This is enough reason in itself for not lending on that street.

MR. DOUGLAS: *Well, now, of course we get into the question—and you lenders can't solve it—is this the fault of the people? Is it the fault of their environment? Is the fault in the minds of lenders, of Government, or is it a composite of all?*

MR. MORGAN: It is a composite of all.

MR. BACHELLER: It is a composite of all. I would agree with that.

MR. DOUGLAS: *Before thanking you gentlemen, I want to say that I have always admired the mutual savings banks. I happen to be a disciple of Louis Brandeis. I don't believe any official of a mutual savings bank gets a large salary.*

MR. BACHELLER: Not large enough, no.

MR. MORGAN: We would like them larger, and anything you can do in this connection we would appreciate.

MR. DOUGLAS: *Maybe it has changed, but in the old days I never knew of a large salary in a mutual savings bank.*

MR. BACHELLER: I think it is true, Senator; but being a savings banker, especially in New England, carries with it a certain amount of satisfaction because of the job itself.

MR. DOUGLAS: *I am told that your Board of Directors used to get a 10-dollar gold piece.*

MR. MORGAN: It is $20 now.

MR. DOUGLAS: *That raises a query. You have gone into New England, into New York, but you have never been able to get west of New York except in Minnesota, I think. Why is it that this idea has never been able to spread west of the Hudson River?*

MR. MORGAN: We were hoping that the Federal Mutual Savings Bank Bill that is now before Congress would pass, which would make possible Federal mutual savings banks all over the United States. We are only in 17 states at the moment.

MR. DOUGLAS: *This raises the further question: Is the relative degree of concern which you gentlemen have shown for slums stimulated by your kind of institution, or does the fact of the institution not existing elsewhere hamper further private loans? I don't want to pat you gentlemen indiscriminately on the back, but in making your decisions, hasn't the fact that you are a mutual savings bank representing your depositors—and not only the large financial interests—hasn't that really given you a certain feeling that you can do these things, whereas if you were responsible to a different set of persons you wouldn't have the same stimulus?*

MR. STANLEY: I perhaps raised this, so I would like to answer it. Not necessarily, Senator. We have to stay competitive, and to stay competitive, we have to earn enough money to make our depositors wish

to stay with us. Even though it isn't shared with other than the depositors, it still must be a profitable operation. And while certainly we do take our community role seriously, we try to put the two hats together. That is, there must be a community role and a profitability role, and of course they are one and the same. So I doubt that we would work harder if we had stockholders.

MR. DOUGLAS: Well, I want to thank all you gentlemen for coming. We especially want to thank Mr. Stanley, who came here from New Haven despite the recent death in his family. We are very grateful to you for coming.

And I also want to thank the staff of the Boston Redevelopment Authority for their very useful maps and diagrams, and the custodians of the Old South Meeting House. And we also appreciate the attendance of Mr. Noonan, who is the Assistant Regional Director of the Small Business Administration.

(Adjournment.)

Roxbury YMCA
Boston, Massachusetts
Noon, May 26, 1967

(Following a tour of Boston's urban renewal projects, the Commission members gathered for lunch at the Roxbury YMCA.) Walter Smart, of the Commission staff, presided.

MR. SMART: In Boston, one of our useful and important citizen groups in the fighting of blight is Freedom House. Mrs. Muriel Snowden, with her husband, founded Freedom House in 1949. I am happy to introduce Mrs. Snowden, who will tell you something about the work of her organization in the Washington Park renewal neighborhood which you saw on your tour.

STATEMENT BY MRS. MURIEL SNOWDEN

MRS. SNOWDEN: [1] I want to apologize for not having my thoughts in very good shape. They are not as organized as I would like to have them but I have been running around with a lot of other people working on our "Band-aid" operation and our "mop-up operations" and there hasn't been quite enough time. But there are a few things that I want to say, and I welcome this particular opportunity to say them.

Since my husband and I have spent these past 18 years living and working in, for, and with this community which is known as the Washington Park Urban Renewal Area, I guess we have as much right as anybody, and perhaps more than most people, to express a few thoughts and ideas about it. I think we have earned our stripes the hard way. We have brought Freedom House into existence, and it has been sus-

[1] Associate Director, Freedom House.

tained since 1949. In today's terminology, I think that's a kind of happening in and of itself.

I really speak for myself and my husband and the organization which we represent. I want to make that clear. I am not speaking for a troubled community. I haven't been asked to represent anybody else.

For years Freedom House has initiated and led all kinds of activities in an attempt to hold off the blight which was threatening this area. There were clean-up campaigns, the organization of block improvement associations, petitions for more adequate recreational facilities, efforts to obtain regular municipal services, mobilization of the community's concern about crime and delinquency, pleas for help against the red-lining of this area by fire insurance companies, and for a more positive attitude on the part of banks, mortgage, and lending institutions. We tried to stimulate communication between the Negro and white members of this community and also between this community and the broader Boston community. You name it, we tried it. And for 10 long years, that was pretty much a losing battle. This is the major reason why we and so many others in this community not only welcomed urban renewal but actively and aggressively sought to be included in the city's revitalization program.

And, therefore, since 1960 or thereabouts, my husband and I as individual citizens, and Freedom House as an organization have deeply involved ourselves and thousands of other people in working in a team relationship with the Boston Redevelopment Authority in the development and execution of the Washington Park urban renewal plan.

I don't know how much of this you have already seen. You have been on a tour, I gather, so that you have seen some of the tangible results of these efforts—all the new 221(d)(3) housing which is either completed or in the process of being built, the Washington Park Shopping Mall, this YMCA itself, the Washington Park Boulevard just outside our door. There are refurbished park areas and we have got sites that have been cleared and designated for schools and a "baby" government center. The new Boys' Club is in the process of being built, to say nothing of all the private rehabilitation of homes which has been going on, a great deal of which has been completed, and more in process.

I think that even the most severe critics of the Washington Park urban renewal program will have to admit what they see. However, nobody but a bloody idiot would claim that all of this has happened without pain, without struggle, without conflict, without error and without gaps.

I think that urban renewal in the physical sense certainly has changed the face of Washington Park. Whether this is simply a face-lifting operation or a permanent improvement in my opinion still remains to be established. I think the test will come not only in the physical terms but more importantly in the human terms. We used to talk about the 500 meetings between 1961 and '63, and I am sure that by now there have been over a thousand meetings around urban renewal in this area. In every meeting there were people who stood up and expressed a concern about something labeled "people renewal"

and we were concerned all along the line about low-income housing — how it could be provided; in what form it should be provided. There weren't many tools to work with but there was concern. And there was concern about the decrease in the total housing supply in the community.

So just for whatever it's worth, I would like to say what I would see as an ideal Washington Park, including what has already happened. I list these things with no sense of an order of priority.

I think in terms of the rehabilitation, which is the backbone of the Washington Park urban renewal program, I would like to see every house which can be rehabilitated, rehabilitated now — at once. I don't know how we cut through whatever it takes to do this, but I think that it's essential because a house that stands vacant is vandalized. This is a loss of housing that could have additional life.

Service Needs in a Renewal Neighborhood

Then I think that we need a whole network of social, health and recreational services in this community. I mean something that's tailor-made to our needs — not the traditional kinds of services that have been handed out over the years and that have failed people. We need something more imaginative and creative, that really meets what we in this community know we must have.

We need schools, of course, whether they are magnet schools or experimental schools or whatever you want to call them. We have got to have schools in this community and good ones.

I think we need the machinery to handle the emergency needs of people. This is in addition to a network of services. We have got to have something that handles the housing needs. Del Sacks' Fair Housing organization is located in the Freedom House building. We see the streams of people that come in every day that have emergency housing needs and we weep with Fair Housing because they are not able to help people to the extent that they need to be helped. If it is a matter of loans or health or psychiatric services, all these should be available on an emergency basis.

I think there is a great need for continued and increased participation of the private sector of the community, the business interests, and a more aggressive outreach working with the community. We have done some of this with business firms in providing job opportunities and on-the-job training, but there needs to be more of it. I don't think we have yet found realistic and valid mechanisms for really involving people in the community so that they can participate in working out their own destiny.

What I have as Number 7 on this list is really the one that should be up near the top — the question of preschool facilities, the kinds of services that we need for the many women in this community who do work and must work.

I don't know what the answers are. These are simply some of the

thoughts that cross my mind as I am trying to think through what would to me be an ideal community. Without regard to whether we can establish a little machine into which we march all of the people in the community so that they come out clean and scrubbed and outwardly mobile and socially acceptable somebodies, there has got to be an economic base of some kind as a springboard from which people can take advantage of decent housing, good schools, and employment opportunities.

When I think about the role of the Federal Government in all of this, I think perhaps we have got to think about providing this economic base as a right. I think that there certainly should be a utilization of Federal power to encourage community cohesion rather than to foster community competition and fragmentation. I am so acutely aware of this because just last night I was talking with some people. One person represented a municipal department; others represented two universities. They were sending three proposals into the same Federal agency and I gathered that not one of them knew about the other. So I would feel very strongly that the Federal Government or that Federal agency could say, "We will not even consider these proposals until you have worked out a joint plan"; and then if the plan is acceptable, that enough money should be made available to execute it. Competition is healthy but I think only up to a point. Beyond that point it becomes fratricide, and I think that is what's been happening so frequently in the local neighborhoods.

Another urgent problem can best be illustrated by a case in point: the multiservice center in the Roxbury community, which has been trying very hard. I hate to think of the number of man-hours that went into the establishment of the multiservice center. Suddenly its funds are cut back and there is talk that Washington has established a different set of priorities — that economic priorities are to be considered first and the social services are not that important, so you get a cutback. I think this kind of manipulation is cruel and self-defeating.

Maybe this hasn't been too coherent but it does represent something of my thinking and my concern about this community as a citizen. I feel now at this point in my life that I have to live as if I am going to die tomorrow, so I want to see things happen and I want to see them happen fairly rapidly.

MR. SMART: I would now like to introduce Mrs. Theodore Howe.[1] She has several titles but I will introduce her as Chairman of the Roxbury-North Dorchester Area Conference on Urban Renewal.

MR. LOGUE: Senator, I have got some other things I must do and I must leave, but we are very grateful to you and very appreciative of your coming to Boston. I hope before the day is out you will hear about some of our problems as well as some of the things that we may have done moderately well. We hope that you will come back. If any of you are here at the end of the day, I will see you then.

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[1] Chairman, Roxbury-North Dorchester Area Conference on Urban Renewal.

MR. DOUGLAS: It has been a very fine day and we are sure it will continue. Thank you very much.

STATEMENT BY MRS. THEODORE HOWE

MRS. HOWE: Senator Douglas, fellow Commission members, and other friends and associates from the community. When I first learned of the establishment of this National Commission on Urban Problems, I really was quite excited. I felt that perhaps we would have the opportunity to see a very good long look, an assessment, taken of the urban crisis confronting American society as we move into the latter half of the twentieth century, and that this assessment was going to be done by a group who could then make some of the comprehensive recommendations that are needed now to affect the very basic institutional, attitudinal, and value changes that must occur. The time for the small demonstration program or the experimental grant, which really is only a tiny finger in the dike, is past.

All week, however, I have thought about what could I tell you today. You are going to be traveling across the country and hearing many things about many communities from many people. What could I tell you that could shed some kind of light on the task of the Commission? We are all so familiar with all of the clichés, all the statements made by the conventional wisdom, of what the problem is. I found the task very frustrating. I also was very forcibly made to realize again the triangular or the circular aspect of the crisis. Where and how people live determine the kind of educational achievement, and later the employment status, that they receive. Equal opportunities, therefore — for education, for employment, and for housing — are like three sides of the triangle. To quote Luther Gulick from *The Metropolitan Problem and American Ideas,* "Once an indivisible problem is divided, nothing effective can be done about it." [1]

Commitment and Communication Are Missing

I feel that our society and our economy today do have the resources, both material and human, to tackle these problems. The urban cancers of blight, decay, slum housing, poverty, poor education, unemployment, the growing gap between the economic class groups, the isolation between the inner-core city and the suburbs — these can be tackled and can be solved. In fact, they must. But presently the gross lack is the necessary commitment among citizens in our communities and cities to solve these problems. This commitment is often sadly missing.

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[1] Luther Gulick, *The Metropolitan Problem and American Ideas* (New York-Alfred Knopf, 1962)

Certainly we have a classic example of that missing commitment right here in Boston when we think about our public schools. Because of a long-standing inability of the majority to accept the needs and meet the demands of the minority, this long-standing inability to work out acceptable modes of cooperative endeavor, has led to the impasse that we presently face. Or, as Peter Schrag writes in his recent book, *The Village School Downtown*,[1] "The white Catholic majority of Boston who voted for Louise Day Hicks in 1965 were standing up to 'them' and the 'them' was not just the Negro civil rights leaders and parents of Roxbury who were asking for better schools but it also included the other unnamed, nebulous devils associated with corporate exploitation, upper-class snobbery and suburban hypocrisy. For more than 40 years the respectable and well-heeled had neglected the inner city and its slums; had excluded the new immigrants and had posted signs, 'No Irish need apply.' Now they were in effect telling the Irish and the Italians in the city to atone for their sins and balance the schools. And Louise Day Hicks, sensing the fear and the injustice of it was telling them all to go to hell."

And the city, the Negro, and its poor have been caught in the middle of animosity. Communications between neighborhoods were nearly cut off, and in November of '65 it was absolutely impossible to break through the polemics and to work for the good of the entire community.

Thus the first problem, as I see it, is a lack of widespread commitment to really undertake the needed changes. The second problem, it seems to me, centers around communication. Communication bridges often just do not exist between various groups of citizens in various neighborhoods, between these citizens and their elected government officials or agencies and departments.

Here in Boston there is yet no widespread public commitment to support integrated neighborhoods. We don't even yet have a strong commitment to house all of our present Boston residents in decent, safe and sanitary housing at rentals they can afford. Rather, the 10-year master plan for the city calls for metropolitan solutions but does not give the city any means to enforce requirements that the suburbs help. The allocations in the plan are heavily weighted toward increasing the supply of housing for middle- and upper-income groups.

Today I speak to you because I am a concerned citizen. I live here in the Washington Park area, which is part of Boston, part of the Metropolitan Boston area. Initially back in 1962 I joined the League of Women Voters in Boston, which was studying key local problems around education, urban renewal and housing, and I became imbued with — or I got hooked on — the belief that political responsibility is promoted by informed and active participation of citizens in government. I have since been trying to further efforts in the community that would help to improve communication between groups and which would help to develop the commitment that is needed to sustain the push for improvement.

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[1] Peter Schrag, *The Village School Downtown* (Boston-The Beacon Press, 1967)

One such affiliation I have on the metropolitan level is the Citizens Housing and Planning Association, of which we have several representatives sitting around the table. I believe they have a printed position statement which they would like to present to the Commission.

You have also heard Mrs. Snowden review the efforts of Freedom House in relation to the Washington Park renewal. Washington Park, however, is really less than a third of the General Neighborhood Renewal Planning area known as Roxbury-North Dorchester. Since June last year I have been very deeply committed to an effort called the Community Conference on Renewal. The Conference was established to provide, first, a public forum for the free discussion and exchange of ideas on renewal and rehabilitation by all residents and groups within the entire GNRP area. The second attempt of the Conference has been to provide the broadest possible community participation and education regarding the alternatives presently available to the community. The Conference, I think, has been unique and valuable because it has brought together groups from the five or six distinct sub-neighborhoods. All active, functioning block, neighborhood, community, and merchant associations are eligible for membership, and voting members may be either residents or property owners.

Through the winter the steering committee of the Conference, composed of residents from these different sub-areas, have met regularly. We have held many open community meetings at which the range of the available Federal programs has been explored. Leaders and members of various groups have grown to know their counterparts in other sub-neighborhoods. They have grown to trust one another, and I think have begun to be able to really meaningfully communicate with one another so that they can lend support to the positions of each other. For example, the entire Conference supported the demands of residents (who made up the Lower Roxbury Committee) who wanted the assurance that housing for them could be written into the urban renewal program for the campus high school. The Conference has arrived at a consensus requesting renewal planning for all of the GNRP except the Highland Park area, where many residents do not wish such planning. The Conference, because residents in that area also are very fearful of the University of Massachusetts, have supported the plan of another part of the Conference to locate the university in their area. And around the Model City program the Conference was able to take positions supporting the involvement of existing resident neighborhood groups.

This commitment, I feel, can be developed among concerned citizens, and by working together they can learn both to accept one another and to communicate. But I see as one huge obstacle which has not yet been overcome the working toward being able to meaningfully communicate with city elected officials and department and planning agencies. During the winter (well, this weather is really still sort of winter), which was the planning period for the Model City proposal, I think great unnecessary smog and confusion were spread by the official planners working to develop Boston's proposal for this program. Perhaps it's typical and maybe this happens when cities have to begin to

compete for Federal funds, which are really perhaps earmarked for troublesome ghetto areas.

Boston's written proposal, the planning even prior to the community meeting, I think, pointed toward recognizing and appeasing the more militant civil rights activists or, as written in the proposal, the Blue Hill Avenue "Service Strip." Given the climate, the temperament, and mentality of present-day Boston residents, some fear that the confrontation of the groups within the Model City neighborhood at the meeting served only to open deep wounds of fear, the kind of fear that leads and has led to flight from the city of the white middle-class.

I think that an opportunity to legitimatize and accord some measure of recognition to positive citizen efforts which cross neighborhood, parochial, and ethnic lines was missed. The Conference on Renewal in February offered to join with other umbrella organizations to cosponsor an all-day conference. But instead a policy decision was made by the Boston Redevelopment Authority and Action for Boston Community Development staffs to ask individuals who they deemed as representative leaders of the community to convene this conference.

Perhaps some positives have come out of the tortuous, long, community meetings. I hope that the most militant spokesmen for community control—and you can't help thinking they really mean for black community control—learned that many who listened to them, both white and Negro, now wonder if they truly speak for any community larger than themselves and whether they are truly interested in upgrading a total area or only in furthering their own professional poverty hierarchy or, as the saying goes, that they have found that there is "money in them there poverty hills."

I haven't touched upon the question of funding of community group organizational efforts. Who should support this? Should it be government? Should it be private resources? It is crucial. In some areas there is so much that needs to be done, and done apart from any specific program or deadline. This is where, coming back to the schools again, I think they are so crucial. If our educational system had been truly preparing people to participate in governmental decisions at all levels, we might not today have some of the apathy and lack of commitment that is current. Good educational experiences should teach one to handle differences and to cope with problem situations.

I think, when a majority of citizens become aroused, well-informed, and can set objectives that are widely accepted and valued, they can then be prime movers for change. This, after all, is the premise upon which the Citizens Housing and Planning Association has been founded.

In summing up, I want to refer to a quote from President Kennedy's 1961 housing message to Congress in which he said, "Our communities are what we make them. The process must be democratic, for only when the citizens of a community have participated in selecting goals which shape their environment can they be expected to support the actions necessary to accomplish these goals."

I hope that your Commission, Senator Douglas, can come up with recommendations that will support these measures that will give citi-

zens and communities the will as well as the resources to effect change without anarchy.

MR. DOUGLAS: Thank you very much. Mr. Oliver Brooks, please.

STATEMENT BY OLIVER BROOKS

MR. BROOKS: [1] I would like to make a statement on behalf of the Citizens Housing and Planning Association of Metropolitan Boston and the Massachusetts Committee on Discrimination in Housing.

The Citizens Housing and Planning Association of Metropolitan Boston and the Massachusetts Committee on Discrimination in Housing are both nonprofit organizations working to improve the quality and availability of housing for limited-income families and individuals.

The range of housing choice has declined measurably in the last two decades, even though Metropolitan Boston has seen a very substantial increase in moderate-income housing. However, the housing supply for low-income families has been dramatically reduced. The cost in human terms is a sobering one.

It goes without saying that there is a variety of Federal programs which have been devised to help meet this self-evident need. The rhetoric of these programs is promising indeed. But there is a substantial and disturbing gap between rhetoric and realization. Part of this gap derives from lack of adequate funding; part from the actual provisions of the program or the administrative regulations under which it is carried out. Our dedication is narrowing this gap between rhetoric and realization.

We are struck by the fact that most of the formal presentations that are scheduled today appear to stress the viewpoint of the professional — the public administrator, the banker and mortgage lender, the developer, or the large-scale landlord. To be sure, these interests are critical in the achievement of viable answers. But they, after all, do not have to live *with* or *in* the "end product" — the completed low- and moderate-income housing unit. Our chief concern is with the problems of the ultimate consumer. It is important indeed to view the housing problem from the viewpoint of the ultimate user.

No New Tools — Modify Existing Tools

We will attempt to identify a number of problems as we see them and will attempt to suggest, by way of example, some modifications that might be useful. These we view from the fundamental base of citizen interest and concern.

One problem is that the low-income and minority family is most vulnerable to public policy decisions that may threaten its home, and

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[1] Director, Cambridge Community Development Corporation.

yet this family at the same time is severely restricted in housing opportunities.

We suggest that methods must be found to compensate more adequately for public takings for increased housing replacement costs. Reimbursement for publicly taken property—highway programs, urban renewal, and so forth—ought to give consideration to factors other than current market appraisal. Incremental payment above fair market value should be made in recognition of long-time ownership—for example, 2 percent per year additional price increment for each year of continuous homeowning occupancy up to a maximum of 25 years. At the maximum, the displaced homeowner could receive 150 percent of fair market value, with a consequent increase in his financial ability to relocate himself. Some similar form of protection should be afforded the long-term tenant.

Another problem is that the home construction industry has seen far less in the way of technological innovation and/or increased productivity than many other segments of our economy. The low-income family is the hardest hit from this state of affairs.

Our suggestion is that research and development activities and incentives at the Federal level should be vastly expanded. HUD's low-income demonstration housing program and FHA's experimental housing program are so small in scale as to be almost meaningless. Add to that the built-in bias of FHA regulations for conventional construction and rigid work methods and the chances of real progress seem bleak indeed.

Another problem is that present FHA regulations make the achievement of the five-bedroom unit almost impossible and yet there is a demonstrable need for such units.

Our suggestion is that the present FHA regulations should be substantially liberalized.

Another problem is that many low- and moderate-income housing developments have not reflected the type of design distinction to which we should aspire. The Section 221(d)(3) program is structured in such a way as to invite mediocrity of design and facilities. Therefore, the nonprofit sponsor is often forced into the position, not of attempting to find the architect who can design the best project, but rather to find the architect who can design the project most expeditiously with the least possible financial exposure for the architect and/or for the nonprofit developer.

I think another problem in connection with the development of 221(d)(3) projects is the fact that the guidelines as written give relatively little cognizance to the need for community facilities, which we believe are an essential concomitant to the successful development of any kind of 221(d)(3) housing program.

We think too that another thing that is needed is an open-ended assessment of the available financial tools. Is a longer term mortgage or lower interest rate practical and desirable? Is a 1 percent 80-year mortgage possible? Is some modification of this—

MR. DOUGLAS: *I must admit I am startled at that.*

MR. BROOKS: We would want to raise the question as to whether or

not the 3 percent interest rate is really that important in terms of the total dollars and cents of the picture. I think we would argue basically, not for a particular point of view or a particular approach, but rather for the need for a continuing open-ended assessment of the various financing alternatives that are potentially available.

I think one problem, too, that we have here in this area is the problem of finding ways in which the air rights over interstate highways can be effectively utilized for the construction of residential facilities and for community facilities, particularly in the congested inner core of the metropolitan area. We would hope to see the Federal Government subsidize to some extent the development of air rights platforms over interstate highways, with particular recognition of the painful relocation problems which these highways are generating.

Urban renewal is one possible tool for this; but one very real problem is the fact that urban renewal is essentially a program of the Department of Housing and Urban Development, while the highway program is essentially the concern of the Department of Transportation. The coordination of these two departments with respect to this problem is a cumbersome one indeed.

In summary, I suppose we feel that the greatest need is not so much for provision of new tools at this stage but for the modification of existing tools, so they can more nearly meet the type of standards to which we feel we should aspire. This implies adequate funding of existing programs, greater flexibility at the national and regional level in the FHA offices and what have you, and a combined effort to pare down the time lag that can be so stultifying to the development of a housing program.

Thank you.

MR. DOUGLAS: *Thank you very much.*

Yesterday we had testimony which claimed that 5,000 houses have been eliminated by urban renewal and slum clearance and that only 1,500 units of public housing have been constructed, with no mention of 221(d)(3). Now you start off by saying that you thought the sum total of housing units for low-income people had diminished here in the last six or seven years. I wonder if you have definite figures to support that. How many houses have been eliminated through urban renewal? How many have been constructed by public housing, by 221(d)(3) or by private housing for low-income people?

THE REV. EDWARD BLACKMAN: [1] In this particular community some 2,500 families were relocated by the urban renewal project in Washington Park. Of these, according to our figures, 1,350 were low-income families and eligible for public housing. No new public housing has been built in the area. There are some — I think 40 subsidized units — of 221(d)(3) housing being used in Washington Park. Thus we have moved out 1,350 people and we have managed to rehouse less than 50 low-income people in the area.

[1] Director, Commissioner on Housing and Education of the Metropolitan Boston Association.

MR. DOUGLAS: *When will all of these ventures, the 221(d)(3) ventures and so forth, which we have just been seeing, be completed?*

Mr. Malcolm Peabody Responds

MR. MALCOLM PEABODY: [1] I have the figures on the 221(d)(3) program. There will be in place before three or four years about 3,000 units of 221(d)(3) in the urban renewal areas of Boston, with an additional 3,000 units outside the urban renewal areas developed by private operators. And there are some 1,000 units outside the city of Boston in the metropolitan area.

MR. DOUGLAS: *How many units over the whole area have been destroyed or eliminated by urban renewal?*

MR. PEABODY: Urban renewal is only part of the problem.

MR. DOUGLAS: *We will include highways, too.*

MR. PEABODY: It has been about 10,000 units since about 1959.

MR. DOUGLAS: *Well, then do you agree with the statement that if you take urban renewal, plus the highways, that more units have been destroyed than will be built as of this time?*

MRS. SADELLE SACKS: [2] I think one of the things that isn't taken into consideration is the continuous deterioration of housing in areas outside the urban renewal area.

MR. DOUGLAS: *I am asking about the number of units.*

MR. PEABODY: As far as public housing is concerned, there have only been two developments in the state in the last 14 years — one in Brookline and one in Springfield.

MR. DOUGLAS: *None in Boston?*

MR. PEABODY: What you are succeeding in doing is moving blight around, because if you take out low-income housing and replace it only partially with middle-income housing, then your low-income families can only go someplace else, crowd up, deteriorate, and you are creating a monster of a situation where you are hurting the families involved and at the same time not repairing the city.

MR. DOUGLAS: *I suppose what you are saying is that 221(d)(3) primarily is not for low-income people.*

MR. PEABODY: Not without supplement. It is almost impossible to include low-income families in 221(d)(3) developments. One of the basic flaws in the rent-supplement program is that it seeks to integrate market level payers with public housing payers and the gap is far too wide. We need the combination of 221(d)(3) below market interest and the rent supplement program. With that we can really go to town if it is funded. And in conjunction with that we desperately need to break the workable program [3] barrier which has been raised by Congress to prevent low- and moderate-income housing from going into nonworkable program towns.

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[1] Director, Interfaith Housing Corporation.
[2] Director, Fair Housing, Inc., Boston.
[3] See page 105 and fn.

In the State of Massachusetts we have just 23 communities out of a total of some 300 which have workable programs, and this is used as a device to keep low- and moderate-income housing out. That has to be broken.

MR. DOUGLAS: *Do you have some way of doing that?*

MR. PEABODY: Loosening the regulations.

MR. DOUGLAS: *This was put in by a group in Congress who wanted to prevent rent supplements from being used as an instrument towards integration. This was a political decision which was made by a group. I sometimes am accused of being too partisan, so I will not identify the group except to say the group to which I did not belong.*

MR. SMART: Senator, I wonder if our guests could attend the afternoon hearing and perhaps after the witnesses have been heard we can resume this discussion.

MR. PEABODY: If you could give me five minutes before we adjourn, I could finish this up.

MR. DOUGLAS: I think this is very important. Go ahead.

Drawbacks of Workable Program

MR. PEABODY: The workable program is one problem. Unless a political jurisdiction adopts the workable program, it cannot qualify for 221(d)(3) housing. I have no direct, specific suggestion as to how to change this except to target the workable program to all other aspects of urban renewal, but not to 221(d)(3) housing. We find that communities are scared by the prospect of urban renewal, but not by 221(d)(3). So if the workable program were not a prerequisite, communities would accept more low- and moderate-income housing. Frankly, they want to keep urban renewal out of their areas.

MR. DOUGLAS: *And not let Negroes in. We might as well be blunt about it.*

MR. PEABODY: There is no question about that. One day soon the community is going to realize that most Negroes do not wish to go to the suburbs. Only a few wish to go to the suburbs. In Boston, at least, that is beginning to be learned as a result of the work that Miss Sacks has been doing.

Now another big problem with 221(d)(3) is the fact that we need some sort of tax assistance from the Federal Government. Ordinarily taxes are paid on a percentage of income—20 to 25 percent is what is generally used in the Boston Metropolitan area for apartments. That kills us. We cannot afford to pay those kind of taxes and yet the community—

MR. DOUGLAS: *What kind of taxes are these?*

MR. PEABODY: General property tax. The community says to us, "Look, you are trying to bring into our community low- and moderate-income families paying $150 to $180 in taxes a year and to educate just one child takes $600. Why should we take money out of our pockets in order to bring low-income families into this community?" So that unless

we can go to them and say that we come with our educational cost package — METCO [Metropolitan Council for Educational Opportunity] right now is taking the children from the community, paying a lot for transportation and paying a lot for educational costs in order to get the Negro children to the suburbs. If we were able to package it with our tax plan, we would be much more successful with 221(d)(3).

The other thing is, at this point no good way has been developed — and maybe this is not a legislative problem — to manage 221(d)(3) projects. The emphasis has been entirely on the construction. Yet we have learned that in ordinary real estate it's location, location, location, location, and in 221(d)(3) housing it's management, management, management. These projects are managed on a percentage of their gross, just like the taxes. But the gross is two-thirds to 50 percent of what it would be in a normal upper-income development, whereas the management problem is greater. And yet if you try to put a good management fee into the formula, there is very little left to support your mortgage. So there have to be additional management funds put in from outside.

MR. DOUGLAS: *From where would these additional funds come?*

MR. PEABODY: From some form of public assistance either local, State or Federal. We are asking the poor, really, to support their own social programs, which is just a form of taxation and rents. It isn't working and it has got to work. Otherwise, all that we are putting into the 221(d)(3) housing is merely creating an unworkable public housing program. I don't think that's the aim.

MR. DOUGLAS: Any other questions? [No response] Well, you have given us food for thought. You have fundamentally got to get a change of public opinion in the country before many of the things which you ask can be put into effect.

Now I will say something that may sound very political. It probably is, but it's realistic. We had a political breakthrough in 1964 through a series of political accidents which probably will never repeat themselves. The result was that we got a Congress which for the first time was not a coalition of conservative Republicans and conservative Democrats from the South. This was the first time we got a great deal of good legislation on the books and it was a fluke.

In the power structure of the Congress, the Appropriations Committee is in the hands of those who have had long seniority. Therefore, on the Democratic side are the senators from the states which always go Democratic or in the past have always gone Democratic; namely, the Southern states. On the Republican side the leading positions are in the hands of the Congressmen from states with districts based on small towns. These two groups do not have — at least I don't think they have — any housing program. The result is that even the previous Congress did not adequately appropriate for the programs which we authorized. This Congress, in my judgment, will appropriate still less. I ran the rent-subsidy program through the Senate. I believe that was completely killed in the House.

Now, I don't want to urge the virtuous to repent. I can see that you

are concerned people. Our problem is public opinion as a whole. What I sometimes have been struck with is, that those of us who have worked hard, or at least tried to the best of our ability and energy, to get these programs going and financed, are frequently punished for the sins of our opponents. So that we are in the paradoxical position of having opponents strengthened to undo the very programs which we would like to remedy.

MR. PEABODY: Is there anything that you could do to assist us in getting our own State to fund legislation, which is now ready, to improve the State housing picture specifically?

MR. DOUGLAS: I have no influence on the State of Massachusetts. Good to see you, though.

(Adjournment.)

Roxbury YMCA Auditorium
Boston, Massachusetts
Afternoon, May 26, 1967

MR. DOUGLAS: Ladies and gentlemen, may we come to order and take our seats. I will ask Mr. Lieberman, Mr. Romanos, and Mr. Wyche to come forward and sit at the table. Mr. Romanos and Mr. Wyche are not here yet. Let's start with Mr. Lieberman.[1]

We are very much obliged to you, Mr. Lieberman, for coming from Philadelphia for this. You are nationally recognized as an expert on code enforcement. You are also a former builder and you know the financial problems of construction and I wish you would discuss this topic of financing and housing in low-income areas.

STATEMENT BY BARNET LIEBERMAN

MR. LIEBERMAN: Thank you very much, Mr. Douglas. I appreciate the privilege of discussing this problem with the Commission.

This morning's session seemed to me to be like a rerun of the sessions we had in New York this week chaired by Mr. O'Neill for the *House & Home* magazine. But there was a different audience, so this may be something different for the people here.

Both sessions reveal to me several basic things. I hope Mr. O'Neill will forgive me if I repeat them. First, problems differ substantially from city to city and from community to community within each city; second, there is a tendency for urban renewal executives and leaders of the city's urban renewal programs to think in comprehensive, long-

[1] Native of Philadelphia, consultant on housing and code matters for Pennsylvania Department of Community Affairs and Executive Vice President, Philadelphia Housing Development Corporation. Commissioner of Licenses and Inspections, Philadelphia, 1957–64; Deputy Managing Director, City of Philadelphia, 1956–57. Co-author of *The Law of Zoning in Philadelphia.*

term, dramatic terms. However, they shy away from the short steps needed to travel towards the long-range goals. It is also necessary to serve the people who are now alive and whose expectancy is finite. You heard that said at lunch by some of the people living in this area.

Planners should not be given the full responsibility for implementing their programs. The skills of a planner are quite different from the skills of a doer. They must cooperate but you can't give the planners the responsibility for actually implementing their program. And, thirdly, the solutions to the problems must be as diverse, almost, as the differences in the problems of the different cities.

