DEMONSTRATION CITIES, HOUSING AND URBAN DEVELOPMENT, AND URBAN MASS TRANSIT

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HEARINGS

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BEFORE THE

SUBCOMMITTEE ON HOUSING

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12341

A BILL TO ASSIST CITY DEMONSTRATION PROGRAMS FOR REBUILDING SLUM AND BLIGHTED AREAS AND FOR PROVIDING THE PUBLIC FACILITIES AND SERVICES NECESSARY TO IMPROVE THE GENERAL WELFARE OF THE PEOPLE WHO LIVE IN THESE AREAS

H.R. 12946

A BILL TO PROVIDE INCENTIVES TO PLANNED METROPOLITAN DEVELOPMENT AND TO OTHERWISE ASSIST URBAN DEVELOPMENT

H.R. 13064

A BILL TO AMEND AND EXTEND LAWS RELATING TO HOUSING AND URBAN DEVELOPMENT

H.R. 9256

A BILL TO AMEND THE NATIONAL HOUSING ACT TO PROVIDE MORTGAGE INSURANCE, AND AUTHORIZE DIRECT LOANS BY THE HOUSING AND HOME FINANCE ADMINISTRATOR, TO HELP FINANCE THE COST OF CONSTRUCTING AND EQUIPPING FACILITIES FOR THE GROUP PRACTICE OF MEDICINE OR DENTISTRY

(AND RELATED BILLS)

PART 1

FEBRUARY 28; MARCH 1, 2, 3, 4, 7, 8, AND 9, 1966

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DEMONSTRATION CITIES AND URBAN DEVELOPMENT

MONDAY, FEBRUARY 28, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Reuss, Widnall, Fino, and Mrs. Dwyer.

Also present: Representative Patman (chairman of the full committee), ex officio member, and Representative Annunzio of the full committee.

Mr. BARRETT. The subcommittee will please come to order.

Ladies and gentlemen, today marks the first step in the long legislative journey leading to the ultimate passage of what will emerge as the Housing and Urban Development Act of 1966. In our hearings, we will consider a number of bills, including but not limited to, first, H.R. 12341, the administration's demonstration cities bill; second, H.R. 12946, the Urban Development Act, to provide incentives for effective metropolitan planning and development recommended by the President's program; third, H.R. 13064, the administration's bill called the housing amendments of 1966, containing a number of amendments to the various government assisted housing programs; and fourth, H.R. 9256, the group medical practices facilities bill; and other pending bills.

(H.R. 12341, H.R. 12946, H.R. 13064, and H.R. 9256 follow:)

[H.R. 12341, 89th Cong., 2d sess.]

A BILL To assist city demonstration programs for rebuilding slum and blighted areas and for providing the public facilities and services necessary to improve the general welfare of the people who live in these areas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Demonstration Cities Act of 1966".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. The Congress hereby finds and declares that improving the quality of urban life is the most critical domestic problem facing the United States. The persistence of widespread urban slums and blight, the concentration of persons of low income in older urban areas, and the unmet needs for additional housing and community facilities and services arising from rapid expansion of our urban population have resulted in a marked deterioration in the environment of large numbers of our people while the Nation as a whole prospers.

The Congress further finds and declares that cities, both large and small, do not have adequate resources to deal effectively with the critical problems facing them, and that additional Federal assistance is essential to enable cities to plan, develop, and conduct programs to improve their physical environment, increase their supply of adequate housing for low- and moderate-income people, and provide educational and social services vital to health and welfare.

It is the purpose of this Act to provide additional financial and technical assistance to enable cities, both large and small, to plan, develop, and carry out programs to rebuild or revitalize large slum and blighted areas and expand and improve public programs and services available to the people who live in such areas.

It is further the purpose of this Act to provide the additional financial aid needed to enable cities to participate more effectively in existing Federal assistance programs.

It is further the purpose of this Act to assist cities to coordinate activities aided under existing Federal programs with other public and private actions in order to provide the most effective and economical concentration of Federal, State, local, and private efforts to improve the quality of urban life.

BASIC AUTHORITY

SEC. 3. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make grants and provide technical assistance, as provided by this Act, to enable city demonstration agencies (as herein defined) to plan, develop, and carry out comprehensive city demonstration programs.

COMPREHENSIVE CITY DEMONSTRATION PROGRAMS

SEC. 4. (a) A "comprehensive city demonstration program" is a locally prepared and scheduled program for rebuilding or restoring entire sections and neighborhoods of slum and blighted areas through the concentrated and coordinated use of all available Federal aids and local private and governmental resources, including citywide aids and resources necessary to improve the general welfare of the people living or working in the areas.

(b) A comprehensive city demonstration program is eligible for assistance under sections 6, 8, and 9 only if the Secretary determines that—

(1) the program is of sufficient magnitude in both physical and social dimensions (i) to remove or arrest blight and decay in entire sections or neighborhoods, (ii) to provide a substantial increase in the supply of standard housing of low and moderate cost, (iii) to make marked progress in serving the poor and disadvantaged people living in slum and blighted areas with a view to reducing educational disadvantages, disease, and enforced idleness, and (iv) to make a substantial impact on the sound development of the entire city;

(2) the rebuilding or restoration of sections or neighborhoods in accordance with the program will contribute to a well-balanced city with adequate public facilities (including those needed for transportation, education, and recreation), commercial facilities adequate to serve the residential areas, good access to industrial or other centers of employment, and housing for all income levels;

(3) the program provides for educational and social services necessary to serve the poor and disadvantaged in the area, widespread citizen participation in the program, maximum opportunities for employing residents of the area in all phases of the program, and enlarged opportunity for work and training;

(4) adequate local resources are, or will be, available for the completion of the program as scheduled;

(5) administrative machinery is available for carrying out the program on a consolidated and coordinated basis, the local governing body has approved the program, and local agencies whose cooperation is necessary to the success of the program have indicated their intent to furnish such cooperation;

(6) there exists a relocation plan meeting the requirements of the regulations referred to in section 9;

(7) the program is designed to assure maximum opportunity in the choice of housing accommodations by all citizens; and

(8) the program meets such additional requirements as the Secretary may establish to carry out the purposes of this Act.

(c) In making the determinations under subsection (b), the Secretary shall give maximum consideration to whether—

(1) substantive local laws, regulations, and other requirements are, or can be expected to be, consistent with the objectives of the program;

(2) the program will enhance neighborhoods by applying a high standard of design and will, as appropriate, maintain distinctive natural, historical, and cultural characteristics;

(3) the program is designed to make maximum use of new and improved technology and design, including cost reduction techniques;

(4) the program will encourage good community relations and counteract the segregation of housing by race or income; and

(5) the program is consistent with comprehensive planning for the entire urban or metropolitan area.

FINANCIAL ASSISTANCE FOR PLANNING COMPREHENSIVE CITY DEMONSTRATION PROGRAMS

SEC. 5. (a) The Secretary is authorized to make grants to, and to contract with, city demonstration agencies to pay 90 per centum of the costs of planning and developing comprehensive city demonstration programs.

(b) Financial assistance will be provided under this section only if (1) the application for such assistance has been approved by the local governing body of the city, and (2) the Secretary has determined that there exist (i) administrative machinery through which coordination of all related planning activities of local agencies can be achieved, and (ii) evidence that necessary cooperation of agencies engaged in related local planning can be obtained.

FINANCIAL ASSISTANCE FOR APPROVED COMPREHENSIVE CITY DEMONSTRATION PROGRAMS

SEC. 6. (a) The Secretary shall review plans for comprehensive city demonstration programs in order to determine that (1) such plans satisfy the criteria for such programs set forth in section 4, and (2) the various projects or activities to be undertaken in connection with such programs are scheduled to be initiated within a reasonably short period of time.

(b) The Secretary is authorized to make grants to, and to contract with, city demonstration agencies to pay 80 per centum of the costs of administering approved comprehensive city demonstration programs, but not the cost of administering any project or activity assisted under a Federal grant-in-aid program.

(c) To assist the city to carry out the projects or activities included within an approved comprehensive city demonstration program, the Secretary is authorized to make grants to the city demonstration agency of not to exceed 80 per centum of the aggregate amount of non-Federal contributions otherwise required to be made to all projects or activities assisted by Federal grant-in-aid programs (as hereinafter defined) which are undertaken in connection with such demonstration program: *Provided*, That the amount of non-Federal contribution required for each project in a Federal grant-in-aid program shall be certified to the Secretary by the Federal department or agency (other than the Department of Housing and Urban Development) administering such program, and the Secretary shall accept such determination in computing the grants hereunder.

(d) Grant funds provided pursuant to subsection (c) of this section may be used for projects or activities assisted under a Federal grant-in-aid program which are undertaken as part of an approved comprehensive city demonstration program, or for other projects or activities undertaken as part of such demonstration program. If used for projects or activities assisted under a Federal grant-in-aid program which are undertaken as part of such demonstration program, funds provided pursuant to subsection (c) shall be credited as part or all of the required non-Federal contribution to such projects or activities.

(e) The Secretary shall not make any grant under this section unless he has obtained satisfactory assurances that the locality will maintain, during the period an approved comprehensive city demonstration program is being carried out, a level of aggregate expenditures for activities similar to those being assisted under this section not less than the level of aggregate expenditures for such activities prior to initiation of the comprehensive city demonstration program.

OFFICE OF THE FEDERAL COORDINATOR

SEC. 7. There shall be established for each locality having an approved comprehensive city demonstration program an office to be known as the Office of the Federal Coordinator headed by a director who shall be designated by the Secretary. The director shall perform such functions as the Secretary shall from time to time prescribe with respect to helping achieve the maximum effective coordination of Federal grant-in-aid programs undertaken in connection with comprehensive city demonstration programs. Nothing in this section shall be construed to vest in the Secretary any authority to exercise or delegate any function or duty vested by law in any department or agency of the Federal Government other than the Department of Housing and Urban Development.

TECHNICAL ASSISTANCE

SEC. 8. The Secretary is authorized to undertake such activities as he determines to be desirable to provide, either directly or by contracts or other arrangements, technical assistance to city demonstration agencies to assist such agencies in planning, developing, and administering comprehensive city demonstration programs.

RELOCATION REQUIREMENTS AND PAYMENTS

SEC. 9. (a) A comprehensive city demonstration program must include a plan for the relocation of individuals, families, business concerns, and nonprofit organizations displaced or to be displaced in carrying out the city demonstration program. The relocation plan shall be consistent with regulations prescribed by the Secretary to assure that (1) the provisions and procedures included in the plan meet relocation standards equivalent to those prescribed under section 105(c) of the Housing Act of 1949 with respect to urban renewal projects assisted under title I of that Act, and (2) relocation activities are coordinated to the maximum extent feasible with the increase in the supply of decent, safe, and sanitary housing for families and individuals of low or moderate income, as provided under the comprehensive city demonstration program, or otherwise, in order to best maintain the available supply of such housing for all such families and individuals throughout the city.

(b) To the extent not otherwise authorized under any Federal law, financial assistance extended to a comprehensive city demonstration agency under section 6 shall include grants to cover the full cost of relocation payments, as herein defined. Such grants shall be in addition to other financial assistance extended to such agency under section 6.

The term "relocation payments" means payments by a comprehensive city demonstration agency to a displaced individual, family, business concern, or nonprofit organization which are made on such terms and conditions and subject to such limitations (to the extent applicable, but not including the date of displacement) as are provided for relocation payments, at the time such payments are approved, by sections 114 (b), (c), (d), and (e) of the Housing Act of 1949 with respect to projects assisted under title I thereof.

(c) Subsection (b) shall not be applicable with respect to any displacement occurring prior to the date of the enactment of this Act.

CONTINUED AVAILABILITY OF FEDERAL GRANT-IN-AID PROGRAM

SEC. 10. Notwithstanding any other provision of law, unless hereafter enacted expressly in limitation of the provisions of this section, funds appropriated for a Federal grant-in-aid program which are reserved for any projects or activities assisted under such grant-in-aid program undertaken in connection with an approved comprehensive city demonstration program shall remain available until expended when so provided in appropriation Acts.

CONSULTATION

SEC. 11. In carrying out the provisions of this Act, including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs. The Secretary shall consult with each Federal department and agency affected by each comprehensive city demonstration program before entering into a commitment to make grants for such program under section 6.

APPROPRIATIONS

SEC. 12. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended when so provided in appropriation Acts.

DEFINITIONS

SEC. 13. As used in this Act—

(a) "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this Act.

(b) "City demonstration agency" means the city or any local public agency established or designated by the local governing body to administer the comprehensive city demonstration program.

(c) "City" means any municipality (or two or more municipalities acting jointly) or, with respect to urban areas outside of incorporated municipalities, any county or other public body (or two or more acting jointly) having general governmental powers.

(d) "Local" agencies include State agencies and instrumentalities providing services or resources to a city or locality, and "local" resources include those provided to a city or locality by a State or its agency or instrumentality.

TERMINATION OF AUTHORITY

SEC. 14. (a) This Act and all authority conferred thereunder shall terminate at the close of June 30, 1971: *Provided*, That the functions, powers, duties, and authorities vested in the Secretary under this Act may be retained by the Secretary for the purpose of liquidating the affairs and functions conducted under this Act.

(b) The termination of this Act shall not affect the disbursement of funds under, or the carrying out of, any contract, commitment, or other obligation entered into pursuant to this Act prior to the date of such termination, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying on operations under this Act.

[H.R. 12946, 89th Cong., 2d sess.]

A BILL To provide incentives to planned metropolitan development and to otherwise assist urban development

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Urban Development Act".

TITLE I—GRANTS TO ASSIST IN PLANNED METROPOLITAN DEVELOPMENT

FINDINGS AND DECLARATION OF PURPOSE

SEC. 101. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the effective organization and functioning of the metropolitan areas in which two-thirds of its people live and work.

It further finds that the continuing rapid growth of these areas makes it essential that they prepare, keep current, and actually carry out comprehensive plans and programs for their orderly physical development with a view to efficiently meeting all their economic and social needs.

It further finds that metropolitan areas are especially handicapped in this task by the complexity and scope of governmental services required in such rapidly growing areas, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of metropolitan problems, but that additional participation and cooperation are needed from the States and localities in perfecting and carrying out such areawide efforts.

(b) It is the purpose of this title to provide additional encouragement and assistance to States and localities, through supplementary grants for certain

federally assisted development projects, for making effective comprehensive metropolitan planning and programing.

GRANT AUTHORITY

SEC. 102. (a) The Secretary is authorized to make supplementary grants to applicant State and local public bodies and agencies carrying out, or assisting in carrying out, development projects meeting the requirement of this title.

(b) Grants may be made under this title only for development projects in metropolitan areas for which it has been demonstrated, to the satisfaction of the Secretary, that—

(1) metropolitanwide comprehensive planning and programing provide an adequate basis for evaluating (A) the location, financing, and scheduling of individual public facility projects (including but not limited to, sewer, water, and sewage treatment facilities; highway, mass transit, airport, and other transportation facilities; and recreation and other open-space areas) whether or not federally assisted; and (B) other proposed land development or uses, which projects or uses, because of their size, density, type, or location, have public metropolitanwide or interjurisdictional significance;

(2) adequate metropolitanwide institutional or other arrangements exist for coordinating, on the basis of such metropolitanwide comprehensive planning and programing, local public policies and activities affecting the development of the area; and

(3) public facility projects and other land development or uses which have a major impact on the development of the area are, in fact, being carried out in accord with such metropolitanwide comprehensive planning and programing.

(c) Where the applicant for a grant under this title is a county, municipality, or other general-purpose unit of local government, it must demonstrate, to the satisfaction of the Secretary, that taking into consideration the scope of its auhority and responsibilities it is adequately assuring that public facility projects and other land development or uses of public metropolitanwide or interjurisdictional significance are being, and will be, carried out in accord with metropolitan planning and programing meeting the requirements of subsection (b). In making this determination the Secretary shall give special consideration to whether the applicant is effectively assisting in, and conformng to, metropolitan planning and programing through (1) the location and scheduling of public facility projects, whether or not federally assisted; and (2) the establishment and consistent administration of zoning codes, subdivision regulations, and similar land-use and density controls.

Where the applicant for a grant under this title is not a general-purpose unit of local government, both it and the general-purpose unit of local government having jurisdiction over the location of the project must meet requirements of this subsection.

(d) In making the determinations required under this section, the Secretary shall obtain, and give full consideration to, the comments of the body or bodies (State or local) responsible for planning and programing for the metropolitan area.

(e) No grant shall be made under this title with respect to a development project for which a Federal grant has been made, or a contract of assistance has been entered into, under the legislation referred to in clause 1 of section 105 prior to February 21, 1966, or more than one year prior to the date on which the Secretary has made the determinations required under this section with respect to the applicant and to the area in which the project is located: *Provided*, That in the case of a project for which a contract of assistance under the legislation referred to in clause 1 of section 105 has been entered into after June 30, 1967, no grant shall be made under this title unless an application for such grant has been made on or before the date of such contract.

EXTENT OF GRANT

SEC. 103. (a) A grant under this title shall not exceed (1) 20 per centum of the cost of the project for which the grant is made; nor (2) the Federal grant made with respect to the project under the legislation referred to in clause 1 of section 105. In no case shall the total Federal contributions to the cost of such project be more than 80 per centum. Notwithstanding any other provision of law, in-

cluding requirements with respect to non-Federal contributions, grants under this title shall be eligible for inclusion (directly or through refunds or credit) as part of the financing for such projects: *Provided*, That projects or activities on the basis of which assistance is provided under section 6(c) of the Demonstration Cities Act of 1966 shall not be eligible for assistance under this title.

(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title. Appropriations authorized under this title shall remain available until expended when so provided in appropriations acts.

CONSULTATION AND CERTIFICATION

SEC. 104. In carrying out the provisions of this title, including the issuance of regulations, the Secretary shall consult with the Department of the Interior; the Department of Commerce; the Department of Health, Education, and Welfare; and the Federal Aviation Agency with respect to development projects assisted by those departments and agencies; and he shall, for the purpose of section 103, accept their respective certifications as to the cost of those projects and the amount of the non-Federal contribution paid or to be paid to that cost.

DEFINITIONS

SEC. 105. As used in this title—

(1) "development project" means a project assisted or to be assisted under section 702 of the Housing and Urban Development Act of 1965; section 8 of the Federal Water Pollution Control Act; section 120(a) of title 23, United States Code; section 9 of the Federal Airport Act; section 3 of the Urban Mass Transportation Act of 1964; title VII of the Housing Act of 1961; section 5(e) of the Land and Water Conservation Fund Act of 1965; or section 101(a)(1) of the Public Works and Economic Development Act of 1965 (for a project of a type which the Secretary determines to be eligible for assistance under other of the provisions listed above);

(2) "State" means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, or an agency or instrumentality of any of the foregoing;

(3) "metropolitan area" means a standard metropolitan statistical area as established by the Bureau of the Budget, subject however to such modifications and extensions as the Secretary may determine to be appropriate; and

(4) "Secretary" means the Secretary of Housing and Urban Development.

TITLE II—LAND DEVELOPMENT AND NEW COMMUNITIES

MORTGAGE INSURANCE FOR NEW COMMUNITIES

SEC. 201. Title X of the National Housing Act is amended by inserting after section 1003 the following new section 1004 and redesignating the remaining sections accordingly:

"NEW COMMUNITIES

"SEC. 1004. (a) New communities consisting of developments, satisfying all other requirements under this title, may be approved under this section by the Secretary for mortgage insurance if they meet the requirements of subsection (b) of this section.

"(b) A development shall be eligible for approval as a new community if the Secretary determines it will, in view of its size and scope, make a substantial contribution to the sound and economic growth of the area within which it is located in the form of—

"(1) substantial economies, made possible through large-scale development, in the provision of improved residential sites;

"(2) adequate housing to be provided for those who would be employed in the community or the surrounding area;

"(3) maximum accessibility from the new residential sites to industrial or other employment centers and commercial, recreational, and cultural facilities in or near the community; and

"(4) maximum accessibility to any major central city in the area".

MORTGAGE AMOUNT AND TERM

SEC. 202. (a) Section 1002(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$25,000,000".

(b) Section 1002(d)(1) of such Act is amended to read as follows:

"(1) contain repayment provisions satisfactory to the Secretary and have a maturity not to exceed seven years, or such longer maturity as the Secretary deems reasonable (A) in the case of a privately owned system for water or sewerage, and (B) in the case of a new community approved under section 1004;".

ENCOURAGEMENT OF SMALL BUILDERS

SEC. 203. Section 1004 of such Act (redesignated as section 1005) is amended by adding after "broad participation by builders," the words "particularly small builders,".

WATER AND SEWERAGE FACILITIES

SEC. 204. Section 1005, of such Act (redesignated as section 1006) is amended by adding the following: "In the case of a new community approved by the Secretary pursuant to section 1004, the land shall be served, after its development, by—

"(a) public systems for water and sewerage which are consistent with other existing or prospective systems within the area; or

"(b) existing privately or cooperatively owned systems (including reasonable extensions thereto) which are approved as adequate by the Secretary and are regulated in a manner acceptable to him; or

"(c) if it is necessary to develop a new system and the Secretary determines that public ownership of such a system is not feasible, an adequate privately or cooperatively owned new system (1) which he finds consistent with other existing or prospective systems within the area; (2) which will be regulated, during the period of such ownership, in a manner acceptable to him with respect to user rates and charges, capital structure, methods of operation, and rate of return; and (3) regarding which he receives assurances, satisfactory to him, with respect to eventual public ownership and operation of the system and with respect to the conditions and terms of any sale or transfer."

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE FOR NEW COMMUNITIES

SEC. 205. Section 302(b) of such Act is amended by inserting after "or title VIII," in the proviso the following: "or under title X with respect to a new community approved under section 1004 thereof,".

URBAN PLANNING GRANTS

SEC. 206. Section 701(a) of the Housing Act of 1954 is amended by inserting the following before the semicolon in paragraph (4): ", or for areas where rapid urbanization is expected to result on land acquired or to be acquired by land development agencies with assistance under section 202(b)(1) of the Housing Amendments of 1955, or on land developed or to be developed as a new community approved under section 1004 of the National Housing Act".

PUBLIC FACILITY LOANS

SEC. 207. Section 202(b) (redesignated below as section 202(c)) of the Housing Amendments of 1955 is amended by adding the following before the period at the end of the second sentence of paragraph (4): ", or (iii) to be provided in connection with the establishment of a new community approved under section 1004 of the National Housing Act".

LOANS TO LAND DEVELOPMENT AGENCIES

SEC. 208. (a) Section 202 of the Housing Amendments of 1955 is amended by inserting after subsection (a) the following new subsection (b)) and redesignating the remaining subsections accordingly:

"(b)(1) In order to encourage and assist in the timely acquisition of open or predominantly undeveloped land to be utilized in connection with the develop-

ment of well-planned residential neighborhoods, subdivisions, and communities, the Secretary is authorized to purchase the securities and obligations of, or make loans to, land development agencies to finance the acquisition of a fee simple or other interest in such land for subsequent sale in accordance with this subsection. A loan under this subsection may be in an amount which shall not exceed the total cost, as approved by the Secretary, of acquiring such interest; shall be reasonably secured; shall be repaid in such manner and within such period, not exceeding fifteen years, as may be determined by the Secretary; and shall bear interest at the rate prescribed for financial assistance extended under subsection (a) of this section. As used in this subsection, 'land development agencies' means public corporations, including municipalities, authorized to carry out, and created or designated by or pursuant to State law for the purpose of carrying out, the functions for which financial assistance is available under this subsection.

"(2) The Secretary shall not extend any financial assistance for the acquisition of land under this subsection unless he determines that (A) the financial assistance applied for is not otherwise available on reasonable terms, (B) the development of a well-planned residential neighborhood, subdivision, or community on such land would be consistent with a comprehensive plan or comprehensive planning, meeting criteria established by the Secretary, for the area in which the land is located, and (C) a preliminary development plan for the use of the land meets criteria established by the Secretary for such preliminary plans.

"(3) Land acquired with financial assistance under this subsection shall be disposed of for development in accordance with a current development plan for the land which has been approved by the Secretary as consistent with provisions of the loan agreement, and shall not be sold or otherwise disposed of for less than its fair value for uses in accord with such development plan. Such plan shall, wherever feasible in the light of current conditions, encourage the provision of sites providing a proper balance of types of housing to serve families having a broad range of incomes. The Secretary shall adopt such requirements as he deems necessary to encourage the maintenance of a diversified local homebuilding industry and broad participation by builders, particularly small builders."

(b) The proviso in section 203(a) of the Housing Amendments of 1955 is amended by—

(1) striking out "section 202(a)" and inserting in lieu thereof "section 202(a) and pursuant to section 202(b)"; and

(2) striking out "of such section" and inserting in lieu thereof "of section 202(a)".

TITLE III—URBAN MASS TRANSPORTATION

INCREASE IN GRANT AUTHORIZATION

SEC. 301. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended by striking out "and $150,000,000 for fiscal year 1967" and substituting "$150,000,000 for fiscal year 1967; and $95,000,000 for fiscal year 1968".

(b) Section 6(b) of such Act is amended by striking out "and to $30,000,000 on July 1, 1966" and substituting "$30,000,000 on July 1, 1966; and to $40,000,000 on July 1, 1967".

TITLE IV—GRANTS FOR URBAN INFORMATION CENTERS

FINDINGS AND PURPOSE

SEC. 401. (a) The Congress hereby finds that one of the principal impediments to coordinated and effective Federal, State, and local efforts in solving the problems of metropolitan and other urban areas is the lack of ready availability of information respecting the public and private programs and activities directed to their solution. The Congress further finds that the establishment of centers providing information on urban programs and resources would increase the effectiveness of present Federal, State, and local efforts to solve urban problems.

(b) It is the purpose of this title to assist States and metropolian areas in demonstrating the value of improved and increased efforts in assembling and making available information and data on urban needs and assistance programs and activities through centers established for such purpose.

GRANT AUTHORITY

SEC. 402. (a) The Secretary is authorized to make grants to States and metropolitan-area agencies to help finance demonstration programs for the assembly, correlation, and dissemination of information and data needed for improving, coordinating, and more effectively utilizing governmental and other programs and activities available for the solution of local urban problems. Such demonstration programs shall include:

(1) the planning, establishment, and operation of urban information centers; and

(2) the assembly, correlation, and dissemination of urban physical, social, an economic development information and data through such centers for the purposes of:

(A) informing local governments, organizations, and individuals of the availability and status of Federal, State, and local programs and other resources for the solution of urban problems;

(B) providing Federal, State, and local governments with information useful and necessary to planning, programing, budgeting, and coordinating urban programs; or

(C) providing other information and data needed for public and private urban physical, social, and economic development activities.

(b) A demonstration program assisted under this section shall:

(1) specify the activities to be carried on and the kinds of information to be assembled and distributed;

(2) adequately justify its choice of activities, in terms of specified urban physical, social, and economic information needs and objectives, including comparisons of cost and usefulness where appropriate;

(3) represent substantially increased or improved activities on the part of the applicant State or metropolitan-area agency;

(4) contain a detailed budget together with procedures for adequate fiscal control, fund accounting, and auditing;

(5) be closely coordinated with related Federal, State, and local informational activities, including those receiving assistance under section 701 of the Housing Act of 1954, title I of the Higher Education Act of 1965, title VI of the Economic Opportunity Act of 1964, and other Federal programs;

(6) not include any activity receiving assistance under other Federal programs; and

(7) meet such other requirements as the Secretary may establish to carry out the purpose of this title.

EXTENT OF ACTIVITIES

SEC. 403. (a) An urban information center established by a metropolitan-area agency under this title shall be directed primarily to the provision of informational services of general metropolitanwide utility or of utility to the communities within that metropolitan area.

(b) An urban information center established by a State under this title shall be directed primarily to the provision of informational services of general statewide utility or of utility to communities not within metropolitan areas for which information centers have been established under this title.

AMOUNT OF GRANT

SEC. 404. (a) A grant under this section shall not exceed 50 per centum of the cost of the activities carried on under an approved program during one year.

(b) No grant shall be made under this title to assist in assembling data, or providing information, to be used primarily in the day-to-day operations of State or local governing bodies and agencies.

FEDERAL INFORMATION ACTIVITIES

SEC. 405. (a) Federal departments and agencies shall cooperate with States and metropolitan-area agencies in providing information to assist in carrying out the purpose of this title.

(b) The President shall undertake such studies to improve Federal agency program information capability and coordination as he may deem necessary to carry out the purposes of this section.

EVALUATION OF PROGRAM

SEC. 406. The Secretary shall, as soon as practicable but not later than June 30, 1971, report to the President as to the effectiveness of the assistance provided under this title, and submit recommendations and appropriate legislative proposals regarding its termination or continuance.

