Federal Housing

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UNITED STATES Senator Tydings of Maryland severely critized the provisions of the Act under which the Slum Clearance program is administered. In a forceful and factual speech in the Senate chamber, which was reported in the Congressional Record of March 8, 1939, he laid stress on the extent to which government funds were being employed, not only as loans, but as outright gifts. Senator Tydings pointed out that the ultimate cost of government-fostered projects is highly conjectural, due to the fact that, in addition to the loan, which may under the law amount to as much as 90 per cent of the cost, the United States Housing Authority agrees to guarantee against losses in operating expenses.

The method of procedure calls for the formation of a Municipal Housing Agency, which enters into a contract with the United States Housing Authority. The contract provides not only for the required loan, but also for reimbursement to the Agency, in the event that the rent stipulated by the Authority is insufficient to meet the requirement of operation and management. However, the reimbursement cannot exceed 80 per cent of the deficiency. To this extent it takes the form of a definite rent subsidy and consequently, an outright gift. The Municipal Housing Agency provides 10 per cent of the cost of the project plus the site, together with 20 per cent of the deficiency. It can readily be seen how unreliable any estimate of ultimate cost will work out, when we realize that loan agreements may have up to sixty years to terminate. Consequently, the rent subsidies, if they persist during the loan period, with the likelihood of annual variation, become practically undeterminable.

Because of the keen interest taken by Georgeists in the general subject of housing and the costs thereof, we have taken excerpts from the speech of Senator Tydings:

So far 141 apartment houses in twenty-two States of the nation, the District of Columbia and Hawaii have been contracted for and are being constructed under the United States Housing Authority. The total cost of these 141 apartment houses, which will provide living quarters for 64,431 families, will be $356,695,341, or an average cost per apartment house of $2,529,045. This gives us an average cost of $5,520 for each family unit in these new apartment houses supplanting the slums.

According to another agency of our government, whose activities are wholly confined to insuring private homes—that is, the Federal Housing Administration—the average cost of the average American home lived in by the average American family today is $5,384. . . .

Moreover, by the contracts entered into between the United States Housing Authority and the cities of America, these new apartment houses supplanting the slums and, consequently, the families that will live in them, are to be exempted in whole or in part from local taxation.

This, of course, is quite understandable, since the local Housing Agency is an integral part of the municipality which created it, and naturally cannot collect taxes from itself. This exemption therefore applies to *both* land and improvement. The Municipality, nevertheless, does assess the site and often exorbitantly high because there is no one to register a complaint that it is incorrect or unfair. The exempted assessment is carried on the Tax Rolls, often serving to increase the legal margin for "Borrowing Capacity." The practice, however, does not obtain in New York, being specifically prohibited by the State Constitution.

Senator Tydings had considerable to say regarding the Rent Subsidy portion of the Act. More exerpts of his speech follow:

But that is not all. The United States Housing Authority—and that means the government of the United States—has made contracts with each of the cities where this work is under way, providing that part of the rent of each family residing in the apartment houses which supplant the slums is to be paid out of the Treasury of the United States. . . .

Why, you may ask, does the government propose to pay a part of the rent of each family occupying these apartments? Because of the high cost of the buildings—a cost not originally contemplated—it is impossible to obtain sufficient rental from the low-income groups to make the buildings self-liquidating, or even self-supporting. If a rental were charged sufficient to amortize the high cost of the apartment building, it would be very far beyond the means of this low-income group to pay. . .

Note that the rents to be paid by the United States government over the sixty-year period on these 141 projects will amount to $831,861,840, according to the figures of the United States Housing Authority report. This is approximately two and one-half times the original cost of erecting these apartment houses. . . .

If we divide the total rent subsidy by the number of families occupying these apartment houses, we find that the result is $12,910 for each family. Moreover, this is actual money paid out of the Treasury of the United States. This means, on an average, a rent subsidy of $215 per year for sixty years for every family living in the government apartments . . . to pay part of the rent of 64,000 families who are in a preferred class and who live in better quarters than does the average American and who at the same time are exempt, in whole or in part, from other taxation. . . .

The question of cost for these operations provoked some dispute. U. S. Senator Robert Wagner from New York disagreed with the Senator from Maryland as to what items do or do not constitute "cost." Here is another excerpt from Senator Tydings remarks of his understanding:

The cost of building a family unit in these new government constructed houses varies, of course, in each State. In New York State, one new apartment house is costing $6,562 per family unit. In the city of Washington, right here in the Capital City, another of these government constructed apartment houses, wherein will be housed 246 families, will cost $6,142 per family unit. These figures are far above the cost of the average house in which the average American today lives, whether he built it, or owns it himself, or rents it.

