

NT IT

October 5, 1967

NOTE TO FREDERICK A. MCLAUGHLIN

RE: Role of N.T. in Relieving the Ghetto Problem

This note discusses the potential role of the New Towns in expanding housing opportunities for those presently confined to the central city because of: (1) racial discrimination; and (2) socio-economic condition. Given a program of Federal aid to New Towns development, the opportunity to dictate to some extent the racial and socio-economic composition of the participating developments is obvious. A racial mixture can, in theory, be achieved by tying Federal assistance to such requirements as nondiscriminatory sale, marketing in Negro communities, etc., and, in theory, a socio-economic mixture can be accomplished by requiring the developer to provide specified proportions of low and middle income housing, and by designing the assistance program to facilitate this requirement. However, these theoretical possibilities must be subjected to analysis in terms of the benefits which they can be expected to produce, and of their workability. The analysis differs with respect to the racial issue and the socio-economic issue, and this note will treat them separately.

Race

There is little need to discuss the benefits of racially mixed communities, since national policy has already been committed to the proposition that the individual should have access to housing within his income range (the discussion here is limited to middle and upper income housing) without restriction based on race. This commitment is alone sufficient to support a policy which requires the recruitment of Negroes, as opposed to one which merely prohibits racial restrictions, because experience with the marketing of interracial housing has demonstrated that the distrust of the Negro homeseeker, founded in past discrimination, must be overcome. Unless the Negro is convinced that New Town housing is really open to him on a non-discriminatory basis, his freedom to purchase is relatively meaningless, and there seems to be few effective ways of convincing him other than directly aiming marketing campaigns at him.

But, if this commitment alone is not sufficient to justify the encouragement of racially mixed housing, there seems to be enough evidence of the positive aspects of interracial housing to recommend its encouragement as a national policy. This evidence comes from various studies done on interracial neighborhoods. For example, a recent survey of Rochdale Village, an interracial cooperative, 15% of whose families

are nonwhite indicates that interracial living has resulted generally in the breakdown of prejudices on both sides, and increased social intercourse between the two racial groups. (Of course, to claim these as positive aspects involves the assumption that prejudice and lack of understanding is bad, but that assumption would not seem to need defending.) A comparative study of attitudes toward Negroes in an integrated interracial housing project and a segregated interracial project showed that residents of the former not only held a decidedly more positive view of Negroes but that more than half had experienced a favorable change in attitude since moving into the project. Of course, increased social contact has given rise to some problems and friction, as the Rochdale study points out, but on the whole, the experience with interracial developments has been good. Since a diminution in prejudice, and increased social contact between groups will reduce the conflicts which prejudice produces, it should be a Federal policy to require that units in New Towns receiving Federal aid be aggressively marketed in the Negro community.

Will such a requirement make New Town housing unmarketable in the white community? Overall experience with interracial developments indicates that the answer is decidedly no. Privately developed interracial housing has a history of successful marketing, with few financial failures. Most developers have recouped their investments, and some have made a profit. And, the indications are that there is no need to make the housing especially attractive financially in order to sell to the white market.

The New Town will start out with strong selling points built into its concept. In fact, the New Town is much more promising for integration than already existing developments, since there is no already formed white neighborhood with its residents prepared to defend its imagined advantages.

The only real foreseeable problem is delay in white sales. (Apartments in the Rochdale cooperative frequently were sold twice, with the first white buyer backing out after learning the nature of the project. It is not clear however, how great a factor the location of the cooperative in an all Negro neighborhood was in this respect). This difficulty can be met by basing the repayment of Federally assisted loans on the cash flow type concept suggested in the Zurban Report.

The only remaining question is the technique to assure a racial mixture. The requirement that a specified number of units be sold to Negroes would be unreasonable, since the salable units will vary from area to area, depending on the

extent of the Negro market, and might be unconstitutional as well. (The converse of this aspect, i.e., a limitation on the number of units sold to Negroes to prevent "tipping" also raises constitutional questions. However, they are largely moot, since experience shows that Negro income is a built-in limitation on the number of Negroes who will purchase middle or high income housing, the subject treated here). The best technique would seem to be the requirement of marketing in the Negro community through Negro newspapers, radio stations, churches and civic groups, etc. Perhaps a grant of Federal funds to cover these marketing costs could be incorporated into the New Town's legislation.