DEFINITIONS

SEC. 407. As used in this title—

(1) "State" means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, or an agency or instrumentality designated by the chief executive of any of the foregoing;

(2) "metropolitan area" means a standard metropolitan statistical area as established by the Bureau of the Budget, subject however to such modifications and extensions as the Secretary may determine to be appropriate;

(3) "metropolitan-area agency" means (A) an organization or body composed of public officials which the Secretary determines to be representative of the political jurisdictions encompassing a metropolitan area; or (B) where no such organization exists and can qualify for a grant under this title, a public body or agency (i) designated by the governing body of that political jurisdiction within the area which contains the largest population, according to the most recent decennial census, and (ii) concurred in by other local political jurisdictions which, together with the designating jurisdiction, contain at least two-thirds of the population of the area; and

(4) "Secretary" means the Secretary of Housing and Urban Development.

APPROPRIATIONS

SEC. 408. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title: *Provided*, That such appropriations shall not exceed $5,000,000 before July 1, 1967, nor exceed $10,000,000 before July 1, 1968. Appropriations authorized under this title shall remain available until expended when so provided in appropriations Acts.

[H.R. 13064, 89th Cong., 2d sess.]

A BILL To amend and extend laws relating to housing and urban development

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing and Urban Development Amendments of 1966".

TITLE I—HOUSING AND URBAN DEVELOPMENT PROGRAM AMENDMENTS

FEDERAL HOUSING ADMINISTRATION INSURED PROPERTY IMPROVEMENT LOANS

SEC. 101. Section 2 of the National Housing Act is amended by adding at the end of subsection (f) a new sentence as follows: "The amount of such premium charge with respect to loans made or refinanced within one year after the date of enactment of the Housing and Urban Development Amendments of 1966 may be included in computing the cost of improvements or of refinancing and may be deducted by the lender from the loan proceeds."

COOPERATIVE HOUSING INSURANCE FUND

SEC. 102. Section 213 of the National Housing Act is amended by—

(1) striking out ", but only in cases where the consent of the mortgagee or lender to the transfer is obtained or a request by the mortgagee or lender for the transfer is received by the Commissioner within such period of time after the date of the enactment of this subsection as the Commissioner shall prescribe" preceding the colon before the proviso in subsection (m);

(2) striking out "insured under this section and sections 207, 231, and 232" in subsection (n) and inserting in lieu thereof "the insurance of which is the obligation of either the management fund or the general insurance fund"; and

(3) adding a new sentence at the end of subsection (n) as follows: "Premium charges on the insurance of mortgages or loans transferred to the management fund or insured pursuant to commitments transferred to the management fund may be payable in debentures which are the obligation of either the management fund or of the general insurance fund."

MORTGAGE LIMITS FOR HOMES UNDER SECTION 221(d)(2)

SEC. 103. Section 221(d)(2)(A) of the National Housing Act is amended by striking out "$11,000" and "$18,000" and inserting in lieu thereof "$12,500" and "$20,000", respectively.

LOW-RENT HOUSING FOR DISPLACED FAMILIES—TERM OF LEASE

SEC. 104. Section 23(d) of the United States Housing Act of 1937 is amended by striking out the period at the end thereof and inserting a colon and the following: "*Provided*, That the term may exceed thirty-six months where the public housing agency determines that the housing leased under this section is needed for displaced families."

LOW-RENT HOUSING—USE OF NEWLY CONSTRUCTED PRIVATE HOUSING

SEC. 105. (a) Section 10(c) of the United States Housing Act of 1937 is amended by striking out "existing structures" in the last proviso, and inserting in lieu thereof "private accommodations".

(b) Section 23(a)(3) of such Act is amended by striking out from the first clause thereof the words "an existing" and inserting in lieu thereof the word "a".

APPLYING ADVANCES IN TECHNOLOGY TO HOUSING AND URBAN DEVELOPMENT

SEC. 106. (a) To encourage and assist the housing industry to continue to reduce the cost and improve the quality of housing by the application to home construction of advances in technology, and to encourage and assist the application of advances in technology, to urban development activtiies, the Secretary is directed to—

(1) conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation and maintenance, and urban development activities; and

(2) encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating and maintaining housing and the application of advances in technology to urban development activities by all segments of the housing industry, communities, industries engaged in urban development activities and the general public.

(b) Research and studies conducted under this section shall be designed to test and demonstrate the applicability to housing construction, rehabilitation, and maintenance, and urban development activities, of advances in technology relating to (1) design concepts, (2) construction and rehabilitation methods, (3) manufacturing processes, (4) materials and products, and (5) building components.

(c) The Secretary is authorized to carry out the research and studies authorized by this section either directly or by contract with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable. Contracts may be made by the Secretary for research and studies authorized by this section for work to continue not more than two years from the date of any such contract.

(d) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section. All funds so appropriated shall remain available until expended when so provided in appropriation Acts.

(e) Nothing contained in this section shall limit any authority of the Secretary under title III of the Housing Act of 1948, section 602 of the Housing Act of 1956, or any other provision of law.

REHABILITATION AND CODE ENFORCEMENT GRANTS

SEC. 107. The second proviso under the head "URBAN RENEWAL ADMINISTRATION" in the Supplemental Appropriation Act, 1966 is repealed.

MORTGAGE INSURANCE FOR LAND DEVELOPMENT—CLARIFYING AMENDMENT

SEC. 108. (a) Section 1001(c) of the National Housing Act is amended by striking out " 'mortgage' " and inserting in lieu thereof " 'mortgage' ".

(b) Section 1001(d) of the National Housing Act is amended—

(1) by inserting after the words "sewerage disposal installations," the following: "steam, gas, and electric lines and installations,";

(2) by striking out the semicolon after "or common use", and inserting in lieu thereof a period and the following new sentence: "Related uses may include industrial uses, with sites for such uses to be in proper proportion to the size and scope of the development.";

(3) by striking out "but such term" and inserting in lieu thereof: "The term improvements"; and

(4) by inserting after "sewage disposal installation," in clause (1) the following: "or a steam, gas, or electric line or installation,".

(c) Section 512 of such Act is amended by striking out "or IX" and inserting in lieu thereof "IX, or X".

REPEAL OF PROVISION FOR SALE OF FOREST HILLS PROJECT, PADUCAH

SEC. 109. Section 1005 of the Housing Act of 1964 is hereby repealed.

TECHNICAL AMENDMENTS

SEC. 110. (a) Section 106(d) of the Housing Act of 1949 is repealed.

(b) Section 113(a) of the Housing Act of 1949 and section 701(a)(3) of the Housing Act of 1954 are amended by inserting "(or any Act supplementary thereto)" after "Area Redevelopment Act".

(c) Section 227(a) of the National Housing Act is amended by striking out "subsection (b)(2)" in clause (vi) and inserting in lieu thereof "subsection (b)".

(d) Section 304(a) of the National Housing Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(e) The last sentence of section 305(e) of the National Housing Act is amended by striking out "supplementing" and inserting in lieu thereof "supplementary".

(f) Section 308 of the National Housing Act is amended by striking out a)".

TITLE II—CONFORMING NOMENCLATURE IN STATUTES TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ACT

SEC. 201. (a) The National Housing Act is amended—

(1) by striking out "Federal Housing Administration" each place it appears and inserting in lieu thereof "Department of Housing and Urban Development";

(2) by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary"; and

(4) by striking out "Commissioner's" each place it appears and inserting in lieu thereof "Secretary's".

(b) The heading appearing above section 1 of such Act is amended by striking out "CREATION OF FEDERAL HOUSING ADMINISTRATION" and inserting in lieu thereof "ADMINISTRATIVE PROVISIONS".

(c) Section 1 of such Act is amended—

(1) by striking out the first paragraph;

(2) by adding after "Secretary" where it first appears in the second paragraph the following: "(hereinafter referred to as the 'Secretary')"; and

(3) by striking out "Administration" in the last sentence of the second paragraph and inserting in lieu thereof "Department".

(d) Sections 2(c)(2), 204(g), 604(g), and 904(f) of such Act are amended by striking out "the Commissioner or by any Assistant Commissioner" and inserting in lieu thereof "an officer".

(e) The first sentence of section 206 of such Act is amended by striking out "shall be deposited" and inserting in lieu thereof "related to insurance under section 203 shall be deposited".

(f) The first sentence of section 209 of such Act is amended by adding "in connection with the insurance programs" after "made".

(g) Section 220(d)(1)(A) of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(3) by striking out "certification to the Commissioner" and inserting in lieu thereof "determination"; and

(4) by striking out each place it appears "certified to the Commissioner" and inserting in lieu thereof "determined".

(h) Section 223(a)(2) of such Act is amended—

(1) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "said Administration" in inserting in lieu thereof "Secretary".

(i) The heading appearing above section 226 of such Act is amended by striking out "FHA".

(j) Section 302(a) of such Act is amended by striking out "a constituent agency of the Housing and Home Finance Agency" and inserting in lieu thereof "in the Department of Housing and Urban Development".

(k) Sections 302(c) and 306(e) are amended by striking out "Housing and Home Finance Agency or its Administrator or by such Agency's constituent units or agencies or the heads thereof" and inserting in lieu thereof "Department of Housing and Urban Development or its Secretary".

(l) Sections 303(g) and 308 of such Act are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(m) Section 308 of such Act is further amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(n) The third paragraph of section 603(a) is amended by striking out "in any field office of" and inserting in lieu thereof "by".

(o) The second paragraph of section 610 of such Act is amended—

(1) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "said Administration" and inserting in lieu thereof "Secretary".

(p) Section 803(b)(2) of such Act is amended—

(1) by striking out "Secretary or his designee" in the first sentence and inserting in lieu thereof "Secretary of Defense or his designee";

(2) by striking out "certified by the Secretary" in the third sentence and inserting in lieu thereof "certified by the Secretary of Defense";

(3) by striking out "require the Secretary" in the third sentence and inserting in lieu thereof "require the Secretary of Defense"; and

(4) by striking out "Secretary to guarantee" in the fourth sentence and inserting in lieu thereof "Secretary of Defense to guarantee".

(q) Section 807 of such Act is amended by striking out the second sentence.

(r) Section 809 is amended—

(1) by striking out "Secretary or his designee" in subsections (a) and (b) and inserting in lieu thereof "Secretary of Defense or his designee";

(2) by striking out "Secretary to guarantee" in subsection (b) and inserting in lieu thereof "Secretary of Defense to guarantee";

(3) by striking out " 'Secretary or his designee', and 'Secretary' " in subsection (g)(2)(i) and inserting in lieu thereof " 'Secretary of Defense or his designee', and 'Secretary of Defense' "; and

(4) by striking out "such Administration" in both places it appears in subsection (g)(2)(iii) and inserting in lieu thereof "National Aeronautics and Space Administration".

(s) Section 908(a) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(t) Section 908(d) of such Act is amended by striking out ", with the approval of the Housing and Home Finance Administrator,".

(u) Section 1003(b)(3) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 202. (a) The United States Housing Act of 1937 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 3 of such Act is amended by—

(1) striking out "Department of the Interior" in subsection (a) and inserting in lieu thereof "Department of Housing and Urban Development";

(2) by striking out "an Administrator," and all that follows in subsection (b) and inserting in lieu thereof "the Secretary.";

(3) by striking out the first sentence of subsection (c); and

(4) by striking out "neither the administrator nor any" in subsection (c) and inserting in lieu thereof "no".

(c) Section 4 of such Act is amended by striking out subsections (a) and (b) and redesignating subsections (c) and (d) as (a) and (b).

(d) Section 5(b) of such Act is amended by striking out "shall sue" and inserting in lieu thereof "may sue".

(e) Subsection (c) of section 5 of such Act is deleted and subsections (d) and (e) are redesignated as (c) and (d), respectively.

(f) Section 7(b) of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(g) Section 13 of such Act is amended by striking out "4(d)" in subsection (b) and inserting in lieu thereof "4(b)".

(h) Section 16(1) of such Act is amended by striking out in the proviso "suits shall" and inserting in lieu thereof "suits may".

(i) Subsections (3) and (4) of section 16 of such Act are deleted and subsection (5) is redesignated as (3).

(j) Section 22 of such Act is amended by striking out "first" in the proviso at the end of subsection (b).

SEC. 203. Section 20 of the District of Columbia Redevelopment Act is amended—

(a) by striking out "Housing and Home Finance Administrator (hereinafter in this section referred to as the Administrator)" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter in this section referred to as the Secretary)"; and

(b) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

SEC. 204. Section 101 of the Government Corporation Control Act is amended by striking out "Federal Public Housing Authority (or Public Housing Administration)" and inserting in lieu thereof "United States Housing Authority".

SEC. 205. (a) Section 301 of the Housing Act of 1948 is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Administrator" each place it appears in subsections (a) and (b) and inserting in lieu thereof "Secretary"; and

(3) by striking out the last two sentences of subsection (a).

(b) Section 302 of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(c) Section 304 of such Act is repealed.

(d) Section 502 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Administrator" each place it appears in subsection (a) and inserting in lieu thereof "Secretary";

(3) by striking out "Public Housing Administration" each place it appears in the first and fourth sentences of subsection (b) and inserting in lieu thereof "United States Housing Authority";

(4) by striking out "Administration" each place it appears in the third sentence of subsection (b) and inserting in lieu thereof "Authority";

(5) by striking out "shall sue" in the first sentence of subsection (b) and inserting in lieu thereof "may sue";

(6) by striking out the second sentence of subsection (b);

(7) by striking out "Housing and Home Finance Administrator, the Home Loan Board" at the beginning of subsection (c) and inserting in lieu thereof "Secretary of Housing and Urban Development and the Federal Home Loan Bank Board";

(b) by striking out in subsection (c) "Home Loan Bank Board) the Federal Housing Commissioner, and the Public Housing Commissioner" and inserting in lieu thereof "Federal Home Loan Bank Board)";

(9) by striking out in subsection (c)(3) "Housing and Home Finance Administrator, the Home Loan Bank Board, the Federal Housing Commissioner, and the Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development and the Federal Home Loan Bank Board";

(10) by striking out in subsection (c)(3) "said officers or agencies" and inserting in lieu thereof "said officer or agency";

(11) by striking out in subsection (d) "Housing and Home Finance Administrator, the Federal Housing Commissioner, and the Public Housing Commissioner, respectively, may utilize funds made available to them" and inserting in lieu thereof "Secretary of Housing and Urban Development may utilize funds made available to him"; and

(12) by striking out in subsection (d) "of the respective agencies."

SEC. 206. (a) Section 2 of the Housing Act of 1949 is amended by striking out "The Housing and Home Finance Agency and its constituent agencies" and inserting in lieu thereof "The Department of Housing and Urban Development".

(b) Title I of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(c) Section 101(c) of such Act is amended by striking out "to the constituent agencies affected".

(d) Section 106(a) of such Act is amended by striking out paragraph (1) and redesignating paragraphs (2) and (3) as (1) and (2).

(e) Section 107(b) of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(f) Section 110(j) of such Act is amended to read as follows: "(j) 'Secretary' means the Secretary of Housing and Urban Development".

(g) Section 601 of such Acts is amended by striking out "The Housing and Home Finance Administrator and the head of each constituent agency of the Housing and Home Finance Agency" and inserting in lieu thereof "The Secretary of Housing and Urban Development".

(h) The heading above section 605 is repealed.

(i) Section 605 is repealed.

(j) Section 612 of such Act is amended by striking out "Housing and Home Finance Agency" each place it appears and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 207. Section 602(d)(11) of the Federal Property and Administrative Service Act of 1949 is amended by striking out "the Housing and Home Finance Agency, or any officer or constituent agency therein," and inserting in lieu thereof "the Department and Urban Development or any officer".

SEC. 208. (a) Title IV of the Housing Act of 1950 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 402(c)(2) of such Act is amended by striking out "Federal Security Agency" and inserting in lieu thereof "Department of Health, Education, and Welfare".

(c) Section 404 of such Act is amended to read as follows:

"(f) 'Secretary' means the Secretary of Housing and Urban Development".

(d) Section 507 is amended—

(1) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development", and

(2) by striking out "Administration" and inserting in lieu thereof "Department".

(e) Section 508 of such Act is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 209. Section 304 of the Territorial Enabling Act of 1950 is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 210. (a) Sections 312, 314, 701, and 702 of the Housing Act of 1954 are amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 125 of such Act is amended by striking out "Commissioner" in both places where it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(c) Section 314(a) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(d) Section 703 of such Act is amended by striking out clause (2) and inserting in lieu thereof "(2) the term 'Secretary' shall mean the Secretary of Housing and Urban Development;".

(e) Section 801 (a) and (b) of such Act is amended—

(1) by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary".

(f) Section 802(a) of Such Act is amended—

(1) by striking out "FHA";

(2) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(3) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(g) Section 811 of such Act is amended by striking out "Housing and Home Finance Agency, including its constituent agencies" and inserting in lieu thereof "Department of Housing and Urban Development".

(h) Section 814 of such Act is amended—

(1) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Housing and Home Finance Agency (or any official or constituent thereof)" and inserting in lieu thereof "Department of Housing and Urban Development";

(3) by striking out "Housing and Home Finance Agency (or such official or constituent thereof)" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(4) by striking out "Housing and Home Finance Agency or any official or constituent agency thereof" and inserting in lieu thereof "Department of Housing and Urban Development".

(i) Section 816 of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(j) Section 817 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 211. Sections 32 and 62.a of the Atomic Energy Community Act of 1955 are amended by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 212. (a) Title II of the Housing Amendments of 1955 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 102 of such amendments is amended by striking out subsection (h).

(c) Section 113 of such Act is repealed.

(d) Section 202 of such amendments is amended by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(e) Section 403 of such amendments is amended by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(f) Section 404 of such amendments is amended—

(1) by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Commissioner" each place it appears in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(g) Section 406 of such amendments is amended—

(1) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(3) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 213. (a) Section 104(d) of the Housing Act of 1956 is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(b) Section 602 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary"; and

(3) by striking out "Housing and Home Finance Agency" in subsection (c) and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 214. (a) Section 104 of the Housing Act of 1957 is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(b) Section 604 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(c) Section 605 of such Act is amended—

(1) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Commissioner" and inserting in lieu thereof "Secretary".

SEC. 215. (a) Sections 52, 53, and 56 of the Alaska Omnibus Act are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(b) Section 53 of such Act is further amended by striking out "Administrator" in the second paragraph and inserting in lieu thereof "Secretary".

SEC. 216. (a) Section 202 of the Housing Act of 1959 is amended—

(1) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(2) by striking out the comma and the clause beginning with "except" at the end of subsection (c)(2); and

(3) by striking out subsection (d)(6) and inserting in lieu thereof "(6) The term 'Secretary' means the Secretary of Housing and Urban Development".

(b) Section 306(b) of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Administrator" and inserting in lieu thereof "Secretary".

(c) Sections 802(a) and 808 are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 217. Section 5 of the Act of September 8, 1960, is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 218. (a) Sections 207 and 312 of the Housing Act of 1961 are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(b) Title VII of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(c) Section 312 of such Act is further amended by striking out "Administrator" and inserting in lieu thereof "Secretary".

(d) Section 702 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator (hereinafter referred to as the 'Administrator')" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary')"; and

(2) by striking out "Secretary from time to time" in subsection (e) and inserting in lieu thereof "Secretary of Interior from time to time".

(e) Section 905 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator and the Public Housing Administration are" and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(2) by striking out "Administration" both places it appears and inserting in lieu thereof "Secretary".

SEC. 219. The Foreign Assistance Act of 1961 is amended by striking out "Federal Housing Administration" in section 224(b)(1) and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 220. Section 2 of the Senior Citizens Housing Act of 1962 is amended by striking out "Housing and Home Finance Agency" in the second sentence and inserting in lieu thereof "Department of Housing and Urban Development".

SEC. 221. (a) The Urban Mass Transportation Act of 1964 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 9(c)(3) of such Act is amended to read as follows:

"(3) the term 'Secretary' means the Secretary of Housing and Urban Development;".

(c) The title of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 222. (a) Section 312 and title VIII of the Housing Act of 1964 are amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(b) Section 107(g) of such Act is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(c) Section 312 of such Act is further amended—

(1) by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out subsection (b)(4) and inserting in lieu thereof "(4) the term 'Secretary' means the Secretary of Housing and Urban Development"; and

(3) by striking out "Federal Housing Commissioner" in subsection (c)(4)(A) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(d) Section 318 of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(e) Section 805 of such Act is amended by striking out "'Administrator' means the Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "'Secretary' means the Secretary of Housing and Urban Development".

(f) Section 810 of such Act is amended by striking out "Housing and Home Finance Administrator" in subsections (a) and (b) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(g) Section 1005 of such Act is amended—

(1) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development".

(h) Section 1006 of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(i) Section 1007 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator and the Public Housing Commissioner are" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(2) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary".

SEC. 223. (a) The Housing and Urban Development Act of 1965 is amended by striking out "Administrator" each place it appears in sections 101(c), (d), (e) and (g); 301(b); 313(b); 315(a)(8); 402 and 404(a) and inserting in lieu thereof "Secretary".

(b) Title VII of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(c) Section 101 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator (hereinafter referred to as the 'Administrator')" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary')"; and

(2) by striking out all of the second sentence of subsection (g) and inserting in lieu thereof "Nothing contained in this section shall affect the authority of the Secretary of Housing and Urban Development with respect to any housing assisted under this section, sections 221(d)(3) and 231(c)(3) of the National Housing Act, and section 202 of the Housing Act of 1959, including the authority to prescribe occupancy requirements under other provisions of law or to determine the portion of such housing which may be occupied by qualified tenants."

(d) Section 107 of such Act is amended—

(1) by striking out "Federal Housing Commissioner" in subsection (a)(2)(A) and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Federal Housing Commissioner" each place it appears in subsection (e) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(e) Section 108(d) of such Act is amended—

(1) by striking out "Federal Housing Commissioner, and the Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development, and the Secretary"; and

(2) by striking out "Commissioner" and inserting in lieu thereof "Secretary".

(f) Section 301 of such Act is amended by striking out "Housing and Home Finance Administrator" in the third sentence of subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(g) Section 315 of such Act is amended—

(1) by striking out "Housing and Home Finance Administrator" in subsection (a)(8) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Housing and Home Finance Administrator and Public Housing Commissioner are" in subsections (b)(1) and (2) and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(3) by striking out "Public Housing Administration" in subsection (b)(1) and inserting in lieu thereof "Secretary".

(h) Section 401(5) of such Act is amended to read as follows:

"(5) the term 'Secretary' means the Secretary of Housing and Urban Development".

(i) Section 702 of such Act is amended by striking out "Housing and Home Finance Administrator (hereinafter in this title referred to as the 'Administrator')" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter in this title referred to as 'Secretary')".

(j) Section 1113 of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 224. Section 501 of the Military Construction Authorization Act, 1966, is amended—

(a) by striking out "Administrator, Housing and Home Finance Agency" in the first sentence and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(b) by striking out "Administrator" in the second sentence and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 225. (a) Sections 493, 657, and 1006 of title 18, United States Code, are amended by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development".

(b) The eighth paragraph of section 709 of such title is amended to read as follows:

"Whoever uses as a firm or business name the words "Department of Housing and Urban Development", "Housing and Home Finance Agency", "Federal Housing Administration", "Federal National Mortgage Association", "United States Housing Authority" or "Public Housing Administration" or the letters "HUD", "FHA", "PHA", "USHA", or any combination or variation of those words or the letters "HUD", "FHA", "PHA", or "USHA" alone or with other words or letters reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from, the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any agency thereof, which does not in fact exist, or falsely claims that any repair, improvement, or alteration of any existing structure is required or recommended by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any agency thereof, for the purpose of inducing any person to enter into a contract for the making of such repairs, alterations, or improvements, or falsely advertises or falsely represents by any device whatsoever that any housing unit, project, business, or product has been in any way endorsed, authorized, inspected, appraised, or approved by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any Agency thereof; or".

(c) Section 1010 of such title is amended—

(1) by striking out the caption and inserting in lieu thereof "Department of Housing and Urban Development and Federal Housing Administration transactions";

(2) by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(3) by striking out "Administration" both places it appears and inserting in lieu thereof "Department".

(d) Section 1012 of such title is amended—

(1) by striking out the caption and inserting in lieu thereof "Department of Housing and Urban Development transactions";

(2) by striking out "Public Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(3) by striking out "Administration" each place it appears and inserting in lieu thereof "Department".

(e) The analysis of chapter 47, title 18, United States Code, immediately preceding section 1001, is amended—

(1) by striking out item 1010 and inserting in lieu thereof

"1010. Department of Housing and Urban Development and Federal Housing Administration transactions";

and

(2) by striking out item 1012 and inserting in lieu thereof

"1012. Department of Housing and Urban Development transactions".

SEC. 226. Title 38, United States Code, is amended—

(a) by striking out "Federal Housing Commissioner" in section 1804(b), (d), and (e) and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(b) by striking out "Federal Housing Administration approved mortgagee designated by the Federal Housing Commissioner" in section 1802(d) and inserting in lieu thereof "mortgagee approved by the Secretary of Housing and Urban Development and designated by him".

SEC. 227. Section 24 of the Federal Reserve Act is amended by striking out "Housing and Home Finance Administrator" in the first sentence of the fourth paragraph and inserting in lieu thereof "Secretary of Housing and Urban Development".

SEC. 228. (a) The penultimate sentence of paragraph Seventh of section 5136 of the Revised Statutes is amended—

(1) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(2) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(3) by striking out "Federal Housing Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(4) by striking out "Public Housing Administration" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(b) Paragraph (11) of section 5200 of the Revised Statutes is amended—

(1) by striking out "or the Public Housing Administration";

(2) by striking out "or Administration" in both places it appears;

(3) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(4) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

SEC. 229. Any function or authority vested in or exercisable by the Federal Home Loan Bank Board, the Chairman thereof, or the Federal Savings and Loan Insurance Corporation immediately before the enactment of this title shall not by this title or anything therein be affected or impaired, or subjected to any restriction or limitation to which it was not then subject.

[H.R. 9256, 89th Cong., 1st sess.]

A BILL To amend the National Housing Act to provide mortgage insurance, and authorize direct loans by the Housing and Home Finance Administrator, to help finance the cost of constructing and equipping facilities for the group practice of medicine or dentistry

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is the purpose of this Act to assure the availability of credit on reasonable terms to units or organizations engaged in the group practice of medicine or dentistry, particularly those in smaller communities and those sponsored by cooperative or other nonprofit organizations, to assist in financing the construction and equipment of group practice facilities.

TITLE I—MORTGAGE INSURANCE PROGRAM

ESTABLISHMENT OF PROGRAM

SEC. 101. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE X—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

"INSURANCE OF MORTGAGES

"SEC. 1001. (a) The Commissioner is authorized (1) to insure mortgages (including advances on such mortgages during construction), upon such terms and conditions as he may prescribe in accordance with the provisions of this title, and (2) to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon. No mortgage shall be insured under this title after June 30, 1970, except pursuant to a commitment to insure issued before that date.

"(b) To be eligible for insurance under this title, the mortgage shall (1) be executed by a mortgagor that is a group practice unit or organization, approved by the Commissioner, (2) be made to and held by a mortgagee approved by the Commissioner as responsible and able to service the mortgage properly, and (3) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabilitation and is designed for use as a group practice facility which the Commissioner finds will be constructed in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of this title.

"(c) The mortgage shall—

"(1) not exceed 90 per centum of the amount which the Commissioner estimates will be the value of the property or project when construction is completed, and the value of the property may, in the Commissioner's discretion, include the land and the proposed physical improvements (or, in

the case of expansion, remodeling, or alteration of existing buildings, the land and all improvements as so expanded, remodeled, or altered), utilities within the boundaries of the property, architects' fees, taxes, and interest accruing during construction, and other miscellaneous charges incident to construction and approved by the Commissioner;

"(2) have a maturity satisfactory to the Commissioner but not to exceed twenty-five years, and provide for complete amortization of the principal obligation by periodic payments within such term as the Commissioner shall prescribe; and

"(3) bear interest (exclusive of premium charges for insurance, and service charges if any) at a rate of not to exceed 5 per centum per annum of the amount of the principal obligation outstanding at any time, or not to exceed such rate (not in excess of 6 per centum per annum) as the Commissioner finds necessary to meet the mortgage market.

"(d) Any contract of insurance executed by the Commissioner under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract for insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

"(e) The maximum aggregate amount of insurance liability (contingent or actual) with respect to mortgages insured under this title outstanding at any one time shall not exceed whichever is the lesser of (1) $200,000,000 less the aggregate principal amount of loans outstanding at such time from the Group Practice Facilities Loan Fund established by section 202 of the Act which enacted this title, and (2) twenty times the sum transferred to the Group Practice Facilities Insurance Fund from appropriations under section 301 of such Act to provide capital for the Fund. For the purposes of this subsection, the insurance liability (contingent or actual) with respect to any mortgage insured under this title shall be deemed to be the outstanding principal obligation of the mortgage.

"(f) Each mortgage insured under this title shall contain an undertaking (in accordance with regulations prescribed under this title and in force at the time the mortgage is approved for insurance) to the effect that, except as authorized by the Commission and the mortgagee, the property will be used as a group practice facility until the mortgage has been paid in full or the contract of insurance otherwise terminated.

