CHAPTER ONE

COMMUNITIES IN DECLINE

Vast and complex changes mark the current development of American cities. Large numbers of rural people are going to the big cities, while earlier city dwellers move to suburbia. The poor, the elderly, and racial and ethnic minorities, concentrated in central cities, are moving into old neighborhoods that the more affluent have left behind. As these groups lay claim to the old neighborhoods in their search for a place to live, city governments are experimenting with policies and programs to speed the rebuilding of these same areas.

The success of housing and renewal policies is blocked not only by conflicting interests, however, but by a poor understanding of changes under way in metropolitan regions. Population growth, mobility, rising incomes, and shifting housing preferences stir up intricate crosscurrents on the urban scene and make analysis and prediction difficult. The broad outlines of future prospects for old neighborhoods can be detected, but effective policymaking requires a more careful assessment of rates and directions of change.

It is clear that growth and decline go hand in hand in the modern metropolis. Of our dozen largest cities in 1950, eleven lost population between 1950 and 1960, while their metropolitan regions continued to grow. The same combination of central decline and over-all increase also characterized many smaller urban regions in the 1950's. Suburban growth has thus had an important side effect of reducing population in central areas.

Current interpretations of the American city emphasize the problems of obsolescence and decline in a period of generally buoyant expansion. The rebuilding of old areas has become a matter of national concern, with the federal government spending millions of dollars every year for urban renewal subsidies. And the picture
The Future of Old Neighborhoods

The "Gray Areas"

Many square miles of our cities consist of old neighborhoods where population decline appears imminent or has already begun. To recent analysts, these are the "gray areas" of obsolescent housing destined to be vacated at an increasing rate in the near future. In their view, the old residential structures are rapidly outliving their usefulness and will shortly be ready for clearance and replacement. Further, according to this interpretation, economic and social forces are operating inexorably both to destroy the present usefulness of these parts of the city and to block efforts to rebuild them as new residential communities.

What is the nature of this hypothetical process that seems to ensure indefinite stagnation in the old residential areas? Changing public taste is expected to bring about a rapid obsolescence of buildings constructed to the standards of past generations, while the buildings themselves deteriorate with age. Residents will move out, leaving behind a set of partially occupied buildings. These semiabandoned structures are at the base of the gray areas hypothesis: their continued presence is expected to constitute a severe liability to the land they occupy. It is argued on the basis of current experience that such land can be cleared only at a high cost, for old structures are expensive to acquire despite their waning utilization.

Recent experience also suggests that desirable building sites will be available at a lower cost on vacant outlying land. Suburban sites are the overwhelmingly popular choice for new housing, and little evidence is at hand to suggest a sharp reversal of this trend. For most people in search of new housing, the attractions of the suburbs remain compelling, and a steadily growing metropolitan highway network promises to open up an increasing supply of suburban land with good accessibility to jobs and services.

The gray areas, in comparison, seem to offer few present or potential advantages. The central location of most of these areas was formerly a considerable asset for their development, but with the outward spread of jobs and services and with improved highway access to the suburbs, central locations no longer play a dominant role in the housing market. While a limited number of people want
to live near the center and are willing to pay enough for their housing to compensate for high land costs, the vast majority of those in the market for new housing choose suburban dwellings.

Thus the gray areas argument constitutes both an explanation of current population decline with its concomitant lack of new construction and a prediction of more widespread abandonment and stagnation in the coming decades. The argument rests on assumptions—drawn largely from current experience—about cost differentials between built-up and vacant land and assumptions about the extent of housing demand for inner locations. A further elaboration concerns the type of housing that people will choose. Multifamily housing can overcome high land costs through economies in the amount of land required for each unit. Yet, the mass market is for single-family houses, which require a lavish amount of land per unit. Although a certain portion of the population favors apartment living, it is expected that an increasing number in this group will want suburban locations.

On all these grounds, analysts of the gray areas foresee a bleak future. For the mass new housing market, the value of gray area land is expected to fall far short of its acquisition cost. The housing demand that remains for gray area locations is assumed to be too small to permit extensive rebuilding of the large residential sections that are becoming obsolete. In short, this hypothesis holds that the market for new housing will decisively reject locations in the declining neighborhoods in favor of suburban locations on vacant land.

As a result, new development in declining areas will require either tremendous public subsidies to wipe out current cost differentials between gray area sites and competitive vacant land, or a wait of many years until acquisition costs fall to low levels. Gray areas has become a pejorative term, synonymous with decay and stagnation.

