Federal financing of urban renewal with special emphasis on Atlanta, Georgia

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FEDERAL FINANCING OF URBAN RENEWAL WITH
SPECIAL EMPHASIS ON ATLANTA, GEORGIA

A THESIS
SUBMITTED TO THE FACULTY OF ATLANTA UNIVERSITY
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BY
REBECCA MARGARET WILLIAMS

SCHOOL OF BUSINESS ADMINISTRATION

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CHAPTER I

INTRODUCTION

Up ahead, we see a city clothed in clean modern costume.

Today over one-half of our American population live within the imaginary walls built by the jerry-builder, the real estate speculator, the paving contractor, and the industrialist. This is our begotten metropolitan civilization.¹

In the twelve years since the end of the World War II, the United States has experienced one of the most spectacular periods of economic development in its history. Yet, the pace set in this spectacular period has not been kept by the metropolitan areas... the City.

Our metropolitan areas are in serious trouble because they were not designed for the 1950's. They have become so gummed up with traffic congestion and rusted with age that an increasing number of residents, merchants and manufacturers finally move out.²

The city cannot move away. It is stuck with its expensive plant and with the continuing cost of maintaining schools, streets, and other public services.

It is significant that nobody has said to the metropolitan regions,

¹ Lewis Mumford, City Development (New York) p. 5

"Let the cities strangle themselves." As one real estate man puts it, the city exists for an economic reason, while the rationale of the suburb is merely a reflection of the city. In every city there is a whole host of direct economic and business interests, most of which will be liquidated inexorably and individually if the city of which they are a part dies. The economic future is linked with the growth, not the decadence of the city.

Slums in cities are an age old and worldwide problem. What are slums? Generally speaking they are a section of a city that has run down, from one cause or other, so as to be disadvantageous to the community. The first Internal Seminar on Urban Renewal held in the Hague in August 1958, discussed the problem of the decaying cities. This problem is such that the Federal Government of the United States and all major cities within this country have finally become aware that the proportions assumed by slums in cities have become almost disastrous both in magnitude and in intensity.

The tool which deals with causes as well as consequences of urban decay, takes the form of a comprehensive housing program designed to conserve, rehabilitate and demolish slum area. This tool or program is called URBAN RENEWAL. Futterman refers to urban renewal as...not a special province for federal aid but a necessary element in any city's growth.

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5 Martin Mayer, op. cit., p. 70.
As a result of the Advisory Committee on Government Housing Policies and Programs report and because of aroused public interest Congress provided for a broad attack on slums in the Housing Act of 1954. This Act first established on a national basis the concept of URBAN RENEWAL.

Urban Redevelopment is used to describe any replacement of old structures with new ones. Urban redevelopment may be concerned with the rehabilitation or development of open spaces as in the case of dead or arrested subdivisions where no slum clearance or demolition of any kind is involved. The concept "Urban Renewal" has a more comprehensive meaning and method of combating urban blight than redevelopment.

What is Urban Renewal?

Urban renewal is a comprehensive program designed to (1) prevent the spread of blight into good areas of the community, (2) rehabilitate areas where the basic problem is one of poor housing maintenance or obsolete community facilities; and (3) clear and redevelop areas where housing and environmental conditions are bad.

What are the tools for Urban Renewal?

Administrative, legal, and financial resources are needed to carry out a successful program of urban renewal. In prevention and conservation areas, the city and the county must have the authority to control standards of development through the use of the zoning ordinances, subdivision regulations,

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1 Donald Hopkins Webster, Urban Planning and Municipal Public Policy (New York, 1959) p. 490.


3 Ibid., p. 5.
community planning, and building codes. Funds must be available to provide
needed community facilities such as schools and recreational areas. Active
citizen interest and support must be developed by means of neighborhood
organizations. All of these programs must be financed with local govern-
mental funds (the city exceptions are that Federal aid is available for
official metropolitan planning agencies, and for the preparation of plans
for major public works projects.\(^1\)

**Problem.** — Every city in the United States has its so-called "blighted areas."
If this blight is allowed to continue it will liquidate the economic interest
vested in the city. Such as: the central real estate interest, the business
center, most financial institutions, the merchants, the newspaper, the hotels,
the amusements, those who manufacture or distribute to local consumers, those
who are engaged in transportation and trucking, in fact most labor, especially organized labor. Educational and cultural institutions have a state in
the existing community, as do the local social and political organizations.
Even the professional and service groups are now aware that their future is
linked with the clean survival of the city.

**Significance.** — This thesis seeks to bring to the attention of all persons
the seriousness of our decaying worldly cities, and how here in the United
States Federal and Local Governments are cooperating to combat slums...
the disgrace of our cities. If any program for human betterment both eco-
nomic and social deserves universal support, it is a program which will
bring the resources of technical engineering and finance -- brains and money--

\(^1\)Ibid., p. 5.
to the task of fitting American Communities to meet the needs of modern life.

Procedure. - This study utilizes library and field research techniques. The information collected in the field research procedure was of a primary and secondary nature.

Materials. - All information used in this thesis came from library resources, government and local municipal reports, and interviews from Federal and local Urban Renewal Officials located in the city of Atlanta, Georgia.

Limitations. - Since the concept of "Urban Renewal" is a very modern concept, this paper will be limited to the available materials at the author's disposal.
CHAPTER II

HISTORICAL BACKGROUND

"Nothing will ever be attempted if all possible objections must first be overcome." ¹

—Dr. Samuel Johnson

The modern concept of Urban Renewal has roots going back as far as 1916. The forerunner of Urban Renewal was Public Housing. The view point of the United States legislators and the public on the whole was in favor of slum clearance. However, the views of how to accomplish this end were widely divergent. Given agreement on the need for a government housing program to stabilize employment and to provide healthful homes for the ill-housed "one third of a nation," the great divergencies of opinion as to plan and method was due to failure of understanding basic facts.²

Plan after plan was proposed without any actual conscientious research into the cure of slum areas. It is worthy of note to compare the haphazard way in which the problem was dealt with, with that of how a person will hesitate to express an opinion as to the best course of treatment for pneumonia without medical knowledge, or an opinion on a point of constitutional law without some legal education, or an opinion on how to improve airplane design without some background in aerodynamics. Dogmatic opinions were based not

¹Nathan Straus, The Seven Myths of Housing (New York, 1944) p. 3.
²Ibid., p. 27.
on knowledge but on ignorance, not on truths but on myths such as: "There are No Slums in My Town; Public Housing Does Not Clear Slums; The Government Should Buy Up the Slums; Public Housing is Costly and Extravagant; Public Housing does not Rehouse Families from the Slums; Public Housing Injures Private Business and Threatens to Bankrupt the Country."¹

We are all familiar with The Four Freedoms of the late President Franklin D. Roosevelt's message of January 6, 1941 to Congress, the author, however, feels as though the third freedom expresses the concept of Urban Renewal best:

"The Third is Freedom from want, which translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants everywhere in the world."²

Housing comes of Age during 1933 under the Roosevelt administration and the birth of the Housing Division of the Public Works Administration. Seventeen words contained the kernel of an idea which has bloomed into America's first public housing programme.³ The administrator, under the direction of the President, shall include among other things the following...

(d) construction, reconstruction, alteration or repair under public regulation or control of low-rent housing and slum clearance projects...⁴

¹Ibid., pp. 29, 47, 69, 94, 127, 144, 166.
²Franklin D. Roosevelt, "Congressional Message" (Message delivered to Congress, Washington, D.C., January, 1941)
³Michael W. Straus and Talbot Wegg, Housing Comes of Age (New York, 1938) p. 33.
⁴National Industrial Recovery Act 1933: Title II, Sec. 202
Under the direction of the Secretary of Interior, Harold L. Ickes the PWA went to work. The primary purpose was to relieve unemployment through the construction of socially useful housing. The administration was authorized to make two kinds of loans, public and private. Private corporations attempted to make a private profiteering game out of the PWA loans. However, the administrator and his directors of Housing never lost sight of the main objective. They recognized and approved the limitations placed upon housing so long as speedy relief was paramount.\(^1\) Under the guiding hand of Harold L. Ickes every application for aid was scrutinized and evaluated...land values were appraised and reappraised to keep the profiteering private corporations from having a Roman Holiday at the expense of the PWA.

Under the exhaustive microscopic examination, 7 out of 20 projects were constructed. These projects were: Boulevard Gardens and Hillside Homes in New York; Edclid Housing Corporation, Euclid, Ohio; Carl Mackley Houses, Philadelphia; Neighborhood Gardens, St. Louis; Alta Vista Housing Corporation, Alta Vista, Virginia; and Boyland, Raleigh, North Carolina.\(^2\)

It was of course this minute care and this insistence upon Mr. Ickes' part to delve into every detail that almost lost the housing program for the American people.\(^3\)

However, the author feels that the success of these projects has proved the worth of such careful scrutinizing.

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\(^1\) Straus and Wegg, *op. cit.*, p. 122.

\(^2\) Ibid., p. 122.

The PWA was, in the opinion of the most influential men in the country, good in times of emergency. If the Housing Division had taken advantage of the wealth of experience from abroad it would have decentralized the program from the beginning. Only after an adverse court decision in Kentucky in 1935, which cast grave doubt upon the right of the Federal Government to condemn property for housing purposes, did the PWA finally see the need for local participation.¹

Under the auspices of local housing authorities of which Cleveland was first, 29 more projects were established. These projects being: Atlanta, Georgia, 2 projects; Cincinnati, 1 project; Cleveland, 4 projects; Indianapolis, 1 project; Milwaukee, 1 project; Louisville; Montgomery, Alabama; Chicago; Detroit; Los Angeles; Memphis; Nashville; the State of New Jersey; New Orleans; New York; Savannah, Georgia; Toledo; Washington and Youngstown, Ohio.²

Hence the brave attempts of the PWA to create something out of nothing had to undergo the double standard of American criticism. One for private enterprise and another for the "bureaucrats" in Washington.³

Yet, those first steps in the years prior to 1937 paved the way which made possible the UNITED STATES HOUSING AUTHORITY (USHA).

The United States Housing Act of 1937, which established the USHA was fathered by Senator Wagner of New York. The USHA is sometimes confused with

¹Ibid., pp. 259-259.

²Straus & Wegg, op. cit., p. 53.

