

CHAPTER XIX

THE HOUSING PROBLEM

THERE is no housing problem in the small town. Each family occupies an individual house or cottage, usually with a garden about it. There are no tenements, no slums, no congestion. There are usually enough houses; rents are reasonable and the tenant knows his landlord personally.

Conditions are not very different in the city of 25,000 to 50,000 inhabitants.¹ There is still the individual home. The tenement has not appeared and no official thought is given to the subject of building regulations, congestion, or the housing of the people.

When the community reaches a quarter or a half million people, however, a housing problem appears. Two, three, and four families are found living in the same house, or in several houses built upon a lot where previously there was but one; conditions are unsanitary; there is a high infantile death-rate. Tuberculosis is prevalent or some epidemic of disease breaks out, which awakens the community to the situation. Surveys in a dozen cities like Cleve-

¹ Housing conditions in the mill towns of New England and the coal-mining towns of Pennsylvania, Ohio, West Virginia, and elsewhere are, however, in their own way almost as bad as in the large cities.

land, Washington, and Buffalo disclosed conditions which in their way were quite as bad as those of New York or Chicago.

The Tenement and the Slum.

When the city reaches metropolitan proportions the tenement appears. The individual house is torn down and three, four, five, and six story tenements are erected. The garden is gone, while every inch of available space is built upon. Only the smallest possible area has been left for light and air.

Tenement-houses in New York occupy from 70 to 90 per cent. of the lot area. Twenty families are crowded upon a spot where a generation before there was but one. Whole families live in two or three room tenements, into many rooms of which the sun never enters. Frequently boarders are added to eke out the rent. The plumbing is bad. The bathroom is a luxury enjoyed by but few. The washing, ironing, cooking, eating, sleeping, the rearing of children and care of the sick—one or two rooms suffice for it all.

Under these conditions there can be no privacy and little family life. Millions have become cliff-dwellers, ready to move on a moment's notice; quite frequently accustomed to eviction for the non-payment of rent.¹ Almost everybody is a tenant, for home-ownership is out of the question.² The

¹ The evictions in New York City for the non-payment of rents are estimated at 5,000 a month or 60,000 a year.

² See Chapter IV, p. 40.

landlord is sometimes a corporation, almost always an unattainable, unknown person. An agent collects the rents, which constantly tend to rise. This means smaller rooms, diminishing comfort, vanishing family life. In an incredibly short time great sections of the city are close packed with people, many of them in rooms far less sanitary than the barns or outhouses of the small towns.

Mr. Robert W. de Forest, the first tenement commissioner under the Tenement House Law of New York, describes conditions in that city ten years ago as follows:¹

“Tenement conditions in many instances have been found to be so bad as to be indescribable in print: vile privies and privy sinks; foul cellars full of rubbish, in many cases garbage and decomposing fecal matter; dilapidated and dangerous stairs, plumbing pipes containing large holes emitting sewer gas throughout the houses; rooms so dark that one cannot see the people in them; cellars occupied as sleeping places; dangerous bakeries without proper protection in case of fire; pigs, goats, horses, and other animals kept in cellars; dangerous old fire traps without fire escapes; disease-breeding rags and junk stored in tenement houses; halls kept dark at night, endangering the lives and safety of the occupants; buildings without adequate water supply—the list might be added to almost indefinitely. The cleansing of the Augean stables was a small task compared to the cleansing of New York’s

¹ First report, July, 1903. The conditions described have been greatly improved in the last ten years, and the description no longer applies to New York.

82,000 tenement houses, occupied by nearly 3,000,000 of people, representing every nationality and every degree in the social scale."

The Causes of the Housing Problem.

If we follow this transition from the town to the city we find that the housing problem is due to high land values on the one hand and inadequate transportation facilities on the other. These create the housing problem. High land values are due to the demand for land. This in turn involves the intensive use of land by the owner in order to secure a commercial return on the investment. This means high buildings, high rents, and congestion.

In every large city, too, transportation lags behind the need for it. When the town is small men walk to their work. Then comes the bus or the horse-car. The horse-car is followed by the electric trolley, which in turn is followed by the elevated, the subway, and the interurban train. But in each instance adequate transportation followed, it did not precede the growth of population. The explanation is simple. A short haul is more profitable than a long haul. In consequence, transportation companies extend their lines only as they are forced to do so. It is to their interest to restrain population within as narrow limits as possible. It is to the interest of the city on the other hand to distribute population as widely as possible. Despite these obvious facts cities have rarely prevented congestion by extending transportation in advance of population. In consequence, all cities, both in America

and in Europe, are congested. Tenants have to take such houses as were offered, because working men have to live near their work.