Neighborhoods for Newcomers

This study will take issue with the basic perspective of the gray areas hypothesis and with many of its supporting assumptions. As a diagnosis of current trends, the gray areas view accurately identifies the direction of changes now under way. But it exaggerates the rate of change and thus leads to an ill-founded notion of the under-
utilization of older residential neighborhoods, with undesirable implications for public policy. The gray areas view thus poses a premature issue: how to accomplish the large-scale rebuilding of declining areas. These areas serve vital social purposes and will probably continue to do so for at least the next two decades: they provide housing for the poor and for the migrants now streaming into urban regions.

American cities have long been acquainted with migrations of the poor and the unassimilated. Traditionally, the big city has absorbed wave after wave of immigrant groups into American society. Although foreign immigration has now been reduced to a trickle, the movement of Negroes from the rural South to the central cities of the North presents a continuing challenge to public policy. The assimilation of newcomers is still an urgent problem in the city, and decent low-cost housing is a key requirement. The task of the next twenty years in most of our large cities is more properly one of renovating and preserving the old houses in order to prolong their usefulness during a period when they will be needed. Deteriorated areas that are truly ripe for clearance should be measured by the acre rather than by the square mile. The argument for selective clearance and gradual renewal will be developed and tested in the following chapters, but it can be summarized briefly here.

The use of old residential neighborhoods is closely linked to migration into urban areas. In the 1950's, record numbers of central-city residents moved out to the suburbs, leaving unoccupied living space in the older areas. At the same time migrants from the South and from Puerto Rico, like their counterparts from Europe fifty years ago, settled into old sections of the central cities.

Migration alone did not refill the vacant dwellings. High birth rates increased the size of minority groups already in the cities, and other families undoubled or moved into more spacious quarters. There was a general reduction in household size reflecting both a rising proportion of small households and an increase in dwelling space for the average household. On balance, most large central cities declined slightly in population in the 1950's, but their housing stock was still well utilized and vacancy rates were only moderate. Population loss thus had little to do with falling utilization of the housing stock. Instead, it made possible an upgrading of space
standards for many families and enlarged the supply of housing for expanding low-income groups.

In time, urban minority groups—Negroes, Puerto Ricans, Mexican-Americans—will surely vacate the old neighborhoods in their search for better housing. But the present level of migration to the cities, the slow pace of minority movement from central cities to suburbs, and the high birth rates among incoming groups suggest that few cities will be ready for wholesale clearance within the next decade or two.

Housing in the declining areas is by no means uniformly substandard. Many of the structures do not conform to the tastes of the middle class today, but only a small proportion are seriously deteriorated or lack basic facilities. Moreover, much of the old housing has been improved. Private renovation in the 1950's upgraded a sizable proportion of formerly substandard units by combining small quarters into larger units and by installing new plumbing equipment. Since this housing is still very much in demand, any general clearance program would create considerable hardship unless alternate low-cost housing were provided. These circumstances argue for limiting clearance efforts to a scale consistent with the supply of vacant low-cost housing and removing only dilapidated or clearly substandard structures.

Public Policy Alternatives

Public policy is hemmed in by two types of constraints: the continuing need for old housing, which limits the amount of rebuilding that would be desirable at any given time, and the economics of developing new housing in the old areas, which limits the amount of new construction that can be financed without massive subsidies. Both constraints could be modified considerably by large-scale injections of government funds, either to provide subsidized housing alternatives for the poor who must otherwise occupy old housing or to make possible a profitable rebuilding by private interests. But given the present degree of government aid, or a moderate increase, the task of policymakers is to devise a course of action within the range of operations permitted by these dual constraints. The purpose of this study is to investigate the nature and extent of these limiting factors and suggest public policies consistent with them.
A first alternative for public policy is to await the gradual abandonment of declining areas and to defer rebuilding until few people are left and site acquisition costs have fallen to a low level. This policy is implicit in the gray areas hypothesis. It has some highly objectionable features, however. During the long period of abandonment, service costs would be high in relation to the number of people using local facilities. Streets, utilities, and public services would have to be maintained for a dwindling population. New capital investments in schools and environmental improvements would be difficult to justify against other claims on public funds since the life of many of these facilities would be short, geared to the life expectancy of the old housing. In all likelihood, public services would be cut back to minimum levels despite the needs of the people who remained.

In time, high vacancy rates would reduce acquisition costs sufficiently so that large-scale clearance and rebuilding could begin. Yet most areas would still be far from vacant at this point; perhaps half the dwelling units would still be occupied. The remaining residents are likely to be those with the greatest attachment to the community. They would have to be relocated, with all the well-known hardships that have already beset large redevelopment projects.

