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What does the
Housing Program
Cost?

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UNITED STATES HOUSING AUTHORITY

March 1940

What does the
HOUSING PROGRAM
COST?

A simple presentation of the facts
about the Federal Government's share
in slum clearance and low-rent housing

FEDERAL WORKS AGENCY

UNITED STATES HOUSING AUTHORITY • NATHAN STRAUS, *Administrator*

Washington, D. C.

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I. THE ESSENTIAL FACTS IN BRIEF

THE PRESIDENT'S BUDGET MESSAGE delivered to Congress on January 4, 1940, said:

"For the United States Housing Authority, \$4,550,000 for administrative expenses is made available from the funds of the Authority.

"For the United States Housing Authority \$15,000,000 will be required out of the general fund of the Treasury, for the payment of annual contributions to public housing agencies."

To all who had read and heard various astronomical estimates about the cost of the USHA program, the Budget message was a revelation. It showed that aside from the reasonable administrative expenses of the Authority as a Federal agency, the only cost of the USHA program to the Federal Government for the fiscal year 1941, the whole sum included in the Budget, the only amount that might conceivably enter into the national debt or affect the taxpayer, was only \$15,000,000.

This amounts to less than one-fifth of 1 percent of the total proposed Budget of the Federal Government for the fiscal year 1941.

Turning to the United States Housing Act itself, one finds that the USHA is prohibited from ever entering into annual contributions contracts under the present program calling for aggregate contributions of more than \$28,000,000 in any one year. And even this figure of \$28,000,000 is the *statutory maximum authorization* to enter into contracts for annual contributions or grants-in-aid to reduce rents. The actual *net cost* of the USHA program to the Federal Government is much lower, for two reasons.

First of all, the statutory maximum authorization to enter into annual contributions contracts far exceeds the actual net cost of the program unless, contrary to present fact, there were paid in the case of every project the maximum annual contributions authorized by the law, which are in general $3\frac{1}{2}$ percent of the total capital cost of the project.¹ In the beginning of the program, the USHA thought it would be necessary to pay the maximum to get the rents low enough, and made arrangements accordingly. But by now, on an increasing number of projects, carefully planned economies in operation and management have led to the establishment of operating budgets which achieve the desired low rents with far less than the maximum annual contributions authorized by the law. **Contrasted**

¹ Under the law, the maximum authorized USHA annual contributions to a project would be 1 percent above the going Federal rate of interest (the interest rate on Federal borrowings having a term of 10 years or more) on the total capital cost of the project. To date under this formula, the maximum authorized USHA annual contributions have ranged from $3\frac{1}{4}$ to $3\frac{3}{4}$ percent a year of the total capital cost of a project, and have averaged $3\frac{1}{2}$ percent.

with the statutory maximum authorization of 3½ percent, the annual contributions actually planned for under operating budgets now being approved have been reduced to an average of about 2.8 percent,¹ and in some cases only 2¼ to 2½ percent, of the total cost of the projects. This of course makes the actual cost of the program very much less than if the maximum authorized annual contributions of 3½ percent were paid.

The second reason why the actual net cost of the USHA program is much lower than the statutory maximum authorization to enter into annual contributions contracts is that, quite apart from paying annual contributions to reduce rents, the USHA performs the separate and distinct function of a banker lending money to build houses. On these loans the USHA, like any other banker who lends at a higher rate of interest than the rate at which he borrows and has a good collection record, makes a tidy profit each year. This profit does not make the whole USHA program "self-liquidating," it does not prevent the program from costing the Government anything, but it does help to make the net cost of the USHA program considerably lower than the USHA annual contributions taken alone.

So much for the coming year. How about the future? The whole picture may be summarized like this:

(1) The expansion of the USHA program as proposed in the bill which passed the Senate in 1939 would add nothing to the Federal Budget or to the statutory maximum annual contributions for the fiscal year 1941;

(2) The present USHA program at its peak beginning in 1943 involves statutory maximum annual contributions of only \$28,000,000 a year and a probable net cost of only \$13,400,000 a year, representing only about one-third of 1 percent and one-sixth of 1 percent, respectively, of the total Federal Budget proposed for the fiscal year 1941;

(3) The present USHA program plus the proposed expanded program which passed the Senate in 1939 would at the peak beginning in 1946 involve statutory maximum annual contributions of only \$73,000,000 a year and a probable net cost of only \$35,000,000 a year, representing only about seven-eighths of 1 percent and two-fifths of 1 percent, respectively, of the total Federal Budget proposed for the fiscal year 1941.

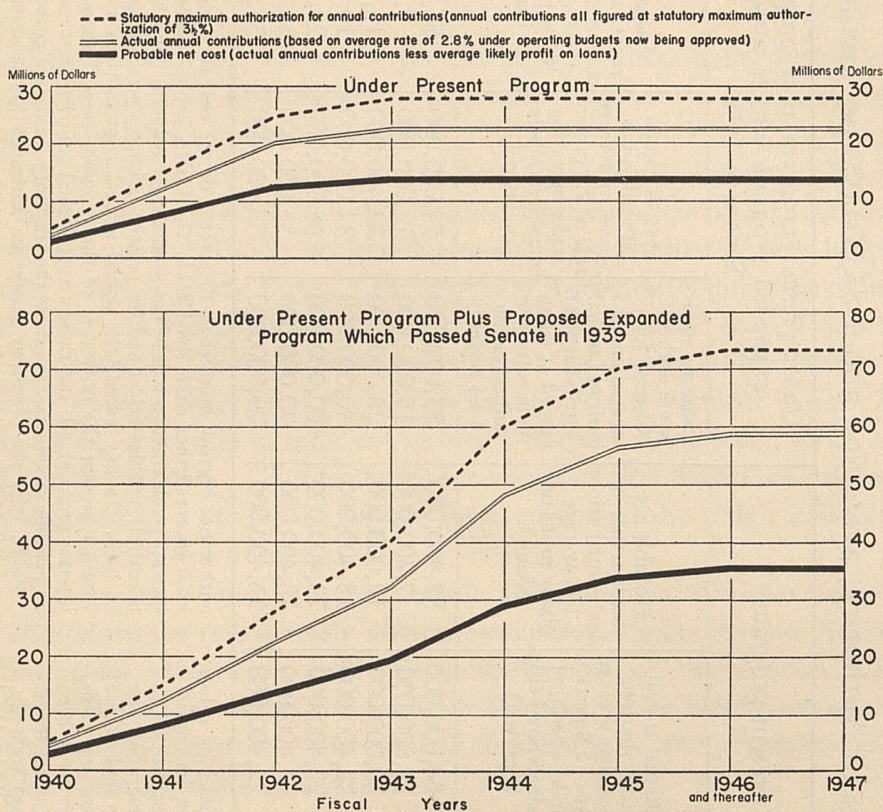
On the basis of these figures, the probable net annual cost of the USHA program to the Federal Government is about \$75 a year per family rehoused, or about \$18 to \$20 a year per person rehoused.

These essential facts in brief are illustrated by the Chart on the opposite page and are drawn from Table I on page 6.

¹ The annual contributions under operating budgets now being approved will in fact average considerably under 2.8 percent for the first 10 years of a project's life (at the end of which time the law requires reexamination of the amount of the annual contributions). The figure of 2.8 percent makes an allowance for somewhat higher annual contributions after the first 10 years to cover higher repairs and replacements as the project grows older, although other factors, such as an improvement in economic conditions or further savings in operating costs, may well remove the necessity for increasing the annual contributions.

COST OF USHA PROGRAM TO FEDERAL GOVERNMENT

See Table I



This chart shows the amount that would need to be *appropriated* by Congress in each year to cover the probable net cost of the program (heavy black line). But the *statutory maximum authorization* (dashed line) to enter into annual contributions contracts for \$28,000,000 under present program and \$73,000,000 under present program plus proposed expanded program cannot be reduced to this net cost because (a) the statutory maximum authorization to enter into annual contributions contracts (dashed line) must cover the actual annual contributions paid to local authorities (double line) as distinguished from the actual annual contributions less the average likely profit on loans (i. e., the net cost, heavy black line), and (b) the statutory maximum authorization to enter into annual contributions contracts (dashed line) must cover the possibility, contrary to operating budgets now being approved, that the statutory maximum rate of annual contributions might become necessary. The statutory maximum authorization to enter into annual contributions contracts (dashed line) must therefore remain as indicated in the chart if the program is not to be curtailed, although the probable net cost (heavy black line) is much lower.

Table I. COST OF USHA PROGRAM TO FEDERAL GOVERNMENT¹
(Excluding administrative expenses of Authority, averaging about \$5,000,000 per annum)

FISCAL YEAR	Under present program			Under present program plus proposed expanded program which passed Senate in 1939		
	Statutory maximum authorization for annual contributions (annual contributions all figured at maximum statutory authorization of 3½ percent)	Actual annual contributions (based on average rate of 2.8 percent under operating budgets now being approved)	Probable net cost ¹ (actual annual contributions less average likely profit on loans)	Statutory maximum authorization for annual contributions (annual contributions all figured at maximum statutory authorization of 3½ percent)	Actual annual contributions (based on average rate of 2.8 percent under operating budgets now being approved)	Probable net cost ¹ (actual annual contributions less average likely profit on loans)
1940	\$5,000,000	\$4,000,000	\$2,400,000	\$5,000,000	\$4,000,000	\$2,400,000
1941	15,000,000	12,000,000	7,200,000	15,000,000	12,000,000	7,200,000
1942	25,000,000	20,000,000	12,000,000	28,000,000	22,400,000	13,400,000
1943	28,000,000	22,400,000	13,400,000	40,000,000	32,000,000	19,200,000
1944	28,000,000	22,400,000	13,400,000	60,000,000	48,000,000	28,800,000
1945	28,000,000	22,400,000	13,400,000	70,000,000	56,000,000	33,600,000
1946 and each year thereafter.	28,000,000	22,400,000	13,400,000	73,000,000	58,400,000	35,000,000

¹ The probable net cost of the USHA program is obtained by subtracting the average annual profit made by the USHA on its capital loan transactions from the actual USHA annual contributions. The size of the profit on USHA capital loans depends of course upon the rate of interest at which the USHA borrows the money to make these loans. To date the USHA has been borrowing at 1½ percent and lending at a 3 percent average. Therefore, these percentages have been used in calculating the average likely profit on USHA capital loans. It is true that if the rate of interest on USHA borrowings went up, the interest profit would go down. It is also true that if the local

authorities borrow more than 10 percent of the cost of their projects from sources other than the USHA, the USHA capital loans and the interest profit thereon will be correspondingly reduced. But how much is entirely problematical and for present estimates present figures must be used. In any event, the actual annual contributions in Table I would represent the only cost of the program even if there were no interest profit at all; and these actual annual contributions could under no possible circumstances exceed the statutory maximum authorization.