³Seven Myths of Housing, op. cit., p. 22.
a "miraculous piece of legislation" the FEDERAL HOUSING ACT (FHA), although their fields of activity are quite different. The FHA insures mortgages on private housing projects and on individual homes. It has done much to simplify home financing and to improve construction standards. It does not, however, clear slums or provide housing within means of the families that live in slums.\(^1\)

The United States Housing Act

In contrast to the experimental housing program of the Public Works Administration, the program set up by the United States Housing Act of 1937 was designed as a long range undertaking. It was to be carried out by the United States Housing Authority, no longer a highly centralized mechanism, planning, construction, administration, and ownership now centered in the local housing authorities. The Federal government still controlled the funds and therefore retained the right by contract to approve site selection, plans, building costs, rentals, and other details. It could lay down the norms and the general principles, but the main responsibility for bringing the undertaking into being and for operating it successfully rested with the local community.

The Federal Authority was empowered to borrow the needed loan funds on the general credit and $500,000,000 for loan funds was authorized. Another $300,000,000 was thereafter authorized in June 1938.\(^2\) With the money borrowed

\[\text{\textsuperscript{1}}\text{Ibid., p. 54.}\]

\[\text{\textsuperscript{2}}\text{Abrams, op. cit., p. 259.}\]
It could make loans to the local housing agencies to finance projects up to 100 per cent, where a subsidy was not required, and up to 90 per cent where it was.\(^1\)

No congressional authorization for bond issuance within the prescribed limits was needed. Loans to the local authorities bore an interest charge equal to the going Federal rate of interest plus one-half of 1 per cent. These loans were advances for a period of 60 years, or about the anticipated life of the building. The 60 year term meant a lower amortization, thereby helping to bring down rentals.\(^2\)

Two types of subsidies are provided: annual contributions and capital grants. Because of the marked inferiority of the capital grant subsidy, none has been made. The following provisions would govern if capital grants were employed by the USHA:

"(a) in no case may such a subsidy exceed 25 per cent of the development cost—although an additional 15 per cent may be allowed by the President for labor from any funds available for relief. (b) the localities, in order to secure this grant must contribute at least 20 per cent of the development cost. This may be "in the form of cash, land, or the value, capitalized at the going federal rate of interest, of community facilities for which such a charge is usually made, or of tax remissions or tax exemption."\(^3\)

The annual subsidies are payable over a period up to 60 years and cannot be greater than the "going Federal rate of interest,"

This is defined as the interest on Federal bonds plus maturities of 10 years or over.\(^4\)

\(^1\)Ibid., p. 260.

\(^2\)Ibid., p. 261.

\(^3\)Ibid., p. 254.

\(^4\)Abrams, op. cit., p. 260.
plus 1 per cent of the development cost of the project. This assumes an average charge of about 3 and one-half per cent under the then existing government rate and since the total cost of all projects was limited to the $800,000,000 authorized to finance them, $28,000,000 for annual contributions was accordingly provided for subsidies.¹

These grants-in-aid are made to bring the economic rents of a project (i.e. the rents chargeable if the project was unsubsidized) down to the social rents (i.e. the rents the lowest-income group can afford to pay.) The Federal prewar contribution resulted in an average reduction of 30 per cent in the economic rent and the supplementary local tax exemption subsidy has averaged about 15 per cent. Thus the economic rent was cut about 45 per cent to meet the capacity of low-rent families.

¹The tenant thus paid 55 per cent of cost. With the higher war incomes, the tenants' share increased to 69 per cent, the federal contribution was 16 per cent, the local contribution 15 per cent.²

The Workable Program. -To obtain and retain Federal aid, the state and the community must fulfill these main requirements:

a. The state must pass a law authorising the borrowing of money for housing.

b. The community must show a need for low-rent housing.

c. Local financing must provide 10 per cent of the cost of building.

d. The community must provide a subsidy equal to at least 20 per cent of the annual Federal subsidy.

¹Ibid., p. 261.

²Ibid., p. 263.
e. Slum dwellings equal to the number of the new buildings must be eliminated.

f. Construction costs must be kept within specified limits for rooms and dwellings.

g. Prevailing wage rates must be paid.

h. Average construction costs must not exceed those of comparable private dwellings.

i. Occupancy must be restricted to low-income citizen families.

j. No one state may receive more than 10 per cent of the total amount available for loans and subsidies.¹

Exploitation of the Housing Subsidies. — During the decade between the passing of the Housing Act of 1937 and the Housing Act of 1949 the housing lobby exerted its influence upon Congressional committees, state legislatures and local municipal governments to curtail further legislation in the behalf of public housing and redevelopment.

Owners of slums were at one time largely real-estate speculators. Later they were investors, large and small, who bought slum property because the tenants received little service and, aside from taxes and insurance, the gross income was practically all net.²

In many southern cities, slum properties were expected to yield a return of 33 and one-half per cent on the investment each year. Many showed even a higher profit. This bonanza was not, however, limited to the South. Real Estate advertising in large northern and western cities shows that there was gold in the slums of all latitude.³

¹Ibid.


³Ibid.
Here is a typical offering advertised in the *New York Times*:

"3 Bldgs, Rent $10,000. Price $35,000. Cash $10,000. Profit 32 per cent."  

Today slum owners are a new group. The very policies pursued by the earlier owners have resulted in wholesale foreclosure of slum properties by the mortgages. The latter makeup a cohesive and very vocal group, ably led, well financed, and conspicuously successful in imposing its will on state and local governments.

During the decade of the 1940's Metropolitan Life Insurance Company sponsored a $50,000,000 project - Stuyvesant Town - which it held to be a Slum Clearance undertaking. This undertaking aroused national interest, however, what the public did not know was that this undertaking involved more than urban redevelopment, it involved a big profit--with government subsidy.  

Robert Moses, New York City's Planning Commissioner and Housing Coordinator, tailored the New York law specifically to suit Metropolitan's demands.  

"It authorized tax exemptions for private, release of public streets to private enterprises, condemnation of private property for private enterprise. Even public property could be condemned, for public housing as well as public schools and parks are just plain public uses but the law expressly declared the private urban redevelopment is a "superior public use."

The city gave lavishly to Metropolitan. The techniques of forcing unwilling owners to sell private property--and slum dwellers to move elsewhere was horrifying. Not a single slum dweller was rehoused and other residents in the confiscated area were crowded in already over crowded slum


areas. Consequently, the slums became more profitable to the owners and stabilized the mortgages which were held by the great emancipator—Metropolitan Life.

What did the city get for its generosity? A walled-in city which excluded Negroes and higher-income whites with children. What did Metropolitan get? Tax exempted subsidies amounting to about $25,000,000, almost 50 percent of total project cost. With the cost of the assembled land not more than $14,000 the city could have saved millions by buying up the area and presenting it to Metropolitan as a gift.¹

This tax exemption was actually a calculated gift to speculative builders. According to the New York Board of Housing, it amounted to 18 million dollars.² This subsidy, however, was just as real a burden to taxpayers as though it had been paid out in cash instead of being disguised in the form of tax-exemption.

A look at the international scene showed us that the difference between governmental aid to housing, in London, Paris, Amsterdam, Copenhagen, Stockholm, Zurich, Vienna, Leeds, Manchester, Edinburgh, and Glasgow, and the governmental aid to housing in New York City, was that cities abroad used government subsidy to produce good low rental homes for the people. While in this country, the subsidy was used to line the pockets of speculative builders, who disfigured cities by erecting shoddy-ill designed segregated row houses.

The Po

¹Ibid., p. 321.

²Two-Thirds of a Nation, op. cit., p. 18.
Just as financial institutions on the local municipal level engage in lavish profits under the guise of public housing, the United States Saving and Loan League, the National Association of Home Builders, and the National Association of Real Estate Boards comprised one of the most powerful housing lobbies in Washington, D. C. to fight public housing for their own benefits.

The new Twist. —The National Association of Real Estate Boards approved a proposal urging "unless the spread of blight is directly and effectively stopped, there will be no escape from an era of accelerated city disintegration physically, politically, and socially." There must be low-cost housing as part of redevelopment. However, the condition of the NAREB was that low-income families would receive rent aid from public agencies and be regarded as relief cases. The main issue, however, was whether public or private entrepreneurs would receive the benefit of government subsidies and powers. In essence the main theme was to direct the federal funds into private hands and to impress the government credit facilities for private use and benefit.

"In collating the plans proffered by these groups, we find them advocating (a) the underwriting of government securities for speculative investment in real estate with full control of the operations vested in private groups; (b) the assurance of continuing profits of the normal owners or rented property by a system of rent relief payments to be made to low-income workers, which would then be handed over as rent to the private owners..."

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1 Abrams, op. cit., p. 319
2 Ibid., p. 320.
3 Ibid.
4 Ibid.
Another approach of the housing lobby was to declare public housing Socialistic or Communistic in nature. When the government began to subsidize low-rent housing in 1837, real estate men succumbed to an epidemic of hysteria that still persists... "United States Housing Authority's projects now under way are undiluted Socialism."¹

The NAREB tried to defeat housing legislation by stating that history tells how public housing has changed the economic structure of a country. "Trace back the history of every country that's gone Communistic or Socialistic, and it all started with Public Housing."²

In light of this, historians may well point out that the Russian Revolution was directed without public housing. Denmark, Sweden, Switzerland and the Netherlands have built a lot of public housing projects and still remained free countries.

This issue of public housing also had a political under-tone. Representative Ralph W. Gurin (R., New York) took the floor and addressed the Speaker only to ask what ails America? The Congressman implied that as in Europe the ruling party was receiving 90 per cent of the slum dwellers votes.³ The War intervened and killed the Public Housing. -One salient advantage that existed in the 1940's was the Federal housing experienced after 1933, and the existence of the local housing authorities created during the latter 1930's. The working together of the USHA and local housing authorities was not viewed favorably by certain key Congressman. Consequently, the Lanham Act was

¹Two-Thirds of a Nation, op. cit., p. 262.
²Ibid., p. 263.
³Ibid.
passed but instead of being designed to fit the machinery laboriously built up years before, it was shaped to wipe out the last vestige of slum clearance program as a condition for building more war housing. It prohibited the sale of war housing (except by act of Congress) to any public or private agency organized for slum clearance or for the building of subsidized housing for low-income workers.1

On January 2, 1946, Wilson W. Wyatt, former Mayor of Louisville, Kentucky was designated "Housing Expediter" and soon became Administrator of the National Housing Agency. Wyatt, however, was dissatisfied with the entire arrangement and he told Mr. Truman..."It will take a dynamic program to achieve this goal. Neither business-as-usual, labor-as-usual, nor Government-as-usual will suffice."2

One of the most promising pieces of housing legislation since Federal intervention in the field was the Wagner-Eklender-Taft Bill. This bill had the support of the National Public Housing Conference, the CIO and the A. F. of L. and a large number of civic and social groups.3

The value of the bill lay principally in the housing authorizations for the low-income families and in the fact that the URBAN REDEVELOPMENT provisions were the first efforts to lay down a practical formula for reclamation of substandard neighborhoods. The urban redevelopment provision was in the nature of a demonstration rather than a full-dress attempt to clear

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1 Abram, op. cit., p. 299.