"(g) No mortgage shall be insured under this title unless the mortgagor and the mortgagee certify (1) that they will keep such records relating to the mortgage transaction and indebtedness, to the construction of the facility covered by the mortgage, and to the use of such facility as a group practice facility as are prescribed by the Commissioner at the time of such certification, (2) that they will make such reports as may from time to time be required by the Commissioner pertaining to such matters, and (3) that the Commissioner or any authorized officer or employee of the Federal Housing Administration, or of any agency or institution employed or utilized by the Commissioner for that purpose, shall have access to and the right to examine and audit such records.

"PREMIUMS

"SEC. 1002. The Commissioner shall fix premium charges for the insurance of mortgages under this title, but such charges shall not be more than 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Such premium charges shall be payable by the mortgagee either in cash, or in debentures issued by the Commissioner under this title at par plus accrued interest, at such times and in such manner as may be prescribed by the Commissioner.

"GROUP PRACTICE FACILITIES INSURANCE FUND

"SEC. 1003. (a) There is hereby established a Group Practice Facilities Insurance Fund (hereafter in this section called the 'Fund') to be used by the Commissioner as a revolving fund to carry out the provisions of this title, and the Commissioner is hereby authorized to transfer to the Fund from time to time from the appropriations provided under section 301 of the Act which enacted this title such sums as he deems necessary to provide capital for the Fund. General expenses of the opinion of the Federal Housing Administration under this title may be charged to the Fund. Moneys in the Fund not needed for

current operations under this title may be invested in bonds or other obligations guaranteed as to principal and interest by the United States. If at any time the Commissioner determines that capital surplus and reserves of the Fund exceed the present and any reasonably prospective future requirements of the Fund, such excesses may be deposited in the Treasury as miscellaneous receipts.

"(b) If at any time the moneys in the Fund are insufficient to make payments in connection with the default of any loan insured under this title, the Commissioner is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this subsection shall be deposited in the Fund and redemption of such notes and obligations shall be made by the Commissioner from the Fund.

"PAYMENT OF INSURANCE BENEFITS

"SEC. 1004. The mortgagee shall be entitled to receive the benefits of the insurance under this title in the manner provided in subsection (g) of section 207 with respect to mortgages insured under that section. For such purpose the provisions of subsections (e), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this title except that all references in such subsections to section 207 shall be deemed to refer to this title and all references in such subsections to the Housing Insurance Fund or the Housing Fund shall be deemed to refer to the Group Practice Facilities Insurance Fund.

"REGULATIONS

"SEC. 1005. The Commissioner shall prescribe such regulations as may be necessary to carry out this title, after consulting with the Surgeon General of the Public Health Service with respect to any health or medical aspects of the program under this title which may be involved in such regulations.

"LABOR STANDARDS

"SEC. 1006. (a) All laborers and mechanics employed by contractors or subcontractors on all construction projects financed with the assistance of mortgages insured under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5).

"(b) The Secretary of Labor shall have, with respect to the labor standards specified in subsection (a), the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 5 U.S.C. 133z–15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

"DEFINITIONS

"SEC. 1007. For the purposes of this title—

"(1) The term 'construction cost' means the cost of the construction of a group practice facility, and includes the cost of the erection of new structures and the acquisition, expansion, remodeling, or improvement of existing structures, the cost of necessary acquisition of the land on which the facility is located, and the cost of such equipment as may permitted in regulations.

"(2) The term 'group practice facility' means a facility in a State for the provision of preventive, diagnostic, and treatment services to ambulatory patients (in which patient care is under the professional supervision of persons licensed to practice medicine in the State or, in the case of dental diagonsis or treatment, under the professional supervision of persons licensed to practice dentistry in the State) and which is primarily for the provision of such health services by a medical or dental group.

"(3) The term 'medical or dental group' means a partnership or other association or group of persons licensed to practice medicine or surgery in the State, or of persons licensed to practice dentistry in the State, or of both, who, as their principal professional activity and as a group responsibility, engage or undertake to engage in the coordinated practice of their profession primarily in one or more group practice facilities, and who (in this connection) share common overhead expenses (if and to the extent such expenses are paid by members of the group), medical and other records, and substantial portions of the equipment and the professional, technical, and administrative staffs, and which partnership or association or group is composed of at least such professional personnel and make available at least such health services as may be provided in regulations prescribed under this title.

"(4) The term 'group practice unit or organization' means—

"(A) a private agency or organization (including a medical or dental group) undertaking to provide, directly or through arrangements with a medical or dental group, comprehensive medical care or dental care, or both, which may include hospitalization, to members or subscribers primarily on a group practice prepayment basis;

"(B) a public or private nonprofit agency or organization established for the purpose of improving the availability of medical or dental care in the community or having some function or functions related to the provision of such care, which will, through lease or other arrangement, make the group practice facility with respect to which assistance has been requested under this title available to a medical or dental group for use by it; or

"(C) a medical or dental group.

"(5) The term 'nonprofit organization' means a corporation, association, foundation, trust, or other organization no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual except, in the case of an organization the purposes of which include the provision of personal health services to its members or subscribers or their dependents under a plan of such organization for the provision of such services to them (which plan may include the provision of other services or insurance benefits to them), through the provision of such health services (or such other services of insurance benefits) to such members or subscribers or dependents under such plan.

"(6) The term 'State' includes the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the District of Columbia.

"(7) The term 'mortgage' means a first mortgage (A) on real estate, in fee simple, or (B) on such other estate or interest (including a leasehold on which the rental does not exceed 4 per centum of the value of the land) as the Commissioner finds sufficient to assure undisturbed use and possession for a period of not less than fifty years for the purposes of construction and operation of the group practice facility, and for such concurrent period, not exceeding fifty years, as may be necessary to secure the mortgage debt without regard to the use of the mortgaged property. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

"(8) The term 'mortgagee' includes the original lender under a mortgage, and his or its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee named therein.

"(9) The term 'mortgagor' includes the original borrower under a mortgage and his or its successors and assigns."

TITLE II—LOAN PROGRAM

LOANS

SEC. 201. (a) The Housing and Home Finance Administrator (in this title referred to as the "Administrator") is authorized to make loans to any group practice units or organizations to assist in financing the construction cost of group practice facilities. No such loan shall be made unless the Administrator finds (1) that the applicant is responsible and able to repay the loan but is unable to secure the funds from other sources (with or without mortgage insurance under title X of the National Housing Act) upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) that the construction or rehabilitation will be undertaken in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of this title. The amount and maturity of a loan under this title shall not exceed the limits prescribed in section 1001(c) of the National Housing Act. A loan under this title shall bear interest at a rate equal to the maximum rate applicable under section 1001(c)(3) of such Act plus the premium charge applicable under section 1002 of such Act, and shall be secured in such manner as may be determined by the Administrator.

(b) Each contract for a loan under this title shall contain an undertaking (in accordance with regulations prescribed under this title and in force at the time the loan contract is made) to the effect that, except as authorized by the Administrator, the property will be used a group practice facility until the loan has been paid in full or the loan contract otherwise terminated.

(c) No loan shall be made under this title unless the borrower certifies (1) that it will keep such records relating to the loan transaction and indebtedness, to the construction or rehabilitation of the facility covered by the loan, and to the use of such facility as a group practice facility as are prescribed by the Administrator at the time of such certification, (2) that it will make such reports as may from time to time be required by the Administrator pertaining to such matters and (3) that the Administrator or any authorized officer or employee of the Housing and Home Finance Agency, or of any agency or institution employed or utilized by the Administrator for that purpose, shall have access to and the right to examine and audit such records.

(d) The Administrator may sell to any person or entity approved for such purpose by him, any loan made under this title, and a mortgage securing any loan thus sold may be insured under title K of the National Housing Act.

(e) No loan contract shall be entered into under this title after June 30, 1970, except pursuant to a commitment to lend issued before that date.

GROUP PRACTICE FACILITIES LOAN FUND

SEC. 202. There is hereby created a Group Practice Facilities Loan Fund (hereafter in this section called the "Fund") which shall be available without fiscal year limitation to the Administrator for carrying out the provisions of this title. The Administrator is hereby authorized to transfer to the Fund from time to time from the Appropriations provided under the authority in section 301 and available therefor such sums as he deems necessary to provide capital for the Fund. General expenses of the Administrator in operating the program under this title may be charged to the Fund. Moneys in the Fund not needed for current operations under this title may be invested in bonds or other obligations guaranteed as to principal and interest by the United States. Any excess moneys in the Fund may be transferred to the Group Practice Facilities Insurance Fund established by section 1003 of the National Housing Act or, if not needed for such purpose, shall be deposited in the Treasury as miscellaneous receipts.

POWERS OF ADMINISTRATOR

SEC. 203. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Administrator shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties set forth in section 402 (except subsections (b) and (c)(2)) of the Housing Act of 1950.

REGULATIONS

SEC. 204. The Administrator, in prescribing regulations to carry out this title, shall consult with the Surgeon General of the Public Health Service with respect

to any health or medical aspects of the program under this title which may be involved in such regulations.

DEFINITIONS

SEC. 205. For the purposes of this title, the terms "construction cost," "group practice facility," "medical or dental group," "group practice unit or organization," "nonprofit organization," and "State" shall have the meanings given them by section 1007 of the National Housing Act.

TITLE III—MISCELLANEOUS

APPROPRIATIONS

SEC. 301. (a) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of title X of the National Housing Act and title II of this Act, except that (1) the aggregate sums authorized to be appropriated shall not exceed $10,000,000 until June 30, 1966, which amount shall be increased by $12,500,000 on July 1, 1966, and on July 1 of each of the succeeding three years, and (2) not less than 10 per centum of any such appropriation shall be available exclusively for transfer to the Group Practice Facilities Insurance Fund established by section 1003 of the National Housing Act. Any sums appropriated under this subsection shall remain available until expended.

(b) Interest shall accrue to the Treasury on outstanding capital resulting from transfers to the Funds established under section 1003 of the National Housing Act and section 202 of this Act from appropriations under subsection (a) and shall, for each fiscal year, be determined on the basis of the average daily amount of such capital outstanding during such year. The rate of such interest shall be determined annually in advance by the Secretary of the Treasury taking into consideration the current average yields to maturity (on the basis of daily closing market bid quotations during the month of June of the preceding fiscal year) on outstanding interest-bearing marketable public debt obligations of the United States having maturities comparable to loans secured by mortgages insured under title X of the National Housing Act, or to loans made under title II of this Act, as the case may be. From time to time and at least at the close of each fiscal year, the Federal Housing Commissioner and the Housing and Home Finance Administrator shall pay to the Treasury, as miscellaneous receipts, all accrued interest under the programs with which they are respectively concerned.

PRIORITIES AND ADVISORY COMMITTEES

SEC. 302. (a) The Federal Housing Commissioner and the Housing and Home Finance Administrator shall jointly, pursuant to regulations prescribed by them for this purpose after consultation with the Surgeon General of the Public Health Service with respect to the health and medical matters involved, establish criteria and procedures for determining priorities in the insuring of mortgages under title X of the National Housing Act and the making of loans to eligible applicants under title II of this Act in the event that the funds available therefor are insufficient to insure or lend in full the amounts requested in applications otherwise approvable, which criteria shall give preference in the case of applications involving facilities to be located in smaller communities and in the case of applications of agencies or organizations described in subparagraph (A) or (B) of section 1007(4) of the National Housing Act which are public or nonprofit organizations as defined in section 1007(5) of such Act, and in such other cases as they may deem appropriate and consistent with the purpose of this Act.

(b) The Commissioner and the Administrator shall appoint, without regard to the civil service laws, an advisory committee or committees consisting in whole or in part of physicians, dentists, and consumer representatives to advise and consult with them with respect to carrying out their functions under this Act and title X of the National Housing Act. Members of any such advisory committee who are not full-time employees of the United States shall, while attending meetings or conferences of such committee or otherwise engaged on business of such committee, receive compensation at a rate fixed by the Administrator, but not exceeding $100 per diem, including travel time, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

SEC. 303. (a) At the request of individuals or organizations operating or contemplating the operation of group practice facilities (as defined in section 1007(2) of the National Housing Act), the Federal Housing Commissioner or the Housing and Home Finance Administrator may provide or obtain technical assistance in the planning for and construction of such facilities.

(b) With a view to avoiding unnecessary duplication of existing staffs and facilities of the Federal Government, the Federal Housing Commissioner and the Housing and Home Finance Administrator are authorized to utilize available services and faiclities of any agency of the Federal Government in carrying out the provisions of this Act and title X of the National Housing Act, and to pay for such services and facilities, either in advance or by way of reimbursement, in accordance with an agreement between either or both of them and the head of such agency.

AMENDMENTS TO OTHER FEDERAL LAWS

SEC. 304. (a)(1) The sixth sentence of paragraph "Seventh" of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting after "Federal Home Loan Banks," the following: "or obligations which are insured by the Federal Housing Commissioner under title X of the National Housing Act".

(2) The third sentence of the first paragraph of section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended by inserting after "or sections 1471–1484 of title 42," the following: "or which are insured by the Federal Housing Commissioner pursuant to title X of the National Housing Act,".

(b) Subsection (a) of section 304 of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd) is amended by striking out the word "or" at the end of paragraph (8); by striking out the period at the end of paragraph (9) and inserting in lieu thereof a semicolon and the word "or"; and by adding after paragraph (9) a new paragraph as follows:

"(10) any security issued under a mortgage or trust deed indenture as to which a contract of insurance under title X of the National Housing Act is in effect; and any such security shall be deemed to be exempt from the provisions of the Securities Act of 1933 to the same extent as though such security were specifically enumerated in section 3(a)(2), as amended, of the Securities Act of 1933 (15 U.S.C. 77c(a)(2))."

(c) Section 263 of chapter X of the Bankruptcy Act (11 U.S.C. 663) is amended by adding at the end thereof the following: "Nothing contained in this chapter shall be deemed to affect or apply to the creditors of any corporation under a mortgage insured pursuant to title X of the National Housing Act."

Mr. BARRETT. Later on in the hearing, we will also hear testimony on various legislative proposals in the mass transit field. From the expert witnesses who will appear before us we hope to be educated and guided in our objective, which is to report an effective bill which will provide the tools and the incentives necessary to rebuild our cities and to improve the living environment of our metropolitan area, and to provide more and better housing for our people.

The President's message provides us with an inspiring challenge. Legislation is proposed to combine physical rebuilding and rehabilitation with effective social programs to make our cities better places in which to live and grow. Our job is to give the administration the legislative authority it needs to get the job done. We are honored to be the kickoff point for this vitally needed legislation, and are most pleased to have as our first witness our old friend but very young Dr. Robert C. Weaver, who now speaks from a well-deserved and elevated vantage point of a Cabinet officer.

Secretary Weaver has with him his outstanding group of assistants who will help him administer the many programs of Federal assistance in the field of housing and urban development.

Mr. Secretary, before you begin your testimony, the subcommittee would very much like to have you introduce your new Under Secretary and Assistant Secretary. But before that, ladies and gentlemen, I

would like now to recognize the chairman of the full Committee on Banking and Currency, the Honorable Wright Patman of Texas.

Mr. PATMAN. Chairman Barrett, H.R. 12341, the demonstration cities bill, is another bold and imaginative proposal in keeping with the landmark pieces of housing legislation that this committee has reported to the floor of the House of Representatives in recent years. I take great pride in sponsoring this administration bill.

I am convinced that this bill is an important and essential supplement to the Housing and Urban Development Act which we passed in the first session of this Congress.

The Demonstration Cities Act will show not just a few cities but all cities, large and small, can rebuild and restore their blighted neighborhoods. What we learn in the cities where the demonstrations take place will point the way to all other cities in search of solutions. The proposal offers a wide variety of new tools to attack the problem of central cities, and there will be great flexibility in the program. These demonstrations will be carried out and largely completed over a 6-year span, but long before that period ends we will be learning new techniques and new solutions from these pilot cities.

This program puts new tools and new powers in the grasp of local leadership and private initiative. Solutions will be shaped by local officials, with a minimum of Federal direction and a maximum of Federal assistance.

This program will, more than any other, call into play the creative federalism which the President first described in his Great Society address.

The major objective in the proposed Urban Development Act is to bring into physical being the needed projects planned for metropolitan areas. New grants are proposed to assist in planned metropolitan development. But this is not money for planning. It is money to help communities pay for the facilities they need—water and sewer systems, highways, mass transit, airports, parks and open space, and the like.

These grants would be made to cities that work together to plan for the orderly growth of their entire urban area.

Another section of this act would attack the problem of urban sprawl by permitting FHA to insure mortgages for privately financed land development. This program would make it feasible at long last to open up new outlying areas to well-planned large new communities in which both small and large builders could offer housing and facilities for families of all income groups.

To make these new proposals work, of course, it will take large-scale financing through both the Federal Government and private lenders. As we well know, housing and urban development take tremendous capital outlays. This means that billions of dollars must be borrowed every year just to keep up with the most minimal needs of this area. And virtually all of this money comes out of the private money market.

Therefore, when we consider any housing bill or urban development bill, such as the one before us today, we must take into consideration the conditions of the money market. No program is affected more than housing by the changes in interest rates and the availability of credit. Money and the cost of money are integral parts of housing. There can be no escape from this fact.

We can sit here and pass what we consider to be great housing bills. We can congratulate ourselves on a job well done. But, if at the same time we allow the money needed to finance these programs to be priced out of the reach of millions of low-income and middle-income Americans—then what have we really accomplished?

It is tragic that today interest costs are the biggest single factor—the biggest single cost—in housing. Today, a $20,000 home mortgage will require $20,881 in interest charges over the life of the 30-year loan. This means that the money—the interest—is worth more than all the lumber, the glass, the plumbing, the woodwork, the craftsmanship, the land, and everything else that goes into a house.

So let us not take a "head in the sand attitude" that interest rates and housing are separate subjects. If we are really serious about providing housing and urban development then we also must be serious about holding down interest rates.

Dr. Weaver, this is the first time you have appeared before the committee since you were named Secretary of the new Department of Housing and Urban Development. I want to congratulate you on your appointment.

Unhappily, I realize that one of your first actions as Secretary was to approve the order raising the interest rate by one-fourth of 1 percent on FHA mortgages. As I said at the time, I regard this increase as highly regrettable. I realize, Dr. Weaver, that this was forced on you by the fact that the Federal Reserve Board, acting in defiance of the President and the Congress, raised the discount rate to banks on December 6. I realize that you had little choice; in effect, Federal Reserve Board Chairman William McChesney Martin served as Secretary of your Department insofar as the increase in FHA interest rates is concerned.

Of course, I have made no secret of the fact that I disapprove strongly of the Federal Reserve dictating policy to the Secretary of Housing and Urban Development or to any other part of the executive or legislative branches of this Government. This is poor public policy which can lead to the destruction of many of the great housing and urban development programs which your Department will administer.

Dr. Weaver, I want to emphasize my concern over what rising interest rates are doing to these programs. I want to urge you very strongly to take an active part in doing everything possible to keep down interest rates. As I have noted earlier, the cost of money is now becoming the dominant factor in all housing. Therefore, I hope you will be a crusader against any effort to price money—and thereby housing—out of the reach of the people who need housing, slum clearance, and urban development programs the most.

As you know, the Full Employment Act of 1946 instructs the Federal Reserve Board to coordinate its policies with the administration. However, the current Chairman of that Board has chosen to ignore the law, and he apparently has no intention of coordinating with the Secretary of Housing and Urban Development or any other person in the executive or legislative branch.

I hope, Dr. Weaver, that you will take concrete steps to see that your Department is represented on the councils that are involved in setting monetary policy. You must insist that the housing programs be con-

sidered before such actions as that taken by the Federal Reserve Board on December 6 are put into effect. I think you will get a sympathetic ear from the President. And, if you think you need legislation in this area, I am sure that this committee will be sympathetic. I don't think anyone sitting on this committee wants to see housing programs, on which we spend many long hours, destroyed by the willful actions of a one-vote majority of the Federal Reserve Board.

Again, let me say that the bill before us is an imaginative and skillful answer to many of the problems of urban and suburban development. It deserves early consideration by the Congress. And I congratulate my colleague from Pennsylvania, Bill Barrett, for so promptly calling his subcommittee together to work on this legislation.

Thank you, Chairman Barrett.

Mr. BARRETT. Thank you, Mr. Chairman.

Dr. Weaver, will you be kind enough now to introduce your associates for the benefit of the members of the subcommittee?

STATEMENT OF ROBERT C. WEAVER, SECRETARY OF HOUSING AND URBAN DEVELOPMENT; ACCOMPANIED BY ROBERT C. WOOD, UNDER SECRETARY; PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE CREDIT; CHARLES M. HAAR, ASSISTANT SECRETARY FOR METROPOLITAN DEVELOPMENT; HOWARD WHARTON, DEPUTY URBAN RENEWAL COMMISSIONER; MRS. MARIE C. McGUIRE, PUBLIC HOUSING COMMISSIONER; AND ASHLEY FOARD, ACTING GENERAL COUNSEL

Secretary WEAVER. Thank you, Mr. Chairman, and thank you, Chairman Patman.

I have with me this morning two gentlemen who have not appeared before this group before. The first is the Under Secretary, who comes first with the credential of being the Chairman of the task force which was appointed by the President in connection with this Department and its program. And he is, as you know, an authority on the matters of the governmental difficulties of our urban communities, particularly with the metropolitan governmental problems and the proliferation of governments which harass us in the urban field. He was formerly a professor of political science at MIT, and now is the Under Secretary. Mr. Wood.

Mr. WOOD. Thank you, Mr. Chairman.

Secretary WEAVER. And the second gentleman that I introduce to you is the Assistant Secretary for Metropolitan Development. He is an authority in land use, and planning. He has been long active not only as a student in this field, but also as an operator, being used in a consultant capacity, being used in a program development capacity. He also served on the task force. And he brings to us some unique talents. And he is the Assistant Secretary, Mr. Charles Haar, formerly professor of law at Harvard University.

Secretary Haar.

Mr. HAAR. Thank you, Mr. Secretary.

Secretary WEAVER. We have some old friends, as you know, but I think we should have them identified for you again. Unfortunately Commissioner Slayton could not be here, but his deputy, Mr. Howard

Wharton is here representing the Commissioner of Urban Renewal. Mr. Wharton is on that end of the table. And sitting next to him is a lady that you all know who has been for 4½ years the Commissioner of the Public Housing Administration, Mrs. Marie McGuire.

And sitting next to me on my left is the Acting General Counsel, Mr. Ashley Foard.

And now I have left one for the last, because he is in a unique position. He is both old and new. He retains an old title, which is that of Federal Housing Commissioner, but he has acquired a new title. And that is the Assistant Secretary for Mortgage Credit. Mr. Philip N. Brownstein on my extreme left.

And we are all delighted to be here. And we are all very pleased to have this opportunity to present the administration's program on housing and urban development as embraced in the legislation that is now before us.

With your permission——

Mr. BARRETT. Mr. Widnall?

Mr. WIDNALL. Mr. Chairman, and Mr. Weaver, on behalf of the minority, I too want to welcome you here with your aids. We know how competent you are in the field, and the staff you have surrounding you.

When we finished the last housing bill, the omnibus housing bill, I recall I was asked by some members of the press, do you think there will be any housing legislation next time. And at that time I said, well, there certainly should be time to digest some of the things and see whither we are going, but I expect there will be some. But I say now that with three bills before us, the Demonstration Cities Act of 1966, and the planned metropolitan development and HUD program amendments, we have a greater mass of proposals before us than at the time we enacted the last omnibus bill. I am pleased that we have started hearings. These are extremely important. And I do feel that they should be full and comprehensive. And as to some of the new ideas that are involved, we should take a good hard look at what you are trying to do in the urban field, though a demonstration bill, I think, is a very worthy approach. There are some parts I would like to inquire about. And I would appreciate some information about it.

Secretary WEAVER. Thank you very much.

Mr. BARRETT. Thank you, Mr. Widnall.

Dr. Weaver, if I may, before you start your testimony, lay the ground rules for the benefit of our members. We are going to ask them to give you an opportunity to complete your testimony, and after the completion of your testimony, we are going to give each member 10 minutes in the first round to ask questions. So, Doctor, if you will now start your testimony, we will let you complete it.

Secretary WEAVER. With your permission Mr. Chairman, I shall discuss the objectives and principal provisions of the three bills proposed by the administration to carry out recommendations of the President in his message on city demonstration programs and to improve and extend housing and urban development legislation. These three bills are: the Demonstration Cities Act of 1966, the Urban Development Act, and the Housing and Urban Development Amendments of 1966 introduced by Congressman Patman—H.R. 12341, H.R.

12946, and H.R. 13064—and by Congressman Barrett—H.R. 12342, H.R. 12939, and H.R. 13065.

The demonstration cities bill is the most important proposal in the President's program for rebuilding America's cities.

In his message to the Congress recommending the demonstration cities bill, the President said:

> From the experience of three decades, it is clear to me that American cities require a program that will—
>
> Concentrate our available resources—in planning tools, in housing construction, in job training, in health facilities, in recreation, in welfare programs, in education—to improve the conditions of life in urban areas.
>
> Join together all available talent and skills in a coordinated effort.
>
> Mobilize local leadership and private initiative, so that local citizens will determine the shape of their new city * * *.

The demonstration cities bill will make it possible for cities of all sizes to undertake such a program.

This bill will help cities to plan, develop, and carry out comprehensive city demonstration programs. These are locally prepared programs for rebuilding or restoring entire sections and neighborhoods of slum and blighted areas. It will help cities to provide the public facilities and services, including citywide aids, needed to enable the poor and disadvantaged people who live in these areas to become useful, productive citizens—citizens able to join in the general prosperity this Nation now enjoys.

This bill will make it possible to improve and substantially increase the supply of adequate low- and moderate-cost housing in the cities. It will make it possible for cities to concentrate their educational, health, and social services on the problems of the large numbers of poor and disadvantaged people who live in slum and blighted sections and neighborhoods. It will make it possible to treat the human needs of people in the slums at the same time physical rehabilitation is being carried out.

To qualify for assistance under this bill, a city must be prepared to plan and carry out a comprehensive city demonstration program. This will be a local program. It will be planned, developed, and carried out by local people. The character and content of the program will be based on local judgments as to the cities' needs.

This bill will provide Federal funds to cover up to 90 percent of the cost of planning and developing the comprehensive city demonstration program. It will provide special Federal grants—supplementing assistance available under existing grant-in-aid programs—to help carry out all of the activities included as part of the demonstration program.

The amount of these special, supplemental grants, will be equal to 80 percent of the local or State share of the cost of all projects or activities which are a part of the demonstration program and financed under existing grant-in-aid programs. I will soon explain more fully the provisions of this bill relating to these supplemental grants.

But first, let me emphasize that it will not be easy to qualify for this assistance. This bill is designed to help cities willing to face up to their responsibilities—willing and able to bring together the public and private bodies whose joint action is necessary to solve their problems—willing to commit fully their energies and resources—willing to

undertake actions which will have widespread and profound effects on the physical and social structure of the city.

To qualify for assistance under this bill, a city's demonstration program must meet the following general criteria:

First, it must be large enough—to remove or arrest blight and decay in whole sections or neighborhoods—to provide a substantial increase in the supply of adequate housing for low- and moderate-income people—to make a significant contribution to the provision of additional social services for the poor and disadvantaged living in slum and blighted areas—and to make a substantial impact on the sound development of the entire city;

Second, the rebuilding or restoration of slum and blighted sections and neighborhoods must contribute to a well-balanced city with adequate public facilities;

Third, the program must provide for widespread citizen participation—and maximum opportunities for using residents of the areas being rebuilt in the work of rebuilding;

Fourth, adequate local resources must be available for carrying out the program;

Fifth, the local governing body must approve the program—and local agencies whose cooperation is necessary to carry out the program must be willing to furnish that cooperation;

Sixth, there must be a plan for relocating, and adequately compensating, individuals, families, and business concerns displaced by the program; and

Seventh, all citizens must have maximum opportunity in the choice of housing provided by the program.

Finally, the city's demonstration program must be more than a statement of goals, it must be a definite plan of action. Projects and activities to be undertaken must be scheduled and ready for initiation within a reasonably short period of time.

In addition, we will expect a city which undertakes a demonstration program to take advantage of modern cost-reducing technologies. We will expect a concern for good design and attention to man's need for open spaces and attractive landscaping.

A program meeting these criteria is not lightly undertaken. But nothing else will do.

A total commitment of the energies and resources that lie within the American city is necessary to stop the growing physical deterioration and the social alienation of disadvantaged groups concentrated in low-income ghettos.

Two types of Federal assistance are available to help finance the projects or activities which are undertaken as part of an approved comprehensive city demonstration program.

First, the complete array of all existing Federal grant and urban aid programs in the fields of housing, renewal, transportation, education, welfare, economic opportunity, and related programs would be available for the demonstration program.

This bill contemplates that existing Federal grant-in-aid programs—and funds now available for those programs—will be used in carrying out projects or activities which, though part of a comprehensive city demonstration program, are eligible for assistance under existing grant-in-aid programs.

The fact that a particular project, eligible for grants under an existing Federal progam, is undertaken as part of a demonstration program will in no way affect its eligibility under the existing program. The city will apply to the Federal agency which administers the existing program, and the application will be subject to all the existing rules, regulations, and priorities governing that program.