As to why the statutory maximum authorization is necessary, see text under Chart on page 5.

II. THE USHA FINANCING PLAN: GENERAL STATEMENT

EVERY PROJECT assisted by the USHA is initiated, built, owned, and managed by local housing authorities established under State and local law. The USHA builds no projects.

The USHA has two jobs to do, as different as day and night. One job is public aid, to pay annual contributions or grants-in-aid to help make the rents on completed local projects low enough for families of very low income drawn from the slums. This function is essentially public in character, and requires public action until incomes rise or the cost of housing falls, or both. The other job is a strict banking matter, to lend money to help construct these local projects because private investment has not yet been made available in sufficient quantity to cover the whole capital cost of housing projects. This banking or lending function should progressively be assumed by a revitalized private investment, and the USHA is bending every effort in this direction.

The capital loans and the annual contributions are two separate transactions for two entirely different purposes. They involve different contractual obligations and vary independently of one another. The capital loans, the funds for home construction, are strictly repayable, principal and interest. The annual contributions, the grants-in-aid to reduce rents, are not repayable.

USHA Capital Loans

There are no grants or subsidies toward the capital cost of building USHA-assisted projects. Local projects are built entirely with loan funds, not more than 90 percent of the capital cost being borrowed from the USHA, and not less than 10 percent of the capital cost being borrowed from sources other than the Federal Government. All these loans, Federal and local, are secured in full by all the revenues of the project and are repayable in full with interest.¹

The USHA is authorized to issue \$800,000,000 worth of federally guaranteed bonds to the public to obtain the money to make these capital loans to local housing authorities. The bill which passed the Senate in 1939

¹ Under the law, USHA capital loans to local housing authorities must be at an interest rate at least one-half percent higher than the rate of interest on the borrowings of the Federal Government having a term of 10 years or more. USHA capital loans have thus far been made at an interest rate ranging from 2¾ to 3¾ percent, and have averaged 3 percent.

proposed to make another \$800,000,000 available for capital loans in the same manner. These sums represent absolutely no cost to the Federal Government. They do not affect the Budget or the national debt. They call for no taxes or appropriations.

Generally speaking, the USHA has been borrowing money from the public at about $1\frac{3}{8}$ percent and lending it to local housing authorities at about 3 percent. This is the reason for the sizeable annual profit to the USHA on the loan transaction, which serves to reduce and partly offset the cost of the USHA annual contributions (see Chart on page 5 and Table I).

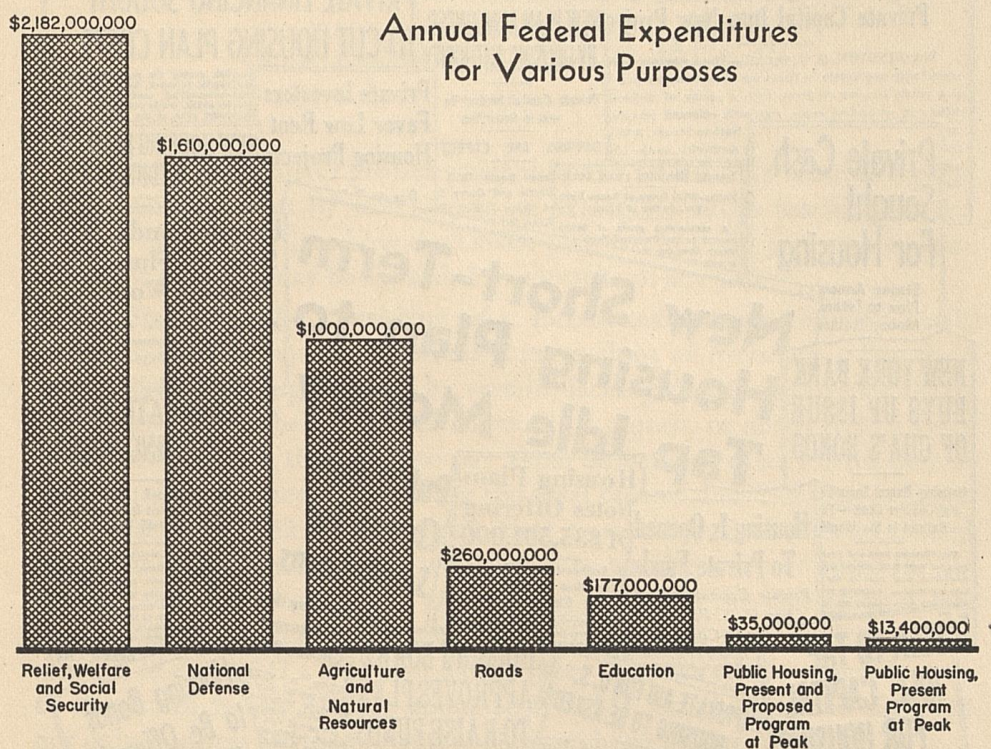
USHA Annual Contributions or Grants-in-Aid

After a local project is built and occupied, the USHA each year pays annual contributions¹ or grants-in-aid to cover part of the difference between the rents which slum dwellers can afford to pay and the total charges necessary to cover debt retirement, operating costs, utility charges, maintenance, repairs, replacements, taxes, etc., which total charges may be called the economic rent. The rents paid by the occupants, plus the Federal and local annual contributions, cover the total charges making up the economic rent.

It is thus clear that the annual contributions or grants-in-aid represent the only possible cost of the USHA program to the Federal Government. As shown in Table I, the present law limits these absolutely to a statutory maximum authorization of \$28,000,000 a year; the bill which passed the Senate in 1939 would authorize only another \$45,000,000; and both of these sums, while their authorization in full is necessary to conduct the program, as shown in the Chart on page 5 and Table I, are reduced in two ways: (a) by the payment of contributions averaging only 2.8 percent instead of the 3.5 percent maximum authorized by the law; and (b) by the likely average profit on USHA capital loan transactions.

The Chart on the opposite page contrasts Federal expenditures for public housing with those for various other purposes.

¹ Under the law, the maximum authorized USHA annual contributions to a project would be 1 percent above the going Federal rate of interest (the interest rate on Federal borrowings having a term of 10 years or more) on the total capital cost of the project. To date under this formula, the maximum USHA annual contributions authorized by the law have ranged from $3\frac{3}{4}$ to $3\frac{3}{4}$ percent a year of the total cost of a project, and have averaged $3\frac{1}{2}$ percent. However, on an increasing number of projects, operating budgets are being established based upon economies in operation and management which will achieve the desired low rents with far less than the maximum annual contribution authorized by the law. Already, the annual contribution anticipated under operating budgets now being approved has been reduced to an average of about 2.8 percent, and in some cases only $2\frac{1}{4}$ to $2\frac{1}{2}$ percent, of the total capital cost of the projects.

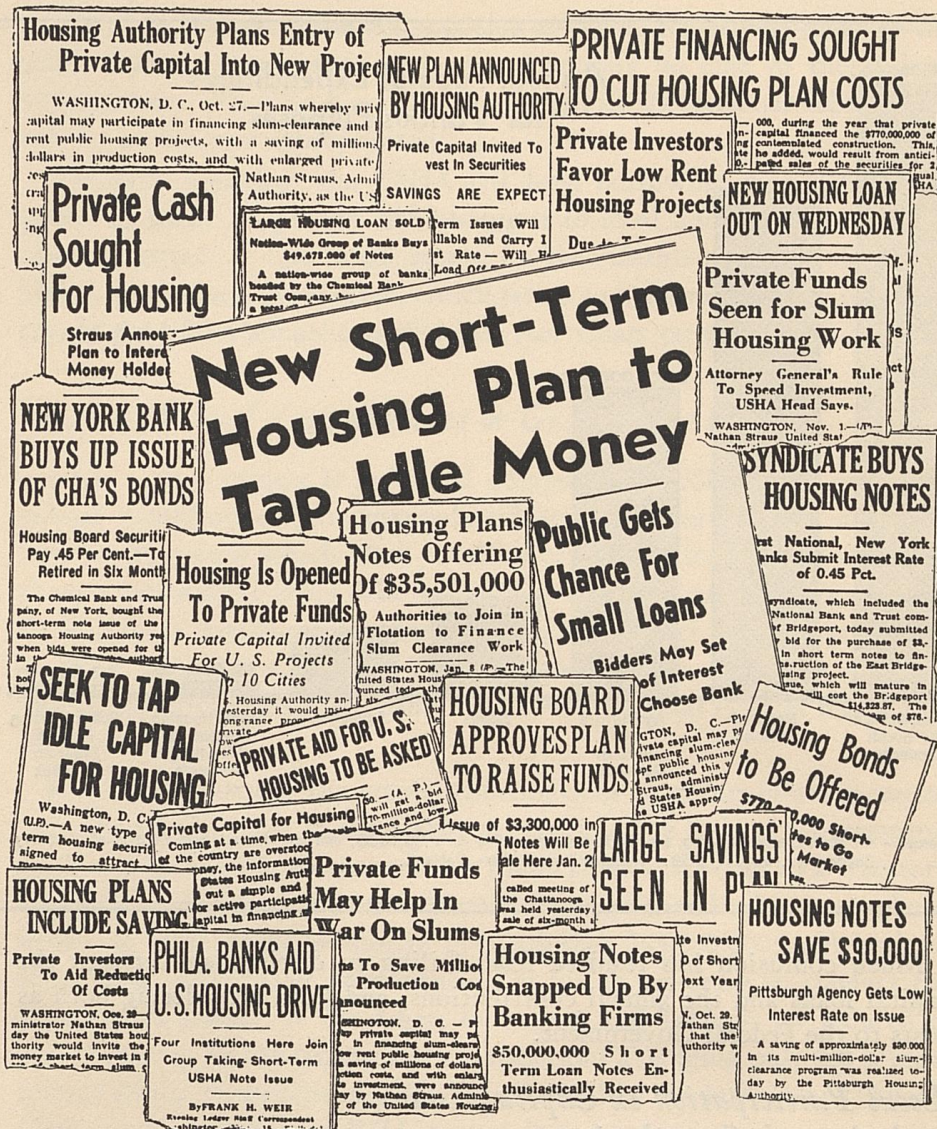


Sources:— All figures, except housing, are for fiscal year ending June 30, 1938, and are derived from Bulletin of Treasury Department, August, 1939. Housing figures, from Table I.

