

RIGHT REMEDIES FOR CITIES

Carl O. Kamp Jr., a distinguished St. Louisan who serves in Washington as a member of the Federal Home Loan Bank Board, visited here last week and gave a refreshingly candid appraisal of what ails his old home town and other cities.

"No more wild schemes are needed that call for 'more public money.' No more 'social sobbing' is needed by those who publicly decry the decay of our cities but do little to alleviate the problem," Kamp said.

This kind of talk from a federal official is as welcome as a fresh breeze on a record-setting muggy April day in St. Louis.

Kamp contends, with ample good reason, that too much attention and money has been spent on doctoring the symptoms of the city's decomposition, with no effective attempt having been made to eliminate the cause or even to diagnose it properly.

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In the past, Kamp reminded his Rotary Club audience, the city was both the hub of commerce and the center of culture. And it was a livable community, where it was profitable to be in business and to work.

What has changed most in St. Louis and other cities as well?

Speaking for home builders, Kamp said, "I have talked with builders who, today, have detailed plans for bringing good housing into the inner cities. Yet, they find it impossible. The crime rate is so high and vandalism is so prevalent that builders shy away from implementing their plans."

Adequate police protection and reduction of street crimes to the lowest possible level are preconditions to recapturing our cities from the urban guerrillas who have turned them into jungles.

Kamp criticized outmoded and unduly restrictive building codes as counter-productive. In Chicago, he said, building code requirements have forced residents to abandon their homes rather than invest more money in a neighborhood which is declining and which is in the process of being taken over by criminals.

On the positive front, Kamp recommended

eliminating the need for building permits on property improvements. "As an example," he said, "in some cities today a building permit is needed for as little as a \$100 improvement on your land."

"A \$100 improvement may have been quite an investment 30 years ago, but not today. Such restrictions ought to be updated, if not completely eliminated. If a man owns his property, why should he be hobbled with the necessity of obtaining a building permit to improve his land?"

The home loan official also questioned the wisdom and justice of levying higher taxes on improved property. "Doesn't such a tax policy discourage rehabilitation of deteriorating properties?" he asked. "Why should a landlord keep his properties looking good and make the necessary repairs if his taxes will increase?"

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Kamp suggested a more realistic approach would be a land value tax which taxes the land and not the structure. "Such a tax might well encourage improvements on many existing structures not only here in St. Louis but in most metropolitan areas," he said.

If Kamp's recommendations were followed to the ultimate end, the cities might be saved by being "suburbanized," neighborhood by neighborhood, through creation of shopping centers and new housing.

Kamp makes a good case for creating the business environment for increased investment, new jobs, larger tax base, better schools and the elimination of the present welfare load.

"Everyone will benefit if our cities can be saved by the investment of the private sector with the profit motive as the guiding light and governmental regulation as catalyst for, instead of restriction against, private involvement," he maintains.

Kamp honestly told his audience the first and overriding purpose of the business sector is to make a profit, and this is true whether it be for financial institutions, corner grocery stores, gas stations or manufacturing plants.

When the right remedies are applied, cities can once again be made livable and profitable.

A SOLUTION TO . . .

THE HOUSING PROBLEM

An Address by

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Delivered to

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AN ADDRESS

by

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A great amount of publicity has focused recently on the problem of our deteriorating cities. In some cases, the news media, politicians and government bureaucrats have tried to lay the blame for the decaying cities everywhere but at themselves. In an effort to actually avoid the problem, some have refused to look analytically and practically at the causes for the decay of our major cities and what could and ought to be done to realistically rebuild these areas which offer so much to the American people.

In the past, our cities have been the hub of commerce, the great "melting pot" of our society, the center of cultural activities, the location of some of our finest institutions of higher learning and the magnetic attraction which turned our nation from a rural society into an urban one in a fantastically short period of time.

But what has happened? In less than a generation, our cities have become, in many cases, an eyesore to the public. Business is moving away; local government can no longer guarantee that the streets will be safe; taxes are skyrocketing; some of our finest institutions have degraded their high purpose of educating our young by wallowing in partisan politics; our citizens are afraid to travel into the city in the evenings and daylight attacks upon individuals are not uncommon.

But, these are only symptoms of the disease not causes. And until we determine the basic causes which have contributed to the recent phenomena of the "city deserts" we will only find ourselves with a problem which may soon be so large it will be impossible to solve.

In my conversations and travels around the country, I have found that the savings and loan industry is not passive to the problem of inner city decay. Across the country savings and loan associations have become active in their own areas in trying to maintain and increase decent housing. Many savings and loans are involved. The record can be improved if the causes of inner city decay are attacked and attacked from a responsible and realistic viewpoint by a coalition of the total financial community; the business sector, which, of course, includes you as leaders of the St. Louis business community; local, state and Federal Government officials and agencies; the local people; and, of course, with the support of the news media which should educate their readers, viewers, and listeners about the causes of the deteriorating cities.