Housing reformers are just beginning to appreciate these facts. They are coming to see that the housing problem is a land and transportation problem and can only be solved as such.

Four Policies of Housing Reform.

Four general policies are being pursued as to housing. They are:

1. A *laissez-faire* reliance on private capital and the law of supply and demand to provide a sufficient number of houses to satisfy the needs of the community.

2. The enactment of laws for the regulation of private builders—materials, plumbing and sanitation, the area to be covered by structures, the cubic air space per occupant, etc.

3. The discouragement of land speculation on the one hand and the encouragement of building on the other by the reduction or removal of taxes on houses and improvements and the increase in the taxes on land; and

4. The building of model homes, tenements, and garden suburbs by the city itself or by co-operative associations aided by public loans. This policy has been most widely developed in Great Britain and Germany, in competition with private builders.

The Policies Considered.

- I. *Laissez Faire*.—The housing problem is really caused by the first policy of unregulated house-build-

ing and *laissez-faire* reliance on private initiative. Private capital produces sufficient houses in the smaller towns, where the population is more or less stationary, but it fails to do so wherever increasing population makes it more profitable to speculate in land rather than to build, and through speculation and the withholding of land from use to overcrowd tenements on congested areas. This policy has failed wholly in the larger cities.

II. *Regulation by Building and Tenement Laws.*—This *laissez-faire* policy of reliance on competition has been generally followed by the second policy of regulation. New York has enacted a great body of laws within the past few years for the regulation of tenements, which have been quite largely copied by other States.

The tenement-house laws of New York define a tenement to be any building occupied as a residence by three or more families, living independently of each other and doing their cooking on the premises. Such tenements may only cover a certain percentage of the lot area; rooms must have a minimum size, and in the living rooms there must be windows of a certain area. The dark room is prohibited for living purposes. The law provides as to the plumbing, water supply, water-closets, cleanliness, stairways, basements, and courts. "In every tenement house, wherever erected, there shall be in each apartment a proper sink with running water . . . there shall be a separate water-closet in a separate compartment of each apartment, provided that where there are

apartments of but one or two rooms there shall be at least one water-closet for every three rooms."

New Law Tenements.

The tenements erected under this law are a great improvement on the old ones. Between 80 and 90 per cent. of the new tenements contain private baths for each family. The common water-tap in the back yard or for a whole floor has disappeared, as has the common sink. There has been a consequent improvement in health and sanitation.

As a protection against fire the law contains provisions as to materials, the structure of halls and stairways, the erection of fire-escapes, and the storage of combustible materials. New tenements exceeding six stories above the curb are required to be fire-proof, while smaller tenements must have fire-proof stairs and halls.

Over \$750,000,000 has been expended in ten years' time in Greater New York in the erection of such tenements. They contain 312,000 apartments and house a million and a half people in homes with outside light and air in every room, with running water in each apartment, and with private toilets. Over 80 per cent. of the apartments have set-in bathtubs. All, too, are protected by fire-escapes and many of them by fire-proof stairs.

"This type of house," says Mr. Lawrence Veiller, "has given eminent satisfaction in New York. It is practically the main type that has been built since the passage of the Tenement House Act in 1901. During the period of eight years, in the borough of

Manhattan alone, 4,506 new tenement-houses have been built, providing accommodations for 116,789 families, or approximately over half a million people. There has not, however, in all this time been a single instance of a bad fire in one of these houses; nor has there been any loss of life from fire in one of these buildings, nor any fire in which any considerable financial damage has resulted."

The law further requires that the tenement-houses must be kept clean of dirt, filth, or garbage, the owner being required to cleanse all the rooms, passages, storerooms, etc., to the satisfaction of the department of health; he must provide suitable conveniences or receptacles for ashes, rubbish, garbage, and other material.

The administration of the law is reposed in the hands of the tenement commissioner, who employs a large number of subordinates who inspect and report upon violations of the law, much as does the Health Department.

The Success and Failure of Regulation.