Second, there will be available special grants, supplementing the assistance under existing grant-in-aid programs. These supplemental grants will be provided under the demonstration cities bill to—

(1) Assist cities to provide their required share of the cost of projects or activities which are part of the demonstration program and are funded under existing Federal grant-in-aid programs, and

(2) Provide funds to carry out other, non-federally assisted projects or activities undertaken as part of the demonstration program.

The amount of this supplemental grant will be 80 percent of the total non-Federal contributions required to be made to all projects or activities assisted by existing Federal grant programs which are carried out as part of a comprehensive city demonstration program.

The supplemental grant funds authorized to be paid by the demonstration cities bill are not earmarked for any one part of the demonstration program. After the amount of this supplemental grant is established under the formula in the demonstration cities bill, the total amount is available to the city to be used at its discretion for any project or activity which is included as part of an approved city demonstration program.

The demonstration cities legislation calls for a newly concentrated and coordinated approach by the cities to their problems. It utilizes the full range of existing grant-in-aid programs for both physical and social development. The list of these programs is long. But there is a new and sharper focus of the activities assisted by these programs and far greater coordination in their use. This is a key goal of the demonstration cities legislation.

In addition, the supplemental Federal grant funds provided by this bill will enable the cities to participate more effectively in existing grant-in-aid programs and will permit cities to experiment with needed activities which are not now funded by these existing programs.

The ultimate success of this new program rests upon the ability of local people to assess their own most pressing problems and devise their own solutions to those problems. And the cities themselves, by their actions, will determine which of them participate in this program. Those cities which can concentrate their resources, identify their problem areas, and develop sound imaginative solutions will be the first aboard.

But all cities will benefit from the solutions to urban problems developed through the demonstration cities approach. I am confident every city will ultimately use this "total attack" approach to solve its urban problems.

The assistance provided by this bill will be given to cities of all sizes and in all parts of the country. This will enable the program to demonstrate the wide range of methods available to deal with the diversity of problems that face cities of all sizes throughout the country.

The Federal assistance authorized by the demonstration cities bill will be provided to a "city demonstration agency." This may be the city or any local public agency established or designated by the local governing body to administer the comprehensive city demonstration program.

A very wide range of administrative organizations is permissible so long as the structure serving as the city demonstration agency constitutes a public body which is subject to the control of the local governing body.

The city demonstration agency, regardless of its type, must have the endorsement and support of the elected officials of the city and the agency must have sufficient power and authority to undertake the overall administration of the demonstration program.

This does not mean that the city demonstration agency would have to assume operational control of all projects and activities that are a part of the local demonstration program. For example, to the extent urban renewal activities are a part of the demonstration, the existing urban renewal agency would carry them out. And school boards would continue to direct educational activities in the demonstration area.

For each area having an approved demonstration program a Federal coordinator will be designated.

This legislation makes clear that the Federal coordinator will not be appointed until after the demonstration program is approved. The Federal coordinator will not, therefore, be involved in the planning and development of the city's demonstration program.

The coordinator will expedite and help coordinate Federal contributions and technical assistance to the various projects and activities that are a part of the approved demonstration program. He will provide liaison services for the local city demonstration agency and national and regional representatives of the Department of Housing and Urban Development, and of other Federal agencies assisting these projects or activities. The coordinator will have no authority over local officials, and no power over the programs and activities of the locality.

The first year of the new program authorized by this bill will be devoted to planning and the development of programs by the cities. The President has earmarked some $12 million to finance the planning and development of these programs. In the following 5 years, $2.3 billion in supplemental grant funds will be made available to cities to help them carry out these demonstration programs.

The great problems confronting the Nation's cities are well known.

Slum and blight are widespread. Persons of low income concentrate increasingly in the older urban areas. Housing and community facilities and services are inadequate.

Cities are caught in a descending spiral which leads to widespread municipal insolvency. The continuing spread of blight reduces the taxable value of city land. As slums and blight spread, crime, delinquency, and disease follow.

At the same time that the need for city services grows, the city's ability to provide these services is impaired by the very blight that creates the demand. In these circumstances, it is not surprising that the cities with the greatest slum problems have the least capacity for solving them.

The cities desperately need help. New methods, new techniques must be developed to enable them to deal with their problems.

I believe this legislation is the cities' best hope. It will prove that focusing and coordinating massive programs of physical construction and social services can revitalize the deteriorating cores of our cities.

I believe that these demonstration programs will prove that, with State and Federal assistance, cities are capable of mobilizing local energies and resources on the scale required to create a totally new living environment.

I believe that these demonstration programs will show the people who live in slum and blighted neighborhoods that their local, State, and Federal Governments are concerned with their condition, and will do what is necessary to provide a decent environment and an opportunity to participate in the mainstream of American life.

Enactment of this legislation could make 1966 "the year of rebirth for American cities."

Let me turn now from the problems of urban blight to the problems of urban growth. This is the subject of the bill referred to as the "Urban Development Act."

The first title of the bill would provide the new incentives for effective metropolitan planning and development recommended by the President in his recent message on city demonstration programs.

In brief, the incentive consists of increased aid to federally assisted projects of types which generally affect the growth of metropolitan areas. This incentive would be given only within metropolitan areas where all public and private development having a major areawide impact is consistent with full comprehensive and current metropolitan planning.

This represents a new approach to making planning effective. It will not deprive any project of aid it would receive under existing programs. It will simply increase assistance to cities and other State and local bodies that actually develop projects and administer local zoning and subdivision controls consistently with metropolitan plans.

This aid is distinct from existing aids to planning bodies for preparing the plans. It is also distinct from Federal financial aids the purpose of which it to help provide specific types of well-planned public works.

This new aid would consist of grants supplementing other Federal assistance to projects for transportation facilities (including mass transit, roads, and airports), water and sewer facilities, and recreation and other open-space areas. The supplementary grant could not exceed 20 percent of the cost of these projects.

Grants will be available only for projects in metropolitan areas which had established areawide comprehensive planning and programing. This must be adequate for evaluating and guiding all public and private actions of metropolitanwide or interjurisdictional significance.

Also, the grants will be available only to public bodies in the eligible areas which are carrying out, in accord with the areawide planning and programing—

1. The location and scheduling of their public facilities;
2. Their zoning and other subdivision actions; and

3. Their other policies and actions of metropolitanwide or interjurisdictional significance.

As President Johnson said in his recent message to the Congress on housing and urban development programs:

> The powerful forces of urban growth threaten to overwhelm efforts to achieve orderly development. A metropolitan plan should be an instrument for shaping sound urban growth—not a neglected document.

This program would provide valuable and much-needed incentive for effectuating such plans.

This program, which is an outgrowth of existing Federal urban development policies, could vastly influence for the better the living environment of many of our people. Today, 125 million Americans—two-thirds of our total population—live in metropolitan areas. Twenty years from now we will have added, according to conservative estimates, 54 million people to our metropolitan population, the great bulk of them in suburban areas. This is the equivalent of adding 5 New Yorks or 27 Washingtons.

Federal, State, and local governments will be spending, over this period, billions of dollars for basic services for these areas—for schools, highways, and other forms of transportation, parks, sewer and water systems, and other community facilities. Careful and effective planning can greatly reduce the capital costs of these services, and can in addition make great contributions to our goal of a suitable living environment for every American family.

The programs supplemented by this bill serve some of the major needs of the Nation's growing metropolitan communities.

Transportation facilities, water and sewer systems, and recreation and open-space areas all knit together metropolitan regions and help to shape their growth. But if planned inconsistently, they can distort that growth and one project can greatly reduce the benefits expected from another.

The supplemental aid provided under this title is, therefore, directly keyed to critical types of development projects. These are also the projects for which there has already been Federal recognition of need and a commitment to assist in meeting that need.

The proposed supplemental grants will reward State and local government initiative toward higher levels of planned urban development and coordinated action. In areas where the higher standards called for under this new program cannot yet be achieved, the program will not stop needed assistance under the basic grant programs.

The Department of Housing and Urban Development, will, of course, work closely with the other Federal departments and agencies whose program areas are being supplemented to provide Federal leadership and coordination toward more orderly metropolitan development. This is one of the principal tasks which the Congress has assigned to this new Department.

It is expected that about a dozen metropolitan areas, encompassing several hundred local communities, might become eligible for supplementary grants during the first year. Accordingly, the administration is recommending a first-year program level of $25 million.

With continued encouragement under this program, about 75 metropolitan areas, having an aggregate population of around 60 million, might qualify for supplemental grants by the end of 5 years.

However, the size and speed of expansion of the program would depend primarily on the degree of effort that metropolitan areas and localities are willing to put forth. The supplemental grants would be available to any jurisdiction which show, as stated in the President's recent message:

> That they are ready to be guided by their own plans in working out the patterns of their own development and where they establish the joint institutional arrangements necessary to carry out these plans.

Financial assistance for metropolitan comprehensive planning is available under our section 701 urban planning assistance program. In addition, a special program will be undertaken within the framework of the existing 701 program to develop new techniques of metropolitan planning and implementation. This puts into effect the President's proposal in his message of January 26, 1966, for a "series of demonstrations in effective metropolitan planning." I estimate that the total cost of this program will approximate $6.5 million.

Last year, the Congress enacted a significant new program of FHA mortgage insurance for privately financed land development. This program has already attracted much interest throughout the country. Sixty-six proposals for well-planned developments are currently being processed.

Title II of this bill will authorize the approval of a category of "new communities" for which land could be prepared with the aid of FHA mortgage insurance under the program.

Without the benefit of such mortgage insurance, private enterprise has already undertaken the development of a large number of extensive new communities. Many of them have been planned with imagination and boldness characteristic of private enterprise at its best.

But the scale of these projects is such that only large developers can find an adequate volume of favorable financing for the site preparation. Even for them, the financing is often inadequate for efficiently scheduled land development operations, or else the cost is far out of line with the financing charges that the market demands for smaller scale land development, or for actual housing construction.

This bill will provide needed credit assistance to facilitate broader participation in these private efforts. It will encourage adequate private financing at reasonable cost for large-scale preparation of sites in well-planned communities. The sites produced with FHA mortgage insurance aid will be made available to a cross section of private builders, especially small builders. They will thus be able to participate more fully in this increasingly important segment of the housing market. If this segment of the market is lost to our small- and medium-sized builders, our new communities will lose the enormous vitality that a diversified homebuilding industry is uniquely capable of producing.

The category of new communities would consist of land developments satisfying all requirements under the existing land development program, and meeting additional standards prescribed by the bill. A development could be approved only if the Secretary determines that in view of its size and scope, it will result in substantial economies, and will contribute substantially to the sound and economic growth of the area in which it is located.

What is contemplated here is development of large tracts of good land on a scale that will provide a wide range of urban facilities and services, while requiring maximum accessibility to any nearby major cities in the area. This would facilitate such benefits as cheaper initial land costs, a better balance of varied housing and other land uses, and reduced traffic. Above all, we would be affording a greater range of desirable choices for the home-buying, and I might add, the home-renting public.

To encourage well-planned developments on this scale, special financial aid in the form of FNMA special assistance would be available, if needed, and longer mortgage maturities would be authorized for this category of land development. These special aids would not be available for land developments, no matter how extensive, which are not approved as meeting the special requirements in the bill for new communities.

The title would also increase from $10 million to $25 million the maximum outstanding mortgage amount permitted for a single large land development.

Title II would also authorize Federal loans to land development agencies to finance the acquisition of land to be used in connection with the later development of well-planned residential neighborhoods, subdivisions, or new communities. These land development agencies would include municipalities and other public corporations which are designated or created under State law for this purpose.

The Federal loan could equal the cost of the acquisition of the land, including capitalization of interest, and would be repayable within 15 years. The interest rate would be the same as under our public facility loans program. The loan proceeds would not be available for site improvements, although other provisions of Federal law would authorize assistance to State and local public bodies for financing such improvements.

The land acquired by the land development agency would be sold for private residential and related development in accordance with a development plan made by the agency and approved by the Secretary. The land could be developed by the private owners with or without FHA mortgage insurance assistance. These projects could be residential neighborhoods, housing subdivisions, or more extensive developments, including new communities.

Title III of the bill will authorize appropriations necessary to continue the urban mass transportation program through fiscal year 1968. It will increase the present authorization by $95 million for grants to assist localities to finance needed mass transportation facilities and equipment. It will also increase, by $10 million, the authorization for appropriations to develop, test, and demonstrate new or improved mass transportation facilities, equipment, or techniques.

Advance funding is essential in the urban mass transportation program. It allows communities time to plan their projects with assurance that funds will not be exhausted during the "leadtime" between starting to plan for a project and applying for grant assistance. This time amounts to several years in the case of larger projects.

The proposed program level is well supported by the volume of applications in hand and known to be in preparation.

The capital grant assistance under this program has given—and will continue to give—help to communities of all sizes, including some faced with a breakdown or total loss of public transportation service. It is helping communities to carry out planned improvements in equipment and facilities which they could not themselves finance out of the farebox. And it is stimulating local initiative and local action in the planning and provision of transportation facilities in coordination with community development.

Title IV of the bill would authorize a new program of Federal grant assistance to States and metropolitan-area agencies.

These grants would finance up to 50 percent of the cost of programs demonstrating methods of establishing effective urban information centers. The centers would make it possible to assemble, correlate, and disseminate inormation and data on the physical, social, and economic problems of urban areas, and on the governmental and other programs dealing with such problems.

In recent years, there has been a great expansion of Federal, State, and local programs dealing with urban problems. These programs can be used to best advantage only if State and local governments, organizations and individuals have ready access to information regarding them.

In addition to information as to the availability of urban assistance programs, urban information centers can provide useful and necessary data needed for planning, programing, budgeting, and coordinating these programs.

Few State and local agencies have been able to develop effective information centers with their own resources. There are considerable technical problems involved in selecting the data which should be fed into the system, and in combining Federal, State, and local data which exists but is not in readily usable form. The assistance provided by this title would help State and local agencies resolve these problems.

The "Housing and Urban Development Amendments of 1966"—unlike the bills I have discussed—will authorize no new programs, but will make some needed changes in laws governing existing programs.

First, an amendment would permit lenders, who make loans under the FHA title I property improvement program to collect the one-half of 1 percent insurance premium from the borrower. This is the only FHA program under which the cost of the insurance is not directly borne by the borrower. We are nevertheless suggesting that the amendment be effective for only 1 year, as provided in this bill, so that the Congress may have an opportunity to determine the effect of the change on the volume and pattern of these FHA-insured loans.

The volume of this program has been declining greatly. By giving lenders the proposed small increase in the return of their loans, we will encourage the loans to be made. Without the loans, homeowners of lower income may be unable to obtain emergency home repair credit without paying high or even exorbitant rates.

The limit on the amount of a home mortgage insured by FHA under its special program for low- and moderate-income and displaced families—section 221(d)(2) will be increased from $11,000 to $12,500 in the case of a one-family home, and from $18,000 to $20,000 in the case of a two-family home. These increases are made necessary by increased home costs.

There are two proposed amendments in the bill relating to low-rent public housing. One pertains to leased private housing authorized by the Congress last year. The amendment would permit local housing authorities to lease dwellings without regard to the 3-year limitation in the present law in cases where the housing is needed for low-income families displaced by urban renewal, highway construction, or other governmental actions.

The leasing provision is particularly helpful in providing housing for large displaced families, many of which have been on the waiting list for public housing for many years. Local housing authorities cannot assure what will happen to these families when the short-term leases end. Authority to enter into leases with longer terms would prevent further insecurity, and in some cases the actual hardship of any additional displacement, for these families.

The second amendment would make the formula for providing assistance to low-rent housing, as it was amended by the 1965 act, available for the leasing of housing to be constructed, as well as to existing housing. Increasing interest is being shown by private enterprise in working with public housing authorities in the development of housing for use by the authorities. This results in costs substantially lower than can be achieved when the authorities plan and construct the housing themselves. The amendment would provide additional stimulus for much greater participation by private building interests in the low-rent housing program.

The rising costs of housing construction, and increasingly complex problems of urban growth, make it imperative that we make the most use at least of the techological advances in design and urban development.

The bill would direct the Secretary to conduct studies and research to demonstrate methods of applying technological advances and to encourage and promote their acceptance by industry, communities, and the general public. These are matters where the Federal Government can and should assert leadership.

Title II of the bill contains no substantive provisions. It makes necessary adjustments in the wording of Federal statutes to reflect the new names of offices and officials provided in the Department of Housing and Urban Development Act.

Before concluding my remarks, Mr. Chairman, I would like to endorse H.R. 9256, which you introduced last session, and which is now before this committee.

That bill would establish a new program—administered by the Department of Housing and Urban Development—of mortgage insurance and direct loans to finance the provision of facilities for group medical and dental practice. The President, in his message last year on advancing the Nation's health, recommended establishment of such a program, which is urgently needed in order to assure the most effective use of our limited supply of doctors and medically trained personnel.

I understand that Mr. Wilbur Cohen, Undersecretary of the Department of Health, Education, and Welfare, will testify on the bill tomorrow. Mr. Brownstein, our Assistant Secretary for Mortgage Credit, will accompany him and testify on behalf of the Department.

Thank you, sir.

Mr. BARRETT. Dr. Weaver, thanks very much for your testimony, and thanks for giving me the plug for submitting H.R. 12946.

I just want to call the attention of the committee and to your staff to the fact that it was the chairman of the full committee that submitted that bill. I desire to give him credit for it.

Secretary WEAVER. Thank you, sir.

Mr. BARRETT. Mr. Secretary, before we start, some of our members have come in a little after we have started, and I had then laid down the ground rules of 10 minutes for each member. I note that some of the members have meetings this afternoon, so they will be unable to return here. So we are going to change the rule, if it is agreeable to the minority here, to 5 minutes to allow them to ask some questions. And then we might have a 10-minute rule later.

Mr. WIDNALL. And we will meet this afternoon?

Mr. BARRETT. Yes.

Mr. WIDNALL. And we have the possibility if we do not finish today of having Dr. Weaver and his aids appear further before the committee?

Mr. BARRETT. We certainly are going to take advantage of all the information we can get from Dr. Weaver and his very fine staff. And we may have to call them back, or we may even have to put them on standby if we are not able to get the information we want.

Would that be agreeable, Mr. Secretary?

Secretary WEAVER. That would be agreeable. And may I ask at this time that we submit a longer statement to be put in the record?

Mr. BARRETT. Without objection, it will be placed in the record.

(The statement referred to follows:)

STATEMENT OF ROBERT C. WEAVER, SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Mr. Chairman and members of the committee, the housing and urban development legislation presently under consideration by your committee consists of three bills: the Demonstration Cities Act of 1966, introduced by Congressman Patman (H.R. 12341), Congressman Barrett (H.R. 12342), and others; the Urban Development Act, introduced by Congressman Barrett (H.R. 12939) and Congressman Patman (H.R. 12946); and the Housing and Urban Development Amendments of 1966 introduced by Congressman Patman (H.R. 13064), and Congressman Barrett (H.R. 13065).

These bills are proposed by the administration to carry out recommendations by the President on city demonstration programs and other needed programs related to housing and urban development.

DEMONSTRATION CITIES ACT OF 1966

The demonstration cities bill is the most important proposal in the President's program to assist in rebuilding American cities. It has focused the interest of the Congress and the entire Nation on the most critical domestic problem facing the United States—the need to improve the quality of urban life.

In his message to the Congress recommending the demonstration cities bill, the President said:

"From the experience of three decades, it is clear to me that American cities require a program that will—

"Concentrate our available resources—in planning tools, in housing construction, in job training, in health facilities, in recreation, in welfare programs, in education—to improve the conditions of life in urban areas.

"Join together all available talent and skills in a coordinated effort. Mobilize local leadership and private initiative, so that local citizens will determine the shape of their new city—freed from the constraints that have handicapped their past efforts and inflated their costs."

The demonstration cities bill would authorize such a program. With its enactment, 1966 can be "the year of rebirth for American cities."

COMPREHENSIVE CITY DEMONSTRATION PROGRAM

The demonstration cities bill would provide to the cities—

First, Federal funds to cover up to 90 percent of the cost of planning and developing comprehensive city demonstration programs.

Second, special Federal grants, supplementing assistance available under existing grant-in-aid programs. The amount of these special, supplemental grants will be 80 percent of the total non-Federal contributions required to be made to all projects or activities which are a part of the demonstration program and financed under existing grant-in-aid programs.

Third, Federal grants to cover all the costs of providing relocation adjustment payments to those persons, families, and businesses displaced by activities which are a part of these programs.

Fourth, technical assistance to help carry out these programs.

A comprehensive city demonstration program is a locally prepared and scheduled program for rebuilding or restoring entire sections and neighborhoods of slum and blighted areas through the concentrated and coordinated use of all available Federal aids and local private and governmental resources. It will include citywide aids and resources necessary to improve the general welfare of the people living or working in these areas.

The assistance provided by this bill will help cities of all sizes to plan, develop, and carry out programs to rebuild or revitalize large slum or blighted areas and to expand and improve pubic programs and services available to the people who live in these areas. It will provide funds needed for the city to participate in existing Federal assistance programs. It will encourage the cities to focus and coordinate projects and activities for which assistance is now available under existing Federal programs with other public and private actions to provide the most effective and economic concentration of Federal, State, local, and private efforts to improve the quality of urban life.

The comprehensive city demonstration programs carried out under this bill would provide massive additions to the supply of decent, low-, and moderate-cost housing.

They would make it possible for cities to concentrate all available educational, health, and social services on the problems of the large numbers of poor and disadvantaged people who live in slum and blighted sections and neighborhoods. They would make it possible for cities to treat the social needs of the people in the slums at the same time the physical rehabilitation of the slums is being carried out.

In order to qualify for assistance under this legislation, a city must be prepared to plan and carry out a comprehensive city demonstration program. This will be a local program; planned, and carried out by local people; and based on local judgment as to the city's needs and its order of priorities in meeting these needs.

It will not be simple to qualify for such a program.

It will be necessary for a city to embark on major new undertakings addressed to major urban problems. This legislation is designed to help those cities willing to face up to their responsibilities—willing and able to bring together all the public and private bodies whose joint action is necessary to solve their problems—willing to fully commit their energy and resources—willing to undertake actions which will have widespread and profound effects on the social and physical structure of the city.

STATUTORY CRITERIA

A demonstration program must meet the following general criteria—

First, it must be of sufficient magnitude, in both its physical and social dimensions, to (1) remove or arrest blight and decay in entire sections or neighborhoods, (2) provide a substantial increase in the supply of standard housing of low and moderate cost, (3) make marked progress in serving the poor and disadvantaged people living in slum and blighted areas by reducing educational disadvantages, disease and enforced idleness, and (4) make a substantial impact on the sound development of the entire city.

These criteria will require a demonstration program to remove or arrest blight and decay in sections or neighborhoods which contain a substantial percentage—as much as 15 to 20 percent—of the substandard dwelling units in the city.

Clearance of structures will play a significant part in many demonstration programs, and considerable new construction of low-income housing will be necessary. However, a great amount of rehabilitation will be essential to provide

sufficient additional low-income housing and minimize dislocation of families and businesses.

Very often, rehabilitation and improvement of substandard and deteriorating units can make them suitable. Some units require relatively minor repairs; others require considerable rehabilitation. In some instances rehabilitation can be carried on without any displacement of occupants. In many areas temporary relocation in the neighborhood can be arranged, and in some instance relocation to another neighborhood will be necessary.

Second, the general criteria for a comprehensive city demonstration program require that the rebuilding or restoration of sections or neighborhoods must contribute to a well-balanced city with adequate public facilities. This includes facilities needed for transportation, education and recreation; commercial facilities adequate to serve the residential areas; good access to industrial or other centers of employment; and housing for all income levels.

Existing Federal grant-in-aid programs can be utilized to help the city fulfill these requirements. For example, the existing Federal grant-in-aid program for neighborhood facilities can help in the provision of physical facilities needed to house many social services and, in combination therewith, some recreational facilities; the existing mass transit program may finance needed transportation facilities; and the Elementary and Secondary Education Act needed educational services.

The housing component, required by the criteria to be a part of every comprehensive city demonstration program, will generally contribute toward a balanced supply of housing for the city as it provides additional low-income housing. This is, of course, the housing for which there is the greatest need.

Third, the general criteria for a comprehensive city demonstration program require that the program must provide for educational and social services necessary to serve the poor and disadvantaged in the area; widespread citizen participation in the program; maximum opportunities for employing residents of the area in all phases of the program; and enlarged opportunity for work and training.

Many of the educational and social services needed can be provided under community action programs supported by the Office of Economic Opportunity.

Opportunities for employing residents in the program, as well as opportunities for other work and training, can be provided through appropriate arrangements with lending institutions, private construction firms, and labor unions involved in the rehabilitation activities and construction of new public facilities which are part of the program.

Fourth, the general criteria for a comprehensive city demonstration program require that adequate local resources must be available for the completion of the activities undertaken in accordance with the program.

This will require evidence that the local share of administrative and project costs will be available from identifiable local sources throughout the period during which the program is to be executed.

Fifth, administrative machinery must be available for carrying out the program on a consolidated and coordinated basis, the local governing body must have approved the program, and local agencies whose cooperation is necessary to carry out the program must have indicated their intent to furnish that cooperation.

Sixth, the general criteria for a comprehensive city demonstration program require that there be a plan for relocating individuals, families, business concerns, and nonprofit organizations displaced or to be displaced in carrying out the program.

The relocation plan that is required must provide concrete evidence that there will be available for families who are displaced decent, safe, and sanitary housing within their economic means. In addition, adequate provision must be made for assistance and relocation payments to families, business concerns, and nonprofit organizations who will be displaced as a consequence of a city demonstration program. The relocation activities must be coordinated, to the maximum extent feasible, with the contemplated increase in the housing supply for the entire city in order to maintain the available supply of decent, safe, and sanitary housing for people of low and moderate income.

Seventh, the general criteria for a comprehensive city demonstration program require that the program be designed to assure maximum opportunity in the choice of housing accommodations by all citizens of the areas served under the program.

In addition, the city's program must be more than a statement of goals. It must be a definite plan of action. Projects and activities to be undertaken must be scheduled and ready for initiation within a reasonably short period of time. All of the activities which are part of the program should be scheduled for completion within a reasonable period of time.

OTHER ACTIONS EXPECTED OF THE CITY

An important benefit of Federal grant-in-aid programs is the spur such programs provide to local activities which may not otherwise be undertaken. The demonstration cities bill calls on the cities to take a series of actions, in conjunction with their demonstration programs, designed to make significant breakthroughs in the techniques of rebuilding and restoring slum and blighted areas.

Even though a city demonstration program meets the statutory criteria described, other actions may be expected of the city if new Federal aids are to be provided under this legislation. Consideration will be given to the extent and nature of purely local actions which encourage more rational and efficient urban development. In preparing their demonstration programs, cities will have to—

First, examine their substantive laws to determine the extent to which those laws impede substantial progress in carrying out their demonstration programs and to take appropriate action, if necessary, to make those laws consistent with the objectives of their programs.

In many localities, the structure of real estate taxes, inadequate and often obsolete housing codes and zoning laws, and artificial restraints on building practices retard the prompt and proper development of the city's physical characteristics. Stimulating local efforts to remove these restrictions can be one of the major benefits of the city demonstration program.

Second, apply high standards of design to buildings constructed and rehabilitated under the program in order to maintain distinctive natural, historical, and cultural characteristics.

Revitalizing the Nation's cities requires more than the construction and rehabilitation of homes and buildings. City demonstration programs should contain special efforts to make new and existing structures as fresh and attractive as possible.

Third, make maximum use of new and improved technology and design, including the introduction of cost-reduction techniques to every aspect of a city's activities.

Massive rebuilding and restoration programs provide exceptional opportunities for applying the fruits of our technological advances to the homebuilding and rehabilitation industries. Cities should encourage the maximum use of such advances in the building and rehabilitation of homes and buildings.

Fourth, encourage good community relations and counteract the segregation of housing by race or income.

The physical rebuilding and restoration of our cities should be accompanied by appropriate actions to narrow the housing gap between the poor and disadvantaged and the rest of the community. Nondiscrimination in any housing assisted under a demonstration program is a legal requirement. In some cities, however, the mere requirement of nondiscrimination will not be sufficient to resolve the manifold problems to which rigid, and often longstanding, patterns of housing segregation have given rise. More affirmative action is needed to eliminate these patterns, to reduce the squalid concentrations of racial minorities and the economically deprived, and to assure that equal opportunity in the choice of housing will in fact be available to people of every race and income.

Fifth, indicate that the projects and activities carried on under the program are consistent with comprehensive planning for the entire urban or metropolitan area.

Central cities are the economic and cultural cores of larger urban or metropolitan areas. As such, their activities affect the entire urban or metropolitan area. And the cities, in turn, are affected by activities undertaken in the entire area. No element of rational urban development is more important than the carrying on of sound comprehensive planning for entire urban and metropolitan areas. Cities will be expected to continue to cooperate with other governmental bodies in the metropolitan area to assure and promote sound community growth.