Much confusion has resulted from failing to distinguish between the capital loans and the annual contributions, and from considering both as costs to the Federal Government.

Local Participation in Capital Loans and Annual Contributions

Every local housing authority must raise at least 10 percent of the total capital cost of its projects from sources other than the Federal Government. As stated above, this is done with ease through the sale of local obligations to buyers other than the USHA. In some projects, more than 10 percent of the permanent financing of the total capital cost is being raised from local sources. Moreover, the USHA has already put into effect a plan of temporary financing whereby during the period of construction local investors supply direct to the local housing authorities temporary construction loans covering practically the total capital cost of the project. The rapid development of this plan is the first step toward increasing local and direct participation in the permanent financing of the total capital cost of projects. Soon not only the 10 percent required by



A cross-section of the press reaction to the local short-term construction loan financing plan discussed on page 9

the law, but 30 to 50 percent and in some cases an even higher percentage of the permanent financing of the total capital cost of projects should come from sources other than the USHA.

In addition, every locality must pay annual contributions or grants-in-aid to reduce rents, equal to at least 20 percent of the annual contributions paid by the USHA. These local annual contributions, generally in the form of tax exemption and legally pledged in advance for the whole life of a project, have been averaging about 50 percent of the USHA annual contributions.

III. THE USHA PLAN: A FAMILY EXAMPLE

A LOCAL HOUSING project assisted by the USHA may rehouse a great many families. But by selecting as an example a single family unit, we may see most easily just how the USHA plan works. By plain multiplication, this example may be expanded to a project of any size.

The Smith family, consisting of a father and mother and two small children, lives in one of the worst slum sections of Anytown. For their substandard dwelling, infested by vermin, lacking decent sanitary facilities, the Smiths pay a shelter rent of about \$15 a month, or about \$180 a year. In addition to this, they have to pay about \$6 a month extra for the cost of light, fuel, and water, thus raising the total cost of their housing to about \$21 a month or \$252 a year. From time to time Mr. Smith looks around the town to see how much he would need to pay for a decent home for his family. He finds that he can get nothing on which the rent alone is less than about \$35 a month or about \$420 a year, which with utilities would amount to about \$41 a month or \$492 a year. But the whole annual income of the Smith family is only about \$850.¹ Mr. Smith finds the situation not only hopeless for the present; it offers no hope for the future.

The United States Housing Authority exists for the purpose of helping the Smith family, and others similarly situated, to live in safe and sanitary homes at rents they can afford to pay. Finding that there are no such houses available to the Smiths in Anytown, and that private industry is not building any because it is not profitable to do so, the USHA lends to a local housing authority 90 percent of the cost of building a durable, well-planned, and well-constructed house. The other 10 percent is borrowed locally. The local housing authority contracts, just as a businessman would contract, to pay back these loans in full over a period of years, principal and interest. Both the house and all the revenues of the house are security for these repayments.

The Smith house has an over-all cost of \$4,500.² This includes not only the cost of building the house, but also land which is usually relatively

¹ This example fits a medium-sized midwestern city. All the figures used in the example of the Smith family would be proportionately lower in many of the smaller communities and rural areas where the USHA extends assistance, and would be somewhat higher in very large cities. The first 16 projects opened under the USHA program have rehoused families with annual incomes averaging from \$545 in the smaller communities to \$1,060 in the largest city. See the USHA leaflet "Low Rents for Low Incomes."

² Many USHA-assisted projects have much lower over-all costs than this. For example, recent projects have an over-all cost of \$2,839 in Charlotte, \$2,754 in Miami, \$3,149 in Baltimore, and \$3,250 in Los Angeles. For a full discussion of low costs on USHA-assisted projects, see the USHA leaflet "Bringing Down Construction Costs."

expensive in crowded slum areas, non-dwelling facilities, dwelling equipment, carrying charges, architects' fees, etc.

The Smith house is built with an eye to initial economy, but also with an eye to the long-term economy of durable materials and sound construction rather than jerry-building. In general it is expected to have a useful life of at least 60 years. When completed it is a solid community improvement. It helps the neighborhood and increases realty values, besides rehousing the Smiths.

When the Smith house is completed, the local housing authority in businesslike fashion sets up its books for the house like this:

Table II. ECONOMIC RENT ON SMITH HOUSE

	Per month	Per year
Principal and interest charges on USHA 90 percent capital loan of \$4,050 and 10 percent local capital loan of \$450 (interest rate on each, 3 percent) ¹	\$13.75	\$165.00
Operating costs, maintenance, repairs, replacements, etc.....	9.50	114.00
Utilities, including heating, lighting, cooking fuel, and water.....	6.00	72.00
Local taxes.....	6.00	72.00
Total economic rent, including utilities	\$35.25	\$423.00

But this economic rent of \$35.25 a month or \$423 a year for house and utilities is away above Mr. Smith's reach. In order to get the rent down to the pocketbook of the Smith family, USHA and local annual contributions or grants-in-aid come into the picture.

The USHA pays an annual contribution, amounting to about 2.8 percent ² of the cost of the \$4,500 home—that is, about \$10.50 a month or \$126 a year. This reduces the amount paid by the Smiths for shelter rent plus

¹ The total loan period is 60 years, the first 2 years of which are generally covered by temporary construction loans. The local loan is amortized over the next 13 years; the permanent USHA loan is amortized over 58 years, in 45 payments beginning with the sixteenth year. During the 13 years, the interest paid on the USHA loan is \$121.50 a year and the interest and principal paid on the local loan is approximately \$43.50, totaling \$165. Beginning with the sixteenth year, the whole \$165 is applied to principal and interest payments on the USHA loan. Over the whole 58 years, the USHA collects an average of \$155.40 a year in principal and interest on its capital loan.

² The law authorizes a *statutory maximum* USHA annual contribution of 1 percent above the going rate of interest on Federal bonds having a term of 10 years or more. This statutory maximum authorization has averaged about 3½ percent. But already, through economies in operation and management provided in operating budgets now being approved for projects, it is clear that the actual annual contributions needed in some cases will be only 2¼ to 2½ percent, and on the average will be only about 2.8 percent. Hence the 2.8 percent average figure is used for the Smith example.

utilities from \$35.25 a month to \$24.75 a month. In addition, the locality pays an annual contribution, in the form of exempting the home from local taxation, with a small service charge instead. This exemption amounts to about \$5.50 a month or \$66 a year, which further reduces the amount paid for shelter rent plus utilities to \$19.25 a month. This amount, paid by the Smiths, is made up of \$6.00 for utilities, and \$13.25 for shelter rent. This is slightly less than the shelter rent of \$15.00 that the Smiths have been paying for their miserable slum dwelling. They can afford to pay this rent for an American standard of life.

And so, under the USHA plan, the financial picture on the Smith house is as follows:

Table III. THE SMITH HOUSE UNDER THE USHA PLAN

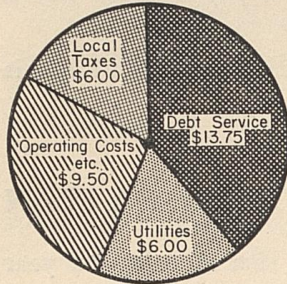
	Per month	Per year
Principal and interest charges on USHA 90 percent capital loan of \$4,050 and 10 percent local capital loan of \$450 (interest rate on each, 3 percent) ¹	\$13.75	\$165.00
Operating costs, maintenance, repairs, replacements, etc.....	9.50	114.00
Utilities, including heating, lighting, cooking fuel, and water.....	6.00	72.00
Local taxes.....	6.00	72.00
Total economic rent, including utilities	35.25	423.00
Less USHA annual contribution or grant-in-aid...	10.50	126.00
	24.75	297.00
Less local annual contribution or grant-in-aid (tax exemption with small service charge instead)...	5.50	66.00
Amount paid by the Smiths for shelter rent plus utilities	19.25	231.00
The amount paid by the Smiths consists of:		
(a) Shelter rent	13.25	159.00
(b) Utility charge.....	6.00	72.00
	\$19.25	\$231.00

¹ The total loan period is 60 years, the first 2 years of which are in general covered by temporary financing loans. The local loan is amortized over the next 13 years; the permanent USHA loan is amortized over 58 years in 45 payments beginning with the sixteenth year. During the 13 years, the interest paid on the USHA loan is \$121.50 a year and the interest and principal paid on the local loan is approximately \$43.50, totaling \$165. Beginning with the sixteenth year, the whole \$165 is applied to principal and interest payments on the USHA loan. Over the whole 58 years, the USHA collects an average of \$155.40 a year in principal and interest on its capital loan.

