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BLIGHT, TAXES, AND THE FUTURE OF OUR CITIES

Dr. Karl L. Falk's address to the Associated General Contractors of America in Los Angeles on February 28 deserves the architect's and engineer's attention, because it reflects an uncommonly frank stand on the future of our cities on the part of a man who is at the same time a public official, an economics teacher and a private business man. The following are highlights from his speech.*

"It has become a favorite American pastime to berate the ugly American city and to act as if it were a dying institution and that we are all a bunch of six-fingered oafs in not coping with its problems. I would like to state at the outset that things aren't really that bad. I would rather try to make a few positive suggestions as to how we can meet some of the challenges we face. . . .

"We can be proud of the fact that we have achieved the highest standard of living the world has ever known and even have it within our grasp to eliminate poverty almost completely within the next generation. Eight years of living, working, and traveling abroad in modern and ancient countries, in democracies, and in dictatorships, in mystic and feudalistic countries, have impressed me with the fact that, by and large, we have a greater sense of social responsibility and respect for the dignity of the individual and equal opportunity than any other country in the world.

Need more sensitivity

"Having said the positive about our country, I want to look at some of the negative. The "ugly American" doesn't just refer to persons. It re-

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**Dr. Falk, who is one of the speakers at this month's AIA convention, is president of the First Federal Savings and Loan Association of Fresno, Calif., professor of economics at Fresno State College and past president of the National Association of Housing and Redevelopment Officials.*

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fers to our cities. As far as our cities are concerned, we are aesthetically speaking, pretty insensitive.

"We are ready to accept litter-bugged highways, rusty old auto junk yards, unsightly and unnecessary utility wires and poles in front of our most beautiful homes, screaming billboards and gaudy neon signs, dilapidated and deteriorating residential and commercial slums, maddening noises and bumper-to-bumper traffic congestion, polluted air that isn't fit to breath for man nor beast—all without seriously challenging the fact that it doesn't have to be so.

"Our approach has often been too piecemeal and fragmented. As an active participant in the savings and loan industry I have tried to tell my colleagues there that their interest in housing and cities must be beyond only a financial interest. . . .

Citizens committees needed

"The problems of our American cities can't be solved by government action alone, federal, state, or local. It is gratifying to see that in various parts of the country, citizens' committees are being set up—not only to meet a formality to qualify to receive federal funds for urban renewal—but to take a broad, balanced approach to meeting the community's problems, finance, facilities, housing, renewal, and cultural and economic improvement. . . .

"In our own lifetime America has changed from a rural to an urban economy. 70 per cent of our people now live in cities. Our political units of local, state, and federal government have not yet adjusted to this fact, and rurally-oriented state and federal legislatures and provincially-minded local governments have not faced up to what needs to be done if life in our cities is to be natural, or normal.

"The Kansas wheat farmer is infinitely better represented politically than his more numerous middle income city cousin. In fact, I never cease to be amazed that the federal government has paid out more subsidy for a single crop, potatoes, than it has for all its urban renewal and housing programs put together.

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come tax breaks. Ownership of slum real estate is one of the most lucrative investments—if your conscience doesn't bother you and if you don't mind letting your fellow taxpayers pick up the tab for problems you help to create.

"In California there is under interim study a proposed constitutional amendment which would allow local option on differential taxing of land and improvements. This would be one way of penalizing slum ownership and rewarding home improvement, without recourse to extensive federal government subsidies, which are still only a drop in the bucket in fighting slum clearance and urban renewal. Estimates of the cost of doing the job by subsidy alone—in Chicago it is taking almost \$100 million to clear one square mile—are so astronomical as to defy execution.

"Code enforcement is another step, but, this will never be effective until the profit is taken out of slums by taxation. Fairer and more consistently applied local tax policies, still yielding the same total revenues, would be one reasonable tool. In short, high land costs could be brought down, and most slums eliminated, by more courageous use of tax policy at the local level, without the need for federal subsidy. . . .

Tax sense sought

"In testifying before both the Senate and House Currency and Banking Committees this past session of Congress I also supported the idea that those making improvements be allowed a reasonable deduction from their income tax for such improvements. I know these and other suggestions sound like crackpot reformism to those happy with the status quo, but they are worth looking into.

"In fact, as an economist, I think our economy is seriously handicapped by our whole tax system, which has led to business decisions being made, right and left, not on the basis of whether they are good for the business or for the economy as a whole, but on the basis of tax considerations alone. It is the tail wagging the dog.

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"We have made great progress in housing in this country where over 60 per cent of our families have or are buying their own homes. This tends to assure a stable society and political moderation. . . .

"We cannot be as proud, though, of the fact that with all our progress the 1960 census reveals that one-fifth of our housing is in a dilapidated or deteriorating condition.

"But not all our slums are in housing. American cities have all too many deteriorating commercial and industrial properties and parcels of improperly used land. Nor are slums confined to big cities. Those in smaller urban communities are often as bad or worse. 63 per cent of the cities and 44 per cent of projects in the urban renewal program today are in cities with populations of less than 50,000.

Loose zoning at fault

"Haphazard strip zoning, fringe area shacks, housing minorities and farm laborers in communities like my own, and unsatisfactory enforcement of proper building and housing codes have resulted in serious problems. Rapid unplanned growth and land speculation have helped to develop slums by causing artificial increases in land values. High land prices—not merely high costs of financing, building, or restrictive labor practices—are probably the number one handicap to building in the United States to-day.

Property tax decried

"Our unfair and short-sighted tax policies have aided land speculation and growth of slums. We all know there is unfair division of the tax dollar between the levels of federal, state, and local government. What is even more unfair and also unwise, in my opinion, are our tax policies in relation to land and improvements.

"Cities subsidize slums by under-taxation and penalize improvements by over taxation. Local governments subsidize land speculation by underassessing and undertaxing under-used land, while the federal government benefits speculators and slum landlords by giving them in-

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"How can America pay the tremendous costs of repairing our deteriorating cities? Without going into the complex estimates of the cost of renewing our cities (excluding costs for normal construction) a reasonable estimate of the renewal costs for housing, roads, community facilities, public buildings and the like, for the next 10 years, should run to some \$500 billion, which is somewhat less than the Gross National Product for this year. Some estimates are twice as high, but they are somewhat too generous.

"Can we afford the cost? I think the answer is yes, and without cutting elsewhere. If we increased our investment rate in urban renewal by 2 per cent—from 10 to 12 per cent of the Gross National Product, with a normal growth in GNP—the job could be done within a generation, without cutting into other fields of expenditure. As an economist, I am satisfied that the economic capacity is there. . . .

'George' won't do it

"We cannot just sit and expect 'George to do it.' Too often we elect or appoint city officials and then expect them to do it all, as though with our taxes we have bought a 50-yard line ticket to the football game and now enjoy the right—without any responsibility—to criticize the quarterback for every mistake, whether it's his fault or not. I feel somewhat strongly about this as a non-paid citizen commissioner who has taken a beating from both sides.

"About two-fifths of our local expenditures have to be for 'unproductive' purposes, that is, not directly paying out capital investments like streets, public buildings and the like. We have to become interested in how these expenditures are made, what impact they will have on the future 'productive' side, and what they will do to shape our future life in the city.

"We also have to remember that if the aim of the economy and of government activity isn't to promote the welfare and well-being of the individual, we are just wasting our time. . . ."