A program meeting the statutory criteria for a comprehensive city demonstration program—and commtting the city to take those additional actions which may be expected of it—is not lightly undertaken.

But nothing less will do.

Only with a total commitment of their energies and resources and the desire and will of their people can the American cities stop the deterioration of their physical environment and social disorientation of large numbers of disadvantaged minority groups concentrated in low-income ghettos.

FEDERAL ASSISTANCE PROVIDED

The demonstration cities bill will provide Federal assistance for planning, developing, and carrying out comprehensive city demonstration programs.

Federal funds will cover up to 90 percent of the cost of planning and developing these programs. Federal grants will also pay up to 80 percent of the cost of administering every project or activity which is included as part of a comprehensive city demonstration program (but not the cost of administering any project or activity for which Federal financial assistance is provided under an existing grant-in-aid program).

In addition, two types of Federal assistance are available to help finance all of the projects or activities which are included as part of an approved comprehensive city demonstration program.

First, to the extent such projects or activities are eligible for assistance under an existing Federal grant-in-aid program, they may be financed under that program. This bill contemplates that existing Federal grant-in-aid programs—and funds now available for those programs—will be utilized, where feasible, in carrying out projects or activities which, though part of a comprehensive city demonstration program, are eligible for assistance under existing grant-in-aid programs.

The fact that a particular project or activity eligible for assistance under an existing Federal grant-in-aid program is undertaken as part of a comprehensive city demonstration program will in no way affect its eligibility for assistance under the existing grant-in-aid program. The city will apply to the agency which administers the grant-in-aid program and the application will be subject to all the existing rules, regulations, and priorities governing that grant-in-aid program.

Second, special grants, supplementing the assistance available under existing grant-in-aid programs, will be provided under the demonstration cities bill to (1) assist cities to provide their required share of the cost of projects or activities which are part of the demonstration program and are funded under existing Federal grant-in-aid programs, and (2) provide funds to carry out other non-federally assisted projects or activities (including projects or activities of the type eligible for Federal assistance under existing grant-in-aid programs), undertaken as part of the demonstration program.

The amount of this special—supplemental—demonstration cities grant will be 80 percent of the total non-Federal contributions required to be made to all projects or activities assisted by existing Federal grant-in-aid programs which are carried out as part of a comprehensive city demonstration program.

The non-Federal contribution to every project or activity which is included within an approved comprehensive city demonstration program, and which is funded under an existing Federal grant-in-aid program, may serve as a base for computing the special—supplemental—grant under the demonstration cities bill. It does not matter whether the Federal commitment to assist in financing the particular project or activity under an existing grant-in-aid program occurred at some time before the comprehensive city demonstration program is approved. So long as the activity financed by the existing grant-in-aid program is included within the approved city demonstration program, the non-Federal contribution to that project or activity can serve as a base for the grant computed under the demonstration cities bill.

The special—supplemental—grant funds authorized to be paid by the demonstartion cities bill are not earmarked for any one specific project or activity carried out as part of the demonstration program. After the amount of this special—supplemental—grant is established under the formula in the demonstration cities bill—the total amount will be available to the city to be used at its discretion for any project or activity which is included as part of an approved comprehensive city demonstration program.

Grant assistance will be provided under the demonstration cities bill to cover the full cost of providing relocation payments to individuals, families, business concerns, and nonprofit organizations displaced by projects or activities which are part of a demonstration program.

Technical assistance will be available to assist city demonstration agencies to help them plan, develop, and administer their programs.

MAINTENANCE OF EFFORT

The special—supplemental—assistance to cities provided by the demonstration cities bill is not to replace local funds already being used to rebuild and restore slum and blighted areas and provide community facilities and services to their residents. Accordingly, it will be required, as a condition to receiving assistance for an approved comprehensive city demonstration program, that the city not reduce, during the period an approved program is carried out, its prior level of aggregate expenditures for projects or activities similar to those being assisted under the demonstration program. In addition, a city will not be permitted to use grant funds provided under the demonstration cities bill as a substitute for local dollars committed, prior to the application for the planning of the demonstration program, to be spent for a project or activity for which Federal financial assistance is being provided under an existing Federal grant-in-aid program.

PREPARING A COMPREHENSIVE CITY DEMONSTRATION PROGRAM

A. City demonstration agency

The Federal assistance authorized by the demonstration cities bill will be provided to a city demonstration agency. The city demonstration agency may be the city or any local public agency established or designated by the local governing body to administer the comprehensive city demonstration program.

The city demonstration agency, therefore, may be a public agency created expressly for the purpose of administering the demonstration program or it may be an existing local public agency assigned this responsibility. A very wide range of administrative organizations are permissible so long as the structure serving as the city demonstration agency constitutes a public body which is subject to the control of the local governing body.

Whatever the administrative organization of the city demonstration agency, it must have the endorsement and support of the elected officials of the city and the agency must have sufficient power and authority to undertake the overall administration of the demonstration program.

This does not mean that the city demonstration agency would have to assume operational control of all projects and activities which are a part of the local demonstration program. For example, to the extent urban renewal activities are a part of the demonstration, the existing urban renewal agency would carry out such projects. School boards would continue to direct educational activities in the demonstration area.

The function of the city demonstration agency would be to obtain the cooperation of all participants and obtain their agreement to a concentrated and coordinated effort. The agency would have a strong tool for obtaining such cooperation in its capacity to use demonstration grant funds to supplement existing efforts.

The city demonstration agency could establish, in some appropriate way, an advisory body composed of both public officials and private citizens who are representative of the various public and private interests whose coordinated activities will constitute the demonstration. Independent or semi-independent local government units such as school boards, redevelopment agencies, housing authorities, and community action agencies could also be represented. It may be desirable to have private citizens represent the views of private agencies and business interests. Citizens of the area may be represented by the chairmen or directors of representative neighborhood organizations serving as members.

B. Planning and developing the city demonstration program

The city demonstration agency will apply to the Secretary of Housing and Urban Development for a grant to pay 90 percent of the cost of planning and developing the comprehensive city demonstration program. The application for this grant would have the approval of the local governing body of the city. Before he makes a grant to plan a comprehensive city demonstration program, the Secretary of Housing and Urban Development must determine that there exist (1) administrative machinery through which coordination of all related planning activities of local agencies can be achieved, and (2) evidence that necessary cooperation of agencies engaged in related local planning can be obtained.

Applications for assistance to plan and develop a comprehensive city demonstration program will be required to set out in broad and general terms what the city intends to do and how it intends to go about it. This initial proposal will be tested and refined during the planning and development process and usually

some proposed projects and activities might well have to be modified or dropped and others added as a result of that process. At the initial application for planning assistance the city will often have only a general idea of the components of its proposed demonstration program and the means by which they will be carried out.

As an example, when the application for planning assistance is made, the city might propose with regard to relocation that a central relocation bureau would be created, that early contact with relocatees would be made, that there would be followup after relocation, that new housing construction would be correlated with relocation needs, etc. However, it would not be required that a specific relocation plan in terms of numbers of people and their economic characteristics and the numbers of available units and their economic and physical characteristics have been developed at this stage.

The bulk of the effort during the planning and development period will be spent in refining the program elements of the initial proposal and developing their interrelationships, working out organizational arrangements, and scheduling and budgeting program activities. The planning and development period will not require more than 6 to 8 months, and usually less time. Much information in terms of needs identification will already be available. Many cities that will be in a position to qualify as a demonstration city will already have undertaken a community renewal program, will have a community action agency which will have already collected data on social problems and needs, and will have a well-developed physical master plan and capital improvements program.

Completed plans for comprehensive city demonstration programs will be reviewed by the Secretary of Housing and Urban Development to determine that (1) they satisfy the statutory criteria for demonstration programs, and (2) the various projects or activities to be undertaken in connection with the program are scheduled to be initiated within a reasonably short period of time.

THE AREA OF THE DEMONSTRATION PROGRAM

Administration programs need not be limited to a single geographically delineated demonstration area in which slum and blight are to be removed or arrested. Rather, there may be several of such areas of varying sizes in the city.

In addition, a wide variety of activities which serve the demonstration program, no matter where located, may be included in the demonstration.

For example, a hospital or vocational school which serves the needs of residents of slum and blighted areas may be a part of the city's program though constructed in a section which does not require clearance or rehabilitation treatment. Similarly, providing housing for families displaced from slum and blighted areas may involve construction activities outside of the slum and blighted areas in a wholly different portion of the community.

Grant funds provided under this legislation will, therefore, be available for certain communitywide activities, and the cities will be expected to study the effect and impact of their prorgams with a view to the well-being of the entire community.

FEDERAL COORDINATION

For each locality that has a comprehensive city demonstration program, a Federal coordinator will be designated by the Secretary of Housing and Urban Development. The coordinator will not be involved in the planning and development of the cities demonstration program. He does not come into existence until a demonstration program meeting the statutory criteria has been approved by the Secretary.

The coordinator will expedite and coordinate Federal contributions and technical assistance to the various projects and activities that are a part of the approved demonstration program. He will provide liaison services between the local city demonstration agency and national representatives of the Department of Housing and Urban Development and of other Federal agencies providing assistance for these projects or activities. He will report regularly to the Secretary of Housing and Urban Development.

The coordinaator has no authority over, and no power with respect to, the activities of Federal agencies other than the Department of Housing and Urban Development. He has no authority over local officials, and no power with respect to the programs and activities of the locality.

In addition, the Secretary of Housing and Urban Development is required to consult with each Federal department and agency affected by the comprehensive

city demonstration program before making a commitment to make grants for the program.

THE CITIES' NEEDS

A comprehensive city demonstration program will not replace existing Federal programs which now assist cities to provide for their urban development and growth. Rather, it will supplement and tend to encourage the focusing and coordination of existing programs, such as the urban renewal, mass transit, antipoverty, and health and welfare programs, in rebuilding and revitalizing urban areas. By encouraging coordination of these existing urban aids, the new program will achieve the maximum concentration of all available resources in order to improve substantially the conditions of life in urban areas.

The cities which need to undertake comprehensive city demonstration programs desperately require every bit of this additional Federal assistance.

The great problems confronting the Nation's cities are well known.

Slums and blight are widespread. Persons of low income concentrate increasingly in the older urban areas. Housing and community facilities are services are inadequate.

Cities are caught in a descending spiral which leads to widespread municipal insolvency. The continuing spread of blight reduces the taxable value of city land. As slums and blight spread, crime, delinquency, and disease follow.

At the same time as the need for city services grows, the city's ability to provide these services is impaired by the very blight that creates the demand. Greater blight—greater demand for city services—decreasing revenues to meet the demand—that is the downward trend in many American cities. In these circumstances, it is not surprising that the cities with the greatest slum problems have the least capacity to deal with those problems.

Significantly, the efforts of our cities to help themselves are in large measure self-defeating. The more determined the city's efforts to raise funds to meet the need for increased services, the more likely that effort drives its economically affluent citizens to the nearby suburbs. Similarly, the greater burden the city places on industry within its borders, the smaller its opportunity to attract, and hold, the industry and commerce its economy requires. As a result, the city becomes, increasingly, a home for the economically deprived, those least able to bear the cost of municipal services.

The city plays a critical role in American life. It must provide jobs and adequate housing and education for millions of the Nation's unemployed, ill housed, and uneducated. It must provide community facilities and health and social services on a scale unprecedented in the Nation's history. And, it must do so in the face of overwhelming demands on its skills and resources.

The success of the city in providing the physical and social framework through which millions of poor and disadvantaged Americans are prepared to participate fully in the Nation's life—is a vital national concern. The city is performing an essential national function.

The objective of the President's program and the demonstration cities bill is to help the city to adequately perform that function.

URBAN DEVELOPMENT ACT

The bill referred to as the Urban Development Act deals with the problem of urban growth.

TITLE I—GRANTS TO ASSIST IN PLANNED METROPOLITAN DEVELOPMENT

Purpose of title

The first title of the bill would provide the new incentive for effective metropolitan planning and development recommended by the President in his January 26 message on city demonstration programs.

In brief, the incentive consists of increased aid to federally assisted projects of types which generally affect the growth of metropolitan areas. This aid would be given only within metropolitan areas where all public and private development having major areawide impact is consistent with fully comprehensive and current metropolitan planning.

This represents a new approach to making planning effective. It would not deprive any project of aid it would receive under existing programs. It would simply increase assistance to cities and other State and local bodies that actually develop projects and administer local zoning and subdivision controls consistently with metropolitan plans.

This aid is distinct from existing aids to planning bodies for preparing the plans. It is also distinct from Federal financial aids, the purpose of which is to help provide specific types of well-planned public works.

Proposed new grant program

The title would authorize establishment of a new program of supplementary grants to localities and other public bodies in metropolitan areas. These grants would supplement existing Federal assistance to programs for transportation facilities (including mass transit, roads, and airports), water and sewer facilities, and recreation and other open-space areas. The supplementary grant could not exceed 20 percent of the cost of such projects, and the combined Federal grants could not exceed 80 percent of the project cost.

Grants would be available only within metropolitan areas which had established areawide planning and programing adequate for evaluating and guiding all public and private actions of metropolitanwide or interjurisdictional significance. Within such areas, the grants would be available only to municipalities or other public bodies which were carrying out the location and scheduling of public facilities, zoning, and other subdivision actions, and other policies and actions of metropolitanwide or interjurisdictional significance in accord with such areawide planning and programing.

As President Johnson said in his January 26 message: "The powerful forces of urban growth threaten to overwhelm efforts to achieve orderly development. A metropolitan plan should be an instrument for shaping sound urban growth—not a neglected document." This program would provide valuable and much-needed incentive for conformity to such plans.

The need for additional assistance to metropolitan areas

This program, which is an outgrowth of existing Federal urban development policies, could be of great benefit to many of our people. Today, 125 million Americans—two-thirds of our total population—live in metropolitan areas. Twenty years from now, we will have added, according to conservative estimates, 54 million people to our metropolitan population, the great bulk of them in suburban areas. This is the equivalent of adding 5 New Yorks or 27 Washingtons. Federal, State, and local governments will be spending, over this period, billions of dollars for basic services for these areas—for schools, highways, and other forms of transportation, parks, sewer and water systems, and other community facilities. Careful and effective planning can greatly reduce the capital costs of these services, and can in addition make great contributions to our goal of a suitable living environment for every American family.

What programs would receive supplemental grants

Applicants under eight Federal grant programs would be eligible to receive supplemental assistance under the new program:

1. Grants for basic water and sewer facilities, administered by the Department of Housing and Urban Development under the Housing and Urban Development Act of 1965;
2. Grants for construction of sewage treatment works, administered by the Department of Health, Education, and Welfare under the Federal Water Pollution Control Act;
3. Grants for highway construction (Federal-aid primary and secondary systems, but not the Interstate System) administered by the Department of Commerce;
4. Grants for airport development, administered by the Federal Aviation Agency under the Federal Airport Act;
5. Grants for urban mass transportation facilities and equipment, administered by the Department of Housing and Urban Development under the Urban Mass Transportation Act of 1964;
6. Grants for acquisition and development of open space, or for beautification and improvement of public land, administered by the Department of Housing and Urban Development under the Housing Act of 1961;
7. Grants for the acquisition and development of lands and waters for recreation purposes, administered by the Department of the Interior under the Land and Water Conservation Fund Act of 1965; and
8. Grants for public works and facilities, administered by the Department of Commerce under the Public Works and Economic Development Act of 1965 (but only if they involve works or facilities of a type which the Secretary of Housing and Urban Development determines to be eligible under items (1) through (7)).

There is one other program which should be added to this list. The clean rivers demonstration restoration bill of 1966 submitted as part of the President's program last week would provide special grants for sewage treatment facilities serving eligible river basins. The administration recommends that this grant program, when enacted, also be made eligible for supplementary grants under title I of this bill.

Basis for inclusion of programs

The programs supplemented by this bill serve some of the major needs of the Nation's growing metropolitan communities.

Transportation facilities, water and sewer systems, and recreation and open-space areas all knit together metropolitan regions and help to shape their growth. A highway or a rapid transit line, for example, can open large areas for suburban development, and influence the scheduling and location of other public facilities to serve such development. Similarly, the location of water and sewer lines and of parks and other open-space areas can greatly affect local subdivision and other development. But if planned inconsistently, these projects can distort urban growth, and one project can greatly reduce, or even negate, the benefits expected from another.

The supplemental assistance provided under this title is, therefore, directly keyed to critical types of development projects for which there has already been Federal recognition of need and a commitment to assist in meeting these needs.

Amount of grant

A supplemental grant could not exceed 20 percent of project cost. Thus, projects under an eligible program with a 50-percent grant level could receive a total of 70 percent in Federal support.

However, in no case could total Federal contributions exceed 80 percent. Under the mass transportation program, for example, Federal grants could be raised from 66⅔ percent only to a maximum of 80 percent.

Also, the grant supplement could in no case exceed the basic grant amount.

Effect on basic grant programs

The supplemental grants provided under the new program would not affect the basic grant programs themselves, which would continue in full force and effect. The new program would merely increase the Federal share of the cost of development projects meeting the standards of metropolitan coordination set out in the bill. In this way, the proposed grants would reward State and local governments which have actually reached, and provide encouragement for others to reach, a high level of metropolitan planning and arrangements for coordinated development.

The amount of a supplementary grant will be based on a certification, by the Federal agency having responsibility for the basic program, of the cost of the assisted projects and of the amount of non-Federal contributions. These certifications and other aspects of administering their own programs will remain under the full control of the individual Federal agencies.

The Department will, of course, work closely with these other Federal agencies to provide Federal leadership and coordination toward more orderly metropolitan development. This is one of the principal tasks which the Congress has assigned to this new Department.

Eligibility of metropolitan areas

Before supplemental grants can be made for projects in a particular metropolitan area, it will have to be shown that (1) metropolitanwide comprehensive planning and programing provide an adequate basis for the location, financing, and scheduling of public facilities and land developments of metropolitanwide or interjurisdictional public significance; (2) adequate areawide arrangements exist to carry out such planned and coordinated development; and (3) public facility projects and other land developments having a major impact on the development of the area are in fact being carried out in accord with comprehensive planning and programing.

The required metropolitanwide comprehensive planning and programing would include such elements as areawide population and employment forecasts; forecasts of where and under what conditions residential areas, employment centers, and other major land uses will be located throughout the area; and comprehensive short-range programs for the provision of needed facilities and services, taking into account both the needs and financial capabilities of the various communities within the area. Planning and programing would generally cover

at least land use; transportation; water, sewer, and other public facilities; housing and relocation; education, health, and other institutions and services; parks, recreation, and other open space; and air and water pollution.

The emphasis in title I is on planned development, rather than planning for its own sake, and an additional requirement for eligibility of metropolitan areas would be the existence of arrangements for carrying out such plans on a coordinated basis. This would entail findings that adequate institutional or other arrangements exist in the area to coordinate local public policies and activities. Similarly, a metropolitan area would be eligible only if projects and developments of major areawide significance—whether federally assisted or not—are actually being carried out in accordance with metropolitanwide planning and programing.

Eligibility of applicant

Not all localities or other public bodies in an eligible metropolitan area could receive supplemental grant assistance under the program. An applicant public body would have to show that public facility projects and other activities over which it has jurisdiction and which are of interjurisdictional or areawide significance are being carried out in accord with the metropolitan planning and programing. The objective would be to further areawide and interjurisdictional coordination where that is needed.

Special attention would be given to whether the applicant is effectively assisting in, and conforming to, metropolitan planning and programing through the location and scheduling of its public facility projects and its establishment and consistent administration of zoning codes, subdivision regulations, and similar land-use and density controls.

This requirement could not, of course, be applied directly to a sewer district or other special-purpose body. If the applicant is not a county, municipality, or other general-purpose government, then the general-purpose government having jurisdiction over the location of the project would also have to qualify under the program. This might involve prorating of project costs—for example, in the case of a road project located in both eligible and ineligible communities.

Evolution of Federal planning policies

During the past 15 years, the Federal Government has increasingly supported planned urban development.

Under the Housing Act of 1949, urban renewal projects were required to be consistent with local plans. However, planning was viewed largely as a local vehicle for meeting the needs of the newly enacted urban renewal program.

The Housing Act of 1954 established the citywide workable program requirement for the expanded urban renewal program, for public housing, and for renewal-related FHA housing programs. The emphasis was placed on total community effort. Planning became an integral workable program element to help guide community growth and improvement.

The 1954 act also created the "section 701" urban planning assistance program. Grants were made available to help prepare the comprehensive plans required for local workable programs and renewal activities. Assistance was also provided for metropolitan planning activities.

The first requirement for metropolitan planning as a condition to Federal assistance was applied to the open-space land program under the Housing Act of 1961. Next, the 1962 Federal-Aid Highway Act established the requirement for metropolitan areawide transportation planning carried on cooperatively by States and local communities. In 1964 and 1965 new programs with areawide planning requirements were established to assist such activities as mass transportation, the provision of basic water and sewer facilities, and FHA-aided land development for subdivisions and neighborhoods.

These requirements have resulted in an increased tempo of metropolitan planning. Much of the planning is, however, still directed toward meeting the specific Federal planning requirements and has not resulted in effective overall planned development.

The proposed new program would meet this problem through its special incentives for multipurpose planning and on areawide implementation of plans. It would provide grants only when planning and implementation are found to be satisfactory for all major developments within the area.

Role of areawide comprehensive planning agency

The metropolitanwide comprehensive planning agency would be expected to assist materially in making these necessary determinations of eligibility. It would provide comments on the consistency of assisted development projects with area-

wide planning and programing. It would also report on the overall status of the area's development activity as it relates to carrying out areawide planning and programing, and on the contribution made by local governments. This information would be taken into full account by the Secretary in making the required determinations as to eligibility.

Estimated level of activity

Each metropolitan area is different; each must be given full recognition of its varying limitations and capacities. However, the proposed supplemental grants would be conditioned upon a high level of metropolitan planning and programing, adequate to provide a practical guide to the immediate concerns of public and private decisionmakers.

Metropolitan planning has in fact now advanced sufficiently to permit the setting of high standards. By the end of 1964, some form of metropolitan planning activity was underway in about 150 of the 219 metropolitan areas.

It is expected that about a dozen metropolitan areas, encompassing several hundred local communities, might become eligible for supplementary grants during the first year. Accordingly, the Department estimates that the first year program level will be $25 million.

With continued encouragement under this program, about 75 metropolitan areas, having an aggregate population of around 60 million, might qualify for supplemental grants by the end of 5 years.

However, the size and speed of expansion of the program would depend primarily on the degree of effort that metropolitan areas and localities are willing to put forth. The supplementary grants would be available to any jurisdictions which show, as stated in the President's recent message, "that they are ready to be guided by their own plans in working out the patterns of their own development and where they establish the joint institutional arrangements necessary to carry out these plans."

New planning program under existing law

Financial assistance for metropolitan comprehensive planning is now available under our section 701 urban planning assistance program. In addition, a special program will be undertaken within the framework of the existing 701 program to develop new techniques of metropolitan planning and implementation. This will put into effect the President's proposal in his message of January 26, 1966, for a "series of demonstrations in effective metropolitan planning." I estimate that the total cost of this program will be about $6.5 million.

TITLE II—LAND DEVELOPMENT AND NEW COMMUNITIES

According to the most recent published projections, the population of the United States will increase by some 70 million people between 1965 and 1985. By 1980, our population will be over 244 million. By 1985, it will be over 265 million. The net effect of this increase will be felt in our urban areas where, currently, 3 million new residents are being added each year. Most of this urban population increase will occur within our metropolitan areas, and within this pattern of metropolitan growth, the great bulk of population increases will occur outside of the central cities, in suburbs and new communities.

There has been a growing recognition of the need to assure the continuing availability of land at reasonable prices to accommodate this growth. There has also been a growing recognition of the need to avoid the wasteful sprawl and disorganization of much recent urban development. Last year, the Congress took a significant step toward meeting this need by enacting a new program of FHA mortgage insurance for privately financed land development, offering valuable credit assistance to help finance well-planned developments for residential and related uses.

That program has already attracted considerable interest throughout the country. Sixty-six proposals for well-planned developments are currently being processed. This title would strengthen the FHA land development program in several important ways so as to enable it to facilitate further private effort and more effectively serve the increasing needs for our expanding urban population.

New communities

A new provision would be added to the existing FHA land development program under title X of the National Housing Act, authorizing the approval of a category of "new communities" for which sites could be improved with the aid of mortgage insurance.

The development of new communities is already well underway throughout the country. A number of large developers, despite the difficulties in obtaining adequate financing for these projects, and often despite very high financing charges, have undertaken to develop new communities planned with imagination and boldness that are characteristic of private enterprise at its best. As the President has said: "The private sector must continue its prominent role in new community development."

This new provision would provide needed credit assistance to facilitate such private efforts by a broader range of developers. It would encourage adequate private financing at reasonable cost for large-scale preparation of sites in well-planned communities. The sites produced with FHA mortgage insurance aid would be made available to a cross section of private builders, particularly small builders.

New communities would consists of land developments, satisfying all other requirements under existing title X, which meet certain special requirements. A development would be eligible for approval as a new community if the Secretary determines it will, in view of its size and scope, make a substantial contribution to the sound and economic growth of the area in which it is located. This contribution would be in several forms:

1. Substantial economies, made possible through large-scale development, in the provision of improved residential sites;
2. Adequate housing for those who would be employed in the community or the surrounding area;
3. Maximum accessibility from the new residential sites to industrial or other employment centers and commercial, recreational, and cultural facilities in or near the community; and
4. Maximum accessibility to any major central city in the area.

New communities would be distinguished from developments under the existing program primarily on the basis of the size and scope of the undertaking and the additional benefits they can offer to the consumer. What is contemplated here is land development planned on a scale that could provide a wide range of urban facilities and services, while maintaining close ties with nearby major cities. While these new communities need not be established on wholly undeveloped land, as a practical matter they would usually be found some distance beyond the nearest built-up areas because of the large amounts of land that are necessarily involved. This, in turn, would facilitate economies over and above those possible under ordinary land development, through the ability to select land in areas now largely undeveloped and yet provide needed facilities efficiently.

New communities could also more easily provide nearby industrial, commercial, civic, and recreational facilities, thereby minimizing transportation costs and efforts. They could also provide a fuller range of housing both as to incomes served and as to design. In short, by authorizing FHA credit assistance for this category of large-scale development, we would promote long-range economies in the use of our land resources, permit a greater flexibility in the private housing market and, above all, assure a greater range of choice for the home-buying public.

Several features of this new program deserve special mention. First, particular emphasis would be placed on maintaining close ties between new communities and nearby major central cities. One of the factors which the Secretary would consider in determining the approval of a development as a new community is maximum accessibility to any major central city in the area. Thus, along with the present development, redevelopment, and mass transportation aids accorded cities under Federal legislation, the central cities can enhance their economic base and become even more the major service, educational, cultural, and distribution centers of their regions.

An important purpose of the existing land development program is to encourage the participation of small builders. This emphasis would be equally applicable with respect to the new aids for the development of new communities. The availability of FHA mortgage insurance will permit smaller land developers and smaller local homebuilders, as well as local mortgage lenders, to participate in both aspects of the land development program.

Unless our small- and medium-sized builders are able to obtain lots at reasonable prices on which to build houses in our Nation's new and better planned communities they will find that an increasingly important segment of the housing market has been lost to them, and this will be a loss not only to the builders, but to the new communities themselves. What will be lost to our new communi-

ties will be the enormous vigor that a diversified homebuilding industry is capable of producing.

The credit assistance of FHA mortgage insurance is needed if private enterprise is to fulfill its potential role in the development of new communities, and if new communities are to offer in full measure the benefits of economy and diversity and good living that are their promise.

One of the most persistent problems of the small builder (who may wish to build perhaps 10 or 20 houses a year) is the difficulty of securing a steady supply of reasonably priced improved building lots. They simply do not have the cash or credit facilities or even the time needed to undertake a land purchase and land improvement program to supply them with an even flow of good building sites in well-planned large subdivisions or in attractive new communities. The homebuilding industry as a whole is finding it increasingly important to market houses on the basis that the entire neighborhood or the entire new community will provide unusual attractions for the home buyer. This trend in the industry toward large scale planned development becomes increasingly apparent every building season.

The program of FHA mortgage insurance for land development for new communities can be helpful to small builders in a number of ways. For example, under this program the small builder can join with other small builders to acquire and jointly develop a site commensurate with their combined needs and capacities for several years of home construction. The ability to pool equity and the eligibility of fees for professional services under the land development mortgage enable the small builders to retain competent technical land development staff for the joint operation. Each builder, however, can retain his individual building and sales operation with respect to his own lots within the larger project, and all can share in the profits on land for commercial property within the project made valuable by the aggregation of new families.