The Smith House Under the USHA Plan

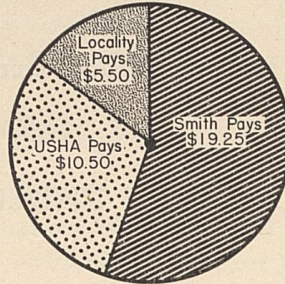
(See Tables II, III, and IV)

Breakdown of the Monthly Economic Rent of \$35.25



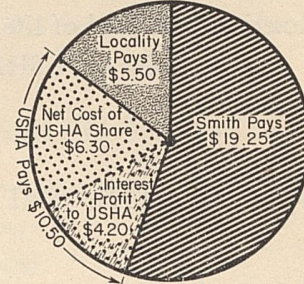
Debt service	39%
Operating costs	27%
Local taxes	17%
Utilities	17%
	100%

Who Pays the Monthly Economic Rent of \$35.25



Smith pays	55%
USHA pays	30%
Locality pays	15%
	100%

What does it Cost the Federal Government as its Share of the Monthly Economic Rent of \$35.25



Smith pays	55%
Net cost of USHA share	18%
Locality pays	15%
Interest profit to USHA	12%
	100%

This chart makes it abundantly clear that while 39 cents of each rent dollar is required for principal and interest payments on the loans to build the Smith house, only 30 cents (with a net cost of only 18 cents) of each rent dollar is contributed by the USHA, while 55 cents of each rent dollar is paid by the Smiths. Thus the USHA contributes far less than the cost of building the house as represented by debt service and the Smiths contribute far more than the cost of building the house as represented by debt service.

From Table III and the Chart just above, we see that the USHA pays an annual contribution of \$126 a year to help the Smiths. But to find the net cost to the USHA of helping the Smiths we must subtract from this the average likely annual interest profit to the USHA of \$50.40 on the USHA capital loan to build the Smith house. This shows that the probable net annual cost to the USHA of helping the Smiths is only \$75.60 a year, or about \$18 to \$20 a year per person rehoused. It is interesting to compare this annual per capita cost with the annual per capita cost of various other Federal expenditures. This is done in the upper Chart on page 25.

The method of deriving the net cost to the Federal Government of helping the Smiths is shown by Table IV on the next page.

*Table IV. WHAT IT COSTS THE USHA TO HELP THE SMITHS*¹

	Per month	Per year
USHA annual contribution or grant-in-aid to help the Smiths (see Table III).....	\$10.50	\$126.00
<i>Less</i> average likely annual profit to USHA on capital loan transaction.....	<u>4.20</u>	<u>50.40</u>
Probable net annual cost to the USHA of helping the Smiths	<u>6.30</u>	<u>75.60</u>
 The average likely annual profit to the USHA on the capital loan transaction is figured as follows:		
Average annual principal and interest collected by the USHA on its 90 percent capital loan of \$4,050 for the Smith house (interest rate 3 percent) ²	12.95	155.40
<i>Less</i> annual principal and interest payments by the USHA necessary to retire the USHA bond of \$4,050 issued to the public to raise money for capital loan to local authority (interest rate 1 $\frac{3}{8}$ percent) ³	<u>8.75</u>	<u>105.00</u>
Average likely annual profit to the USHA on the capital loan transaction	\$4.20	\$50.40

The net annual cost of helping the Smiths, as shown by the above table, is only about \$75, and the Smith case is typical or average for the USHA program to date. But it is sometimes argued that the interest rate at which the USHA borrows or the amount loaned by the USHA might change, and that the USHA profit on the loan transaction would consequently be decreased. No one knows whether interest rates are going down or up, and if they go up increasing prosperity might reduce the

¹ Cf. Table I and footnote thereto. It is true that if the rate of interest on USHA borrowings rose above the 1 $\frac{3}{8}$ percent which has obtained to date, the interest profit on USHA capital loans would decline and, therefore, the net annual cost of helping the Smiths would increase by the same amount. Likewise, if the USHA capital loan were less than 90 percent of the total cost, the interest profit would be correspondingly reduced. But for present calculations, present interest rates and loan percentages are validly used. Even if the interest profit disappeared entirely, Table IV shows that the USHA annual contribution or grant-in-aid to help the Smiths would be only \$126 a year.

² The \$155.40 represents the average principal and interest collected annually by the USHA over the 58-year period of permanent financing, based upon collection of \$121.50 a year for the first 13 years and \$165 a year for the next 45 years (see footnote to Table II).

³ Amortization over 58-year period predicated upon refinancing of 5-year borrowing at 1 $\frac{3}{8}$ percent interest.

annual contribution needed by the Smiths. Further economies in construction and operating costs, along the lines of those being achieved would make even better the record of the USHA in reducing the average rate of annual contributions. In a changing economy, exact predictions are difficult and, therefore, the only safe calculations are those based on present figures. And these clearly show a net cost of only about \$75 a year per family rehoused, or \$18-\$20 per person rehoused.

IV. FALLACIES ABOUT THE USHA FINANCING PLAN

ALTHOUGH THE USHA plan of financing is by no means difficult, a number of fallacies have arisen concerning it because it is new. An examination of these will not only remove misconceptions, but will also help to clarify the program itself.

Fallacy 1. "The USHA Is Giving Away the Money to Repay Its Own Loans"

One of the commonest mistakes about the program is to say that the USHA annual contributions are used by the local housing authority to repay to the USHA the capital loan made by the USHA.

The example of the Smith family in Table III shows at once the error in this reasoning. If one did not look at the matter practically, one might theoretically say that the USHA annual contribution to the Smith family is used to cover any selected one of the items in the economic rent. One might say that the USHA annual contribution should be measured only against debt service on the USHA capital loan, or only against operating costs, or only against utility costs. But as a matter of practical realism, the USHA annual contribution, as Table III shows, is not applied to any one of these items. It is applied to help the Smith family to pay the total economic rent, which is made up of all of these items. It is a rent subsidy covering 30 percent of the total economic rent. A complete misconception of the problem the Smiths face is involved in attempting to measure the public aid they receive against one item in the economic rent instead of against the whole economic rent.

The example in Table III also shows that the obligation to repay the USHA capital loan is a fixed charge entirely independent of the payment of USHA annual contributions to reduce rents. These annual contributions under the terms of the United States Housing Act must be reduced if changed conditions justify it. If the income of the Smith family went up as a result of improved economic conditions, the rent paid by the Smiths would be correspondingly raised, and the annual contributions would be reduced to the extent of these increased rent payments.¹ If operating costs fell below the estimated amounts, the annual contributions would be reduced to the extent of such savings. But in either case the payments on the USHA capital loan would still be met along with all other charges.

¹ Of course, if the Smith's income increased so rapidly that they were no longer in the lowest income third, they would no longer be eligible tenants in public housing projects.

Since this is so clear, just why have the USHA annual contributions been described by some people as a means of repaying the USHA capital loan?

The reason for this error is that the *statutory maximum* USHA annual contribution authorized under the law averages 3½ percent of the total capital cost of a project, which would be almost enough to pay off the USHA and local capital loans. But aside from the unrealism of measuring the annual contributions against debt service alone, the USHA is approving more and more operating budgets based upon economies which require far less than the statutory maximum annual contribution authorized by the law in order to reach the desired rent level. The 2.8 percent annual contribution of \$126 which would be needed for the Smith family is based upon operating budgets now being approved by the USHA. This annual contribution is far less than the average annual amount of \$165 required to pay off the USHA and local capital loans, and is very substantially less than the average annual amount of \$155.40 required to pay off the USHA capital loan alone (see Table III and footnote thereto and Chart on page 14). On some projects the USHA has approved operating budgets which require annual contributions of only 2¼ to 2½ percent.

Because of these facts, and because the annual contributions are paid to cover about 30 percent of the whole economic rent, it is utterly wrong in fact to say that the USHA is paying annual contributions with which to pay off its own loans.

It is true that under the law the repayment of the USHA capital loan constitutes a first claim against the USHA annual contributions. This is merely a reasonable safeguard, for if we revert to Table III, it is clear that the Smith family should not continue to receive annual contributions from the USHA unless provisions have been made to meet the fixed charges due the USHA on its capital loan.

Fallacy 2. "The USHA Is Paying a 100 Percent Subsidy, Thus Giving the Houses Away"

The obvious error in this reasoning becomes apparent if we go back to the example of the Smith family. If we look at Table III, we see that while the amount required to repay the USHA and local capital loans on the Smith house is only \$165 a year, the total economic rent including utilities is \$423 a year. The reason the Smiths cannot live in a decent house without public aid is because they cannot pay the *whole rent and utility costs*. If they had only to pay off the capital loans on the house they rent, there would be no problem. Therefore, any attempt to help the Smiths must be measured against the whole economic rent, not just against one factor in it. The USHA annual contribution of \$126 to the Smith house not only is far less than the average annual charges of \$155.40 on the USHA

capital loan, but more important it is only about 30 percent of the economic rent. The local annual contribution is about 15 percent of the economic rent. The Smiths themselves pay about 55 percent of the economic rent (see Chart on page 14).

The USHA is not "giving away houses"; it is merely contributing 30 percent of the annual cost of living in decent houses. And the net cost of these annual contributions of the USHA, when account is taken of the interest profit on its capital loans, amounts to less than 18 percent of the economic rent.

Fallacy 3. "It Would Be Cheaper for the Government to Give the Houses Away in the Beginning"

This argument is made along these lines:

"The USHA annual contributions on the Smith house are \$126 a year. In 58 years¹ this would be \$7,308. Wouldn't the same rents be achieved if, instead of lending the \$4,050 to help build the \$4,500 house, the USHA just gave the whole \$4,050 away at the start as a capital grant? Wouldn't the USHA save the difference between \$7,308 and \$4,050?"

This argument is filled with errors.

In the first place, the annual contributions on the Smith house will not be paid in the same amount for 58 years. The law specifically provides that the USHA reserve the right to modify (but not to raise above the statutory limit) the amount of annual contributions originally contracted for as changed economic conditions may warrant at the end of 10 years and every 5 years thereafter.