2 Ibid., p. 308.

slums. Responsibility for a comprehensive program to clear urban slums within a prescribed period evidently had not yet been accepted.¹

The bill was a compromise. It had to be, the political situation being what it was at the time.² Yet, the bill was a step in the right direction -- only a step.

The influence of the Housing Lobby. This bill was bitterly opposed by the real estate associations and the mortgage bankers. Though it passed the Senate, it failed to emerge from the House committee for a vote on the floor. Wyatt called for a special session to enact the bill. Instead of getting the President's support, Wyatt found himself fighting alone... the presidential election was just around the corner.³

Soon Wilson Wyatt, Jr, joined the long list of retired housing administrators who had tried to tackle America's No. 1 problem. Once again the power of the small lobby of builders and mortgage lenders was shown superior to the voice of the veterans, the housing needs of millions of workers and the national welfare.⁴ The incidents can be understood only against the background of the political drama in which housing had now come to play such a crucial part.

This lobby was so powerful until no legislative acts were enacted during the decade 1939-1949. The reason for the opposition to public housing was the effect it would have on their pocketbooks.

All the hullabaloo about Socialism still failed to prevent Congress from eventually enacting the Housing Act 1949 which provided for low-rent

¹ Abrams, op. cit., p. 370.
² Justement, op. cit., p. 151.
³ Ibid., p. 153.
⁴ Abrams, op. cit., p. 311.
public housing and a clean-up of blighted areas. But the real estate lobby did not give up the fight.

Local campaigns against public housing were run by remote control from the national headquarters of the interlocking real estate lobby. The National Association of Home Builders, National Association of Real Estate Boards, the United States Saving and Loan League, the powerful Mortgage Bankers Association of America, United States Chamber of Commerce, and Producers Council comprised the powerful financial opponents to the Housing Act of 1949.¹

Hero of the Act. -To Lee Johnson, Executive Vice President of the National Public Housing Conference, the organization which had been the spearhead of the public housing movement, is due much of the credit for unifying the work of labor, veterans groups and civic betterment associations throughout the country in successfully forcing the housing bill out of committee, where it had been bottled up by the lobby. With little funds and a tiny staff this group led by Johnson saw the housing bill enacted into the Housing Act of 1949.²

The Housing Act of 1949

Congress defined the purpose of the Act in these words:

"The Congress hereby declares that the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and suitable living environment for every American family,

¹Two-Thirds of a Nation, op. cit., p. 209.
²Ibid., p. 194.
thus contributing to the development of communities and to the advancement of the growth, wealth, and security of the Nation.\(^1\)

Federal housing activities were brought together by the Housing Act of 1949 under one new Federal department: the Housing and Home Finance Agency (HHFA). The two chief constituents of the Agency are the FHA, which insures mortgages and the Public Housing Administration (PHA), which supervises the low-rent housing program of local housing authorities throughout the nation.\(^2\)

**The structure of the Act.** Title I provides for redevelopment of blighted areas, to be financed over a five-year period by $1 billion in Federal loans to cities and $500 million in capital grants. Cities might borrow for planning temporary financing, repaying the loan when the land is sold or leased for redevelopment. Since blighted areas are generally in the heart of the city and are correspondingly expensive, the Act provides capital grants to cover two-thirds of the loss suffered by the city in clearing slum property. One-third of such loss must be met by the city—but the Federal government makes this as painless as possible by allowing the city to include as part of its contribution the value of parks, schools, streets, utilities, or other city improvements. The city may also include as part of its share the value of the manpower needed to clear the site.\(^3\) This Act consisted of five other titles, however, title one is the main section concerning redevelopment.

The Housing Act of 1949 was a tool for every American community. It was meant for small towns as well as great cities. It was designed to help


\(^2\) *Two-Thirds of a Nation*, op. cit., p. 196

\(^3\) *Federal Laws Authorizing Assistance to Slum Clearance and Urban Renewal*, op. cit., p. 3.
any community make a real start in providing decent housing in place of slums.

Considerable impetus was given to the programs of urban redevelopment by the enactment of the 1949 Act, under which federal financial assistance became available not only for the development of public housing, but also for a number of types of redevelopment projects. Title I of the Housing Act of 1949 provides assistance for any or all of the following:

1. Redevelopment of residential slums or blighted areas for any local improvement use.

2. Redevelopment of blighted commercial or industrial areas for residential use.

3. Residential redevelopment or predominantly open land with blight, such as that of deed or arrested subdivisions.

4. Residential development or essentially open land needed for sound community growth.

In the Act of 1949, Congress declared that the general welfare and the health of living standards of the people required "the elimination of sub-standard and other inadequate housing through the clearance of slums and blighted areas. The Housing Act of 1954 broadened the scope of slum clearance and redevelopment to provide assistance also in preventing the spread of blight through the rehabilitation and conservation of blighting and deteriorating areas. Projects which were begun under the provisions of the 1949 Act were completed under the 1954 Act.

The planning approach under the federal aid program for fighting blight was emphasized by the Advisory Committee on Government Housing Policies and Programs appointed by President Eisenhower in September, 1953. 2 This Committee

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1 Webster, op. cit., p. 496.

2 Housing and Home Finance Agency, Urban Renewal What it is... (Washington, 1957) p. 5.
pointed out the necessity for lifting our sights from piecemeal thrusts at occasional slum pockets to a broad-scale integrated campaign encompassing all phases of urban blight from its earliest symptoms to its stages of decay. The committee report stated:

A piecemeal attack on slums simply will not work—occasional thrusts at slums pockets in one section of a city will only push slums to other sections unless an effective program exists for attacking the entire problem of urban decay. Programs for slum prevention, for rehabilitation of existing houses and neighborhoods, and for demolition of worn out structures and areas must advance along a broad united front to accomplish the renewal of our towns and cities. This approach must be vigorously carried out in the localities themselves, and will require local solutions which vary widely from city to city.

Action on the Committee's recommendations of finding that new slums were forming faster than old ones were being cleared, and called for a program to prevent as well as clear slums and to rehabilitate areas that could still be saved, President Dwight Eisenhower, in January 1954, called on Congress for legislation that would aid localities to...

1. Prevent the spread of blight into good areas...
2. Rehabilitate and conserve areas that can be economically restored.
3. Continue clearance and redevelopment of areas that cannot be saved.2

Congress responded with the Housing Act of 1954. This act opened the way to a new total approach to end blight as well as clear slums through using a wide range of community, private, and Federal resources in a strongly unified effort...URBAN RENEWAL.3

1 Webster, op. cit., p. 494.

2Ibid., p. 492

3Urban Renewal What it is..., op. cit., p. 5.
CHAPTER III

MECHANICS OF URBAN RENEWAL

Introduction

One of the nation's main economic assets is its housing inventory which is being inadequately maintained. Nearly one million dwellings a year slide down into the slum category, practically the same as the number of new dwellings that are built each year. Through conservation and rehabilitation, the formation of slums can be slowed down and eventually arrested.

The growth pattern of American Cities. The older, central sections of the city because of lack of planning, inadequate regulatory controls, and deficient municipal services, have become cores of blight and out-right slums. Surgery must be applied and municipal processes set in motion to re-create soundness out of waste.¹

Surrounding the central section are areas of transitional housing- rooming houses and multiple occupancy structures- incompatible land uses, and inadequate facilities for decent living. Much of this can be saved but must be acted upon without delay. Slum sites and incompatible uses will need to be removed and adequate community facilities provided.²

The outer areas, planned and built in recent years in accordance with

² Ibid.
present standards, now contain the amenities for decent, comfortable living.\footnote{Ibid.}

The cost of the Slum Area. While slums and substandard dwellings comprise only 20 per cent of a city's residential area they account for a much higher percentage of the population, crime, sickness and much lesser percentage of the city's tax revenues. As the League of Women Voters of Cincinnati put it...

Slums cost money...

"The buildings are worth very little and so the owners pay low taxes. But such an area is a fire trap, with its old rotten buildings, where there is great poverty, where boy have no place to play, where people live on top of each other and get on each other's nerves, there is violence and crime. And this area needs more firemen and equipment, more health and hospital services, than other areas of the city...\footnote{Ibid., p. 2.}

Disease spreads easily where people are crowded together, use common toilets, and do not have access to running water and bathing facilities. Two and half times as many people die of pneumonia in the slums as die on the hilltops. Tuberculosis claims three deaths in the Basin to every one in the suburbs. The infant death rate is twice as high and four times as many people are murdered in the slums as in the rest of the city...\footnote{Ibid., p. 3.}

Slums are a festering sore in the heart of the city.

By clearing slums removing blight, and checking the deterioration cycle cities should be able to increase municipal revenues at the same time they are reducing the demand for services.

The function of the 1954 Housing Act. Growth must be organized. Livability must be protected by a comprehensive plan which utilizes the cooperation of citizens, city, and federal government.
Projects undertaken under the 1954 statute may involve some or all of the following:

1. Acquisition of slum or blighted areas and other real property and demolition or removal of buildings and improvements thereon in accordance with an urban renewal plan.

2. Installation, construction, or reconstruction (in the renewal area) of streets, utilities, parks and other public facilities.

3. The disposition of any property acquired in such urban renewal area (including sale, initial leasing, or retention by the local public agency itself) at its fair value for uses in accordance with the urban renewal plans.

4. Carrying out plans for a program of voluntary repair and rehabilitation of buildings or other improvement in accordance with the urban renewal plan.

Justification of Governmental Action. — The financing of the urban renewal project is met by the Federal and Municipal Governments. Under the Act of 1954 the Federal Government may finance as much as two-thirds of the net project cost of a municipality. The Federal Government meets its obligations through loans or grants which are initiated through a ten-fold financing program. The municipal government on the other hand meets its one-third project cost through provision of land, site improvements, supporting facilities and the balance in cash.