Another way in which small builders may participate is by purchasing the desired number of contiguous lots from land developers who are not themselves homebuilders. Without the benefit of FHA credit assistance, such land developers are often forced to obtain credit backing or other participation from large- or medium-size homebuilders in order to enable the land developers to obtain the funds with which to prepare sites in a large development. In the case of large new communities, even more extensive backing or participation is required from large homebuilder organizations. In return for such backing or other participation, the land developer must normally make firm commitments to the participating homebuilders under which the latter will have first choice of the best blocks of improved lots, thus leaving random and inferior lots, if any, to smaller builders. The availability of FHA mortgage insurance will in very many cases make it unnecessary for land developers to make such advance commitments to large- and medium-size builders. Instead, the land developer can carry the site preparation stage with the insured FHA mortgage loan; sell lots on the free market; and thereby make additional improved lots available to smaller builders.

The increased availability of credit for rational and orderly development will result in an increased supply of improved building lots at cheaper prices for all builders. Thus, the benefit to smaller builders will not be at the expense of medium-size and larger builders, but rather will result from overall increased production of good building sites for the market as a whole.

Under existing law, the Secretary is directed to adopt requirements necessary to encourage broad participation by builders in the land development program. Title II contains a clarifying amendment to the effect that participation of small builders in the program is particularly to be encouraged.

The planning criteria for the existing land development program would also be applicable with respect to new communities. In all cases, the criteria established by the Secretary would have as their purpose reasonable assurance that the process of comprehensive planning for the area where the land is situated includes, as a basic part of that process, provisions for making the planning effective. This is important so that the proposed development assisted by the mortgage insurance will in actual fact be compatible with the present and projected development of the wider area where the land is situated.

In the case of a new community, the criteria would contemplate a comprehensive plan for a larger urban area to demonstrate the interacting relationship between the new development and other communities in the urban area, including major central cities, major employment centers, major open spaces and recreational areas, and intercity transportation facilities.

To encourage land developments of the scale and scope of the new communities, special financial aid in the form of Federal National Mortgage Association special assistance would be available, where needed, for new communities. That is, the FNMA would be authorized, where needed, to purchase the new community land development mortgages at the more generous terms allowable under FNMA's special assistance program. (FHA-insured land development mortgages are now eligible for FNMA purchase under its regular secondary market program.)

In addition, longer mortgage maturities would be authorized for this category of land development. Under existing law, FHA-insured land development mortgages are limited to a maximum maturity of 7 years, except that longer maturities are permitted in the case of privately owned water or sewerage systems. This exception would, under title II, be extended to land developments for new communities.

It would normally be expected that new communities would be served by public systems of water and sewerage. These would be consistent with other existing or prospective systems within the area. To the extent, however, that privately or cooperatively owned systems already exist in the area of the new community, these existing systems could serve the new community if they are approved by the Secretary as adequate and are regulated in a manner acceptable to him. Further, it would be permissible for there to be reasonable extensions to these existing private systems for purposes of serving the new community.

If there is no existing system that could serve the area and the Secretary determines that public ownership of a new system is not feasible, the new community could be served by an adequate privately or cooperatively owned new system consistent with other existing or prospective systems within the area. Such a system would be required to be regulated in a manner acceptable to the Secretary to protect the interest of the consumers as to user rates and charges and methods of operation. In addition, the Secretary would be required to receive satisfactory assurance with respect to eventual public ownership and operation of the system and also with respect to the terms of any sale or transfer.

In administering title X, the Secretary would consult with other interested Federal departments with respect to Federal, State, and interstate water quality standards as these standards affect the treatment of waste materials before they are discharged into any public waters.

Other provisions affecting new communities

Urban planning grants under our present urban planning assistance program would be available to official governmental planning agencies for areas where new communities are to be developed with mortgage insurance assistance, or where land is being acquired by land development agencies designated or created pursuant to State law. (Federal grants to local planning agencies for such planning are now available for metropolitan areas, depressed areas, and federally impacted areas.)

Public facilities for new communities could be provided by municipalities or other political subdivisions with the assistance of loans under the public facility loans program. The population limit (50,000) on the political jurisdiction eligible to receive public facility loans would be waived in the case of public facilities serving new communities within jurisdictions whose total population now makes them ineligible to receive such loans.

Increase in maximum mortgage amount under title X

The overall FHA land development program would be broadened by increasing from $10 million to $25 million the maximum outstanding mortgage amount permitted for a single development. This increase would provide the flexibility needed to assure sufficient credit assistance for very large developments, whether they are well-planned subdivisions or entire new communities. The $25 million would, of course, represent only the maximum, not the typical, mortgage amount for any single development.

Loans to land development agencies

The Secretary would be authorized to make loans to land development agencies to finance the acquisition (but not the improvement) of land to be utilized in connection with the development of well-planned residential neighborhoods, subdivisions, and communities. These land development agencies would be public corporations, including municipalities, which are designated or created pursuant to State law. The land acquired would be sold to private builders, possibly after installation of basic public facilities, for the construction of well-planned

developments. These could be residential neighborhoods, housing subdivisions, or more extensive developments, including new communities.

The loans would be limited to an amount not exceeding the total cost, as approved by the Secretary, of the acquisition of a fee simple or other interest in the land, including capitalization of interest for the term of the loan, and related expenses. The loans would be required to be reasonably secured and would be repayable within a period not exceeding 15 years at an interest rate of not more than the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt, adjusted to the nearest one-eighth of 1 percent, plus one-half of 1 percent. For the current fiscal year this formula would have produced a maximum interest rate of 4¼ percent.

Loans for land acquisition could not be made unless the Secretary determines that—

(1) private financing is not otherwise available on reasonable terms;

(2) the development of a well-planned residential neighborhood, housing subdivision, or community on the land would be consistent with a comprehensive plan or with comprehensive planning, meeting criteria established by the Secretary, for the area in which the land is located; and

(3) a preliminary development plan for the use of the land meets criteria which he has established.

The criteria for comprehensive planning would include criteria designed to assure maximum accessibility of the planned developments to any major central cities in the area.

The land acquired would be required to be developed in accordance with a development plan approved by the Secretary as consistent with the provisions of the loan agreement. Sales of the land to private persons could not be for less than its fair value for uses in accord with the approved development plan. A development plan, wherever feasible in the light of current conditions, would be required to encourage the provision of sites providing a proper balance of types of housing to serve families having a broad range of income. The Secretary would adopt requirements (analogous to those adopted under title X of the National Housing Act) necessary to encourage the maintenance of a diversified local homebuilding industry and broad participation by builders, particularly small builders.

This program is designed to assist the State governments that wish to establish land development agencies in order to take advantage of the State government's unique powers to promote the planned development of future urban growth. Cities, counties, and other political subdivisions could be designated under State law as land development agencies to participate in the program.

Through these public land development agencies State governments, which are responsible for the well-being of all of its citizens, would become instrumental in fostering comprehensive planning of new areas expected to be populated within the foreseeable future. State governments are already concerned with the economic planning with respect to promoting industrial development, and many State governments are also engaged in some form of "systems" planning in connection with determining the location of, and standards for, water and sewer facilities, location of State highways and the planning of other public works. These new provisions would help them carry out this planning.

Once the public land development agencies, whether State or municipal, are established, and after some experience with Federal loans indicates that this type of State and municipal activity is both practical and successful, private investor interest in the obligations issued by the land development agencies can be expected. Private funds would then most likely be obtainable at interest rates below the interest rate to be charged for the Federal loans.

The loans authorized would be made from the revolving fund established by title II of the Housing Amendments of 1955 to finance the public facility loan program. No additional authorization is now necessary. It is estimated that during the first full year of operation the amount of Federal funds committed for these new loans would not exceed $25 million.

The Federal loans to land development agencies would not conflict with, or overlap, the mortgage insurance assistance for land development provided under title X of the National Housing Act.

The loans to land development agencies would in almost all cases take place at an earlier stage in the development of land than would the loans insured under title X. A loan to a land development agency could well finance the acquisition

of a piece of land which, when sold by the agency, could be developed with financial assistance under title X or developed without any form of Federal or State assistance whatsoever.

The precise character of the development of land whose acquisition by the land development agency is financed under the direct loan program would not be known until the agency is prepared to sell it off for development.

It is really at this point (the point of intensive development of the land for a residential neighborhood, subdivision, or new community) that the title X mortgage insurance program could come into play.

TITLE III—URBAN MASS TRANSPORTATION

Proposed increase in grant authorization

Title III of the bill would increase by $95 million the grant authorization for the urban mass transportation program. This program, carried on under the Urban Mass Transportation Act of 1964, provides grants or loans to assist localities in financing needed mass transportation facilities and equipment. The program also provides grants for projects to develop, test, and demonstrate new or improved mass transportation facilities, equipment, or techniques.

The Congress has already appropriated $320 million of the initial $375 million authorization provided for this act. The requested new authorization of $95 million, added to the $55 million balance of the present authorization, would permit continued funding of the program for fiscal year 1968 at the $150 million level recommended by the administration.

The Congress originally appropriated $60 million for this program for fiscal year 1965. In 1966 it provided a 2-year appropriation—$130 million for fiscal year 1966 and an advance appropriation of the same amount for fiscal year 1967. The President's budget for fiscal year 1967 requests an advance appropriation of $150 million this year to continue the advance funding of the program through fiscal year 1968.

Advance funding is essential in the urban mass transportation program. It allows communities time to plan their projects with assurance that funds will not be exhausted during the leadtime—several years in the larger projects involving fixed facilities—between starting to plan for a project and applying for grant assistance.

Program activity

The proposed $150 million program level for fiscal 1968 is well supported by the volume of applications in hand or known to be in preparation. Thirty-seven million of the current year's appropriation is already committed, and applications are in hand for an additional $114 million. It is expected that these applications will result in approvable projects which will use up the remaining $93 million of this year's $130 million appropriation.

Additional applications are coming in at an increasing rate, already equivalent to over $140 million a year. It is very probable that this rate will continue to increase during fiscal 1967 and 1968. For one thing, we expect more larger cities to be submitting project applications. The current backlog of applications points in that direction; and the development of new transit systems and extension plans for existing systems—such as in Atlanta, Los Angeles, Chicago, Cleveland, Boston, New York—would indicate a heavy call on Federal assistance for larger city projects within the next few years.

Program experience—Capital improvement grants

This program is providing capital grant assistance to communities of all sizes, including some faced with a breakdown or total loss of public transportation service. Twenty-five projects have been approved, for a maximum Federal grant commitment of about $87.3 million. These are distributed among 17 States in every section of the country, to urban communities of every size—from the city of Kenner, La. (population 17,000), for two buses and a storage garage, to the city of New York, for 400 new rapid-transit cars for the subway system.

About 60 percent of the capital grant commitments have been for the purchase and rehabilitation of equipment, including buses, rail rapid transit and commuter cars, ferries (for the Puget Sound commuter service), and miscellaneous equipment. Transit facilities projects have included a two-way radio installation for the Alameda-Contra Costa bus system, a station modernization program for the Boston area subway system, construction and improvement of bus shelters in

Detroit, the mass transportation features of Minneapolis' Nicollet Avenue Transitway and pedestrian mall, and extension of rail rapid transit and commuter systems in northern New Jersey, Cleveland, and Philadelphia. A number of the projects are multipurpose, involving both equipment and facilities.

Twelve of the twenty-five projects have been approved under the emergency program, providing grants of one-half rather than two-thirds of net project cost, pending completion of local planning and program requirements.

Three of the projects involve small relocation grants for displaced businesses and families.

These grants are helping communities to carry out planned improvements in equipment and facilities which they could not themselves finance out of the fare box. And they are stimulating local initiative and local action in the planning and provision of transportation facilities in coordination with community development.

They are also having a substantial impact on the economy of the transportation industry. We estimate that even the projects approved so far will generate about $150 million in manufacturing and construction work in the industry within the next 2 to 3 years—with every Federal dollar involved in that expenditure being matched by a local dollar.

Program experience—Research and demonstration grants

The proposed increased authorization would include $10 million for the continued provision of mass transportation research and demonstration grants during fiscal 1968 at the same level as during recent years. Under the temporary demonstration program authorized in 1961, 26 projects were undertaken, with grants of a little under $25 million. Under the 1964 legislation, 13 more projects have been approved, with grants totaling about $10 million. Grants range in size from $10,000 to the University of Washington for an analysis of the Seattle monorail operating experience and public acceptance, to more than $6.2 million to the San Francisco Bay Area Rapid Transit District for a program of rapid transit design and engineering studies and tests for its new system.

Projects are now underway or completed in 17 States and the District of Columbia, and involve every section of the country. Of the 39 projects seven have been completed. In eight more, the work has been concluded, and final reports are in preparation or already received.

Several tests of new systems and equipment are being carried on—including tests on a new type of rapid transit system in the Pittsburgh area and an air-cushion vehicle for airport-to-city commuter transportation in the Oakland area. Projects are also being carried on to test techniques for improving service and fare schedules, routing patterns, feeder-bus arrangements, service to new communities, coordinated local-express service, and park-and-ride arrangements.

These grants have proved to be very worthwhile. Much valuable information has already been developed from the projects; and the program has captured the keen interest of public officials, transit operators, planners, and others associated with transit both in this country and around the world. Most important, local transportation legislation and programs are being guided by the results obtained in the projects. Some of the demonstrations have, for example, resulted in new State legislation to help their localities establish and maintain public transportation systems.

Looking forward in the demonstration program, we expect continuing activity in the testing of improvements in transportation systems, technology, and management. New concepts in these fields are being developed at an accelerating pace, and these should be tested and demonstrated for operational dependability and public acceptance. For example, our larger metropolitan areas will increasingly require coordination of regional and local systems, within a single-fare service where feasible, and we would encourage demonstrations in this area.

The following table summarizes the present activity under the mass transportation program and shows applications now on hand for the various types of programs.

Mass transportation program highlights

[Dollar amounts in thousands]

	Cumulative to June 30, 1963	Actual, 1964	Actual, 1965	Actual, 1966 through Feb. 28, 1966	Estimate, 1966 total
Capital grant approvals:					
Number			17	8	40
Amount			$50,702	[1] $36,548	$120,000
Demonstration grant approvals:					
Number	16	11	11	2	20
Amount	$19,945	$4,336	$9,129	[1] $1,047	$10,000
Capital loan approvals:					
Number	1			1	3
Amount	$3,000			$3,100	$10,000
Applications on hand, Feb. 28, 1966:					
For capital grants:					
Number				39	
Amount				$104,602	
For demonstration grants:					
Number				13	
Amount				$9,536	
For capital loans:					
Number				2	
Amount				$6,605	

[1] Also includes increase in grant amounts for projects previously approved.

TITLE IV—GRANTS FOR URBAN INFORMATION CENTERS

The need

In recent years there has been a great expansion of Federal, State, and local programs dealing with urban problems. There are numerous complex facets of the many Federal programs, plus a host of related State, local, and private programs. These programs could be used to much better advantage if State and local governments, organizations, and individuals had more ready access to information regarding them.

Also, more readily available data is needed as to the nature and extent of urban problems, in order better to plan, budget, and coordinate these various assistance programs.

Much information is of course already available on urban areas and on governmental activities within them. However, because such information is widely scattered and in varied form, its availability and usefulness is often severely limited.

This problem is greatly compounded in metropolitan areas by the number of counties, cities, towns, villages, and special districts involved in the administration of services to the people of those areas. In the 212 metropolitan areas in 1960, there were almost 16,000 of these local public bodies. Centralized information is particularly vital to the coordination of their efforts.

Proposed demonstration grant program

Title IV of the bill would authorize the Secretary of Housing and Urban Development to establish a new program of Federal grant assistance to help meet these urban information needs. The grants would be made to States and metropolitan area agencies to help finance programs demonstrating methods of establishing and operating effective urban information centers. The centers would assemble, correlate, and disseminate information and data on the physical, social, and economic problems of urban areas, and on the governmental and other programs dealing with such problems.

The centers would not collect and analyze original raw data, for example, through census activities, surveys, or research projects. Rather, they would be depositories of information and data, originated by others but brought together at central points to be made more easily available to all.

What the program could accomplish

Only a few States and central cities, and even fewer suburban communities, have explored the potentials for making readily available in this way, a comprehensive picture of the community, its economic and demographic characteristics, the status of its housing, the costs of providing the myriad essential community services, and its various other needs and resources. The proposed

information centers could make valuable contributions to comprehensive planning, coordinated action, and sound management in towns and cities of all sizes throughout the Nation.

Such information centers could be of particular assistance in meeting statewide or metropolitanwide urban problems. Centralized information systems would be particularly important for the growing number of States and larger cities showing interest in applying systems analysis, program budgeting, and cost-benefit analysis to the management of their activities.

Of course, private enterprise and investment, as well as public endeavors, will be greatly benefited by the provision of easily accessible information about urban needs, growth, and change.

The centers would also reinforce and assist efforts, such as those being carried on under title VI of the Economic Opportunity Act of 1964, to make information and advice regarding local public assistance programs readily available to those who need it.

The required State or metropolitan information programs

The required State or metropolitan program would in most cases include both the establishment and continued operation of an information center. However, if a State or metropolitan area already had such a center, the program could be directed toward the improvement of its facilities and services.

In any case, a program would have to involve substantially increased or improved activities on the part of the applicant State or metropolitan agency. Also, the applicant would have to adequately justify its choice of program activities in terms of specified urban physical, social, and economic information needs and objectives, including comparisons of cost and usefulness where appropriate.

Metropolitan area information centers

An information center for a metropolitan area could be established and operated by an organization or body composed of public officials which the Secretary determines to be representative of the political jurisdictions encompassing the metropolitan area. Where no such organization exists and can qualify for a grant under this title, a center could be established and operated by a public body or agency (1) designated by the governing body of that political jurisdiction within the area which contains the largest population, according to the most recent decennial census, and (2) concurred in by other political jurisdictions which, together with the designating jurisdiction, contain at least two-thirds of the population of the area. This would assure that the centers will meet the needs of entire metropolitan areas.

Similarly, such a center would be required to be directed primarily to the provision of information services of general metropolitanwide utility, or of particular utility to the communities within that metropolitan area.

State information centers

An information center (or centers) established by a State under this title would be required to be directed primarily toward providing informational services of general statewide utility, or of particularly utility to communities not within metropolitan areas for which information centers had been established under this title. Services of "statewide" utility would include informational services of utility to the State government itself and also services of utility generally to urban areas throughout the State. The authority for additional informational services to communities outside metropolitan areas would permit States to provide to such communities more specialized informational services comparable to those which could be provided by a metropolitan area center to communities within that area.

Amount of Federal grant

A grant under the proposed Federal program could pay for up to 50 percent of the cost of the activities carried on by an applicant under its approved program during 1 year. However, a grant could not assist activities receiving assistance under any other Federal grant or subsidy program, nor could it assist in assembling data or providing information to be used primarily in the day-to-day operations of State or local public bodies.

Program coordination

An assisted State or metropolitan program would be required to be closely coordinated with related Federal, State, and local information activities—including those receiving assistance under section 701 of the Housing Act of 1954,

title I of the Higher Education Act of 1965, title VI of the Economic Opportunity Act of 1964, and other Federal programs. Similarly, the various Federal departments and agencies would be required to cooperate with the States and metropolitan area agencies and provide information to assist them in carrying out their programs. Such two-way cooperation with respect to State or local and Federal programs and activities will be of major importance in the success of the proposed information centers. To assure effective Federal cooperation, the President would be directed to undertake such studies to improve Federal program information capability and coordination as he may deem necessary.

Experimental nature of program—Appropriations

Much remains to be learned about the range of purposes that can be served by such information centers and the techniques of identifying, assembling, and making available information and data. The new program is therefore proposed on an experimental basis. The Secretary would be required, not later than June 30, 1971, to evaluate activities under the program and report his findings to the President along with recommendations for continuance, modification, or termination of the program.

An initial authorization of $5 million is requested for the program, with an additional $5 million authorized for 1968. Thereafter, appropriations would be authorized as needed.

HOUSING AND URBAN DEVELOPMENT AMENDMENTS OF 1966

The third bill would amend and broaden a number of existing laws relating to housing and urban development.

TITLE I—HOUSING AND URBAN DEVELOPMENT PROGRAM AMENDMENTS

FHA-insured property improvement loans

The provisions governing the FHA title I property-improvement loan-insurance program would be amended to permit the lender to collect from the borrower the cost of the FHA insurance premium. Under the present law, the lender is required to pay and absorb out of the discount rate the FHA insurance premium charge of one-half percent per annum on the net proceeds of the loan. The effect of this requirement is a reduction in the amount of return realized by the lender in making the loan.

The property-improvement program is the only FHA program in which the cost of the insurance is not directly borne by the borrower. We are nevertheless suggesting that the amendment be effective for only 1 year so that the Congress may have an opportunity to determine the effect which the change will have on the volume and pattern of these FHA-aided loans.

The program is one of FHA's largest and oldest insurance programs. At the end of last year FHA had insured close to 28 million title I loans amounting to well over $17 billion.

However, the FHA title I loans have represented a significantly smaller percentage each year since 1957 of the dollar amount of property improvement loans made throughout the country. In 1957, this percentage was 52 percent and it decreased to 29 percent in 1965. Lenders have substituted various types of their own programs for financing home improvements. These so-called own plans provide for collecting a much higher discount from the borrower than is permitted under the title I program. As a result, borrowers are paying higher financing charges on property improvements, and in some cases are borrowing at exorbitant rates.

The proposed amendment will give the lenders a small increased return on their loans, thereby encouraging them to extend additional credit for home repairs and improvements, particularly to homeowners of lower income who are most likely to be denied a loan at a marginal rate. These are the homeowners who, when faced with a need to make emergency home repairs, are often forced to borrow at very high or even exorbitant rates when they are unable to obtain an FHA-insured title I loan.

Mortgage limits for homes under section 221(d)(2)

The maximum mortgage limitations on single- and two-family dwellings financed under FHA's section 221(d)(2) home mortgage insurance program for low and moderate income and displaced families would be increased. The limits on a

mortgage covering a single-family dwelling would be increased from $11,000 to $12,500 and on a two-family dwelling from $18,000 to $20,000.

An increase in mortgage limits was authorized in the Housing and Urban Development Act of 1965 for the comparable section 203(i) program for low-income families in outlying areas and small communities. This increase was authorized to enable that program to operate under present increased home costs. There is a similar need in the section 221(d)(2) program for increasing mortgage limits to meet increased construction costs.

Cooperative housing insurance fund

Amendments are proposed which would remove certain technical obstacles to the transfer of insurance of management type FHA cooperative housing insured mortgages to the cooperative management housing insurance fund (management fund) so that the insurance will be provided on a mutual basis.

Under present provisions (established by the Housing and Urban Development Act of 1965), the mortgagee under a mortgage on a management type cooperative which was insured prior to August 10, 1965, is required to consent to a transfer of the insurance to the new management fund. In some instances, mortgagees have been reluctant to agree to the transfer because it would result in preventing their use of general insurance fund debentures (including the debentures of the previous insurance funds which were consolidated into the general insurance fund) for paying the mortgage insurance premiums on transferred mortgages.

Under the existing provisions, premiums on mortgages transferred to the management fund can only be paid in cash or in management fund debentures. The new provisions would permit mortgagees to use FHA's general insurance fund debentures for paying mortgage insurance premiums on mortgages covering cooperative housing where the mortgages have been transferred to the cooperative housing management insurance fund (management fund). In addition, mortgagees would be permitted to use any management fund debentures issued in connection with the mortgages transferred to the management fund for the payment of general insurance fund premiums.

These changes would remove the basis for objection on the part of mortgagees to a transfer of cooperative housing mortgage insurance to the management fund. Since there would no longer be any reason for obtaining the consent of the mortgagee to such transfer, the provision in the present law requiring such consent would be removed. Authority would thereby be given for the transfer of all outstanding insurance on management type cooperative housing projects to the management fund.

Land development—clarifying amendment

Another amendment in this title would provide clarification regarding the types of improvements that may be covered by mortgages insured by FHA under the land development program (title X of the National Housing Act). The types of improvements permitted under title X are those deemed necessary or desirable to prepare land primarily for residential and related uses or to provide facilities for public or common use. This subsection would make no substantive change in this regard. It would provide expressly, instead of by general language, that steam, gas, and electric lines and installations are permissible improvements under title X, and would make it clear that industrial uses are included as nonprimary related uses, with the industrial sites to be in proper proportion to the size and scope of the development.

The title X land development mortgage insurance program would be added to the provisions in section 512 of the National Housing Act. That section provides penalties for violations of the act by lenders, borrowers, builders, or others who may receive the benefits of the loan insurance programs. The amendment would include the land development program among those that could not be used by persons subject to the penalties.

Low-rent housing for displaced families—term of lease

The bill would permit local housing authorities to lease dwellings without regard to the 1- to 3-year limitation provision contained in the present law, where the housing is needed to rehouse low-income families displaced by governmental action. The leasing program is an important relocation tool because it provides low-rent housing more quickly than new construction, especially for large families.

Families who are forced to relocate by reason of public projects are especially subject to the fear of further forced removals. For such families, relocation into

housing which is held unde a short-term tenure (such as 3 years) may serve only as a source of further insecurity and of actual hardship. By permitting local housing authorities to lease units for longer terms, where the housing is needed for displaced families, the local authorities will be enabled to make more adequate use of this provision toward meeting the needs of the very families it was primarily designed to help.

Low-rent housing—use of newly constructed private housing

Prior to the 1965 act public housing could be constructed or acquired only on a long-term (about 40-year) basis because the Federal annual contribution or subsidy payment which is used to amortize the capital cost through payment of annual debt service on the housing authority bonds, was in terms of a specified percentage of the development or acquisition cost, and this percentage contemplated about 40-year financing. Since the capital cost is substantially less in the case of acquired older housing, and since there is no capital cost in the case of leased privately owned housing, the "flexible formula" amendment was enacted to permit up to the same annual contribution to be paid in these cases as would be paid with respect to newly constructed public housing in the area regardless of the amount of the capital cost in the case of acquired housing or its nonexistence in the case of leased housing. This change was necessary in order to provide sufficiently large annual contributions to permit the housing of low-income families in acquired or leased dwellings. This "flexible formula" was added to section 10(c) of the U.S. Housing Act of 1937 by the 1965 act.

At the same time, the Congress enacted a separate comprehensive section 23 of the U.S. Housing Act for short-term (1 to 3 years, renewable) leasing of privately owned existing housing. This incorporates the same "flexible formula" limitation on the maximum amount of annual contribution or annual subsidy that could be provided with respect to such leased dwellings.

Thus, both section 10(c) and section 23 contain "flexible formula" provisions which permit paying the same annual subsidy with respect to leased or acquired existing housing as would be payable for newly constructed public housing in the community.

The amendment proposed by the bill would make it clear that the same "flexible formula" provisions could be used for the leasing of housing to be constructed as well as for the leasing or acquisition of existing housing. Important additional benefits would be derived from application of the "flexible formula" provisions to leasing proposed privately owned new construction as well as to privately owned existing housing.

This would be particularly true in the very promising prospects of joint ventures between public housing authorities and private owners in creating low- and middle-income developments. Presently such developments of new construction may only be financed under the 40-year standard low-rent financing provisions. These provisions are not suitable for leasing at desirable shorter terms, which are often the only terms available from the private owner.

Applying advances in technology to housing and urban development

Over the years, the focus of Federal attention in providing assistance to housing and urban development has been on financing techniques. For example, downpayments required in connection with FHA-insured mortgage loans have been kept to a minimum, loan maturities have been extended, and interest rates have been lowered—in some cases to below-market rates. By these means the cost of housing, in terms of monthly payments, has been lowered to a point where many families have been enabled to purchase new homes or rent new apartments who otherwise could not have done so.

In the area of urban development, programs of loans and grants have been devised to help communities meet the problems of urban blight.

There are, however, definite limits to what liberalization of finance can accomplish in the face of the continuing rise in housing costs and the increasing complexities of urban living. During the third quarter of 1965, for example, the median sales price of single-family homes sold was $20,300, 7 percent higher than the $18,900 median price for homes sold during the third quarter of 1964. During the same period, slightly more than 20 percent of new homes sold for less than $15,500, nearly 5 percent less than in 1964. Coupled with this is the harsh fact that as of 1964 half of the Nation's families could not afford to purchase homes priced at more than $14,000, or to pay rents exceeding $110 per month (assuming a 5-to-1 income-to-rent ratio).

Equally important is the fact that over the next decade the housing industry must increase its annual production by one-third—from 1.5 million to 2 million units—if it is to accommodate the expanding housing needs of American families.

In addition, between 1960 and 1975, our urban population is expected to rise from 125 million to 171 million, placing added strains on our already burdened urban facilities, such as water, sewer, and transportation.

Considerable technological advances are being made by private industry and State and local governments both with respect to the cost and quality of home construction and with respect to meeting the complex problems of urban development. Constant experimentation is being carried on in such areas as housing design, materials, and construction techniques, and in making our urban centers safer, healthier, and more attractive places in which to live.

The problem is sometimes misunderstood as being entirely a lack of technological progress. Rather, it is important to note that these continuing advances in technique are often slow to be applied. Builders are reluctant to risk making major changes in designs or materials for fear of adverse market reaction. The home buyer does not readily accept deviations from traditional housing design or materials. Labor is often unreceptive to cost- or time-saving innovations for fear of economic loss. And communities that could benefit enormously from the application of such new urban techniques as large-scale centralized treatment of wastes or new methods of intracity transportation are often slow to move along these lines.