A great potential for investment in major cities awaits us all if the basic ingredients of decay can be ferreted out and eliminated. Business should join in this effort to rehabilitate the cities of our country. After all, with the right type of business environment, our major cities could become growing communities not dying ones. Government at all levels should critically analyze its present involvement in the cities. Finally, the local population—those people who are living in the midst of the dying city—needs to determine for itself if it wants to continue a passive life while the city decomposes around it, or is it going to actively participate with the other groups in society to rebuild the cities.

The first and overriding purpose of the business sector is to make a profit. This is true for financial institutions and the corner grocery store, the gas station and the manufacturing plant. All of us here today are interested in learning new ways to make money. The profit-motive is the single ingredient, along with our Nation's historical reluctance to clamp on mandatory government controls, which has created this country's vast economic wealth. We all know and understand this basic principle of American success.

Today, I am concerned about what I see as a growing trend in our Nation today. At times I am afraid certain people among us would rather flee than face up to a challenge. And yet, it has been the challenges willingly and ably faced up to by this Nation

which have resulted in our most significant advances. Too often today, we are turning toward Washington, D. C., to solve our problems instead of solving our problems locally using our own resources free from government control.

A great challenge faces us today. And, if we can face up to it, profits are available to all, not only financially but morally. The successful rehabilitation of our cities could be one of the greatest accomplishments of American business in our 200 year history as free people. This means new approaches to problem solving, new dedication to the concept of "self help", renewed appreciation in the free enterprise system, and possibly a completely new concept of what we call central cities.

As long as this Nation continues to paint over the problem of our dying cities instead of taking the more realistic, although much more difficult, approach of curing the disease, we will continue to toss money down the proverbial rat hole.

Solving this major problem will take more than a few new buildings. We have found that out here in St. Louis. A few years ago a great campaign was launched which said downtown St. Louis would be revived. The Gateway to the West would make our city once again a thriving and expanding metropolis. The Arch was built, a new stadium, a new riverfront hotel, several new night spots and restaurants were also built. The Mansion House Center and Laclede Town were completed. Yet, St. Louis continues to decline.

This problem is not just centered here in St. Louis. The crisis of our deteriorating cities is a national crisis and one which must be faced up to. The remedies experimented with in the past simply have not worked. It is time to look for new remedies.

The idea that simply the allocation of funds will solve problems plagues many government programs—take a look at welfare. According to Milton Friedman, the famed Chicago economist, if the money allocated to helping the poor was merely given to those who qualify as poor, each member of each poor family would get \$3,000 a year. A "poor family" of four would be given \$12,000 a year!

Instead of merely allocating funds in our philanthropic desire to help people, we must begin to cure the cause of our problems, including the problem of our cities. We must reorder our priorities away from treating symptoms and turn toward curing the causes of the problem of our cities. We can create the business environment for increased investment, new jobs, a larger tax base, better schools and the elimination of a great deal of the present welfare load off the back of the tax paying American people. Everyone will benefit if our cities can be saved by the investment of the private sector with the profit motive as the guiding light and governmental regulation as catalyst for, instead of restriction against, private involvement.

Investors shy away from our cities today for a combination of reasons.

I have talked with builders who, today, have detailed plans for bringing good housing into the inner cities. Yet, they find it impossible. The crime rate is so high and vandalism is so prevalent that builders shy away from implementing their plans.

In many cities, the city government places such rigid restrictions upon the mortgagor and the builder that they feel frustrated when they try to alleviate the existing situation. For instance, building code requirements, like those in Chicago, force residents to abandon their homes rather than invest more money in a neighborhood which is declining and which is in the process of being taken over by criminals. Such counter-productive codes only force a decline in property values and ultimate abandonment and then vandalism of these properties.

Cities which require permits for improvements upon property ought to update or eliminate such restrictive procedures. Some existing permit requirements were drawn up decades ago and need modernizing if not complete elimination.

As an example, in some cities today a building permit is needed for as little as a \$100 improvement may have been quite an in-

vestment 30 years ago but not today. Such restrictions ought to be updated, if not completely eliminated. If a man owns his property why should he be hobbled with the necessity of obtaining a building permit in order to improve his land? As long as building codes are adhered to, building permits may be unnecessary. Besides, the bureaucratic headache in obtaining such permits at City Hall may cause the land owner to miss several days of work.

Of course, the high tax rates existing in many cities only adds to the problem. For instance, according to the *New York Times*, Chicago's taxes last year rose 35% and are expected to rise another 50% this year. In some of my conversations with people around the Nation we hear that property is taxed in some cases two to five times what it should be if the property were reassessed correctly. Property taxes charged the owner are more if improvements are made than if the property is allowed to continue to deteriorate.