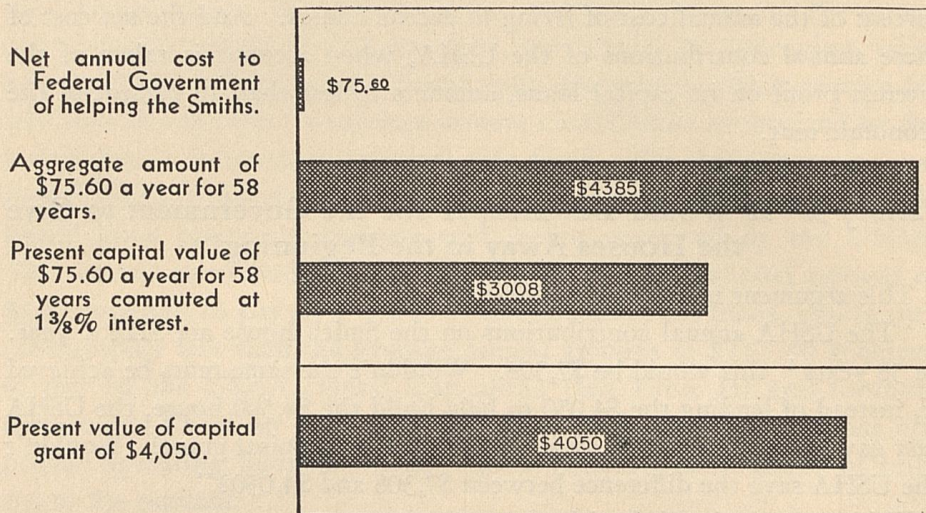
In the second place, the net annual cost to the Government is not the annual contribution of \$126 a year, but only this amount less the average likely annual interest profit of \$50.40 a year, or a net cost of only \$75.60 a year (see Table IV).

In the third place, no fair comparison may be made between a capital amount (such as \$4,050) expended at the present moment, and the sum of a series of payments to be made over a long period of years, unless the annual payments are commuted to determine their present capital value. No business man or banker or actuary would compare a present capital expenditure with expenditures spread over a period of years, without making such an allowance for interest.

The Chart on the next page shows that the present capital value (\$3,008) of the 58-year net cost of helping the Smiths is much less than a present capital grant of \$4,050.

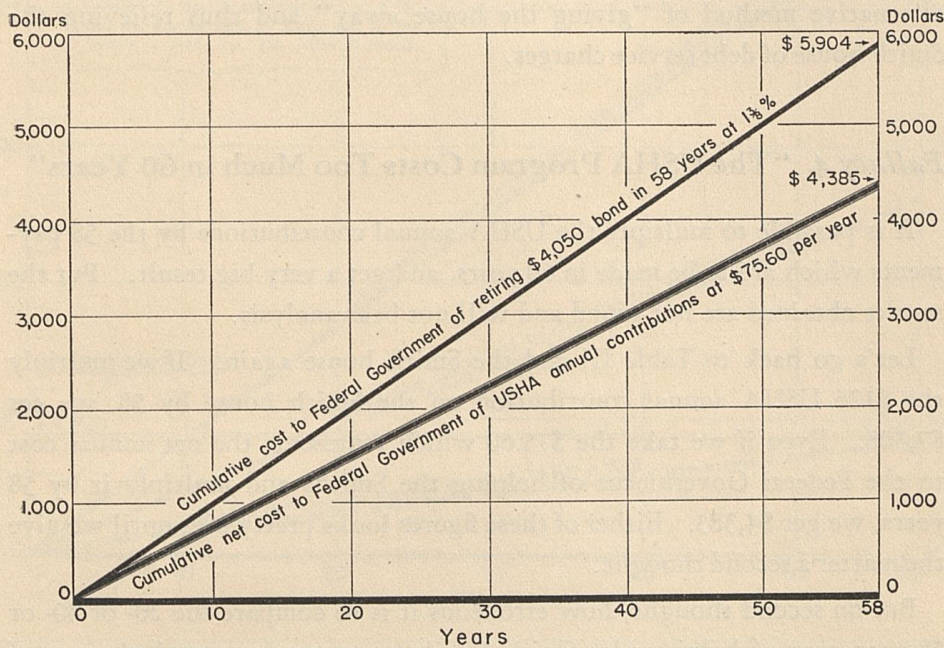
¹ On a project for which a loan for 60 years is made, only 58 annual contributions are paid, since these do not begin until the project is completed and ready for occupancy.

Present Capital Value of 58-Year Net Cost to Federal Government of Helping the Smiths Compared With Capital Grant of \$4,050



A valid comparison can also be made between the *annual* cost of paying off a capital sum over a period of years and the *annual* amount of a series of payments running over the same number of years. When such a comparison is made on the basis of annual costs, it is clear that the system of USHA annual contributions costs the Federal Government far less than would a system of USHA capital grants which gave \$4,050 toward the cost of the Smith house in the beginning. If the USHA made a \$4,050 capital grant to the Smiths in the beginning, certainly the money for this grant would not be raised at once by taxation. That would saddle the taxpayer of today with the whole public cost of the social benefits accruing to the Smiths over the many years they will live in the house. In accordance with universal practice, the money for the \$4,050 capital grant would be raised by issuing bonds. These bonds would have to be paid off both as to principal and interest over a period of years by the public agencies issuing them. Even if these bonds bore interest as low as 1% percent, and were paid off over as long a period as 58 years through refinancing short-term borrowings, the USHA would need to make annual payments of \$101.80 to retire these bonds in 58 years. Under the USHA plan, the net cost of annual contributions paid to achieve low rents on the Smith house is only \$75.60 a year so long as the USHA can borrow and refinance at 1% percent (see Table IV). Thus on an annual basis over a 58-year period, the net cost to the USHA of annual contributions is \$26.20 a year *less* than the annual cost of the alternative method of "giving the house away." And

Comparison Between the Cumulative Cost to the Federal
 Government of a Capital Grant of \$4,050 for the Smith House,
 Financed by Federal Borrowing for 58 years at only 1 $\frac{3}{8}$ %,
 and the Cumulative Net Cost to the Government
 of USHA Annual Contributions



this would be true as to the relative cost of the two methods if we assumed in each case USHA borrowings at a 2 percent interest rate or any other interest rate instead of at a 1 $\frac{3}{8}$ percent interest rate. It would be true to an even greater extent if we assumed a shorter period than 58 years for debt retirement. The Chart on this page shows that the cumulative cost of the annual contributions system is far less than the cumulative cost of financing a capital grant.

The system of annual contributions not only is cheaper, but has a further important advantage over the capital grant system. If a capital grant is made, the bonds issued to raise the money for the grant must be paid off in full, at a fixed interest rate, and thus the annual cost to the Government cannot be reduced in future years. But under the annual contributions system, the annual contributions paid to help the Smiths can be reduced in

future years if further economies are made in operating costs, or if improved economic conditions warrant a reduction of the annual contributions and a larger rent payment by the Smiths.

The local annual contributions of \$66 a year to the Smith house have nothing to do with this problem. Table III shows that these local contributions would need to be made in order to get the rents low enough for the Smiths, whether the USHA pays annual contributions or adopts the alternative method of "giving the house away" and thus relieving the Smith house of debt service charges.

Fallacy 4. "The USHA Program Costs Too Much in 60 Years"

It is possible to multiply the USHA annual contributions by the 58 payments which are to be made in 60 years, and get a very big result. But the results obtained are not sound and will not bear analysis.

Let's go back to Table III and the Smith house again. If we multiply the \$126 USHA annual contribution on the Smith house by 58, we get \$7,308. Even if we take the \$75.60 which represents the net annual cost to the Federal Government of helping the Smiths and multiply it by 58 years, we get \$4,385. Either of these figures looks pretty big, until we give the matter a second thought.

But on second thought, how erroneous it is to compare the 20- or 40- or 58-year cost of helping the Smith family to meet the rental charges of decent housing with the original cost of building the house. For example, Table III indicates that the economic rent including utilities which the Smith family would need to pay for decent housing if it received no public aid would be (at \$423 a year) \$8,460 in 20 years or \$16,920 in 40 years or \$24,534 in 58 years—and all this for the cost of living in a \$4,500 house! Yet no one thinks it strange that over a period of many years the cost of living in a house is many times its original construction cost. Whether we take a 20-year period, or a 40-year period, or a 58-year period, the fact remains that the annual contributions of the USHA toward helping the Smith family to live in a decent house come to only 30 percent of the economic rent which the Smiths would need to pay over the same period of time to live in decent housing without public aid, while the net cost to the Federal Government amounts to only 18 percent of the economic rent. That it is meaningless to compare these figures with the original cost of building the house may be seen from the Chart on the opposite page.