The Economic Impact of Urban Renewal on the City. — The concept of urban renewal as a public responsibility is based upon the realization that the problem of slums and blighted areas have become too great for any one owner to arrest or rectify. The appropriation of public funds for clearing areas for private redevelopment can be justified in part as a penalty that the community

must pay for past errors\textsuperscript{1} and in part as an investment which will eventually be repaid from the higher tax values created.\textsuperscript{2} Urban redevelopment is justified by the fact that a community liability will be removed and that there will be substituted a community asset. This is of vital concern to the city as a whole which benefits from the higher tax base and the lowered costs of functional services.\textsuperscript{3} Looming large in this respect is that much of the cleared land will be reused for industry and business, thus assuring the city more revenues in the form of taxes, license fees, etc., than the expenditures normally would have made in providing municipal services.

Illustrative of this point, the City of Schenectady reports...

"Property with a former approximate assessed valuation of some $780,000 will soon be replaced by a new and modern improvement estimated to be valued at six times the previous property values in the area. This program has effectively stopped the excessive and increasing costs of all necessary city services to the area; improvements in living conditions of families; ...and generated the improvement and modernization of many old buildings located around the area itself, thereby making them more valuable and useful to the owner and taxable to the city. The project has already increased and will continue to increase the value of privately owned land in a large area surrounding the new development."\textsuperscript{4}

San Bernardino reports...

"Preliminary figures show that the area to be developed 44 acres of central business district, now have a tax revenue (city and county of $51,000. It is estimated by the ..."

\textsuperscript{1}To the extent that capital grants are made for urban redevelopment, the Federal Government shares with the community the losses anticipated in the undertaking.

\textsuperscript{2}Robert B. Garrabrant, Redevelopment of Industrial Use (Washington, 1955) p. 2.

\textsuperscript{3}Norfolk Redevelopment and Housing Edition (Norfolk Chamber of Commerce Official Publication), November, 1954, p. 7.

\textsuperscript{4}Report (Housing Authority of the City of Schenectady, 1957) p. 15.
Western Real Estate Research Corporation that at the completion of the redeveloped program the tax revenue from the same area will be $241,000."¹

Norfolk reports...

"In a survey made last summer that construction of five new buildings in 10 acres had brought an assessment of $729,000 as compared with $320,000 for all 35 acres in the industrial strip prior to acquisition."²

Jersey City reports...

"That 70,000 people in Jersey City live in blighted areas. When these areas are replaced, approximately $10,600,000 will result, which when added to the $5,766,600 saved by eliminating slums means a total saved of $16,360,000. On the present budget this would mean a reduction of $23.20 per $1000 assessed valuation..."³

The American Society of Planning Officials (ASPO) estimates, that the average American City spends $1,100 an acre annually to provide municipal services for commercial property while it received $2,100 an acre each year in the form of taxes, license fees, etc. Industrial property, the same source points out, brings in approximately $750 an acre, while municipal services cost an average of $450 an acre.⁴


² The Municipal South (Norfolk Redevelopment and Housing Authority Publication), Vol. 5, No. 4, April, 1958, p. 3.

³ Accomplishments in Community Development (Jersey City Redevelopment Agency, 1953) p. 13.

Valuation of Land

Urban Renewal projects can best be carried out only if the property to be cleared or rehabilitated is assembled under one ownership. Consequently the most important single function of the redevelopment agency is the acquisition and assembly of the land.

**Physical and Economic Supply of Land.**—The supply of land considered in a strict physical sense consists of the whole earth. The economic supply of land can be best defined as...the schedule of land units which will enter particular uses in response to price at a given time and given places.¹

The total economic supply of land will never be equal to the total physical supply because certain lands will never be economically desirable or suitable. The present economic supply of land—that which is now being used for all economic production—reflects current utilization practices and takes into account current economic availability and adaptability for specific uses.² It represents the economic response to demand for land under existing cultural and technological conditions.³

**Elasticity of Supply of Land.**—In our capitalistic society the use to which land will be put is determined by the price the land will bring in the market.

The elasticity of land for any particular use or combination of uses is determined in large by scarcity, fertility, and accessibility.⁴

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² Ibid., p. 18.
³ Ibid.
⁴ Ibid., p. 20.
methods of transportation, factory and home construction, and trade make land that was once considered unprofitable because of inaccessibility now more accessible and more productive.

**Increasing the Supply of Land.**—The economic supply of land may be increased in the following ways: (1) new areas previously unused can be brought into production, constituting an extension of the land use, (2) areas in use can be utilized more intensively, and (3) "economizing land utilization" or using the land more economically.¹

In other words land like any other investment should be at its highest and best use.²

**Urban Land.**—The most valuable spatial use of all land is urban land. Sixty per cent of our population now live within 168 urban centers. The estimated value of the urban real estate (land and improvements) in the United States is some 78 billion more than two and one-half times that of farm real estate, and more than that of any other type of real estate in the nation. Urban real estate alone comprises more than a fifth of the entire wealth of the nation.³

The growth of our cities daused an increase in demand for land for urban use. This increase can be met in two ways—by extending the urban areas, or by using the present urban area more intensively...renewal.

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The Acquisition of Land. — The acquisition of land is of prime importance without which Federal assistance will not be granted...

Section 815. Every contract for a loan, grant or contribution under the U.S. Housing Act of 1954, as amended, or Title I of the Housing Act of 1949, as amended for the construction of a project shall require the submission of specifications with respect to such construction prior to the authorization for the award of the construction contract and the submission of data prior to the acquisition of land prior to the authorization to acquire such land."

Under normal circumstances, the redevelopment agency will be able to acquire a large percentage of the properties through negotiated purchase. Purchases should be preceded by appraisals which should not be binding upon the redevelopment agency, but should be used as a guide and for purposes of public record.²

In spite of the fact that most properties in clearance areas carry low valuation for tax purposes, courts have been inclined to uphold excessively high valuations in condemnation proceedings. Quite commonly, properties in such areas prove to be highly productive to owners who, by overcrowding and other practices, manage to realize a high financial return upon the income derived from the properties. Such capitalized valuations are invariably out of proportion to the actual value of the physical property and tend to discourage public acquisition for renewal purposes.³ Generally, however, when owners hold out for speculative profits, and negotiated purchase is not possible, the redevelopment agency must resort to the use of the power of eminent domain.


²Webster, op. cit., p. 259.

³Ibid., p. 495.
Generally, payments for acquisition of real estate constitute the largest cost of undertaking slum clearance and urban redevelopment projects. The clearance of slums and blight on a large scale, therefore, depends on the achievements of economy in the expenditure of funds for real estate acquisition.

Appraisal of Land. — The valuation of housing, it is true, can never be a simple process. This is due, in part, to the difficult nature of housing itself. The latter is both a consumer good and a long-live capital good. It is composed of two commodities, house and land, which are very different in their characteristics, yet are inextricably united in their functions. Housing is a peculiarly awkward, rigid, localized commodity. ¹

Fixity of Location. — Real Estate is fixed in location, land is immovable, and the cost of moving buildings and other improvements is so great that such projects are seldom undertaken.

All types of economic activity are concerned with income. Indeed, income has often been described as the most important factor in economic life. In nearly all other types of business it is possible for the commodity involved to follow the market, to the point where the greatest income-producing potential exists. However, in real estate this is not the case. Once the property has been developed, its future depends entirely upon its ability to command a market for its services and its specific location.

The fixity factor and the income-producing ability of property are important for the following reasons:

¹ Kingsbury, op. cit., p. 3.
1. Because of fixity of location, every parcel of real estate differs from every other one. It is a unique point in a changing economic framework. Not even a vacant lot is identical with any adjoining vacant lot.

2. Because of the fixity of location, real estate resources can never escape from developments of an economic, social, political or physical character which may affect them favorably or adversely.

3. If the street on which your house is located develops into a high speed traffic artery, you cannot, as a practical matter move even the home to a quieter street. Nor can you move a house or any other piece of real estate out of the path of blighting influence. Conversely, you cannot help but reap the benefits of any developments which reflect favorable on the city or the district or neighborhood in which your property is located.

**Competitive Uses of Urban Land.** There are six major types of urban land utilization: (1) residential, (2) retail, (3) financial and office, (4) wholesale, (5) industrial, and (6) public and quasi-public. Consequently, to determine the highest use for a tract, it must be analyzed on the basis of the factors or conditions which are advantageous and detrimental for each of these six major uses. This, however, is on the assumption that intelligence and good judgement govern the competition, because the principle of competition implies that if the new use is able to displace the old one, it must be able to produce a higher net income. Through good planning and judgement economic gains rather than losses have resulted from improvements upon urban land.

**Land Uses.** A study of the land uses of the city has been decided upon by many

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1. Weimer et al. op. cit., pp. 18-19
city planners as the most feasible and realistic way to develop the area.

Illustrative of this...

Birmingham reports...

"Since railroad switching yards and heavy industries surround the project area, it is an obvious conclusion that the present residential use is a poor choice of land use. On the other hand, the project area appears to have all necessary conditions to make it attractive for industrial use. Streets, railroad and public utilities previously described indicate that the area is well serviced for industrial development. Excellent street transportation is available to the central business and wholesale districts of the city. Freight depots, public storage warehouses, and other industrial facilities located nearby are accessible. The foregoing fact and other considerations led to the design concept of creating industrial sites for possible manufacturing enterprises which would require ground space of one to fifteen acres. Also, the space of commercial enterprises in the project would be restricted to only that needed to support nearby industries, in and without the project area, and that as far as possible consistent with good land planning, that odd scraps of land be used for the commercial uses.

San Bernardino reports...

"The conclusions reached in land uses of their redevelopment program were based on data collected through three general sources:

A. Original Studies—During the course of our investigations, executives, appraisers, and staff members of the Western Real Estate Corporation spent several weeks in the territory under analysis. Their work in the field was directed toward securing a complex of data concerning the economic and development potential of the San Bernardino-Riverside-Ontario Metropolitan area, San Bernardino County, the City of San Bernardino, and the Meadowbrook Project Area and its surroundings. The wide geographic range covered was necessitated to appraise the markets underlying the wholesaling and distributive uses forming the highest use for the bulk of the area.2

1 Redevelopment Plan North Montgomery (Housing Authority of the City of Montgomery, 1958) pp. 8-9.

2 Re-Use Value Appraisal and Marketability Study San Bernardino, California (Western Real Estate Research Corporation, 1958), p. 2.
Economists view the valuation question...Value of Urban Residential Land. - In discussing value, J. S. Mill divides all commodities into three classes: (1) those of which the supply is absolutely limited; (2) those which can be obtained in any amount if only labor and expense requisite to production are furnished; and (3) those which "can be multiplied to an indefinite extent by labor and expenditures, but" at increasing cost of production. He places in the first class "houses and building-ground in a town of definite extent...the most desirable site in any town whatever," and says that the value of commodities in this class is fixed by competition of the level at which demand is just sufficient to carry off the supply offered. Mill also suggests that the price of income producing land in general is the capitalized value of net income.1

Dorau and Hinman have much to say concerning the characteristics of urban land in general and the conditions of its utilization which affect its value. Among these characteristics, most of which belong to residential land are (1) the physical, such as non-homogeneity... (2) economic, such as degree of modification, scarcity, fixity of the investment, situs, capacity, and efficiency; and (3) the legal, such as real property and personal property in realty.2

Our physical characteristic of land brought out by Dorau and Hinman under non-homogeneity, was the uniqueness of location of each piece of land is "responsible for one of the peculiarities of the real estate market; namely,


that it is always a particular piece of land that is bought and sold, that there can be no substitution and hence no short selling.1 "Each piece of land has its price, which is determined for it separately, and not by a general pricing process."2

As for the actual determination of the capital value of land, say Dorau and Hinman...