The area of property taxes has come into the spotlight lately. It might be worthwhile to consider looking at land and its taxation in a more practical and realistic way.

For instance, isn't it counter-productive to levy higher taxes on improved property? Doesn't such a tax policy discourage rehabilitation of deteriorating properties? Why should a landlord keep his properties looking good and make the necessary repairs if his taxes will increase?

Possibly a more realistic approach would be a land value tax which taxes the land and not the structure. Such a tax might well encourage improvements on many existing structures not only here in St. Louis but in most metropolitan areas.

The present FHA subsidy financing, according to Secretary of HUD George Romney, has been far less than successful. This can be seen by the amount of city property presently owned by the Federal Government, by the fact that FHA financing has, in some cases, been refused to perfectly good properties in the inner cities, and by some of the recent disclosures here in St. Louis as to abuses in the program. Then you have the problem of Urban Renewal which in many cases wipes out a sprawling slum to replace it with a high-rise slum.

The most celebrated case of this type is right here in St. Louis—Pruitt Igoe. Now the Federal Government has decided to blow-up part of this publicly subsidized development and try to rebuild around it. Yet, once again, money is being poured into the area with no real long-range plan for improving the situation except new subsidized housing. No plan is conceived to cure the disease.

It is difficult for most people to break loose from old concepts and traditional viewpoints. I, for one, am a strong believer in traditional American values and the importance of the individual.

However, I do feel that the traditional concept of the "city" may, indeed, be outmoded. Most people view the city and any program to assist the city in the traditional manner—a downtown business sector surrounded by houses and apartments with few commercial areas for daily shopping. Here in St. Louis this is largely the pattern of development. Some areas of South St. Louis, however, have good commercial areas available to the community residents.

But does this traditional view of the city have to restrict our thinking? Maybe the traditional city ought to be replaced with a modern concept which would create a suburb out of the present-day deteriorating city.

Shopping centers and industrial parks act like magnets in the suburbs. Housing and employment is generated around such areas. Why not create such area communities within the city limits of St. Louis?

The need surely exists to service the people of St. Louis with easily accessible shopping areas. Similarly, potential labor is also available here in St. Louis. The creation of jobs creates buying power and thus St. Louis could well halt its present downhill slide into oblivion and begin to rebuild a new St. Louis.

Such "suburbanization" of St. Louis would alter image of our city. The image of impending doom is replaced with a new, exciting image of a city on the moment opportunities would open up and investment would naturally go hand in hand.

Such a suburbanization program could be accomplished without the Federal Government pouring billions of new money into the city.

A few things which could be done and need to be done to stop the decay in our cities and to begin building a community which will service the needs of the people are as follows:

- (1) Government, business, and labor must work together to create the necessary "climate for investment."
- (2) Good street lighting is necessary as is the control of crime and the expansion of our police forces. Street lighting should be reduced to the lowest possible number.
- (3) Existing, though abandoned, structures could be used to house people, as industrial buildings or commercial buildings, and possibly as correctional institutions. In some cases, I believe, perfectly sound structures are being torn down which could be used in a constructive way.
- (4) The court systems in our cities must be made more possible decentralized in order to deal quickly and fairly with those persons faced with civil or criminal proceedings.
- (5) The restrictive building codes and home improvement issuing should be modernized and, in some cases, be revamped in order to encourage, not discourage, investment.
- (6) The private sector should realize that the city can become a place of prosperity. We must decide to treat disease and not simply treat symptoms.
- (7) The private sector needs to organize a "United Front" to include all sectors of society which would enable present city administrations to implement the program outlined herein.
- (8) The private sector needs to develop its own program for developing the inner-city—housing developments, stores, business plants, better use of industrial facilities, training programs, etc. Many such plans exist.
- (9) We must stop visualizing central cities in the tradition of the past and begin to realize that the purpose of the city is to serve the people and business which reside in it. To encourage new people and businesses to move into the city, the suburbanization of the city may be necessary.
- (10) We should encourage evening use of school buildings for classes on family budgeting, home improvement, basic home repair, home and apartment selection, necessary, personal protection.

No more wild schemes are needed that call for "social money." No more "social sobbing" is needed by those who feel the decay of our cities but do little to stop it. No more attacks are needed by some news media on the private sector for supposedly failing to solve the problem.

It is time to face up to the problem and to understand that each of us has not only a social responsibility to our city but a responsibility to our firm and to our stockholders. Profits are awaiting the private sector in our city. We work to develop an "investment environment" which will attract and rebuild the cities.

Ladies and Gentlemen, we must all combine our talents, our expertise, our resources, and our profit-mindedness to rebuild the foundations of our cities and create a successful and livable community.

Our forefathers built a Nation out of a wilderness and we are able to build a livable and profitable community out