Income:

The question of requiring participating New Towns to be economically mixed is more difficult. If this requirement were limited to lower middle income groups, (i.e., that group at which the original Rent Supplement was aimed) there would be little difficulty. The presence of this group in a New Town would raise few problems or conflicts, and the justification for the Federal policy need be no more than that which serves to justify FHA and VA participation in financing middle income housing. The hard problem is raised by low income housing. Even here some distinctions must be made. If the issue is merely housing for the gardeners, retail clerks, etc., who work in the New Town little problem is presented. But, at the same time, it could not be claimed that in housing these people the New Town was making a significant contribution to solving the ghetto problem. That claim can be justified only if the New Town is open to considerable numbers of low income families, including "problem" families, i.e., fatherless families, uneducated and unskilled individuals, etc. And herein lies the real difficulty since, not only is justification more difficult, but there are real questions of workability.

A. Justification

There are three possible justifications for adopting a policy which would require the provision of low income housing in Federally assisted New Towns: (1) benefits derived by the low income families; (2) benefits derived by the other income groups; or (3) some objective or societal benefit.

At first glance it appears obvious that those low income families who are provided housing in the New Town will be benefited. The housing they receive will be physically superior to what is available in the central city, there will be more open space, recreational facilities, etc., the schools will be better, and so on. However, stacked against these benefits are the possible hostility of the other groups in the Town, the possibility of isolation and increased feeling of inferiority, possible inability of low income school children to function in the predominantly middle class school. The fact of the matter is that we simply do not know how the move will affect low income families. Study in England has demonstrated that working class families develop more positive social attitudes on moving to physically superior suburban housing. However, the new neighborhood was not a mixed one. There is no question that an intuitive commitment to mixed neighborhoods can be backed up by conjectural benefits to the low income family. However, each of those benefits can be met by a conjectural

disadvantage, and the question is whether Federal policy should be based on such uncertain grounds.

The second possible advantage is to the other groups in the community. Numbered among these would be the opportunity to get to know people of other classes, to broaden the horizons, etc. However, it is unclear whether these are really objective advantages to the middle and upper income groups or whether to state them as such is merely to impose a personal value judgment or predeliction. For living with lower income groups is an advantage only if one's values predispose one to seeing it as such. As many, or more, middle and upper income individuals will view living with lower income families as a distinct disadvantage. This is suggested by several studies which show that people generally choose to reside with others of the same general income and cultural level.

If, of course, mixed communities produce some overall benefit to society or contribute to some national goal in the same way, for example, as interracial communities apparently do, justification for promotion of the mixed community need be sought no further. These advantages have, in fact, been claimed for the balanced community.

In addition to the same kinds of benefits that derive from interracial living, i.e., diminution in prejudice between the different social and economic groups, appreciation of other cultures, it is claimed that a socially mixed neighborhood subjects the lower classes to middle class influence and brings them into the mainstream, to coin a phrase, by getting them involved in the community, increasing their achievement motivation, etc. Unfortunately, there is no hard data to demonstrate whether any of these results actually occur. Gans points out that a totally mixed community with a wide income gap between those on the top and those on the bottom is just as likely to result in hostility and increased feelings of isolation and inferiority on the part of the low income group.

In conclusion it must be admitted that although much rhetoric can be mustered in support of the mixed community, it is impossible to say with certainty whether it is a good thing. Ultimately, justification for putting low income housing in the New Town must lie in the measurable physical benefits to the low income families, but this involves disregarding the possible social or psychological harm they might suffer.

B. Workability

The question of workability is a serious one. It raises several issues, all of which are interrelated, but which can be treated separately.

1. Jobs. Any attempt to house low income people in a New Town without assuring that enough jobs will be available for them will be unworkable. It would seem impossible to market the middle and upper income units in a New Town if there is to be a preexisting unemployment problem with all the attendant difficulties. But providing the jobs is in itself an extremely difficult task. It does not suffice to say that the jobs are already there, that is, that the employment opportunities are in the suburbs now. It may be just as difficult to get from a New Town to a suburban job as it is to get there from the central city. To take an example, if jobs in the Boston suburbs are spread along Route 128, wherever in relation to the Route the New Town is located, it will be as difficult to get to some jobs from the Town as it is to get there from Boston. This leaves the possibility of attracting industry to the New Town. But this has been one of the most difficult things private developers have faced. True, Federal aids could make the New Town attractive to industry, but this will face a great deal of opposition not only from the central cities but from suburbs looking for an industrial tax base. While this opposition may be irrational, that is, while it may be objectively better that industry be located in the New Town, it may be impossible to persuade away this irrationality, and legislation faced with both central city and suburban opposition has little chance of passing.