Regulation is primarily a health and sanitary programme. It has improved the type of tenement, has made it sanitary, healthy, and more nearly fire-proof, but it does not reduce congestion or lower rents. Nor does it increase the number of houses. Rather the reverse is true. Improved plumbing, better sanitation, more light and air increase the cost of construction, which in turn increases rents and creates further congestion. Under the most drastic laws and the most honest regulation families

still live in one or two room tenements. They must take in boarders to make up the rent; they must continue to perform all the domestic functions in the narrow quarters of the tenement room. These economic conditions cannot be met by regulation. For regulation does not increase the supply of houses. It rather diminishes them by increasing the cost of construction.

Nor do such laws protect the tenement-dweller from such evils as prostitution, which is easily recruited among children who have known no privacy; whose eyes are familiar with the finery of the women who are distinguished from their neighbors because of their comparative luxury and freedom from long hours of toil in the shop or the factory.

A few years ago it was hoped that private philanthropy at 6 per cent. might solve the problem by the erection of model tenements. But the inadequacy of such a remedy is indicated by the experience of New York. Writing in 1910, Mr. Lawrence Veiller says that "during the past forty years model tenements accommodating about 18,000 persons have been built by philanthropists in New York, while real-estate speculators had built houses, many of them of a very objectionable type, for 1,267,550 persons."

The Crux of the Housing Problem.

Neither private capital nor philanthropy can be relied upon to provide a sufficient number of houses in a growing city. The reason for this is that, generally speaking, there is more money to be made

in holding land for speculation than there is in building houses. In growing cities land values increase at 4 or 5 per cent. per annum. This is the experience of European and American cities. There is less risk, hazard, and trouble involved in keeping land out of use than in the building and management of tenements. In consequence men speculate rather than build. *The economic motives operative in other businesses do not apply with the same force in the building of houses, because of the identity of the housing problem with the land.*

We now recognize that there can be no competition among gas, water, street-railways, and other natural monopolies. The traditional laws of competition do not operate in this field. The same is true, although to a less degree, of house-building, for the laws of demand and supply are not adequate in house-building to either erect a sufficient number of houses or to keep down rents to a reasonable figure. The reason for this is the identity of housing with land and the speculative gains or hope of gains to be made from holding land out of use. For this reason new remedies must be sought in the solution of the problem.

III. *Lower Taxation on Houses as an Encouragement to Building.*—The taxation of land values and the exemption of houses and improvements is being proposed in a number of States as a solution of the housing problem. This reform attacks the problem as a land rather than a house problem. It relies on competition if competition can be made to work

and claims that the heavier taxation of land will reverse the economic motives which now lead men to speculate rather than build. It will increase the supply of houses and by this means lower rents and compel owners to compete for tenants and by the same force bring about needed improvements and betterments.

The congestion committee of New York recommended the reduction in the taxes on houses and improvements to one half the tax on land values as a first step in this programme, and in support of its proposal the committee reported that there were 184,000 vacant parcels of land in Greater New York which would house one half the population in comfort if built upon. Much of this land is held for speculation when it should be used for house-building. Through an increase in the land tax, the committee urged, the withholding of land from use would be discouraged, while building would be encouraged by the reduction in the taxes on houses and improvements.

Taxation Exemption to Encourage Building.

In support of this recommendation Mr. Raymond V. Ingersoll, its chairman, stated:

“One of the main purposes of this proposal is to encourage the more rapid building up of the many suburban communities within the city limits. In all such sections improvements are usually worth at least twice the value of the land upon which they are located, and to lighten the tax upon improvements would be a great aid to development. The

present policy, on the other hand, of taxing land and buildings at an equal rate, is a distinct encouragement to the holding of land out of use for a speculative rise in value. It is often more profitable for landowners to wait for an increased value to be created by the growth of population and by the efforts of neighboring owners who do build, than to bring upon themselves the severe penalties which we now impose upon all building enterprise."

Continuing, he says:

"A high tax rate on buildings tends to check the building supply. High taxation of lands has no such effect. In fact land held out of use is brought more quickly into the active market.

"Taxes on buildings are reflected in rents. A policy of heavier improvement taxes means fewer buildings and higher rents. That is, improvement taxes are paid by tenants. Land taxes must be paid by the owner; they cannot be shifted.

"Building values are produced and increased by the industry and enterprise of the individual owner. Land values arise almost wholly from the growth of the community and from its pressing need of places in which to live and work. New York land values go up over \$700 for every additional person on the census rolls.