A second alternative is to rebuild declining areas gradually, so that new housing develops at the same time that demand for the old units declines. This pattern of change avoids the problems of underutilization by attracting new occupants throughout the transition period. A high level of services can be provided for the total population, while capital investments can be related to new housing as well as old. Further, residents would leave the area at times of their own choosing. The limited clearance of deteriorated and predominantly vacant structures would displace some people from time to time; but if they wished to remain in the area, they could move into other buildings with a longer useful life. Some old residents might move into the new buildings. Continual rebuilding would also broaden the range of residential choice for prospective tenants by offering them new housing and good local services at inner locations as well as in the suburbs.

In some cases, the physical constraints of gradual rebuilding will run counter to the desired direction of change. When the new func-
tion of an area requires a radically different land-use pattern with a complete reorganization of streets and utilities, rebuilding by small sections may prove impractical. Or if the new development is incompatible with housing—heavy industry, for example—partial redevelopment would deteriorate the environment still further for remaining residents. In general, a policy of slow rebuilding would involve more complex physical planning problems than a clean sweep, but only rarely are these problems likely to make a gradual approach unworkable. Where no compelling reasons dictate a choice of large-scale clearance, gradual rebuilding offers clear advantages in avoiding the problems of slow decline and subsequent dislocation.

A third alternative has actually characterized public policy in many big cities during the 1950's: the large-scale clearance of minority areas in an effort to rebuild them with expensive new developments intended for a middle- or upper-class market. In view of the continuing need for low-cost housing, this has been a socially objectionable policy. Regardless of the urban renewal objectives embodied in these programs, their result has generally been a self-defeating one of uprooting communities and shifting slum conditions to other neighborhoods. As these effects have become better understood, public policy has shifted toward improving old areas for their present occupants—an approach more in keeping with the second alternative of gradual rebuilding.

Feasibility of Gradual Rebuilding

A gradual replacement of worn-out housing may be socially desirable, but is it economically feasible? New construction could take many forms: shopping areas, factories, housing, community facilities. This study is limited to the feasibility of attracting new housing, with the assumption that supporting activities—shopping, schools, public facilities—will follow the housing pattern. It thus omits any consideration of industrial development or other forms of nonresidential construction which may replace old housing in many areas.

The feasibility of attracting new housing to old residential areas, as I define it, depends upon two sets of requirements. First, economic preconditions must be such that large public subsidies will
not be necessary to aid in purchasing cleared land for new housing. That is, the value or earning power of cleared land for new housing must be commensurate with its acquisition cost. Second, the demand for housing sites must be great enough to utilize all cleared land that is not needed for environmental improvements (schools, public works) within a reasonable number of years. This would mean that the surrounding environment must be improved sufficiently so that it will not obstruct new development and will, in fact, attract residents willing to pay the cost of new housing. To meet these requirements, it will be necessary to experiment with various types of neighborhood plans involving different proportions of clearance and rehabilitation and different treatments of the environment.

The current lack of new development in older areas does not necessarily mean that the economic prerequisites for rebuilding are missing. Even when an area meets the basic conditions for attracting new housing, further public action is usually necessary. In many cases, the present stagnation of older areas results from a failure to capitalize upon basically favorable economic circumstances.

Meeting the final conditions for rebuilding—upgrading the environment and replanning the neighborhood—will surely involve sizable outlays of public funds for new community facilities, for assistance in rehabilitation, and for general overhead. These expenditures will bring obvious benefits in terms of improved living conditions and prolonged usefulness of old residential areas. In each locality, these social benefits will have to be weighed against the costs involved and against alternative welfare policies. Except for a brief glance at cost levels, I shall not analyze the issues involved here in any detail. My concern in this part of the study is to determine whether the declining areas offer a reasonable economic basis for attracting new housing, provided that satisfactory environmental improvements are made.

Influence of Regional Structure

The first precondition for attracting new housing—a balance between site cost and re-use value—depends in part upon the characteristics of individual metropolitan regions. The structure of a region influences this balance in several ways:
1. The older areas, which are generally near the center of the region, may or may not derive special advantages from their location. Depending upon the strength and functional significance of the downtown core, the value of inlying housing sites may be considerable.

2. Alternate vacant sites may or may not be competitive with clearance areas, depending upon their respective locations and the regional transportation system.

3. The density of existing development, which influences its earning power and therefore the cost of site acquisition, varies considerably in the old residential areas of different regions, as well as within regions.

