

FW 3.3: 383



FEDERAL WORKS AGENCY
UNITED STATES HOUSING AUTHORITY
Washington

USHA PRESS SECTION
Rm. 6044, North Interior Bldg.
RE. 1820 -- Ex. 4193

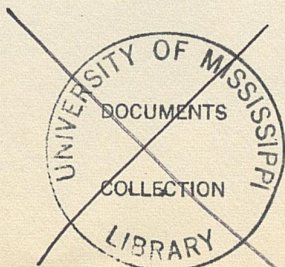
Release No. 383

FOR RELEASE TO AFTERNOON PAPERS OF SEPTEMBER 13, 1939.

The attached address will be delivered by Jacob Crane, Assistant Administrator of the United States Housing Authority, before the Twenty-Sixth Annual Convention of the Illinois Municipal League, Hotel Kankakee, Kankakee, Illinois, at 11 a.m. on Wednesday, September 13.

It is for release in afternoon papers of that date.

Univ. of Ky. Libraries



I am deeply gratified that I have been extended an invitation to attend this State Convention and to discuss with you certain aspects of the problems that are confronting municipalities in Illinois and throughout the nation.

As public officials, we are familiar with certain criteria that have long been the basis of city planning. Sound city planning, as we all know, cannot proceed solely along lines of physical improvements in our urban environment, however excellent they may be from a technical point of view. Public works alone -- roads, waterworks, airports, schools, parks, community and recreation centers, libraries, public utilities, and the like -- even though perfected and greatly expanded, are not sufficient in themselves to solve the economic and social problems confronting our communities.

Though the engineers, the architects, the artists, and the technicians have demonstrated their technical skill, solutions to the problems that confront you and me, and all persons who hold public office, must first of all be worked out on the basis of sound social and economic criteria. No matter how careful our technical approach may be in the planning of public works, city planning will be a mockery and the provision of such facilities as I have enumerated will fail to offer the necessary solutions unless our plans grow out of a recognition of the fundamental needs of all our citizens, which an effective democracy can be expected to satisfy.

One of those needs is decent housing. Another is adequate employment under good conditions. Today, both of these problems are major concerns of

your respective municipalities, and in greater or less degree of practically every community in America, from the great metropolises down to the smallest hamlets. Tomorrow, as the result of war in Europe, you will find an even graver housing problem on your municipal doorsteps. Whether we get into it or stay out, the war will retard private residential construction in this country, as workers are siphoned off from normal occupations into the war industries, and the acute shortage of decent housing that has alarmed and challenged us in its present proportions will be intensified.

Bearing in mind the social and economic criteria that are necessary in good city planning, I should like to review the background and program of the United States Housing Authority, which was set up to help communities all over America meet the peace-time housing dilemma in a prudent and progressive way, through slum-clearance and low-rent housing projects. With a greater housing dilemma in prospect for our cities as the result of war, the low-rent housing program becomes still more urgent and more important than before the war started.

Up until a few years ago, responsibility for the physical environment of our citizens rested largely in the hands of private enterprise. Aside from the enactment of zoning ordinances, our environments have been subject only to minimum physical standards relating to safety, sanitation, and fire protection. The acute housing shortage resulting from a paralyzed construction industry has kept many of these safeguards from being strictly enforced for fear of visiting even greater hardship on people who could have found no other dwellings in which to live.

The social and economic liabilities of substandard housing areas have long been familiar to all of us in a general way. But in recent years an increasing number of cities have made surveys that demonstrate conclusively what most people had previously only assumed: areas of substandard dwellings are invariably those that are most costly to the local government for fire and police protection, for public health services, for the correction of juvenile delinquency, and for other needlessly expensive social services. Disproportionately large parts of shrinking city budgets are being spent in an attempt to alleviate the social distress arising from slums. In some cities the cost of servicing substandard areas exceeds the tax revenue from those neighborhoods by five to ten times.