Dollars
25,000

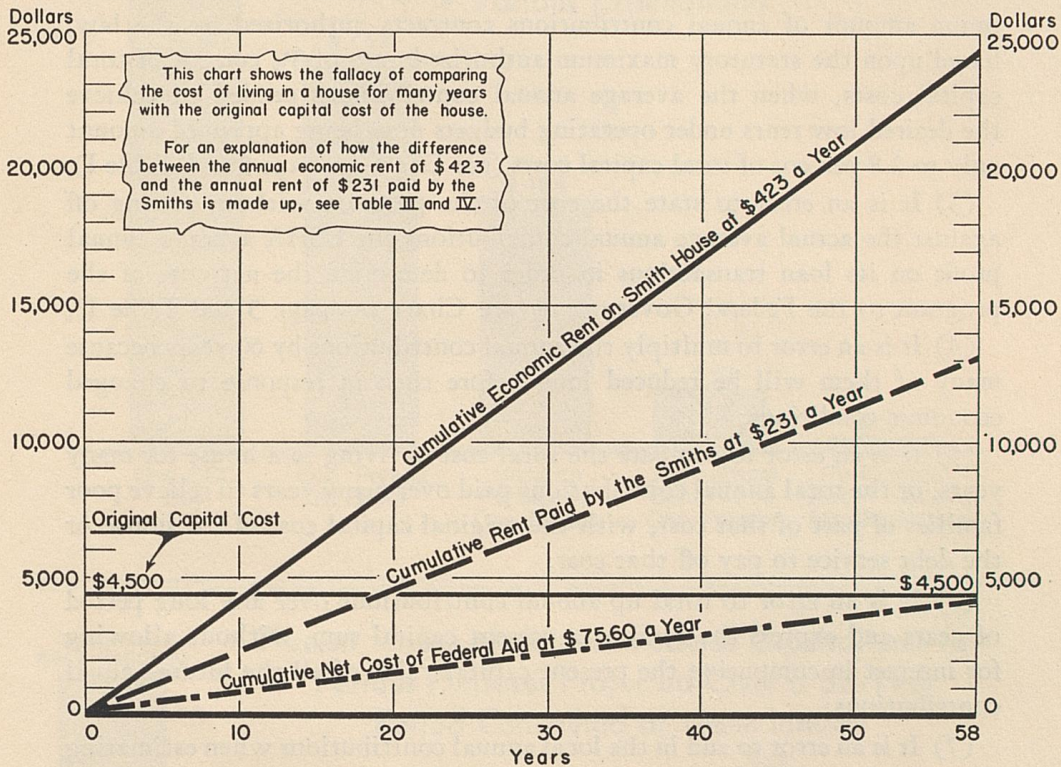
20,000

15,000

10,000

5,000

How the Cost of Living in the Smith House Over a Period of Years Compares With Its Original Capital Cost



The errors which have entered into calculating the cost to the USHA of helping the Smiths have likewise been applied to the whole program. On occasion, some people have taken the \$73,000,000 which represents the statutory maximum authorization to enter into annual contributions contracts under the present law plus the proposed expansion which passed the Senate in 1939 (see Chart on page 5 and Table I), multiplied this by 60 years and arrived at the figure of \$4,380,000,000. Some have added in the capital loan authorization of \$1,600,000,000 under the present law and the Senate bill, and come to the sum of almost \$6,000,000,000 as the total cost to the Federal Government to build \$1,600,000,000 worth of housing. Still others have figured local annual contributions at 50 percent of the \$4,380,000,000 sum cited just above, thus adding another \$2,190,000,000 and raising the grand total cost to over \$8,000,000,000 to do \$1,600,000,000 worth of housing. The foregoing careful analysis of the errors of this method of calculation as applied to the Smith house need not be repeated to correct these miscalculations. It will suffice to summarize the major errors that have produced them:

(1) It is an error to add capital loans to annual contributions, because the capital loans do not cost the USHA a penny—in fact, they yield a profit;

(2) It is an error to state the cost of the program as the statutory maximum amount of annual contributions contracts authorized by the law, based upon the statutory maximum authorized rate of 3½ percent of total capital costs, when the average annual contributions needed to achieve the desired low rents under operating budgets now being approved amount only to 2.8 percent of total capital costs (see Chart on page 5 and Table I);

(3) It is an error to state the cost of the program without setting off against the actual average annual contributions the USHA average annual profit on its loan transactions in order to determine the net cost of the program to the Federal Government (see Chart on page 5 and Table I);

(4) It is an error to multiply the annual contributions by 60 years because many of them will be reduced long before then in response to changed economic conditions;

(5) It is an error to compare the total cost of living in a house for many years, or the total annual contributions paid over many years to relieve poor families of part of that cost, with the original capital cost of the house or the debt service to pay off that cost;

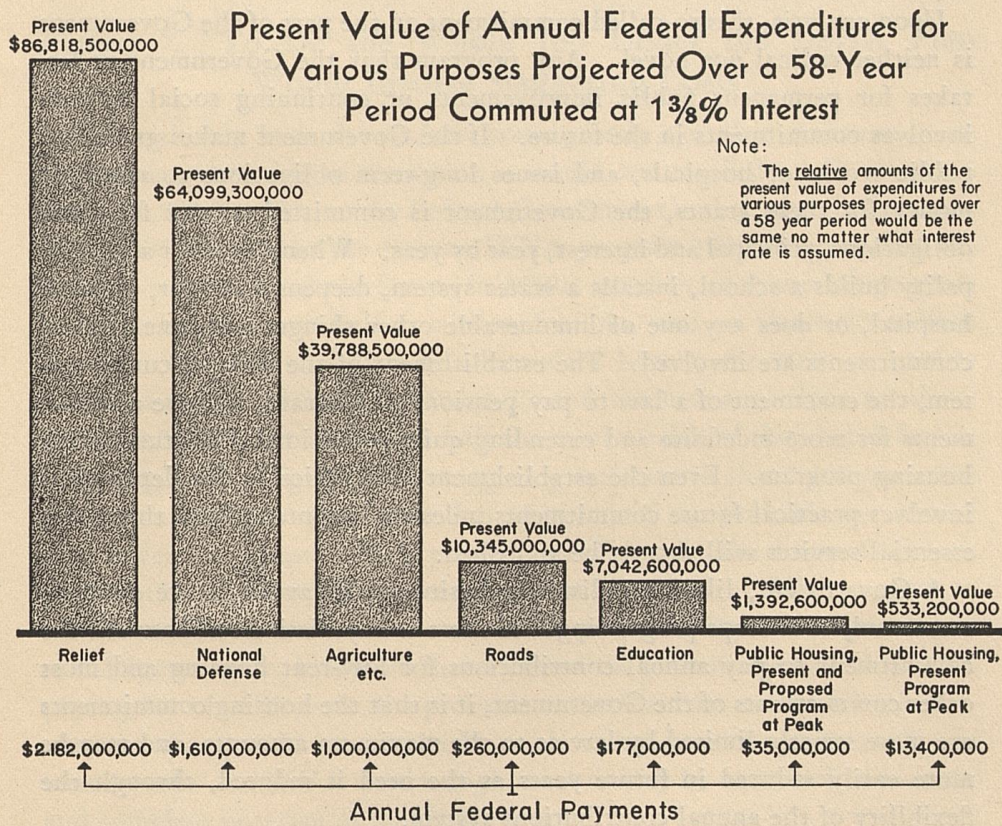
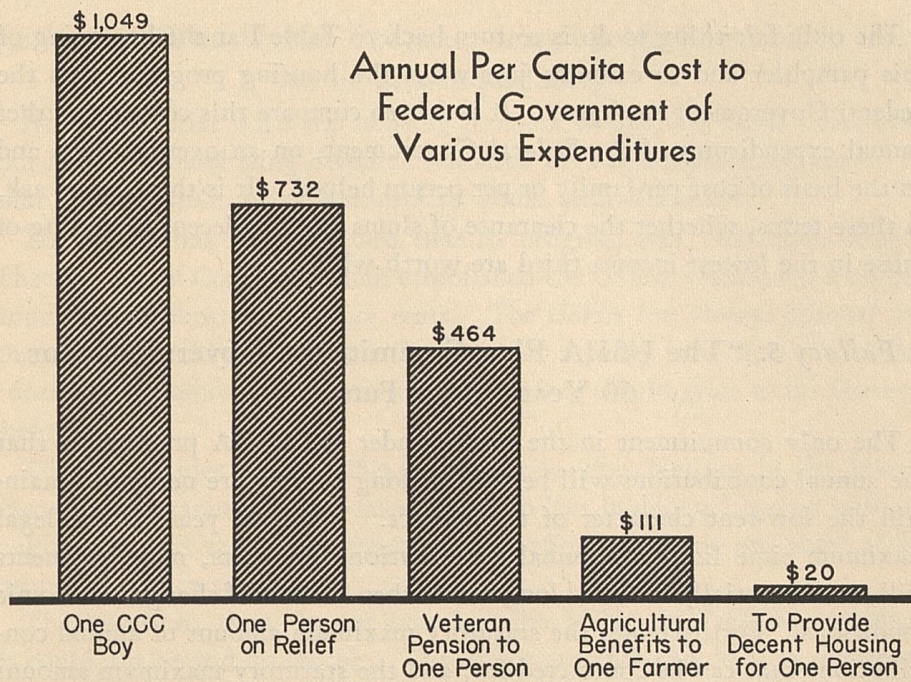
(6) It is an error to total up annual contributions over any long period of years and express the total as a present capital sum, without allowing for interest in computing the present capital value of all the future annual contributions;

(7) It is an error to add in the local annual contributions when estimating the cost of the USHA program to the Federal Government.

Above all, the fundamental error is to multiply the annual contributions allowed under the law to be paid in any one year by any given number of years—be it 10 or 30 or 60—without realizing this:

The system of annual contributions represents a pay-as-you-go policy. The cost of the USHA program to the Federal Government each year is reflected in the actual USHA annual contributions for that year less the annual profit on USHA capital loans. The social benefits of the USHA program each year consist in the help given persons of very low income in that year, and the upper Chart on the opposite page validly compares the annual cost of this help with the annual cost of various other Federal expenditures. Fifty-eight years of annual contributions would produce fifty-eight years of social benefits.

If one wants to talk about the cost of housing in terms of 60 years, one should bear in mind for purposes of fair comparison, such as the lower Chart on the opposite page, the 58-year costs of social security benefits, agricultural subsidies, interest on the public debt, maintaining the Army and Navy, or any of the other necessary or desirable functions of an enlightened government.



The only fair thing to do is to turn back to Table I at the beginning of this pamphlet and to examine just what the housing program costs the Federal Government *each year*. It is fair to compare this cost with other annual expenditures of the Federal Government, on an over-all basis and on the basis of cost per family or per person helped. It is then fair to ask, in these terms, whether the clearance of slums and the decent rehousing of those in the lowest income third are worth while.

Fallacy 5. "The USHA Plan Commits the Government for 60 Years in the Future"

The only commitment in the future under the USHA program is that the annual contributions will be paid so long as they are needed to maintain the low-rent character of the project. While 60 years is the legal maximum time limit on annual contributions contracts, most payments will be substantially modified long before then because of changed economic conditions. Furthermore, the statutory maximum amount of annual contributions that can be contracted for, and the statutory maximum amount that can be paid in any one year, are rigorously fixed and limited by the law.