"Involves little more than the problem of the capitalization of an expected income, and this income may be expected to be constant, increasing, or decreasing. The method of capitalization presented is the indirect or present worth (discount) method, which is ordinarily used for terminable annuities. The number of years would constitute a period of reasonable future expectancy. The rate of capitalization is apparently 'the current rate of interest,' if land values are expected to be stationary. If, as is usually the case they are expected to rise, the rate of capitalization is somewhat less than the current rate of interest. ... However, in the case of 'residential sites which are not producers of monetary income,' the comparison method of appraisal and valuation is recommended. This method involves comparison of the realty under consideration with other pieces of similar realty which have been transferred and for which there is a duly recorded selling price, careful allowance being made for differences in plotage, depth of lots, and corner and alley influence.3

Dorau and Hinman are the only economists to point out the uniqueness of location of each piece of land, the economic consequence of the fact, namely, the necessity of particularistic evaluation of each piece.

The Value of Urban Housing. - Alfred Marshall discusses the income from Urban land and the value of such land much more fully and more carefully than other economists. He recognized the investment in land, as Ricardo did, he also recognizes the differential advantages of one urban site compared with another as did Dorau and Hinman.

1 Ibid., p. 178.
2 Ibid., p. 179.
3 Ibid., pp. 502-504.
Marshall employs the marginalistic principles of evaluating land. His four methods of comparing the profitableness of one site with another are: (1) the different uses of a given plot of land, (2) the different degrees of intensity of the same kind of use for the given plot, (3) the different layouts of plant for the given plot alone and for the given plot plus a little adjoining land, and (4) for two different plots.\(^1\)

All four of Marshall's methods of comparison of uses along the marginalistic line assume new buildings and perfect freedom of buildings. Not one of them has any usefulness in finding the non-speculative value of a lot already built upon, or of a vacant lot in a residential neighborhood.\(^2\)

Dorau and Hinman treat land much more fully than they do buildings. For realty, they recommend that the income analysis and capitalization method be used in evaluation of realty which is yielding a monetary income, and the comparison method, in evaluating that which is not yielding such an income.\(^3\) This would mean, of course, that the capitalization method is suited to the evaluation of rental housing, and the comparison method is suited to housing occupied by the owner.

Dorau and Hinman are the only economists studies who recognized the credit affects the value of land, and, by implication, the value of houses. For commodities in general, apparently including houses, while marginal cost and market price or value tend to coincide, "value determines the cost of


\(^2\) Kingsbury, op. cit., p. 25.

\(^3\) Ibid., p. 34.
production rather than cost ever determining value," since everywhere it is the entrepreneur who is adjusting costs and it is expected market valuation which determines what the cost shall be.\(^1\)

The authors admit the difficulty of arriving at a correct value of a particular piece of land or realty. "Because of so much lack of opportunity to use scientific measurement in appraising it is highly desirable that more than one method be used."\(^2\)

**Appraising Methods used by Appraisers.** The three main methods of appraisal set forth by professional appraisers are: (1) capitalizing estimated income, (2) determining cost of replacement, and (3) comparing properties on the basis of the market data available.\(^3\)

**Selection of Method.** Three principal factors which will guide an appraiser in his selection of the appraising method to be used for a specific case. Whether he selects the "capitalized income," the "market data" of the "replacement" method will depend on (1) the purpose of the valuation, (2) the type of income produced by the property, and (3) the type of data available for use.\(^4\)

Purpose is always a governing factor. If the purpose does not define method, consideration should be given to the type of income produced by the property...Babcock suggests that two principal kinds of returns be considered:

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\(^1\) Dorau and Hinman, *op. cit.*, pp. 485, 486.
\(^2\) Ibid., p. 532.
\(^3\) Weimer *et al.*, *op. cit.*, p. 250.
\(^4\) Ibid., p. 251.
(1) dollars and (2) amenities or direct returns resulting from the use of the property by the owners.\textsuperscript{1} If income is in dollars, it may be derived from several sources, the two main types being commercial rent and business profits. If the property earns commercial rents, the method of capitalizing income is indicated. If business profits are involved, they may be due entirely to the real estate or partly to the real estate and partly to the business enterprise. If profits are all due to real estate, the capitalized income method is preferred. To the extent that returns to the real estate and the business can be distinguished, the income method is considered preferable. However, if the returns on real estate cannot be distinguished from other returns, as in the case of the foundry or a railroad terminal, the replacement cost method is required.\textsuperscript{2}

If there are sufficient market evidences of value, as in the case of comparable properties, the market data or comparative method should be selected. This is often the case in appraising a single-family owner-occupied residence. However, if there are few or no data available indicating market prices or rents for comparable properties, the replacement cost method must be followed.\textsuperscript{3}

Arthur May summarizes the mechanics of the market data or comparative approach to value as used in appraising residential properties in terms of first selecting similar properties to serve as "bench marks" and then comparing the property under appraisal to them in the following respect:

\textsuperscript{1} Babcock, \textit{op. cit.}, p. 184.

\textsuperscript{2} Weimer et al. \textit{op. cit.}, pp. 251-252.

\textsuperscript{3} Ibid., p. 152.
1. Comparison of the physical aspects—the lot's size, shape, area, frontage, soil, topography, and location within the block; the building's architecture, interior and exterior construction, size, floor plan, equipment, livability, functional adequacy, and future life expectancy.

2. Comparison of the social aspects—the environmental features...

3. Comparison of market data—present and future rental levels; present and future anticipated sales price; present offering prices and the duration of exposure to the market; and present and future anticipated listing price of the subject property.

Federal Financing

The housing Act of 1954 called upon the local community to attack its urban problem by developing a local "Workable Program". This is a highly important feature of the urban redevelopment plan. Firstly, the workable program covers the key elements necessary to a well-rounded community campaign. Secondly, by requiring the localities to develop their own comprehensive programs in qualifying for certain types of Federal assistance. The Congress firmly established the principle that Federal aid is to be used to supplement local activity and help communities to help themselves—not to supplant local effort and resources or to replace local responsibility and determination.

The board objectives of the Federal urban renewal aids have been summarized by the Housing Administrator, Albert M. Cole, as follows:

"We in the Federal Government...are helping to salvage all that remains sound of the community's past, helping to redevelop its present form into something more serviceable for our own time, and helping, through intelligent planning,

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1 Arthur A. May, The Valuation of Residential Real Estate (New York, 1953) p. 166.
to give purposeful shape to its future.¹

Federal Aids. — The federal Government extends various special aids to assist in the main phases of project clearance, redevelopment or rehabilitation, re-housing of displaced families, and in community planning and other special operations.² Neither loan nor grant can be used for actual construction or rehabilitation in the project area. Special FHA insured mortgages and FNMA mortgages help in rehousing the persons displaced by Urban Renewal and in re-development.

The Federal Loan and Grant Aids to communities to plan and execute urban renewal projects are administered by the Urban Renewal Administration. The URA allocates funds for local use and prescribes policies and procedures under which urban renewal technicians in the HHFA regional offices assist communities undertaking Urban Renewal.³

Federal Aids fall into three broad categories: Planning Advances, Loans and Capital Grants.

Planning Advances. — Funds may be advanced to finance surveys and planning work necessary before actual operations on the project can go under way. Advances are also authorized for urban surveys to determine whether urban renewal projects will be feasible and will be carried out over a period of not more than ten years. The Housing Act of 1949 as amended through August 1955 specifically states that the Administrator may make advances of funds to local public agencies for surveys and plans for urban renewal projects...the conditions of such a contract are...

¹Housing and Home Finance Agency, Aids to Your Community (Washington, 1958) p. 3.
²Urban Renewal What it is...op. cit., p. 10.
³Ibid., p.11.
...any such advances of funds shall be made upon the condition that such advance of funds shall be repaid, with interest at not less than the applicable going Federal rate, out of any moneys which become available to the local public agency for the undertaking of the project involved...1

The Interest rate is established by the Secretary of the Treasury once every six months by estimating to the nearest one-eighth of one per cent on the basis of daily market figures in May and November the average yield to maturity on U.S. obligations which have a maturity date not less than 15 years later.2

TABLE 1

PROJECTS AND PLANNING ADVANCES
DECEMBER, 1958

<table>
<thead>
<tr>
<th>Nature of Advance</th>
<th>Number of Projects</th>
<th>Amount of Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance authorized but not yet executed</td>
<td>52</td>
<td>$3,313,923</td>
</tr>
<tr>
<td>Assistance contract executed</td>
<td>570</td>
<td>45,586,788</td>
</tr>
<tr>
<td>Advances which have been disbursed...</td>
<td>451</td>
<td>28,000,0001</td>
</tr>
</tbody>
</table>

*Data from the Urban Renewal Project Directory, 1958, pp. 5-33.

1figure rounded

1Federal Laws Authorizing Assistance to Slum Clearance and Urban Renewal, op. cit., p. 31.

Temporary Loans and Facility Loans. These loans used by the community as working capital in acquiring slum land and structures, clearing the site, and preparing the area for redevelopment or rehabilitation.

The temporary loan is used to finance the actual undertaking of the project, i.e., the acquisition of land in project areas, the clearance of such land, the construction of site improvements, and the redevelopment in accordance with the redevelopment plan. A temporary loan may be of comparatively short term and is repayable with interest when the project is completed.\(^1\) If a municipality has planning advances outstanding the temporary loan must be used to repay these advances outstanding which were used for initial preparation of the projects involved.\(^2\)

Facility loans are used to finance the provision of public buildings or facilities for open or predominantly open land projects. Such buildings or facilities must be, however, necessary to serve or support the new uses of land in the project area. A facility loan may be made to a municipality or other public bodies and must be repaid within not more than 10 years from the date of the obligation evidencing such loan.\(^3\)

Robbins, Illinois reports on a facility loan...

