







## Sweep the Streets

Urban renewal involves revitalizing blighted or slum areas in a city area  may prove to be unsafe or deteriorating. If slums kept growing without any renewal for an extended period, the housing and retail markets within the city will decline and the tax base will also begin to erode<sup>1</sup>. The need for urban renewal started way back in the 1840s during the industrial revolution, where massive population pockets began moving into the city in order to be closer to their jobs. In the 1950s, many rich white individuals who were ready to start families began moving out of the “slums” into the “suburbs, with businesses following. Thus, left behind were many poor, mostly black, individuals working low-skilled jobs in the inner city<sup>2</sup>. Some social justice advocates would argue this has also led, not only to socioeconomic inequalities between those living in cities and in the suburbs, but also discrepancies in education and human capital<sup>3</sup>. As time went on, Congress began to notice the problems surrounding a poor “slum” area in the middle of the city; thus, in 1949 Congress passed the Housing Act. The Housing  Act of 1949 originally had the intention of “eliminating slums and blighted areas and to provide a decent home for every American family”<sup>4</sup>, which set up the stage for urban revival. Traditional urban renewal mostly involved tearing down old structures and replacing them with newer and safer ones. However, in a response to climate  change and environmental degradation, in 1998, New Urbanism has become  the primary means to develop slum areas, which gives “people many choices for living in more sustainable, convenient and comfortable places, while providing the solutions to global warming,

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<sup>1</sup> Koebel, Theodore C., Ph.D. “Urban Redevelopment, Displacement, and the Future of the American City.” The Federal Reserve Bank of Richmond. (Online) [http://www.richmondfed.org/publications/community\\_affairs/marketwise\\_topics/mw2.cfm](http://www.richmondfed.org/publications/community_affairs/marketwise_topics/mw2.cfm). Accessed 20 February 2008: 1

<sup>2</sup> Zax, Jeffry S. and Kain, John F. “Moving to the suburbs: Do Relocating Companies Leave their Black Employees Behind?” *Journal of Labor Economics* 14(3): 1996: 473.

<sup>3</sup> Benabou, Roland. “Workings of a City: Location, Education and Production.” *Quarterly Journal of Economics* 108(3): August 1993: 621.

<sup>4</sup> Von Hoffman, Alexander. “A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949.” *Housing Policy Debate* 11(2): 2000: 299.

climate change, and peak oil"<sup>5</sup>. Some critics will argue the Housing Act had too vague of terms to define the circumstances in which local governments could use the Act in order to revive downtown city areas. Theoretically, Congress believed housing was the first way to improve the lives of the poor and a way to set up low-cost housing<sup>6</sup>.

Most urban renewal projects are financed through two different ways. First, the federal government, in relation to the Housing Act of 1949, has set aside \$4 billion for urban renewal projects, given in the form of grants to qualifying areas<sup>7</sup>. The Federal Government ends up paying around 2/3 of the total cost while the local government is responsible for 1/3 of the total cost; however, due to more lax regulations, local governments usually end up paying only ¼ of the projected cost<sup>8</sup>. Local governments, then, have several different options to pay for this cost. One way is to use a tax-increment financing (TIF), which involves collecting taxes on an incremental level for up to 25 years after the project has finished<sup>9</sup>. The local government might also pass bond issues to the community in order to help finance the project, depending on how large the area to undergo construction. Even though most projects hold a projection of finishing within a few years, the National Commission on Urban Problems found a third took 6 to 9 years while another third took 9-15 years to complete<sup>10</sup>. Thus, it may be a while before these areas begin to see the payback of projects in taxes.

Today, most states have set up Urban Renewal Authorities, who are commissioners essentially elected to find areas in the city designated as "blighted," prepare development plans, clear/redevelop

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<sup>5</sup> "New Urbanism Mission Statement." (Online) [www.newurbanism.org](http://www.newurbanism.org). Accessed 20 February 2008.

<sup>6</sup> Von Hoffman, Alexander. "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949." *Housing Policy Debate* 11(2): 2000: 301.