Upon analysis, this so-called commitment on the part of the Government is neither radical nor novel. Any program that the Government undertakes for permanent public improvements or continuing social services involves commitments in the future. If the Government makes grants for public works or hospitals, and issues long-term obligations to raise the money for these grants, the Government is committed to pay for these obligations, principal and interest, year by year. When a State or a municipality builds a school, installs a water system, deepens a harbor, builds a hospital, or does any one of innumerable other things, the same kind of commitments are involved. The establishment of the social security system, the enactment of a law to pay pensions to veterans, involve commitments far more indefinite and extending quite as far into the future as the housing program. Even the establishment of a police or fire department involves practical future commitments unless it is contemplated that these essential services will shortly be abolished.

A Government, like an individual business, can avoid future commitments only if it stops progressing. If there is any distinction between the commitment to pay annual contributions for low-rent housing and most other commitments of the Government, it is that the housing commitments are more strictly limited by law as to the maximum amounts, and may be more easily reduced in future years as the need is reduced, through the flexibility of the annual contributions system.

Fallacy 6. "The USHA Program Improperly Represents Itself to be Self-Liquidating"

No one familiar with the housing problem would ever claim that slums can be cleared and slum dwellers rehoused on a self-liquidating basis. If that were possible, private enterprise would clear the slums.

The USHA has never claimed that its program was "self-liquidating." The very act of Congress which established the USHA authorized it to pay annual contributions to reduce rents. The USHA has always pointed out that its loans did not cost the Government a penny, and that the annual contributions represent the true and only cost of the program to the Government.

The whole idea of the USHA program is that families in the lowest income third cannot by and large afford to live in decent housing without public aid, and that our country cannot afford to allow one-third of its people to live in slums.

The question, then, is not whether the USHA is "self-liquidating." It could not be and do its job. The important thing to do is to obtain an accurate account of what the USHA costs the Government each year, and then to measure that cost against the benefits received.

Fallacy 7. "To Do the Whole Job Under the USHA Plan Would Involve Staggering Costs"

It has already been shown how some grossly mistaken estimates have been made purporting to show that it would cost the Federal Government about \$6,000,000,000, or the Federal Government and the localities about \$8,000,000,000, to do the present USHA program plus the proposed expansion which passed the Senate in 1939. As such an expanded program would rehouse about half a million families, and as about 10 million American families now live in substandard homes, the same estimators have multiplied \$8,000,000,000 by 20 and reached a product of about \$160,000,000,000, or more than half the total wealth of the United States.

In rough round figures, this staggering estimate is about *300 times* the present capitalized value, for a full 58 years, of the probable net annual cost under the *present* USHA program as shown in the lower Chart on page 25, that is, about 300 times the total cost of the present USHA program to the Federal Government for the maximum period of 60 years. Speaking in round figures again, it is more than 12 times the present capitalized value of paying, for a full 58 years, the probable net annual cost to the Federal Government that would be involved in rehousing at once everyone in the country who the USHA thinks might conceivably be embraced in an ideal and complete program of public housing.

Even with these corrections, the USHA thinks it problematical and unrealistic to talk about the cost of "doing the whole job."

In the first place, the public housing program is in its infancy, and is no more ready to bear the burden of "the whole job" than the early pioneers in public roads or public health or public education were ready at the start for the gradual developments of half a century. Any first step forward can be discredited if made answerable at once for the ultimate goal.

And secondly, new technical developments in reducing costs, new inventions, gradual improvements in the income levels of the American people, and the progressive extension of private home building into lower income fields, all make it unreasonable today to predict how much public aid to housing will be needed in the distant future. If we have any confidence in the destiny of America, we must expect that our present economic system will bring material improvements diminishing if not removing the need for public assistance.

Subject to these very real reservations, this much might be said: While there are probably more than 10,000,000 families in the United States who are ill-housed, all of these should not be taken care of by public housing. In America as in England, a public housing program for a portion of these families would vastly stimulate private housing for the rest of them near the top of the lowest income third. A public housing program calling for the construction of about 300,000 dwelling units a year, or 4,500,000 units over the next 15 years, would reasonably assure the decent housing of the entire Nation.

Such an ideal program, totally unrelated to anything now contemplated or projected, even when at the peak 15 years hence would cost the Federal Government, at the present average of about \$75 a year net per family rehoused, about a sixth as much per year as the annual cost of a \$2,000,000,000 national defense program. And the benefits of such a program in terms of economic and social stability would be incalculable.

But there is no such program under way now nor even considered. The only program under way now is one which, at a net annual cost to the USHA of about \$75 a year per family rehoused, or a probable net cost at its peak of about \$13,400,000 a year beginning in 1943 (see Chart on page 5 and Table I), will rescue about 160,000 families from the slums. The only expansion of this program now proposed is the bill which passed the Senate in 1939, which together with the present program would involve a probable net cost at the peak of about \$35,000,000 a year beginning in 1946 (see Chart on page 5 and Table I) and would rescue almost half a million families or about 2,000,000 people from urban and rural slums.

Is this program worth while?

V. THE MERITS OF THE CASE

THE POSITIVE BENEFITS OF slum clearance and low-rent housing to the individual, the community, and the Nation are so universally accepted that they require no extended discussion. The time has come when thoughtful people do not ask: "Is the housing program desirable?" They only ask: "What does the housing program cost?"

This question has now been answered.

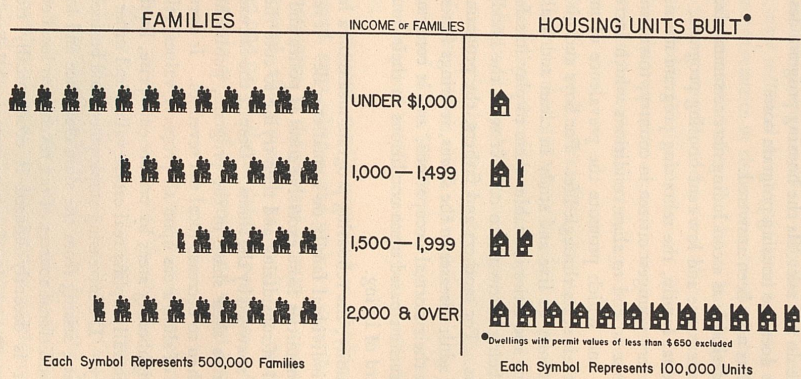
But it may be desirable as a concluding note to summarize the affirmative merits of a slum clearance and low-rent housing program.

For the individual family, the rehousing program means a new way of living. For the very youngest citizen in country, town, and city, safe and sanitary homes put an end to slum conditions which increase the rate of infant mortality and which promote the prevalence of many diseases of infancy leaving their scars through life. For boys and girls, the program affords an opportunity to live and study in clean and healthful surroundings, and in towns and cities it enables them to play in safe and supervised areas instead of being thrown into contact with the hoodlums and gangsters of the slums. For mothers and fathers, the program cuts down the excessive rate of adult diseases in the slums, it brings fitness for more productive work in their normal occupations, and it confirms their faith in democratic institutions based upon conditions in their homes meeting the American standard of living.

For the community, the rehousing program means on a larger scale what it means to the individual family on a smaller scale. It relieves the budgets of local communities from excessive costs of police and fire protection, and from the toll of subsidizing and then trying to cure the crime, disease, and delinquency spawned by the slums. Despite the tax exemption granted by the localities as their share in the program, public housing tends to increase rather than to decrease local tax revenues. It does away with the depressing effect of slum areas upon all property values, stimulates the improvement of neighboring areas by private enterprise, liquidates tax delinquencies, and generally uplifts real estate values and other property values in the community. The increasing employment and business activity, both public and private, arising from the slum clearance and low-rent housing program afford additional sources of tax revenue to local communities. A community that is decently housed is economically richer, physically stronger, and morally sounder than a community blighted by slums.

For business and industry, the public housing program provides economic benefits hardly matched by most other forms of public works. In fact, the public housing program is in many respects private business. It utilizes private contractors, engineers, and architects, and employs workers through the normal channels of the building industry. Furthermore, each dollar spent directly for housing means two dollars spent in the factories,

URBAN RESIDENTIAL CONSTRUCTION FOR FAMILIES IN THE UNITED STATES BY INCOME GROUPS



Sources: ¹Figures on income, derived from "Consumer Incomes in the United States", 1935-1936, National Resources Committee.
²Figures on housing units built in all urban places estimated from building permit data published by the Bureau of Labor Statistics, and cover years 1929-1936.

This Chart shows why a public housing program for the lowest income group cannot possibly compete with private residential construction.

the mines, and the other establishments which supply materials, and other money spent by businessmen and wage earners who have new sources of revenue. Contrast the annual cost of the housing program with the annual volume of activity it creates, and the conclusion seems inescapable that few other forms of public aid yield so much at so low a cost.

For all those engaged in private home building, home selling, and home renting, the slum clearance and low-rent housing program offers no possible competition because it serves only those whose incomes are far too low to live in decent housing supplied by private enterprise. On the contrary, by elevating the standard of demand for better housing, and by developing techniques for more economical construction, as well as by its general stimulating effect, a public housing program wherever attempted on a large scale has meant a far larger revival and expansion of private home building. Of this the English housing program is a well recognized and extraordinary example.

For labor, the production of homes to serve the needs of the heretofore neglected lowest income third, and the stimulation of private home building for families of somewhat higher income that inevitably follows, combine to open up for new employment the largest undeveloped market in the country.


For the investor, likewise, the expansion of housing activity opens up a field for the use of idle capital incomparable in its present extent and its future possibilities. Already the public housing program has begun to develop a new and substantial opportunity for local long-term safe investment, at reasonable interest rates, of capital which has long been idle and nonproductive.