Nine slum areas in Birmingham studied in 1933 revealed that the average net loss to the city, after deducting taxes received, was \$1,770 for each of more than 300 city blocks:

In 1934 a report was made in Cleveland on the economic cost of a certain small slum district covering less than one percent of the area of the city. That particular neighborhood absorbed around $4\frac{1}{2}$ percent of all the city spent for police protection, more than 7 percent of total expenditures for health services, and about $14\frac{1}{2}$ percent of the cost of fire protection. Yet if the area's taxes could have been collected to an average extent, they would have amounted to only $\frac{3}{4}$ of one percent of the city's tax revenues.

Such facts as these do not mean that the cities in which surveys were made have worse housing conditions than elsewhere. They merely indicate that some cities are better informed as to just what those conditions are costing them in dollars and cents as well as in human misery.

Despite America's quantitative and qualitative housing shortage, private enterprise has not been able to provide new homes for low-income families because such building is profitless. Until the passage of the United States Housing Act of 1937, even the municipalities that had recognized that the most effective way to cope with many of their costly social problems was to attack them at their roots, nevertheless were powerless to go in for eliminating substandard dwellings and providing decent housing. The full subsidy required for such undertakings was prohibitive.

Under the program of the United States Housing Authority, the rebuilding of our cities is established as a joint Federal-local responsibility. Now, without taxing their debt limitations and without draining local treasuries, American communities are able to set about solving their housing problems.

No initial or annual appropriations from local governments are required for either the construction of a public housing development or for its annual operating expenses. The USHA lends the local authority 90 percent of the cost of a project, and the local authority raises the remaining 10 percent by the sale of its bonds on the open market.

The USHA also makes annual grants-in-aid to the local authority after the project's construction. This Federal contribution and a local contribution (in the form of tax exemption, as provided by Illinois law) serve to reduce the rents to a level low-income families can afford.

Since the Illinois Housing Authorities Act provides for the payment of a service charge on housing projects by the local authority to the city or county, in place of full taxes on the value of the new public housing, there

is little or no loss of existing tax revenues. In the long run, local governments actually stand to gain considerably, for with the wiping out of slums there will inevitably be a reduction in the excess amount of municipal expenditures in slum areas.

Illinois communities have been quick to take advantage of Federal aid for low-rent housing. Widespread public support has resulted in the establishment of 11 new local housing authorities since the middle of July in cities and counties all over the state. This brings to 19 the number of such public housing agencies that have been set up in Illinois to plan, construct, and manage low-rent projects replacing slums.

Many other communities are now analyzing their local housing needs with a view to taking part in the rehousing drive. As a result of the programs to be carried out by the newly created authorities, Illinois has been brought to top rank as a leader in state housing activity.

As you know, one factor that added impetus to the Illinois housing drive was the decision of the State Supreme Court in January of this year, upholding the exemption of public housing projects from local taxation, along with the principle that the elimination of unsafe and insanitary housing is necessary for the protection of public welfare.

The Illinois Housing Authorities Act is a typical one. Local housing authorities may be established by any city in the state having a population of 25,000 or more, and by any county regardless of population. Following a resolution on the part of the city council or the county board of supervisors recognizing the critical need for housing in a community, five members

are appointed to the authority by the mayor or chairman of the county board. The State Housing Board approves both the resolution and the appointments.

Peoria deserves particular attention for its local housing efforts. While all of the older housing authorities in the state are planning or carrying out active programs, it is Peoria that has set the pace. In June of this year the Peoria Housing Authority led the way by razing sub-standard dwellings on the sites for two projects that will provide attractive new homes for more than a thousand families of low income.

The Peoria Housing Authority has signed USHA loan contracts totaling more than \$4,000,000. Chicago has a USHA loan contract for nearly \$9,000,000, and additional funds have been set aside for other large-scale developments pending the working out of actual project plans. A USHA earmarking of \$1,500,000 has been made for St. Clair County. This brings the total USHA commitments for Illinois communities to date to more than \$20,000,000. These initial loan funds will make it possible to provide pleasant, modern dwellings in well-planned communities for around 5,000 families who are now ill-housed.

