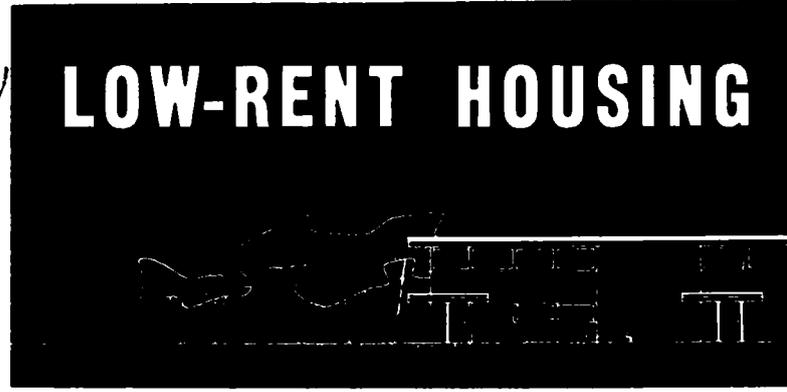


But a community's basic asset is not its property but its people. On the average, families rescued from slums and rehoused in decent surroundings are healthier, more efficient workers, better citizens. As the Senate subcommittee declared in August 1945, "a supply of good housing, sufficient to meet the needs of all families, is essential to a sound and stable democracy."

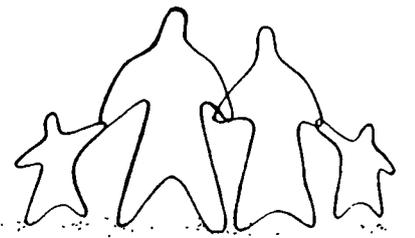
*"to attack the social evils of the slums
and to provide decent living quarters..."*

A COMMUNITY'S BEST ASSET IS ITS people



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NATIONAL HOUSING AGENCY

FEDERAL PUBLIC HOUSING AUTHORITY

LOW-RENT HOUSING

"There is no immediate aim of the American people," a Senate committee unanimously declared in 1937 after 3 years of investigation, "more widely supported and more insistently voiced than the desire to attack the social evils of the slums and to provide decent living quarters . . ."

The reasons were clear. Evidence in every city, and in most of the towns and farm areas, had demonstrated the acute need for a program to rehouse low-income families who could not afford to pay for decent housing. Ten million families—the one-third of the Nation referred to by the late President Roosevelt—were ill-housed. A tremendous challenge confronted private housing industry and the Government.

In August 1945, in the closing days of the war, a special subcommittee of the Senate reaffirmed those earlier findings. After reviewing the Nation's housing supply and post-war needs, the subcommittee stated: "Every family must have a decent home in which to live . . . Slums are not only a deterrent to the development of a sound citizenry, but they lower the people's desire for healthful and attractive surroundings and the hope of improving their conditions."

The slums have been indicted on a dozen counts:

To doctors and public health officers they represent the plague spots of tuberculosis, pneumonia, and other preventable contagions; areas where the death rate is highest, particularly among new-born infants.

To police forces and social welfare agencies, they appear as a generating source of juvenile crime and moral delinquency. To local fire departments, they outline the firetrap zone, where fires are most frequent and hardest to check. In the fiscal terms of city officials, slums are the areas of low tax revenues and high expenditures for police and fire protection.



THE PEOPLE VERSUS *the slums*

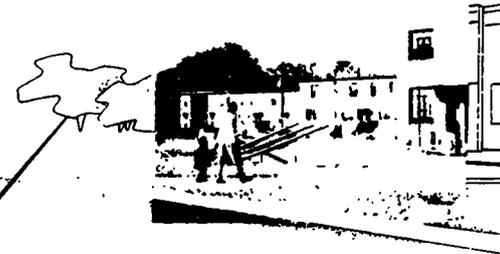
To businessmen, slums are a swamp where building activity stagnates. The high cost of slum land makes slum clearance and rebuilding on slum sites an unprofitable venture for private enterprise.

To housewives and mothers, who must spend most of their time at home, slums represent dismal, insanitary workshops where cooking, laundering, and child-rearing are carried on in conditions that State industrial hygiene codes would not tolerate in a factory.

To owners of homes and other property, they are a financial menace. A slum neighborhood tends to spread a creeping blight that impairs the value of nearby property, and that threatens property values throughout the city.