For the taxpayer, the public housing program means relatively small public expenditures and a uniquely high rate of return for every dollar spent. Not a dollar spent for housing involves made work to meet a temporary emergency. Every dollar spent for housing goes into the production of useful and permanent social and economic community assets, thus building up the durable wealth of the Nation. And a wealthy Nation is more economical for the taxpayer than one which is running downhill as its housing standards decay.

For the Nation as a whole, the slum clearance and low-rent housing program unites the idle forces of men, money, and materials in a campaign to wipe out the slums, to further business revival and reemployment, and to establish for more of the people the elementary American standard of decent housing to strengthen and confirm the democratic ideal.

Have You Read These ?

BRINGING DOWN CONSTRUCTION COSTS

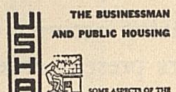


Construction costs under the Nationwide Low-rent Housing and Slum Clearance program administered by local housing agencies with aid of the United States Housing Authority.

IT WAS A BUSY AFTERNOON at the site of Jefferson Homes. At one end of the huge building the concrete foundations were still being poured. At the other the bricklayers were busy at work on the first story walls. It was 4:30 when the sun had set and the air was still and warm.

Low-rent housing is ANYTOWN. The United States Housing Authority is here among a "Three Government" group. They don't own the houses, but they do build them.


THE BUSINESSMAN AND PUBLIC HOUSING



SOME ASPECTS OF THE NATION-WIDE LOW-RENT HOUSING AND SLUM CLEARANCE PROGRAM ADMINISTERED BY LOCAL HOUSING AGENCIES AIDED BY THE UNITED STATES HOUSING AUTHORITY.

Public housing in every corner of the country is the direct and substantial aid of the business community. In the past, not only the low-rent housing but also the slum clearance program. More recently, the slum clearance program.


HOUSING AND JUVENILE DELINQUENCY



One of the considerations that led to the development of the low-rent housing and slum clearance program administered by local housing agencies with the aid of the United States Housing Authority.

JUVENILE DELINQUENCY flourishes in the shadow of the slum. Despite the fact that the vast majority of slum-dwellers are decent citizens whose low incomes keep them in better homes, studies made over years have repeatedly shown that the delinquency rates are almost always higher in slum areas. In one Chicago slum area, one out of every three children between the ages of 10 and 17 passed a year in the slum. The delinquency rate in Hartford slums was found to be 100 percent of the city and in Cincinnati it was three times as high.


TAX EXEMPTION OF PUBLIC HOUSING



ASPECTS OF THE NATION-WIDE LOW-RENT HOUSING AND SLUM CLEARANCE PROGRAM ADMINISTERED BY LOCAL HOUSING AGENCIES AIDED BY THE UNITED STATES HOUSING AUTHORITY.

Public housing is not exempt from the usual rules of taxation. In fact, it is exempt from the usual rules of taxation. In fact, it is exempt from the usual rules of taxation.


LABOR AND HOUSING



LABOR'S part in the Nationwide Low-rent Housing and Slum Clearance program.

THE RAGING FLOODS struck the feet. The walls are half high and low, they have been built, many, well-ventilated houses for their meager income. The slum-dwellers are not perfect housing places for their families. It is the home of an American worker who don't they find a better home? It is the home of an American worker who don't they find a better home?

REHOUSING RELIEF FAMILIES



ONE OF THE ASPECTS OF THE NATION-WIDE LOW-RENT HOUSING AND SLUM CLEARANCE PROGRAM ADMINISTERED BY LOCAL HOUSING AGENCIES AIDED BY THE UNITED STATES HOUSING AUTHORITY.


Relief families will derive great benefits from the low-rent housing projects now being constructed by local housing agencies with the financial assistance of the United States Housing Authority.

It is the official policy of the USHA to include relief families in general will be unable to afford the rents charged in USHA-aided projects. The actual situation is as follows:

- (1) The USHA rehouses relief families in USHA-aided projects. It is not true that relief families in general will be unable to afford the rents charged in USHA-aided projects.
- (2) Rents in USHA-aided projects will be well within the reach of large numbers of families on both home relief and work relief, will always be lower than rents in other available forms of decent housing, and will often be lower than the rents which relief families are now paying for substandard housing.
- (3) The only relief families unable to enter USHA-aided projects will be those receiving income absolutely inadequate for minimum maintenance, and who therefore have not been paying and

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LOW RENTS FOR LOW INCOMES



A vital aspect of the low-rent housing and slum clearance program administered by local housing agencies throughout the country with the aid of the United States Housing Authority.

JOE SMITH, his wife, and kids live in a slum. Not because they like it. "If we could find anything better for \$12 a month we even a little more," declares Mrs. Smith, "we'd move out in a jiffy."

The Smiths have done plenty of looking. They have scanned the advertisements, columns of the local papers and played their friends with inquiries. They have examined dozens of recent dwellings.


Yet all the houses that rented around \$12 a month were no better than their present home. The same small, ill-ventilated rooms, the same bad plumbing, and the same dismal neighborhood.

And all the houses that were better were being rented at \$20, \$25, or \$30 a month. Joe Smith could not pay that much rent. He earned only \$30 a month and every additional dollar for rent meant using money that should go for clothing, medicine, and other necessities.

How can the Smiths and other families in the same predicament or even worse escape from the slum?

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HOUSING AND YOUR COMMUNITY



Some of the considerations that led to the provision of Federal aid to local communities for slum clearance and low-rent housing.

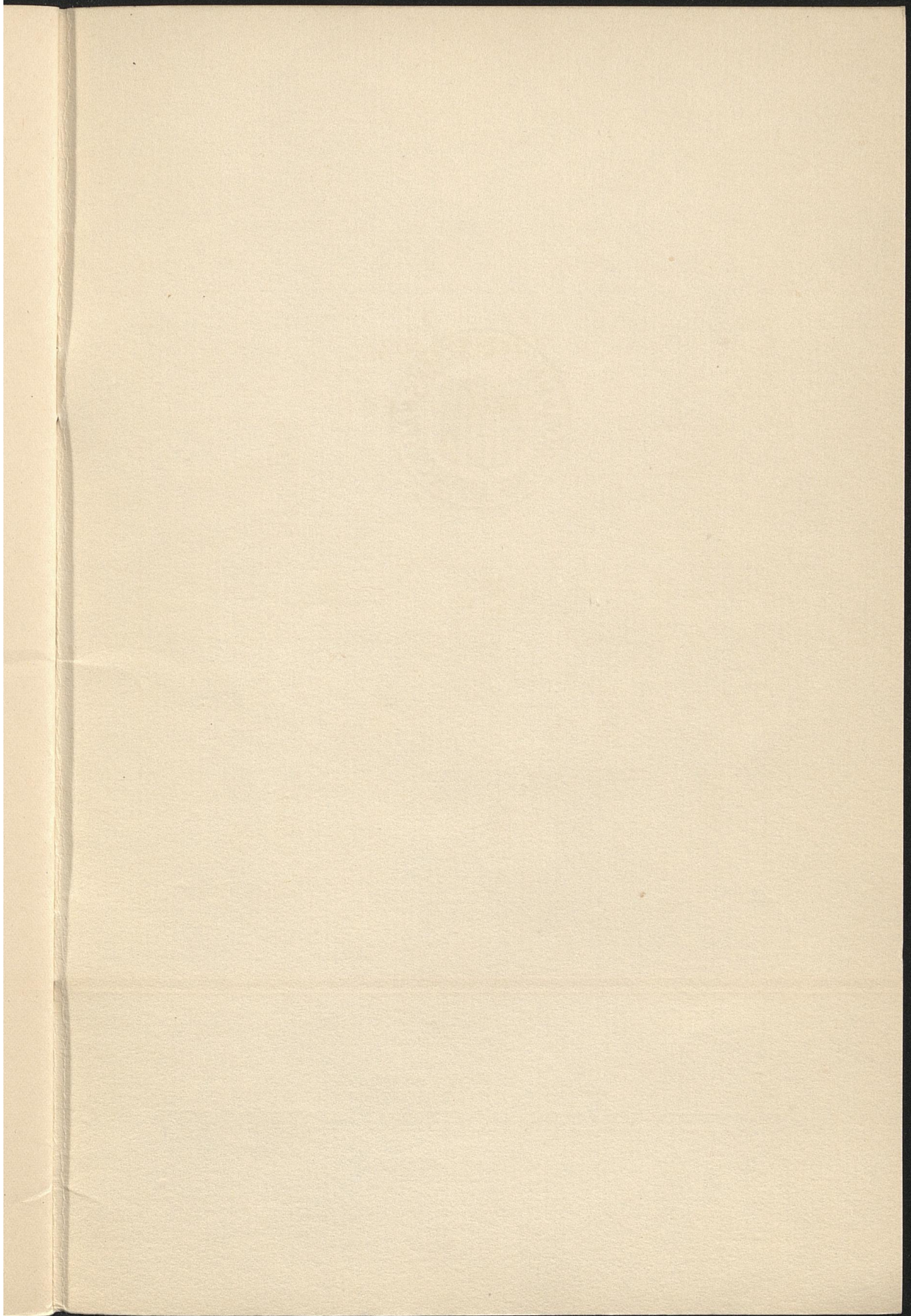
SLUMS HAVE LONG BEEN a major drain upon our civic progress, our civic well-being, and our civic pocketbooks. Since the turn of the century the problem has been a major one for communities all over the country.

Good housing is one of the fundamental necessities of life. When homes are substandard or inadequate, the welfare of individuals and of the community at large is severely threatened as it is by inadequate food or scanty clothing.

Practically no community in America is free from the curse of substandard housing. Yet without assistance, no local government, much less private enterprise, has been able to tear down slums and build decent low-rent dwellings for families of low incomes.

The year 1937 brought the first ray of hope to millions of slum-dwellers and to scores of local governments engulfed in the housing slum. For in that year Congress set up the United States Housing Authority as a permanent agency to help local communities carry out slum clearance and rehousing programs. USHA loans and annual contributions toward low-rent rents were made available.

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FEDERAL WORKS AGENCY

UNITED STATES HOUSING AUTHORITY

NATHAN STRAUS, *Administrator*