

Rough Draft  
3/6/66

## A PROPOSAL FOR NON-EXPLOITATIVE "BLOCK-BUSTING"

Available research figures show that approximately 740 new Negro family units are added to the population of the City of Chicago each month, or an average of about 22 families per day. Where and how are they finding housing?

While about 10% of the Negro population is able to secure de-segregation non-exploitative housing, such as in CHA, CDA, CRF ("Alphabet soup"), 90% - or the vast majority - now secure housing in or at the edge of the ghetto. This means approximately 700 families per month are caught in the "Block Busting" conspiracy, and it is happening right now!

If we were to ask, "What is the most effective way right now to stop exploitation in Negro housing?" the obvious answer would seem to be, "First, stop the fire where it's spreading; then go back and apply the necessary remedies."

### 1. "Block Busting" Areas -- Stopping the "Fire"

Both white sellers and Negro buyers are exploited by the real estate interests in the process of "Block Busting." Relying on fear tactics, the real estate agent buys from the white seller at below market price and sells to the house hungry Negro at a highly inflated price.

Since the Negro buyer cannot secure conventional financing (for buying in a changing neighborhood) he is forced to deal with the realty agent who provides high interest rate "contract" loans. (See AFSC "An Analysis of the System of Housing Negroes in Chicago.") Largely because of the exploitative financial burden, the pattern has been for the new owners to find adequate upkeep of the property impossible, thus creating the slums of tomorrow.

In order to eliminate the exploitation of 700 new Negro families each month, it would seem desirable for a non-profit organization to enter the situation right where it is happening now. Exploitation of the white seller could be eliminated by offering fair market value, and exploitation of the Negro buyer could be eliminated by selling at fair market value plus normal real estate profit. Such a plan would require having the backing of FHA and Savings & Loan institutions to make conventional loans available to the Negro families.

### 2. Existing Ghettos -- Reducing Exploitation

In 1960 there was a total of 239,000 ghetto households (based on 90% of the total Negro household figure). Assuming the existence of a 20% Color Tax, the building of 20% additional housing units (or 47,800 new units) within the existing ghetto would be required to wipe out the Color Tax for the whole

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SUPPLEMENT TO PROPOSAL ON NON-EXPLOITATIVE "BLOCK-BUSTING"

Negroes are spending (as of 1960) \$20.5 million per month in rent. Projection to 1975 gives the figure of \$34.1 million per month. Yet, in spite of this outlay in cash, at the same time, the Negro is not accumulating any equity in real estate. Thus, given the fact of a 20% Color Tax on Negro housing, the problem seems to be to give the Negro more for his money or to reduce what he is now paying.

Again, it seems that the immediate concerns are not so much the building of new housing as they are to obtain leverage at the point of Negro home ownership. In 1960, 15.7% of non-white family units were home owners. This figure, when contrasted with the immense monthly rental figure (which accumulates no equity), seems to indicate a need for bringing Negroes into home ownership. Either Negro rents should be reduced to eliminate the Color Tax, or the 20% should result in some sort of equity accumulation.

Another way to look at this is that the owner of slum buildings counts on recouping his investment in around five years. The enormous return on slum property is obvious. During the time after the owner has received 100% on his initial investment, he is getting enormous profits; the renters are accumulating nothing.

For the prospective Negro homeowner, there is a need to reduce the selling price (amount on which interest is paid). It is also conceivable that restructuring of ownership patters within the ghetto will result in a lowering of interest rates, or the stretching out of the amortization period.

Summation:

1. Modify ownership structure, so that the enormous sum of money paid monthly by Negroes accumulates equity in real estate.
2. Modify real estate market to remove Color Tax: to give the Negro more for the same amount, or to reduce the rent he is now paying. This means freeing up the supply of housing so the Negro has a real choice in housing.

It is to both these ends that non-profit block-busting is directed.

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March 1, 1966

ghetto. (See "Proposal for Low Income Housing" report.) This would work out to 438 new units being built each month, between 1966-1975 to accomplish the job.

(A side issue: To really eliminate slums and over-crowding, an additional 650 new units per month would be required. Realistically, this cannot be done under existing conditions. To change the picture, one of the following would be required, higher incomes, lower costs, or new subsidies in such forms as rent supplement, guaranteed annual wage, etc.

3. What the Statistics Tell Us:

The figures below are taken from the Real Estate Research Corp. Study, and the Urban League's May 1965 Research Report.

Projected figures for the City of Chicago between 1960-1975:

Population decreases of white households from City	.....	800 households per month
Population increases of Negro households into City	.....	740 households per month

(An undertermined number should be added to this figure to represent Negro households displaced through Urban Renewal, highways, and slum clearance for commercial and other uses.)

The process currently taking place is that new housing in the suburbs is being built for white families at the rate of 800 units per month. There is no comparable house-building industry now within the city to meet the need for Negro housing. Therefore, the majority of the 740 Negro families per month are occupying units vacated by the white families fleeing to the suburbs.

The figures seem to indicate that more units are being vacated per month than are being required to take care of the population increase. Although other factors are involved, the over-all picture seems to indicate that the total problem is not so much one of new construction as it is a problem of orderly, non-exploitative "turn-over" at the edge of the ghetto.

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March 3, 1966

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