The subject of today's hearing is the problem of financing housing in low-income areas. I have come prepared to deal with the subject and I may be repeating some of what I heard this morning, at lunch, and two days ago, but my statement was written before I heard these things. It makes me feel good that I am thinking the same way that others are thinking.

I hope that you will have the opportunity if time permits to ask some questions about points Mr. Logue raised this morning. He and I have been in this field almost the same length of time. He is a fellow-Philadelphian. He and I have come to some different conclusions, but I will not try at this point to express my difference of opinion with Mr. Logue.

As Many Slum Properties as 30 Years Ago

After more than 30 years of public housing and a decade of urban renewal, there are as many slum properties now as existed before. One reason for this is that our society, through its government, looks at low-income persons in the same manner as it did in the colonial days — as indigents and paupers.

The difference is that today assistance to the poor for food, clothing and medical attention is given by cash grants instead of food orders. In the early days of my legal career, I was attorney for a poor district in Philadelphia, so I understand what this means. Shelter for the poor used to be given in the poorhouse. Now it is given in public housing projects. I am not saying they are the same thing, but the philosophy behind them is the same.

Even public housing doesn't admit all the poor. A great many at the bottom of the economic heap are still forced to live in dilapidated, privately owned houses whose owners believe they are entitled to a profit. The result is slums and slumlords.

The urban renewal programs have not done much to solve the problem of shelter for the poor or of slumlords. I saw this as we toured the city. The emphasis was on dramatic center city renewal. I hope that I am asked what I think about it. I do not think that center city redevelopment should be eliminated; but the question is — are you going to spend 75 percent of your urban renewal funds solely for center city renewal?

The problem that we are facing is to provide shelter for families who are not financially able to obtain such shelter in the private market. These families may be divided into two groups – one where the family income is under about $3,000 a year, and the other where the family income ranges from over $3,000 to about $6,500 per year.

The first group is made up mostly of those eligible for assistance under the various programs of the Social Security Act. Decent shelter facilities for this group should be entirely the responsibility of our society, and the total cost for providing such shelter is the responsibility of government. I think that we have recognized this from time immemorial in this country.

The second group is generally made up of people working in the less skilled jobs because of inadequate education, job training, job opportunity, and discrimination. The people in this group are American citizens who should be helped with their shelter needs until their incomes are increased as a result of existing and future programs of job training, education, and opportunity carried on by the Federal Government. This is the group, I believe, that President Johnson had in mind in his recommendations on urban and rural poverty which he sent to the Congress on March 15, 1967. President Johnson referred to many American families with "low but steady incomes" for whom ownership of decent, modest homes "is a source of pride and satisfaction, of commitment to community life."

In this country we developed an assistance program for American unemployed citizens during the depression days. Similar assistance by government for people who can't find decent housing within their economic means is equally valid today.

Low-Cost Rehab in Philadelphia

A profile of this group was developed by the Philadelphia Housing Development Corporation of which I am the Executive Vice President – at least until the end of the month. This was developed as a result of experiences with prospective purchasers of residential properties constructed and rehabilitated by PHDC. It represents a check of several hundred people since Februrary 26 of this year, so it is quite recent.

A majority of the purchasers were between the ages of 25 and 50 years. The average family size was six, including father and mother. Of course this means that there are a great many families that had more than six members. The average income of the head of the family ranged from $80 to $100 per week. Where the wife worked, her average income was about $50 per week. This group was paying $70 to $90 per month for shelter facilities, usually in inadequate apartments and dwellings. Most of the people were stable, steadily employed and without debt burdens other than for rent, medical and household expenses.

We sold all of the 86 PHDC houses we had built, since February.

All of them were sold in about four or five week-ends of advertising just as a private builder would advertise. They were in North Philadelphia, which a few years ago was called the "jungle" of Philadelphia. They were rehabilitated houses and people came and bought. The Negro purchasers of PHDC houses were anxious and happy to own their own homes. They had no objection to living in a Negro community, so long as the house and the environment were safe, sound and decent.

The families in this second group cannot purchase an adequate home in Philadelphia's private market. A three-bedroom house in Philadelphia costs at least $13,800. Even in the urban renewal areas of Eastwick and North Philadelphia, the prices range from $11,790 to $14,440. In Philadelphia this is considered high. Under FHA Section 203, 30-year financing, a downpayment of approximately $900 is needed, and monthly carrying charges of $118 are required. This is beyond our typical family's ability to pay.

Last Sunday I cut out the various advertisements for rowhouses in the Philadelphia paper. Here are those with the lowest prices that were being advertised by the private market in Philadelphia.

The Philadelphia Housing Authority cannot produce single-family residences below the private market prices. The Philadelphia Housing Development Corporation cannot produce single-family homes for a cost low enough for our low-to-middle-income families to acquire and maintain. This is so, despite the fact that PHDC is a nonprofit corporation sponsored by the city administration and it receives many vacant lots and structurally sound shells by gift and through the city's program of acquiring structures under its tax-delinquent program.

Incidentally, this is PHDC's advertisement showing all were sold out. I didn't bring enough copies of what PHDC does. I am not trying to sell PHDC, but I think it is a good vehicle and could be used in many programs.

[Document shown to the Commission]

MR. DOUGLAS: *When you say, "$93.87: three-bedroom house" — how many years?*

MR. LIEBERMAN: Thirty years under FHA 221(d)(2) financing.[1]

MR. DOUGLAS: *What would it amount to in terms of an outright cash price? Suppose a man wanted to pay cash right off the bat?*

MR. LIEBERMAN: *About $11,800.*

MR. DOUGLAS: *What interest rate do you charge?*

MR. LIEBERMAN: 5¼ percent.

MR. DOUGLAS: *On declining balance?*

MR. LIEBERMAN: On the declining balance, FHA-insured money. If I may digress, I should like to refer to what Mr. Morgan said this morning. Four savings banks in Philadelphia got together and created

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[1] FHA mortgage insurance for low-cost one- to four-family housing, loans at market-interest rate, for families displaced by urban renewal or other governmental action; or one-family housing for other low-or modernate-income families.

a fund of $20 million to finance homes in the areas referred to as "red line" areas which FHA and private banking boycotted. We found that when the cost of money went up last fall we were asked to pay five points above the regular mortgage interest. It started out at 6 percent for the mortgage plus five points as a premium for the money.

MR. DOUGLAS: *That is discount?*

MR. LIEBERMAN: Yes, discount. We didn't need the money last fall, and the money market improved. I went back to renegotiate, and got it down to 2½ percent plus 1 percent for the banks to do the paperwork, although we offered to do it. They felt they needed the money. What was the result? A money burden was added to the price of the house. Now who was going to pay that? There is no place where that can be paid from except by putting it on the back of the purchaser, whom we are trying to help. This is one of the flaws, weaknesses, or vacuums in our national housing program at the moment.

With the building trades unions insisting on Davis-Bacon Act rates and requirements on one hand and the Philadelphia mutual savings banks insisting on FHA guarantees and a 3½ percent charge for mortgage money, PHDC finds that it cannot build or rehabilitate structures without a subsidy at prices which can be met by those we want to help.

The people we want to serve can raise less than $500 total cash to buy a home. They can pay only between $75 to $95 a month for the mortgage interest and amortization, real estate taxes, and property insurance.

And, incidentally, the demand has been for five-bedroom houses. Large families need shelter and, if you will notice, in Philadelphia there is nobody building more than the three-bedroom house. Here is an unmet demand that PHDC is trying to fill by taking over these two-and-a-half and three-story structures, making five bedrooms and two baths, and selling them for a price that you would probably have to pay for a three-bedroom house.

MR. DOUGLAS: *You mean that's a five-bedroom house for $12,000?*

MR. LIEBERMAN: For under $12,000.

MR. DOUGLAS: *That is extraordinary.*

MR. LIEBERMAN: This is the point, Mr. Douglas: Where else in the country do you find 20,000 vacant, dilapidated houses in the city and where else in the country can you go and develop a tax-delinquent sale program? The city acquires these houses for a few hundred dollars and then turns them over to us to rehabilitate. In these prices we do not charge anything for the actual cost of acquisition or for any value for the land.

MR. DOUGLAS: *You mean this does not meet construction costs?*

MR. LIEBERMAN: The price we sell at just about meets construction costs but does not include the cost of the land or the shell. In the sense that we gut it all out, it is really brand new except for the four walls and the good joists.

MR. DOUGLAS: *Were these shell houses that you and the city bought or foreclosed on?*

MR. LIEBERMAN: Yes. These are old houses that had been vacant and vandalized.

MR. DOUGLAS: *Sometimes they speak of shell houses in a different sense. Go ahead.*

MR. LIEBERMAN: This is peculiar to Philadelphia. As I said, what other city has 20,000 vacant houses? I have talked to people in Chicago and New York. To point out what I said before, every city has its own problems. We can be successful if we could have some sort of help to make up the difference between the total cost of production and what our people who want these houses as their own homes can afford to pay. If the Federal Government can subsidize public housing, it seems to me that it's perfectly moral and legitimate to subsidize the cost between what people can pay and what it costs to rehabilitate. It therefore seems obvious that the roadblock to providing low-to-middle-income housing is financing, despite what the bankers say. I think we are talking in different terms. If you guarantee the banker and builder his margin of profit to which he is entitled in our profit system, then private enterprise can go ahead and do the physical work. Somebody has to guarantee that margin of profit. That's a problem of financing.

It is also obvious that profit-motivated private industry will not provide such housing and take the risk that goes with it.

It becomes further obvious that government must provide the necessary financing tools to meet the needs of this important segment of our population.

President Johnson, in his message to Congress, said he directed the Secretary of Housing and Urban Development to carry out a low-income housing-ownership pilot program. But why a pilot program? I should like to repeat what Mr. Charles Abrams said recently in Philadelphia. I agree with him:

"I have learned to become suspicious of Federal experiments for they represent refusals to face commitment. I have still to find a single experiment in the whole Federal housing catalog that has matured into a defined or long-range program, and I have begun to see similarities between experimentation and immolation."

I didn't know whether that was the correct word. However I checked it in the dictionary and I think I know what he means.

MR. DOUGLAS: *I thought "immolation" usually meant burning up.*

MR. LIEBERMAN: That is right. I think what he meant was burning up the purpose of the help—the financial assistance these programs were intended to give—burning up the ideal.

I disagree with Mr. Abrams with respect to many of his observations about Philadelphia, but I agree with him on this. I have been in this thing too long not to understand what he is trying to say.

I feel the time has come for concrete action. I would like to propose a couple of things for your consideration.

Proposal for a Federal Housing Reconstruction Finance Corporation

I propose the creation of a Housing Reconstruction Finance Corporation by the Federal Government and capitalized by the Government. This corporation would financially support construction and rehabilitation of housing solely for the low-to-middle-income families who cannot purchase decent shelter in the private market. This corporation would financially support construction and rehabilitation programs which FHA and private industry will not finance because, in their opinion and under existing law, the programs are not considered "economically feasible." The criteria to be used by the proposed corporation would be, "Do the social objectives of the program — namely, providing decent and modest shelter for low-to-middle-income families — outweigh the economic feasibility of an otherwise financially sound program. Is the money spent by the corporation buying its value of decent and modest housing?"

The HRFC can operate in several ways. One, insure mortgage loans covering the amount and interest above what a lender would approve on an "economically feasible" basis. Any losses might be paid with low-interest government bonds similar to the way the Federal Deposit Insurance Corporation pays out to depositors of a defunct bank.

MR. DOUGLAS: *One-half of 1 percent assessment insurance?*

MR. LIEBERMAN: I am not ready now to give you the details.

MR. DOUGLAS: *An assessment of one-half of 1 percent which would provide an insurance fund which HRFC then guarantees, plus the bank? Would you be willing to have a half of 1 percent loading?*

MR. LIEBERMAN: You do that now for FHA.

MR. DOUGLAS: *Okay. You would be ready for that?*

MR. LIEBERMAN: If you can get the other costs low enough, I think half a percent loading would not be beyond the ability of a low-income person to bear, so long as the total price is low enough.

Second, the HRFC can reinsure mortgages given by nonprofit housing corporations like PHDC which are sponsored by local government.

Somebody this morning suggested having local corporations guarantee half or part of the risk. I think that the national Housing RFC proposed here could do the reinsuring and back up with government credit what local corporations can do to meet the local needs.

Third, the proposed corporation can make direct mortgage loans to low-income home buyers on such terms as to produce monthly carrying charges between $75 and $90. This can be done by charging extremely low interest rates or even no interest at all and requiring amortization of only 50 percent of the mortgage during its 30-year term.

Somebody at noon was talking about an 80-year mortgage. This may be too long.

MR. DOUGLAS: *I would agree.*

MR. LIEBERMAN: I could see, however, a 30-year mortgage but only half the amount to be amortized over the 30-year period. You could

take another look at the end of 30 years and at that time you may be ready for some other program.

In the past one of the problems was we were building houses to last 100 or more years when our population was becoming more mobile than before. The children no longer come back and live in the home of their parents. We may have to do what somebody suggested sometime ago—build obsolescence into our houses so you can have continuous renewal but at a slower pace.

Fourth, advance funds to local government for the acquisition of vacant, substandard structures for the purpose of rehabilitation for sale or rent to low- and middle-income families, provided the structure or vacant lot is leased for 30 years at a nominal consideration. In other words, take title to the land and lease it out for one dollar to the builder or the organization that's going to construct that house. The city owns it and has control of whatever it wants to do later on. It will be cheaper to acquire for urban renewal, if necessary in the future, than it is now, when we have to go in and buy everything brand new. I think a lot of cities could pick up many low-priced houses if they had the financial means to acquire them. It would be more like acquisition under urban renewal and then the city would lease for a dollar a year to a developer or to its own nonprofit corporation developing the site. The lease, of course, would be subordinated to the lien created to cover the cost of construction or rehabilitation. Further, the amount advanced to the local government would be calculated as part of acquisition costs of any renewal program undertaken by it within 30 years. So if the local government spends the money and has to go back within 30 years to do some urban renewal, the Federal Government would give them some credit for what they acquired.

Fifth, make a direct grant to the low-middle income home buyer for the cost of title insurance, reasonable closing charges normally made to a home purchaser in the community, and for any premiums charged by mortgage lenders for making the loan. Also pay the real estate and school taxes to the local government on these houses for the first five years after the housing is constructed or rehabilitated and made available to the low-income people.

Sixth, reinsure 50 percent of the risks taken by insurance companies who would extend fire and liability coverage in the areas into which they are not willing to go now.

Of course there are a lot of other things which after a study in depth or consideration in depth you might put into this corporation.

The programs aimed at helping the low-middle income families, now administered by FHA, should be transferred to the proposed Housing Reconstruction Finance Corporation. You have heard that mentioned several times before. Thus, Congress would know how much is actually being consumed out of the appropriations made to provide shelter for poor families and how much may not be recovered under the program. The nonrecoverable amount would be considered in the same category as appropriations for public assistance for

dependent children and so forth. It also may be considered in the same way as expenditures for our military establishment. We don't think of recovering that money because we feel it's worthwhile expending it to protect our country. If we have a domestic problem of shelter for some segment of our population, why shouldn't we be willing to make an appropriation for that just as we make an appropriation for public housing, food, and clothing for segments of our population who need help with these but can't handle the problems by themselves? I also believe that the transfer from FHA would make FHA feel more comfortable, knowing that its record of profitable administration would not be tarnished by a program developed solely to achieve socially desired objectives.

You heard Mr. Logue this morning and I agree with him. FHA got oriented a certain way and it is hard to change now.

MR. O'NEILL: *The massive inertia of bureaucracy?*

MR. LIEBERMAN: That sounds right.

Let me say this, however. I have had the same experiences Mr. Logue had with the local FHA office. We had wonderful support in our PHDC rehabilitation program under 221(d)(2). FHA worked with us fully and without any problems. Mr. McFarland came up and talked to the local office. However it depends on who is in the spot. FHA was willing to trust me because they knew me. They were willing to trust Ed Logue because they knew Ed Logue. But suppose somebody is in there whom they don't know?

Mr. Logue talked about eliminating civil service from the local housing program. Well, civil service can hinder a program but I am not in favor of eliminating civil service. There ought to be qualifications. Suppose somebody else was there that wasn't like Ed Logue? We get into a question of who is there and not what the problem is.

During the past three years Congress has enacted legislation extending Federal financial assistance to local government for code enforcement. This legislation does not cover the really bad areas of a municipality. Apparently these bad areas are intended for the bulldozer under Title 1 programs of the Housing Act. But it takes a long time—I am not using "bulldozer" in any derogatory sense—to plan and execute a clearance program. The effect of existing policy is to allow slum areas of the cities to continue to decay and fester. It makes thousands of persons living in these areas expendable items. It is in these areas that children become the juvenile delinquents of today and the potential criminals of tomorrow. There is need for an interim program in these slum areas to clean up the neighborhoods and to provide some decent short-term housing for the inhabitants. I believe a young lady at noon made a reference to the need for immediate improvement in housing conditions. This would give these people some hope that in due time greater improvement measures will be taken.

Immediate action must be taken in these areas; otherwise, the cities of this country will be stocking up heartaches and headaches and

problems greater than exist today, including revolt against the conditions. What good is it to have a goal of a slum-clear city in 2000 A.D. for the people who are in my age category or even younger? And what kind of people will be using these beautiful cities in 2000 A.D. if you don't do something about the upbringing of the children who are being created and who will develop during the intervening years? You will have a beautiful city but not the right people. You are changing the physical conditions but you are forgetting to a great extent the needs of the people as related to their physical surroundings.

The Model Cities legislation doesn't meet the present situation as far as I can see because the emphasis of the present legislation is on more planning instead of on more action. The program is for two more years of planning. We have had comprehensive plans; we have had community renewal plans; now we are going to have some more plans for model cities. Instead of having an individual pilot program, let's go and dunk ourselves right into the water and get some experience. Planners and lawyers are always hunting for precedents. In this situation there are no precedents. To get experience you have to take a risk and this is what too many of our people have been afraid to do — take the risk. If you have the guts, you go in and take a chance. If you are right seven or eight times out of ten, you have a good batting average and that's the way you learn. We have got to take this risk in solving the new problems facing our country.

Extend Federal Aid for Code Enforcement to Bad Areas

It is recommended that Federal assistance for code enforcement be extended to bad areas, which are not now eligible for such assistance under Section 117 of the Housing Act of 1965. Such assistance should be made available to the cities, provided the program is carried on in accordance with a comprehensive plan of action for the area, is coupled with a program of demolition of structurally unsafe properties, and a program of land acquisition (by negotiation or by police power but not by the eminent domain power). The local community would be required to certify that there were no plans for Title 1 assistance in the area which can be put into execution stage prior to five years after the code enforcement grant, but that the local community will have urban renewal activities in the area ready for execution not later than 10 years after the code enforcement grant.

It is further recommended that the $1,500 rehabilitation grants under Section 115 of the Housing Act be extended to the areas that I just described if Congress extends the code enforcement assistance to those areas.

Finally — and this is something that I had some correspondence about with present Senator Ribicoff when he was Secretary of Health, Education and Welfare, which he turned down but in a hearing seemed to advocate — the issuing of rent certificates for shelter grants to the people now being given such grants under the Social Security

Act. Instead of handing out cash to the people who then go out and buy inferior housing, my suggestion is that the states be permitted to hand out shelter allowances to their clients in the form of a rent certificate or rent script. The client then takes that rent script to the landlord. The landlord, in order to collect the rent from the public assistance office, must get a certificate from the local building or housing department that the house is in compliance with the code.

The Federal welfare administration does that now with doctors. If a public assistance client gets sick and he has to go to a doctor, the assistance people don't hand the cash to the client. The doctor makes up the bill and sends it in and collects.

At the present time, at least in Philadelphia, our public assistance grants for shelter are subsidizing slumlords. I have heard slumlords say that if they were sure of collecting the rents, they would spend more money for maintenance.

When I wrote to Secretary Ribicoff back in 1960, he raised a question about the social advisability of my proposal and interfering with the private lives of people whom we were trying to help because they are poor. Well, at the recent hearing before his Senate committee somebody made a similar suggestion and he sounded like he was willing to back it up. He thought it was a good one.

I am subject to cross-examination on these suggestions.

MR DOUGLAS: Thank you very much.

We have two other witnesses scheduled. I would like to ask if they are here and invite them to come forward. Mr. Romanos, will you come forward? Apparently Mr. Hamilton Wyche is not here. Will you proceed, Mr. Romanos.

STATEMENT BY GEORGE ROMANOS

MR. ROMANOS: [1] It was my understanding – perhaps I am wrong – that it was the question of fire insurance rates that we are concerned with, is that right?

MR. DOUGLAS: That is one area.

MR. ROMANOS: [To Mr. Lieberman] You are sitting next to one of the biggest slumlords in the city, for your information.

"Red Line" on Insurance in Roxbury

There is no insurance in Roxbury. When I say, "no insurance," it's very rare that you can place insurance in the Roxbury area, whether it be liability or fire insurance, because of the condition of the property and because of the type of tenants that we have. This doesn't encompass all of the tenants, because we have some good tenants

[1] Boston realtor.

here, but the insurance companies absolutely refuse to give any insurance.

I have gone into rehabilitation here in the City of Boston. I have probably done as much or more than any private individual. I am not talking about nonprofit, on-the-job training, how to learn.

I had one street here that I spent almost $100,000 on in cash, my own money. I had no insurance on the property from the beginning to the end. There was no financing on it. Even after the buildings were completely done with Formica cabinets and tile baths and wall-to-wall carpeting and so forth, I still could not place any insurance until a tenant moved in.

As far as apartment house property, it's practically impossible to get insurance. The only way I get some insurance is I couple it with a building I have in another area and say, "If you want this particular building, then you will have to take this other one with it."

MR. DOUGLAS: *What are the reasons which the insurance companies give for not insuring?*

MR. ROMANOS: Roxbury—just Roxbury, the area. And now the area is spread from Roxbury to the South End and North Dorchester and certain parts of Jamaica Plain. Originally they had what they called a "red-line" area. They never admitted to the red line area but they had maps with a red line going around it.

MR. DOUGLAS: *They had maps?*

MR. ROMANOS: Yes, with a red line. No, this was a different color actually. We thought it was red, but it was blue or something.

MR. DOUGLAS: *Have you actually seen those maps?*

MR. ROMANOS: Oh, yes, I have seen them.

MR. DOUGLAS: *This morning they denied there were such maps.*

MR. ROMANOS: I testified in the House [Massachusetts Legislature] on the insurance problem. I think it was five years ago and Senator Foster was the Chairman.They had an investigation and I testified, and within a week I lost half a million dollars worth of coverage on different properties.

The Governor of Massachusetts, I believe, in the last year established a committee to investigate fire insurance in the Roxbury area and heading it—excuse me, Senator Douglas—is a Democrat who has yet to hold a meeting. Members of the board who were appointed with him have appealed to him to call this committee together and it has been in vain. So there has been no activity, but the committee has been set up.

MR. DOUGLAS: *Well, what about the fire rates here as compared to other sections of the city?*

MR. ROMANOS: Well, sometimes you can get foreign insurance like Lloyds, for which you pay anywhere from 3 to 15 times the normal rate. You pay whatever they want you to pay.

MR. DOUGLAS: *I meant the actual damage done by fire.*

MR. ROMANOS: Well, the loss now, I would say, versus five years ago, is probably 25 percent.

MR. DOUGLAS: *It has been cut down?*

MR. ROMANOS: Oh, surely. You can check that easy enough with the fire department records — I mean the runs that are made. This station has been closed up here on Warren Street. They now run out of Grove Hall and it is very rare in comparison to what you used to hear. It is very rare that you will hear of engines down in here now.[1]

MRS. SMITH: *We are going into more than the fire rates. How about the rehabilitation costs? How are you doing in this area? Where do you get the money?*

MR. ROMANOS: I have quit in this area. It will be 24 years in August that I have been in Roxbury and I am not doing any more because it seems to be the policy — and I say "seems to be the policy" — that nonprofit groups should be designated as developers versus private enterprise, even though I have yet to find where nonprofit groups can even come anywhere near competing with private enterprise. But it seems the dispensation here in Roxbury, in Washington Park, seems to be, whether they be newly formed or old formed, to nonprofit groups. And the construction costs of theirs versus the private enterprise is certainly about 40 per cent more.

MRS. SMITH: *How do you explain that?*

MR. ROMANOS: Let me give you an example. I did a building that was condemned — 20 apartments. I am renting the apartments now for $90 and $95 a month; 6½ and 7½ rooms. They have heat, hot water, refrigeration, tile baths. They have custom-built Formica cabinets, wall-to-wall carpeting. I supply everything except electricity. I don't know of any building that any nonprofit group or any new construction group has put up that is a five-room apartment for $95. This was an old building that was condemned by the city of Boston. I had a commitment from somebody in the administration that there was about $14,000 owed in taxes and it was going to be torn down and that they would make some sort of a deal with me where I wouldn't have to pay the full $14,000. But after I did the building, I paid the $14,000, plus they raised the assessment $20,000.

The private parties over here are trying to compete with, we will say, the nonprofit groups who are getting 30- and 40-year mortgages and 3⅜ percent or whatever the terms are and we are trying to compete with them with 6½ percent mortgages for 12 and 14 years, if we can get them. It is a pretty hard situation.

Then if you look around at some of the construction in Washington Park, you find that if it was a private individual who was building —

[1] District Fire Chief Andrew J. McElaney later gave the Commission data from his Department's survey of an area "roughly covering" Washington Park. In 1965 there were 20 multiple alarm fires, and 47 other fires, for a total of 67; in 1967 there were 3 multiple alarm fires, and 41 others, for a total of 44. In District 9, including not only Washington Park but most of Roxbury and Jamaica Plains, Chief McElaney noted the following increase of alarms: 1963 — 2,954; 1964 — 3,768; 1965 — 3,852; 1966 — 4,472. He said these figures reflect "a general increase in false alarms, a large number of nuisance fires, and fires in many buildings that have been vacant prior to demolition. . . . In Washington Park, there is no question that the new construction and reduced population density has decreased the fire hazard."

this is what they call a No. 2 fire zone – the law requires anything for two families or over to be cement block and brick; but you don't find cement block and brick. You find wood frame and brick veneer, sheetrock walls and so forth. This is nonprofit. If it was a private developer, he would have to build according to the code.

MRS. SMITH: *What is your explanation for this shift if demonstrably you can get costs down below those of the nonprofit groups?*

MR. ROMANOS: I'm sorry?

MRS. SMITH: *What is the reason, do you think, for the development of the nonprofit groups if they can't do the job?*

MR. ROMANOS: I believe the purpose of giving the jobs to the nonprofit groups is for public opinion. I think that they feel there is less stigma if a so-called nonprofit group is doing something in a particular area. I think this is the reason they give it to them or, in my particular instance, I am sure it is a question of personalities. There is nobody in Roxbury in the BRA or anywhere else who questions that I have the ability, I am sure, that I have done work.

I have just completed a warehouse that nobody wanted. I bought it and I made 42 apartments out of it. It was an old raincoat outfit. I say if we are given half the tools that the nonprofit groups are, we will do a much better job than these groups. Give us some 20-year financing at 6 percent or 8 percent financing. We will be tickled foolish and we don't have to have $12,500 to build a two- or three-bedroom apartment. In my opinion, that's luxury. I can deliver all the two-bedroom apartments you want brand new for $95 a month without any deals.

MR. JOHNSON: *Did I hear you describe yourself as the biggest slumlord in town? Are you kidding?*

MR. ROMANOS: I have been described that way, so I accept it.

MR. JOHNSON: *Are you the most hated or the most loved?*

MR. ROMANOS: Let me say this: I have walked up and down the streets of Roxbury for 24 years and nobody has hit me yet.

MR. JOHNSON: *We are interested in some of the hard facts of building costs using different kinds of techniques on different kinds of sites. Have you built any new housing in Boston in recent years?*

MR. ROMANOS: Yes.

MR. JOHNSON: *What have been some of your experiences with actual construction costs per square foot, let's say, on new construction? And how do you relate that to what you understand these costs to be in some of the 221(d)(3) projects we have seen today?*

MR. ROMANOS: I don't know about these 221(d)(3)'s. I am talking about Marksdale or one of these other projects. It was my understanding that these units were supposed to cost somewhere in the vicinity of $12,500 per unit. I have built and sold two-bedroom apartments with an elevator for $10,500, and this in West Roxbury, where I had to pay for my land on the open market with no zoning or no building variations – everything according to the code.

MR. JOHNSON: *This was new construction?*

MR. ROMANOS: This is brand new.

MR. O'NEILL: *Can you take out the land and its improvement cost from that figure and tell us how much just the apartment itself would have cost without the land?*

MR. ROMANOS: I would say that a two-bedroom apartment I can build for about $7,800 a unit.

MR. O'NEILL: *That is your cost or your price?*

MR. ROMANOS: That is my cost.

MR. O'NEILL: *That figure contains no profit or overhead?*

MR. ROMANOS: That is my cost—$7,800 a unit—and usually I try to figure $1,000 to $1,500 per unit cost for the building unless it's in a real desirable location and then you go another $500 or $1,000.

MRS. SMITH: *Who does your architectural work?*

MR. ROMANOS: Well, on the remodeling I do it myself. I don't use an architect. Now as far as new construction, most everything is prototype, whether it be a 16-, 32-, 24- or 40-apartment building. One set of plans just revamped a little for your site will do.

MR. BAKER: *Senator, since I must leave for the airport in about five minutes, I will defer questioning.*

MR. O'NEILL: *Mr. Romanos, have you ever worked as a general contractor for some of these nonprofit outfits? Have they ever asked you to get the job done cheaper?*

MR. ROMANOS: I have done some work but not for nonprofit groups, no. I have a general contracting company also.

MR. O'NEILL: *If the nonprofit arm that maintained it and collected rents and everything else asked you in as the GC, could you do the job a lot cheaper for them and would you work as the general contractor?*

MR. ROMANOS: No, I wouldn't get involved in it.

MR. O'NEILL: *You wouldn't?*

MR. ROMANOS: I try to keep out of the way as much as I can of the Government.

MR. O'NEILL: *Barney, the RFC,* [*Federal agency: Reconstruction Finance Corp.*] *I think is an unfortunate name. A bunch of do-gooders blew $37 million of public money on Lustron with that idea. Now, I think your idea is pretty good, but there are a couple of problems with it. If you take all of the capital markets in which the private sector and the public sector all compete for the same money, there is only so much money. I think that if there were not a drastic allocation of resources at the Federal level within this pool of money, you would be asking for an increase in the national debt and an increase in the administrative budget to make HRFC work. Don't you thing you would? And wouldn't you also be competing with the private market by selling, let's say, long-term treasuries rather than lending the money out at a lower interest rate and handling the subsidy through an increase in the administrative budget?*

MR. LIEBERMAN: Let me ask you this for information: How much money does the Federal Government put out in cash to back up the FHA insurance program?

MR. O'NEILL: *Nothing. They start adding those points as soon as the market tightens up so FHA money is market rate money.*

MR. LIEBERMAN: FHA doesn't give any money; they insure. The money comes out of the—

MR. O'NEILL: *The hide of the builder and the hide of the buyer, but the low-income people don't have that.*

MR. LIEBERMAN: My point is that the Federal Government must absorb in cash the difference between what the buyer can pay, just like public housing. You subsidize public housing.

MR. O'NEILL: *This requires a massive infusion of money which would be all right if it will do the job that you describe in the paper here. But this money has got to come out of the one pie. Sure, we can say, "All right, we will spend $10 billion less this year in Vietnam and that will cover it." But you have got to make that commitment and that's a political and social commitment.*

MR LIEBERMAN: I agree these are hard questions to resolve.

MR. ROMANOS: This is a political and social discussion and I am a landlord. If you want to give me a Ford Foundation grant, I will enter into the discussion. [He starts to walk away.]

MR. LIEBERMAN: There is a certain segment of private enterprise and you have a problem to deal with it.

MR. DOUGLAS: Thank you very much, Mr. Romanos.

MR. ROMANOS: You are welcome.

MR. DOUGLAS: *Could I follow up your question, Dick, with just one point? I would like to clear the record a little bit because my good friend Dick O'Neill said that do-gooders lost $37 million on Lustron. I have been accused of being a do-gooder and I am proud of it. Senator Fulbright and I were the men who discovered the loss of $37 million on Lustron and we headed the investigating committee on RFC and I think I know something of the circumstances under which Lustron went down. The idea of Lustron was good. They had a good house but an unconscionable group running it. They spent the money on all kinds of things instead of on housing and went in for corruption on a wide-spread scale and they thought that they were being smart businessmen. So it wasn't the do-gooders who lost that $37 million; it was the business sharpies who lost it.*

MR. O'NEILL: *They had the house priced at half the price it should have been because they didn't know their business.*

MR. JOHNSON: *Mr. Lieberman, your paper is really quite interesting but we are talking about families with incomes of under $3,000 a year. There is not much of this that would affect them. You state here that you feel that there should be a total commitment on the part of the Government to provide this housing and I suppose it would have to be. I was going to ask Mr. Romanos what he had been doing for people with incomes of under $3,000 a year but how do you see this total commitment? Do you see it all in terms of public housing or partly in terms of rent supplement or how?*

MR. LIEBERMAN: You mean for the people under $3,000?

MR. JOHNSON: *For people under $3,000 a year.*

MR. LIEBERMAN: I see it in the form of what is called public housing. You may have to change the semantics because of the startling development that public housing is no longer a popular thing. In Philadelphia you cannot build a high-rise public housing project or even a low-rise public housing project because the people are against having a public housing project in their area.

Now, why do you have to build high-rise apartments in Philadelphia? It is because the cost of land is so high now. Philadelphia is a city of rowhouses, of homes. If the public housing authority could have gotten land which met the cost limits of public housing, they could have built rowhouses.

I think you will have to do it through the public housing program. You will have to take off some of the severe restrictions based on economic feasibility. How can you set up a social objective which is not based on economic feasibility to help people who can't pay the economic cost, and then say to the people, "You have to pay that." We would just be building bigger and better "poor houses" as they were called in the old days. I hate to use the word, but we have to take care of the people who may become public charges.