"This village of 6,000 persons, 20 miles southwest of downtown Chicago, already completed a portion of its first urban renewal project. A sewer and water system, at a cost of 1,000,000 was completed and the School District has built a new 350,000 elementary school in the area. In addition,

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1 \(\text{Ibid.}\)

2 \(\text{Ibid.}\)

3 \(\text{Ibid., p. 32.}\)
the Authority has constructed 100 miles of public housing which are now completely occupied, and has acquired and re-sold land in the redevelopment area to a private developer.¹

The following table will illustrate the amount of temporary loans approved contracts providing for temporary loans executed and the actual disbursement of such loans as of December, 1958.

### TABLE 2
**OUTSTANDING AND RETITED LOANS AND ADVANCES**
**DECEMBER, 1958**

<table>
<thead>
<tr>
<th>Nature of Loan</th>
<th>Number of Projects</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans approved and Contracts executed...</td>
<td>248</td>
<td>$670,000,000</td>
</tr>
<tr>
<td>Disbursed and guaranteed Loans</td>
<td>201</td>
<td>334,000,000¹</td>
</tr>
<tr>
<td>Advance and Loan Contracts Retired</td>
<td>264</td>
<td>122,000,000</td>
</tr>
</tbody>
</table>

*same as Table 1.*

¹ Amounts borrowed from the Federal Government, or from non-Federal sources with repayment guaranteed under the contract.

**Capital Grants.** - When the area is ready for redevelopment or rehabilitation, land acquired is disposed of to private enterprise or to public bodies for its fair value for the uses specified in the urban renewal plan. The Federal

¹ *Annual Report (Housing Authority of the County of Cook, 1957)* p. 5.
Government agrees to pay through a capital grant the bulk of the project's cost—the Federal Government supplies two-thirds of the net cost of the project provided the city undertaking the project contributes the remaining third of this net cost.

The net cost of a renewal project generally includes:

1. Acquisition of real estate for slum clearance
2. Demolition and acquisition expenses
3. Thoroughfare improvement costs
4. Community facilities construction costs
5. Administration, planning and interest expenses.¹

The net cost of a renewal project is the sum of those five items minus the cleared land resale returns.

In connection with the capital grants the housing act places limitations upon it...

"...The administrator, on and after July 1, 1949, may, with the approval of the President, contract to make capital grants, with respect to projects assisted under Title I, aggregating not to exceed $900,000,000 which limit shall be increased by $350,000,000 on the date of enactment of the Housing Act of 1957. Provided, that such limit, and such authorized increase therein, may be increased, at time or times, by additional amounts aggregating not more than $100,000,000 upon a determination by the President, after receiving advice from the Council of Economic Advisers as to the general effect of such increase upon the conditions in the building industry and upon the national economy...²

The following reports are illustrative of the two-thirds, one-third financing method employed through federal aid:

¹ Why Urban Renewal (Department of Urban Renewal, Cincinnati, 1956) p. 5.
San Bernardino reports...

"The net cost of Meadowbrook Project Area No. 1 is estimated to be $1,681,282, two-thirds of which will be a Capital Grant from the Federal Government and the balance will be paid by a Tax Allocation Bond issue as provided in the Community Redevelopment Law of the State of California..."

Detroit reports...

"...Ready for the signing of a loan and a Grant Contract with the Federal Government...Mack-Concord Conservation project, Michigan R-1 Boundaries Gratiot, East Warren, Van Dyke...

Net Project Cost: $2,887,872
Federal Grant: 1,925,248
Local Contribution: 962,624

Schenectady reports...

Financial plan in a nutshell...³

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$2,171,661</td>
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<tr>
<td>Return from sale of land</td>
<td>753,486</td>
</tr>
<tr>
<td>Net Project Cost</td>
<td>$1,418,175</td>
</tr>
<tr>
<td>Federal Grant</td>
<td>945,450</td>
</tr>
<tr>
<td>Local Grant</td>
<td>472,725</td>
</tr>
<tr>
<td>Breakdown of local Grant</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>117,714</td>
</tr>
<tr>
<td>Non-cash grants in aid</td>
<td>355,011</td>
</tr>
<tr>
<td>Total</td>
<td>472,725</td>
</tr>
</tbody>
</table>

Norfolk reports...

"...Redevelopment Project No. 1 which, it would now appear will cost (gross project) approximately $8,639,000, the work is being undertaken under a capital grant of $3,700,743 and a temporary loan from the Government..."⁴

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¹ Letter from Jerome F. Sears, op. cit., p. 3.
² Our City and Its Progress (Detroit Housing Commission Publication), Detroit, Michigan, 1956, p. 14.
³ Report to the People of Schenectady (Housing Authority of the City of Schenectady, 1956) p. 7.
The preceding illustrations give a micro story of the capital grant story. The following tables will give the macro picture of the capital grant program for the seven renewal districts.

**TABLE 3**

**PROJECTS AND CAPITAL GRANTS**  
**DECEMBER, 1958**

<table>
<thead>
<tr>
<th>Nature of Grant</th>
<th>Number of Projects</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Reservations 1</td>
<td>669</td>
<td>$1,320,000,000</td>
</tr>
<tr>
<td>Disbursements</td>
<td>175</td>
<td>135,000,000</td>
</tr>
</tbody>
</table>

*same as Table 1.

1 Represents an earmarking for the project, from the aggregate authority in Title I for the Agency to execute capital grant contracts...

2 Included in this figure are 308 executed contracts and 6 authorized not yet executed contracts.

**Total Projects.** As of December, 1958 626 projects were in the planning stage which includes identification of project boundaries; demonstration of eligibility under applicable Federal, State and local laws; demonstration of economic feasibility and preparation of detailed project plans, cost estimates and time schedules supporting application for Federal loan and grant assistance for project.  

1 As of the same date 279 of these projects were in the Project

Execution stage which means that the final project plans have been approved by the HHFA. Also, as of the same date 14 of these projects had reached the Project Completion stage which means that the final payment of the Federal capital grant had been accomplished.\(^1\)

Federal Aid for Redevelopment. Since neither loans nor grant funds can be used for actual construction or rehabilitation of structures in the project area, financing of new housing and rehabilitation of existing residential structures must come directly from private investment. The rehousing of the one-time slum dwellers in decent, safe and sanitary housing affords an opportunity for private enterprise to play a vital role in the rebuilding and revitalizing of our nation's communities.

Our urban renewal needs are estimated to require an investment of at least 75 billion dollars—the bulk of it by private capital.\(^2\) This job can never be carried out without a broad flow of private capital into urban renewal operation. Congress clearly recognized this, and as an incentive to private enterprise to participate more fully in the battle against civic decay, in the Housing Act of 1954 it authorized a new urban renewal tool under the FHA...Section 220 mortgage insurance. Actually as one writer put it the only incentive needed by private capital is the "chance to make a profit."\(^3\)

Section 220 of the National Housing Act, which sets up a special type of Federal Housing Administration mortgage insurance is designed to provide

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\(^1\) Ibid.


\(^3\) "Where Does the Money Come From?" Journal of Housing, XXIV (October, 1957) p. 321.
financing support for redeveloping urban renewal areas with good housing of all types.

The FHA, under section 220, can insure loans to finance construction of new homes and apartments in an approved urban renewal project area, or for the purchase or refinancing of existing houses or apartments that are to be rehabilitated. Section 220 has more liberal provisions than regular FHA loan insurance programs.

Section 220 thus makes possible a larger loan and a smaller equity investment by private capital than would normally be possible under conventional lending mortgages.

Mechanics of 220 FHA Mortgage Insurance. In general, Section 220 adapts to urban renewal requirements. When the mortgagor is the owner-occupant, mortgage amounts for proposed construction are limited to 95 per cent of the first 9,000 dollars of estimated replacement cost, plus 75 per cent of the portion over 9,000 dollars. For existing construction and housing to be rehabilitated the limit is 90 per cent of estimated value on the first $9,000 and 75 per cent of the portion over $9,000. Operative builders are limited to 85 per cent of the mortgage amounts authorized for an owner-occupant.1

Top limitations for one- or two-family residence, three-family residences, or four-family residences are $20,000, $27,000 and $35,000, respectively. For each additional family unit in excess of four, up to a maximum of eleven, $70,000 is added to the four-family limitation of $35,000.2

1 Federal Laws Authorizing Assistance to Slum Clearance and Urban Renewal, op. cit., p. 66.

2 Ibid.
Loans for home-mortgage financing may be for as long as 30 years or three-quarters of the remaining economic life of the property, whichever is shorter.\textsuperscript{1}

Under section 220, FHA will insure a loan for the construction or rehabilitation of rental structures containing five or more family units, up to 90 per cent or the estimated value of a rehabilitated building or of the replacement cost of a newly constructed one.\textsuperscript{2}

On a per room basis, the mortgage limitation is $2,250 for walk-up apartments, and up to $2,700 for elevator buildings. For projects averaging less than four rooms per unit, the unit limitation is $8,100 for walk-ups, and may be as high as $8,400 for elevator structures.\textsuperscript{3}

These limitations may be increased up to 1,000 dollars additional per room in localities designated as high-cost areas by the FHA Commissioner.

The term for mortgages for rental structures is determined by the FHA Commissioner. The maximum amount for any one commitment is $12,500,000 to a private developer and $50,000,000 to a public mortgage.\textsuperscript{4}

Problems of 220. In initiating the 220 mortgage many problems became apparent in the early days. Perhaps the most difficult task was that of designing a project for which the rents would be suitable to middle-income families and at the same time be sufficient to carry a large mortgage.\textsuperscript{5} Another problem

\textsuperscript{1}\textit{Ibid.}, p. 67.

\textsuperscript{2}\textit{Ibid.}

\textsuperscript{3}\textit{Ibid.}, pp. 67-68.

\textsuperscript{4}\textit{Ibid.}, p. 68.

