

# The Poverty of Cities

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**R**ESIDENTIAL BUILDING in New York has virtually ceased. Why? Because incomes are incompatible with housing costs. This was the view expressed by Boyd T. Barnard, an American developer, when he addressed the Royal Institution of Chartered Surveyors recently. He said: "Private developers have stopped building luxury apartments because of their cost forced up by rising land prices, high interest rates and the misery of doing business in this strike-ridden, traffic-strangled city. Government-financed housing has also halted because the costs per room have outstripped the limits set by the Federal Government."

In spite of an abundance of grant-aided programmes, U.S. housing targets have consistently failed to be met. A special Commission set up by President Johnson advised that the minimum requirement was 2.6 million homes a year for ten years. This year about 1.3 million will be started and the most productive year to date has produced only 1.9 million.

Conceived more than twenty years ago, the Urban Renewal Programme has been dragging its feet, it has been cumbersome in administration and costly to the American tax payer. Although more than 2,600 projects are under way in 1,000 communities, only 470 have been completed. So far \$3.2 billion of Federal aid has been given. Other commitments total \$7.2 billion backing a total programme of 116,500 acres of which only 16,200 acres have been completed.

These figures show that even with large sums of money readily available to subsidise city rebuilding, progress can be very slow. Part of this is attributable to the local communities' reluctance to initiate action. Although the renewal programme is a Federal one, the initiative has to be local. Once a start has been made however, the Federal grants may be claimed for subsidising the write-down in land values *i.e.* the difference between acquisition and clearance costs and the price at which the site is disposed of to the approved developer to execute an agreed scheme.

To date, about 460,000 blighted homes have been demolished but only 257,000 new or rehabilitated dwellings have been started or completed. The full work load amounts to 1,300,000 homes and 66 per cent of these will be for low and moderate income families.

The failure of the efforts made to combat the increasing squalor of American cities has sent officials and politicians scampering in all directions for new ideas. Mobile homes, cheaper homes and industrialised homes have all been considered. But the general conclusion remains: without subsidy—be it of interest rates, write-down of land costs or direct rent aid—housing for the lowest, low and low-middle income families is not a practicable proposition.

What other answers are there? Mr. Barnard has observed that the land cost "write-down" policy has helped in house building, and that where tax exemption on new building has been granted, this too has stimulated investment. What Mr. Barnard has failed to see is the connection between the two. He recognises that private developers respond to tax incentives but has not seen how taxation generally can be used positively. The land tax has the twin merits of making land dearer to hold but cheaper to buy. More than that, it does not impose a burden on improvements.

If the U.S. Government is serious in its wish to mount an all-out attack on urban poverty and poor housing conditions, it should urge and encourage the States to introduce land-value taxation. L.V.T. would free the sites locked up by speculators. It would prompt the rehabilitation of worn out property and reward the enterprising. Above all else, it would permit the bureaucrats to step back and watch things happen of their own volition.