I don't see any solution. You can't ask private enterprise. Mr. O'Neill in an editorial said that private enterprise can't do anything in that field. I heard the head of the National Real Estate Board say the same thing. So why shouldn't our Government take care of these people whatever the cost may be? The high costs are due to the fact that we are having a rising economy, a higher standard of living. Everything costs more, so it costs more to house the poor; and if it is assumed that government has the responsibility to house the people at the bottom of the economic heap, then if it costs more, you have to pay more, just as you pay more for armaments or for oil when the oil companies want more money for their oil for our Navy or the armed forces. To me it's as simple as all that. I may be naive but that's the way I see it.

MRS. SMITH: *Could I ask one question? Do you literally mean you are just gutting houses and saving the shell?*

MR. LIEBERMAN: We did this because the people who were doing this kind of work for the housing authority in Philadelphia tried to patch up existing vacant housing. It didn't work out. It cost them as much in labor as it did to gut it out, so we used the gutting process. We save a few dollars more and we actually produce a brand new home.

MRS. SMITH: *I wonder if there are savings to be made if, instead of gutting and doing all of the little special things it takes, you just demolished the whole thing and put in something technically more advanced on those lots.*

MR. LIEBERMAN: We have some architects working in Philadelphia to develop a house that we can move onto a lot between two existing party walls. We find that gutting saves time, gutting everything except the four walls and the sound joists than if we start everything brand new. We still can produce housing for less than the private market can produce because we are producing large houses. We are fortunate in

Philadelphia to have three-story houses where we can produce five bedrooms and there is that demand right now.

May I close with this: I don't want to get away without selling PHDC. The Philadelphia Housing Development Corporation is a nonprofit corporation but it's a cooperative enterprise, a private enterprise within the city government. We have 35 directors, and 25 are public people nominated by the Mayor from various segments of our community. They operate as a nonprofit corporation organized under the normal nonprofit corporation laws of Pennsylvania, like a church or any other charity. Our administrative expenses are paid by the city. The city has given us $2 million for capital improvements to do this reconstruction work and it's absorbing the interest on the money.

What we do is take private contractors like Mr. Romanos and say to them: "You do the work for us. You take no risk. We will furnish the construction loan. There is no interest on that. We will hope you get the permits. (In Philadelphia if we ask the city for the permits, we don't have to pay permit fees.) We will process a lot of things for you; make things easier for you." We pay the builders on a weekly basis so it costs them $1,000 or $1,500 less because they don't have to pay interest on construction loans.

Of course there were other nonprofit corporations, mentioned before—that is, those who maintain and operate 221(d)(3) projects. We encourage that by saying that we will be the nonprofit sponsor and during the year that it takes to build these houses, "We will train your people to manage it so that you can take over at the final closing."

MR. DOUGLAS: Thank you very much.

We have another witness, Mrs. Elva Potter,[1] who is a local homeowner and we appreciate your coming, Mrs. Potter. I understand you are willing to testify on difficulties you have had in getting a bank mortgage.

STATEMENT BY MRS. ELVA POTTER

MRS. POTTER: Thank you. I have had difficulty in obtaining a bank mortgage. In fact, I have not been able to obtain a bank mortgage in this area that we are talking about now. I find that what we need is something to be done immediately so that we can be able to hold the property and to maintain the property that we have.

Mortgage Insurance Difficulties in Non-Project Areas

I have property in the Highland Park area, which has been recommended for the Model City area. What Mr. Lieberman was talking about is wonderful, but we have people who have property in the area,

[1] Highland Park (Boston neighborhood) citizen.

if we go to the bank now and ask for a mortgage, they tell us: "We are not working in that area," and no bank will give you a mortgage. So if you have a problem trying to maintain the property, in order to wait for these programs that are being instituted. While you are waiting you lose your property – not because you are unable to take care of your loan, but simply because they will not loan you money in the Roxbury area.

MR. DOUGLAS: *What banks did you go to?*

MRS. POTTER: I went to the Joseph Warren Bank. I was refused because they are not loaning money in that area. I went to the Eliot Bank; the same thing. I went to the Boston Five. They only are loaning money to people who already have mortgages. I went to the Volunteer Bank. He did extend me the courtesy of going out but he also said he was not giving money in that area.

I went to – let's see, I think it is a private – I just stopped in because I was trying banks – the Workmen Bank Corporation. I also went to that one. They said they were loaning money to people who had money in the bank and who also had loans.

I went to a private individual and I now am in the hands of a private loaner and I am paying an 18 percent note now.

MR. DOUGLAS: *Eighteen percent interest?*

MRS. POTTER: An 18 percent interest note, yes. This is what you run into because you have to have something to resort to, so you resort to where you can get money. So this is what I am paying – $145. That's including interest and principal and everything, to get $2,700 for which I eventually will pay back $5,600, because you can't get a mortgage from the bank.

MR. DOUGLAS: *Are you able to get fire insurance?*

MRS. POTTER: No, I have not.

MR. DOUGLAS: *What's the trouble there?*

MRS. POTTER: The house has to have more improvements made, because at one time there was a fire in the area. This is what the inspector said. There are some burnt spots on the beams that were not removed so as a result the insurance was turned down. That was at that time. Since then I do not have fire insurance. I have not been able to get fire insurance. I applied to two insurance companies. I was turned down. They were not insuring in that area.

MR. DOUGLAS: *Why won't they insure?*

MRS. POTTER: Because Roxbury and that area is a risk.

MR. DOUGLAS: *Have there been lots of fires?*

MRS. POTTER: I don't know how many. I don't know of too many. No more than in any ordinary congested area, I don't think, but they do. Roxbury and that area is a risk. This is the answer I get. Now I can't go into further detail because that's the only answer I have.

MR. JOHNSON: *Well, I sympathize with your situation and I wish there was something we could do either immediately or in terms of a program or something to help. I have had the same problem in my own area but the problem had a different sort of slant to it. There was an excessively low appraisal of the property. A house that was for sale*

for $10,000 was appraised at about $4,000 and with the mandatory maximum of 75 percent in New York State, the lady would have had to put up $7,000 in cash to buy a $10,000 house so it was ridiculous. And we discovered at that point the existence of a kind of redline area and we decided to bring this right to the doorstep of the bankers. We had a meeting with them to discuss this problem and the fact that they weren't meeting their obligations, and that they were helping to make the city deteriorate because of a lack of commitment in certain areas. We suggested at that time a kind of assigned risk of the same sort that you would have in insurance. And what happened then was the area was declared part of the urban renewal study area and this has another effect of just holding everything stagnant for even a longer period. The bankers say: "We will have to wait to see how things go." So we didn't get anywhere with that.

MR. LIEBERMAN: You seem to be concerned about the question of fire insurance. I would like to tell you what happened in Philadelphia. I was on the Commission for seven years. I worked very closely with our Fire Commissioner there. Despite the fact that Philadelphia won prizes for being best in fire prevention education over the years — it was either first, second or third for many years — despite the fact that the statistics show there was a steady decrease in the dollar value of the losses, the rates went up and the fire insurance companies kept out of this so-called redline area. I never saw the red line, but I know of my own knowledge they refused to go into North Philadelphia. This was really the red line area. So I don't think it had anything to do with losses. I suspect it had to do with other things than actual statistical losses in those areas.

MR. JOHNSON: *If you might pardon my suggesting it — one of the reasons might possibly be that some of the structures, if insured, might be more profitable to the owner if they burned.*

MRS. POTTER: May I just say this — and, as I say, I am speaking not only for myself but I am also speaking for others in the area that I know have had similar problems, who have not been able to obtain a mortgage. As a result their houses — well, you can't make your property look good, you can't be an asset to the neighborhood, if you don't get financial help. As a result you end up in an economic squeeze-out.

In the same area that this property that I am speaking of is located, housing is also being built at this moment — on land adjacent to the property that I own — which is being cleared for housing improvement. Now it seems very contradictory to me personally that you can't borrow money in that area because the banks won't loan you money. How could the banks justify a nonprofit corporation building new housing in that area that will be for low-income tenants? This to me is a conflicting thing and they should give the people in the area some satisfaction of knowing why it can be done on this half and not the other.

MR. DOUGLAS: *Does your building have central heating?*

MRS. POTTER: Yes, it is centrally heated.

MR. DOUGLAS: *That is, you don't heat by gas stove or by oil stove?*

MRS. POTTER: By oil furnace. If you are talking about space heating —

I guess that is what you are referring to — no space heaters, just one central heating unit, which is an oil burner. It is heated with oil by one unit that furnishes heat.

I think the immediate problem in the area is that things are being done for the people in the future; not for us just now. Even though we may not be able to enjoy the coming things, it is necessary that something be done now to relieve the people in their financial state, especially when they are not even able to help themselves and have no one to turn to. And this is what it amounts to. When you can't get a mortgage any place, you have no one to turn to.

MR. DOUGLAS: *Massachusetts is one state in the country which has passed a truth-in-lending law. When you said the interest rate was 18 percent, was that stated in your loan — this 18 percent?*

MRS. POTTER: It was investigated. I went to the banking commissioner at the State House to see if it was valid. They say yes, that Massachusetts allows as much as 18 percent interest.

MR. DOUGLAS: *And it was an 18 percent interest rate?*

MRS. POTTER: It was an 18 percent rate, but it was legal and it could be done.

MR. DOUGLAS: I have no more questions. This is very valuable, Mrs. Potter. Thank you very much

(Adjournment.)

Pittsburgh

Commission Members Present: Chairman Paul H. Douglas, David L. Baker, Hugo Black, Jr., John DeGrove, Alex Feinberg, Jeh V. Johnson, John Lyons, Richard W. O'Neill, Richard Ravitch, Chloethiel Woodard Smith, Coleman Woodbury

The Commission's visit on June 9 with the Urban Youth Action program in Pittsburgh's Hill District was one of the most inspiring and constructive programs encountered in tours throughout the country. The Commission asked that recognition be given here to the work of Bernard H. Jones, Director; Jonathan Zimmer, Associate Director; their staff assistants, C. R. Gillcrese, Mrs. Vivian Colbert, and Mrs. Arlene Jackson; with special commendation to the UYA youth directors — Miss Lennie McCrommon, Karlton Chapman, Juan King, Miss Donna McMicheaux, Jack Myers, Miss Diane Neasom, Kenneth Toliver, Miss Cecelia Watson, James Wilkerson, William Wright, Daniel Brooks and Jerome Thompson.

To learn how Pittsburgh's "Great High Schools" system is designed to reverse the flight to the suburbs, bring quality education to the central city, and restore a democratic cross-section of population to the classroom, the Commission heard from the city school superintendent.

Pittsburgh took a small but significant step toward the higher taxation of land values and the lower taxation of buildings with its graded tax. This was used as a starting point for examining the property tax from the viewpoint of ability to generate revenue, impact on urban sprawl and decay, and incentives for renewal. The rise of land values and the taxation of more of these values also was discussed as a method for better allocation of urban land resources. Alternatives to property taxation were explored.

Penn-Sheraton Hotel
Pittsburgh, Pennsylvania
Evening, June 9, 1967

Mr. Douglas: May we come to order please.

We have had a very productive day, I think, making decisions for finding our goals, outlining studies to be undertaken — the initial study

to be undertaken – and I think this is a fitting climax to a very good day.

Superintendent Marland has been kind enough to meet with us and discuss the program for Great High Schools and the general plan for integrating Pittsburgh's city schools. I don't know of anyone who has had a more extraordinary record, both as citizen and educator, than Superintendent Marland, who is a New England Yankee.[1]

We are very happy indeed to have you here. We know how busy your life is because, in addition to the job here, which is enough to keep four or five men busy, I notice you are a member of five or six commissions that the President has set up, including – I suppose you don't mention it – several task forces which are supposed to be secret. We hear of these task forces but we know this is the Pennsylvania Avenue way of operating, never letting anybody know what they are doing.

In my conversation with you, I think I found that you are a man who comes right to the point without the usual pedagogical style of language started by the good Stanley Hall. Many, after reading a book by Stanley Hall, described him as a "geyser fish market." I don't know exactly what that means but I see you are a different breed of educator.

Thank you for coming.

MR. SIDNEY MARLAND: That was very kind, a witty and sensitive introduction, Senator Douglas, and I do appreciate it. I will have to get that quotation later from you, because I can use it.

But you're an old mule skinner in the Marines, I'm sure, and I'm sure you know the definition of a mule as being something like a politician – no pride in ancestry nor hope of progeny.

MR. DOUGLAS: I can say the same about the Democratic Party.

MR. MARLAND: There is a little story I heard from one of my Urban League friends in Pittsburgh and if you haven't heard it before, you can take it or leave it, but I hope you take it for what it is worth in the humorous vein it is intended. It is a story about Cassius Clay arriving in Houston, Texas. Having decided to make his home there, he joined the people in Houston and visited City Hall to make it known he was going to be a resident of that fine city. He said, "I want everybody to know I'm coming here as an ordinary citizen, a common man; not a racist, not interested in any kind of power, but just a $150 thousand house in a well-integrated neighborhood."

I'm afraid if you come to Pittsburgh, you will not find a $150 thousand house in an integrated neighborhood. You have seen the Hill District today and some of our deepest despair. I hope you have also seen some of our dreams and our hopes and our aspirations.

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[1] Superintendent of Schools, Pittsburgh, 1963 to date; previously headed public school systems of Darien, Conn., and Winnetka, Illinois. Military service AUS, 1941–47. Lecturer in education. Vice-chairman, White House Conference on Education 1965; chairman, Merit Scholarship Advisory Council, 1965; member, Research Advisory Committee, U.S. Office of Education; Executive Committee, Washington Internship in Education Organization; Advisory Panel for Civil Rights Compliance, Educational Testing Service; National Advisory Counsel, Education of Disadvantaged Children; Office of Economic Opportunity Advisory Committee.

We hope you have seen our dedication in this city to making it a wholesome one once again for all the people.

Before dinner this evening, I was chatting with your Chairman, and I said, "I don't pretend to come to you with any broad knowledge of urban problems. I am limited to the task of being a school teacher and I can only talk about schools – schools, indeed, in a big city, and if you can't take me as I am, talking about education as a central theme in the urban problems in America, I am not going to be very much help to you on the Commission." So, he agreed to take me as I am and I do intend to talk to you for a little while about education as the central theme to the big cities of America.

Schools Central to Salvation of Urban America

I go so far in my enthusiasm and in my commitment to my own profession as to say the schools are central to the salvation of the cities of America. Not by any means can they make it alone, but education must be prime among the many parts that will see to the recovery of urban America as an important way of life.

All of man's possessions rest in the big city. This is a place where man's central concerns happen, suburban and rural areas notwithstanding. The cities are the suburbs' reason for being.

The cities of America have been sliding downhill for the past 25 years for a lot of reasons but this is still where a man's wealth is; where his concerns for his cultural growth are.

The city is where man's educational resources are for higher education and research; it is where his treasures in art may be found; it is where his health and medical resources are congregated; it is where he exchanges goods and services at the high level and the low level.

The cities should be, and they must be, restored to their high place in America's scheme of things. Slowly they have been falling into the state where those of us going about the area travel under or over or around the ugliness to find their place of work, and the ugliness grows larger and larger. It consists of the poor and the minority and the deprived and the criminal. We must redress this balance.

It can happen through schools. Your Chairman said I had some knowledge of suburban education, and I do admit to that, having spent some 20 years between Connecticut and Illinois as a superintendent in favored suburban communities, probably the richest communities in the world. And I know what it is that causes people to put down their roots and put their money on the barrel-head and say, "We want our children to grow up here." Most of the time, it is public schools.

I am just irrational enough to say I am devoted to spending the rest of my life to the proposition that if we do the same things in the cities and make the schools great enough, the people will say, we will put our roots down here. The favored Negro, the favored white; the ill-favored Negro, the ill-favored white, will all say this is good because this is where the riches are.

A fair share of the people will say, we want to be a part of this. I can say this; it is not entirely irrational because here in this town of ours, we have begun in a very modest way to reverse this drift a little bit. There are now college professors and physicians and psychiatrists and engineers saying, "How can I get my children back into the city?"

These are intellectuals, and they come first. They see that in the real America of the year 2000 the children from their families are going to have to live in a world of all the people — dark and white, and all the rest — and they are beginning to say, "I want my children to have a whole life." However, we have to be good enough.

I was at a cocktail party in one of our suburban communities, and one of the ladies at the cocktail party recognized me and said, "You're the Mr. Marland who is always haranguing us suburbanites about coming back to the city." I said I was and that I plead guilty. She then said they were coming back and I asked her to tell me why. This is what she told me. She had gone to visit her son's fourth grade class the other day, the way suburbanites have a way of doing. She said the teacher sent Harry, one of the boys, to find some chalk and he said, "Where's it at?" The teacher said, "Harry, we don't say, 'where's it at,' we say, 'where is it at?'" With that, the suburbanite repeated, "We're coming back to the city."

I am going to show you some slides now.

These slides were not put together for you folks but for some of my hardnosed Pittsburgh citizens. Some of them are fairly irrelevant for this audience. We are looking at large issues — urban America and what can happen there. It will be because I am accommodating your time and what I think is your mission, if I disregard some of these slides.

Our Board of Education began to accept the idea of the Great High Schools as we worked at it two and a half years ago. At that time, we brought in the best talent we could find in America — the Harvard Center for Field Studies, the Stanford University School of Administration; able scholars like McConnell; we brought in urban design experts from Carnegie Tech; architectural talent — just to survey the notion I am going to share with you.

We sat down with our NAACP friends; our Urban League friends; our United Negro Protest Committee friends; our scholars from our nearby universities — Pitt, Carnegie Tech, Mt. Mercy, Duquesne, Chatham.

We named a committee of 29 distinguished citizens from various walks of life. Some of them may be on welfare. In fact, there is a wonderful woman I will tell you about:

This woman is from the north side of this city. She probably has an I.Q. of 160 but she probably never went beyond the fifth grade — a great woman. She probably could have been a great Negro physician or great Negro philosopher. So, when I say distinguished citizens, I don't mean only people from Alcoa or Gulf, although they are represented on the committee, too.

What I bring you now is a composite, not of Marland's story, but the work of a lot of people who have perceived that a city can make it.

We're fortunate in that we are not as big as Chicago. We're not as big as New York. We are not as big as Los Angeles. Therefore, our problems are not as inconceivable, as incomprehensible, but we are still a big city — the 15th largest city, I believe. We have all the problems of Chicago or New York or Los Angeles but there just may be a capability of surmounting these problems here, and that is the story we are going to try to tell.

The people here have been deeply concerned with steel, concrete, flood control, clean air, clean streams and buildings. That started 15 years ago and Pittsburgh has flourished. The Golden Triangle, on which you sit at this moment, for those of you who might have known Pittsburgh, has been a complete metamorphosis because the marriage of the financial power and the political power, both then and now, has carried us forward.

But, for 15 years nobody said anything about the people. Especially, they didn't say anything about the children. Even more especially, they didn't say anything about schools. Therefore, I take the liberty of reading a letter.

When Mayor Lawrence, 15 years ago, sat down with the Mellon powers and decided to make a different Pittsburgh, they created something known as the Allegheny Conference on Community Development. Many like to say there is no power structure here. You can be pretty sure there is a power structure here. There is a power structure in any city if it's worth anything, because they are the ones that make things happen. In our case, the merger of Mayor Lawrence and the Mellon interests became the Allegheny Conference on Community Development.

The Executive Committee consists of something like 18 Pittsburgh corporations including a modest representation from labor.

I have met with them and did meet with them last January. The President is Jack Heinz, whom some of you may know as president of the Heinz Company, across the river. They make pickles.

The Heinz Company, Alcoa, Gulf, United States Steel, Dravo, Jones and Laughlin, Koppers — you can name them — these are the people that make up the continuing power of the Allegheny Conference.

This letter was written at the end of March and if you will bear with me, I would like to share it with you.

> The members of the Executive Committee were deeply impressed with your recent presentation of the Great High School concept and know the educational potentials this will offer the youth of Pittsburgh.
>
> Since you met with us in January, the five locations for the Great High Schools are now published, as you indicated. Bill Rea discussed each of these locations when we, our committee, met in March and decided their respective advantages. The Conference is very excited about this pioneering concept in urban education.

Not steel, not economic control, but interested in education and in children. The letter continues:

We are very hopeful the architecture of the new schools will be really outstanding, distinguished and a reason for great civic pride. Please let us know if the Conference can be of any help to you on the Board of Public Education in carrying forward this brilliant concept.

I don't think most of you, not being Pittsburghers and not being politicians, would know the significance of that letter except as I try to label it but I think the Senator does understand because it is a pretty complete, new dimension of what the power structure is concerned with.

We think we can make it in Pittsburgh, not because of me or the Board of Education or the faculty of these schools, although it is a great faculty; and it is probably not because of the NAACP or the Urban League or the people alone. But because, for the first time, we have all these people working together, including the Allegheny Conference.

COMMENTS OVER SLIDES

. . . This slide shows our newest high school, built in 1926, which is to say 41 years ago, Taylor-Alderdice High School.

. . . This shows Pittsburgh at the time that school was built. It gives you some idea of our smog troubles, and that was a clear day. . . .

. . . Now we are trying to educate children for the age when we are sending people up into space.

. . . Now see Pittsburgh and the Golden Triangle. We are right below that Gulf Building that has a triangular top to it, and all the things that have happened, happened between here and there in the last 15 years.

. . . Look at a typical high school as seen in 1892 and even now being used. But we can't begin to equip children — not with schools like this. We have 22 such schools here in the City of Pittsburgh. This is the science lab.

. . . This shop picture was taken during the days when integration was no problem. They all went to school together in the print shop and other classes and didn't think anything about it either way. Normal and natural. That shop is a little different today, but the building is there. We have a different category of children now — not because of the schools but because there are other factors.

. . . This happens to be a food service center for training young people in hotel and restaurant service management. You see it is almost entirely segregated.

. . . Here, one to two-and-a-half miles away, almost all white classes are seen.

. . . Here, a commencement exercise but with only a few Negroes, boys and girls. All these boys and girls are entitled to the highest possible education, a comprehensive education. It must be a program that serves all the children of all the people, including the very swift, the very slow, the college-oriented, the sophisticated, the

technologist, and the very limited. Most, or many, of the schools of America have been completely irrelevant for the most disadvantaged and most damaged of the young people in our society.

. . . Here now we see the typical counseling. What we are saying here is the best of the things we have today, for schools built in 1927 or even 1947, is not good enough; so we speak of the Great High Schools of Pittsburgh.

. . . There are 22 secondary schools, including junior high schools and high schools. We now set these 22 aside and move to five Great High Schools with a very large enrolment, five and six thousand, whereas now, the enrolment is one, two, or three thousand. They must be community centers, cultural centers, as well as schools. Our first concern, even more than integration, is educational excellence. Unless we have that, we won't have what I mentioned before — dimensions so dynamic as to hold the white population in the city and bring the suburbanites back. We must have balanced integration, non-threatening, and so rational and reasonable as to be feasible to the white persons. These, then are the three essentials of the Great High Schools.

. . . Here is a Negro lad working in one of our advanced vocational programs. This boy, as of next week, will graduate from Westinghouse High School and already he has offers of three or four jobs as draftsman. He could move into any office and soon earn a salary as much as any teacher in second or third year of teaching. He has great promise. He will have scholarship opportunity with the one particular company and he has chosen to go right to work and continue his education; so that he will probably graduate from Carnegie Tech over a five or six-year period. He comes from a very humble home.

. . . White children will be able to face integration affirmatively. We do not hold integration is for Negro boys and girls, but equally for white boys and girls — for all people who must live with all kinds of people in the time of their lives.

. . . How can Great High Schools be better? Primarily through economy of scale. With 6,000 youngsters, we can do things we can't do with a thousand or two or three. We would have wider choice of subject matter to offer to a cosmopolitan student body and a larger total program of all activities, both curricular and extracurricular. We must help the child who is now sitting on the curbstone find his place in this society and bring him up to the swift and ablest youngster, able to go to MIT or Harvard. We can do this with all kinds of things that make up what we call the "comprehensive high school." We will have specialization of faculty where the teacher who can teach Robert Browning magnificently would be on closed circuit television teaching all the students. Fifteen hundred 11th grade youngsters will hear this teacher teach Robert Browning and this teacher will do this exquisitely, as opposed to the teacher down the hall who may be very, very good in grammar. . . . Enlarged counseling services. Advanced courses not presently possible. We will be able to offer Chinese, for example,

and there will be enough youngsters in 6,000 who will want Chinese, as well as opportunity for advanced courses in sciences and humanities. . . . We are hoping not to have bells or whistles in these schools. . . . The use of closed circuit television and the use of computers operating the libraries for the retrieval of information and the documentation of much more than could be afforded in typical high schools of today.

. . . Community center at large. We hope to see this school operate at least 12 or 14 hours a day, setting aside the conventional 8 a.m. to 3 p.m., which is not a very productive or economical way to manage a property. There will be longer school days with children having much more freedom together but, more than that, the school will serve the community at large — a school that serves as a center — as a sub-community.

. . . There will be five such schools. This is one school serving some 120 to 160 thousand people. A city within the city, with this school as its center and going far beyond the function of a high school. The health services, the family counseling services, the welfare services, the art gallery, the library, the auditorium as the center for political activity, the gymnasium — this is for all the city; and the more hours per day and days per year these schools are used, the more the citizens will be gaining the dividends from their investment. . . .

. . . How do you justify a big high school? Not to labor the point, but just to touch on it so you will know we gave this very high prominence: The school is based on intimate units. We are talking about two or three squads or platoons of people, to use the military analogy. Here we're talking about 35 children to a unit. The teacher, whom we will call advisor, teaches classes four or five periods a day and is totally responsible for those 35 pupils. Those 35 are made up of the normal, cross-section of the city and of the school, racially balanced, eight or nine Negroes to 23 or 24 white. There will be the advanced placement youngster, the very limited youngster, the college-oriented youngster, the athlete, the scientist — a random, cross-section of the school. They will live and work and grow up and learn to know each other and respect each other for four years, and that teacher will know nearly as much about those children, in many cases, as their own family.

. . . The Advisory Group will number 350, with a counselor, which is a better ratio than any school in Pittsburgh now and, I think, in most of America. Our average is one counselor in 550 and this will be an improvement. The Group will have access to the counselor at any time. The key word is "access." Picture 350 students living in a section of this building yet to be created. There will be comfortable chairs to sit down and "gas," where the youngsters can just kind of behave like free human beings. Our adults will be around, parents and professionals.

. . . Then there will be four of these counseling groups of 350 each to make 1,400. That is about the size of your typical city high

school. This becomes a major unit of the school. We call it the "house." You put four houses together and you have 6,000 students. This has been just a summary of the whole thing. You start with 35 and end up with 6,000, organized in such a way as to preserve the integrity of the individual and you have all of these people in a natural and normal profile of the city as it really is.

. . . It is normal for young people to work together in a free, seminar-type learning situation. Classes like this would be a typical part of the school. This is one of our present schools, but we would see a social center like this, possibly for dining, possibly for visiting.

. . . Here we see the computer and all its parts. The library part, which I won't treat too heavily. You would have the studios for recording.

. . . Typical classrooms show the layout for instruction for hospital technicians, medical sciences. . . . Metallurgy, drafting, the technologies—all these things that would be for at least 40 or 50 percent of our people. The remaining are going on to higher education. . . . This is our language laboratory. . . . Contemporary science technology, vocations—a youngster would be in electronic repair or technician classes. Here you see electronics in one of our schools today. . . . Personal services such as clothing, food, health. . . . The computer. . . . The performing arts with a 1,500-seat auditorium, a little theatre. And, of course, the fundamental need for good teachers. We are going to spend four years involving teachers in the planning of these high schools. This is our present goal as we see these schools spread throughout the city, hopefully by the early 1970's.

. . . Here you see all of our high schools. . . . Three schools are predominantly Negro. Many schools are almost entirely white in a totally random arrangement, with the people causing a continuation of racial isolation and with it all the indignities and adversities that this entails. A few schools have a reasonable balance and are doing a good job of it. We know we can have racially integrated classes successfully. We have them now. But we must also serve all the people, night and day—the adult through education and manpower retraining. Special services, extensive education, employment, and social services, mental health and medical services, and special community facilities. All this, at a reasonable cost, estimated at $120 million. I think perhaps the message of our meeting tonight is the first stage of our demographic development of this five-school arrangement.

. . . Down near the Point, Pittsburgh divides itself into several parts, largely by these rivers—Allegheny and Monongahela. I understand you spent time today in the Lower Hill. This is a vast community, almost entirely racially isolated. There are between 90,000 and 100,000 Negro citizens in our city, grouped in four or five neighborhoods. The only way we have been able to discover

a solution to bringing about integration in the Hill District, and here, a Negro neighborhood in Homewood-Brushton, is roughly this. If you could just imagine a huge circle with the center right about here and you take a pie-shaped piece out here, and a pie-shaped piece out here, and another pie-shaped piece out here and another here, and here, you end up with one, two, three, four, five sectors, each of them served by a high school. These are tentative boundaries but they are far from final. . . . We have two years for architecture, two years for construction. Undoubtedly, there will be some population shift in that time, with further diffusion of Negro families into other parts of the city. We will rest our case by saying, when that time comes, we will gerrymander and manipulate our pie-shaped pieces until we get the balanced percent of Negro boys and girls, and we will bus them if necessary. . . . These are white up here, and they will walk. These are Negro here and they will bus, because they are more than two miles from their schools. The reverse will be true in other localities. . . . It won't be a matter of cross-busing whites into Negro areas and vice versa. It will be a matter of a school, non-threateningly and racially balanced so that it will be reasonable for persons to say, "This is where our school is."

What is going to happen to the 22 old schools? Three of them we will set aside. Most are good, sound schools and will become middle schools – sixth, seventh and eighth grades.

Almost everybody wants to argue with this: What about the children who are growing up in elementary schools that are segregated? We say we couldn't agree with you more but you tell us how we are going to do it, because we have not been able to find out. We turned the whole thing upside down, and came up with the high schools as the place to start. It is going to take more time, knowing we are going to be dealing with generations instead of tomorrow.

The biggest step is by starting at the top, dramatically and powerfully, with a high emphasis on excellence. We will be able to challenge the attention of the white citizens and keep them there so that we can integrate.

MR. DOUGLAS: Thank you very much Superintendent Marland. The Commission members have some questions.

QUESTIONS BY COMMISSION MEMBERS AND STAFF

Q: *How will all this be financed?*

MR. MARLAND: We had to start with a bond issue in May, 1966. We held a referendum on the issue of the Great High Schools at our legal limit, which is $50 million, and we got a three-to-one majority. There is still a certain amount of public debate as you expect on anything as large and significant as this. So far, we feel very reassured as to the position of the people in the city, without being smug.

Q: *Do you think the Model Cities Program is going to assist in your goal of trying to achieve an integrated system?*

MR. MARLAND: In Pittsburgh, unquestionably it will. I can't speak for Model Cities nationally. We have worked cheek-by-jowl since the first day of designing Model Cities for Pittsburgh, and schools are essential to it.

For all practical purposes, without moving people, there will be racial balance and this in my judgment is the key to our Model Cities program.

Q: *I think, in response to Mr. Marland's idea that racial balance is necessary for the attack on this problem, there is a lot more to be said. There is the problem of upgrading and extending your plan to the lower grades. In this phase, with your large commitment to improve high schools, how do you see this upgrading over the years?*

MR. MARLAND: The gentleman is correct. While this is a massive plan, you're not going to solve this thing with nit-picking. There are still a lot of thorns in a sweeping plan, and this is one of them. How are we going to sustain the children in segregated neighborhoods during the period of growth and have them ready for the advantages of this situation when the time comes?

All I can say to you is, we are tremendously conscious of this. We are working, and investing more dollars. This means much smaller classes, counselors, social workers, psychiatric services—so many different programs that are to be carried out at a cost of much more money in the very schools you're speaking of. Some people call it, derisively, compensatory education. All I call it is more for those communities where it is needed most.

If we can do a better job in an 18-pupil class than in a 35-pupil class, then we will have 18-pupil classes. We have these in the Hill now, maximizing the power of educational change with these children for as long as they are necessarily segregated.

Q: *Do you plan increases in budgets for the higher cost of the specialists you will need to effectively work in these schools?*

MR. MARLAND: Yes, we have announced to the community we will need a 2-mill tax increase to carry just the operating cost difference in these Great High Schools. A 2-mill cost increase to us is $3 million a year to operate these schools, and they have bought it. In Pittsburgh, a 2-mill cost increase is rough. Maybe it doesn't sound like much for those who live in the suburbs but in this city it may mean a big industry or a big store may have to leave. That is the risk we take.

One of the dirty words around Pittsburgh is "metropolitanism." Many of you have heard metropolitan solutions characterized as the big hand of metropolitanism reaching out and dominating the favored, lily-white suburbs. But I was encouraged by a recent letter from a suburbanite educator, who is thinking of changes in suburban education, including the desirability of better racial balance, and how to effect such things.

When this comes from the suburban educator, it is a lot more hygienic. He still doesn't dare face his Board of Education on this, but

he is thinking that way and beginning to behave responsibly. Given enough responsible people acting with courage and commitment on this, there will be some long-term metropolitan solutions. I don't think they are going to happen in time for me to be a part of it. This Great High School game is a running jump in that direction.

MR. DOUGLAS: Thank you, very much.

MR. MARLAND: It has been a pleasure to be with you.

City Hall
Pittsburgh, Pennsylvania
Morning, June 10, 1967

MR. DOUGLAS: We are holding hearings in various cities across the country, and in each of these hearings we are concentrating on specific questions. Here in Pittsburgh, we are particularly interested in the subject of land values and land taxation. The witnesses are from various parts of the country. We chose Pittsburgh because this city has a unique program with respect to the question of land taxation.

We are very much honored to have with us members of the Board of Property Assessment of Allegheny County: Mr. Frank Ventura, Vice Chairman of the Board; Mr. Rudick, a member of the Board; Mr. J. Edward Nunlist, Executive Director of the Board; Mr. Percy R. Williams, tax consultant to the city.

I may say that many of us have been interested in the Pittsburgh system of assessment for a long time. We have been informed that in 1913, on petition of the Mayor and a public committe, taxation on land values was authorized to be in excess of the rate of taxation on building improvements, and that the present differential in assessment is twice that on buildings.

It is a great pleasure to introduce our first witness, Mr. Richman of Pittsburgh.

STATEMENT BY RAYMOND L. RICHMAN

MR. RICHMAN: [1] Among the larger cities, Pittsburgh is unique in having a graded tax on real estate. The question that I have been trying to answer is whether this graded taxation experiment has proved to be beneficial to the people of Pittsburgh.