\textsuperscript{5}W. B. Mason, "FHA is Ironing Out Its Problems," \textit{Journal of Housing}, XXIV (October, 1957), 322.
was that of drafting a satisfactory form of corporate charter that would pro-
vide FHA with the various controls required by law and at the same time af-
ford the management an appropriate flexibility of operation. Charter provi-
sions of the greatest concern related to distributions of corporate earnings,
control of the rent schedule, procedures to be followed in case of default,
maintenance of the property, redemption of stock, and repayment of borrowed
capital constituted the inherent problems faced by FHA.¹

Routine Set in Motion. Other refinements followed along after the first
cases and FHA is now processing on a routine schedule. Since FHA mortgage
insurance is limited by law to those redevelopment projects that have advanced
to the stage at which the administrator of the HHFA can certify to the com-
missioner of the FHA that the community has the authority and financial ca-
pacity to complete the plans.

Fifty-seven urban renewal projects were certified by the administrator
purusant to Section 220 as of October, 1957. Four of such projects have been
financed and constructed without the necessity of FHA mortgage insurance.
The remaining 53 were planned to include roughly 28,000 rental dwelling units.
In connection with this proposal housing FHA has insured loans totalling over
50 million dollars and had in process another 40 million.² In light of the
foregoing figures it seems as though FHA mortgage insurance provides the
vehicle private enterprise needs to do the job.³

220 Sales Housing. To date projects planned for this type of construction
are in the minority. New Jersey, Utah, and California have successfully

¹Ibid.
²Ibid.
³Ibid.
sold a majority of units under this plan.\footnote{Ibid.}

220 Rehabilitation. - This type of project involves federal capital grants and condemnation and resale of project land for redevelopment as well as rehabilitation of existing structures. It requires also the same painstaking planning as for a clearance project.

The 220 rehabilitation project is one in which the city provides all capital expenditures, i. e. it is a non-grant project. The URA is very enthusiastic about the possibilities of the 220 rehabilitation section. Many obstacles, however, confront this section of the Housing Act.

Redevelopment of slum areas or rehabilitation of almost any blighted area, as well as many other public improvements, will result in the displacement of substantial number of families, any of whom will not have the means to obtain adequate housing in the normal private market.

A matter of just treatment that you are not clearing one slum only to create another, the law requires that decent, safe and sanitary housing be available to these families, at prices and rents within their means.

The Federal Government provides exactly such a way through Section 221 of the 1954 and 1956 Housing Acts. Section 221 provides an incentive for private builders or investors to build housing uniquely for relocation purposes. The only part that the FHA or the Government plays in the construction of this housing is to insure loans up to 100 per cent and to allow long amortization periods. It is therefore clear that the location of the sites for relocation or 221 housing will be determined not by the city but by the private enterprisers who will have to play the real estate game without additional powers.
or privileges. Since decline of property values and of neighborhoods as a whole is generally considered detrimental to the real-estate business it is obvious that Section 221 provides inherently an insurance against the infiltration of blighting elements into sound neighborhoods.

The 221 program is of a three-fold nature: (1) low-cost private housing; (2) low-rent public housing; (3) relocation payments. The area of 221 will be discussed very briefly because it is such an interesting one and once you get started on it you become as involved until it is very easy to develop another thesis on the financing of 221. For the purposes of this thesis the discussion of Section 221 will concern only the low-cost private housing.

Mechanics of Section 221. The most favorable terms generally available under the National Housing Act may be obtained under Section 221 for the purchase of low-cost homes.

The mortgage loan may be 100 per cent of FHA appraised value, with a maximum of $9,000 for any swelling ($10,000 in high-cost areas). The maximum mortgage maturity is 40 years. Eligible buyers of single family homes need put only $200 down payment, any or all of which may be used to cover closing costs. If the $200 cannot be raised at the outset, the seller may work out a short-term deferred payment arrangement for the displaced persons.\(^1\) 221 in Action. There has been a steady month to month increase in issuance of commitments on relocation housing under Section 221. Certificates of eligibility for 221 FHA insured mortgages are limited to 5,000 per city unless further certification is approved by the HHFA.\(^2\)

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\(^1\) Laws Authorizing Assistance to Slum Clearance and Urban Renewal, op. cit. p. 324.

\(^2\) Interview with Mr. Hines (Housing and Home Finance Agency, Atlanta, Georgia, July 2, 1957).
Ninety-one cities have now obtained a total allocation of 49,950 units.\(^1\) Housing under construction ranges in price from $7,500 to $10,000 which is the mortgage limit in high cost areas. Many localities that originally thought they would not be able to get anything built for $10,000 or less are finding that lower prices can actually be achieved.

Admittedly, new construction under Section 221 can never provide for all relocation needs. However, families under 221 can purchase existing housing within their means. In some instances realtors are very instrumental in finding existing housing and getting them FHA insured and offering them to holders of 221 certificates.\(^2\) This 221 insurance is of particular interest to minority groups who often find it difficult to obtain satisfactory conventional mortgages on existing structures.\(^3\)

Federal National Mortgage Association. No discussion of Section 220 and 221 would be complete without a word on FNMA. "Fannie Mae" under the special assistance program can make advance commitments to lenders to buy both types of FHA-insured mortgages. FNMA's regular function is to buy and sell in the secondary, or resale market, housing mortgages insured by the FHA ... in order to assure a stable market for these loans in various parts of the country.\(^4\)

The Southeastern Region—Region III. The southeastern region which comprises the seven states of North and South Carolina, Georgia, Alabama, Mississippi, Tennessee, and Kentucky, and perhaps eventually Florida as soon as her state

\(^{1}\) W. B. Mason, op. cit., p. 324.

\(^{2}\) Ibid.

\(^{3}\) Ibid.

laws are amended to legally permit acquisition of property for urban renewal activities, has used 113 million dollars of FNMA mortgage and another 110 million is needed to finance the new projects under Section 221. FNMA used $400 million as of the end of 1958 under 221 on a nation-wide scale. The President has another $400 million which will become available if it is released by the President. It should be remembered however, that this $400 million is not only for urban renewal—it is allocated to special assistance programs and other defense housing projects such as those at TVA's nuclear headquarters or Cape Canaveral and others.  

FNMA purchases its mortgages at par. Since this assured financing of projects at costs below the price of funds obtainable from private sources, and because the law authorized the issuance of advance commitments, builders turned at once to the Federal Government.  

The 220 mortgages depend on the money market and we are now in a period of a tight money market so consequently FNMA is loaded with 220's. The Southeastern region has not as yet made any applications for 220 mortgages with FNMA.  

In conclusion it is worthy of note that mortgages held by private investors are almost nil, the bulk of the mortgages are held by FNMA.  

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1 Interview with Mr. Greer (Federal National Mortgage Association, Atlanta, Georgia, July 8, 1959).


3 Interview with Mr. Greer, op. cit.

4 Ibid.
CHAPTER IV

A CASE STUDY ON URBAN RENEWAL
ATLANTA, GEORGIA

Due to the writer's inability to secure adequate background materials for Atlanta, Georgia, the historical background for the city has been eliminated. A brief previous record of Urban Renewal for Atlanta was as follows:

1950 - Hemphill Project Planned
1951 - McDaniel Project Planned
1952 - McDaniel Project Planning Completed
1953 - Court decision throwing out Urban Renewal—illegal in Georgia
1954 - State Constitution amended to make Urban Renewal legal in Georgia
1955 - New enabling legislation passed—based on a revised constitution.¹
1956 - Preliminary planning for three projects—Butler Street, Rawson—Washington and University Center
1958 - Preliminary planning Rockdale and Thomasville projects.²

The Five Project Areas. The project areas are five in number—Butler Street; Rawson—Washington; University Center; Thomasville and Rockdale. The following description of the location of the project areas will lack the technical jargon usually employed in giving location of renewal projects, however, the

¹ Malcolm D. Jones, "Notes on Urban Renewal" (Atlanta, Georgia, Chief Urban Renewal Division Department of Planning, 1959) (Mimeographed).
² Urban Renewal Project Directory, op. cit., p. 3
description of the area location will enable the layman to locate said areas on a map of the city.

The Butler Street Project is bounded on the North by the proposed Atlanta Expressway System, on the East by Jackson and Boulevard, on the South by Decatur and Auburn Avenues and on the West by Courtland and Millard Avenues. The Rawson-Washington Project is bounded on the North by Memorial Drive and Whitehall Street, on the East by Capitol and Fraser Streets, on the South by Georgia Avenue and on the West it embraces the interchange for the Expressway. The University Center Project is bounded on the North by Hunter Street, on the East by Northside Drive; on the South by the University Area, and on the West by Lawshe Street. The Thomasville Project is bounded on the North by the proposed Intercounty Expressway and the Federal Prison Reservation, on the East by Moreland Avenue, on the South by the Southern Railway and on the Southwest by the Southern Railway. The Rockdale Project is bounded on the North by Perry Boulevard, on the East by Avenue "A", on the South by Proctor Creek, on the West by Roderick Street and on the Northwest by Perry Homes (low-rent housing).

Essential Elements of the Workable Program. - The first of these being Codes and Ordinances: required adoption by the city of: A Building Code; An Electrical code ... The second essential element, is a comprehensive community plan... The third element, neighborhood analysis... detailed study and analysis of existing conditions throughout the city, such an operation usually takes about five years. The fourth element is a survey of the administrative organization of the city to effectively carry out the urban renewal program... The fifth element is an analysis of the city's financial ability to meet the Urban Renewal challenge. The sixth element is the city's plan for, and designation
of an agency to insure that families displaced by any and all types of governmental action throughout the city are adequately re-housed in decent safe, and sanitary dwellings. The seventh elements is the full hearted citizens support.  

The Housing Code of the City of Atlanta, as approved and adopted by the Board of Alderman, effective January 1, 1958, contains invaluable information for the property owner as well as the general public. This code established minimum standards for occupancy of every building used in whole or in part as a dwelling unit and requires that all such dwellings conform to this code, irrespective of when such buildings may have been constructed, altered or repaired.  

Relocation of Families.-Although urban renewal is not strictly a housing program, the rehousing of persons displaced by clearance, rehabilitation, code enforcement, and other urban renewal activities is a matter of great public concern. The public responsibility for relocation is recognized by most state enabling statues as well as by the National Housing Act. One of the objectives of a "workable program" as stated by the HHFA is to "facilitate the rehousing, in decent, safe and sanitary dwellings, of families displaced by governmental action." In order to meet the requirements of the Federal Act, the locality seeking federal aid must make analysis to show the extent to which new construction is needed and must present acceptable plans for facilitating such construction and for rehabilitation existing structures.