Aside from structural influences, regional differences in housing preferences, in public acceptance of high densities, and in the cost of new construction affect the feasibility of rebuilding declining areas.

New housing can be feasible in the declining areas under many different regional circumstances; no unique combination of factors is required. My detailed analyses cover three contrasting regions—New York, Los Angeles, and Hartford—in detail. Site costs and potential re-use values for new multifamily housing are roughly in balance in the declining sections of all three central cities. Housing demand need not favor central locations in order to bring land values in line with site costs. Centrality has little significance in the Los Angeles housing market; yet land costs are commensurate with potential returns from new housing in the aging inner areas of Los Angeles.

A factor of special significance in establishing current relationships between site costs and re-use values is the density of development before and after rebuilding. The density of existing housing in clearance areas has a major effect on land cost, with cost usually rising in direct relation to density. The density of new housing also affects the maximum land price that is feasible for new development: the higher the density, the higher the price that can be paid. When new buildings are developed at higher densities than existing structures on the site, as is generally the case in Los Angeles, the economics of new development permit an easy conversion of old housing to new. When preferences in the housing market dictate a
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moderate reduction in density, as in parts of New York, such a change may also be possible. Only a radical downward break with the densities of the past is likely to create a wide gap between high site costs and low re-use values.

Demand for New Apartments

The second precondition for rebuilding calls for a balance between the amount of land to be cleared of deteriorated housing and the amount of land that can be utilized by new housing in the clearance areas. The cost of sites that must be cleared of old structures is generally too high to permit the use of the land for single-family houses. Thus the size of the market for new apartments is a basic factor in establishing the rate at which cleared sites can be rebuilt. Where the total demand for new apartments is small and cannot be increased, the rate of rebuilding must be slow.

Few large cities have so limited a demand for new apartments that a rebuilding of their declining areas is not feasible on these grounds alone. Only a portion of the demand can be attracted to the old areas, however, depending in part upon consumer locational preferences as well as upon the price of competitive sites and the comparative cost of developing and operating new housing in the old areas and alternate locations.

To judge how much of this new housing could occupy cleared sites in the declining neighborhoods requires a careful analysis of locational characteristics of the housing market in each metropolitan region. In two of the three regions that I have analyzed in detail, a sufficient amount of new apartment construction could potentially be drawn into the old locations to permit a reasonably rapid replacement of deteriorated housing. At current land consumption rates for such new housing, New York could rebuild its deteriorated areas in nine years. In Los Angeles, fourteen years would be required.

Of the three regions studied in detail, only Hartford would be unable to rebuild its cleared land in a reasonable time. Hartford's situation may be representative of small cities where the total current demand for new apartments is quite limited. Even if a significant part of this demand could be satisfied within the declining areas, the pace of land utilization would be slow, and several
decades would be required before sites cleared of deteriorated housing could be rebuilt.

A glance at the sizable volume of apartment construction in large urban regions indicates that many have the raw material for a rebuilding program. In addition to New York and Los Angeles, the metropolitan regions of Chicago, Philadelphia, Washington, San Francisco, San Diego, Atlanta, Miami, Minneapolis, and Seattle all have been building a large number of apartment units in recent years. The housing markets of these regions warrant a close examination to determine the extent to which new multifamily construction could serve as a basis for rebuilding their deteriorated areas in the near future.

Variations in Public Policy

Public policies for rebuilding can differ considerably in various cities, depending upon the presence or absence of the conditions necessary to attract new housing to the old residential areas. Where these preconditions are weak, as in Hartford, limited action to strengthen them may be possible through the general physical planning of the region. Changes in regional structure—the transportation system and the functional importance of the center—plus changes in the regulation of building on competitive sites may create additional demand for housing locations in the old neighborhoods. Federal action in the fields of housing and tax policy may foster demand for new apartments by reducing cost differentials that now favor homeownership. Barring such changes, the rebuilding of declining sections in these regions will have to proceed very slowly until such time as land costs fall, or rebuilding will have to be accomplished with the aid of sizable public subsidies.

In the large cities that already meet the prerequisites for rebuilding, public action will have to be taken to create the final conditions for integrating new and old housing. Individual neighborhoods will require many different types of treatment to provide satisfactory settings for new housing, and experimentation will be necessary to develop appropriate planning techniques. The gradual transformation of old areas will not be simple to manage, but with an economic basis assured, public policy can focus on detailed techniques for initiating and maintaining a steady rebuilding process.