Unfortunately, as with most studies of our time, there are so many variables that the evidence is not conclusive. In a study which I pre-

[1] Professor of Economics and Social Development, Graduate School of Public and International Affairs, University of Pittsburgh. Member of fiscal tax study missions to Panama and Colombia, director of similar mission to Central America, under auspices of Organization of American States and Inter-American Development Bank. Author: "Incidence of Urban Property Taxes under Conditions of Static and Dynamic Equilibrium" (*Journal of Land Economics*); other articles on taxation.

sented in a paper before the National Tax Association in 1964, I noted some of the reasons why I think it is difficult to assess whether or not the graded tax plan has been a success, and also indicated some of the weaknesses with respect to the graded tax. I would like to dwell a little bit on some of the reasons why I think the effect has not been as much as reasonably ought to have been expected.

In the first place, it should be noted that whereas the city of Pittsburgh had the courage to experiment with a change in the tax system, the school board and county by no means had the same courage. As a result, the levy by the school board and the county changes the ratio from two to one to a ratio of four to three. So the rate is 65 mills on land and 45½ mills on buildings, rather than something like 70 mills and 35 mills.

Secondly, Pittsburgh must compete with surrounding communities, and the city of Pittsburgh has responsibility which the surrounding communities do not. At the root of the matter, a large proportion of the Pittsburgh population is, by any standard, in the low-income group. In addition, the city of Pittsburgh has great responsibility in providing the network of communications and traffic which flows into the business district of the city.

While this is also a benefit, in terms of assessed valuation, it is also a liability insofar as the services that must be rendered, which are greater than in the surrounding communities and Pittsburgh has an average per capita taxable capacity which is less than the surrounding communities.

The result of this is that in the surrounding communities, the tax on buildings — in spite of the fact that Pittsburgh has a graded tax — is lower than the tax on buildings in Pittsburgh. Therefore, Pittsburgh, as an unfortunate fact, is in competition with its environs.

Another reason I felt the graded tax has not proved to be conclusively beneficial is that not only are taxes on land backward-shifted, but taxes on improvements in urban environments are similarly backward-shifted to a large extent — not completely, but to a large extent. In an article published in the *Journal of Land Economics*[1] this month, I make my theoretical position on this clear.

Nevertheless, in spite of the fact that I believe taxes on improvements are backward-shifted and not forward-shifted — passed on to tenants in form of higher rental — I believe land taxes have a much more beneficial economic effect than a tax on improvements. This leads me to the conclusion that one should expect graded taxes on land, rather than on improvements, to be a real spur to modernization and rehabilitation. I do not believe, however, that it is a spur to new construction. I might say in passing that this is substantiated by the evidence of the last 20 years. New construction was not concentrated in Pittsburgh. Here in Allegheny County most of the residential building and, indeed, a great deal of the commercial building, has been in the suburbs. The graded tax rather clearly has not impeded this movement.

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[1] "The Incidence of Urban Real Estate Taxes under Conditions of Static and Dynamic Equilibrium" *J. Land Economics* 43, 2; 172–180. See also page 343 ff.

There are other reasons. For all practical purposes, the city of Pittsburgh is built up to its boundaries. In the traditional view of the land tax, one would expect its real benefit would come in a community in which there is vacant land because a tax on vacant land is supposed to spur the optimum use of vacant land. In many of our cities, of which Pittsburgh is just one example, we have the phenomenon that, for all practical purposes, there is no vacant land. We would not expect in recent decades to witness much of an effect by reason of land tax, even on the basis of the original theory.

Graded Tax: Incentive to Modernization

Let me summarize by saying, I believe the theory is clear that one should expect a graded tax, or land taxes, to be really an important incentive to modernization and rehabilitation. I think it is a lesser incentive to new construction because even taxes on improvements are to a very great extent backward-shifted. Therefore, it doesn't make much difference in terms of new construction whether you have a tax on land or buildings.

I would like to deal with some other characteristics of the property tax and the urban environment.

In Pittsburgh and in most old and large cities in the United States, a characteristic of the property tax is that it is fundamentally inelastic in its supply of revenues, even though the city itself may be enjoying an increase in per capita income.

In a study I made in a Corps of Engineers project, I examined 179 cities from 1950 to 1960 and I have a very, very clear indication from the study that assessed valuations increase very rapidly with respect to population. That is to say, as the population of the community grows, the assessed valuation of the property increases even more rapidly. This means the tax base is elastic with respect to population but inelastic with respect to income. Therefore, as our community stabilizes and, in some cases, as in Pittsburgh in recent decades, populations have diminished, the assessed valuation tends to be inelastic with respect to its only variable which is influencing building — that is, rising incomes.

I won't go into the table which points this out but it is evident in a reading of the table. Let me summarize these data with respect to Pittsburgh and Allegheny County [Table 2, p. 347]:

In the remainder of the county, from 1950 to 1960 — in the outlying boroughs and townships of Allegheny County — there was a 26 percent increase in population. There was a 73 percent increase in assessed valuation of property in these boroughs and townships. In Pittsburgh, although we had a 10 percent decrease in population during the same decade, our increase in assessed valuation was 21 percent. Clearly, the communities — the smaller communities — outside Pittsburgh, have enjoyed a substantial increase in per capita assessed value relative to the city of Pittsburgh.

The other emphasis I want to make is that we cannot rely on the

property tax to eliminate slums. It is clear that the existence of slums creates a vicious circle of increasing undesirability of sites for new building or improvements. Lack of income to pay adequate rents leads to permitted obsolescence, which in turn further depresses land values, and building values as well. I found in a study I made of assessments in Pittsburgh that the slum areas were not underassessed but, in relation to fair market values, assessments were actually higher in the slum areas than in other areas of the city and county. So, it isn't that they're underassessed, but they do have very, very low values.

Let me emphasize this with one other point. I calculated that the minimum cost of a new apartment, based on the lowest estimates given me — the cost of a family unit meeting minimum FHA requirements — was $13,000 for a two-bedroom unit in the Pittsburgh area. The amortization and interest costs based on just the construction cost, assuming a 40-year mortgage at 5 percent, would require a monthly payment of $65. The operating cost alone would not be much less than $20 a month although, with efficient operation, it might be less.

The amortization, interest, and minimum operating cost, not counting taxes, profits, or anything of this sort, would make the minimum rental $82 or $83 a month. Using adjusted 1960 Census data, I have calculated that over 25 percent of the families of Pittsburgh had incomes so low that they would not justify a rental payment in excess of $89.

Now, clearly, for tax incentive to do something good for the slums would mean you would have to throw in complete tax exemption and throw in free land as well, with some sort of non-profit auspices. This is obviously a burden that cities cannot afford.

I have some thoughts on assessment practices and on ways in which the situation might be improved. Specifically, I do feel the city of Pittsburgh should, if necessary, in order to spread the tax burden more equitably among those who can afford to bear it, turn in its charter and become an unincorporated part of Allegheny County. This tax burden is caused largely by the poor, who are concentrated in the cities.

I believe we can provide sufficient competition to the slums in the way of low rental housing that would make slums uneconomic. I calculate on the basis of expenditures of $200 million a year, we could produce 10,000 units of housing of the character I have just described.

The competition of this low-rental housing should do more to eradicate slums than any other means I can think of, including redevelopment. In fact, urban redevelopment is not getting rid of the slums. It is largely creating new areas for them in other parts of the city.

I think these are the most important points in my remarks.

I am exceeding my time and will close at this time.[1]

MR. DOUGLAS: Thank you very much, Mr. Richman. The next witness is Mr. Mason Gaffney.[2]

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[1] Full text of Mr. Richman's prepared paper is printed at conclusion of hearings in this volume, pp. 343–352.

[2] Professor of Economics, University of Wisconsin, Milwaukee. Author: *Welfare Economics and the Environment* (Resources for the Future); "Containment Policies for Urban Sprawl"; "Urban Expansion — Will It Ever Stop?" (1958 Yearbook of Agriculture).

MR. GAFFNEY: I am going to assume, I hope correctly, that all of you have read the material which Allen Manvel of the Commission staff circulated and I will speak informally in expansion of the remarks which I made to the National Tax Association three years ago.[1] I also assume that you read what Dr. Woodruff wrote about Australia.

The State of Israel has recently given us a graphic demonstration of the advantage of going it alone rather than waiting for your rich uncle to solve the problem for you when your rich uncle suffers from overcommitment.

In that spirit, I believe today we are talking about what cities can do for themselves. Most of our central cities, as is now well known, are threatened by a vicious circle which is related to property taxation.

As buildings become older, they tend to become physical deficits requiring more in cost than they return in taxes. As the central cities age, the buildings become old, and fiscal deficit generators. This requires the central cities to increase their tax rates.

The higher tax rate in cities drives investors elsewhere — both homebuilders and industry — because whoever puts up a new building in this state of affairs tends to become a fiscal surplus generator, and no one really wants to be that: it means you pay more in taxes than you get back in services.

Since there are many competing jurisdictions, investors do not have to be fiscal surplus generators, as they can find a warm welcome in outer communities at lower tax rates.

So, as the central cities move into the downspin of this unfortunate circle, they tend to lose industry and, as a result, lose employment opportunities; at the same time they tend to retain old dwellings which attract people with low incomes, who increase welfare costs. The central cities are left with a high percentage of old buildings, which generate fiscal deficits, and fewer and fewer surplus generators with which to meet them.

Now, if, to solve this problem, cities slash services in order to lower tax rates, they find cutting services and reducing the quality of schools also drive away population and income and industry.

City Taxes That Don't Drive Business Away

What the cities need are more revenues without increasing the burden of taxation.

One way to go about this is to reapportion the state legislatures, and get more back from the state, which cities richly deserve. I am sure we all applaud the recent tendencies in that direction, weak and

[1] M. Mason Gaffney, "Property Taxes and the Frequency of Urban Renewal," *Proceedings of Fifty-seventh Annual Conference of the National Tax Association at Pittsburgh, Pennsylvania*, September 14–17, 272.

halting though they may be. Reduced Federal farm and military "moondoggle" programs also would help.

The second way, one we are discussing this morning, is for cities to get more of their taxes from the land base rather than the building base.

In that manner, it is possible for a city to get as much tax revenue as it wants without driving away the capital it must attract and hold. If land becomes the tax base rather than buildings, the conflict which we think we see today between the low taxes necessary to attract capital, and public services themselves, is no longer a conflict. It is possible to raise services and still make a tax environment attractive to capital.

Some fear that by exempting buildings from taxation, a city would reduce its tax base. I do not believe that is so. In this respect, I agree, at least partly, with Professor Richman. We always seem to agree "partly."

The tax on buildings ultimately is borne by the landowner in the form of lower land values. Nominally, the tax appears to fall on capital. However, since capital is migratory, investors don't have to accept a lower rate of return in the jurisdiction that taxes them. Therefore they can and do shift the tax.

Now, as I used to see it, they shift it to the tenants and, indeed, some of that occurs. Anything that reduces the supply of a commodity increases the price. If you reduce the supply of buildings, you can raise the rent. However, tenants are also migratory — less than investors, who move through well paved ways in search of higher returns — but in the long run they also are migratory, and increasingly so in this age of auto-mobility.

If taxes are not shifted forward to tenants in higher rents, that leaves the nonmigratory element, the land, to absorb the tax, as Professor Richman pointed out.

So, the effect of the tax on buildings is to lower the value of land on which those buildings might be placed. Conversely, to remove the tax on buildings is to create a benefit to the landowner which should be capitalized into higher land values.

Therefore, when you remove the tax from buildings and shift it to land, you do not remove the tax base. You are basically taxing the same real estate, just differently. The tax is no longer contingent on the owner putting up a structure. The tax is determined by potential value — if the assessor does his job well — and not on actual use.

I go further and say as a result of removing the tax from buildings and levying the property tax on site value alone, the tax base actually should increase.

One reason is what the economists like to call the "excess burden of indirect taxation."

Suppose I would build a 30-story building, in the absence of taxes. The fact that my tax bill goes up when I put the building up makes the upper stories submarginal. This is one of those points on which I *dis*agree at a fundamental level with Professor Richman who, in his paper, says there is very little marginal land in the city. Land

is space, and space has a third dimension. Think of urban space as being subdivided into strata. On every site, however high its value, there is a marginal stratum. The top story of a high-rise building occupies the marginal stratum of space.

The top story which would be just marginal without taxes becomes submarginal in the presence of a tax on buildings. Several layers below, a story which would be better than marginal in the absence of taxes becomes just marginal. Those stories in between, which are better than marginal in the absence of taxes, are destroyed before they are built; that is, not built at all, because of the threat of taxes. These would have yielded a surplus above cost, adding to ground rent and land value.

To remove taxes on buildings, therefore, is to permit each site to be developed more intensively, and to generate additional rents over and above what it does under the threat of taxes on buildings.

A good way to look at this is to think of there being two equities in land, a public one asserted by taxes and a private one taking what remains. The best use of land, from a social viewpoint, is the use that maximizes the sum of the public and private equities. But the decision-maker is the private owner whose motive, of course, is to maximize the private equity alone. A good tax is one so structured that the private decision-maker, in maximizing his own equity, also maximizes the sum of the private and public equity. The building tax is a bad one because the private income after taxes is maximized at a much lesser intensity than would maximize the sum of private and public income. Thus it creates an artificial conflict between private interest and public interest. The site-value tax, in contrast, is free of this fault.

As a second aspect, "excess burden" has to do with the timing of urban renewal. You can think of the margin of land use in terms of time as well as space — in the fourth dimension as well as the third. Advancing the date of site renewal toward the present by 10 years is moving into a reach of time that is made submarginal by imposition of a tax on new buildings.

Of course, when you put up a new building, your property tax bill goes up by a very large factor. This tends to retard the optimum date of site renewal from the viewpoint of the landowner who, of course, is interested in maximizing his equity after taxes. If this point is not obvious, it is spelled out in some detail in my talk to the National Tax Association[1] which has been distributed to you.

"Untaxing" Buildings Reduces Public Costs

"Untaxing" buildings will also make it possible to lower certain public costs, making the tax base go further. As one example of this, consider vertical transportation. Vertical transportation is a substitute for horizontal transportation — not that it gets you to the same place,

[1] See fn., page 281.

any more than lateral streets get you to the same places as longitudinal ones, but it taps new strata of space that can be linked into the urban nexus with much less increase of load on streets in the first two dimensions than if more horizontal space were tapped. This is self-evident geometry.

We hear a lot these days about 'intermodal bias,' referring to the public subsidy in auto transport. We should also be thinking about interdimensional bias. We subsidize horizontal transport, but we tax vertical transport by the building tax. Vertical transport is almost always supplied privately. Something like one-third of the cost of a high-rise building consists of the elevators, utility core, stairways, and other elements that come under 'vertical transportation.' Private builders supply this at their own expense; and then we tax it besides. If there were more of it, we should need less public outlay on streets and utilities.

Untaxing buildings should also reduce welfare cost. A tax system which accelerates renewal causes old buildings to be replaced by new ones. The inhabitants of new buildings throw less of a load on the welfare rolls than the inhabitants of the old. From a purely local point of view the benefit is obvious and the argument overwhelming—and we *are* discussing a local tax policy.

From a national viewpoint the argument requires more thought, but is equally compelling.

You frequently run into opposition to urban renewal from those who don't want to displace the people in the area being renewed. It sometimes seems the city is dumping welfare problems on the rest of the world.

I don't believe that is a correct analysis. There is no solution to the housing problem for poor people without building more buildings. The ultimate thing that will improve the housing conditions of the poor, and everyone else, is to increase the supply of quality buildings, which in the main means new buildings, the idolaters and collectors of antiquity notwithstanding. In the process, you frequently tear down old ones and replace them with new, better and at higher density. The net result is increased supply. This lowers the price, making better housing available for poor and rich and middling alike, and creating new employment opportunities in building, and operating buildings once built, to pull people off welfare.

It is a fair criticism of the present Federal urban renewal program that it chronically clears and sterilizes more land than it renews, adding something to its bombed-out inventory each year. That really does dump welfare problems, and reduces net housing supply. The criticism and resentment generated by that problem should not, however, be directed against a proposal to untax new buildings. For this, the present proposal stimulates demolition only by increasing the positive incentive of builders to salvage derelict lands for immediate renewal.

Another general reason why the land tax base would be greater than the present property tax base is really a set of reasons which may be summed up in such expressions as "the economies of urban

agglomeration," or urban "linkages" or Adam Smith's dictum that, "The division of labor is limited by the extent of the market."

My conclusion follows in four steps: (1) cities exist to bring people together—for cooperation, sociability, specialization, diversification, and exchange; (2) these collective benefits are captured in the rent of urban land and capitalized into land values; (3) each new building not only develops the potential rent of its own site, but on balance, adds to the potential rent of neighboring sites, whose development in turn feeds back an added potential rent on the first site; (4) taxing buildings inhibits new building and quality building and intensive building; and so prevents full realization of an enormous urban potentiality above and beyond the simpler "excess burden" I described earlier.

I could sing the praise of urban linkages for much more than my 20 minutes, and so will rest with two examples. For one, in a larger market, most facilities enjoy higher "load factors"; that is, the ratio of mean load to peak load capacity. Facilities get used around the clock and the calendar; so capital need not be dead most of the time as it is in small towns and remote suburbs. For the other, almost everyone observes it is usually better to have a new building as your neighbor than an old one. New buildings not only generate fiscal surpluses themselves, but radiate external economies which bolster the value of nearby property.

For those general reasons, then, I don't believe there is any danger of losing the tax base by exempting buildings. And if I should be wrong (which is barely possible—I dimly remember it happened once) an additional advantage is you can go right ahead and increase the tax rate as much as needed without doing any damage whatever to the profit motive.

You can tax the very all out of a piece of land and it will never get up and walk out of town; whereas, if you do the same thing to buildings placed on the land, they won't walk out of town today. But as they get old, the sinking funds to replace them will be reinvested elsewhere, leaving your city with the fiscal deficits, while the surplus generators are off taking the sun in California or overseas.

I will briefly mention distributive equity. The site value tax automatically solves certain perplexing problems. When you grant the favor of intensive zoning to one land owner and deny it to another, you are redistributing wealth in a very heavy-handed manner. Under the site value system, favorable zoning would also be favored with the equipoise of heavier taxation because the right to develop land more intensively makes land more valuable.

The rent surpluses of the central cities, which are capitalized into the highest land values per square foot in the world, would also be tapped and spread around, and in a manner compatible with economic efficiency. Please don't tell me this is unjust to vested interests, because we already do a good deal of this sort of thing today through our utility pricing practice which charges everybody the same rate no matter where he is located, even though by this means the

rich central territory is carrying the lean, low-density peripheral areas of urban sprawl. The site-value tax achieves the same distributive goal as our utility pricing practices; that is, it taps central rents to benefit everyone, spreading the rent thin. But it does the job compatibly with economic efficiency, while our uneconomical utility pricing practices destroy half the pie in the process of sharing it.

Another advantage of the site value system at the national level, and also at the local level, would be to increase employment opportunity: in the construction business first, and through reverberating effects in all businesses. By removing taxes from buildings, you would encourage more frequent renewal. The effect is somewhat the same as lowering the interest rate paid by builders when they borrow. Thereby you would increase employment opportunities, and that lowers welfare costs.

Yet another advantage of the site value system is the advantage it offers to small business. This may best be understood through the phenomenon of credit rationing. Under the present system, when we put up a new building, we are immediately hit with our heaviest taxes, which add greatly to the risk and credit requirement. This helps to ration out those firms which have a particularly hard time to raise money. These tend to be the small firms, the competitive cutting edge of our economy which makes the free market work the way we like to preach that it does.

A tax on site values, by contrast, begins at a low level and does not go up at the moment of greatest capital need. It remains at the same level it was before. It might be construed as a loan from the city treasury to the builder—a loan which he pays back in the later years of the building. Thus it favors the credit-weak over the giant corporations which have had such a big piece of the little action in urban renewal we have had thus far.

Thank you for your time and attention.

MR. DOUGLAS: Thank you very much, Mr. Gaffney.

The third paper is from Mr. A. M. Woodruff of the University of Hartford.

STATEMENT BY A. M. WOODRUFF

MR. WOODRUFF: [1] I might say a prophet has certain disadvantages in his own country and I am in my own country. I lived in Pittsburgh

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for many years. The gentlemen on the Board of Assessment know me and I know them.

Four Arguments for Site-Value Tax

The advocates of site-value taxation at the present time generally base their arguments on four lines.

The first is the demonstrated administrative efficiency of this tax, which we feel can be documented rather persuasively from a century of it in Australia.

The second is the potential effectiveness of this tax.

The third is the demonstrated, and I might say very effectively demonstrated, public acceptance of this tax in countries with experience in it.

The fourth argument is that this tax unleashes forces which are quite constructive in the effect they have on the development of sites.

To pursue these briefly:

The efficiency of the tax can be documented by reference to Australia, especially South Wales and Queensland. Difficulties in factoring land values from individual properites are far more than offset by other administrative advantages. Primarily, data on land values are provided by surprisingly numerous sales of properties, vacant at the time of the sales, or with buildings that are very quickly demolished in order to clear the site for other uses.

Where sales data are not available, land values can be derived by a process of land residual calculation, which is difficult in individual cases and not overwhelmingly reliable, but which can, in a series of cases, be used to establish land values with adequate accuracy.

Now, I would point out the land value does not have to be individually found on each parcel. If it is determined on two or three tracts in any particular block, it can be used between them. Mr. Aherne, of much respected memory in this city, and I have discussed this at great length. Far less time is spent in downtown Pittsburgh in determining land values than in determining building values.

Furthermore, once the land values are plotted on a cadastral map, any owner can, at a glance, compare his assessment with the assessments of other owners to the east, west, north, and south. Political realities being what they are, this endows this system with a resistance to political hodge-podgery, which is one of the assets thereof.

Many countries whose economies are developing rapidly have needed to install tax systems which could be operated by civil servants of somewhat limited experience. United States teams participating in the installation of such systems generally, but not always, advocated the site-value system mainly because of the administrative simplicity of the system.

The second argument has to do with discouraging the underuse of land. Site-value taxation was introduced in Australia about 1900.

It is credited by a number of perceptive Australian authorities of the period as having been influential in this respect.

I make specific reference to the case of Osbourne v. The Commonwealth of Australia, 2 Commonwealth 321, in which case Osbourne alleged that his interests were damaged because this enactment was not a revenue bill but a bill of social reform. The effect of the bill was to force him to divest himself of a very large piece of property which he was holding out of use. The High Court of Australia, after suitable review, held that this was not true and that Parliament was entirely in its right in this enactment. I find this case of interest because allegations would not have been made if the litigant had not felt exactly the kind of pinch intended.

Further tangible evidence is a series of exemptions provided in several Australian states, which would not have been introduced had not the site-value tax been having a discouraging effect on underuse. The clearest of these is the homestead exemption.

In many cities, and we will take Sidney for example, pensioners lived in quiet modest houses, quite close to downtown. In terms of Pittsburgh, this would be Oakland, perhaps, and the nearer suburbs on each side of the rivers. These were on plots of classic, underused land which was in demand for other purposes.

But these pensioners had emotional ties and many of them had lived there for half a century or more. The effect of the tax, based on the highest and best use of the land, was to tax them out of their houses. While this may have been very good economics, it was not good policy. There were enough votes available, and votes are persuasive; so the Parliament of New South Wales introduced an exemption.

Anybody who occupies his house in the city can have it taxed on residential value rather than highest and best use value. The effect of that exemption was persuasive evidence of just the economic force Professors Gaffney and Richman said the site tax would have.

My third line of argument is public acceptance of the tax. Victoria and South Australia and the Commonwealth of New Zealand all have provisions which permit the residents of any community to hold a plebiscite to determine whether they wish to have their local taxes — local rates, as they call them — computed on land values, or land and buildings together. Every time such a plebiscite is held, a study is held and each taxpayer is advised what his taxes would be under the new system in comparison with what they are under the old system.

Well over 90 percent of the communities favor site value taxation and there have hardly been any reverses. I believe there have been only two. Thus, where experience with this tax has been substantial the public accepts it.

The fourth line I wish to pursue is the argument on the probable effect of the tax on redevelopment. On this, the case is far less clear. It has been argued this tax should produce better cities, with perhaps a very vague definition of what constitutes "better."

I have made a very careful border-street study. There are suburbs

in Melbourne, for example, where one community is taxed on the site value basis and an adjoining community on the land-and-building basis. I have studied these border streets at great length and I cannot see any difference in the property on either side.

I attribute this to two things: One, this tax is levied at a rate below an effective incentive point; and, two, the homestead exemptions take a lot of the teeth out of the operation of the tax.

Does site-value taxation discourage land speculation? I find no evidence that it does. My study in Australia indicates there is just as much speculation as here in the United States. Maybe there would be a whole lot more if it were not for the site value tax. But there is no concrete evidence the tax has had the effect of discouraging it.

I would note that they do not have a capital gains tax.

Does a tax on land reduce the value of the land? While I have not made up in my own mind about this, I don't think it would work that way. I am following a line that untaxing the building, in effect, gives the owner of the land the license to make money on the building. For this license, he is willing to pay quite a price, as a result of which, instead of having the land value go down, it goes up.

On this I state the opinion of a professional appraiser, that land values in Australian cities are higher than in American cities in terms of relative population and other factors such as industries.

To sum up then, we can, I think, document the fact that this tax on land is not only administratively feasible but administratively advantageous. The teeth can be pulled from it by exemptions, but it has demonstrated the potential effect necessary, and clearly demonstrated a level of public acceptance.

Now I would like to append some remarks on a visit to the Republic of China [Formosa] concluded four days ago. Since I am just back, I have not reduced my conclusions to any tidy form.

In the Republic of China there is a land tax on urban property on a progressive rate fixed at 1½ percent for industrial land, but running from one-half of 1 percent to 7 percent on land used for other purposes. It is a very clear structure, designed to penalize the large owner and large underusers.

I would point out further that they have a land value increment tax. Perhaps this will have to be documented with a piece of paper because the figures I am going to give you are intricate but totally fascinating.

If a man buys a piece of property for $10,000 and sells it for $20,000, the tax is 20 percent on that increment.

If he buys it for $10,000 and sells it for $30,000, the tax is 40 percent on the second increment.

If he sells it for $40,000, it is 60 percent on the third increment and if he sells it for $50,000, it is 80 percent on the fourth increment.

On any increment above, it is 100 percent.

Thus, it is impossible to make large gains by land speculation.

There is an additional provision. An individual who buys a piece of city land and holds it out of use for two years pays a double land

tax at the end of the second year. If he still holds it out of use for three years, he pays the double land tax again, and another double tax at the end of the fourth year. At the end of five years, he pays a triple tax—and the tax remains at that level.

My personal information is not sufficient to talk very persuasively on this but I think the matter is of enough importance to mention.

Everything I could find led me to believe this tax was being administered at a very high level of propriety by a group of civil servants who knew what they were doing and doing it honestly.

From this experience in the Republic of China, I would say we have some further evidence of the effectiveness of the site value tax to meet the ends which it is designed to meet.

I have not commented on what I think would be the effect of this tax if used in American cities and I think I will withhold such comment until the period when questions may be forthcoming from the Commission.

Thank you.

QUESTIONS BY COMMISSION MEMBERS

MR. FEINBERG: *I am very much intrigued by your narration of the Osbourne case. I think you implied that the site tax plan which you have advocated is feasible by virtue of the fact the highest court of Australia has sustained the method of taxation.*

MR. WOODRUFF: The importance of the case lies not only in the fact the highest court sustained it, but also in the allegations the appellant made. The appellant alleged he was suffering economic damage.

MR. FEINBERG: *But his main allegation was his argument to get a reversal to the position or action taken by the body politic. You and I know that economic theory is not legal evidence you can bring in a court of law. So, as a matter of consequence, that verdict doesn't really sustain the feasibility of the plan, does it?*

MR. WOODRUFF: I am less impressed with the verdict than I am with the pleading. I bring the case out, and I bring it out many times, because I want to bring out the pleading.

MR. FEINBERG: *We could get into a debate.*

I am very much interested by your experiences in the Republic of China. Would you say there are no large cities comparable to the cities of urban areas here in America?

MR. WOODRUFF: The population is 1,200,000 in Taiwan, a half million in Kaohsiung, creeping up toward a million pretty rapidly.

MR. FEINBERG: *The standard of living is not the same?*

MR. WOODRUFF: It would be pretty hard to make a direct comparison. The average new house being built there is two stories, cement, 30 feet wide, 70 feet deep, masonry construction, poured concrete, with a second-floor bath. There is no heat, because none is required.

Usually there are three or four rooms on the second floor. Architecturally, there is nothing Mrs. Smith of your Commission would find to applaud. But I think, by and large, it is comfortable living, and the average farmhouse also is quite good.

MR. FEINBERG: *But the situation is not comparable to ours. Do they get the services there that we get here in return for tax revenues?*

MR. WOODRUFF: No.

MR. FEINBERG: *Do they not have rice paddy houses?*

MR. WOODRUFF: Not in the Republic of China. In the outskirts of Tokyo and in Okinawa, yes.

I shouldn't have been testifying on the Chinese taxation system. I need more facts. It is all very fresh to me, and fascinating, so I threw it in.

MR. FEINBERG: *If I may turn to Mr. Gaffney. In your advocation of this type of taxation, have you considered the equities that exist? Also, let me ask you this: Do you honestly think there is an underuse of land in cities in our urban areas?*

MR. GAFFNEY: I suppose I should ask you to tell me what you mean by "underuse?"

MR. FEINBERG: *No new construction, no actual use of land, vacant buildings sitting there.*

MR. GAFFNEY: I begin as most economists, with the postulate of consumer sovereignty — consumers should get what they want. When I speak of optimum use of a site, I mean the use it would have without the intercession of regulation or taxes which deflect a consumer's decisions from that standard. Under that definition, the answer is, yes, sir, land is underutilized. You might put it this way: The building tax is a cost to the individual which is not a cost to society. The individual, to avoid this cost uses land less intensively: he underuses it.

MR. FEINBERG: *Let's take a piece of land with a high-rise apartment. If we were to adopt a plan of exempting all taxes on property except on the land itself, we would have a high-rise apartment in one location and, just next door, a site used for some other far less productive purpose both charged the same tax.*

How about the inequity of that situation?

MR. GAFFNEY: On that I would say, whenever you make a change in public policy, whether it be the one we are talking about or any other, there are redistributive effects. The alternative would be anyone entering into a long-term contract would thereby bind the legislature and Congress never to change public policy. I don't think this line of argument is any more destructive to the case for site value taxation than any other proposed policy.

MR. FEINBERG: *Isn't taxation supposedly based on fair and equitable distribution of burden among taxpayers? Isn't that the very foundation on which this country was founded? The notion of equal representation inspired the reapportionment decisions of the Supreme Court in the 1960's. Isn't that what we are talking about?*

MR. GAFFNEY: I would hate to think anything was based on what is fair and equitable, because nobody knows. These are subjective value

judgments we all make, and I think almost everyone has a different idea of what is fair and equitable.

MR. FEINBERG: *Take the example I gave you about the high-rise building. As a matter of fact, does the owner not take into consideration all operational costs, including the tax factor? Therefore, is he not indemnified by that method when you tax his building?*

MR. GAFFNEY: You mean he tends to shift the tax to the tenant to the extent he is able? Yes, but the tenants have alternative locations and can locate in other jurisdictions. It is for this reason that I question whether taxes are shifted to tenants.

MR. FEINBERG: *In your studies, have you come to any specific conclusions as to what percentage of the operating cost the tax factor represents?*

MR. GAFFNEY: You mean the property tax?

MR. FEINBERG: *Yes.*

MR. GAFFNEY: I have seen estimates of that. They run in the neighborhood of 20 or 30 percent in large northern cities. In southern cities, they would be lower. It would depend on the tax rate.

MR. WOODRUFF: Also, it would depend on the type of property.

MR. FEINBERG: *I know. I just wanted an average.*

MR. WOODRUFF: That figure is perfectly good for northern apartment houses and I think these gentlemen over here, who are closer to the Pittsburgh market, would agree with me that this would be close enough. On some mercantile property, it would be something higher than that—50 and, in some cases, 60 percent. In residential property, it would be considerably lower.

MR. FEINBERG: *Mr. Richman, if I recall correctly, you testified that 25 percent of the people living in the Pittsburgh slum area—if you did restrict it to that area—could ill afford to pay $85 or $90 a month rental?*

MR. RICHMAN: In 1960. It would be a little less now.

MR. FEINBERG: *We will put you on the spot. I believe you said $65, plus an additional $20 for operation cost, leaves nothing for profit, nothing for replacement, nothing for maintenance, or the rest. Can you give us a suggestion—that is what we are here for and we would like to know— as to what we can do? What do you suggest for meeting the housing needs of these low-income people?*

MR. RICHMAN: As people state when they get the question they like to get, I'm glad you brought that up.

I have begun to study urban redevelopment. We have a number of projects in the city of Pittsburgh which, on the basis of a cost analysis, justify the expenditure going into them; that is, if you take the increased revenue the city is going to take out of a new area after it is developed, you're likely to find it has paid off.

Nevertheless, I thought one ought to be aware of subsidies of middle-class housing accruing in this process.

In one of our urban redevelopment areas, the acquisition cost was $28 million. The resale of the land, after it was cleared, brought in $4 million. It is very difficult for me to calculate this on the basis of

numbers of units involved since it includes commercial as well as residential. But there are only some 1,330 residential units going in and I calculate that the subsidy comes to $9,000 a unit.

Assume not all of this goes to housing. Still there is upward of $5,000 to $6,000 a unit as a subsidy to middle-class housing—housing which is going to rent for $125 for an efficiency, $145 for a one-bedroom, and $165 for a two-bedroom.

I calculated how much the taxes would be on a $13,000 FHA unit, which could rent for $85 a month. It comes to $400 a year subsidy, figuring the taxes roughly at 2½ percent of actual value.

If we ask how much that $400 a year that we're giving up is worth, and let's say we use a 5 percent interest rate, we would find the capital value of this $400 a year is $8,000.

What I am saying, the same subsidy we are now giving middle-class housing would just about, if not quite, provide all the necessary subsidy to low-class housing.

Now, there is another reason urban redevelopment has been stimulating and encouraging landlords to speculate in slum property.