1. Malcolm D. Jones, "Urban Renewal In Atlanta and the Workable Program" (Atlanta, Georgia, Chief Urban Renewal Division Department of Planning, 1957) pp. 3-4 (Mimeographed)  

2. Ibid., p5.  

Families to be Relocated. - Out of five urban renewal projects 3,727 families will be dislocated. Of these 3,727 families, 3,400 are Negro and 327 are white. 2,837 of these persons will be eligible for low-rent housing (because of income); 2,618 of these are Negro and 219 are white. There will be a total of 9,180 low-rent units available; 4,882 for Negroes and 4,300 for whites. A total of 21,056 private housing units will be available also; 8,275 for Negroes and 12,781 for whites.¹

Under Section 221—36,000 units ranging from $9,000 to $10,000 in price (Atlanta has been considered a high-cost area) with 40 year mortgages have been and are being constructed near the Carling Brewery on the Highway to the Airport. This land belongs to the Central of Georgia Railroad, so consequently, all of it is not being used for residential purposes. In the Thomasville section 300 to 400 homes are going to be constructed and also approximately 189 homes on Forrest Avenue (on the old land site of the Henrietta Egleston Hospital) are going to be constructed.²

General Planning. - One of the fundamental objectives of a workable program for urban renewal as outlined by the HHFA is the development of a comprehensive general plan for the community as a whole. The general plan, to be acceptable, should be developed under procedures provided by state and local legislation, and should be supervised and administered by an official local planning agency having adequate resources and authority to insure continuity.

¹ Interview with Mr. Hines, op. cit.
² Interview with Mr. Greer, op. cit.
of planning. To comply with the federal requirements the general plan should provide for physical development through a land use plan which shows location and extent of new land uses.

**TABLE 4**

OLD LAND USES - ACREAGE BREAKDOWN

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Residential</th>
<th>Streets-Public</th>
<th>Non-residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butler Street</td>
<td>83.8</td>
<td>122.2</td>
<td>43.0</td>
</tr>
<tr>
<td>Rawson-Washington</td>
<td>102.2</td>
<td>195.1</td>
<td>37.5</td>
</tr>
<tr>
<td>Thomasville</td>
<td>199.2</td>
<td>32.2</td>
<td>35.3</td>
</tr>
<tr>
<td>Rockdale</td>
<td>176.2</td>
<td>38.8</td>
<td>13.0</td>
</tr>
<tr>
<td>University Center</td>
<td>229.0</td>
<td>108.0</td>
<td>13.5</td>
</tr>
</tbody>
</table>

* Data from the Office of HHFA, Atlanta, Ga.

**TABLE 5**

PROPOSED LAND USE - ACREAGE BREAKDOWN

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Residential</th>
<th>Streets-Public</th>
<th>Non-residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butler Street</td>
<td>59.5</td>
<td>108.7</td>
<td>80.8</td>
</tr>
<tr>
<td>Rawson-Washington</td>
<td>44.5</td>
<td>190.6</td>
<td>96.9</td>
</tr>
<tr>
<td>Thomasville</td>
<td>158.1</td>
<td>96.1(^2)</td>
<td>12.5</td>
</tr>
<tr>
<td>Rockdale</td>
<td>figures not available</td>
<td>predominantly residential</td>
<td></td>
</tr>
<tr>
<td>University Center</td>
<td>232.9(^3)</td>
<td>93.2</td>
<td>24.4</td>
</tr>
</tbody>
</table>

* same as Table 4

\(^1\) Commercial

\(^2\) 42.4 acres are to be use for a park.

\(^3\) 44.6 acres are to be use for related or semi public use.
The Economic Impact.—The economic base of any government whether state, local or federal is its revenues received through taxation. The actual and estimated revenues from "renewal lands" are three times the previous revenues from the same sites before renewal. Consequently, city officials predict that urban renewal areas will pay for themselves in approximately five to ten years.

**TABLE 6**

**TAXATION ESTIMATES BEFORE RENEWAL AND AFTER**

<table>
<thead>
<tr>
<th>Project Area</th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>city tax</td>
<td>county tax</td>
</tr>
<tr>
<td>Butler Street</td>
<td>$64,660</td>
<td>$32,329</td>
</tr>
<tr>
<td>Rawson-Wash.</td>
<td>35,203</td>
<td>17,601</td>
</tr>
<tr>
<td>Thomasville</td>
<td>18,026</td>
<td>9,013</td>
</tr>
<tr>
<td>Rockdale</td>
<td>11,425</td>
<td>5,712</td>
</tr>
<tr>
<td>Univ. Center</td>
<td>44,288</td>
<td>22,114</td>
</tr>
</tbody>
</table>

*same as Table 4

1Includes state tax.

The cost of Urban Renewal for Atlanta. —Two of the five proposed projects have been approved. A loan of $10,255,300 and a capital grant of $4,285,079 for the 249 acre Butler Street Project and a loan of $3,981,535 and a capital grant of $2,907,950 for the 267 acre Thomasville Project. The other three projects have estimated net costs as follows: the Rawson-Washington Project $4,082,928; the Rockdale Project $1,743,000 and the University Center Project $7,730,454.  

1Interview with Mr. Hines, op. cit.
The Five Project Areas have not been planned as islands within an urban sea. They have been planned so that the areas surrounding the project areas are in consonance with each other and bear relationship to the Central Business Districts.

Perhaps the Atlanta Program will be or come close to being the area plan with which the writer has reference in the next chapter.
CHAPTER V

FUTURE OUTLOOK

What would it cost to renew our cities completely? At present, renewal is done on a project basis and the result is that some areas are skimmed without the city being fundamentally affected. The projects now under way will cost about \(1,000,000,000\). But even in the unlikely event that they are all completed, their impact on the existing housing stock and city development patterns may not be as great as is hoped for. It seems feasible that a total area plan, which would comprise many projects which had a direct relationship to the downtown center would meet the goal of attraction of new investment to aging areas, encouragement of upper income groups to return to established residential areas, and restoration of the primacy of downtown shopping and entertainment centers. If the area plan approach were carried out, what would be the cost?

...almost two trillion by 1970.\(^1\)

The responsibilities and requirements involved are predominately those of private enterprise. Yet, necessary Federal participation expenditures alone will rival those of National Security.

Despite all efforts how being used by public and private enterprise, cities are deteriorating at a faster rate than they are being renewed through new construction, repair or maintenance. Not one city is known to have a

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program so complete as to be able to renew it at even the same rate that its
deterioration takes place.

Nationwide, housing alone has been estimated as a 250 billion dollar
investment. This represents more than a quarter of the total national assets
yet, this investment is being allowed to wear away faster than present efforts
can check it. The cost of deterioration does not lie in the value of the
structure alone. The implied threat of the whole complex founded on the "city
concept" forms the basis of the most important economic problem to be faced
by the United States not in the next twenty years, but perhaps in less than
a decade.¹

To get some estimated answers to the question of area renewal rather
than the unrelated project approach. ACTION made an analysis of the probable
costs of total renewal in one metropolitan area by 1970. For the purpose of
our discussion we will call this area City X—it is not typical (there are
no typical cities) but it has the fullest range of experience for middle sized
areas. (it is one of the 65 central cities with 100,000 to 250,000 people).
City X is not dominated by a single industry and it is neither a depressed
nor a newly developing area. City X is typical in that it has about twice
the population of its suburbs. It has a low medium growth in the central
city and a high growth in the suburbs. This is what Mr. Woodbury called the
"typical growth pattern."¹

Estimated hypothetical costs of total renewal in the City X area can be
extrapolated to give a rough idea of what a national program of total renewal
would cost.

¹
Financial and Governmental Requirements for Housing and Urban Renewal
in Metropolitan Areas (Newark Conference on the ACTION Program for the Ameri-
can City Publication) 5, May, 1959, p. 3.
The cost estimates depend upon what is regarded as "need". City X's renewal needs are taken to be those implied by the standards that experts recommend. Some of these standards may appear too low by 1970.

For $196 million a year in public and private expenditures—a little more than $600 per person—City X area could by 1970 eliminate slums and blight house its new population adequately, and refurbish its downtown central city district. This would mean a new investment of almost twice the value of the existing one. City X residents could probably meet these costs, but incentives for investment would have to be increased and there would have to be a marked redistribution of income to permit low income groups to make their share of improvements. The net addition to property values of such a program would permit financing of public improvements at a slightly lower tax rate.¹

City X area needs are modest compared to those of many other areas. But if the City X costs are simply pro-rated by population, the national cost of total renewal is well over $100 billion per year or more than a trillion dollars for the 12 year period until 1970.² When it is considered that the present rate of spending for all construction is about 52 billion a year, it is clear that total renewal requirements would demand a dramatic increase in expenditures.³

The most ardent enthusiasts for renewal are asking only $600 million a year. City X alone would require $18 to $27 million a year. If 500 other cities were to spend this same amount $2.5 to $3 billion a year in Federal funds would be required.

¹Ibid.

²Ibid.

³"Winnick Sees Big Factor In Urban Renewal as Demand," American Banker May 9, 1959, p. 6.
CHAPTER VI

CONCLUSION

Summary. - Primary, of course to the likelihood of urban renewal is some good reason for the continued existence of the city. That reason may be a long continuing one, as the industrial and commercial potential inherent to the strategic locations, the presence of an outstanding university, a hospital or a seat of government or a combination of such stable sources of attraction and livelihood.

The problem of creating or maintaining the basic economic support of an urban area are beyond imagination. The prospects of urban renewal are, however, closely related to these problems in one important respect: a good city costs money, and without a vigorous economic life the resources will not be available to bring about desired improvement. A poor city simply cannot afford to do that which it might like to do.

The central economic problem spurging from urban renewal is finance. The tidal wave of urban growth will push to the foreground as never before the problem of federal-state-local fiscal relations.

The federal government is already deep in urban renewal...600 million a year plus FHA and FNMA commitments. The estimated need of funds by 1970 is almost 2 trillion, consequently, even though the federal government is carrying the bulk of the renewal financing load a lot more capital is needed if the job is to be completed. As Mr. Rockefeller said, "As tremendous as
the cost of urban renewal is, the cost of not doing it is even greater.¹

Recommendations. - State and local fiscal policies should be coordinated in order to spend more and attract more private capital. The bulk of the cost of renewal must be carried by private capital. However, private capital need incentives. These incentives must be supplied by the state and municipal governments through analysis of the hidden and apparent opportunities offered by their city after renewal.

Future Study. - The writer recommends future study be conducted in the area of the economic effect of urban renewal on American Cities. Just as the impact of industrial mergers directly effect our economy the impact of urban renewal changes the economic base of the city and thus the economy as a whole. The writer also recommends a study be conducted within the next five or more years of the economic impact on the Atlanta renewal areas.

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