

Stabilizing Values for Mortgage Loans and Real Estate by City Planning and Zoning Regulations*

By Charles H. Cheney, Secretary California Conference on City Planning; Consultant Portland, Berkeley and Alameda City Planning Commission.

Suspicion of real estate as an investment on the part of the general public has been prevalent for the past ten years, in fact pretty generally so since the panic of 1907. Tabulations of the losses incurred in the various cities of this country and Canada are only beginning to be available, but sufficient evidence exists to show that a number at least of the causes of suspicion can be removed.

So many agents in different cities have told me of having the following experience that it is probably well nigh universal. An agent sells a cautious investor a good piece of income-bearing property in a seemingly good location. Next month or next year the adjoining property is acquired

words there is no stability to real estate in most cities because of the lack of any regulation to prevent undesirable uses of property from encroaching in the same block as good residence, good apartment or good business, income-bearing property.

Another common case in large cities is where a six or an eight story building is put up in a block of lower buildings and immediately fills up on account of its better light and air, sometimes showing as much as ten per cent. net rental return. Only four or five years later this building is in turn surrounded by twelve to fifteen story buildings which cut off its light and air, particularly on the lower floors, the tenants move out to higher and newer buildings, the net income falls to two or three per cent. and the building often sells for less than the amount of its mortgage. The President of the Board of Assessors in New York City a year ago read us a long list of such buildings on which reduction by as much as half in assessment was made on the showing of such actual sales.

The real estate agent has often been blamed for such losses to investors and again it is not his fault. And thoughtful and progressive real estate men in the different parts of the continent have already so far appreciated the unfairness of the situation and sensed the changed spirit of the times that they are now giving close attention and importance to those municipal regulations, building codes, housing codes, zoning ordinances and sensible city planning that will give some real protection to both the real estate man and the investor.

There have been hundreds of millions of dollars of property values depreciated in the United States in the past decade for lack of such regulations. Investigations show that most of these losses are entirely unnecessary, and that a sensible and practical determination of business, residence and industrial zones or districts will stabilize land values, protect home neighborhoods, help to build up retail business at well established and convenient centers, and, above all, provide a safe place for industries.

The large mortgage loan companies of New York and other cities that have adopted zoning ordinances, are now sending out word that the effect of zoning and establishing reasonable height limits for buildings is to make mortgage loans safer. The inference is that with zone ordinances already adopted in New York City (1916), in St. Louis* (1918), and in many municipalities of California (1909-1918), those cities without such protective regulations will soon be at a disadvantage in securing large mortgage loans from eastern sources until they have adopted similar protective regulations. The real estate man should, therefore, be the foremost advocate of municipal zoning regulations reasonably worked out.

Zoning regulations are not new in this country. Height limits have for many years been established in Boston, Baltimore, Los Angeles and a great many other cities of the United States. Los Angeles in 1909 established Use Districts for residence, business and industry, in an ordinance which has been upheld several times by the United States Supreme Court. Such regulations in large European cities date back to Napoleon's time. One of the reasons why Europeans characterize America as the most wasteful coun-

HOW CAN WE MAKE REAL ESTATE SAFE AGAIN AS AN INVESTMENT?

Can we remove the causes of suspicion of real estate investments on the part of the general public and make the business of the realtor a safer and better respected profession?

Mr. Cheney says that we can and that progressive real estate men in different parts of the country have already so far sensed the changed spirit of the times that they are giving much more attention and importance to municipal regulations, building codes, housing codes, zoning regulations and sensible city planning as a protection to both the real estate man and the investor.

There have been hundreds of millions of dollars of property values depreciated in the cities of the United States in the past decade for lack of such regulations. Many of these losses have been unfairly charged to the real estate man who advised the investment. Investigation has shown that most of these losses are useless and that sensible and practical determination of business, residence and industrial districts will stabilize land values, protect the home neighborhoods and provide a safe place for industries.

The large mortgage loan companies of New York City and other cities that have adopted zone ordinances are now sending out word that the effect of zoning and limitation of overhigh buildings is to make mortgage loans safer. The inference is that with zone ordinances adopted in New York City, St. Louis and many cities in California the cities without such protective regulations will soon be at a disadvantage in securing large mortgage loans from eastern sources, until they have adopted similar protective regulations. The real estate man should, therefore, be the foremost advocate of municipal zoning regulations reasonably worked out.

by a new owner and turned into an undertaking parlor, a laundry or a public garage, thereby depreciating the rental return of the first investor and of a number of adjoining properties. The real estate agent is then blamed, and most unjustly, for having advised the first purchase. In other

*Paper delivered at the Interstate Realty Convention, Victoria, B. C., July 18, 1919.

*For fuller description of progress in St. Louis see "Real City Results and What they Mean to Property Owners," by J. C. Nichols, Realtor Bulletin No. 3, California Conference on City Planning, Spreckles Bldg., San Francisco.