All these groups and many others have spoken out for a program to tear down slums and rehouse the families in new homes built for decent, healthful living. It has been shown that such a program cuts down the cost of municipal services and protects property values. It also means good business—particularly for the cement, lumber, steel, glass, and other building materials industries, for private contractors and construction workers who do the actual building job, and for private investors, whose capital can be put to work profitably in housing project bonds.

LOW RENT BECOMES LAW



For reasons like these, Congress in 1937 passed the United States Housing Act. Before America entered the war and had to put aside further expansion of low-rent housing, this act along with companion laws in 39 States, launched a Nation-wide attack on the slums. Under its provisions, nearly 200 communities razed slums and built 334 low-rent housing projects. From shabby, rat-infested

city tenements, and to a lesser extent from shacks on the countryside, nearly 106,000 low-income families moved into decent homes at rents they could afford to pay.

When the war began, only half of the authorized program had been completed. More than 11,000 dwelling units, under construction at that time, were completed to house war workers, and will be turned back to the use of low-income families after the war. Additional war housing projects, making use of remaining low-rent funds, were authorized by legislation supplementing the U. S. Housing Act; the 53,000 dwelling units under this legislation will also become low-rent housing after the war. In areas not requiring more war housing, the construction of another 24,000 planned low-rent dwellings was deferred.

Before the surrender of Japan, work began on more than a thousand of these, to help relieve housing shortages in congested areas. After VJ-day local housing authorities were notified that they could prepare to resume construction of other deferred low-rent housing as soon as materials became available.

Added up, the total program thus means the rescue of 194,000 low-income families from the drabness and filth of slums—concrete evidence that action can be taken against the slums to produce tangible results.

THE FEDERAL GOVERNMENT HELPS, BUT THE COMMUNITY DOES THE JOB

To administer the low-rent program, Congress set up a Federal agency, the United States Housing Authority. Its functions, along with the public war housing functions of other Federal agencies, were transferred in February 1942 to the Federal Public Housing Authority, set up by Executive order as a constituent of the National Housing Agency.

As far as low-rent housing is concerned, the powers of FPHA are strictly limited. It cannot go into a city or town to tear down slums or build new housing. It cannot even award contracts to have these jobs done by others. Under the U. S. Housing Act, the decision on whether a specific locality should clear slums and build a low-rent project is the business of the people who live in that locality. If, through their local governing

body, they decide that low-rent housing should be built, owned, and managed in their community, all these functions are performed by a group of local people. This group, called the local housing authority, is generally appointed under State law by the mayor or governing body, and serves without pay. Its members (usually five) cannot be selected or dismissed by FPHA, or draw a Federal salary.

The locality, working through its local authority, can get several types of help from FPHA

LOANS. To raise the money needed to build a low-rent housing project, the local authority may borrow up to 90 percent of the development cost from FPHA, which has been authorized to lend a maximum of 800 million dollars for this purpose. Such loans must be fully repaid, over a period of no more than 60 years, together with interest that usually runs from 2½ to 3 percent.

ANNUAL SUBSIDY. Most of the cost of providing low-rent housing—including management expenses, repayment of the development loans with interest, maintenance, repairs, insurance, and so on—is borne by the tenants themselves. But the rents that low-income families can afford to pay do not cover the full cost. Part of the deficit is made good by FPHA through a yearly subsidy, called the annual contribution, which is appropriated by the Congress. The amount varies from year to year, depending on the amount needed to keep the rentals within the tenants' reach, but for the total program it cannot run over 28 million dollars in any one year. The most that can be paid to any local authority for a year's operation is limited to a percentage of the project development cost equal to the going Federal interest rate plus 1 percent. For example, on a \$500,000 project with a percentage fixed at 3½ percent, the top Federal contribution in any one year would be \$17,500.

TECHNICAL ADVICE. FPHA has a staff of technicians, in Washington and in its regional offices, familiar with housing law, architecture, construction, management, and other housing aspects. The local authority may draw freely upon their experience and knowledge. However, so long as it meets prescribed minimum standards, it has complete leeway to write its own ticket on the site to be utilized, the style of architecture, type of building materials, and similar matters.