The very good reason for it is that on the average, the Urban Redevelopment Authority pays 25 percent more than the average market value of such property. That is to say, when I compared the residential properties in the city of Pittsburgh, excluding Urban Redevelopment Authority acquisition, I found the average ratio of assessed value to market value to be 42 to 44 percent. On the property taken by Urban Redevelopment Authority, the ratio is about 32 percent, meaning they have been overpaying 20 or 25 percent.

MR. FEINBERG: *To shift back to my original discussion of a moment ago, did you not say or suggest that probably one good solution would be for Pittsburgh to relinquish and surrender its charter, thereby spreading the responsibility of tax revenue?*

MR. RICHMAN: That is correct.

We have been talking about what happens when you take the tax off buildings and put it on land. What happens to anybody who has vacant land or sub-optimum-use land? He is going to have a higher tax burden. What I did was to take a hypothetical case of a $10,000 house on a $2,000 lot, and an adjoining vacant lot worth $2,000, both subject to a tax rate of 4 percent. On the $10,000 house, there was a tax of $480 and on the vacant lot, a tax of $80. (Incidentally, this shows to me the tax on improvements reduces the capital value of land, as I would expect. This is because, when you build a building, you expect to cover whatever cost you have to pay.)

But then I said, let's collect the same amount of revenue from these two properties—one improved and one vacant. The burden would be redistributed. Each one would pay the same tax—$280.

The land value of both would increase from $2,000 to $5,333, which makes the point that the elimination of tax on improvements would increase land values by reducing the tax on improved parcels.

I don't think we ought to kid ourselves that the owner of vacant property not yet ready to be developed isn't worse off. We don't want

to leap-frog over areas and extend the services way out into the community. We want to avoid that because some housing should be built this year in accordance with the backlog of demand and increased demand. Under conditions of dynamic equilibrium, supply and demand should increase together.

Some vacant property should not be developed for say 15 or 20 years. Now, it still has a value and my guess is that unless it is immediately ready to be used, you won't get the kind of results I mentioned.

MR. WOODRUFF: I made an appraisal out in the north end of the city of a house occupied by nine families in a three-family zone. If I appraised it as a one-family house, I got one value. At three families, I got another. In that particular area, the zoning law was not being enforced.

In answer to Mr. Richman's problem, zoning is the clue. Land not yet ready for use should be zoned in such a way that it is not forced into use. Under those circumstances, the zoning law has the effect of bringing the value down. The tax is then based on the maximum legal use. This is recognized. The gentlemen here on the Board of Assessment have done this for the 17 years that I have known them. Thus, inside a highly zoned area, the site tax hits as a kind of extra high tax for unused parcels.

MRS. SMITH: *What would be the effect of developing all unused parcels of land in new towns?*

MR. WOODRUFF: I think the effect would be favorable. I think you could document this. The new town of Elizabeth outside of Aberdeen in South Australia and a newly developed suburb to Melbourne—

MRS. SMITH: *I don't understand why, if you develop all of them—*

Tax Impact on New Towns

MR. RICHMAN: You would have excessive improvement. Actually there are some problems of land assessment we are going to have to face. I don't think they are insuperable but they do need study. Not all land should be developed immediately.

Take a situation where you have farmland and it is decided that this is a good location for a town, and a developer puts a whole city into it. As that city goes up, the land values around it are going to go up. This is external improvement to property, and as the land values go up, the community should retain its share of those increased land values, even though not all the land is ripe for development.

The same problem arises in the graded tax of Pittsburgh. The assessments lag in a kind of reverse fashion. It is really quite similar. We have had, since World War II, a decline in the ratio of assessed value to market value, something not peculiar to Pittsburgh. At the end of the war in 1945 the ratio of assessment at least in New York and probably in Pittsburgh was 100 percent. It has gone down to 77 percent or less in New York and to 42–44 percent in Pittsburgh. One of the

problems would be to make sure the ratio did not decrease as land values increased.

I think good assessment practices make this possible and one would very quickly find evidence through sales, as Dr. Woodruff described, as to what is happening to values in the vicinity of this new town. Another point: In creating a new town, you are creating capital gains all around you.

One experience perhaps worth discussing is the use of zoning in existing use such as that involved in England's Town and Country Act of 1948. In effect, the community decides it is going to take farmland and make a town out of it, and pays the value of that land in its farming use. It expropriates 100 percent of that capital gain.

I would say there may be many problems here requiring further research. But we ought to take a look at the many possibilities to get the results we are after and avoid some of the inequities in either damage or excess benefits which accrue to certain individuals in the process.

Mr. Gaffney: I will make three observations about new towns in response to Mrs. Smith's question. First, I think if you had site-value taxation in the central cities, you wouldn't have new towns as the term is understood today. The new towns would develop where the old cities now are, and the demand which proliferates over the countryside would be more focused.

Secondly, if a new town is set up in an old community, and the community levies taxes on the new town, chances are the new town, under present form, would pay more than its share of taxes. The property tax on new buildings is calculated to inhibit, penalize, and discourage whatever is new, including new towns. Even if outside any other incorporated jurisdiction, the new town will certainly be milked by its county assessor to lighten taxes on all the real cows around, and their owners. This is a major reason why most of the new towns today are going to the glue factory, milked dry. The site-value tax, on the other hand, would hardly touch new towns, if in marginal locations, and they might survive.

A new town, like any subdivision, represents a transitional stage between private development and public operation and maintenance. When a private developer serves as the government during the transition period, and by his own investment in streets and lakes enhances the value of lots, then he has served as government and should reap the fruits by keeping part of what Alfred Marshall called the "public value of land" which he has created. But I look forward to a day when public works are planned and financed by public agencies, the public then harvesting in full the public value it has created. Note, however, that this presupposes a planning profession prepared to accept the opportunity to plan.

Mrs. Smith: *Would the whole site tax system require far more sophisticated planning?*

Mr. Woodruff: Mrs. Smith and I knew each other well from working

together in Washington. I would simply say it requires the kind of planning which she is capable of.

MR. RICHMAN: I think one could go further and say the virtue of site-value taxation—and the reason so many economists really like it—is that it achieves much of its effect automatically and doesn't really require planning. I think you require the planner when you have other objectives in mind than the purely economic.

MRS. SMITH: *You're saying the planner is ineffectual both ways? If you don't need him now, you don't need him later?*

MR. RICHMAN: My personal belief is that you are probably right.

MR. GAFFNEY: I wouldn't enter into an issue as to whether we need a planner or not, since we are in the presence of one. I will just assume we do need a planner. Then I would go on and say site value taxation puts more positive power in the hands of the planners than they now have. Present controls are almost entirely injunctive, or negative, rather than mandatory and positive.

You can say no but you can't say yes. So most planners end up with rather grandiose public works which then lie idle and pay service charges, waiting for private individuals to come through with the private development necessary to implement the plan.

Often public works get years ahead of private ones, sticking the rest of the jurisdiction with capital costs while slow-adapting landowners dawdle and land lies idle, yielding no public revenues and no private ones either except capital gains on land.

Site-value taxation gives the planner the economic equivalent of a mandatory injunction. When zoning, and especially public works, qualify land for higher use, a higher land assessment immediately builds a fire under the slow-adapting landowner and gets him moving. So it does make planning much more powerful. Whether that is good or bad depends on whether you're afraid of planners or welcome them. I assume planners, if they want to produce more than what Norton Long calls municipal New Year's resolutions, would welcome them.

MR. DEGROVE: *What is the state of site-value taxation in the field of economics? Is it widely considered to be a useful tool? Do you gentlemen constitute a small minority of people in the economics profession itself that supports it?*

MR. GAFFNEY: The attitude of economists varies as a function of the quality of the economist. There are those for it and some against it. Mr. Manvel, who has been trying to get someone to take the negative, can speak more eloquently on that point.

MR. RICHMAN: I am somewhat partial to land taxation, but my recent studies have indicated it has some very definite limits in what it can accomplish. It is no panacea. I don't believe a single tax is going to provide all of the resources we need, even if we expropriate the land.

Anytime you want to increase the tax, whether on buildings or on land, this comes out of the property owner, unless values have been increasing simultaneously. Since 1914 in Pittsburgh they have managed to get most of the unearned increment through rising taxes.

I don't attribute it to the graded tax alone. I do differ from Mr.

Gaffney and Mr. Woodruff. I believe even the property tax on improvements does not have the undesirability that is alleged for it in our urban environments. This is because of zoning laws and building codes restricting the kind and number of units you can put on a particular site. Therefore, I don't believe the marginal unit, which the tax on improvements is alleged to affect, is deterred.

I am not saying that land tax would be a great improvement over regular property taxes but I will say this. I do know that with respect to rehabilitation and modernization, which are marginal uses, the tax does really play a part. On the other hand, one must go further and ask how much of a part.

We have, in a community called Shadyside, a recent experience of extensive modernization of old buildings on an increasing scale. It is like Georgetown in Washington, D.C., but that is exactly the point. You get this kind of thing happening when you have bad tax systems and when you have good tax systems. The tax system is not the key. We can't use it to accomplish certain objectives, and it has its definite limits.

My position with respect to this is thus not quite as favorable to the land tax as that of Professors Gaffney and Woodruff.

MR. DEGROVE: *You live here. What is the population of Pittsburgh's metropolitan area?*

MR. RICHMAN: The county has 1,300,000 people.

MR. DEGROVE: *How much of this is in the city of Pittsburgh?*

MR. RICHMAN: Pittsburgh, in 1960, had 640,000.

MR. DEGROVE: *Do you think many of the questions of adequate housing can be satisfied without involving, one way or another, surrounding metropolitan areas?*

MR. RICHMAN: The problem of the poor is a national problem. We have just saddled the city with this problem. I would say it is fair to extend the obligations that the city residents now have to the surrounding community. I probably would argue for even wider distribution than just the county. A case could be made for Federal or State collection of some taxes as, leading to grants-in-aid for this purpose. The suburbanites' neglect is a scandal. If necessary, I would say to central cities: give up your existence as a city. If Pittsburgh becomes unincorporated, as part of Allegheny County, the communities such as Mt. Lebanon and Fox Chapel would make a proper contribution.

MR. DEGROVE: *Has there been any move toward metropolitan government?*

MR. RICHMAN: Everybody is frightened to mention the word.

MR. WOODRUFF: The Pittsburgh area almost got it and probably would have if it had not been for a well-entrenched newspaper in McKeesport. It has not been a safe thing to mention ever since.

We made a study in Hartford of expenditures of 30 towns making up greater Hartford. In two communities – Hartford City and East Hartford – there were very substantial expenditures for public welfare and other expenses associated with having a rather large portion of the poor. It is known, however, the poor population of Hartford is stretched

out along the line from Hartford and Bloomfield, and all those people have to do is move one-half mile and Hartford is shed of its problem and Bloomfield gets it.

There is no more dramatic way of explaining this. It is not a local problem — not Pittsburgh's nor Hartford's. New York City, big as it is, cannot handle the entire problem of an impoverished population moving in by the thousands from all over the place.

MR. RAVITCH: *First, I would like to comment on something you said, Mr. Gaffney, in response to one of Mr. Feinberg's questions. The question of what is fair and equitable in our society. Our Commission is trying to determine objectives according to what is fair and equitable.*

I am very interested in the taxation concept you gentlemen put forth and I must plead ignorance about it. This is my first real exposure to the idea.

First of all, you all know there are different types of capital available. Increasingly, I think, in this country we find one type of capital purchasing land and one type investing in improvements. Do you think it is fair to say this economic fact increases the amount of capital available for propery improvement? How does the site taxation theory affect this, in your judgment?

MR. GAFFNEY: To begin with, I would question whether anything can be said to increase the amount of capital available other than net savings or the import of capital from abroad. This reallocates it from land development to other developments.

MR. RAVITCH: *In many cities, you find institutional investors purchasing land who retain fee ownership in the improvement itself. Considering the fact that this institutional money is invested in land, I wonder whether the higher land taxation would discourage that kind of land investment and diminish the total development?*

MR. GAFFNEY: One of the marvelous things about land is, if nobody invested in it, it would still be there. I don't advocate this, but one of the things the Russians taught us is that you could take all the landowners out and shoot them and the land would still be there. Therefore, it is a little wrong to say that by not buying land, a person causes it to diminish and this is, essentially, part of your argument. If you should not buy land, it would not destroy the resource. It can't get away; it is trapped.

I am not sure that comes to grips with your question but it is a start.

MR. RICHMAN: I don't think it could have much effect at all on any of these arrangements. Clearly, however, if you had a lease at the present time which provided that one party or the other — the landowner or the owner of the improvement — had to pay all the taxes, whoever had this obligation would be concerned about an increase in taxes.

These separations of taxes on land and taxes on buildings: unless there were a change in the total amount and all leases provided for separate payment of real estate taxes, I don't think it would make any difference whether the base was site value or proportional taxation, as most cities have.

One thing I do want to say, the different kinds of taxes do affect the relative values of property interests. Say there was a tax of $480 on a property worth $12,000—$2,000 land and $10,000 building. If you eliminated the tax on the improvement in the example I cited, the land value would increase by the capitalized value of the reduction in the total tax liability. The value of the lot increases to $5,333 with the building value remaining at $10,000. Whoever had the obligation to pay all the taxes would be concerned. I don't think he would care whether the reduced tax was all on the land or all on the improvement. Usually the landlord would have the obligation, although the lessee might have it. But it is not usual to split the tax liability.

MR. RAVITCH: *The Federal urban renewal program, whether used for residential development or commercial development, essentially operates in a way that the local government makes available to a private developer a site at less than market value. This is to make it economically feasible to provide housing at the lowest possible rate. How does the concept of re-use value, as used under the urban renewal program, affect your concept of site taxation?*

Site Taxation and Renewal

MR. GAFFNEY: The base on which it would be levied. We are assuming if no tax would be levied on the building, the land would be worth more.

MR. RAVITCH: *One of the purposes of the urban renewal program is to make redevelopment economically feasible. By ascribing the re-use value, we then reduce, in effect, the amount of taxes on improvement. We don't increase it on the land when we just ascribe a lower value to the land, do we?*

MR. GAFFNEY: As Mr. Richman would say, I'm glad you raised that question. My little suburb of Whitefish Bay in Wisconsin does this without any Federal intervention. I don't want to sound like "one of them there John Birchers." Nor do I say this is the best plan, but it does illuminate some economic goals.

They will buy a so-called nonconforming residence for $15,000, sell the site for about $9,000 and get a new building. What they are doing by this process is to accelerate renewal. They are doing it, without any external subsidy—just for their own self interest. They are investing in a greater future tax base from properties renewed, and from surrounding properties, whose value goes up because of the spillover effect.

What Whitefish Bay is doing is very similar to what site-value taxation does. They are offsetting the building tax from the point of view of the land buyer. The Village absorbs a demolition loss of $6,000 to give some buyer that much lower a price on the site he will renew. The increase of taxes from the new site use is worth that much—has that present value—to the tax collector. It therefore must have about the

same present value to the taxpayer, only to him it is a negative value. It reduces by $6,000 what he would pay for a site, to renew it.

If we remove the differential tax on new buildings, therefore, the bids for land by redevelopers will rise by $6,000 relative to the bids (or holding prices) by old owners or slum landlords. The bids of redevelopers may not rise by $6,000 absolutely; it may be the holdout price of old buildings that falls. That depends on how much we raise the site-value rate. The essential point is that the relative strength of the two kinds of bidders is changed by $6,000 when we remove the tax from new buildings.

Any tax that varies with the use to which land is put means the tax collector is interceding in the market process. He is biasing land use choices in favor of the lighter taxed use. That means he is favoring slums over renewal.

MR. RAVITCH: *Are there many people who believe that when a local community condemns and acquires land for the purpose of redevelopment, the public interest is best served, not by the conveyance of that land, but by the retention of public ownership and long-term leasing? If that theory is a valid one, doesn't it conflict with the theory of site-value taxation? As a matter of fact, Bob Pease* [*Robert Pease, Executive Director, Urban Redevelopment Authority*] *told us yesterday that the city of Pittsburgh was one of the first — if not the first — cities to take a piece of urban renewal land and lease it, without giving the developer even an option to purchase.*

MR. GAFFNEY: If a city leases land by a competitive bid to private developers and says they are not going to pay a tax on improvements, they will bid more by the amount of the tax relief. Thus the city will get it one way or the other. However, if they do it the second way — without taxing buildings — the developer is not under a deterrent effect of the tax. He pays a flat sum; the tax is not contingent on what he does. So he does more than if his tax rose with his buildings.

MR. RICHMAN: I would like to amplify. The more I get into the urban redevelopment business and the study of it, the more I am impressed that standards established more than 50 years ago, with respect to dealing with public funds, suddenly go out the window and something called esthetics come in. Esthetics come in in such a way we begin to sell public property on a noncompetitive basis.

In my opinion, no public authority has any right to sell any property at less than its market value. This market value is itself determined by the income to be derived from the use of that property less taxes, operating costs, and so forth. Such residual as is left above a reasonable return on the value of the improvement — any excess of that return — is what is capitalized in determining land values.

In our urban redevelopment process, what we frequently do — and I know this to be the case — is to set a fixed price on the property of, say, $40,000 an acre, or $1 a square foot; for example, in East Liberty. Where do they get this price? Who knows what the price is? Why did they set the price at $1?

I don't know whether it is worth $80, $1, or $1.50.

Several bidders submitted plans for the first site to be built in the East Liberty area. What was the basis for allocating the award? The basis was a decision that one was more esthetic, more suitable, or what the planners had in mind.

But, if the planners knew what they wanted, why didn't they specify? On this basis, bidders would submit plans which satisfy this objective and the highest bidder would get the land.

MR. RAVITCH: *I think I can answer that question. The fact of the matter is, the urban renewal program has gotten away from selling land to the highest bidder because of the economic impact that it had on the consumer. The reason land is selling as low as it is is because the local public agency, usually in conjunction with FHA, in order to produce the desirable, reasonable level, says it can't exceed a certain sum. This usually is admittedly considerably lower than the economic market value.*

The esthetic value of the plan is not the determining factor any more either.

MR. JOHNSON: *Mr. Richman, do you believe the unique geography of the city of Pittsburgh has had an effect on the graded tax plan over the years? In fact, may this not have been one of the reasons for the establishment of the tax system? We all know land values in a city are affected by the available usable space, and Pittsburgh's space seems to be limited by its rivers and very rugged hills. Land values may change considerably from one side of the street to the other. How has this affected the city's form of taxation?*

MR. RICHMAN: I don't think the geography had a very important influence on enactment of the graded tax, although I would defer to Percy Williams who would know more about it than I do. However, I see no reason in theory why Pittsburgh's geographic circumstances made it convenient or a good place with which to experiment with graded taxation.

On the contrary, I would say a city like Los Angeles or Philadelphia, whose boundaries really extend pretty far out from the city's center, would be a better candidate for this type of taxation than Pittsburgh. I believe, because our city is built up to its boundaries, there is not much advantage to be gained by taxing land values. I believe there is some advantage in terms of rehabilitation. But in order to get results from very heavy taxation of vacant lands, we would have to include the county in our scheme.

If you consider its boundaries, Pittsburgh was not the best city to make the experiment, and I see no geographic reason that makes it a more suitable candidate than any other city.

MR. JOHNSON: *You said in your analysis of the subsidies provided for middle-income housing that such subsidies could have provided low-income housing. Do you intend to imply that middle-income housing could be made self-sustaining, or that there is less involved in obtaining new housing in Pittsburgh?*

MR. RICHMAN: There are many objectives which urban redevelopment serves, among them the clearing of an urban area and making it

attractive to middle-income people. This does tend to preserve the character of the city and make it a better place for everybody to live in.

I did not mean to say that urban redevelopment is not accomplishing its objectives. I think it even pays off, when you consider the increased tax revenues which emerge and when you capitalize these, using some sort of cost-benefit analysis. Urban redevelopment pays, especially if you add in some of the social advantages.

What I am really complaining about is that we don't seem to realize we have got a revolution of rising expectations among the poor in this country. What we have called the revolution of rising expectation in the underdeveloped countries applies to our poor people and we ought to employ better efforts than urban redevelopment—but at least as great—for solving this problem of decent housing for low-income families. This also has sociological consequences.

You don't want to drive the poor out of the city. I don't think you can. Since they are going to be in the city, we ought to make decent housing available for everybody in this country within 10 years. I believe this to be a reasonable objective.

MR. JOHNSON: *I agree with you completely, but not to the exclusion of other things needed for progress toward a better Pittsburgh.*

MR. RICHMAN: I agree and I don't want my remarks to be taken as an attack on urban redevelopment. What I am suggesting is a re-direction of emphasis. Instead of trying to rescue our cities, we ought to try to rescue people. This means those who need the rescuing get rescued first.

MR. JOHNSON: *Intuitively, I suspect the subsidy to achieve that goal would have to be far greater than we provide today.*

Public Housing Not Actually Low-Cost

MR. RICHMAN: Because you're an architect, I would like to expand on this.

Our public housing is actually not low-cost housing—it is low-rent housing. It is expensive. It is more expensive than FHA to build. A wide variety of circumstances make public housing expensive to build, and we know it requires a subsidy much greater than it ought to. I don't think we can say the same subsidy will suffice for low-income housing as for middle-income housing. But now I don't believe we are doing our best technologically, nor are we using our land the way it ought to be used. If it costs $400,000 an acre to clear land, we ought not to build townhouses on it. We ought to go up in the air.

It seems to me we haven't done sufficient research and development into the whole question of prefabricating apartment houses and getting building costs down. We put our research and development in everything one can think of. We are supporting research in all of the laboratories of large corporations, sponsored by Federal agencies, and it seems to me that we could use more of this research in the area I have mentioned.

MR. WOODBURY: *Mr. Gaffney, you argued that a graded tax would lead to more compact urban developments—less sprawled.*

You, Mr. Woodruff, not in your talk this morning, but in the paper of which we have a copy, pointed out that cities of Australia and New Zealand had very low density.

Now, my question is, does this support Mr. Richman's argument that the graded tax is not very effective in generating new developments, although he thinks it is, in respect to rehabilitation?

MR. GAFFNEY: I don't think there is any conflict here. The tendency of the market is for neighborhoods of the city to specialize. A central core tends to specialize in maximum contact. This central core, which is nice for high-rise apartments, is such that you would, in the absence of taxes on buildings, get much more high-rise development than you do today.

But that doesn't mean you would have high-rise development everywhere. By satisfying the demand for intensive development in the areas best suited to it, you would get lower density development in peripheral areas of the city. There are only so many people, after all, at any given time, and if we get more tomorrow you cannot blame that on the land tax system—there *is* a limit to the powers I impute to it.

Where the balance lies here, I have not been able to figure out. It is going to call for a battery of computers, because when you get to the fringe of the city, untaxing buildings increases the ability of the city to buy land from the farmer, and at this fringe at least you make it possible for the city to spread out farther. I rather expect the balance would be a more compact city overall; but I know it would be a much more specialized city, with high-rise in the central area and lower residential uses on the outskirts.

MR. WOODRUFF: The site-value tax has been tried in enough places to prove it is administratively feasible, and it is evident that it does exert economic forces in the direction of more compact development.

It has not been used intensively in enough places to establish economic incentive as compared to other forces. Right here in Pittsburgh, the extent of force exerted by the graded tax is minimal, almost imperceptible; it is there but buried.

The thing that determines whether people build high- or low-rise here in Pittsburgh is determined by FHA. If you get a better mortgage on low-rise, you build that, and vice versa.

So many forces are working in the market. I think the only thing we have said this morning is that site-value taxation is a force and it does work. I would add to this that nowhere, with the possible exception of Nationalist China, has this tax approach been tried consistently enough and at rates high enough (I have a hunch that we are going to come up with a case in China) that we can really say it is the dominant force.

MR. WOODBURY: *How long has it been going on in Taiwan?*

MR. WOODRUFF: Since 1949.

MR. RICHMAN: Mr. Woodbury, I agree with Mr. Woodruff. I think the tax on land is more effective on these marginal improvements, in rehabilitation.

I don't think it is effective with regard to other improvements because, in both the short run and the long run, property taxation is a tax only on the surplus, whether on improvement or land, and as long as land is supermarginal, as long as it has a value, as long as the tax doesn't eliminate the surplus totally.

In our urban environments, there is no marginal land. It all has value. Even in the slums, it has value. It is costly. It is still $10,000 an acre in the slums, and if you clear it, it is worth $50,000 or more. As long as land has this value, I claim all the taxation is borne by the landowner in the form of decreased land prices.

MR. WOODBURY: *On the rehabilitation argument, have you had occasion to assemble any evidence on this? Have you made a comparison on rehabilitation in Pittsburgh and other cities on a comparative basis?*

MR. RICHMAN: I am sorry, I have not. I think there would be so many variables here, it would be difficult.

MR. WOODBURY: *Yes, I was going to suggest that you might find other factors or forces which determine whether rehabilitation is undertaken or not, and these might outweigh the effect of a moderate tax on it.*

We looked at extensive rehabilitation in Baltimore, and we also looked at efforts in New Haven and Boston. It seems to me some of these tax questions are important matters of municipal policy. I think it would be interesting to try to estimate the tax impact.

MR. RICHMAN: I hope the Commission on Urban Problems, among its proposals, recommends some further research in this area. There are a number of things worth doing so we can inform ourselves and so we can make some policy.

MR. GAFFNEY: As to the effect of exempting buildings from taxation, I do think we have a number of striking examples in Wisconsin and Missouri, and another in New York State.

In Wisconsin, we had an assessment freeze law. The common council of a city could grant seven years' or more (up to 20) tax exemption to a new building. The seven years' tax exemption was worth almost as much as the land which had to be bought to build these buildings. The effect, in the case of two or three corporations which qualified under the law, was quite dramatic. We got renewal started with the Marine Plaza Building, built under the seven-year tax exemption. The law was recently thrown out, however, for technical faults.

In Missouri, there is the Public Redevelopment Corporation Law. It works like ours in Wisconsin. The Quality Hill Apartments in Kansas City are an improvement put up under this tax exemption.

In Boston, the insurance companies got, almost by contract from the city, tax exemption for a number of years, and sparked a Boston renewal.

So, you can put together a number of examples like that, which point up the power of tax exemptions to encourage or permit improvements to take place.

I would add one more example which might at first seem irrelevant to a Commission on Urban Problems, since it is from agriculture. But

its relevance will be apparent, and it illustrates another point – that there is a positive advantage in taxing site value above and beyond its ability to raise revenue without taxing buildings.

The example is the California Irrigation District Law (the Wright Act) under which California farmers bond themselves to pay for often very costly water systems by taxing land, exclusive of all improvements. In areas of high water cost, land taxes have sometimes gone very high. Their effect, by general consent, has been and still is to prompt landowners, in the most compelling way, to get off the dime and get things done. These land-taxing districts cover some 4 million acres and are a major reason why semi-arid California is the Nation's leading farm state.

MR. BAKER: *Mr. Richman, you mentioned the difference in school tax and city tax. Are these taxes collected by a central agency?*

MR. RICHMAN: Yes. All of the assessments are done by the county. I believe the city collects the school board tax and the county collects its own tax. So we have only one assessing body, but two collecting bodies.

MR. BAKER: *Did I understand correctly that you felt site-value taxation would encourage development and improvement to buildings?*

MR. RICHMAN: It would encourage modernization and rehabilitation. I find no real basis for considering that the site-value taxation would be a stimulus to new building. Let me qualify that one bit. That isn't really true. What I find is that it has an effect. It has an effect on marginal use, marginal size of the apartment, marginal apartment if you are going up in the air.

But I believe this effect is offset by zoning and building codes. There is practically no effect on building.

Income Tax v. Property Tax

MR. BAKER: *I personally believe the property tax is the most unfair tax levied today throughout most of the country. I think so because, basically, you use the market value but you don't say market value for what.*

It could have one market value for agriculture, another for commercial, and another for industrial use. This often is not taken into consideration.

You also indicated you felt undeveloped land should be encouraged to be developed, but you stated also there might be as much as 20 years before some of this land is developed.

If land values increase at the rate of 5 percent a year, what is the value today of these particular parcels that should not develop for 20 years? How can you tax and encourage development on those parcels?

MR. RICHMAN: Let me start at the last part first. When one takes a look at the environs of a city like Pittsburgh, one finds no marginal land within 15 miles. We are a small city. We are roughly about 40 square miles, if I am not mistaken.

Suppose we take an area 15 miles from the center of the city. One would find there isn't any land which can be purchased for the value of its yield in farm use. It has a value based upon its potential future use in housing, which exceeds its use in farming.

Now, I therefore want to qualify the statement I made previously, that a land value tax would be very, very unfair to the individual who owns it. It would be unfair only in the sense that any increase in taxation would tend to diminish the value of his property.

If a particular piece of property has a higher property tax, I don't care what the reason for it is, it is going to diminish in value. It is only when taking taxes off some property and increasing it on others that you might expect land values to increase everywhere. That is a theoretical point.

Let me go to your more fundamental point: The question of whether a person should be permitted to retain his property in an agricultural use and be taxed on the basis of its value in this agricultural use when, in effect, it has a value greatly in excess of that for houses or industry or speculation in the future use of it.

If you do not tax that individual on the basis of the market value of that property in its best use, which also might be a potential use, you are making him a gift of a substantial amount of money. I explain it this way. If a property is valued at what it is worth in its existing use, let's say as farmland, it is worth $5,000; its market value may be $10,000, because it is going to have a different value in the future due to housing or industrialization. It should be taxed on market value.

MR. BAKER: *Isn't that speculation?*

MR. RICHMAN: Not if the parcels are selling for $10,000.

MR. BAKER: *Are you not taking the potential value of the market against the income that land actually will generate?*

MR. RICHMAN: He has a $5,000 farm he is using when it is worth $10,000 to somebody else. The question is, are you going to permit him to speculate at no cost? Mind you, he expects that property to be worth a lot more in the future; because it costs him interest on the extra $5,000 valuation which he is willing to forego now.

MR. BAKER: *If the production is below its tax rate, what happens to this man? He is forced to sell. By the same token, would you go down to the service station and pay an additional 2-cent tax per gallon because the tax is levied on a higher value the gas may have at some future date?*

MR. RICHMAN: He should be paying property taxes on $10,000 if that is what its valuation is. If you will let me give you an example. We have growth stocks on the stock market on which the yield and dividend each year is only 2 percent. Why would anybody invest in something paying 2 percent when he can get a government bond paying 4 percent? He is counting on appreciation in value of that property.

Now if you decide you want to postpone the tax and institute instead a tax on capital gains, I am quite willing for him to hold his property and be taxed only in the present use, but you shouldn't be making him a free gift.

MR. BAKER: *Could you tax, using that philosophy, an apartment house which provides housing for 100 families on a basis that it might be an industrial site and, therefore, is worth more on the market?*

MR. RICHMAN: The likelihood is so remote. If you are discounting something that is going to be happening 50 years in the future, if you are going to do this, you are going to find this potential use isn't going to be worth much today. A promise to pay me $1.000 25 years from now at an interest rate of 6 percent is probably not worth more than $250 to me.

MR. GAFFNEY: This annual appreciation of land values, like annual increments to common stock prices, is income, and under a true income tax system would be taxed at the time the increment accrues. Professor Douglas' former colleague, Henry Simons, brought that out; and a number of other economists like Irving Fisher and William Vickrey held the same position. No one to my knowledge has ever refuted them, or tried to, except on administrative grounds.

The income tax fails to tax these increments as they accrue because of the realization doctrine, dating from *Eisner v. Macomber,* under which taxation is deferred until property is sold for money. Taxes deferred are taxes denied—and at capital gains rates to boot.

But the property tax makes up for this by taxing rising land each year on its market value, a base capitalized not just from current income but from higher expected future income. If you work through the mathematics of discount, you find that the land tax is taking a fixed percentage of the annual increment each year as it accrues, just as all these eminent economists have told us the income tax should, but can't because of *Eisner v. Macomber.*

MR. O'NEILL: *Does the Pennsylvania Constitution call for 100 percent assessment of market value?*

MR. RICHMAN: Yes.

MR O'NEILL: *What is the actual ratio of assessments to market value in the Pittsburgh area?*

MR. RICHMAN: In 1963, I think, it averaged 42 to 44 percent.

MR. O'NEILL: *Percent of market value as determined by the Board of Assessors?*

MR. RICHMAN: Based on sales price. The Board of Assessors doesn't admit it is assessing at less than 100 percent. Based upon a sample of sales over five years, I found the ratio about 44 percent.

MR. O'NEILL: *If you, in fact, had assessments at 100 percent, and thus force all vacant lots which the assessors are now undervaluing to be assessed at current market values, would you not then raise the level of tax on vacant property and perhaps even lower the tax on improved property?*

MR. RICHMAN: Then it would violate the criterion of equity because you would get one piece of property that is improved being assessed at one rate. . . .

MR. O'NEILL: *No, I am saying market value at 100 percent should be the basis for vacant lots too.*

MR. RICHMAN: Shouldn't all properties be assessed like that?

MR. O'NEILL: *Mr. Woodruff, you noted there were no slums in Australia?*

MR. WOODRUFF: By our terms, there are really no slums in Sidney.

MR. O'NEILL: *To what extent might that condition have been brought about by the fact there are virtually no Negroes in Australia and there is no group denied upward mobility in society? Our slums in this country are usually areas inhabited by low-income Negroes, especially in our northern, big cities.*

MR. WOODRUFF: The American race experience — the difficulty of upward mobility for the Negro citizens — is deplorable.

I think the fact there is a very small, nonwhite population in Australia — there is one, but it is small — means there is no such restriction on upward mobility. But, on the other hand, in New Zealand, there is a very substantial, nonwhite population and there are some of the same kinds of deplorable racial situations as there are here, and yet there are very few slums there, either.

MR. O'NEILL: *Do the New Zealand nonwhites migrate to urban cities?*

MR. WOODRUFF: They have been doing so, yes. Many of them are in public housing, incidentally. I think the relative freedom from slums is the result of things other than a good tax.

MR. O'NEILL: *Mr. Gaffney, did you not say that under site-value taxation, every other thing being equal, we could increase the supply of housing and lower the price of housing? How do we lower the price of housing by increasing the tax on site values?*

MR. GAFFNEY: Prices are determined by supply and demand. Increase supply, lower price. Simple.

MR. O'NEILL: *Mr. Woodruff, did you not point out that with homestead exemptions, Australia pulled the teeth from its site value tax?*

MR. WOODRUFF: One tooth.