These are some of the practical problems that have held back progress. It is here that the Federal Government can and should assert leadership, so that the great technological strides that have been made in recent years, and that continue to be made, can be harnessed to the benefit of all Americans. This is what the bill seeks to accomplish.

The bill would direct the Secretary to encourage and assist the housing industry to reduce the cost and improve the quality of housing through the application to home construction and rehabilitation of advances in technology, and to encourage and assist the application of advances in technology to urban development activities.

The Secretary would be further directed to conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation and maintenance, and urban development activities. He would also be directed to encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating, and maintaining housing, as well as the application of technology advances to urban development activities, by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public.

When this program is funded its administration would be handled as part of the Institute of Urban Development recommended by the President in his 1965 message on the cities.

The research and studies would be designed to test and demonstrate the applicability to housing construction, rehabilitation, and maintenance, and urban development activities, of advances in technology relating to (1) design concepts, (2) construction and rehabilitation methods, (3) manufacturing processes, (4) materials and products, and (5) building components.

Research and study projects could be undertaken either directly by the Secretary or by contract with public or private bodies or agencies, or by working agreements with other Federal Departments or agencies. Each project would be required to be completed within 2 years.

Provisions of title III of the Housing Act of 1948 and section 602 of the Housing Act of 1956 presently authorize the Secretary of Housing and Urban Development to undertake and conduct studies relating to the reduction of housing construction costs through the use of new and improved techniques, materials, and methods. However, these existing provisions authorize such studies to be undertaken as part of broader research functions such as the collection and dissemination of data relating to market analyses, housing inventories, mortgage market problems, and the housing needs of special groups such as the elderly.

This bill recognizes the importance of a program designed specifically (1) to reduce housing costs through application to home construction of technological advances, and (2) to assist and encourage the application of advances in technology to urban development activities, by directing the Secretary to undertake such a program and authorizing specific appropritions for that purpose.

Rehabilitation and code enforcement grants

This bill would repeal a provision in the Supplemental Appropriation Act, 1966, which limits the amount of urban renewal grant authority that can be used in fiscal years 1966 and 1967 for grants for rehabilitation and code enforcement.

The limitation that would be repealed is inconsistent with the general purpose of the rehabilitation and code enforcement grants. Authority for these grants was added to the Federal urban renewal law by the Housing and Urban Development Act of 1965 to encourage more conservation and rehabilitation and thus lessen the need for large-scale slum clearance and redevelopment. The limitation in the appropriation act limiting the total amount of these grants hampers the achievement of this purpose.

Repeal of provision for sale of Forest Hills project, Paducah, Ky.

Section 1005 of the Housing Act of 1964 would be repealed. This is the provision that directed the sale of an FHA-acquired rental-housing project in Paducah, Ky., to the Paducah-McCracken County Development Council for use of the Paducah Junior College. Over a period of almost 2 years, the FHA has not been able to put this provision into effect and there is no foreseeable change in circumstances under which it can be put into effect.

The Paducah Junior College, after enactment of the 1964 provision, received private land donations more appropriate to its needs and lost interest in acquiring the project. The development council proposed other uses for the project but has been unsuccessful in its efforts to obtain financing. The repeal of section 1005 is desired to permit consideration of other means of disposing of the property.

Technical amendments

A requirement in the Federal urban renewal law would be repealed under which contracts for supplies or services which exceed the amount of $1,000 may be made or entered into only after advertising for bids.

The provision that would be repealed is inconsistent with a general Federal statute which imposes the advertising requirement on all Federal contracts of this type which exceed $2,500 in amount. The repeal of the provision in the urban renewal law would remove this inconsistency.

In addition, provisions in the urban renewal law and the urban planning grant law would be amended to make it clear that references in those laws to the Area Redevelopment Act include also references to laws which are supplementary to that act. These amendments were inadvertent omissions from the Housing and Urban Development Act of 1965.

A 1954 prohibition against FNMA's purchasing loans insured or guaranteed prior to August 2, 1954 would be repealed. This provision was appropriate in 1954, as it protected the fledgling secondary market operations from being inundated by offers of existing mortgages. However, it no longer serves this purpose. While repeal of this provision would make eligible for purchase a few mortgages of an age of 12 years and upward which are now not eligible, the number involved is negligible.

TITLE II—CONFORMING NOMENCLATURE IN STATUTES TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ACT

This title has no legal significance except to correct the wording of certain statutes to conform to existing law as provided in the Department of Housing and Urban Development Act.

The title would make technical amendments in the Federal statutes authorizing the programs of the Department of Housing and Urban Development and other related Federal laws to make the nomenclature in those laws conform to the provisions of the Department of Housing and Urban Development Act. The amendments would make no substantive changes whatsoever in the provisions of the laws.

For example, under the Department of Housing and Urban Development Act, all functions and powers of the Department are vested in the Secretary of the Department. This title of the bill would therefore change the titles Housing and Home Finance Administrator, Public Housing Commissioner, and the Federal Housing Commissioner, wherever they appear in the Federal laws, to the Secretary of Housing and Urban Development. Likewise, the term Housing and Home Finance Agency would be changed to the Department of Housing and Urban Development.

Mr. BARRETT. Thank you for your very fine statement, Mr. Secretary.

It is our understanding that initially the President's demonstration cities proposal contemplates participation of approximately 60 to 70 cities and towns of various sizes. I understand also that you have stated already that some 50 cities which have asked to be considered as eligible for participation when the program is enacted. I wonder if this is correct, and if so, would you please supply the committee with a list of the 50 or so cities which have already indicated their keen interest in your Department?

Secretary WEAVER. I do not know about the exact number. I have not counted them. But it seems to me that it was many. I imagine it will come up to more than 50, though. Without counting I felt that there was a larger number. I would be delighted to give you a list of the cities which have indicated an interest both in writing and by word of mouth. Every mayor I have talked to has not been hesitant to suggest that his city is the ideal city for this particular program. We will be happy to supply that for the record.

Mr. BARRETT. But you have, I am quite sure, from those who asked to be considered to participate, seen some dedicated interest?

Secretary WEAVER. Oh, definitely.

(The information referred to follows:)

The cities on this list have indicated their interest in the demonstration cities proposal through the mayor directly, a Member of Congress, or via some other city official:

Worcester, Mass.
Winston-Salem, N.C.
Bridgeport, Conn.
Minneapolis, Minn.
Albuquerque, N. Mex.
Warrensville Heights, Ohio
Elmira, N.Y.
Carteret, N.J.
Louisville, Ky.
Denver, Colo.
Palatka, Fla.
Scranton, Pa.
Knoxville, Tenn.
Savannah, Ga.
New Orleans, La.
Omaha, Nebr.
Pensacola, Fla.
White Plains, N.Y.
Newark, N.J.
Huntsville, Ala.
Hartford, Conn.
San Antonio, Tex.
St. Louis, Mo.
Parma, Ohio
Charleston, W. Va.
Ottumwa, Iowa
Seattle, Wash.
Detroit, Mich.
New Haven, Conn.
Oakland, Calif.
Little Rock, Ark.
North Little Rock, Ark.
Philadephia, Pa.
Chattanooga, Tenn.
Norfolk, Va.
Washington, D.C.
Boston, Mass.
Charlotte, N.C.
Cincinnati, Ohio
Las Cruces, N. Mex.
Fort Pierce, Fla.
Waterbury, Conn.
San Francisco, Calif.
Taunton, Mass.
Trenton, N.J.
Cleveland, Ohio
Los Angeles, Calif.
Chester, Pa.
Ypsilanti, Mich.
Mount Vernon, N.Y.
Richmond, Va.
Tacoma, Wash.
New York City
Chicago, Ill.
Kansas City, Mo.
Baltimore, Md.
Milwaukee, Wis.
Pittsburgh, Pa.
Nashville, Tenn.
Honolulu, Hawaii
Bangor, Maine
Florence, Ala.
Oil City, Pa.
Easton, Pa.
Johnson City, Tenn.
Saginaw, Mich.
Frankfort, Ky.
Fresno, Calif.
Hoboken, N.J.
Fort Worth, Tex.
Stamford, Conn.
Hudson, N.Y.
West Haven, Conn.

Mr. BARRETT. Mr. Secretary, it is our understanding that there is one aspect of the new proposed demonstration city legislation which seems to be bothering some people. The current concern seems to be that the 60 or 70 cities which would become eligible for supplemental grants would also step up their demand for existing Federal aid grant programs; for example, the urban renewal grant program. And if this is so, it is argued that this could mean an increased drain on the existing authorization for present Federal grant programs, and consequently, less available funds for all of the other cities and towns of the Nation which are not in the first eligible group of participating cities under the demonstration program. I do not think this a real concern. But I would very much like to have you assure the subcommittee members on this point.

Secretary WEAVER. Mr. Chairman, we have considered this point, recognizing that it might well arise. And both I and the administration are committed to the policy—carrying out this program will not in any wise or any way decrease the amount of urban renewal funds which any city, whether it is in the program or not in the program, would have had if there had not been any program. The answer is a definite no. This will not take away any funds that would otherwise have gone to a city which may not participate in the demonstration. We are not robbing Peter to pay Paul in this program.

Mr. BARRETT. Thank you, Mr. Secretary. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

In the section dealing with the Federal coordinator, it says that "nothing in this section shall be construed to vest in the Secretary any authority to exercise or delegate any function or duty vested by law in any Department or agency of the Federal Government." Does that mean the Federal coordinator will have no authority over the disbursement of other programs even if they tie in with the demonstration project?

Secretary WEAVER. It does. It means that the Federal coordinator will first coordinate the programs in the Department of Housing and Urban Development, which we have the authority to do through the regional office. It means essentially that he will work very closely with the localities' coordinator, or the local agency carrying out the demonstration program in order to facilitate that individual's or that agency's reaching into all of the existing programs and helping them make contact with the Federal agencies which administer these programs. However, the decision governing the use of those programs will remain in the agencies to which Congress has given appropriations and authority to carry out those programs. This will be a coordinating function in the sense of the coordinator using his good offices—using his knowledge, and the facts that he has and the contacts that he has at the regional and at the Federal level to sort of lubricate the process, as it were.

Mr. WIDNALL. The President's message said:

> Once authorized, the supplemental fund would be made available in a common account. They would be drawn at the discretion of the community to support the program. They would be certified by the Federal coordinator.

It seems to me that leaves no discretion to the local officials at all.

It also appears that the Federal coordinator will have complete control of disbursement of funds, at least of supplemental funds, for all

perhaps, under HUD or not, that went to the city demonstration program in the first place. How can local control be talked about when the President himself has spelled out that this will be circumscribed?

Secretary WEAVER. It is not circumscribed, sir. The whole activity which is carried out in the demonstration city program will result from a program. The program will be developed by the locality before there is a Federal coordinator in the picture. This program, which will be planned with a 90-percent Federal payment, will be the basis on which the demonstration grant money, or the supplemental money, will become available to the locality. The locality then will have made a commitment to carry out a program to achieve certain results. It will then say how it will achieve these results. The Federal coordinator will be there simply to see that instead of having to get these supplemental funds from five or six Federal sources, it will funnel through one source. What those funds are spent for is determined by the local government in accordance with the plan and the program the local government has devised. They make the determination. The Federal coordinator does not make the determination of what these funds are spent for. And the law specifically says that they can be spent for any purpose which is consistent with the program that they have developed. They cannot be spent for things that are inconsistent with the program or not included in it.

Mr. WIDNALL. Your authority would rest in the Federal coordinator for final approval of supplemental funds as they came in from the various agencies; is that not so? None of the agencies would provide the funds unless the Federal coordinator so certified?

Secretary WEAVER. No other agency provides any of these supplemental funds. These funds are provided by the Department of Housing and Urban Development on the basis of the amounts of the non-Federal contribution to certain existing grant-in-aid programs. This amount will be certified by the various agencies of the Federal Government that administer these programs. The Secretary of Housing and Urban Development will confer with and discuss with all of the other Secretaries and heads of agencies which administer existing grant-in-aid programs which are part of a city's program. The calculation of the amount of the supplemental funds available to a city because of non-Federal contributions to these existing grant programs becomes a responsibility of HUD, and the payment of these supplemental funds becomes the responsibility of HUD.

Mr. WIDNALL. Under the definition of a city demonstration agency, do you mean by local governing body the local elected governing body?

Secretary WEAVER. I do.

Mr. WIDNALL. Would you have any objection if we added the word "elected" in the bill?

Secretary WEAVER. No. I think we have it in several places. I do not think this would cause any difficulty.

Mr. WIDNALL. I bring this up because in 1964 the minority suggested a direct tie between the local public agency and local elected officials. At that time we received a letter from you in opposition to the idea.

Secretary WEAVER. I beg your pardon?

Mr. WIDNALL. I would not read your comment at this time, but I would like to place in the record this portion, Mr. Chairman.

Secretary WEAVER. I didn't hear what the context of that was.

Mr. WIDNALL. The Republican minority in our 1964 housing bill suggested a direct tie-in between the local public agency and the local elected officials. You wrote the committee at the time in opposition to the idea.

Secretary WEAVER. Yes. I think the difference is between a special purpose activity, as contrasted to a comprehensive activity. Obviously, if you are going to have a coordinated comprehensive activity, it is going to have to have citywide concurrence, and it is going to have to be related to an elected body. I think the activities are quite different. But we are perfectly willing to accept the principle in this program.

Mr. WIDNALL. Mr. Chairman, I would like to have permission to put it in the record.

Mr. BARRETT. Without objection.

(The document referred to by Mr. Widnall is as follows:)

[From the Congressional Record, Mar. 5, 1964, p. 4369]

(The following is an excerpt from a letter addressed to Chairman Patman by Dr. Weaver in answer to the chairman's request for agency comment on H.R. 9771, 88th Congress, an omnibus housing bill, introduced by Congressman Widnall.)

"Section 307. Definition of local public agency:

"This section would amend the definition in section 110(h) of the Housing Act of 1949, of a 'local public agency' qualified to carry on an urban renewal project. Under present law, a project may be carried on not only by a State, county or municipality but also by any other 'governmental entity or public body,' so long as it is 'authorized' (under State and local law) to carry on the project. The amendment would limit eligibility of other governmental entities and public bodies only to those acting as agents for State or local governments.

"The Housing Agency believes that this proposed amendment would unjustifiably interfere with the right of States and localities to decide for themselves their proper relationship to local public agencies. Close coordination between local public agencies and elected local governments is always desirable. However, it would appear that there is no impelling need which would justify the proposed detailed intercession by the Federal Government in these State-local relationships. Under section 102(d) of the Housing Act of 1949, it is already necessary, as a condition to obtaining an advance of funds for survey and planning, that 'the governing body of the locality involved has by resolution or ordinance approved the undertaking of such surveys and plans and the submission by the local agency of an application for such advance of funds.'

"Also, under section 105(a), the governing body of the locality must approve the urban renewal plan before the local public agency can obtain a Federal loan or grant contract for the project. Finally, the local public agency must almost invariably obtain the concurrence of the local governing body, in order to obtain financing for the local share of the project."

Mr. WIDNALL. Does this legislation mean that if the Administrator deems it desirable to provide a city demonstration agency with a Federal plan for a Federal administrator, he could do so?

Secretary WEAVER. No. It means if the city requests and if the Federal agency has the bodies and the resources available, it will meet the requests of the city. It does not mean that we are going to send this technical assistance in, for two reasons. We would not have enough if we wanted to, and in the second place, we would not want to.

Mr. WIDNALL. You are going to provide direct technical assistance instead of money to hire local employees for private consultants, are you not?

Secretary WEAVER. If the city requires it and if we have the resources we will make technical assistance of many types available to it. I would

not want to be categorical about what those types will be now. It will vary, I am sure, from city to city.

Mr. WIDNALL. This could be in direct competition with private planning, could it not?

Secretary WEAVER. I do not think so. I think you would have to have a private planner to develop the planning or the city might decide to hire its own people. We will not send in a team of technical people who will actually do the planning. They might be consultants to help to get the plan done, but the plan would have to be developed by the city out of its resource or any resources that it gets from us. The technicians from Washington and the agency will not do the planning.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Secretary, we think you will agree that you sent us two very challenging new proposals: (1) To give a tremendous stimulus to supplemental grants on top of existing grants, and to the rebuilding or rehabilitation of large areas of our city; and (2), a second bill using a similar mechanism to stimulate and give incentive to orderly metropolitan growth.

I think we have much to learn yet about the details and the actual way in which this program would work. But I do have one question that comes immediately to mind, and that is whether a given city could qualify for both programs at the same time, in other words, could city X have both a demonstration city program and a program for metropolitan development grants?

Secretary WEAVER. I think the answer would have to be "Yes and no." It would have to be "Yes" in the sense that a given city might participate in both activities, but it would not always be the direct recipient or the local sponsor in both. It would obviously be a direct recipient in the demonstration cities program. But the metropolitan development grants would go to the city in some cases and in some cases to a special-purpose agency of government or to an ad hoc committee or a State body or some other body other than or larger than the city itself. But the city would participate in and benefit from the metropolitan grant although it would not always be the agency that would develop the program and apply for it to the Department. Projects or activities assisted under the demonstration cities program could not receive metropolitan development grants.

Mrs. SULLIVAN. Secretary Brownstein, last Thursday, I was pleased to introduce a bill, H.R. 13063, which hopefully for the first time would provide a financing mechanism to encourage bona fide nonprofit organizations to rehabilitate existing houses for sale to low-income prospective homeowners at the very low 3-percent interest rate made possible under section 221(d)(3), the low-market-interest-rate program. May I have it inserted in the record at this point?

(The material referred to follows:)

[H.R. 13063, 89th Cong., 2d sess.]

A BILL To amend the National Housing Act to authorize a limited experimental program of insurance for mortgages executed by nonprofit organizations to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent sale to low-income purchasers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 221 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(i) (1) In addition to mortgages insured under the other provisions of this section, the Secretary is authorized to insure under this subsection, as hereinafter provided, mortgages executed by nonprofit organizations to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent resale to low-income home purchasers and, upon such terms and conditions as the Secretary may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

"(2) To be eligible for insurance under paragraph (1), a mortgage shall—

"(A) be executed by a private nonprofit corporation or association approved for purposes of this subsection by the Secretary, for the purpose of financing the purchase of property upon which there is located deteriorating or substandard housing consisting of five or more one-, two-, three-, or four-family dwellings of detached, semidetached, or row construction and of rehabilitating such dwellings with a view to subsequent resale as hereinafter provided;

"(B) be secured by the property which is to be purchased and rehabilitated with the proceeds thereof;

"(C) be in a principal amount not exceeding the fair value of the property at the time of its purchase under the mortgage plus the estimated actual cost of the proposed rehabilitation;

"(D) bear interest (exclusive of premium charges for insurance and service charge, if any) at the rate in effect under the proviso in subsection (d) (5) at the time of execution;

"(E) provide for complete amortization (subject to paragraph (5)(E)) by periodic payments within such term as the Secretary may prescribe; and

"(F) provide for the sale of the rehabilitated dwellings in accordance with paragraph (5).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property to be rehabilitated is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the rehabilitation to be carried out by the mortgagor plus its related activities and the activities of other mortgagors, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed $20,000,000.

"(5) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement (in form and substance satisfactory to the Secretary) that it will sell the dwellings involved, upon completion of their rehabilitation, to individuals or families (hereinafter referred to as 'low-income purchasers') determined by the Secretary to have incomes below the maximum amount specified (with respect to the area involved) in section 101(c)(1) of the Housing and Urban Development Act of 1965.

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low-income purchasers under subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount equal to that portion of the unpaid balance of the principal mortgage covering the property (insured under paragraph (1)) which is allocable to the individual dwelling involved; and

"(ii) bear interest at the same rate as the principal mortgage, and provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage.

"(C) The price for which any individual dwelling is sold to a low-income purchaser under this paragraph shall be the amount of the mortgage covering the sale as determined under subparagraph (B), except that the purchaser shall be required to pay on account of the property at the time of purchase such amount (which shall not be less than $200, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate in the circumstances.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the principal mortgage, and such mortgage shall thereupon be replaced by an individual mortgage insured under this paragraph to the extent of the portion of its unpaid balance which is

allocable to the dwelling covered by such individual mortgage. Until all of the individual dwellings in the property covered by the principal mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time as though they constituted rental units in a project covered by a mortgage insured under subsection (d) (3).

"(E) Upon the sale under this paragraph of all of the individual dwellings in the property covered by the principal mortgage, such mortgage shall be liquidated and canceled, and wholly replaced by the individual mortgages insured under this paragraph.

"(F) Any dwelling sold to a low-income purchaser and covered by a mortgage insured under this paragraph may not be transferred (prior to the maturity of such mortgage) to any other person, except to another low-income purchaser approved for purposes of this paragraph by the Secretary."

SEC. 2. (a) Section 221(g)(1) of the National Housing Act is amended by inserting after "paragraph (2) of subsection (d) of this section" the following: "or paragraph (5) of subsection (i) of this section".

(b) Section 221(g)(2) of such Act is amended by inserting after "paragraph (3) or (4) of subsection (d) of this section" the following: "or paragraph (1) of subsection (i) of this section".

[Press release, Feb. 24, 1966]

MRS. SULLIVAN INTRODUCES BILL TO ENABLE LOW-INCOME FAMILIES TO PURCHASE REHABILITATED HOUSING AT 3-PERCENT RATE

Congresswoman Leonor K. Sullivan, Democrat, of Missouri, ranking member of the Housing Subcommittee of the House Committee on Banking and Currency, today introduced a bill for a new type of experimental Federal housing aid for low-income families—enabling them to buy rehabilitated homes at very low mortgage interest rates.

Essential to the operation of her proposal would be the formation of nonprofit community organizations which would purchase dilapidated or rundown properties in deteriorating neighborhoods and rehabilitate them for resale to eligible low-income purchasers. Such a program is already being operated on a small scale in St. Louis by the Bicentennial Civic Improvement Corp., launched originally by several clergymen aided by civic-minded businessmen.

It was in an effort to find an effective device for Federal loans or grants to help the St. Louis experimental project that the Congresswoman developed the details of the bill she introduced today.

Under it, a nonprofit organization could borrow Federal funds at only 3 percent interest in order to purchase and rehabilitate old housing, then sell it to eligible families which could also enjoy the same low-interest mortgage rate. The individual family mortgages would be nontransferable except to another low-income family which met income qualifications.

Generally, income eligibility for the low-interest mortgages under the Sullivan bill would be the same as those spelled out in last year's Housing Act for families eligible for Federal rent subsidies.

"Instead of just giving a subsidy to a family so it can afford to rent a decent house or apartment," the Congresswoman said, "my bill would enable highly motivated families to buy their own homes—for only $200 as an initial payment to cover closing fees or other costs, and at a monthly mortgage payment they could afford. They would eventually own their homes outright."

Mrs. Sullivan met last December in St. Louis with officials of the Bicentennial Civic Improvement Corp. and with representatives of other civic organizations in the community, to discuss the kind of programs which might be undertaken under the legislation she was planning to introduce. Today, she said her bill will be taken up along with administration proposals to be considered by the Housing Subcommittee at hearings beginning next week.

"The two priests who initiated the rehabilitation and sale of housing in St. Louis for low-income families, Father John Shocklee and Father Joseph M. Kohler, started something new which has captured the imagination of the community," Mrs. Sullivan declared. "It is also now being tried in other cities. The idea is to give the low-income family a real stake in its own housing—not as a tenant but as a purchaser. This is the best approach yet in trying to rescue neighborhoods from blight. Without Government low-interest loans, however, the mortgage costs would be too high for the families we are trying to reach. But with a 3-percent mortgage loan, the monthly payments can be held within a

range which families eligible for rent subsidies can actually afford. This way, we save the Government the cost of the subsidy payment, which would be far more than the cost to the Government of these low-interest loans."

Under the Sullivan bill, a $20 million revolving fund would be set aside initially out of Federal National Mortgage Association assets for the special nonprofit fix-up-and-sell housing loans. The loans would be insured by the Federal Housing Administration (FHA) and would be serviced by private mortgage companies.

Only properties located in areas or neighborhoods "sufficiently stable" and with adequate facilities to "support long-term values" or in neighborhoods which could be brought up to the "promise" of a stable environment through such rehabilitation would be eligible for inclusion in the program set out in the Sullivan bill.

Mrs. SULLIVAN. I have been working on this for some time. This bill represents the fruit of a lot of work by me, and by religious leaders and civic-minded business representatives in St. Louis, by the staff of the Housing Subcommittee, and by the technical assistance of people in your agency. I do not pretend that the bill is perfect in all respects, although I think it is in very creditable shape. And I realize that you can't speak officially for the administration, since there is no Budget Bureau position as yet. But I would like very much to hear whether, (1) you agree with the objectives in the bill; (2) whether you think it is workable. And then I would like to ask the agencies officially to study the bill, and study it really from A to Z, to give me any recommended changes or amendments which may be needed to perfect it.

Could I please have your comments on it?

Mr. BROWNSTEIN. I do know of your interest in this subject, Mrs. Sullivan, and I do know of the bill. It would achieve two things principally, first, it would provide sales housing for these impoverished families in the very low-income groups. And it is aimed also, I know, at large families. It would result in the upgrading of old housing in some of the areas, the rehabilitation of these houses. Certainly I know that the objectives are extremely laudable. From the standpoint of mechanics it could work; yes, I believe that this is possible.

It does, however, introduce a new dimension. And this is a submarket interest rate program for sales housing. And this is something that we will consider, but it will have to be examined as you have suggested, very closely by the administration.

Mrs. SULLIVAN. Thank you. I hope that you can give it a close look and a fast one, because I want to have this information while we are still working on the overall housing legislation.

Secretary Weaver, would you describe how the Director of the Office of the Federal Coordinator would work? Would it be his job to coordinate only the programs of your Department that are involved in the demonstration, or would he try to coordinate HUD activities with those of other departments and agencies? Are his proposed powers broad enough to be effective in that regard? I think you gave a good description to Mr. Widnall.

Secretary WEAVER. Well, I think that in the first place, as I said earlier, the Federal Coordinator would not appear on the scene until there had been a program. So you would have a local program. He would sort of be the Federal counterpart to the local agency which would be responsible for coordinating and carrying out that local program. He would be an expediter. The first thing that he would

do, assuredly, would be to see that the programs of the Department of Housing and Urban Development, which will be the major programs both financially and impactwise, are coordinated. And in this respect he would have a counterpart in the regional offices. And we are decentralizing so that most of the pertinent decisions would be made in the regional offices, where this would be expedited as well as coordinated.

He would also be a person who would be fully versed in the operations in general of the other Federal programs, fully versed in where the policy and the decisionmakings are centered in these programs. He would have direct personal contact with the regional offices of the other programs, and would bring together, wherever there was difficulty, the various Federal people, not on a basis of a fiat, but on a basis of being there—being knowledgeable, and being available.

Finally, if there were difficulties where the coordination and the cooperation—and I think cooperation is a little better word than coordination, because that is sort of a bad word—but where there was lack of cooperation which resulted in an uncoordinated activity in this program, it would be his responsibility to get in touch with me or my colleagues in Washington, and our responsibility, which we have authority to do under the act creating the Department, to get hold of the other agencies and to attempt to work it out.

So this would be an expediting process with an actual coordination authority insofar as the programs of this Department are concerned.

Mrs. SULLIVAN. In other words, what you said to Mr. Widnall and are saying to me is that here would be a man who would know to whom to go in the Federal Government for the necessary information or assistance should the city or the area need this kind of cooperation, and he would function wherever needed and not be assigned to any one particular city?

Secretary WEAVER. Not only to whom to go, but to whom to get to it whenever he would get to it.

Mr. BARRETT. Mr. Fino?

Mr. FINO. Mr. Secretary, before I ask any questions I just want to bring to your attention today's issue of the Wall Street Journal on page 2, which is captioned "Johnson Program of Aid to Cities, Suburbs Faces Sharp Fight Over Strings Attached."

> WASHINGTON.—Congress starts work today on President Johnson's strings-attached offer of cash to cities and suburbs wanting to fight slums and haphazard growth.
>
> It's already clear that just about everybody will want the money. But a sharp fight is developing over the attached strings. For example:
>
> Extra dollars of slum clearance money would be available to cities that agree to shape their new neighborhoods toward specified goals, including a fight against "segregation of housing by race or income."

I have introduced legislation—I think you are familiar with the demonstration cities bill that I have introduced. And my concern was regarding this coordinator title. My bill calls for a Federal information officer instead of a commissarlike coordinator.

Let me ask you this question. Do you not think that an information officer, combined with your Urban Information Center, would do a job, a better job, without interfering with local government prerogatives?

Secretary WEAVER. I can answer your question only by objecting to certain assumptions made in it. The first thing is, the Federal coordi-

nator is not going to be a commissar. I think the record to date indicates that he is not a commissar.