THE LOCAL AUTHORITY MUST MEET CERTAIN LEGAL REQUIREMENTS

In order to qualify for loans and annual contributions, local authorities must, of course, observe the basic requirements that Congress wrote into the U. S. Housing Act to make sure that the money would be spent to lift low-income families out of the slums. These are the things the local authority is required to do:

PROVE that the locality needs public low-rent housing

The local authority, by a survey or other means, must first get the facts about local housing conditions—the extent of bad housing, the rent levels that slum dwellers can afford to pay, the lowest rents at which private developers can supply decent housing, and so on. To guard against any possibility that public low-rent housing might compete with private home building, FPHA requires the local authority to admit only families well below the income level necessary to pay the lowest rents charged in the locality for decent private dwellings.

RAISE part of the project development cost from private capital

To insure that the project is on a sound financial basis and is locally acceptable, the authority must obtain at least 10 percent of the development cost from non-Federal sources, generally by selling bonds to private investors. This requirement has been met with ease. Actually, local authority bonds have been so well accepted in financial circles that more than one-third of the capital cost, of projects on which long-term financial arrangements have been made, has been loaned by private investors. Thus, instead of having to lend the 90 percent contemplated by the U. S. Housing Act, FPHA has put up less than two-thirds. Since the act went into operation, private investors have increased their share of the financing every year. In a number of cases private funds account for 85 percent of the total financing, and in New York City recently, private capital financed a project 100 percent.

OBTAIN local contributions to help assure low rents

At least one-fifth of the annual subsidy paid by FPHA must be matched by a local contribution. Both the U. S. Housing Act and the State laws permit the localities to make their contribution by exempting low-rent projects from taxation, and this has invariably been the method used to meet this requirement. So that the low-rent tenants and project may bear part of the community's tax burden, local authorities make annual service payments, generally known as payments in lieu of taxes, up to 10 percent of shelter rent. Such payments must not exceed full taxes or reduce the local contribution below one-fifth of the Federal contribution, but they are often greater than the taxes formerly collected on the slum property. In 1944, low-rent projects paid an average of \$17.76 per dwelling unit, or a total of nearly \$1,900,000. Because of war incomes and large rent revenues, the 1944 payments were above normal.

ELIMINATE one slum unit for every new dwelling unit built

Where a project is built on a slum site, clearance of slums is automatic, since the old structures must be torn down to make way for the new. But local authorities are required to eliminate slums even if the new project is built on vacant land. Somewhere in the locality it must arrange for an equal number of unfit dwellings to be demolished, brought up to decent standards by compulsory repair, or closed up. By the end of June 1945, local authorities had brought about the elimination of 105,000 substandard dwellings, as against 117,000 on which elimination could be legally required at this time. However, the act provides that elimination of substandard units may be postponed in localities with an acute housing shortage. The small remainder has accordingly been deferred in order to prevent dangerous overcrowding.

BUILD and operate the projects economically

Local authorities are not permitted to run above a dwelling facilities cost of \$5,000 per unit in large cities, or \$4,000 in smaller cities. (Dwelling facilities cost excludes the cost of land, nondwelling facilities, and slum demolition.) This requirement compels them to practice strict economy in construction, and to forego any features smacking of luxury. Actual costs of dwelling facilities have been kept well below the limits, averaging \$3,782 in the larger cities, and \$3,328 in the smaller ones. The local authority, it should be mentioned, does not do the actual construction job itself, but awards the job to private contractors on the basis of competitive bids.

THE LOCAL AUTHORITY MUST MEET CERTAIN LEGAL REQUIREMENTS—Contd.

RESTRICT the project to eligible families

The local authority must see that every family admitted to a low-rent project meets three basic requirements of eligibility:

1. The family must be living in a substandard dwelling. (This requirement is waived for returning veterans, many of whom lack accommodations of any kind.)
2. The family head—the person who signs the lease—must be an American citizen.
3. The family income must be below the level needed to obtain adequate, privately owned housing. Under the U. S. Housing Act, the net family income of applicants may not be more than five times the gross rent (the rent charged by the project, plus the estimated cost of any utilities not covered in the rent). The net income of families with three or more minor dependents may not exceed six times the gross rent. The top rent must be less than the minimum rent for decent privately owned dwellings.