"Buildings tend to deteriorate from year to year; land tends to grow more valuable.

"Increase in the actual, tangible, useful wealth within the city is checked by a tax that discourages building. A tax on land does not have this effect.

"Expenditures of public revenues—especially upon permanent improvements—cause a direct increase in land values. Building values are not benefited in the same way."

The committee quoted Mr. William E. Harmon, president of one of the largest real-estate corporations in the city, in support of this measure. Mr. Harmon stated before the committee:

“Probably the best way to solve the problem of congestion would be to double the tax on vacant land, thus reducing the tax on improvements. If you increase the tax on land you force construction to meet the carrying charges.”

Discouragement from Taxes on Improvements.

A business men's committee for the promotion of this measure says in regard to taxes in New York City:

“The essentials to every city's development and progress are cheap land, low rents and low taxes, but New York City is handicapped by dear land, high rents and high taxes. The English Board of Trade recently found that the minimum rent for a three-room apartment in New York City is 9 per cent. higher than in Pittsburgh, and over one-fifth higher than in Philadelphia, Cleveland and Chicago. The tax rate on buildings in New York is higher than in most of the cities with which it competes. Buildings in New York are taxed at the same rate as land. This encourages the owners of vacant land to hold it out of use, because the annual increase in land values is more than double the tax rate on land. It discourages the construction of buildings, most of which when constructed are assessed for at least twice as much as the land upon which they stand. Buildings therefore usually pay at least twice as much taxes as their sites. Buildings, however, depreciate at least 2 per cent. a year, or slightly

more than the total amount of taxes they pay. The present system of taxing buildings naturally keeps the supply of buildings below the demand—that is, it keeps up rents and this increases the cost of doing business in New York City and increases the cost of living here.

“Had the proposed system of taxation been in operation in 1911, buildings in New York City would have paid about \$18,000,000 less taxes, and land about \$18,000,000 more taxes than each class of real estate actually did pay.

“The increased taxes paid by land would represent less than one-fifth of the net increase in land values of the city from 1910 to 1911, while if buildings depreciated only 2 per cent., the total depreciation in the one year was over \$52,000,000.”¹

Example from Canada.

The cities of western Canada, notably Vancouver, have abolished taxes on improvement values entirely. In Vancouver the value of the house permits issued increased by 100 per cent. the year following the exemption of houses and improvements.

A special commission created by the Minnesota legislature investigated the result of Canadian experience and reported in 1912. Speaking of Vancouver the commission said:

“The result, it is claimed, was magical. There was an immediate leap forward in local prosperity, huge buildings at once began to rise up where shacks had stood, and the city grew in population

¹ “To Promote New York’s Prosperity,” published by The Business Men’s Committee on Halving the Tax-Rate on Buildings in New York City.

by leaps and bounds. Ten years ago it had a population of less than 27,000; to-day it exceeds 150,000. In 1901 the assessed value of land was less than \$23,000,000; to-day it exceeds \$100,000,000. That the marvellous growth of the city is entirely due to its taxing system is not claimed, but that it has stimulated and aided such growth is generally admitted. . . . It is but fair to add that a large majority of the people of Vancouver seem to be strong advocates and supporters of the principle of exempting buildings and improvements from taxation."

The policy of taxing land more heavily than improvements has been followed in Australia; it is the policy of many housing reformers and municipal officials in Germany and is being urged in a number of American States. The proposal is discussed as a financial measure in a later chapter, "New Sources of Revenue."

Summary.

The housing problem is the most insistent of all municipal problems. It exists in all countries with a rapidly increasing urban population, as in America, England, and Germany. Probably the worst housing conditions are those of England and Germany.

America has done much to so regulate building construction as to improve the health of the community. But regulation has not reduced congestion or reduced rents, and public opinion is coming to appreciate that the housing problem is a land problem on the one hand and a transportation problem on the other and that it can only be corrected as such. A number of cities and States are agitating for the removal of all taxes on houses and the in-

crease in the tax on land, for the purpose of encouraging house-building and the prevention of land speculation. Advocates of this reform urge that the land speculator rather than the house-builder is responsible for the housing problem and that through increased land taxation the tendency to speculate will be checked and the motive for building will be stimulated. Canadian cities have developed this policy to the extent of exempting improvements from taxation, with the result that those cities that have adopted this policy have increased rapidly in population.