The Illinois housing program possible under the USHA commitments to date will mean actual construction jobs for a year for around 6,500 carpenters, masons, painters, plumbers, and other building tradesmen. For every 10 men who get such jobs at the project sites, at least 15 will get work indirectly created by the construction activity -- men employed in quarries, mines, mills, factories, offices, and in various other capacities related to the production and transportation of building materials and supplies. This means a year's indirect employment under the present Illinois program for some 9,500 men. In all, around 16,000 man-years of direct and indirect work will be provided

in Illinois. Because of the nature of employment in the construction and building materials industries, these jobs will be spread over an even greater number of men in part-time and seasonal work.

Other benefits of getting rid of bad housing and building well-planned low-rent projects filter through almost every phase of our economic life. For instance, delinquent real estate taxes in the amount of several millions are being paid up to city treasuries under just the immediate program. Extensive public housing activities throughout Illinois call for the employment of real estate experts in making appraisals and negotiating for sites. Several hundred Illinois architects, draftsmen, engineers, and landscape architects will be employed in planning and supervisory work.

Millions of dollars worth of orders for construction materials in Illinois and throughout the nation are serving to regenerate the building materials industries. And two or three times the value of the present volume of public housing construction is being released in purchasing power, to circulate through every conceivable line of national and local retail trade. In short, the communities that are undertaking public housing programs are increasing their capital assets at the same time they are producing a richer physical environment and a fuller economic life for their citizens.

Though all available funds under the USHA's initial \$800,000,000 loan authorization have been allocated, many of the local housing authorities in Illinois that lack USHA commitments are going right ahead with project plans. Such communities are aware of the fact that designing a low-rent project and properly integrating it with the general city plan require both time and care. Once the planning of a housing program begins in any city,

more thought is usually given to recreational, educational, health, transportation, and industrial facilities. In fact, a sound local housing plan can serve as a realistic basis for sound city planning.

In spite of their knowledge that no USHA funds remain to be earmarked, Illinois housing authorities have submitted additional requests to the USHA totaling around \$25,000,000. Spurred on by their critical housing needs and serious unemployment, as well as by the realization that the USHA program is a permanent one, a dozen or more of such far-sighted local authorities in Illinois will be among the first in line to obtain loans and proceed with actual construction when additional USHA funds become available.

One charge frequently made but never substantiated against public housing is that it is competitive with private enterprise. The fact of the matter is that low-rent housing cannot compete with private builders because it is limited by law to serving families in the lowest income group. The private building of homes for rent or sale has served almost exclusively families in the upper third tier of incomes. Between the upper third and the lower third, there is an extensive middle-income field into which public housing will not venture. But if our businessmen can profit by English experience, private building will expand into this field when the residential construction ball really starts rolling. For in England, the public housing program for workers' families raised the standard of demand and demonstrated large-scale construction economies, thereby actually leading the way for a private construction boom three times as large as the governmental program.

Though public ownership and management and some public subsidies are necessary if decent homes are to be available for our ill-housed families, it is erroneous to make too great a distinction between the operation of public and private residential building programs. The decentralized USHA program is carried out by private contractors engaged directly by local housing authorities, and it stimulates an extensive network of private industries directly or indirectly related to home building.

This procedure is quite different from the highly centralized program first undertaken by the Federal Government, under which the former Housing Division of PWA itself built a number of demonstration projects later transferred to the USHA until they can be leased or sold to local housing authorities. Three such projects were built in Chicago. Because of the difference in the methods of financing, the PWA Housing Division projects' rents are somewhat higher than those being achieved under the USHA program, although for some time now the USHA has been adjusting these project rents downward so that they too will be within the reach of very low income families.

While the benefits to be derived from USHA projects are enormous, the cost of the program is relatively small. The loans made by the USHA are not only strictly repayable; they yield a small interest profit. The only cost to the Federal Government is the total of annual contributions made to help bridge the gap between the rents decent new housing would ordinarily require, and the rents low-income families can afford to pay. These subsidies cannot exceed \$28,000,000 a year under the present Act. Under S. 591, the bill to expand the USHA program, which has passed the Senate and is now on the House calendar, up to \$45,000,000 in additional annual grants-in-aid would be provided.

