# The Housing Problem

By RICHARD W. HILL, JR.

**The second speaker on the Henry George School banquet program, Richard W. Hill, director of the research bureau of the New York State Division of Housing, said he was "Murray Dreyfuss' boy," indicating that he had been influenced by R. M. Dreyfuss, an instructor in the school.**

**This is a portion of his address in which he made a plea for an element of taxation which would directly encourage conservation and rehabilitation, and said tax incentives or other subventions must be used to bring rentals within the ability to pay of slightly higher income groups.**

THE next few years are critical for housing and urban renewal. We must think big and act big in this field before the flood of new family formation engenedered by the high birth rate of the 40's overwhelms us in the 60's and 70's.

By 1975 our population will reach 230 million. An additional 18 million families will need housing. We must also deal with the problem of approximately 15 million substandard houses. In 1953, President Eisenhower's advisory committee estimated 5 million of them would have to be cleared and over 5 million more would require rehabilitation. These figures do not include an estimated 3 million farm units to be cleared or rehabilitated.

Assuming we can build the new homes at $13,000 per unit, we are facing in terms of dollars, if we add the cost of new migration movements, transportation problems and community services, a grand total of $500 billion, if we are to achieve the standard of a good home in a good environment for every American. Are you shocked by these figures? If so, I'm afraid they're conservative—the job will cost much more.

In 1920, after World War I, there was a great shortage of housing in New York. The state legislature, in trying to encourage new housing, permitted cities to exempt such housing from taxation up to $1,000 per room but not to exceed $5,000 per dwelling. A great deal of housing was built under this incentive that would probably not otherwise have been provided. The low rents were primarily due to tax exemption of the new buildings. Taxes were paid on the land value only, for a period approximately that of the mortgage.

During the depression years of the 30's, the Federal Public Works Administration started a program of housing projects to relieve unemployment. Then, to prime housing activity through private financing, the Federal Housing Administration insurance system was started in 1934. The Federal Housing Administration made great strides in improving building standards and mortgage practices, and was the means of providing home ownership to a large part of our population. In 1937 the federal low rent public housing programs began, continuing the pattern started by the Public Works Administration. The following year, in 1938, the housing amendment to New York's constitution was passed and the state embarked on a housing program for low income families. After demobilization the veterans' emergency housing program was inaugurated. This, with direct state financing, provided more than 60,000 persons with stop-gap housing. Last year the people of New York voted to continue this Limited Dividend Program and two others:

one, $100 billion in loans to provide housing for families of moderate income; two, $25 million to help in the clearance of slums.

Under the Urban Renewal Program for slum clearance, the federal government agrees to pay two-thirds of the net cost, the community one-third. Under the new program, the state agrees to pay one-half of the community's share, thus encouraging the community to do a more thorough and comprehensive job. As in the slum clearance program of public housing, so-called fair prices are paid for the run-down buildings. But where public housing clears its millions, urban renewal will clear its billions. The acquisition costs were high under public housing, but there were alternate site choices. Under urban renewal, with very little site choice, a premium is put on the slum, resulting in higher prices.

As an example of this, in the Fort Greene public housing project in 1943, construction cost was $901 per rental room, land and other costs were $577. In Douglass Houses completed in 1958, where the site had been heavily built on as at Fort Greene, the construction cost was $2,209 and land and other costs were $1,844 a rental room. The increase in construction costs between the two projects was two and a half times; land and other costs increased more than three times.

On the urban renewal projects now under contract in the City of New York, the cost of acquiring the sites is $178 million. Their sale to private developers will net $40 million. It is expected that the developers will put up new construction valued at $423 million, but because some of the projects will have a partial tax exemption the assessed valuation subject to taxation will be about $265 million. At any rate, the developer will get his land at about 9 per cent of his total cost.

Under the state's Limited Dividend Program the land value of the site is the basis for taxes; the buildings are tax exempt. Some people say this is pure George. However, this tax on land evolved from the principle that the community should not lose any taxes which it had been getting. This is the same taxation principle used in the state's low rent public housing program.

When I first came with the Division of Housing in 1942, I attended a staff meeting during which one of our consultants, James Felt, now chairman of the City Planning Commission, proposed that a depreciation sinking fund be established for each new building based on its expected life. A proportionate amount would be deposited in the fund each year so that at the end of the depreciation period the building could be cleared or substantially rehabilitated. The argument against this sinking fund plan was that it would increase rents. But reluctance or inability to adopt this funded approach only means we are putting off the problem. When the building is obsolescent it will undoubtedly have to be cleared at public expense, probably as part of a future Urban Renewal Program. We need some such plan today to guard against excessive outlays in the future. If it had been in effect years ago, our problems of urban renewal would not be so staggering now.

## NEWS FROM THE FASHION FIELD

**Margaret de Mille, granddaughter of Henry George, who was formerly associated with Bloomingdale's in New York, is now Fashion Merchandise Manager of the Associated Dry Goods Corporation. This is the parent company of ten large stores including Lord & Taylor in New York, and Miss de Mille (Mrs. Kaplan in private life) is in the newly formed Market Division.**