2. Social Services. Low income families are going to require a range of social services. This is true even if there is employment for them. In fact, employment raises the issue of training, which should be provided the low income worker. It is possible that industry can be induced to perform this function, but the other services, e.g., maternity training, remedial education, consumer training, will all have to be provided by some governmental unit. And, whether or not the developer, if the Town is in an unincorporated area, or the municipality, if not, is willing to undertake the burden (and it is doubtful that many will) it will be extremely difficult to market the middle and upper income units if the buyers know there is a preexisting burden on them to support programs for low income families. After all, this is exactly what many people who leave the central city are trying to escape. Therefore, the burden will fall on the State or Federal Government. The State is a real possibility, but several difficulties should be recognized. First of all, it will probably cost more to spread social services around in several New Towns. There are doubtlessly certain economies of scale in social services which will be lost insofar as those groups who leave the central city for the New Town are concerned. And it may well be that the States will be unwilling to pick up the additional costs. Secondly, the bureaucratic problems on the State level can be formidable, much more formidable than on the local level, and

involving a New Town and its low income residents with anything comparable to most State boards of education, for example, would be an unhappy event.

3. Housing. If low income housing is to be located in the New Town it must be decided whether the housing will be owner occupied or rental. If it is owner occupied the Federal Government will have to either subsidize the construction costs to a point where the house will be within the reach of the low income family or to subsidize the family's income. In either case, the subsidy will be large, and perhaps prohibitively so. In the San Francisco Bay area, the cost of constructing a medium house (1,026 sq. ft. with 240 sq. ft. detached garage and 98 ft. porch) in 1960 was \$13,608. This figure does not include the cost of land, and therefore any savings in land cost brought about by Federally assisted wholesale land acquisition will do nothing to affect it. And, although use of new construction materials may somewhat lower construction costs, these may be in turn offset by superior design, and other amenities, which even low cost housing must have if it is to fit into a New Town setting. A family earning \$4,000, if it is to spend 20% of its income on housing, can afford a house worth \$5,200. Taking a total cost (including land and developers' profits) of \$13,000, which seems fair, the Federal subsidy to a \$4,000 a year purchaser would have to be \$7,800.

The alternative is rental housing. Any sort of public housing seems out of the question, since it is unlikely that any developer will want a public housing agency operating in the New Town. (Perhaps this is incorrect, and the New Town might provide the opportunity for the development of an entirely new concept in public housing. But to the extent that public housing of whatever kind has an inherently stigmatizing effect on the people who live there, it is undesirable regardless of the willingness of the developer.)

On the other hand, a combination of rent supplement and 221(d)(3) kind of financing, on a broadened basis, would seem adequate to finance low income housing. But the rent supplement aspect should be recognized as another example of the long term kind of commitment that the Federal Government will have to make to a New Town which houses low income families.

4. Marketability. The problems of marketing units to upper and middle income buyers, when a significant low income population is present in the New Town, have been pointed up throughout the discussion. Admittedly, unique design, variety and quality of facilities, and generally all the selling points which inhere in the New Town will do much to overcome these difficulties, but they still exist and must be recognized.

There is also a significant marketability problem with respect to the low income population. First, there is really no sound information on how many low income families wish to leave the central city. Conversations with individuals working in the ghetto indicate that the number who wish to remain is large. There are many reasons for this: social and family ties, sense of *community* within the neighborhood, fear of hostility in the new environment. Much of this reluctance can be overcome by educational campaigns, and by stressing the benefits of the New Town, i.e., better housing, jobs, educational facilities for the children. Moreover, the change can be cushioned by inducing blocks or larger units of ghetto people to move together. Two points should be emphasized, however. The first is that there must be a carry-through in terms of the service provided these people throughout the transitional period. To strand them in the New Town without help and counseling would be disastrous. Secondly, marketing, relocation, and post-relocation counseling should all be done by one agency. If it is not, there is the danger that the low income family will be shuttled from agency to agency and its frustration and resentment intensified.

Conclusion

There is a broad role for the New Town in ending racial discrimination in housing outside the central city. However, its role in providing housing outside the city to low income groups is more limited. Unquestionably, it can serve this function to some extent, but in order for it to serve successfully, long term and intense Federal commitment will be necessary.

James Monahan