MR. O'NEILL: *We need huge subsidies to overcome high urban land costs and to provide the housing we need for low-income families. Mr. Woodruff also indicated that site-value taxation may make land prices go up.*

If the tax does not discourage speculation, therefore it would encourage investment because of the higher value. Mr. Richman pointed out that the graded tax does not spur new construction. I agree. What value site-value tax would have in rebuilding our urban centers, I cannot see.

MR. GAFFNEY: It was bound to happen before 12 o'clock. On this point, I regretfully disagree with Professor Richman.

I think to remove taxes from buildings would advance the date of site renewal by a factor of 20 or 30 years. The time to renew a site is when the dwindling income from the old use ceases to pay a market return on the salvage value of the site, which is the surplus after costs returned to the site by the highest and best use.

In the contest between old and new, or defender and challenger, there are two extra costs that the challenger's income must bear. The

first is the capital cost of the new building. This is a real social cost and properly enters the accounts and weighs the balance against renewal. The second is the extra taxes heaped on a new building. These are not a social cost but merely betray a poorly conceived tax system. Remove the tax from new buildings and you strengthen challengers *vis-a-vis* defenders, and accelerate urban renewal.

MR. DOUGLAS: Thank you all very much. We will adjourn for lunch. (Adjournment.)

Penn-Sheraton Hotel
Pittsburgh, Pennsylvania
Noon, June 10, 1967

MR. DOUGLAS: I am happy to introduce one of our outstanding leaders in local government, who has also had long experience as a State Senator—and who has been in the forefront of promotion and support of urban improvement. . . . the Honorable Joseph M. Barr,[1] Mayor of Pittsburgh.

PITTSBURGH'S RENAISSANCE

MAYOR BARR: In these days of international strife and turmoil, it takes a special effort of mind and heart to focus on domestic problems; so we are grateful that this Commission is doing just that, and that you have selected Pittsburgh as a stopping-point. I would hope that from your stay here you derive both information and inspiration that can lead to the kind of attention and action at the national level which our cities so desperately need.

I am particularly pleased to welcome back to Pittsburgh an old friend, your Chairman, Paul Douglas. It seems strange to the tongue not to say "Senator" Paul Douglas. At the risk of seeming partisan, let me add my personal belief that the United States Senate is a poorer place because of his absence.

Your Commission, I gather, is charged with the responsibility of examining successful programs that can be copied and expanded, as well as exploring the problems of American cities in order to make recommendations to the President and to the Congress. In your tour of Pittsburgh, yesterday, I believe you saw evidence of both. You saw striking evidence of a gigantic rebuilding effort that has won for this city national and international acclaim—and you saw scenes just as

[1] Native of Pittsburgh and Mayor, 1959 to date. State Senator (Dem.), 43rd District, Pennsylvania, 1940–60. Democratic State Chairman, 1954–60. Democratic National Committeeman for Pennsylvania, 1966. Vice-President, U.S. Conference of Mayors, 1966–67. Key supporter of legislation establishing Pittsburgh Redevelopment Authority and the "Package-Act" of 1947 enabling city and county to organize agencies attacking such urban problems as air and water pollution, housing, transportation, blight, recreation.

striking of the enormous work still before us in terms of urban blight and decay.

Your staff has requested that I briefly describe the manner in which the physical changes took place in Pittsburgh after World War II.

Before doing so, let me express the hope that you are now aware that our physical rebuilding efforts are not limited — as so many visitors think — to the downtown core of the Golden Triangle. There is extensive urban renewal at the neighborhood level throughout the city — some 19 projects in all — work that is less striking perhaps, less glamorous than shiny new skyscrapers, but work no less essential to the welfare of the entire city. I also want to underscore the fact that Pittsburgh's efforts are by no means concentrated in the physical arena. We are not afflicted with an "edifice complex." We are devoting just as much energy, enthusiasm and resources to dealing with our human and social and educational needs.

Pittsburgh has a good reputation for urban renewal. We are just as proud of the Federal accolades that have come our way for the strides we have made in such diverse programs as manpower training, the war on poverty, the neighborhood youth corps, and in our concerted efforts to upgrade our education system from preschool to the graduate school level.

Last night, I believe School Superintendent Sidney Marland outlined for you the concept of the Great High Schools to which this community is committed with all that it means in terms of quality education, and improved vocational and technical training in an integrated experience.

Indeed, any American city that is not devoting its prime emphasis these days to the needs of the poor, the disadvantaged and undereducated, is simply out of touch with the great human revolution of this century.

But let's consider for a moment how the Pittsburgh rescue operation took place after World War II. For that is exactly what it was, a dramatic and gigantic rescue operation of a city whose future seemed as bleak and dark as its polluted skies.

There are those urban observers with a perspective different from ours — if not better — who maintain that the remolding of Pittsburgh was a massive pragmatic act, more expedient than visionary, without plan, without design. There may be a measure of truth in this assessment, for the post-war outlook was so grim as to demand pragmatism and expediency as the first rule of conduct.

Pittsburgh in 1945 was not a pleasant place. Severe floods were the harbinger of the coming of spring and the passing of winter. Skies were so dark that street lights frequently were turned on during the morning hours. Many large corporations were contemplating moving their headquarters to other cities.

Steps were initiated in the late thirties by a few public- and civic-minded leaders to develop a flood control network and to control air pollution, but these had to be suspended during World War II, which received all our energy and resources. However, during those war years,

some of Pittsburgh's influential business and civic leaders launched a series of informal discussions from which emerged what was then — and still is — a unique alliance of public and private forces for local cooperative action. That was the beginning of the Allegheny Conference on Community Development, which drew upon the talents and influence of more than 100 persons — board chairmen, university presidents, top labor officials, the Mayor of the city — a group which has been the power plant of support for community programs, beginning with flood control and smoke abatement and including redevelopment, recreation, and cultural enrichment.

That was a mobilization of talent and effort never before attempted, whose sole purpose was to serve the city and fight for its survival and progress. The Conference was the catalyst bringing together the leadership of business, labor, government and the professions, many of whom had long shared community goals, but none of whom had either the wisdom or mutual trust to join together in pursuit of those goals.

I don't intend to expound on each success, except to emphasize that all was not sweetness and light, nor were improvements achieved without risk and sacrifice. For example, smoke control was supported in Pittsburgh both by the local leader of the United Mineworkers, which took high courage, and by industrial firms dependent on coal, which took great foresight.

To initiate large-scale physical reconstruction, my predecessor, a great Mayor and dedicated Democrat, David L. Lawrence, established the Urban Redevelopment Authority, and appointed a majority of Republicans on the five-man citizen board. Those Republicans, in turn, insisted that Mayor Lawrence name himself to that Authority, on which he served as Chairman for 19 years. To bring that story up-to-date, following Dave Lawrence's untimely death six months ago, the Republican members of that agency, still in the majority, came to my office and insisted that I take on that post.

I don't want to create the impression that this unity of local purpose has created a political millennium in Pittsburgh. The Republicans have remained Republicans, and the Democrats — thank God — are still Democrats.

Urban redevelopment in Pittsburgh has flourished in diversity and sophistication as well as in developing financing plans that blend an amazing assortment of private capital with a mixture of city, State and Federal funds.

Gateway Center, which you saw yesterday at the base of the Golden Triangle, was financed privately in its entirety, except for the contribution of publicly owned streets and property. There, more than 20,000 men and women work today where less than 4,000 held jobs in 1948. This amounts to 20 percent of all downtown jobs on only 5 percent of the downtown land area.

Today, Pittsburgh has 19 other redevelopment and renewal projects, representing a private investment of more than a half billion dollars, one-fifth in public funds. In the next few years as existing projects are completed, this amount will increase by another $200 million. In

the Golden Triangle itself, 60 new buildings have been constructed during the past 20 years where not a single new structure had risen in the two decades between 1930 and 1950.

The city itself has made a cash outlay for redevelopment of approximately $26 million — in other words, $26 million in local funds has operated nearly $700 million in private expenditures. I hope I am not guilty of municipal chauvinism in suggesting that Pittsburgh's renewal program has attracted more private money for reconstruction than any other city program in the nation.

These figures are most significant in terms of what they represent in expanded opportunity for many forms of human enterprise — a diversification of our economic base, new jobs for thousands of workers, and the fact that Pittsburgh has now strengthened its position as the third largest corporate headquarters center in the nation.

Lest this recital of achievements has a triumphal ring to it, let me hasten to add that the challenge before us is just as impressive and formidable. We are now deeply engaged in neighborhood renewal, with a shift in emphasis from reconstruction to rehabilitation, from architecture to people. With this changing emphasis, new alliances have formed between city government and citizens at the neighborhood level. No neighborhood renewal is undertaken without months of citizen participation in planning and consultation.

All this we are trying to accomplish within a central city which is highly congested, which has only 55 square miles of land — and nearly one-third of that unbuildable because of slopes and rivers — and which is ringed by 128 separate and independent suburban municipalities.

Undoubtedly our problems are strikingly similar to those of other cities you have visited or will visit. The tug-of-war between the central city and suburban communities exists here in depressingly high degree. During the past two decades, Pittsburgh's overall population has dropped approximately 100,000, while the Negro population has increased by 38,000. This means, of course, that the exodus from the central city has been confined to white families of middle- and high-income.

More than 65 percent of our housing is more than 45 years old — and as the members of this Commission undoubtedly know, existing State and Federal programs have proven inadequate in providing either new or rehabilitated housing for low- and moderate-income families in sufficient quantities.

I stress the serious problems besetting us to make clear that we are not permitting pride of past accomplishments to blind us to the enormity of the task still before us.

I should digress for a moment at this point to comment about Pittsburgh's graded tax plan which has caught the attention of some members of this Commission. It is virtually impossible to indicate with any certainty what effect Pittsburgh's unique plan of graded taxation has played in the rebuilding effort. There simply hasn't been the kind of comprehensive analysis and research required to produce a definitive answer, one way or the other.

I believe that the graded tax plan, which as you know taxes land at double the rate of buildings, has generally helped to encourage the improvement of real estate, especially the building of large commercial office structures. I also believe this system has been particularly fair and beneficial to homeowners. It is generally felt that most of the fine structures erected through private enterprise and investment as part of the renewal program are benefited by the lower tax rate on buildings. Based on our experience of the past 20 years, it is clear that the graded tax has not served as a deterrent to new building and development, but whether it provides an incentive can best be answered by the scores of private developers who have invested so heavily in the future of this community.

In one respect the graded tax plan has suffered by the failure of land assessments to keep pace locally with building values. Suffice it to say that the law is generally accepted in this city—and there has been no significant move for its repeal or its intensification.

What lessons can be learned from the Pittsburgh experience of the past two decades?

If the Pittsburgh story proves anything, it proves that business and government can differ in opinion and ideological belief without fear and distrust, yet still work together in common cause.

We recognized even as far back as 1946 that the problems of today's cities are too staggering to leave to City Hall alone, and too urgent to be subject to political in-fighting for temporary partisan advantage which would perpetuate civic stagnation and decline. We are fortunate to have in Pittsburgh a unique partnership of public and private leadership, born with the dedication of a few, and now proliferated to the involvement of tens of thousands from the grass roots all the way to the executive suites.

We have learned that the problems of today's cities are also too staggering to leave to local communities alone, even where there is this effective public-private partnership. We must bring to bear on urban needs State and national resources, particularly those of the Federal Government, in far greater intensity than anything yet proposed. At the local level, we have the corresponding responsibility to develop the capability and talent to use these resources effectively and wisely.

I would hope that the deliberations of this Commission throughout the country will help produce answers and approaches that will enable this city and others throughout the land to work toward an environment more on the human scale, a society more equitable to all citizens, a life more rewarding for present and future generations.

Our common aim must be to give meaning to Aristotle's comment that "men come together in the city to live and they remain there in order to live the good life."

(Adjournment.)

City Hall
Pittsburgh, Pennsylvania
Afternoon, June 10, 1967

MR. DOUGLAS: We are privileged to have with us this afternoon Mr. Schmid, Mr. Rothenberg, and Mr. Baskin. We will recognize Mr. Schmid first.

I am delighted that you prepared a paper. Would you be willing to summarize it in about 15 minutes? We are very happy to have you.

STATEMENT BY A. ALAN SCHMID

MR. SCHMID: [1] Thank you, Senator. I would like to shift our discussion from this morning's focus, concerned primarily with central cities and redevelopment, to the fringe of growing cities.

The rise in suburban land values is dramatic. The FHA maintains a price series for the site value of developed lots used for new single-family houses with FHA-insured mortgages. This series advanced over 300 percent between 1946 and 1964 which contrasts with only a 58 percent increase in the general price level during this time. (See Table 1.) If we look at lot values as a percentage of the total value of a lot and house, we find that land now accounts for about 20 percent of the total value while it represented 11 percent in 1946.

Of what significance are these rapidly increasing new lot prices? One factor is the effect on the chances of people becoming homeowners and the quality of housing they can afford. A National Association of Home Builders' survey of its members found that in 1964 builders considered lack of market one of their most important problems. The Association's newsletter stated:

> A valid argument can be made that this land price increase is partly responsible for difficulties in selling new homes. It is the price of land which determines the sale price of units to be built. An average $4,567 lot would most likely mean a home selling for $22,500–$25,000. It is obvious that this house is too expensive for the large number of families found in the lower and middle-income groups. So, the increase in the cost of land is a factor in pricing much of the public out of the market.

One might expect that the ratio of lot price to the cost of the house might adapt to higher land prices, and less expensive houses would be built on more expensive lots. But, this means the house owner gets less house for his money than when land prices were lower. Market conditions are always changing and the recent scarcity of mortgage money has perhaps overshadowed other factors. Still, it is important to note that while the number of new housing starts has declined in 1966, lot prices have continued to increase.

In addition to the direct impact on the home consumer, higher land

[1] Associate Professor, Agricultural Economics, Michigan State University. Ph.D., University of Wisconsin. Visiting scholar, Resources for the Future, 1964–65.

Table 1. Prices of Lots for Single-Family Houses Insured by FHA and for Farm Land, and Ratio of Site to Total Property Value United States Average, 1946–1966

Year	NAHB Data[1] Market Price of Site	FHA Data[2] Market Price of Site	FHA Data[2] Site Percent of Total Price of House and Lot
	(Dollars)	(Dollars)	(Percent)
1946	.....	761	11.5
1947	.....	893	11.8
1948	.....	1,049	11.7
1949	.....	1,018	12.0
1950	.....	1,035	12.0
1951	.....	1,092	12.1
1952	.....	1,227	12.0
1953	.....	1,291	12.7
1954	.....	1,456	13.4
1955	.....	1,626	13.5
1956	.....	1,887	14.2
1957	.....	2,148	14.9
1958	.....	2,223	15.5
1959	.....	2,372	16.2
1960	2,808	2,477	16.7
1961	.....	2,599	17.2
1962	.....	2,725	17.6
1963	.....	2,978	18.4
1964	4,567	3,130	18.9
1965	.....	3,218	20.0
1966 1st Qtr.	.....	3,549	19.7
2nd Qtr.	.....	3,684	20.3

[1] *The 1964 N.A.H.B. Builder Membership Survey* (Washington, D.C. National Association of Home Builders, 1964), p. 22.
[2] *FHA Annual Reports* and Table 35 revised 4/2/65 (Washington, D.C.: Federal Housing Administration, Division of Research and Statistics).

prices affect land acquisition costs for everything from school sites to highway right-of-way.

While of peripheral interest to the Commission, the phenomenon is related to the problem the Federal Land and Water Conservation Fund has been having when, because of rising land prices, the public money buys less space for public recreational use.

Conversion of Rural to Urban Land Hikes Value

It is clear from examination of current suburban land prices that the conversion of land from rural to urban use is accompanied by substantial increase in value. The price of a residential building lot has several components. These include the opportunity cost of the land in agriculture, and the improvement costs such as grading, streets, and utilities. The remaining value is either profits or rent. If we take the FHA data on prices of new, finished lots and subtract the improvement costs and the agricultural value of the land, we have a measure

of the net appreciation of value. I have chosen for comparative purposes to express this net appreciation as a percentage of the agricultural value. The national data for 1964 show an average appreciation in land value above farm prices (less improvement costs) of 892 percent.

MR. DOUGLAS: *Is that a misprint, 892 percent increase?*

MR. SCHMID: No. This is above the agricultural value. Another data source is available from a survey of the National Association of Home Builders.

While FHA data are generally accepted as representing lots sold to medium-income purchasers, the National Association of Home Builders data probably represent slightly higher priced housing on the average. The National Association of Home Builders data show a national average appreciation of 1,875 percent for 1964.

MR. DOUGLAS: *Nineteen times as much?*

MR. SCHMID: Yes, approximately.

Because of problems in estimating improvement costs, the above figures must be regarded as approximate. While the data are for the full conversion process, we can get a check on it by looking at the appreciation in raw suburban land prices before any improvements are made. Again, the National Association of Home Builders has data on prices paid for raw, unimproved land to be used for residential building purposes.

I might say, at this point, the average price per acre for this sample of 259 cities in 1960 was $1,995. For 1964, it shows buyers paying an average of $3,000. This is about a 50 percent increase in absolute value in about a four-year period . (See Table 2.)

If I look at this in terms of appreciation above farm value this amounts to about 1,800 percent. I have shown selected cities and their appreciation levels, and it is clear we are speaking of land price appreciation levels often measured in the hundreds of percent.

We can quibble over some of these numbers but however you do it, you are still left with a rather substantial appreciation.

The next question that might be asked is: "Who gets this appreciation in value?" Data are limited, and no statistical statements can be made; but it is my judgment from fragmented data that the following is not an unusual situation. In per acre terms, if we start with a farm land value of $300, the farmer might receive about $1,300. The active builder-developer might pay about $3,000, to which he adds $6,300 in improvements. If the finished lots sell at the equivalent of $10,000 per acre, this would produce an appreciation of $3,400 per acre above farm value, with improvement costs deducted. This is shown graphically in the chart (p. 318).

Students of urban land values have long noted a relationship between values and distance from the central business district. Users of close-in locations save transportation costs, and this advantage is reflected in higher annual rents and its capitalization into land prices.

New lots on the growing edge of an urban area have no locational advantage at the moment. Yet, the present market price reflects the expectation that, with further expansion in the future, rents will

Table 2. Suburban Raw Land Price Appreciation above Farm Land Prices, Selected U.S. Cities, 1964*

City	State	Suburban Price/Acre	Farm Price/Acre	Appreciation (1)–(2)	Percent Appreciation over Farm Value (3) ÷ (2)
		(1)	(2)	(3)	(4)
Atlanta	Ga.	1,791	$127	$ 1,664	1,310%
Berkeley	Cal.	10,614	460	10,154	2,207
Charlotte	N.C.	2,633	234	2,399	1,025
Cincinnati	Ohio	3,696	282	3,414	1,211
Cheyenne	Wyo.	3,000	26	2,974	11,438
Camden	N.J.	3,820	600	3,220	537
Dallas	Tex.	7,277	108	7,169	6,638
Dayton	Ohio	2,780	282	2,498	886
Des Moines	Iowa	1,785	265	1,520	574
Harrisburg	Pa.	2,255	222	2,033	916
Indianapolis	Ind.	2,852	293	2,559	873
Memphis	Tenn.	3,681	165	3,516	2,131
Minneapolis	Minn.	2,160	168	1,992	1,186
Omaha	Nebr.	2,821	104	2,717	2,613
Orlando	Fla.	3,089	307	2,782	906
Portland	Oreg.	4,073	99	3,972	4,019
St. Louis	Mo.	4,673	139	4,534	3,262
Syracuse	N.Y.	2,600	165	2,435	1,476
Springfield	Mass.	1,731	349	1,382	396
Washington D.C.	(Md.)	5,785	365	5,420	1,485
Wichita	Kans.	1,678	114	1,564	1,372

*Source of data: N.A.H.B. and U.S. Department of Agriculture.
NOTE: As of 1960, for an average of 259 cities, the price per acre of suburban land was $1,995; by 1964, the price had risen to $3,030.

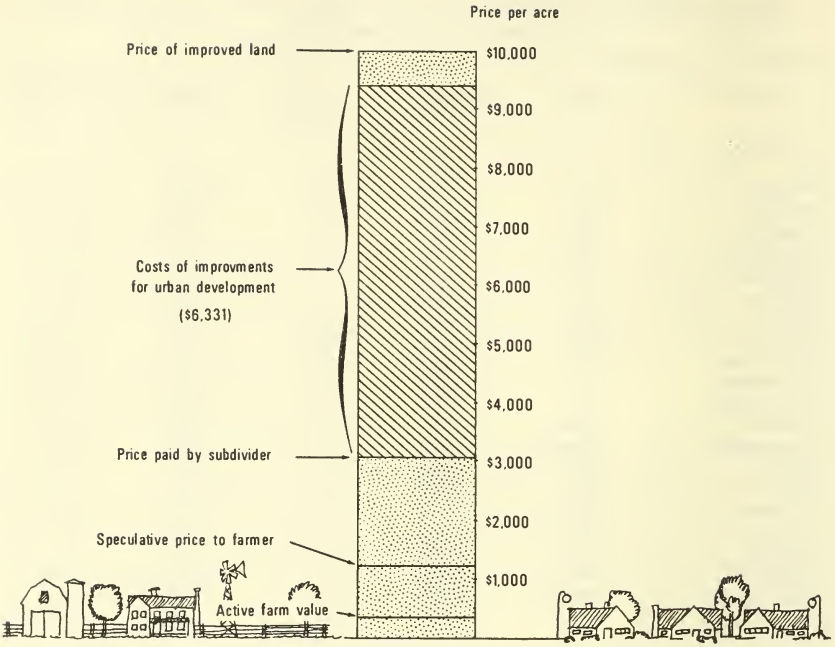
accrue. Theoretically, then, the net appreciation I have been speaking of could be a reflection of future rents which will occur because land of a given locational advantage is limited in supply.

Indeed, when the variation in land price appreciation between cities is compared, you find a significant relationship between the percentage of appreciation and the rate of population growth.

While the bidding up in price cannot call forth an additional supply of a given quality of land, it does serve to allocate and ration the available supply among those who value it the most. Social reformers have cast a suspicious eye at land price appreciations for years. Still, urban land with desirable location and other features is scarce, and its supply must be rationed in some fashion.

Capturing Land Value Increase for the Public

If land is not allowed to be bid up, then the market cannot perform its allocating function. However, if the market is left to allocate land among buyers, even so, the full increase in value above development and agricultural costs need not accrue to the land owner. A portion of it might be captured by the public through taxation or other means. Some foreign countries are experimenting with this, and perhaps it deserves study here.



IN THE EXTENDED and often rather involved process whereby farm land is ultimately transformed into a suburban housing area, markets and prices for land and its improvement exist at each step. The final price of the improved lot, estimated at about $3,900 per lot nationally or at about $10,000 per acre, includes a major component for improvement cost — streets, sidewalks, sewers, water supply, grading, and similar improvements. But it also includes substantial components for speculators' and subdividers' margins as well as a margin for the builder or developer. The value of the farm land, as land used actually for farming, is only a small fraction of the price for the final developed lot. These data and analysis are taken from an RFF-supported study carried out during the past two years by A. Allan Schmid, of Michigan State University.

I would emphasize the word "portion" of the appreciation that might be captured by the public. If all of it is taken, there is no incentive to change land use at all. The British found this out a few years ago when they attempted to tax away the whole increment of net appreciation.

While a capital gains tax might be used to effect the distribution of the appreciation, another method often discussed is public ownership.

President Johnson's proposed Housing Act of 1965 would have provided FHA loan insurance for State agencies to purchase land in advance of development. The loan could equal the acquisition cost of the land and would have been repayable in 15 years at 4 percent. An important issue here would be the price at which the land would be resold for building.

If it is sold at cost, then the new owners will get a windfall and could look forward to capturing future rents. This would probably necessitate some sort of control over resale. However, if the land is

sold at market value, then the State agency could capture the appreciation for the public treasury.

There is yet another policy alternative. Instead of asking about the distribution of appreciation gains, we can ask what affects their total size. Attention should be given to the land-value-creating forces at work in our system of urban growth and settlement patterns. Good urban sites are scarce because of the fact that we orient much of our new growth to existing urban centers of employment and services.

The new town is an exciting idea because of its possible environmental amenities, but it also deserves attention as a method to reorient urban settlement which might result in cheaper urban lot prices. National policies to facilitate new town formation may be an important point of leverage.

I would not like to leave the impression that location features are the only things that are in fixed supply and therefore generate appreciation gains above costs. There are various features of land which can make it unique, and people will bid up the price to get access to it. Some of these, like unique landscape attributes, have the same implications as returns to a locational advantage. Others, however, are often the result of public actions which limit the supply of some feature even though more could often be produced. I have in mind things like utilities, schools, parks, and so forth. Sometimes these are limited for some reason, and areas with access to them are bid up in price even though more could be provided.

A variety of this is a practice found in some areas of limiting the amount of certain kinds of land use through zoning such as the acreage devoted to small lots (for low-cost housing). This is sometimes aimed at discriminating against minority groups, and one of its side effects is that available land in the limited zone is bid up and appreciation enhanced.

It was noted earlier that appreciation was higher where population growth was greatest. Still, a significant number of cities managed to keep appreciation levels below the national average, even though they grew faster than the national average in population. I wish I could tell you why. This is an area for research in the future. Some of the variables that deserve attention are local zoning, taxation, and utility provision policies.

I would like to say a word about the speculation process. I want to take care to avoid the impression that because land value appreciation is high, that all landholders and developers get rich in the process. While gains can be large in total, there is great uncertainty as to the timing. If the land is idled while waiting for development, the gain to the land owner may be eaten up by interest and tax charges if too high a price was paid to the farmer or other previous owners and if anticipated waiting time for price rises prove erroneous.

Whether intermediate purchasers and landholders guess right on the timing of the appreciation is not my main concern here. The question I would like to ask is whether any important market functions would be curtailed if part of their gain were captured by the public.

While the speculator will not be active if returns do not compensate for the uncertainties involved in idling land, what would be lost if intermediate buyers did not operate between farmers and builders? My own tentative answer is that the conversion process could well proceed with farmers keeping the land in production until the land is actually demanded for housing.

There may be a short period when farming will not pay as urban growth encroaches, but if some of the appreciation gain is left to the owner, this might and should cover the interest and taxes while the land actually cannot be used in agriculture.

To summarize at this point, a capital gains tax will not reduce lot prices to home buyers but it could capture part of the appreciation for the public probably without interfering with any of the functions of the market.

It should be noted in passing that part of the uncertainty in the land market is due to public action itself. Uncertainty in zoning and public improvements are factors which might be reduced. Another element of unpredictability is due to poor information. We have extensive supply and demand studies and market information published by public agencies for farm products in the various regions of the country, but there is little information of this sort in the suburban land market.

No methods are available to insure completely accurate data to guide decisions by farm owners, developers, and lot buyers, but this could definitely be improved.

Effect of Appreciation on Public Land-Use Policies

At the outset of this discussion, some of the impacts of high lot prices were mentioned. I have not offered any solutions which would lower costs to lot buyers, at least as long as we wish to retain the market as a procedure for allocating scarce sites among consumers (with the exception of possible reorientation of urban growth patterns through public action which could reduce unnecessary scarcities).

All I have suggested is that part of the appreciation might be made to accrue to the public, even if not the specific lot buyers. This classic concern for income distribution may, however, be overshadowed by another consequence of land appreciation. When large appreciation gains are created in the process of urban growth, landowners will strive to direct this value in their direction. This often frustrates public land use planning. For example, if land is zoned for open space or other less intensive use, this means that its owner cannot get as large a value appreciation as his neighbor, who is more favorably zoned. This creates a great pressure to break the public land-use plan. Examples are evident all across the country.

There may be great gains in land value which are possible if an owner can get apartment zoning in the middle of a planned open-

space or low-density area, even though it may create costs for others — congestion, the necessity for costly public services — or reduce the total value of the larger area of which it is a part. This promise of great gain puts tremendous pressures on maintenance of a plan of development. These pressures are often more than even the most angelic local governmental body could be expected to resist. This may explain a great deal of the lack of implementation of land-use plans. As long as great premiums exist for breaking plans, they will be in peril.

One lesson for public policy design is to attempt to make private incentive consistent with the desired products of the economy, and not contrary. The real importance of the distribution of land appreciation gains is not alone one of equity but also what it does to the kinds of suburban communities that are created.

Let me conclude: Land prices for new single-family housing sites have been increasing and represent an appreciation in value (less improvement costs) which is measured in the hundreds of percent of the base agricultural value.

While differences in appreciation among cities are associated with the rate of population increase, some rapidly growing cities manage to hold appreciation levels down. I have suggested several main areas of related national policy consideration.

These are:

1. The possibility that reorientation of urban growth patterns such as the new town concept might be useful in reducing land prices. Other possibilities of a more local nature include the more orderly provision of public services and zoning. Federal grants-in-aid requirements might be a useful point of leverage here.

2. Some of the appreciation gains might be captured for the public through a Federal capital gains tax or Federal stimulus to limited public ownership of urban fringe land.

3. A useful service for all decision makers in the land conversion process would be public provision of better land price data (perhaps something like an urban land market news service), and of information on supply-and-demand conditions and projections.

Thank you very much.

MR. DOUGLAS: Thank you, Mr. Schmid.

We are very happy to have Jerome Rothenberg[1] with us. He has done great work in the field of economics. *Urban Economy*, his book, is due to be released next week. He will speak about land values in perspective.

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MR. ROTHENBERG: I shall speak more broadly on the property tax and land values and their effect on urban development.

The talk will be divided into two parts: one having to do with the effect of the property tax on urban development and the second having to do with the question of land values and urban development.

Property Tax Inequities

First, the property tax.

The property tax, as I see it, has two kinds of adverse effect. The first concerns the effect of rate differentials within the same political jurisdiction, and the second, the effect of rate differentials between different jurisdictions of the same metropolitan area.

The basic problem in rate differentials within the same political jurisdiction is that assessed valuations too often differ from the true market value of the property, and in different degrees for different properties. They do not closely or equally approximate the income-earning power of the property.

A particular bias is that new structures are assessed closer to their market value than older properties, and recent capital improvements to property are more closely assessed than any income-earning capacity added to the property by other than capital investment.

In other words, a bias emerges which discourages capital investment. One who has the choice of increasing the market value of his investment in property either by more or less capital-intensive means is most likely to move toward lesser capital-intensive modes.

The result is encouragement of the physical rundown of property, in slum areas especially. In slum areas, the ability to rent or sell property at prices that cover depreciation allowances and permit capital gains does not depend on the physical upkeep of the property. A tentative recommendation I would propose to ease this problem is that attempts be made to bring assessment closer to the real earning power of property as reflected in market values.

An alternative to this is to drop the tax on improvements to the land.

Both of these methods would remove the bias against the capital improvement avenue to enhance the income-earning capacity of real estate based property. The second — withdrawal of all tax on improvement while retaining that on the land itself — would of course have a bigger effect by totally removing any disincentive from marginal investment. A fuller evaluation of these two alternatives is recommended, but is considerably beyond the scope of what I have to say today.

The second adverse effect relates to rate differentials in different jurisdictions of the same metropolitan area. Insofar as residential suburbanization spreads faster than suburbanization of cultural, commer-

cial, and industrial activities, this will tend to result in an asymmetry of what I call cross-uses between central cities and suburbs; that is, residents of suburbs will continue to use city facilities to a greater extent than city residents use suburban facilities.

This cross-use means the city government will have to incur a larger total cost to provide its own inhabitants with the desired service levels than they would have to in the absence of the suburban development. The reason is that the city government cannot help providing public services to suburbanites along with its own inhabitants, because suburbanites use the central city while physically and functionally mingled with the residents. If the city government could levy user-charges on suburbanites in some form of marginal tax, which would exactly compensate for any public services they used, and therefore for any increment to total input cost, then the increase in the overall input cost to the city government would have no effect on the city tax rate to its own residents.

Substitutes for Real Estate Tax

The ability of the city to tax suburban use is highly inadequate and is recognized to be so. Essentially, the two major fiscal tools available to the city government are the city property tax and the city sales tax.

The property tax is a notoriously imprecise method for attempting to capture the flow of suburbanite use of central city public services. It only slightly captures the effects of suburban retail spending and employment in central cities.

A city sales tax provides a closer approximation to the impact of suburban retail presence in the central cities, but not of the employment, cultural, and recreational presence; and in any case this is not a close association of the *incremental* magnitudes involved. It is the adjustment of *incremental* impact with the *incremental* tax liability that is crucial in dealing with the city and city government.

What results is that there tends to be an increase in the city property tax rate relative to the suburban. This is not to say the city tax is necessarily the higher of the two. Relative levels depend partly on the distribution of residential and nonresidential activities; and this differs from one metropolitan area to another.

My argument is, rather, that whatever the tax differential would have been if the asymmetric cross-use pattern had been ideally matched by residential taxation, the differential would rise unfavorably for the central city in the absence of such tax matching.

The city tax rate minus the suburban rate will be higher than it would have been in the absence of the suburbanites. In short, to the extent that neighborhood location decisions by residents and businesses of various sorts are influenced by tax differentials in deciding where to locate, residents and businesses will tend to increase their suburbanization. Suburbanization will be pushed beyond the point where house-

hold tastes for terrain, types of living and accessibility, and business forces for location would warrant decentralization.

Thus the market for public goods in the metropolitan area is imperfect, and the resulting pattern of public services and overall resource use is deficient in terms of the criteria of the overall efficiency (how seriously so is not clear without more extensive study).

To correct this deficiency, our recommendation is to substitute for the property tax or at least append, to whatever extent possible, forms of taxation whose marginal liability conforms to the suburban use of public service in the central city. One example is an income tax on all income earned in the city. Another is a city employment tax. The latter might, however, substantially discourage business from locating in the city. The city sales tax is a third form, bearing more closely on the suburbanite retail presence in the city than either of the others, and therefore a good complement. It too, however, would discourage retail activity in the city relative to the suburbs.

If it can be assumed that industrial location is less mobile than residential and commercial in moderate periods of time, then one can argue that a city income tax would have the smallest effect in dislocating enterprises out of the central city. Therefore, adoption of such a tax would help to correct the public service market imperfections and cancel out some of the artificial disincentive to employ capital investment in the central city.

This ends the first part of my talk.

The second part will concern land prices and urban development.