<sup>7</sup> Fisher, Robert Moore. "Public Costs of Urban Renewal." *The Journal of Finance* 17(2): May 1962: 379.

<sup>8</sup> Ibid, 382

<sup>9</sup> Lang, Jennifer. "New Urban Renewal in Colorado's Front Range." Independence Institute: Golden, CO, February 2007: 6.

<sup>10</sup> Von Hoffman, Alexander. "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949." *Housing Policy Debate* 11(2): 2000: 317.

the area and then market it<sup>11</sup>. Denver has set up the Urban Renewal Authority, which is a “redevelopment agency engaged in neighborhood and downtown revitalization, economic development, home ownership and housing rehabilitation throughout the City and County of Denver”<sup>12</sup>. Denver has already experienced many urban renewal projects throughout the Denver/Metro area, including the Denver Pavilions on the 16<sup>th</sup> Street Mall, the Pepsi Center, Coors Field, and the Lowry center. One major project that recently finished was FasTraks, which involves placing rail transit stations a quarter to half mile apart for individuals commuting to the city for work<sup>13</sup>. Colorado currently will pass an urban renewal proposal if an area satisfies four of the eleven criteria, including: “slum, deteriorated, or deteriorating structures; predominance of defective or inadequate street layout; defective or unusual conditions of title rendering the title nonmarketable; existence of health, safety, or welfare factors requiring high levels of municipal services or substantial physical underutilization or vacancy of sites, buildings, or other improvements”<sup>14</sup>.

In a politician’s viewpoint, urban renewal projects are important and necessary in order to keep a city alive and healthy. They first would argue the reason why these slum areas have appeared in the first place is due to a prisoner’s dilemma. A prisoner’s dilemma involves two individuals or parties, who have the choice to defect or cooperate with the other person in a

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<sup>11</sup> Koebel, Theodore C., Ph.D. “Urban Redevelopment, Displacement, and the Future of the American City.” The Federal Reserve Bank of Richmond. (Online)  
[http://www.richmondfed.org/publications/community\\_affairs/marketwise\\_topics/mw2.cfm](http://www.richmondfed.org/publications/community_affairs/marketwise_topics/mw2.cfm). Accessed 20 February 2008: 2

<sup>12</sup> Denver Urban Renewal Authority. (Online)  
<http://www.denvergov.org/DURA/MissionStatement/tabid/385574/Default.aspx>. Accessed 20 February 2008.

<sup>13</sup> Lang, Jennifer. “New Urban Renewal in Colorado’s Front Range.” Independence Institute: Golden, CO, February 2007: 5.

<sup>14</sup> Ibid, 6.

given situation. However, when only one defects, the person who cooperates will lose and vice-versa. Both will benefit from cooperating and lose when they both defect; thus, it would be rational for both parties to cooperate in order to gain. In urban areas, land owners usually choose to not keep up with basic maintenance of their property, because if they did so their neighbors would benefit just as greatly, if not more, all the while letting their property deteriorate. Overcoming this dilemma is one of the biggest puzzles to most political scientists today, and the only known way to overcome it is by not discounting future interactions with the other person so that there is an incentive to cooperate in the first place<sup>15</sup>. This is exactly what happened in the Coors Field Area as well as with the Pepsi Center: property owners had lost their incentive to upkeep with their own properties, leading to the development of slum areas. However, local politicians saw this immediately and began urban renewal projects right away. Furthermore, since the Housing Act of 1949 didn't clearly determine criteria as to what areas are considered "slum areas", many politicians will claim areas blighted even if they aren't. For example, in Louisville, the city council approved to update Louisville Colorado's infrastructure around \$77.5 million, even after there was strong public resistance<sup>16</sup>. Many residents didn't agree this area needed to be "renewed," and opposed the idea for using the TIF tax in order to fund the project. However, in the end it is up to the elites in order to determine which projects get approved and carried out. Additionally, the Housing Act of 1949 stated that governments were able to use eminent domain in order to renew blighted areas. In other words,

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<sup>15</sup> Davis, Otto A., and Whinston, Andrew B. "The Economics of Urban Renewal." *Law and Contemporary Problems* 26 (1): Winter 1961: 110