Keep in mind the fact that these apartment houses, costing $6,100 and $6,500 per family unit, are, under the law, to be occupied by families with $60, $70 and $80 a month income, or annual incomes of $720, $840 and $960. Houses built by private capital, costing $6,100 and $6,500, must necessarily be rented for 10 per cent of the entire construction cost—that is, $610 or $650 a year, respectively, to cover amortization of the cost, taxes, interest, repairs, insurance, upkeep and so forth.

To this Senator Wagner replied and sought to show that Senator Tydings was in error in his arguments as well as in his figures. In this he succeeded, by showing that the figures cited by Senator Tydings included the cost of buying and wrecking the buildings to be replaced. Senator Wagner went on to cite figures from the Annual Report of the U. S. H. A. that the estimated cost per dwelling unit was $5,098 which was a "preliminary estimate used as the basis of loan contracts" and that "on the projects where construction contracts had been let, the actual cost had averaged 11.6 per cent less than the preliminary estimates."

However interesting these figures, or the dispute regarding them may be, one fundamental fact clearly stands out to Georgeists. It is unsound, aside from being one of the many frauds and shams constantly perpetrated on a long-suffering body politic.

There was something favorable to be said for the New York State law, which provided for Slum Clearance through the erection of new buildings by "Limited Dividend Corporations." Such new multiple dwellings were exempted from taxation, unfortunately however, for only twenty years after completion. The site, nevertheless, is taxed and as is customary, the City official Assessor increases its valuation on the assumption that the improvement greatly enhances the value of the site. The Assessments of the general locality are also increased by reason of the enhanced availability of the surrounding area. By this procedure the Municipality benefitted by increased taxes, but so also did the adjacent holders of sites, through the "Unearned Increment." The New York State law referred to, expired by limitation several years ago, but was re-enacted to apply to cities of the first class, at their option. Municipalities, notably New York City, have since voiced their disapproval of its adoption because of the "loss" of revenue from the taxes on the improvement.

It may well be, that the New York State law had its evils, yet, without attempting to differentiate as to which of the two is the lesser, some fundamental objections to the U. S. H. A. might be pointed out. In the first place, the outright gifts in the form of annual rent subsidies will be from 3½ to 4 per cent of the cost of each project, thus, and to that extent favoring the few who may reside in better housing. Secondly, the tax exemption must be absorbed by others not so favored. If this absorption only had the effect of taking a higher percentage of the economic ground-rent, it would not be objectionable to Georgeists. But since it takes effect through the operation of a higher tax rate, it will bear most undesirably on improvements as well.

Believe It, or Not!

RUMMAGING among old clippings, one was espied which commanded especial attention. We could hardly believe our eyes when its source was noted. In fact, it could quite readily be used as our own, but that would be plagiarism. Therefore, we will quote it and duly accredit it:

"When Mr. Coolidge says that 'it took three generations of thrift, industry and intelligence to accumulate' the Wendel fortune he discloses the fact that he is unacquainted with its history. By violent exercise of imagination the family policy that resulted in the Wendel fortune might be conceived of as thrift of a sort, but that much-abused word in its worthy signification should not be applied to the process by which this typical product of unearned increment was assembled."

Pretty strong so far, isn't it? And flawless, too. But permit us to proceed by quoting further:

"Neither industry nor intelligence beyond the most commonplace marked the history of the Wendels. Their policy imposed a brake on progress.

"Their holdings of real estate stood in the way of city improvement. For three generations they reaped riches from the vision, the daring, the initiative of others and contributed nothing to the common fund. No act of civic disinterestedness, no deed of far-sighted constructiveness, no cooperation in community effort impairs the drabness of the record of the Wendel wealth; a town of Wendels would be a cemetery of civilization."

Aside from the foregoing being wholly acceptable to Georgeists, we can almost see the remains of what once was a perfectly good hair-brush but now quite useless, after having been so forcibly applied to administer a deserved spanking.

We had better, and before we forget in our enthusiasm, mention and give due credit for the quoted paragraphs to the editorial page of the New York *Sun* of March 27, 1931. And if you "see it in the *Sun*, it *must* be so!"

The author of the Editorial is not known to us (wish that he were) but nothing so outspoken on the "policy-page" of an important and conservative daily newspaper has ever before come to our attention. That is what makes it so noteworthy. At this point arises a compelling thought, that, perhaps the reason nothing like as good has since appeared from the pen of that particular writer, may be, that he has been consigned to obscurity;