Local authorities have generally adopted a system of grading rents to income. An eligible family is assigned the size dwelling unit it needs, and is charged the maximum rent it can afford. To comply with the spirit of the U. S. Housing Act on a continuing basis, FPHA requires local authorities to conduct a reexamination of tenant family incomes once a year, so that if the family incomes have changed, rents may be adjusted to bring them in line with the income limitations. For example, a three-person family that moved in with a net income of \$60 a month, would pay a gross rent of at least \$12; if a subsequent reexamination showed that its income had increased to \$70 a month, the gross rent would be raised to at least \$14. The graded rent system, along with the policy of adjusting rents to income, accounts for a feature of low-rent housing that has sometimes puzzled observers—the phenomenon of two families paying different rents for identical dwelling units. The explanation is that each is paying as much as it can afford, and the dwelling unit of each is being subsidized no more than necessary.

Families whose incomes increase above the top limit are not eligible to continue to live in the project, and are given notice to move. In normal times, when accommodations are available on the private market, enforcement of this policy does not create a difficult problem. The difficulty during wartime has been that the booming war production areas where incomes have gone up most sharply are usually areas of acute housing shortage.

Where no other dwellings are available, it is, of course, not practicable to compel the over-income family to vacate immediately. Its rent is raised to the maximum so that it will not be subsidized, but the family is temporarily allowed to remain in the project while intensive efforts are made to find other accommodations.

HOW MUCH DOES LOW-RENT HOUSING COST THE FEDERAL GOVERNMENT?

Some people have the mistaken idea that the Federal Government pays the full cost of the low-rent program. They take the average cost of building a dwelling unit, multiply it by the total number of units, add in the cost of operation and come out with a large sum of money. Then they assume that all this represents expense to the Government.

The arithmetic may be right, but the assumptions are wrong. The lion's share of this total cost is covered by the rents that low-income families are able to pay. The initial

cost of building the projects—the total development cost—is not charged to the Government. Local housing authorities borrow a large part of it from private investors, and are regularly paying it back. The rest is borrowed from the Government, and this debt (along with interest) is also being paid off in full.

The only cost to the Federal Government is the pay-as-you-go annual subsidy. The Federal contribution makes it possible for local authorities to operate the projects and repay their capital debt with interest—and still keep rents within the means of low-income families.

In recent years, operating economies and improved tenant incomes have kept the subsidies well below the legal maximum. During the war, contributions were low because of war incomes, but normally they can be expected to be higher. Contributions required to maintain low rents in 1944 totaled \$8,600,000, only \$7.19 per dwelling unit per month and about three-fifths of the full amount permitted by law. Through December 1944, the Government had paid annual contributions totaling less than \$38,800,000. This is the total Federal cost of clearing the slums and rehousing the families since the projects first went into operation.

THE COST TO THE COMMUNITY—AND THE BENEFITS

While the Federal Government puts up part of the yearly housing cost, the local community, improved by slum removal and a more adequate supply of good housing, is also expected to bear part of the cost. The U. S. Housing Act requires the locality to match at least one-fifth of the Federal contribution. State housing laws make this feasible by permitting the projects to be exempt from local taxes—a method authorized by the Federal act.

Figured at its maximum, the cost of low-rent housing to the city or town is the amount of tax exemption, less the payments made in lieu of taxes. The net exemption, though not paid in cash, is a real contribution. For example, in 1944, the local contribution covered 15 percent of the total cost of operating the housing (In comparison, the Federal subsidy took care of 20 percent, and rents paid for the remaining 65 percent.) Thus, tax exemption covers a substantial part of the housing cost. If projects were required to pay full taxes, rents would have to be increased beyond the reach of low-income families, thereby defeating the purpose of the law. Thus, a community cannot participate in the slum clearance and low-rent program without sharing in the cost.

The community, however, does receive real value for the contribution it makes toward good housing. Slum properties are usually poor taxpayers. Taxes assessed are often delinquent. Slums pay less in taxes, and cost the city more in upkeep, than other areas. In Boston a survey showed that the city's deficit from a slum area was \$48.24 per person, from all other residential areas the average deficit was only \$10.81. Unless the community grants tax exemption for a proposed low-rent project, the project cannot be built, and the low-revenue slums remain.

The drain of slums on local treasuries has been demonstrated in all parts of the country. Atlanta, Ga., for example, reported in 1941 that its slum area paid 5½ percent of the city's real property tax revenues, but cost the city 53 percent of its police, fire, health, and other service costs. By reducing the frequency of fires, disease, accidents, crime, and juvenile delinquency, the replacement of slums by good housing cuts the cost of services furnished by the city government.

Finally, slum clearance increases a city's income by increasing the value—and hence the tax revenues—of neighboring property.