<sup>16</sup> Lang, Jennifer. "New Urbanisms Flipside." *Rocky Mountain News*. February 24, 2007. (Online) [http://www.rockymountainnews.com/drmn/other\\_business/article/0,2777,DRMN\\_23916\\_5374430,00.html](http://www.rockymountainnews.com/drmn/other_business/article/0,2777,DRMN_23916_5374430,00.html). Accessed 20 February 2008.

politicians are able to use their power to the fullest in claiming an area is blighted, and then take over the land without regards to the population living there in order to improve its' appearance. Additionally, "The need approach is arbitrary and overlooks the return on investment"<sup>17</sup>, which is an important implication for the allocation of resources and for subsidizing the populations currently living in "blighted" areas. Overall, politicians will more likely than not advocate for urban renewal projects, regardless the price and location of the "slum area."

Economists, on the other hand, would view the issue rather differently. Some economists would argue the reason for the formation of these slum areas is because of a market failure. In class, we discussed how economists assume individuals are rational actors and know their preferences. Thus, "if individual benefit from repair or redevelopment exceeds individual costs, then individual action could be expected"<sup>18</sup> and urban renewal projects would not be necessary. However, some economists would argue individuals are not acting rationally, leading to the development of slum areas. Therefore, slum areas are simply a market failure which needs to be fixed and which is why most cities have developed governing bodies to address this particular issue. On the other hand, since many poor individuals can't afford "the spacious and comfortable quarters of the well-to-do. Indeed, given the existence of low income households, a slum area may represent an efficient use of resources"<sup>19</sup>. Given the individuals' constraints and preferences, the population living in the slum areas may be


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<sup>17</sup> Davis, Otto A., and Whinston, Andrew B. "The Economics of Urban Renewal." *Law and Contemporary Problems* 26 (1): Winter 1961: 113

<sup>18</sup> Ibid, 107.

<sup>19</sup> Ibid, 112.



maximizing their utilities after all, which doesn't seem apparent to those living outside the slum areas. The question then becomes how a person goes about fixing these areas. 

From an economist viewpoint, most would ask if the proposed urban renewal project is or would create a Pareto improvement, and if no one is made worse off but some are made better off. However,  urban renewal projects those individuals already residing in the targeted area will ultimately be forced out, making them worse off. Since the slum areas consist of poor individuals, after the project finishes property values will skyrocket, and most individuals will no longer be able to afford the live in these areas.  Thus, an economist must look at the "cost" of displacing these persons to another unknown area. These projects, then,




would have to subsidize those who "lose" (the poor population already living in the targeted area), or those who will be displaced because of the project: "Conditional subsidies could be granted to the low income households living in substandard housing. These subsidies would make it possible for the cost-benefit criterion to work"<sup>20</sup>. By subsidizing these individuals and offering another place for them to live, the cost of moving will be much lower to them and then a possible Pareto improvement might be at work. On the other hand, these housing developments may restrict where certain individuals live: "Freedom to live in Colorado has been reduced to politically correct neighborhoods where suburban and exurban living and auto travel has been called ugly"<sup>21</sup>. In other words, even when the poor populations may be subsidized with alternative housing, they become


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<sup>20</sup> Davis, Otto A., and Whinston, Andrew B. "The Economics of Urban Renewal." *Law and Contemporary Problems* 26 (1): Winter 1961: 117.

<sup>21</sup> Lang, Jennifer. "New Urbanisms Flipside." *Rocky Mountain News*. February 24, 2007. (Online) [http://www.rockymountainnews.com/drmn/other\\_business/article/0,2777,DRMN\\_23916\\_5374430,00.html](http://www.rockymountainnews.com/drmn/other_business/article/0,2777,DRMN_23916_5374430,00.html). Accessed 20 February 2008.

even more constrained as to where they can live. If slum areas are constantly revived into new areas, especially in Colorado, many poor individuals will start to become  forced to live in certain areas.