You will notice some similarity in what I say and what Mr. Schmid said and I am sorry for the duplication, but it will serve to show some sort of consensus in our testimony.

Land Prices and Location

First, land prices and their effect on location of activity.

One can argue that, more than for any other type of resource, prices on land are the result rather than the cause of the overall market forces. This is because of the near-zero expandability and contractability of the supply of land, except for the process of conversion of land from agriculture to urban use at the urban edge—a subject Mr. Schmid has spoken to us about. Thus, when we observe a high land price in urban areas, this is not necessarily a source of repulsion from use by potential clients. Rather, the high price reflects the land's *high attractiveness* for use. It reflects the land's value in its current and closely substitute uses. Actual and some potential users are willing to pay that much to use it.

Land and housing prices—where the latter is measured in terms of per-unit housing services of a given quality—tend to be highest near the central business district and to decline with distance from the center. High price on urban land is a payment for accessibility—accessibility to commercial-industrial sites, cultural, and recreational facili-

ties. The loss of accessibility is a real cost. It has a number of dimensions. One is the explicit money cost of transportation; others are the inconvenience and time loss from having to make trips from outlying area.

In long run equilibrium, prices fall approximately exponentially with distance, while transportation costs rise approximately linearly with distance; so that the total of land and transportation cost for any given parcel of land is likely to decrease as you move from the center.

The density of land use is likely to have the same general shape.

What happens if there is a change in transportation mode and cost of transportation over a period of time? Lowered transportation costs are likely to decrease the real loss involved in the loss of accessibility. This decreases the relative value of being located closer to, rather than farther from, the center. It enhances the attractiveness of being located farther away from the city, and thereby encourages movement in that direction. The new, relative attractiveness of different locations is shown by a decrease in the whole structure of price differentials with respect to distance from the center.

In the period since World War II, the population changes we have seen, the resulting pattern of suburbanization along with rather important changes in the mode and quality of transportation in suburban areas, and the important changes in cost of transportation, have had just these effects. In doing so, they have also created a number of subcenters in the metropolitan area which compete with the central business district as targets of accessibility. In other words, the "center" of the metropolitan area has become diffuse.

We should therefore expect that the price gradient — the rate of land price decline with distance from the center — would have become less steep in this period and that land and housing price differentials between the center and suburbs would have become smaller. This price change is to be superimposed upon some of the absolute price changes Mr. Schmid spoke about.

Despite the decrease in land price differentials, whatever differentials remain *reflect* the new balance of locational advantages and household tastes for living in different types of surroundings. They do not *create* these locational advantages and tastes. They are, I repeat, at the tail rather than the locomotive end of the beast.

Price differentials, then, perform the very useful task of allocating available land to highest land uses.

There are two general sources of difficulty with this proposition. First, there are reasons for suspecting that the land price market does not operate efficiently. Second, there are instances where the social evaluations of particular uses of land may differ from the private evaluations of these uses. The private evaluations are the ones that get reflected in the system of land price. Thus, there are grounds for public intervention if one can show the existence of imperfections in the land use market, and/or discrepancies between public and private valuations.

Let me speak about the second first. I don't by any means intend to be exhaustive, but I do want to indicate one example.

Consider slum areas. It is sometimes said that we fail to get adequate private development of slum areas because land prices are too high; and therefore, land prices ought to be made lower by exercising public power. One reason these prices are still so high is that, despite the decrease in gradient, slum occupancy is quite profitable to slum landlords.

A disproportionate portion of slum occupancy is Negro, and Negro slum occupancy is not arrived at by free choice. A good part of the reason for the continued clustering of Negroes in overcrowded conditions in slum areas is accounted for by housing discrimination. Negro residents cannot break out into a more diffuse distribution over the metropolitan area because of an artificial disability imposed upon them. Their coerced, continued high demand for clustered substandard ghetto occupancy succeeds in keeping this sort of property profitable to slum property owners. We can say this source of profitability is artificial to the extent that it is created by other than normal uncoerced market forces.

Insofar as the element of coercion behind the demand for slum housing is socially disapproved or antipathetic to public policy, one can ask the Government to be consistent, and to offset this source of profitability of slums.

A recommendation to this effect is that public power be marshaled to decrease housing segregation by race. However, one could argue that this might be tremendously difficult to bring about quickly. In the meantime, direct action against slums themselves may be justified. I shall argue in the next topic that the justification for direct action against slum occupancy rests on the existence of market imperfection. To that I now turn.

The value of a particular piece of real property in an urban area depends not only on its own use but on the use to which neighboring property is put by its respective owners. In economics, we refer to this as neighborhood externalities.

The reason for the interaction is that the user of such real property in urban areas is not buying housing services solely. He is buying the whole neighborhood, with its ancillary opportunities, both positive and negative, along with the services of the particular property. As a result, in the case of slums, so long as some slum occupancy remains profitable in a given neighborhood area, any individual, private attempts to upgrade or radically change land use in a small part of this area will tend to be unsuccessful. In other words, the value of his property will largely be determined by the dominant tone of the neighborhood, which is a function of land-use decisions by property owners other than himself. He does not have easy recourse to direct market transactions to influence their differing viewpoints about profitability.

Success of private action to upgrade or change land use radically in such areas will therefore require the assembly of parcels of land large enough to dominate the character of the neighborhood. But this is usually too expensive for private activity, in terms of both time and

cost. The need for sequential, bilateral bargaining makes this a frustrating and over-expensive task.

For this reason, one could say, figuratively, that the height of land prices deters development. But this "height" is simply an abbreviation for what is in reality not a price barrier but a minimum scale of development barrier. The very high cost of adequate private assembly does discourage private development, especially in slum areas.

A recommendation to solve this difficulty is some form of public intervention to make large-scale land assembly economically feasible. One of the attractions of the urban renewal program is that this is exactly its major strength, as I see it. It does, by power of eminent domain, make it possible to assemble land in large enough parcels to dominate the character of the neighborhood. The elimination of the slum structures through redevelopment projects guarantees that whatever new land uses arise, slum occupancy will not be one of them.

One could argue that a decrease in slum occupancy would be better accomplished by ending racial discrimination or by using general cash transfers or rental allowances to the poor generally, and to slum dwellers in particular in order to increase the overall demand for low-cost housing in the urban area. I am not arguing here about the relative desirability of the different methods. I am simply suggesting that some form of government intervention may very well be called for. As a footnote, if the method chosen is area redevelopment, experience over its lifetime has shown that the poor are especially adversely hit by such projects; so special compensation should be incorporated within the program to prevent it from having regressive income effects.

Thank you.

Mr. Douglas: The final witness, Mr. Baskin, is in real estate and is also general counsel for ACTION-Housing, Inc. He has made a number of studies of private development funds.

Mr. Baskin, we are very happy to have you.

STATEMENT BY SEYMOUR BASKIN

Mr. Baskin: [1] From my knowledge of the experiences of this Commission, I doubt any economic or philosophical discourse on my part on the subject of housing would be of benefit to you. Therefore I will attempt to present a pragmatic approach to the questions posed by this inquiry, as well as other matters affecting urban development.

The two specific subjects mentioned to me were taxes and land values

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and how they affect real estate and, particularly, housing in renewal areas and, more particularly, for low- and moderate-income families.

I would like to touch briefly on those points.

Land values and land costs, more so the latter, do have a great effect on urban renewal, particularly for low- and moderate-income housing. The differential of as little as 10 cents per square foot could effect approximately $200 in mortgage proceeds per unit which, in a large, multi-family program, can be the difference between success and failure.

Multiplying 10 cents by 5, or 50 cents per square foot, could result in more than $1,000 per unit, and the lack of that sum could defeat the undertaking of an otherwise good venture.

Cost of Bare Land: Renewal Factor

But land value, as opposed to land cost, is also a factor. The question of cost of improvements relates to ultimate land cost, and when we speak of reducing land cost, it is a question of whether we are talking about raw land or improved land cost. Therefore the effect of recent legislation and regulations to reduce the cost of bare land in urban renewal processes is appreciated and essential. Even more so for the future (as cost of other things rise), I would encourage this Commission to effect, if posible, a continued move in that direction. The reason I suggest this is that land is one of the few factors that can arbitrarily be reduced or maintained at a reasonable level.

We are not going to reduce the cost of labor or the cost of materials. Whether we require low-income housing or high-income housing, bricks cost the same. We cannot reduce or subsidize the fees for builders or developers. Land is one of the few remaining factors on which we can impose some economic control.

Land taxes create even greater concern, because land taxes translate into operating expense; operating expenses translate into capitalization; and capitalization translates into mortgage amounts which can be supported.

The differential of $5 per month per unit in taxes can make a difference of approximately $1,000 to $1,200 in mortgage proceeds in below-market-rate 221(d)(3) projects.

Assessment is another factor, not only in its ultimate effect, but even in the creation of housing. Pennsylvania is not one of those states that permits tax abatement. Unfortunately, we also have a procedure by which housing is taxed before it is even inhabited, before it is income-producing, and before the area in which it is situated is fully developed. This presents a very important deterrent to developers and investors, and prohibits their entry into renewal to a degree, so that often less than the best remain active in housing in the renewal program.

There are other factors that are often as crucial as land cost and property taxes. I would suggest these probably involve the general situation rather than specific examples.

The first is flexibility. I am not concerned that the Federal programs, as written, are wholly inadequate. I am concerned that the execution of these programs may be inadequate to accomplish the objective, and discouraging to all concerned.

I am concerned that local municipalities are often not as flexible as the Federal government in establishing new regulations or in executing those which now exist, especially if Federal-local objectives are not similar. The Federal government has provided the tools, financial and otherwise, to accomplish a great many programs, but many local municipalities are unwilling to use those tools.

We are also concerned with procedure. The process of having to go through two, three, and even four years of intense involvement for a limited return is not encouraging to many private developers. If economics are still a factor in housing, and if no inducement or insufficient inducements are assured — not only to the consumer but to the producer — there will be a lack of proper execution.

I therefore suggest that we cannot look only at land cost and land taxes as abstract points in discovering whether or not the urban renewal process can work and work better.

We also believe the Federal Government can and should make greater efforts in one other direction; namely, rehabilitation. We are convinced that, notwithstanding many economic arguments, rehabilitation is a vital factor to the renewal process. Rehabilitation, together with new construction — neither to the exclusion of the other — will help avoid the dislocations, the cost, and many social difficulties which are experienced in current programs.

This requires flexibility; it requires new approaches. It needs additional tools and execution in a different manner.

From the developer's viewpoint, we are convinced that much of our urban renewal program can work and work better. We are convinced it is not working as well as it should nor can it, so long as rigidity remains. This rigidity, together with cost of land, will make it even more difficult in the future.

Thank you.

QUESTIONS BY COMMISSION MEMBERS

MR. BLACK: *Mr. Schmid, in your paper, I notice you point out that the FHA price advanced more than 300 percent. To what do you attribute that?*

MR. SCHMID: Well, as I tried to indicate, the value is made up of the components of the finished lot. Starting with the agricultural value, add improvements. We know there has been some change in the quality of lots over this period. They are larger and have more improvement components in them. To find out what this is made up of, you cannot just look at the increase in value.

As I go on to the breakdown, you start with agricultural value and

take out improvement cost, and you still have this appreciation. If you would ask me what that would be due to, my theoretical answer is, this is a present evaluation of a future value, based on the rental earning as future development expands beyond the current building sites.

Does that answer your question?

MR. BLACK: *Do you think it has any relation to the fact FHA mortgages are backed by the Government? In other words — the old saw — do you think this price difference can be accounted for in any way by the fact that the Government people pay too much when FHA mortgages are involved?*

MR. SCHMID: I have no experience to make a judgment on that point.

MR. ROTHENBERG: If that were correct, it would affect the absolute level but not the rate of increase.

MR. BLACK: *Another thing I was interested in. You were talking about farmers continuing to hold agricultural land for a longer period. Are you advocating the green belt?*

MR. SCHMID: No, not in that statement.

MR. BLACK: *Aren't the green belt statutes designed for that — so that farmers can hold on to their land for a longer period?*

MR. SCHMID: This question of the desirability of the green belt could stand or fall on its own. My purpose is not to call attention to who gets the appreciation, but really to call attention to the facts of this appreciation, regardless of who gets it, and where.

MR. BLACK: *How can the farmer hold on to that land unless it is in a green belt?*

MR. SCHMID: It depends on the character of the tax. If you go the route I have suggested as a possibility — capturing this gain for the public as a capital gains tax — it would be captured at the time of the transaction, and it really wouldn't affect the farmer or the intervening owner.

MR. BLACK: *We already have a capital gains tax, don't we?*

MR. SCHMID: Yes.

MR. BLACK: *What kind of capture are you talking about?*

MR. SCHMID: I am really talking about something in addition to the current rates.

Gains Tax to Reduce Speculation

MR. BLACK: *What rates are you talking about?*

MR. SCMHID: All I can do is give some bounds to it. As I suggest, when the English tried to go 100 percent, there was a theoretical and predictable reason why it failed. They are now talking about a 40 percent tax. I would have no reason to say that is right or wrong, but I think something on that order might be reasonable. We are going to have to experiment with this. Don't try to take it all, but try to get enough so that the speculative gain is much reduced, and you don't have quite the tremendous force involved in trying to capture these gains for your own benefit.

MR. BLACK: *With this 15 percent increase of the maximum capital gains tax in the green belt, do you propose to eliminate the middle man's getting the fruit of farm property value increases?*

MR. SCHMID: I don't know if it is important. My objective was not to do away with any of the parties involved, nor to do away with the farmers.

MR. BLACK: *I thought you were arguing against the middle man?*

MR. SCHMID: If you reduce these gains, certainly. As I say, there is great uncertainty in the speculative process and if you reduce that gain, it becomes much less an attractive activity. I think you would reduce the activity, not eliminate it.

MR. O'NEILL: *Mr. Rothenberg, you indicated that to provide incentive for capital improvement, two ways of taxing would do it — either 100 percent assessment or site valuation tax. But you felt site valuation tax had an added advantage or desirability. What was that?*

MR. ROTHENBERG: What I was saying was that you have assessments which diverge from market values and diverge in random ways.

MR. O'NEILL: *I agree with you. But you proposed either 100 percent of the market value assessments, or land tax, or both of them. What is the advantage of the land tax?*

MR. ROTHENBERG: If you have only the land tax, and no tax on improvement, then decisions about capital investment on particular sites are not affected by existing tax rates, so property tax rates become immaterial.

MR. O'NEILL: *What about the small farmer or retired person? Doesn't this make everything just dandy for the Rockefellers? But what about the guy who is trying to live on $65 a month?*

Furthermore, let's take Downtown Pittsburgh. You have United States Steel, Alcoa, and a couple small stores. Doesn't the site-value tax knock the department stores out of business? Furthermore, how can you divorce a tax from income? Isn't wealth more a matter of income than real estate?

MR. ROTHENBERG: Income is the best base for raising any substantial amount of tax to any level. Unfortunately, the local income tax has several limitations unless it is piggy-back.

MR. O'NEILL: *I didn't mean that. A 100 percent assessment of the market value of land and buildings also taxes the income. At 100 percent of market value, you tap vacant land, the values added by highways, everything. But how can you pull income out by just using the site tax?*

MR. ROTHENBERG: The essential basis of this thing is that the value of the land is largely the result of the operation of market forces. That is the basic reason why economists are willing to say that in addition to taxing income, there is one kind of thing that can also be taxed and that is land, per se.

The so-called intrinsic qualities of land, the problems raised by this formulation — equity formulations — are left out.

In short, if you tax the appreciation of land values over a period of time, you are not necessarily taxing the buyer who made the addition,

because the man who paid the high price for it is no longer the recipient of capital gains, and on something where he did not get capital gains he is losing.

But take this one step further. This high site tax will have an effect on market values; namely, it will be capitalized backward in the value of the land, so the expected value of the tax liability will serve to decrease the capital value of the land.

In short, there will be an approximation to equity for people who come into land ownership after the tax is imposed.

There are always problems of what happens to people when you do something for the first time. When you suddenly slap a tax on people who now hold the property, before they have a chance to take advantage of capitalization of the tax backward, you are going to hurt them.

Nonetheless, the advantages of such a tax are great enough to afford some form of compensation to be paid to offset these immediate transition inequities. You gain in terms of overall equity, since no real incentives for production are involved; no real association with poverty or income levels is involved.

Success is due to the minimum degree of distortion to the allocation of resources in the metropolitan area. In other words, you do not tend to bias the use people would like to put the land to for different purposes.

MR. O'NEILL: *The present tax policy here in Pittsburgh assesses improved and unimproved property, which practice traps income. You indicated also that there is profit in slums. Can you substantiate this?*

MR. ROTHENBERG: This is very difficult to do. It is very difficult to give exact figures, because there are problems of riskiness of investment and problems of actual appreciation accounting.

MR. O'NEILL: *You are just saying that slums are profitable. How do we know?*

MR. ROTHENBERG: It would be very difficult for me to give you figures that you would believe because you would really be saying, how critical are you in saying it is riskier? How are you truly adjusting for the fictitiousness that goes in these profit figures?

MR. O'NEILL: *Nobody has come up with any evidence that slumlords make money. They just say it.*

MR. ROTHENBERG: They make money in capital gains.

MR. O'NEILL: *Do they? How do we know that?*

MR. ROTHENBERG: There have been studies to suggest this is the case. They also make money out of depreciation allowances. There are factors which would operate to the advantage of a property owner. We do not notice any panic-selling of slum property by owners who own more than one property.

MR. O'NEILL: *Maybe there aren't any buyers?*

MR. ROTHENBERG: If so, you then would find these prices plummeting. Slum prices are not plummeting. Quite the contrary. There are, therefore, systematic reasons for suspecting there are important ways of making money out of slum property and none of the casual observations deny these.

It is very difficult to substantiate this because there are biases in the kinds of data I could show you.

MR. O'NEILL: *It would be good if we could get some concrete evidence.*

MRS. SMITH: *Do you people play games among yourselves by calling in city planners and architects, to set up various situations as in war games? I ask you this because it seems to me so many of your examples on evaluation, taxation, assessments, and so forth, are tied to the existing patterns. You seem to have no lingo about "what ifs." I would like to play these games with you. Have you done much of this? A lot of thinking, for instance, is anti-great-city design. So I just wondered if you are helping us or not in reaching decisions about where we are going.*

MR. SCHMID: Planners at Michigan State University are starting to do this in simulation. It is called "Metro." Both citizens and professional people play different roles and try to see what this does to the outcome of different kinds of decisions. [Mr. Schmid had to leave at this point to catch a plane.]

MR. ROTHENBERG: There are quite a number of simulations of metropolitan planning. Some have been going on for years. What they try to do, on the basis of basic behavioral relationships, is to predict what would happen if you had a certain set of changes in a given area.

We are not really prepared to indicate how radical changes in land use would look in an overall setup.

MR. RAVITCH: *I would like first to clarify the question Mr. Black raised about capturing the appreciation on land. Do I infer correctly that your views are similar? Are you or he proposing there be a tax imposed without a sale or exchange of property?*

MR. ROTHENBERG: No, I wasn't really taking that position.

MR. RAVITCH: *When a property is sold by lot to developers, the individual homeowner, the seller of the land doesn't even get the benefit of the capital gains feature of the income tax. I am not sure what we are proposing since a sale without tax is unconstitutional.*

Mr. Baskin, it was suggested to us this morning that the proper method of disposition of urban renewal property is by conveying it to the developer who pays the highest price for the land. Do you agree?

MR. BASKIN: I would disagree wholeheartedly. I think that is one of the least productive methods of disposing of renewal land; the least efficient and certainly, I would guess, not a return toward the greatest objective.

The sale of land is a one-incident deal. I use that term purposely. I think our obtaining merely a few dollars more initially would only inhibit what is put into a project ultimately and the objective of getting better housing. Sometimes these methods do not give you the best design, nor the best construction, nor the best livability.

MR. RAVITCH: *On the matter of tax abatement, I often wonder whether there are two parts to that question. One, abatement or exemption of taxes, thereby reducing the rates to the consumer. Two, the ascertainment or fixing of taxes at the time construction gets underway.*

Isn't this second question more relevant in light of the increasing amounts of housing being built under Section 221(d)(3) or some of the other local programs which are accompanied by certain profit limitations? Uncertainty about the annual tax load not only creates problems in determining the amount of mortgage but also in determining whether there will be an investment at all.

MR. BASKIN: My experience indicates developers have difficulty in projecting many factors with much accuracy.

It might be well at least if they could predict taxes with accuracy. It is a deterrent not to be able to ascertain prior to commencement of construction the taxes that will affect the property. This is particularly true with low- and moderate-income housing, because we have rent ceilings, family composition limitations and cost limitations, and these are predicated on judgments made prior to construction.

If factors change measurably, it has a real effect on the tenant and whether or not he is eligible to remain in that building. Income and rent limitations are established on a national scale; taxation is a local question.

City as Land Owner In Renewal

MR. RAVITCH: *Referring to Pittsburgh's experience of leasing urban renewal sites and retaining public ownership, do you think general application of that principle in local communities is in the public interest? And, do you think it will impede the flow of capital into urban development?*

MR. BASKIN: The answer to your first question is that, at the risk of being shot Monday morning, I would like to see such a circumstance developed. Land cannot replenish itself nor can its supply increase. I believe it is a public commodity. I believe it should be retained for the public benefit, once acquired and paid for by public funds.

We have done this. We have acquired, through the Urban Redevelopment Authority, land on which there were delinquent taxes. This is leased at a nominal annual rent and a building is constructed on the lease-hold interest. Fee title remains with the public through the URA. I would add that with such ownership we can also look into the question of whether or not that land, in public ownership, should be exempt from taxation, particularly where it is used for low- and middle-income housing.

The answer to your second question is, no, I do not think it would deter investment in urban renewal.

MR. WOODBURY: *I had a question or two for Mr. Schmid. I wonder, in his absence, did anybody understand from his remarks what he included in improvement cost? For example, I think of improvement cost as including paving and curbing. Also, a very considerable amount of raw land must be turned to public uses by the developer because of numerous requirements for dedication of open space, or for streets*

and alleys. I would think these would be counted, but I'm not sure. I think we ought to check on that.

[MR. SCHMID (in a written reply later) : Mr. Woodbury is correct in his assumption. My estimates of improvement costs include paving, curbing, alleys, and dedication of land for public purposes.]

MR. WOODBURY: *Mr. Rothenberg, your discussion of the variations of property tax burdens and revenues is, I think, well worth exploring. Let me make a statement about it and see if you would agree or disagree:*

Take the suburbanite who comes into the city to work. What seems to be missing in the analysis is that he makes a fairly substantial contribution to the tax base of the city. He uses the services, transportation, and parking. But he also spends money there in the shops and cafes, and so forth. This is reflected in the tax base of the central city. The fact he spends certain money for business and professional services means he is contributing to the city's economic vitality.

That is my comment. Simply focusing on the services that the suburbanite requires in the central city, without trying to make some estimate of his contribution to the tax base in the places he works and the places he lives, may not tell the complete story, isn't that so?

MR. ROTHENBERG: That is a very important point of my argument. It is based upon a model which is not asking about the average equity of the situation but about the marginal incentives.

It establishes this: Let's say we have a given population of residents, of commercial activity, and of industrial activity, to be distributed within a metropolitan area. Now we allow these individual agents — the residents, the commercial enterprises and the industrial enterprises — to choose where they want to be, and allow that result to determine whatever cross-use of facilities would take place. We assume first that these decisions are made in a situation where there exists a tax system which would enable any political jurisdiction to capture on a *quid pro quo* basis the cost impact of any such cross-use.

Now, take away that perfectly responsive tax system, and allow the same kind of cross-uses between city and suburb to take place. In this case, the result will be a differential shift in the tax rate of the central city relative to the suburb from whatever it was to begin with, and that shift will, in turn, induce a second group of individuals who had located in the central cities to relocate outside the city.

This will, in turn, have a second effect and change the differential a second time, thereby pushing a third group of agents, who were located in the central city, out into the suburbs.

In short, continue this process and, relative to the first situation which we called the ideal distribution of these activities within the metropolitan area, you will have a degree of suburbanization of all three types of uses considerably greater than in the original situation.

In that sense, you are unwarrantedly decentralizing the distribution of activity within the metropolitan area, and thereby bringing about a rather important effect on central city governments in deciding what they can, in fact, afford.

This has ramifications I haven't even dealt with here. I was dealing only with the allocation argument, and this depends on the amount of net benefit — on marginal incentives — in locating and carrying on activity in the two locations.

MR. WOODBURY: *That type of argument would get into the matter of reverse commuting. I saw a report the other day of the City Planning Department of Chicago. It indicated that several years ago approximately 330,000 people were coming into the city for employment and 10,000 going the other way — Chicago residents working outside the city. Therefore, you would have to work your allocations both ways.*

MR. ROTHENBERG: Exactly. In net impact; the asymmetry is the net balance.

MR. WOODBURY: *Mr. Baskin, you referred to rehabilitation as a process to provide low- and medium-income housing. You made a careful statement on it. You didn't think it was a panacea or the whole answer.*

We have been looking into this in other places and it seems to come to this: Rehabilitation will produce fairly good housing, priced somewhere from about $85 a month for an efficiency unit up to $145 or $150. Take $100, down toward the bottom of that scale. Now apply the rule of thumb that a person can pay 20 percent of his income for rent; you multiply the $100 by five; that is $500 a month or $6,000 a year. There are a lot of families in blighted parts of American cities with incomes a lot lower than that.

My question is, do you see any more favorable monthly figures in prospect here in Pittsburgh?

Low-Price Rehabilitation

MR. BASKIN: Yes, sir. We are just completing 22 units consisting of two-bedroom, two-story, individual row housing, in which the total monthly cost, including all housing expenses — utilities, maintenance, repair, management, principle, interest, and taxes — will amount to $95 a month.

We believe it is possible to achieve similar rents in other rehabilitation projects. It is possible that they will go higher, but comparably speaking, rents can still be below the cost of new housing, which averages approximately $18,500 per unit, as opposed to our cost of about $10,400 per unit.

There were other factors, too — a land acquisition factor, site improvement factors, a tax factor, the relocation factor, the public facilities factor — all of which must be considered as costs. We are therefore convinced that rehabilitation is a necessity and can be accomplished. There has not been to date the kind of involvement on a massive scale that we feel is mandatory.

MR. WOODBURY: *What has been the nature of the ownership in this rehabilitation operation?*

MR. BASKIN: That particular case I cited was a nonprofit ownership

sponsored by an ACTION-Housing affiliate. In a proposal being prepared for presentation to major industrial corporations on June 20 of this year for private subscription of $3 to $4 million for rehabilitation, it is suggested that ownership be limited dividend, private and/or corporate, as well as nonprofit and, even if nonprofit, that production be performed by private enterprise and then transferred to others for managerial purposes.

MR. DOUGLAS: *Mr. Rothenberg, I would like to get your judgment on the future of bare land values. I would like to raise this point. The quantity of capital is increasing at the rate of 3 to 4 percent a year. The quantity of land is virtually fixed—not completely fixed but virtually fixed. The population is increasing. It is now increasing at the rate of 1 percent a year, or a little more. Since one factor—the land—is limited and does not expand, while all other factors do expand, does it not follow that the desirability of relatively scarce factors increases?*

MR. ROTHENBERG: Yes, sir.

MR. DOUGLAS: *Does not that mean the value of the scarce land increases both because of the current increase in revenue and the expected increase in revenue in the future? And does not the owner of land appropriate the values we have been creating by expansion of labor and capital? Is this true?*

MR. ROTHENBERG: That is what I am emphasizing and suggesting.

MR. DOUGLAS: *You were all trying to avoid saying you believe in taxing the increase in rental land values. I believed it for 40 or 50 years. I may be wrong. If I am wrong, I would like to be set right. But, do you see anything wrong in what I have said?*

MR. BASKIN: I went further than you. I think ultimately, land is a public ownership interest.

MR. DOUGLAS: *I am not ready to go as far as that. I am a moderate. But I would simply say the community is entitled to get at least a very large portion of this increase in land values.*

One point of argument is that you can tax land which does not yield an increase in immediate income. What about that?

MR. ROTHENBERG: That is not entirely unfair, because people negotiate in expected returns and not actual returns. Much of the transaction in equity securities is just that—negotiations in expected return.

MR. DOUGLAS: *I will stop at this point, but I did want this to get in the record.*

MR. BASKIN: Might I suggest a compromise, that the public be given air rights?

MR. DOUGLAS: *At every hearing, we like to give an opportunity to members of the public to testify. We request that they file statements with the Commission so we will have a written record and that they limit their summary statement to five minutes. . . . I introduce Mr. Percy R. Williams.*

STATEMENT BY PERCY R. WILLIAMS

MR. WILLIAMS: [1] I appreciate the amount of interest shown in the subject of land values, particularly by the Chairman, and the others present here today.

We have heard a good deal about Pittsburgh's graded tax. I only want to add a few words that might clarify what Pittsburgh has actually done in adopting a unique experiment with land value taxation. At the request of many inquirers, I have often tried to report, from time to time, about what has actually been done in Pittsburgh.

Pittsburgh is undertaking what might be described as an experiment in incentive taxation. What we have done does not represent any great departure, any radical change, from other cities in taxing real estate. We have merely taken a gesture and tried to demonstrate a value of it.

It is impressed on my opinion, and I think it is impressed on Mayor Barr and others, that we have a successful operation of Pittsburgh's graded tax plan. However, we have no illusions that it represents anything very revolutionary and, therefore, you cannot expect dramatic results to be reported.

This is what the situation amounts to.

We have an assessed valuation on land of approximately 33 percent, and of approximately 66⅔ percent on buildings. Now, it is easy to determine what has happened by examining the tax rate. The tax rate for the city's purposes on land is 41 mills and, on buildings, exactly half, or 20.5 mills.

If there were no graded tax law this year, we would have a flat rate of 27 mills. That means we have simply reduced the city tax on buildings — approximately 7 mills less than if we had no graded tax system.

On the other hand, the land tax is approximately 14 mills higher than it would be if we had no graded tax system. So you see, that is not a revolutionary change. We are speaking only of the city tax since, as you heard earlier, the county and school taxes do not have this differential rate on land and buildings. Because it represents a ratio of 2 to 1, people get exaggerated ideas and expect to see great results. While the proponents of the graded tax law are advocates in general of land taxation, we have not gone very far in that direction.

Nevertheless, we are often cited as a leading example in the United States and, indeed, in the world, of a community that has done something concrete in this direction. *Nation's Cities* magazine has published two reports, "Are Property Taxes Obsolete," and more recently, "What Kind of a City Do We Want?". I suppose your members are somewhat familiar with this latest one. It covers the territory your Commission is dealing with, roughly, but it features this problem of high land prices.

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[1] Tax consultant to the city of Pittsburgh; Executive Director, Pennsylvania Graded Tax League.

Graded Tax: Curb on Land Speculation

One of the major objectives of the graded tax is to curb land monopolization and land speculation. We believe it has been successful to a degree in contributing to the curtailment of land speculation in Pittsburgh. Other factors enter into that situation. But we must admit, frankly, insofar as reducing taxes on improvements, we have not been able to go very far as yet.

What Pittsburgh has done is simply to show other communities which would like to do a job in this direction how they might approach it. Just this week we had a request from the Mayor of Lancaster, Pa., who is very much interested and is going to recommend to his city council that they move in this direction of untaxing improvements in the city of Lancaster. We are requested to give them the benefit of our experiences here in Pittsburgh.

In many parts of the country, there is interest along these lines, but due to many state constitutional limitations, they often are not able to adopt this system.

Communities in California and elsewhere are concentrating their efforts in trying to get a higher valuation of land for tax purposes. Cases are pending before the California Supreme Court on the matter of adhering to the 100 percent standard. The question before the Supreme Court of California induces me to make some reference to the situation here. We have a case pending before the Pennsylvania Supreme Court of interest to Pittsburgh, which I represent as a tax consultant.

We have been fortunate, up until recently, in having a high standard of land valuation for tax purposes. But since the county took over assessments some years ago, since the depletion in real estate values, there has been a tendency to get assessment much below the full value. There was a decision made that, based upon an analytical study of sales today, assessment should be only 44 percent.

This will make a drastic reduction in our tax base on downtown land, if it is carried out. We have tried to keep it pretty close to market value. We are awaiting the Supreme Court decision. There is nothing to prevent our assessors — except political pressure and unrealistic considerations — from using 100 percent assessment as specified by the laws of Pennsylvania. But chances are, they will tend to bring down the assessments and the city will have to consider raising tax rates. It is working this way at present and we are hoping the lower court decision will be reversed.

Mr. Douglas: Thank you very much. We will hear now from John Weaver of the Allegheny Roundtable.

STATEMENT BY JOHN C. WEAVER

MR. WEAVER: [1] I was referred to at the luncheon as a "co-conspirator" in the cause of the Pittsburgh graded tax.

I asked to be introduced with reference to my work of some 40 years in arranging and often moderating public forum discussions, including radio and television, trying always to bring together people of differing view on controversial subjects, and making sure that all sides had a fair hearing.

It was during the depression of the 1930's, when there was intense bitterness and antagonism between the have's and have-not's, the right and the left, that I found myself decisively influenced by a philosophy which seemed capable of bridging this gap and harmonizing the opposite extremes.

It was also at this time that some sensational publicity was given to the graded tax, but which tended to create a reaction, causing us to be rather quiet in our advocacy here, since that time. We have worked more in other cities of Pennsylvania, on the chance that it would be easier in smaller communities. Perhaps we have learned some of the pitfalls through our campaigning by various methods, and learned to keep the approach as nonpartisan as possible, avoiding propaganda of the type to arouse antagonism.

In such practical discussions, it is necessary to keep in mind simple statements of basic principles, which cannot always be applied in pure form, but which help to secure the kind of understanding essential to the success of political and economic measures. When commissions such as yours, and studies by economists, arrive at recommendations out of the complexities and details of our problems, it helps to find the thread of far-reaching principles by which various compromises and partial steps can be guided, and explained to the public.

Tax on Development: Penalty

On the one hand, it is widely recognized, and easy to secure agreement, that we ought not to tax and penalize things which the community wants to encourage. There is usually agreement on taxing luxuries such as alcohol, tobacco, amusements, and so forth. Our Pennsylvania sales tax exempts food and clothing. But it is very common to hear people saying there is something wrong with a system that brings the assessors as soon as a permit is issued for a building, even a small addition to a property, to "punish us for committing an improvement."