These figures are gross costs. Since the Federal Government makes a profit on loans for project construction, the net annual cost under the present program amounts to only around \$20,000,000. The passage of S. 591 would mean a total net annual cost of only around \$50,000,000 under the present and expanded program -- or several million dollars less than the average cost of a battleship for our Navy over the past six years: This would make it possible to house around 2,000,000 very poor persons now living in unfit homes.

The net annual cost to the Federal Government for rehousing a family from substandard living quarters is only around \$100 or about \$25 per person rehoused. What Federal investment is there that is more worthwhile than such modest outlays for decently rehousing families otherwise doomed to health-breaking, demoralizing lives in the slums? Compared with present expenditures for armaments, relief, agriculture, education, road-building, and the like, public housing is easily one of our wisest, most productive, and most economical investments.

Now as to the local contribution toward low rents that I spoke of a moment ago, I'd venture to say that there is more misunderstanding of this phase of the housing program than about any other aspect. The United States Housing Act provides that a local annual contribution equal to at least a fifth of the Federal annual contribution be made to help enable the housing project to operate at low rents. As I pointed out, in Illinois and elsewhere the accepted and simplest method of making such a contribution is by granting tax exemption of the new property, which is publicly owned and as much a civic asset as the tax-exempt city hospitals or jails that are necessary to care for human driftwood from areas of bad housing.

To tax such a project as a commercial property is taxed would not only be inconsistent with the theory of joint Federal-local responsibility; it would also defeat one of the main objectives of the public housing program - low rents.

The highest theoretical loss to a municipality when it exempts a new project from taxation is the value of taxes on the substandard homes eliminated. Such properties are never properly very highly assessed, and are notoriously tax delinquent anyway. But in that connection I must be pointing out the obvious to you as officials of municipalities.

Perhaps you are wondering just how low public housing rents really are. The average monthly shelter rent for the first five USHA-assisted projects, which were opened in July, is \$6.60 per family dwelling unit in Austin, Tex.; \$10.50 in Jacksonville, Fla.; \$13 in Buffalo, N. Y.; and around \$17 in New York City, where costs and wage levels are higher.

Families served by these projects have average annual incomes ranging from around \$450 in Austin to about \$950 in New York City, though many families have incomes less than these averages. Some families are from relief rolls.

Yesterday the job of rehousing such families of meagre income was begun under the breaking clouds of depression. Today the long accumulating clouds of war have let loose bombs and death on people less fortunate than ourselves. It is ironic to reflect that right now, while cities like yours are struggling with the housing deficit that grew out of the last war, there is every indication that we are heading for a greater shortage. It is ironic that, scant as private residential building has been in America in recent years, even that volume will soon decline as a result of war. Housing accommodations will become scarcer and more

costly with the influx of additional workers into industrial areas. Such was the experience of our cities in the last war.

The reaffirmation of America's neutrality by President Roosevelt was welcomed by the nation's desire for peace. But the complexities of national and international life make it increasingly clear that more is needed than a passive love of peace. We must work for peace and build for peace. And there is perhaps no saner, no more practical form of peace building than the building of decent low-rent homes. The process and the product mean recovery and security for the people of America.

The greatest untapped market for durable capital goods is in the field of housing. The greatest potential market for idle money in terms of investment, employment, and need is in the construction of decent, new homes. A continuous and expanded public housing program can serve as the basis of a sound prosperity that will not collapse with the end of war, and that will leave well-planned public housing projects as monuments to the wisdom and progressiveness of American cities.

I do not claim that the public housing program alone will keep us out of war, but I do say that there is more urgent need now for local public housing activities than ever before. Housing, as part of the program for the complete utilization of our national resources and productive powers, is a non-partisan issue around which we can constructively center the united and progressive temper of our people, helping business as well as labor, the producer as well as the consumer, the well-to-do as well as the underprivileged.

The public housing program fits into the American way of doing things. It makes Federal financial, legal, and technical aid available through the USHA,

but it places the key to better housing in the hands of the communities of America. Or more exactly, the key rests in the hands of such local executives as are represented here today, who are largely responsible not only for planning the actual physical development of our cities, but also for directing their social and economic destinies.