Additionally, economists would look at the project in terms of basic costs and benefits the community would receive from such projects. Some benefits would include more outside investment in the area, as well as possible social benefits if the project included the production of parks and public buildings. Costs would include “the acquisition of land, demolition and improvements, aiding the relocation of displaced families, and interest expenses”<sup>22</sup>. Thus, in order for an urban renewal project to appear beneficial, the benefits must outweigh the costs. However, most of the benefits derived from these projects are harder to measure and not always presented in quantitative terms. Therefore, it is hard to tell which projects would benefit the local population and which projects might be more harmful than beneficial.

 Social justice advocates would object to urban renewal projects because of the implications these projects hold for the underprivileged, more specifically poor minorities. Between 1950 and 1980, more than one million families have been displaced throughout America and about 80% of those were black<sup>23</sup>. This has caused some social activists to call urban renewal projects as “Negro Removal” projects because it ultimately displaces the poor minorities living in the slum area. In addition, the poor minorities in the slums will not necessarily directly benefit themselves because of the possibility of having to relocate to another area: “Unless some action is taken to alter the distribution of income, the renewal of

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<sup>22</sup> Davis, Otto A., and Whinston, Andrew B. “The Economics of Urban Renewal.” *Law and Contemporary Problems* 26 (1): Winter 1961: 116.

<sup>23</sup> Lang, Jennifer. “New Urban Renewal in Colorado’s Front Range.” Independence Institute: Golden, CO, February 2007: 7.

slum areas is likely to lead to the creation of slum areas elsewhere”<sup>24</sup>. Urban renewal projects will keep progressing, then into the slum areas which will contain the same population of people: poor minorities, all the while displacing them along the way. The majority of individuals who will benefit from these projects are the current property owners, who will make more money after their property has been renovated<sup>25</sup>.

In addition, displacement will cost an average family living in the slums 20-30% of their yearly income<sup>26</sup>. The Auroria urban project alone of 1969 ended up displacing up to 250 families, 50 individuals and 247 businesses<sup>27</sup>, and since then the population density of these areas has grown tremendously. Additionally, around 28 urban renewal projects have just recently or are in the process of taking place across the Denver/Metro area including: the Arvada City Center, Aurora City Center, Lakewood Belmar and Wheatridge town center<sup>28</sup>. In the downtown Lowry center (one of the largest urban renewal projects in Denver), many aiding agencies currently reside for the poor populations (i.e. soup kitchens, health clinics, etc.). Will people moving into these new revitalized areas really want to live next to a soup kitchen or overnight shelter? The most obvious answers is probably not; thus, where will these entities go?

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<sup>24</sup> Davis, Otto A., and Whinston, Andrew B. “The Economics of Urban Renewal.” *Law and Contemporary Problems* 26 (1): Winter 1961: 112.




<sup>25</sup> Landsburg, Steven E. *Armchair Economist: Economics and Everyday Life*. Free Press: New York, NY: 34.

<sup>26</sup> Lang, Jennifer. “New Urban Renewal in Colorado’s Front Range.” Independence Institute: Golden, CO, February 2007: 15.

<sup>27</sup> “Auroria Relocation Collection.” (Online) <http://library.auraria.edu/archives/auraria/main.html>. Accessed 20 February 2008.

<sup>28</sup> Lang, Jennifer. “New Urban Renewal in Colorado’s Front Range.” Independence Institute: Golden, CO, February 2007: 15.



Urban renewal projects have been successful in the past in renewing an area and cleaning it up. However, it is still unclear whether these projects are ethical or even efficient in addressing the key issues they were set out to tackle. The largest failed project in Colorado was in Englewood in 1985. The city sold \$27 million in bonds to the community; however, by 1991 there wasn't enough investment into the new areas to pay back these bonds. Thus, the project defaulted and the entire place was bulldozed over<sup>29</sup>. Even with such great failures, however, urban renewal projects still continue to revitalize city blocks, until all of the slum areas are demolished.   

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<sup>29</sup> Lang, Jennifer. "New Urban Renewal in Colorado's Front Range." Independence Institute: Golden, CO, February 2007: 9.

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