A Pennsylvania legislator recently introduced a bill for a temporary moratorium on assessment of improvements, up to a limited amount.

[1] Program Director, Allegheny Roundtable.

There was doubt as to its constitutionality, but it started a discussion, with all sorts of people wanting to testify at the hearings, in support of this idea. Do not tax building, if you want to encourage building.

If we don't tax improvements, where shall we get revenue?

On the basic principle that land value is a way of measuring the benefits available from the community and its government, in a particular location, it is usually possible to secure agreement from businessmen that a tax on land value is preferable to an ability-to-pay tax directly proportionate to the enterprise and services which individuals and companies bring to their communities.

Of course, when we get down to cases, and study which properties will pay more under a transfer of taxes from buildings to land, there will be injustices and opposition. I suggested to the administrator (manager) of a small city to whom I have just talked, that a quiet study be made, and when certain owners of underdeveloped or deteriorated property will evidently be taxed more under such a system, that plans be considered for urban renewal projects to purchase tracts in these areas.

There are various other devices such as loans from public or community funds (supplied by banks and civic subscriptions) to enable owners to redevelop and keep possession of their property during a gradual transition to reliance on taxes which measure the market value of the benefits received from the community.

We can agree with Professor Richman's caution in avoiding predictions as to the actual influence of the shifts in the tax base.

The Pittsburgh gradation, counting school and county taxes, has been too small (71 mills on land, 50½ on buildings) to be decisive in spots where rebuilding is most needed.

If calculations were made along pure accounting lines, the most scholarly economist would find it impossible to determine the future course of activity because of the many variable factors involved. This is all the more true in Pittsburgh, because for 30 years there has been litttle public reference to the uniqueness of our tax system.

However, if the two principles above were publicly emphasized, and used as a selling point for new business and enterprise, a psychological factor would be added, and this might be influential out of proportion to the immediate dollar calculations. There would need to be understanding and acceptance of the idea that after gradual adjustments, less and less tax would be levied in proportion to individual services and enterprise, and the tax, whether higher or lower, would be the "market price" of what community benefits taxpayers receive.

Dr. Gaffney's prediction of higher land prices might allay certain owners' fears, and Dr. Woodruff's confirmation of this from the Australia and New Zealand experience marks the beginning of significant study in this field.

Mr. Douglas: Thank you, Mr. Weaver. Mr. Schwartz, your statement, please.

STATEMENT BY NATHAN SCHWARTZ

MR. SCHWARTZ: [1] I am very happy that Mr. O'Neill stayed to listen to my remarks because our association is an organization of citizens. We are quite proud that we were responsible for the elimination of a renewal project in the Oakland area in Pittsburgh.

It was decided by our assessor friends here that, even though the city of Pittsburgh and the Urban Redevelopment Authority said our property was blighted, perhaps it wasn't blighted. We are the first unit in the United States where the assessors raised the taxes on blighted property.

Then the city fathers decided they had made a terrible mistake and withdrew the whole Oakland plan.

I am very disturbed today, in listening to the speakers, that the problems of tax relief for those who have been victimized by urban renewal have not been mentioned. The point today appears to be, and I notice by our public press that one of our local Congressmen has taken up the cudgel, worrying about tax relief for those who have been the developers. Not only do they get the renewal land at a mark-down; not only does the public set up the land for them—putting in the roads and sewers—but then, if the thing doesn't go according to their IBM projections, they come back and want tax relief.

I suggest the persons really needing tax relief are those who own blighted property.

For example, in the East Liberty area for the last 10 years, we have had properties blighted and not yet purchased. Now the city is getting into the final phase of purchase. What has happened to those high tax assessments? Those people have had to pay that tax, year after year, and no relief was afforded those particular victims of urban redevelopment.

I would suggest, if the large corporations of America want to take the property from the poor and develop it for their own purposes, let them pay the same taxes I have to pay, or Senator Douglas, or anybody else.

I think there is a movement afoot. Mr. Baskin seems to indicate we must give tax relief for developers in redevelopment areas.

I am not talking about Pittsburgh, because here there has been no apartment development for lower- or middle-incomes of any consequence. Our redevelopment here has been for Equitable Life Insurance, Jones and Laughlin Steel, and other corporations. Not only in this community but in other communities throughout the United States, corporations have been the benefactors of redevelopment.

I suggest, if you are going to go back to Washington and try to improve the tax base, you certainly should eliminate the taxes on prop-

[1] General Counsel, Citizens Committee to Save Oakland from the Ravages of Renewal.

erties once they have been declared to be in redevelopment areas until the people owning them have been paid.

There are instances in the East Liberty area where buildings that brought rentals as high as $20,000 or $30,000 a year are lying fallow and empty and there is nothing in the law to compensate those on the final payout.

You have a great duty to perform here and it is not to give tax relief for developers, who have all gone in and had every advantage private enterprise has not had.

MR. DOUGLAS: We appreciate the fact that the Allegheny County Board of Assessors has expressed willingness to answer any questions. Are there any questions of the Board of Assessors? Are there any other witnesses?

I hear no one; so we will terminate the hearings and we do thank you all for coming here.

(Adjournment.)

[Prepared Statement by Raymond L. Richman. See oral testimony and discussion beginning p. 277.]

REAL ESTATE TAX REFORM AS A SOLUTION TO URBAN PROBLEMS

Among large cities, Pittsburgh is unique in having a graded tax on real estate. In 1913, the Pennsylvania legislature gave the city of Pittsburgh authority to levy a rate of tax on land twice that on buildings. Over the next 10 years, rates were gradually adjusted until, in 1925, the full differential became effective. Unfortunately, the school board and the county continued to levy a proportional rate on land and buildings. At present, the city of Pittsburgh levies a rate on land value of 41 mills, and on buildings of 20.5 mills, while the school board levies a rate of 17 mills, and the county 13 mills, on both land and buildings. Land in Pittsburgh is thus subject to a rate of 71 mills, and buildings 50.5 mills.

The theory behind a graded tax is that it provides some of the economic benefits that could be expected to be derived from a tax on land with improvements exempt. Few, if any, economists challenge the conclusion that land taxation discourages the holding of land in idleness and penalizes land speculation. The tax encourages efficient land utilization by adding to the gains foregone by failure to exploit land productively the penalty of a tax which must be paid, regardless of the use which the owner may choose to make of it. Further, the proposition cannot be denied that a tax on land, as distinguished from a tax on improvements, leaves the marginal use of land and the use of marginal land unaffected. Since the use to which the land is put is untaxed, a tax on land is neutral with respect to the allocation of resources, and it does not impede in any way the optimum use, or the optimum improvement, of the land. In nontechnical terms, this simply means that all improvements which would have been worthwhile before the tax remain worthwhile after the tax.

On the other hand, taxes on improvements tax capital invested in buildings, and it has been widely held among economists that an investment in buildings must not only earn the return that capital can get in other uses but must also earn enough above that return to pay the prospective tax liability. In a recent article, I reject this view and maintain that in the urban environment, given building codes and zoning restrictions, taxes on improvements result in a fall in land prices. Since the value of land depends on the income which may be earned from it, the price that an investor will pay for the land is only the value of the net return above the amount necessary to justify the capital expended on it. This may be illustrated

by a simple example. Suppose that after deducting all operating expenses, including a satisfactory return on the capital invested in the building, there is a surplus of $1,000 per year which is attributable to the lot, its location, and other characteristics. The value of the lot would be the value of $1,000 per year, capitalized at, say 6 percent, or $16,667. The most that a prospective developer would be willing to pay for the lot would thus be $16,667. Suppose that a real estate tax of $500 per year is imposed on the building. The net return falls to $500, and the price a developer would be willing to pay for the lot would be $8,333. The price of land would fall, to compensate for the prospective increased tax liability, leaving the investment as economically justifiable after the tax as before.[1]

There are nevertheless advantages to be gained by imposing real estate taxes on land rather than improvements. The principal advantage is that if the same tax is collected, whether the land is improved or unimproved, it makes it more costly for individuals to speculate in vacant land, or to employ their land in an inferior use. In addition, marginal improvements would not be deterred; that is, a land tax is distinctly more favorable to the modernizing of existing improvements, than would be a tax which varied with the value of the improvement.

Under a system of land taxation, vacant property would bear a heavier burden of taxation than it would under a general real estate tax with the same yield. Property improved optimally would pay lower taxes, while property improved suboptimally might be taxed equally under both systems, somewhat heavier if the departure from optimum is great, and somewhat lighter the closer the improvement is to the optimum.

Under the graded tax, vacant land and land with obsolete structures would tend to bear a heavier burden than land optimally improved, but the burden would not be as severe as under a land tax. Among the downtown buildings, those with old structures tend to save less or to pay more under the graded tax than they would under a flat-rate tax yielding the same revenue, while Pittsburgh's new office buildings, apartment buildings, and new homes show substantial savings.[2]

Thus the theory of the graded tax is that it provides some of the incentives to improve optimally, incentives which are associated with land taxation.

Effects of the Graded Tax

In a paper which I delivered during the proceedings of the National Tax Association in Pittsburgh in 1964, I noted that it was difficult to establish what the actual benefits of the graded tax were.[3] First, intercity comparisons do not reveal that Pittsburgh has experienced anything unusual. New building is not only a function of taxes, which affect costs, but is a function of demand. Demand is a function of growth of population and income. Pittsburgh's population has been stable and has even declined in recent decades. Second, it is probable that the effects would have been slight in any case because only the city's rates are graded, the school board and the county levying a single proportional rate on land and buildings. The result is that the differential in rates is quite narrow. Third, for a community to benefit from a graded tax, its rates on buildings must be substantially less than in competing communities. A city is after all only an artificiality in an environment, where it is surrounded and bordered by other cities or areas equally inhabitable. Thus, notwithstanding the graded tax in Pittsburgh, the rates to which buildings are subjected are lower in many communities outside the city. Fourth, taxes are capitalized; that is, they tend to result in lower land values. Thus, while the tax rates are higher on land, they are based on the market value of land, which already reflects existing and prospective real estate taxes. Fifth, land values tend to become depressed as neighborhoods run down. The tax, which is supposed

[1] "The Incidence of Urban Real Estate Taxes under Conditions of Static and Dynamic Equilibrium," *Journal of Land Economics*, 43, 2; pp. 172–180.

[2] See Percy R. Williams, "Pittsburgh's Experience with the Graded Tax Plan," *American Journal of Economics and Sociology*, 22, 1, pp. 170–172.

[3] "The Theory and Practice of Site-Value Taxation in Pittsburgh," *1964 Proceedings of the National Tax Association* (Harrisburg, Pa.: National Tax Association, 1965).

to be the stimulus to private renewal, tends to diminish. Only a land tax based on potential value, rather than current values, is likely to exert real pressure for elimination of obsolete structures. Sixth, although I did not mention it in 1964, it should be borne in mind that Pittsburgh has been built up to its boundaries. A graded tax is likely to have its major impact when there is a great deal of vacant land within the tax jurisdiction. Because the vacant land will be subject to higher taxes, and optimally improved parcels to lower, the tax is a stimulus to development. If the Pittsburgh graded tax were effective throughout the county, it might have had the effects which its proponents claimed for it. Indeed, the graded tax may have been very effective in the 1920's when a substantial part of the city had not yet been developed. Seventh, I stated my belief that there were weaknesses in the theory of the economic effects of real estate taxes in the urban environment. In the article referred to above, I concluded that not only were taxes on land backward-shifted; that is, capitalized in calculating land values, but that most of the tax on buildings is similarly capitalized and reflected in lower land prices. To the extent that this is true, the case for land values as the basis for taxation is somewhat weakened. It is more likely to be a stimulus to modernizing existing properties than to constructing new buildings.

Obsolescence and Slums

With respect to the problems of aging neighborhoods and slums, a change in the base of the real estate tax is not likely to produce significant benefits. The potential value of land is determined by the profitability of the uses to which it may be put. As a neighborhood gets older, not only do the buildings tend to depreciate in value, but the decrease in value is accelerated by changes in housing standards and requirements. Land values tend to become depressed by surrounding obsolete uses.

I have no intention to go into the sociology of changing neighborhoods; however, what I should like to emphasize is that property tax incentives have very definite limits in the face of such changes. So long as the existing use — lot plus building — has a value greater than the value of a vacant lot in the neighborhood, it simply does not pay a private developer to eliminate the existing use.

Tax incentives, as I indicated earlier, can play a role in inducing modernization. Such modernization might even change the character of the neighborhood — our own Shadyside and Georgetown in Washington, D.C., immediately come to mind — and reverse the process, increasing land values. Land taxation or a graded tax would assist this process.

Obsolete neighborhoods and slums serve an economic function. Low rents associated with slums provide, one is ashamed to admit, the only low-rent housing except for public housing. Moreover, as the poor crowd into such neighborhoods, the likelihood of modernization diminishes, and deterioration is accelerated.

Urban redevelopment, far from solving this problem, only induces the removal of the condition from one part of the city to another. Since so little is done to provide decent low-rent housing, which except for eliminating poverty is the only solution, the problem remains unsolved. Only by increasing the support of low-rent better housing could slums become uneconomic.

Given present building costs, a two-bedroom apartment meeting FHA specifications could be built for $13,000, excluding land costs. The amortization and interest charges — 40 years at 5 percent — would necessitate a monthly payment of $62.69. Assuming a land cost of $3,000 per apartment, the real estate taxes to which such an apartment would be subject would be $33 per month at existing tax rates in the city of Pittsburgh (based on a ratio of assesed value to total cost of 50 percent). Operating costs other than taxes, but including insurance, maintenance, repairs, utilities in public areas, water and sewerage, and management, could possibly be kept down to less than $20 per month. Even on these advantageous long-term mortgage terms, there would be no taxable capacity at all at a monthly rental of $82.

It is clear that if it is housing which will rent at, or close to, $82 per month — which is desired — no incentive provided by the property tax except total tax exemption and free land would be sufficient. It would be irrelevant whether the tax were based on land values or the combined value of land and improvements. For such

a use, only free land *and* untaxed land and building values would provide a sufficient incentive.

Utilizing 1960 census data, adjusted for the estimated increase in median incomes since then, I estimate that over 43,000 families in Pittsburgh could afford monthly housing expenditures of less than $100 per month; over 28,000 less than $75 per month; nearly 17,000 only $50 per month or less. The need may be estimated at 25,000 units, since many live in respectable but modest apartments and homes.

Pittsburgh's slums could be eliminated in a crash program of building 5,000 low-rental units per year for five years. It would require a tax subsidy rising to $10 million per year at the end of the fifth year. Supplementary payments for those families whose incomes do not permit them to make an average rental expenditure of $82 per month might come to another $5 million per year by the end of the fifth year.

If vacant land were used for this purpose, as opposed to expensive urban redevelopment techniques, the expenditure on making land available for such apartments would amount to $15 million per year over the five-year period. Urban redevelopment under public auspices might even become unnecessary under such a program. The availability of 5,000 rental units after the first year should send the value of slum properties crashing — at least the building portions of our slums. Slum buildings would no longer be worth maintaining and the land would be sold for its potential value for private development at no public cost at all; or if used in the proposed building program, at about the same land cost indicated above.

Obviously these are rough estimates, both of the need and the cost, but the magnitude of the estimates suggests that such a program is easily within the capability of a country spending $60 billion per year on war and defense.

Elasticity of Revenues

One of the great difficulties of our older cities is that the property tax, still the chief source of revenue of local governments, tends to be elastic with respect to population, and inelastic with respect to income. In less technical terms, property tax revenues increase more rapidly than population. Where population is more or less stable, property tax revenues increase less than in proportion to income. The difficulty which our older cities are experiencing is thus traceable to the fact that their populations are relatively stagnant, the cities having been developed in many cases to the city boundaries. On the other hand, communities which are growing rapidly in population tend to enjoy rapid increases in assessed valuations. In a study of changes in assessed valuations of 179 communities which I made in 1965, a 1 percent change in population induced a 1.25 percent change in assessed value, while a 1 percent change in family income produced .34 percent change in assessed value.[4]

Increases in total assessed valuation occur when new building occurs, the average new building, whether dwelling or commercial structure, adding directly to the value of real estate in the community and being on the average, more valuable or costly than buildings or dwellings built earlier. A city like Pittsburgh, which has had a stable or even declining population in recent decades, has relatively little new building, while obsolescence overtakes the existing stock. Inflation and rising incomes induce a rise in property values, but not in proportion to rising prices and incomes.

We may observe the same phenomenon by comparing changes in assessed value in Pittsburgh and in the boroughs and townships of Allegheny County. Between 1950 and 1960, the population of Pittsburgh actually declined 10 percent. Assessed values grew 21 percent. In the boroughs and townships, population grew 26 percent, and assessed valuations 73 percent. For the county as a whole, population rose 8 percent and assessed valuations 46 percent. (Tables 1 and 2)

[4] "Effects of a Development Project on the Revenues of State and Local Governments" (St. Louis: Washington University, Institute for Urban & Regional Studies, September, 1966).

Table 1. Changes in Assessed Valuations in Allegheny County, 1954–1964

Community	*1964 Assessed Value (millions)*	*1954 Assessed Value (millions)*	*Percent Change*
Pittsburgh	$1,205.3	$1,145.4	+ 5.2
McKeesport	83.6	78.9	+ 6.0
Duquesne	33.1	30.5	+ 8.5
Clairton	56.0	50.3	+11.3
Boroughs	1,149.7	773.9	+48.5
Townships	876.2	472.9	+85.3
County Total*	$3,404.0	$2,551.9	+33.4

*may not equal sum because of rounding

Table 2. Changes in Assessed Valuations and Population, Allegheny County, 1940–50, 1950–60

Community	*Population (000)*			*Assessed Valuation (million)*			*Percent change*			
	1940	*1950*	*1960*	*1940*	*1950*	*1960*	*Population 1940/ 1950*	*Population 1950/ 1960*	*Assessed Valuation 1940/ 1950*	*Assessed Valuation 1950/ 1960*
Pittsburgh	672	674	604	1032	990	1202	0	−10	− 4	+21
McKeesport	55	51	51	60	68	82	− 7	0	+13	+21
Duquesne	21	18	18	21	31	33	−14	0	+48	+ 6
Clairton	16	19	19	27	45	63	+19	0	+67	+40
Boroughs and Townships	648	746	937	726	1016	1754	+15	+26	+40	+73
County Total*	1412	1508	1629	1866	2150	3134	+ 7	+ 8	+15	+46

*may not equal sum because of rounding

No doubt the flow to the suburbs may be attributable to many reasons, improved access highways, the absence of vacant land in Pittsburgh, and so on. Clearly, Pittsburgh's graded tax has not been sufficient to offset whatever factors have been inducing this shift.

The problems of our cities must be viewed in the context of the necessity to subsidize a disproportionate number of low-income families. For example, 41.3 percent of Pittsburgh families had incomes of less than $5,000 in 1959, while in the County of Allegheny excluding Pittsburgh, the number was 28.8 percent. (See Table 3). Our cities are faced at once with a revenue system which does not keep pace with urban needs, and with a burden which those communities with adequate financial capacity refuse to share. Not only do our suburban communities have greater and growing financial capacities, but because of the legally recognized artificiality of their boundaries and the city boundaries are absolved from the necessity of making such a contribution. This is obviously the basis for assistance to the cities from the larger jurisdictions such as the States and the Federal Government.

Surely such artificial boundaries between the cities and the surrounding areas should be broken down. There is a revolution of rising expectations not only in the underdeveloped countries but among the poor of our cities. Neither can be ignored. Perhaps the initiative should begin with our cities. Perhaps it is time for the city of Pittsburgh and other cities caught in the squeeze between inadequate revenues and increasing responsibilities to simply turn in their charters and become unincorporated parts of the counties in which they are located. The residents of the cities should not be required to bear the whole burden imposed by the sociology of the cities nor given the incentive to escape the problems by escaping to the countryside.

Yet the property tax revenues themselves are unlikely to be sufficient, even with metropolitan government. The attack on poverty is a national problem and necessarily involves a redistribution of income, both directly and indirectly through expenditures designed to raise the productive capacity and earnings of the poor. Of all of our devices, only the Federal Government has the progressive income tax, which could most equitably be used to shoulder this burden.

Table 3. Income Distribution of Families, Pittsburgh and Allegheny County, Excluding Pittsburgh, 1959

Income Class	*Pittsburgh*	*Percent Cumulative*	*Allegheny County (excluding Pittsburgh)*	*Percent Cumulative*
All families	151,874	100.00	267,036	100.00
Under $1,000	6,356	4.19	6,330	2.37
1000–1999	10,331	11.00	9,828	6.05
2000–2999	11,330	18.46	13,305	11.03
3000–3999	14,999	28.34	18,371	17.91
4000–4999	19,641	41.27	29,139	28.82
5000–5999	21,940	55.73	39,069	43.45
6000–6999	16,901	66.86	33,980	56.17
7000–7999	12,611	75.16	26,825	66.22
8000–8999	9,312	81.29	20,967	74.07
9000–9999	6,754	85.74	15,767	79.97
10,000–14,999	14,451	95.26	37,078	93.86
15,000–24,999	5,075	98.60	12,186	98.42
over 25,000	2,175	100.03*	4,189	99.99*

*Does not sum due to rounding
Source: 1960 Census

A Capital Effect of Higher Real Estate Taxes

If it is true, as we have concluded, that real estate taxes on land and on improvements are capitalized for the most part and depress the price of land, the amount of capital which a prospective developer must advance for a given improvement is considerably reduced. While one can be reasonably certain that leasing arrangements would become more general in the absence of real estate taxes, nevertheless at present, developers are encouraged to own the land rather than lease it, and are required to advance less capital to do so.

The magnitude of this effect may be seen from a simple example. Suppose a $10,000 house is built on a $2,000 lot, that it is financed by a mortgage of $9,000 at 6 percent. Assuming an opportunity cost of capital of 6 percent and a tax rate of 4 percent on total value, we calculate the annual rental value from the following simultaneous equations:

$$\text{Tax} = t(C_B + C_L) = .04(\$10{,}000 + \$2{,}000) = \$480$$

$$C_L{}^5 = \$2{,}000 = \frac{\text{Annual rental value} - \$480 - \$600}{.06}$$

$$\text{Annual rental value} = \$1{,}200$$

Suppose no taxes were levied, the capital value of the land would be:

$$C_L = \frac{\$1{,}200 - \$600}{.06} = \frac{\$600}{.06} = \$10{,}000.$$

The price of land with tax is one-fifth of what it would be without any tax. Part of the capital is "provided" by the tax.

[5] C_L = yield, less opportunity cost of capital invested in improvement, less tax liability, less other costs, e.g. depreciation, which are assumed throughout to be zero.

Assessment Problems

Although, as we have suggested, taxes on improvements in our cities are capitalized in determining prices of lots, paradoxically, the portion of the *current* tax levies borne by land or attributed to the land is *smaller* than it ought to be. The seeming paradox is due to the fact that the tax on the land portion is assessed on capital value — not on economic rent — and capital value of land already discounts taxes levied on existing improvements and possible improvements.

Suppose, returning to an earlier example, a vacant lot zoned for single residence carries a price of $2,000. As vacant land it is assessed and taxed at $80 per year. If improved with a $10,000 house, let us assume optimally, the taxes would be $480 per year. If the same sum was to be raised by a tax on land alone, with improvements exempt, then vacant property would bear the same burden as improved property, *ceteris paribus*. Let A be the house and lot referred to above and B a vacant lot of equal value to A:

	A	B
C_L	$2,000	$2,000
C_B	$10,000	
Tax @ .04	$480	$80

If $560 were to be raised by a tax on lots A and B, each would pay $280. Solving for C_L and t:

$$C_L = \frac{\underset{\text{Yield}}{\$1{,}200} - \underset{\text{Opportunity Cost of Capital}}{\$600} - \underset{\text{Tax}}{\$280}}{.06} = \frac{\$320}{.06} = \$5{,}333$$

$$t = \frac{\$280}{\$5{,}333} = 5.25 \text{ percent}$$

Lots A and B would *both* increase in value although the tax on B had increased!

Suppose one had a graded tax with a rate on land twice that of buildings, with t = .05. Then

$$T_A = tC_L + \frac{tC_B}{2} = tC_L + \frac{t\$10{,}000}{2}$$

$$T_B = tC_L$$

$$C_L = \frac{\$1{,}200 - \$600 - \$250 - .05C_L}{.06} = \frac{\$350}{.11} = \$3{,}812$$

The tax on A would be, $T_A = \$250 + \$159 = \$409$, while the tax on B would be, $T_B = 0 + \$159 = \$159$.

Effect of Real Estate Taxes on Obsolete Structures

The price of vacant land depends on the best use which can be made of it. How is land valued which has a less than optimal improvement on it? Let us take the case of a lot on which anyone of the improvements in Column 1 of the following table might be made with the resulting gross yields (net yield plus opportunity cost of capital). The capitalized value of the yield is shown in Column 3. Subtracting from net yield the opportunity cost of capital (at an assumed rate of 10 percent), we derive in Column 4 the capitalized value of the economic surplus. With a tax at .05 of value of land and improvements, the taxes can be computed and are shown in Column 5, with resultant prices of the land in Column 6. For its optimum use, the price of the land would be $9,333.

Suppose H, an $8,000 imprevement, is constructed on the lot. If the assessor were to base his valuation on replacement cost, the land value would suffer as shown in the above table — totaling $7,333 instead of $9,333. If there were vacant parcels in the vicinity, these would presumably be priced at $9,333. The value of the building could be calculated as the difference between $15,333 and $9,333, or $6,000. More likely, the assessor could add $8,000 to the market value of the land to calculate the total market value of the property, until the market proved the valuation excessive.

If the tax were levied on land alone it would make a difference if the building was valued on replacement cost or economic value, with the remainder attributed to the land.

Table 4. Land Value at Optimum Use

	Cost of Improvement	*Net Yield*	*Capital Value of Net Yield*[1]	*Capital Value of Economic Rent*	*Tax*	*Capital Value of the Land* (C_L)	*Capital Value of Land and Building* ($C_B + C_L$)
A	$1,000	$1,000	$10,000	$9,000	$333.3	($5,667)[2]	$6,670
B	2,000	1,500	15,000	13,000	500.0	(8,000)	10,000
C	3,000	1,800	18,000	15,000	600.0	(9,000)	12,000
D	4,000	2,000	20,000	16,000	666.7	9,333	13,330
E[3]	5,000	2,150	21,500	16,500	716.7	9,333	14,330
F[4]	6,000	2,250	22,500	16,500	750.0	(9,000)	15,000
G	7,000	2,300	23,000	16,000	766.7	(8,333)	15,330
H	8,000	2,300	23,000	15,000	766.7	(7,333)	15,330

[1] Before real estate tax.
[2] Parentheses indicate value of land if computed as a residual, given the cost of the improvement. See discussion following.
[3] The improvement equating marginal yield minus tax on improvement and opportunity cost of capital, the latter assumed to be 10 percent.
[4] The improvement equating marginal yield and the opportunity cost of capital, the latter assumed to be 10 percent.

If the same tax rate applied to land and building, the tax liability would not be affected. Revising the above table to show the value of land (C_L) to be $9,333 in all uses A to H would leave the tax unchanged. If the property were improved by B, a $2,000 improvement, the total value before any taxes would be $15,000. With a tax liability of $500, the price would be $10,000. If the land were valued on its rent potential if vacant; i.e., at $9,333, then the improvement could be shown to be worth $667 — not $2,000.

The actual method of valuing land and buildings would not be of great concern when taxes are levied on land and improvements at the same rate. With land taxes, or graded taxes in which land is taxed at a different rate than improvements, the allocation of value between land and buildings becomes important. In a 1960 study of 3,697 sales of improved residential land in the city of Pittsburgh, which employs a graded tax, the mean of assessed value to sales price was 40.53 percent.[6] The mean of 250 sales of vacant lots showed a ratio of 40.46 percent. One finds further that adjacent lots, *ceteris paribus*, improved or not, were assessed at the same valuations. This suggests that land assessments were determined first by the assessor, and the difference between land value and the market value of improved properties ascribed to buildings. To use the residual method in order to determine land values would result in varying values for adjacent parcels.

Obsolescence

We have assumed improvements A to H are built on similar lots. There would be a tendency for adjacent parcels to be improved similarly. What determines potential yields of particular parcels is the nature of adjacent uses. A neighborhood of old properties is not ordinarily attractive for a new residence. A vacant lot in a slum is not worth very much. A neighborhood with obsolete structures is suggestive of Case B, but with the difference that land values are depressed by the neighboring structures.

Suppose B is a slum property yielding a great deal, considering the age and condition of the improvement. It is worth $10,000, based on its yield. To tear down

[6] Author, *op. cit.*

the structure and replace it with a $5,000 or $6,000 improvement will increase the value to $14,333 or $15,000; that is by less than the required investment. In addition, there is the cost of demolition and the loss of earnings during reconstruction.

The following table shows the effects of a land tax, given our previous assumptions with respect to yield and opportunity cost of capital. Let us assume that the land is taxed to yield the optimum use tax of Table 4; i.e. Case E.

Table 5. Effects of Land Tax, Assuming Optimum Use

	Cost of Improvement	*Yield*	*Tax*	$C_B + C_L$
A	$1,000	$1,000	$7,167	$2,833
B	2,000	1,500	7,167	7,833
C	3,000	1,800	7,167	10,833
D	4,000	2,000	7,167	12,833
E	5,000	2,150	7,167	14,833
F	6,000	2,250	7,167	15,333
G	7,000	2,300	7,167	15,833
H	8,000	2,300	7,167	15,833

If B is the existing improvement, F would require a $6,000 improvement (neglecting costs of demolition, etc.), and would increase total value by $7,500. Land taxes would thus encourage private renewal. The condition which is necessary to this result, however, is that the total value of the existing improvement ($C_B + C_L$) must be less than the value of the land alone in its optimum use. Moreover, Table 5 assumes that existing property is taxed as though it were being used optimally.

Suppose that the optimum use could be had without destroying the existing improvement. Then F could be attained by investing the difference between the existing capital value of the building and the capital value of F. To improve B to F would require $4,000. The tax on land would result in an incentive to attain F, and a tax on land and buildings to attain E.

For a private owner to eliminate an existing obsolete use would require an increase in the value of property after taxes by an amount equal to or greater than the new investment required. This would be the case if $\frac{\triangle Y - \triangle T}{i} > I$, where $\triangle Y$ is the change in yield, $\triangle T$ the change in tax liability, I the cost of making the new improvement, and i, the opportunity cost of capital.

When taxes are based on land value alone, $\triangle T = O$, and the value of the improvement would not affect the tax liability. Since a smaller $\triangle Y$ would be required, land taxes would tend to encourage renewal of properties.

The fact that in urban renewal and redevelopment projects the sales price of land by the urban redevelopment authorities is only a fraction of the total cost to the authorities is evidence that the value of slum properties exceeds the value of land. Under such conditions, all that tax policy can hope to do is to make the fact of obsolescence apparent sooner. A tax based on the total value of property as though it were optimally improved — or better, a tax based exclusively on land value — would provide greater incentive to renew or remove obsolete properties.

The widespread notion that slum properties are under-assessed relative to other properties is not borne out by a study of assessment ratios in Pittsburgh. The mean ratios of assessed value to sales prices of houses in the wards occupied by the lowest income groups are uniformly higher than those in the newer wards, as shown in Table 6. Wards selected are the older wards of the city, with the largest percentage of old houses.

Urban renewal and redevelopment appears *a priori* to be uneconomic. From the viewpoint of the community, taking current assessment practices as given, the expenditure for land of an amount greater than the land is apparently worth may

Table 6. Ratios of Assessed Value to Sales Prices of Residential Property[7]

	1958		1959		1960	
	No. Items	*Mean*	*No. Items*	*Mean*	*No. Items*	*Mean*
Ward 3	32	.53	26	.53	18	.58
" 4	109	.47	133	.48	104	.45
" 5	119	.44	101	.46	67	.44
" 6	47	.43	40	.45	31	.46
" 21	83	.45	105	.48	57	.46
" 22	51	.50	57	.51	50	.55
" 23	50	.52	64	.51	35	.52
All Wards.....		.42		.42		.41

nevertheless be worthwhile. Not only does the community stand to gain from social benefits, but from a revenue point of view.

This arises from the fact noted earlier that vacant property surrounded by depressed properties is not worth much. In order to achieve a new and higher schedule of yields to capital, a large enough area of vacant land must be assembled so that adjacent uses would add value to one another, a parcel large enough to effect a real change in the character of the neighborhood. With a shift in the yield schedule made possible by assembling the necessary land (or affecting a sufficient number of neighboring uses), the increase in tax revenue may justify the public expenditure in urban renewal and redevelopment projects. The conditions to be satisfied are:

(1) $\frac{\triangle Y}{I} - \frac{\triangle T}{I} \geqq r$, where $\triangle Y$ is the anticipated change in income resulting from the private investment, I; $\triangle T$ the anticipated change in tax liability resulting from the improvement; and r the appropriate interest rate or opportunity cost of capital. This condition must be satisfied in order to induce an entrepreneur to undertake the investment.

Transposing, we obtain:

(2) $\frac{\triangle Y - \triangle T}{r} \geqq I$. That is, the capitalized value of the net increase in yield after deducting the increased tax must be equal to or greater than the required investment.

Since $\triangle T$ is the increase in revenue to government authorities resulting from the project, a government expenditure equal to or no greater than the capitalized value of the increased tax may be worthwhile. An urban redevelopment program ought to place a value on the change in government revenue and other benefits. Ignoring other benefits, urban redevelopment ought to be undertaken only when this condition is satisfied. Let:

(3) $\triangle T \geqq rG$, where $\triangle T$ is the change or increase in tax revenues and rG, the appropriate rate of return which should be obtained on any government investment. Substituting in (2), we obtain

(4) $\frac{\triangle Y - rG}{r} \geqq I$. Transposing,

(5) $\frac{\triangle Y}{r} \geqq I + G$. That is, ignoring other costs and benefits, the increase in yield in urban redevelopment should be such that its capitalized value is equal to the sum of private and public investment.

[7] Author, *op. cit.*

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NOTE: Page numbers in bold type indicate definitions of terms. Various Federal housing programs often are referred to by the section number of the law that created them as, for example, 221(d)(3); in this Index, these numbered programs are all listed under "Federal housing legislation."

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