

(b) *Extension of amortization period.*—For those local housing authorities now requiring the full Federal contribution to maintain low rents and achieve financial solvency, it is recommended that another tool be made available to achieve desirable modernization and updating of older housing developments.

The proposed amendment would authorize that the amortization period for a housing development requiring modernization could be extended beyond the 40-year period, up to an additional 10 years. Development costs of this development would be reopened and the capital cost of modernization added to the total development cost. Annual contributions from the Federal Government would also be extended for the period, up to 10 years, to assist in paying the debt service on the capital cost of modernization. At the present time there are some 200,000 public housing units built in the period 1937-49 which have a priority need for modernization and updating. Experience indicates that modernization costs run about \$2,000 per dwelling unit producing a priority modernization need of about \$400 million. The financial impact of this amendment would be short range, and would involve one of annual contributions already authorized under the Housing and Urban Development Act of 1965. It would reduce to a limited amount some of the public housing authorization now allocated for new housing construction. Meeting a priority modernization need of 200,000 units and \$400 million would mean a reduction of about 6 percent in the 140,000 public housing units scheduled for new construction under the 1965 authorization. The net economical affect would be to extend the useful life of these older public housing developments perhaps an additional 20 years, at a cost far less than new construction.

Amendment 2. Revision of the provision on special subsidy for the elderly

Currently, there are an estimated 162,000 elderly households in public housing occupancy. About 85 percent or 138,000 of these households have incomes of less than \$2,700 per year—the income necessary to pay the monthly operating cost of \$45 per month and not exceed a rent-income ratio of 20 percent. These same elderly families with incomes under \$2,700 now pay an average rent of about \$30 per month. The gap between rents and operating cost produced by elderly occupancy is made up by other tenant families who pay rents over \$45 per month. Under the present provisions of the special subsidy for the elderly, only those elderly who reside in housing operated by a local housing authority which can prove financial insolvency at the end of a fiscal year can benefit from the additional subsidy up to \$10 per unit per month. The cost to the Federal Government of this additional contribution for elderly in fiscal 1966 is estimated at \$5.2 million.

NAHRO proposes two possible alternatives in revising the special contribution for the elderly, in order to relieve the situation of elderly now paying in excess of 20 percent of their income for rent and to enable local housing authorities to admit additional numbers of low-rent-paying elderly while maintaining financial solvency. The first alternative is to make the present \$10 a month contribution available for all elderly in public housing occupancy who cannot meet operating cost rent without exceeding 20 percent of income; this would be irrespective of the financial stability of the local authority program. In fiscal 1966, this would mean an annual contribution of about \$16.5 million—an increase of \$11.4 million over the present elderly contribution. The second alternative would be to make available a monthly contribution (for all elderly who cannot meet operating cost rent without paying rent in excess of 20 percent of their income) based on the actual difference between what elderly can pay (at 20 percent of income) and the actual cost of operation. In fiscal 1966, this would mean a monthly contribution of about \$20 per unit (the difference between about \$25 which the average elderly household can pay and \$45, the average monthly operating cost). Since either such revision in contribution would have a continuing impact on the public housing authorization and the ability to develop new housing units, it is recommended that the elderly contribution not be taken from the present authorization but established as a separate authorization and funded separately, so as not to reduce the total number of new units which can be assisted. To adopt the first alternative would mean an additional authorization of about \$11.4 million per year.

Amendment 4. Writedown of land for public housing outside urban renewal areas

Providing a similar provision for writedown of public housing sites outside urban renewal areas as now applies to such sites inside urban renewal areas would result either in no difference in the Federal contribution or a slight in-