It also indicates the basic decisions about what is to be done are local—within some ground rules. I don't think that we appropriate Federal money with a blank check. I think it is normal and usual that there are certain ground rules in connection with Federal programs. But within those limits—which it is up to the Congress to establish, we have only made recommendations, of course—it will then be up to the locality to decide what the program is going to be. That will have been done before the Federal coordinator comes on the scene. His functions are not that of a commissar. His functions are not to make any local decisions or determinations. His functions are really to assist the locality and assist the local government to carry out its program—not his program.

Finally, an information officer would be a person who could give some information—and this is all to the good, this is included in our concept—but this requires more than an information officer. This requires a source of support—a sort of pulling together, as far as the Department of Housing and Urban Development is concerned—of its activities. And, also, a person is required who will be able to negotiate much more effectively than an information officer would with other Federal departments to carry out the local programs rather than a Federal program.

I think that this is a much more potent position and a much more potent role than purely an information officer would have.

And finally, I hate to bring in the matter of semantics, but I think this program requires an officer to do much more than hold the hands of local governments. This man is going to have to do more than hold their hands, he is going to have to go out and help.

Mr. FINO. Mr. Secretary, you and I know that urban renewal experience in the past has shown Federal dictation for hardship to displaced persons.

Secretary WEAVER. There has been no Federal dictation for hardship and displaced persons. As a matter of fact, I think the record of the last 5½ years will indicate that it has been the Federal Government which has taken the leadership to urge, and in some instances under legislation that you ladies and gentlemen have passed, to require, that the localities upgrade their relocation process.

But these again are local programs and not Federal programs. We do not decide in urban renewal where projects are going to be. We do not decide whether or not the locality is going to use the bulldozer or rehabilitation. But we do encourage rehabilitation. And I think it has been the Federal Government that has taken the lead in humanizing urban renewal.

But again in our system of government the basic decisions have to be at the local level.

Mr. FINO. On page 3 of your testimony you say, referring to the qualifications of a qualified program under this bill, "A city must be prepared to plan and carry out a comprehensive city demonstration program." Is that not requiring the city to do certain things?

Secretary WEAVER. No; it is not. It is simply saying that if you want a supplemental grant over and above what you normally would

get, you have to have certain results. We do not say what the method is. We do not say that you have got to do our comprehensive planning. It is like building codes. It is not a question of, in the building code, of having to put a 2 by 4 every 12 or 16 inches. You say you have got to have enough 2 by 4's to have a wall that will stand up under certain circumstances—what we call a performance code and performance requirements. These musts are not methods—these musts are not detailed determinations—these musts are what the program must achieve to get the supplemental grant. And I think it is entirely reasonable, and certainly traditional, where you are going to give special assistance in any program that there should be general criteria. These are the general criteria.

Mr. FINO. Isn't there language in your bill that in substance says that a city in order to qualify must have a plan for social renovation?

Secretary WEAVER. I do not know what you mean by that language. If you will read the language, I will be happy to try to interpret it. I do not recall that wording.

Mr. FINO. Mr. Secretary, I will check that and give you the page, because I do not have it offhand.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. Dr. Weaver, while you are commenting on press accounts, there was a front page story in the New York Times of February 20 which referred to previously undisclosed facts about the plan of the demonstration city programs that have emerged from talks from housing experts in Government in the communities and in the cities themselves. And it goes on to say, "If their expectations are correct, the program will aggregate 350,000 dwelling units and improve the lives of more than a million residents." And it also indicates that the cities chosen for Federal funds would fall into three categories, large cities of more than 500,000 persons, intermediate cities of 250 to 500,000 population, and smaller cities of less than 250,000 inhabitants. Is this the thinking of the Department, Doctor?

Secretary WEAVER. Well, it is broken down even further than that. I think that we are thinking now in terms of larger cities, medium large cities, sort of medium small cities, and then smaller cities. We contemplate cities of 50,000 and less.

Mr. ASHLEY. Would it not be a good idea, Doctor, as an addendum to your prepared statement, to furnish the committee with such thought as the Department may have with respect to some rather significant details such as these that have appeared?

Secretary WEAVER. I would be delighted to. I want to point out that we have to supply, of course, the general categories.

But let me say this, as I tried to say in my statement, I would be happy to document it. We conceive of this program as a program which will have widespread geographic application, and also as much diversification in size of cities as possible. And we contemplate, also, that because of the large number of smaller cities and towns that the largest number of cities that will be involved will be the smaller ones. And the number will vary inversely with the size. In other words, there will be a lesser number of largest, and so on down the scale.

Mr. ASHLEY. Well, if we can give credence to the story in the New York Times, I think it would be well if your Administration and the Department would be specific with reference to the points that were covered and which I have alluded to.

(The article referred to and Secretary Weaver's reply follow:)

[From the New York Times, Feb. 20, 1966]

SLUM PLAN'S COST LIKELY TO DOUBLE—PRIVATE AND PUBLIC SPENDING UNDER JOHNSON'S PROPOSAL TO BE CLOSE TO $6 BILLION

(By Robert B. Semple, Jr.)

WASHINGTON, February 19.—President Johnson's plan to rebuild slum areas of American cities, if approved by Congress, would be twice as large as it originally appeared.

This is one of several previously undisclosed facts about the plan that have emerged from talks with housing experts in Government, in the academic community, and in the cities themselves. If their expectations are correct, the program will upgrade 350,000 dwelling units and improve the lives of more than a million residents.

The President outlined the plan—known as the "demonstration cities program"—in a message to Congress in January. He proposed to spend $2.3 billion, spread over 6 years, on from 60 to 70 selected cities that would be willing to focus their resources on badly blighted neighborhoods. To qualify for funds, the cities would have to undertake not only physical renewal—improvement of dwellings—but also social renewal, which means that schools, parks, and other community services would have to be included in the project.

The message was written in general terms and contained little specific evidence to support its promises. Some city officials were publicly skeptical of the $2.3 billion figure. They noted that when spread out over 6 years it amounted to less than the current annual expenditures for long-established urban renewal programs.

However, a number of assumptions, and expectations are now clear and will be presented to Congress when hearings on the program open February 28.

For one thing, the $2.3 billion represents only the net cost to the Federal Government. In actual fact, total expenditures from private and public sources combined will be somewhere between $5 billion and $6 billion, including acquisition, rehabilitation and construction of dwelling units, plus community and social services and other costs.

In the last few years of the projected 6-year program, experts calculated, at least $3 billion of the total could be recovered through the resale of upgraded units. This would leave a net of roughly $2.6 billion, of which the Federal share would amount to roughly $2.3 billion.

Secondly, the cities chosen for Federal funds would fall into three categories: large cities of more than 500,000 persons; intermediate cities, 250,000 to 500,000 in population, and smaller cities of less than 250,000 inhaibtants.

The number of cities to be included in each category is still undecided: the administration apparently wants to remain flexible on this point. However, it is likely the program may ultimately include 5 to 8 large cities, 10 or 12 intermediate cities, and 40 to 50 smaller cities.

In any case, the distribution of funds is likely to be nearly even: Roughly $2 billion for large cities, $1.8 billion for intermediate cities, and more than $1.6 billion for smaller cities.

Finally, specialists in the field believe that the program, if enacted, can achieve significant impact in most of the demonstration cities. They believe that at the end of 6 years it can vastly improve one-third of a city's substandard dwelling units and radically change the environment of 10 percent of the city population.

It is difficult, of course, to apply these percentages to the country's very largest cities. To upgrade one-third of New York's estimated total of 230,000 substandard units, for example, would require a huge part of the program's total resources. However, in New York's case experts believe that sizable improvements are possible in selected neighborhoods.

Behind these expectations lie a series of statistical models, constructed largely in the academic community, that provide working estimates of the program's cost and impact in "typical" or average cities in each population group.

In the large-city category, according to these calculations, a typical city looks something like this: population, 700,000; total dwelling units, 220,000; total substandard units, 30,000.

A typical "target" or demonstration neighborhood in such a city might include from 80,000 to 100,000 residents living in 24,000 to 28,000 dwelling units. Of these

units, according to what the experts believe is a reasonable division, 8,000 are substandard that require either replacement or complete rehabilitation, and 16,000 are in various stages of decay.

The major cost in this typical city, as it would be in all cities, would be the acquisition of blighted buildings. (Under the President's program, acquisition will be carried out by a city agency set up to run the demonstration, using powers of eminent domain in much the same way as they are used in the urban renewal program.) The cost of acquiring 24,000 units in a "typical" large city project would be about $140 million.

DEMOLITION COSTS NOTED

Based on past experience, an average of about one-fourth of the 8,000 substandard units would require demolition. The cost of demolishing 2,000 units would be $2 million, the cost of replacing these with new units would be $24 million.

The rest of the units, the remaining 6,000 substandard units and the 16,000 in various stages of decay, would require various degrees of rehabilitation costing more than $80 million.

To these basic physical costs—about $250 million all told, are then added other costs of a social nature: relocation of neighborhood residents, as necessary; administration and planning; and "community participation" and social programs such as day care, employment and family-counseling services.

If other community facilities such as schools, health centers and neighborhood recreational centers are included, as they may well be, the total "social" costs of the program would amount to roughly $100 million, thus producing a total cost of perhaps $350 million.

Similar models can be drawn up for cities in the intermediate and low population groups. Average costs of the intermediate programs are about $170 million, in the small city group about $30 million.

RESALE FACTOR VITAL

The gross costs of the program can be computed from these models by multiplying these average costs by the number of cities in each population category and then by adding the three categories together. The approximate result is $5.3 billion. Additional costs, including the renovation of stores and shops in the area, produce a final gross figure of about $5.6 billion.

In computing net costs—the next step—the experts have devised a resale price low enough to allow those who buy the upgraded units to charge rents within the reach of low-income groups. This represents a conscious effort to avoid the experience of many urban renewal projects, which have often cleared out slum areas only to refill them with housing that no low-income person can afford.

The resale figure generally used by experts to achieve these objectives is $7,000 for rehabilitated units and $12,000 for totally new units.

Their assumption is that a $7,000 unit would produce a rent of $60 monthly, which they believe is within the capacity of those earning less than $3,000 annually. A $12,000 unit, they estimate, would produce a rent of from $100 to $110 a month.

These resale figures are then multiplied, in effect, by the number of units involved in the overall program to reach a total "recovery" figure of $3 billion. This is then subtracted from gross costs of more than $5 billion to bring the net to a level that Mr. Johnson thinks is manageable by local treasuries and the Federal budget.

COMMENTS ON NEW YORK TIMES STORY ON DEMONSTRATION CITIES PROGRAM, FEBRUARY 20, 1966

The New York Times article of February 20, 1966, about the proposed demonstration cities program by Robert Semple, presents an analysis of a demonstration cities program under certain assumptions that emphasize the costs of physical improvements. Within this framework it is an interesting and arithmetically plausible analysis.

The analysis was obviously geared to the $2.3 billion demonstration cities program cost mentioned by the President in his message on the proposed demonstration cities program. The $2.3 billion as used in the Times story represents the net cost of the program. It appears from the article that this net cost is derived

by an assumption that about 24,000 units would be acquired in a typical large city to be either demolished or rehabilitated. The costs of acquisition and rehabilitation in the typical large city would amount to $250 million. To this would be added $100 million of expenditures for community facilities, such as schools, health centers, neighborhood and recreational centers, as well as the social cost of the program. For smaller size cities for the same types of improvements, smaller amounts would be required. For all the cities that would be involved, the costs for these purposes would be about $5.3 billion and additional costs primarily for renovation of commercial properties, producing a final gross figure of $5.6 billion in the Times analysis. The proceeds from the sales of units that have been rehabilitated would then be deducted from the gross cost to arrive at an estimated net cost figure of $2.3 billion.

It is important to note that the Times analysis has been built up on the basis of a model for a typical city under certain assumptions as to the population and number of dwelling units in the demonstration area, and on the assumption that the major part of the cost involved will be for housing improvements and other physical improvements. The social services cost is not identifiable in dollar terms.

In an analysis of this sort, all models necessarily have to be based on certain assumptions as to the arithmetical factors involved. The formula and the purposes for which supplementary grants would become available under H.R. 12341 would cause a different focus upon the factors that may be involved than in the New York Times analysis.

The stated purpose of H.R. 12341 is for "rebuilding slums and blighted areas and for providing public facilities and services necessary to improve the general welfare of the people who live in these areas." The demonstration program effort, thus, would be designed to have a comprehensive and coordinated program of social services to better the lot of the people in the area, as well as to improve the physical conditions in the area. It is intended that all available Federal aid programs for both social betterment and physical improvements should be utilized to the maximum extent feasible for accomplishing these purposes.

To induce the cities to undertake such an effort, they would receive supplementary grants equal to 80 percent of the local share required for all projects or activities which are a part of the demonstration program and financed under existing grant-in-aid programs.

These supplementary grant funds could be used to (1) assist cities to provide their required share of the cost of projects or activities which are part of the demonstration program and are funded under existing Federal grant-in-aid programs, and (2) provide funds to carry out other, nonfederally assisted, projects or activities (including projects or activities of the type eligible for Federal assistance under existing grant-in-aid programs) undertaken as part of the demonstration program.

In drawing typical city models to analyze program cost in accordance with the bill, therefore, three critical factors are involved in the calculations: (1) the program cost as based on the local determination of components of the program and the mix of such components; (2) the proportion of these program costs that would be borne by expenditures under ongoing grant-in-aid programs typically expected for a city of a given size; and (3) the disposition among program components, as determined by the local city demonstration agency, of the supplementary grant funds obtained under the formula provided by the bill.

It is in the nature of the program that each qualifying community will develop an imaginative program predicated upon its particular needs and circumstances. Cost estimates for any individual city cannot be stated definitively in advance because of variations in program components that would occur from locality to locality and because of variations in levels of funding that will be available for regular Federal grant-in-aid programs in different localities. Therefore, given certain assumptions about program components and available present Federal grants-in-aid, we can build up estimates of typical situations. We cannot, however, calculate fund allocations until the proposals from cities are received.

The starting point for an estimate of the program cost would be similar to one of the points used in the New York Times analysis; namely, a model of a typical large city. The Times' model was a city of 700,000 with a demonstration area of 80,000 to 100,000 people, containing 24,000 dwelling units, of which 8,000 need to be demolished and 16,000 require some degree of rehabilitation.

It should be noted, however, that in a city of 700,000 to 800,000, the total number of substandard units in the entire city is likely to be between 20,000 and 25,000. Furthermore, all but about 4,000 are likely to be substandard by virtue of a lack of adequate plumbing facilities and therefore amenable to rehabilitation. The 4,000 or so would be the total number of dilapidated units in the city. Therefore, in an area of such a city that might contain about 80,000 residents and have 24,000 dwelling units, it is unlikely that all 24,000 would require either extensive rehabilitation or demolition as the Times analysis has assumed. In fact, if we assume that 16,000 would require some form of rehabilitation ranging from major to minor rehabilitation, as the Times analysis assumes, but also that one-fourth of the units in the area or 6,000 need only normal maintenance and repair, perhaps 2,000 units would have to be demolished. This would significantly reduce the net cost required to deal with housing in the area.

On the other hand, a significantly larger allowance should be made for social services in the area as well as certain physical improvements that would help achieve the social purposes, such as schools, health centers, and neighborhood centers. The bulk of the funds required for physical improvements and social services would be provided under regular existing Federal grant-in-aid programs, such as urban renewal, public housing, neighborhood center grants, economic opportunity programs, manpower development and training, and numerous others. The typical amounts of such Federal program expenditures and the required local matching share can be estimated for a city of a given size, containing a demonstration area of a given population. Eighty percent of the local matching share of such activities would then determine the potential supplementary grant entitlement for the demonstration program in that city.

For a city of between 700,000 and 800,000, with about 24,000 families in the demonstration area, the supplementary grant entitlement for the demonstration program in that city might amount to an estimated $15 to $20 million per year or $75 to $100 million over 5 years. The total program activities, including those under the regular Federal grant-in-aid programs as well as those supported by the supplementary grant funds, might amount to as much as $75 million a year, or $375 million over a 5-year period. On the basis of such estimates for 60 to 70 cities of different sizes, it is contemplated that $2.3 billion in supplementary grant funds would be required over a 6-year demonstration program period, of which 5 years would constitute the active operating period after the first year of preparing the plan. The total program impact, including regular Federal grant-in-aid program expenditures and State, local, and private expenditures in all the demonstration areas could rise to an aggregate total of about $10 billion over the 5-year period.

All size categories of cities have been thought about instead of the three shown in the New York Times story. Demonstration cities could range in size from 1 million or more to cities of less than 50,000. The largest number of cities would be in the smallest size category. A good geographical distribution in all parts of the country would also be sought.

In summary, the New York Times story was an attempt to explain how a net cost of $2.3 billion would accommodate a physical improvement program. It was a logical but limited explanation of a city demonstration program.

The estimate that has been presented herein, based on the provisions of the bill, is indicative of how the figure of $2.3 billion was arrived at. As the estimate related to the bill indicates, there will be a great deal of flexibility in the sizes of cities and types of activities undertaken under the demonstration cities program.

The bill also contemplates that (as the President stated in his message on city demonstration programs) "the complete array of all available grants and urban aids in the fields of housing, renewal, transportation, education, welfare, economic opportunity, and related programs" will be available under existing Federal programs to cope with problems in the demonstration area. Finally, the bill definitely contemplates a broader program scope with much more emphasis on social services than was contemplated in the New York Times example.

Mr. ASHLEY. Secondly, on page 2 of your statement you say that you will make it possible to treat the human needs of people in the slums, and at the same time the physical rehabilitation will be carried out.

We do have in this program two rather distinct elements, as I understand it. One is the capital improvement rehabilitation, and the other

is the human needs factor. These are quite different. Capital improvements can be paid for, and then constitute a continuing cost. This cannot be said, as I see it, where the increased input of socal services to a particular area are involved. Are these meant to be continuing costs to the Federal Government?

Secretary WEAVER. Well, I think there are two categories of these. In the first place, there are those costs which are now provided for by grant-in-aid programs in which the Federal Government makes a partial grant. These are, as you know, over the various terms, depending upon the nature of the services. Obviously these would be continuing.

Secondly, there would be those services which would have to be augmented during the period of this particular proposal. Here you would have the supplemental money being used over a period of time.

Mr. ASHLEY. As far as the social services are concerned, we are now primarily being paid by the local community, this would be a contribution of almost every Governor for the duration of the program in the 6 years, is that correct?

Secretary WEAVER. Well, the program would have to be effected in the sense of being substantially completed from the physical side of it within a period of 5 or 6 years. The question of how the services would be financed and for how long, would have to, I am afraid, be handled on a case-by-case basis. There is nothing in the law that would limit the period. Some might go beyond the period which we call the completion of the project. Because this is completion more or less in its physical rather than its social aspects. Obviously, there would be a problem here. It could not go on ad infinitum.

Mr. ASHLEY. Precisely. Under the OEO program we have the same kind of a problem, where services are provided, where funding is on an annual basis, and the cities engaging in the program find it difficult to sustain services that have been initiated. Is there this problem?

Secretary WEAVER. There is this problem. But I don't think it is quite as severe here, because in the first place we are talking about an appropriation over a 5-year period which gives you more than just the annual appropriation problem.

Secondly, I think there is the fact that some of these programs, particularly some of these social programs, if they are successful will have less of a need after the 5-year period. If you are training people, for example, who are not yet employable, over a 5-year period you should get over the bulk of that, and you would not have to continue to spend as much money after 5 years for that as you did during the first 5 years.

Mr. ASHLEY. Doctor, have you had a chance to examine the amendments that several of us have worked out?

Secretary WEAVER. Yes, I have.

Mr. ASHLEY. I wonder if you would care to comment on adding some additional criteria for eligibility. The amendment addresses itself to two additional criteria. First, that the sections of the neighborhood in question be subject to higher priority economic and social pressures, such as population density, crime rate, public welfare participation, delinquency rate, unemployment, educational level, health and disease characteristics, and degree of substandard and dilapidated

housing, and second that there is in effect in such section or neighborhood a workable program such as is currently a requirement for renewal funds?

Secretary WEAVER. Well, as far as the first is concerned, I think that we are in complete agreement as to the objective. The bill requires that there be an impact on slums and blighted areas, and that there be an impact on low-income families. In order to qualify for this program you would have to deal with areas which have high priorities according to the criteria which you have described. The difficulty here I think is this, if you establish a high-priority system it might require the city to select, as between several areas, that one that had the highest index on these criteria rather than meeting them in general.

Mr. ASHLEY. Why don't you want to do that anyway, Doctor?

Secretary WEAVER. Well, I think there is a problem here, sir. It may well be that the first area that you select for this program may not be the worst area. It has got to be a bad area. It has got to have all the criteria that you mentioned——

Mr. ASHLEY. But you have got a year's planning.

Secretary WEAVER. But my point is this, that it may well be that you not only have a question of tearing that area down where it is bad and rehabilitating it where it is not too bad, but you would also have the possibility of getting your first proposal, your demonstration proposal, a successful one. And it may be that the area that will lend itself to the initial success while you are learning and experimenting may not be the worst area. It has got to be a bad area. And I think you should have that flexibility in order to make the program work.

As to the workable program, the workable program concept is a citywide concept. The elements in the workable program cannot be segmented. But in order for any city to qualify for this it would have to be making use of some of the programs, such as low-rent housing or urban renewal which already require a workable program. So this will be accomplished by the existing situation and while I agree with the purpose of the amendment, it is really not necessary.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. Mr. Chairman, Mr. Secretary, both you and the President as well as other top administrative officials concerned with urban affairs have frequently emphasized the essential character of an efficient mass transit system as a part of a healthy metropolitan area. Mr. Secretary, do you expect to retain jurisdiction over your Department's present mass transportation program under the President's proposed Department of Transportation?

Secretary WEAVER. I am afraid I won't make that decision, but I think that decision will be indicated, or at least the line of that decision will be indicated sometime this week when the President's message on transportation comes up to the Congress.

Mrs. DWYER. But could that mean that you lose jurisdiction?

Secretary WEAVER. I think you will have to wait until the message comes up.

Mrs. DWYER. Thank you.

Mr. Secretary, I understand H.R. 12341 carries authorization for two programs over a 6-year period. How much are H.R. 12946 and H.R. 13064 going to cost the Federal taxpayer?

Secretary WEAVER. I cannot give that off the top of my head, but I will supply it for the record.

Mrs. DWYER. Thank you, Mr. Chairman.

(The information referred to follows:)

PROPOSED HOUSING AND URBAN DEVELOPMENT LEGISLATION FOR 1966

Summary of program authorization and budgetary impact

[Dollar amounts in millions]

	Authorizations			Estimated program levels		Estimated new obligational authority		Estimated net budget expenditures	
	Type[1]	Total in bills	Number of years	Fiscal year 1967	Total	Fiscal year 1967	Total	Fiscal year 1967	Total
DEMONSTRATION CITIES ACT OF 1966									
Comprehensive city demonstration programs:									
Grants for planning	AA	([2])	5	$12	$12	$12	$12	$5.0	$12
Supplementary grants for city demonstration projects	AA	([2])	5	-------	2,300	-------	2,300	-------	2,300
URBAN DEVELOPMENT ACT									
Grants to assist planned metropolitan development:									
Supplementary grants for federally assisted projects	AA	([2])	([3])	25	([3])	25	([3])	10.0	([3])
Urban planning assistance	AA	([4])	([3])	4	([3])	4	([3])	2.5	([3])
Loans to land development agencies	BA	([5])	([3])	25	([3])	-------	([3])	10.0	([3])
Urban mass transportation	AA	$95	1	-------	[6] 150	-------	95	-------	95
Demonstration grants for urban information centers	AA	10	([7])	5	([3])	5	([3])	2.0	([3])
HOUSING AND URBAN DEVELOPMENT AMENDMENTS OF 1966									
Applying advances in technology to housing and urban development	AA	([2])	([3])	5	([3])	5	([3])	1.0	([3])
Total	-------	105	-------	([3])	([3])	51	([3])	30.5	([3])

[1] AA—Authorization for appropriations; BA—Borrowing authorization.
[2] These programs would be financed by annual appropriations which are authorized in the proposed legislation without maximum limitation.
[3] Not available. Not specified in legislation, or not estimated beyond indicated program levels.
[4] Urban planning assistance grants in support of this program would be provided from the existing statutory authorization.
[5] This program would be funded from the existing statutory authorization for public facility loans.
[6] The $95,000,000 authorization proposed, together with the $55,000,000 balance of present authorizations, would permit a program level of $150,000,000 in fiscal 1968. Appropriations would be requested in fiscal year 1967 to become available in fiscal year 1968.
[7] The bill would provide authorization of $5,000,000 for each of the first 2 years of the program, after which no maximum limit is provided.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Secretary, let me say that it gives me great pleasure to address you by that title, sir.

Secretary WEAVER. Thank you.

Mr. MOORHEAD. I would like for you to address your attention to the structure of your Department, particularly as it would apply to my area of Pittsburgh. Pittsburgh is located in a county where we have some 128 separate municipal governments, and the Pittsburgh labor market covers 4 counties. Am I correct, sir, that if they city came to your Department with, let's say, an ordinary urban renewal pro-

gram, it would go to the Assistant Secretary for housing and urban assistance, is that correct?

Secretary WEAVER. Well, actually what will happen under the reorganization plan is that we will decentralize to a new degree—and I think somewhat unique degree—the decisionmaking in the Department. And that particular urban renewal project would go to the regional office, where the regional administrator would be authorized under our reorganization plan that was announced last Friday to make a decision as to whether or not this was eligible, and whether or not it would get Federal financing. And unless there were problems of a peculiar nature, and unless there was an interpretation of policy, this decision would be made at the local level, a recommendation from the regional office would be made to Washington, and the announcement of it would be made to Washington. It would not be processed again in the headquarters. This, however, if there were problems which required it being escalated, would come under the Assistant Secretary for Renewal and Housing Assistance.

Mr. MOORHEAD. If our county had a problem that had to be escalated, it would be escalated to the Assistant Secretary for Metropolitan Development, is that correct?

Secretary WEAVER. In most instances, yes. It is awfully hard to make these absolute tight compartments.

Mr. MOORHEAD. But if we came to you with a four-county program, and again it had to be escalated, it would then go to the Assistant Secretary for Demonstrations and Intergovernmental Relations?

Secretary WEAVER. No; it would go to the Assistant Secretary for Metropolitan Development.

Mr. MOORHEAD. Mr. Secretary, on page 21 of your testimony, in describing private enterprise working with public housing authorities, you say that "This results in costs substantially lower than can be achieved when the authorities plan and construct the housing themselves." Why is this?

Secretary WEAVER. Well, it is because of several circumstances. In the first place, the overhead cost becomes greater in a public undertaking. In the second place, all of the restrictions that are placed upon contract awards, competitive bidding, and all of this other type of thing that are involved in a public agency becoming the contractor, become higher. And many of the fees that are charges become greater where the Federal or a local government is concerned. Also, the Federal Government has a great deal more statutory and regulatory inspection and protective devices which are not necessary in a private approach. If a private building meets the specifications, then this is not a problem. If it does not meet the specifications, you don't buy it. If a private company produces the products and does not meet the specifications, it wastes its money and not that of the Federal Government.

Mr. MOORHEAD. Mr. Ashley asked you to comment on one of the four amendments proposed. I wonder if you could care to comment on the other three.

Secretary WEAVER. Surely. I think if you will identify them I will take them.

Mr. MOORHEAD. Let's start with No. 4, the program for research, development, and demonstration of new systems of urban transport.

Secretary WEAVER. We have no objection to the objectives of any of these amendments. We do question sometimes whether or not they would be the best method of achieving a result.

One of the things that has struck me in the mass transit field is the fact that the real problem here is not the great, exciting breakthroughs which are going to come or even a new system which is going to revitalize the way everybody moves, as important as they may be over the long run. But the real problem is, as it is in housing construction, and as it is in urban development, and urban renewal, to get these various new technological components, of which we have a large number, into a system so that will work and get some consumer acceptance of them.

Let me illustrate. We have a demonstration project in California which involves a new type of mass transit system with the Bay Area Rapid Transit Authority. And here the problem was not one of getting a better electric motor, a better type of wheel, a better type of suspension, or a system of automation, but of putting all these together. And the first thing we discovered was that lo and behold, what nobody had contemplated, you had to get a different size of track, a wider one or narrower one, I don't know which.

So putting the components together and trying them out and seeing if they can be integrated is where I think the big need is.

Secondly, assuming that you want to do what is proposed here, which is basic research—and I have no objection to it—then I would say that the 2-year limit as I recall that you have on is too tight. It is going to be a much longer term affair. I think the priorities ought to be in putting it together rather than the great breakthroughs, but I am perfectly willing to have both if we can get them.

Mr. MOORHEAD. Do I understand that you would be willing to accept this proposed amendment, is that correct, sir?

Secretary WEAVER. I would say that we don't have any objection to this proposed amendment as to its purpose and use. If there is a question between this amendment and the type of amendment that would do the system approach, we would say the system approach should have higher priority. We would not want this to knock out the other.

Mr. BARRETT. The time of the gentleman has expired.

I think the Secretary can answer the questions on the other two amendments this afternoon, Mr. Moorhead.

Mr. Stephens?

Mr. STEPHENS. Mr. Secretary, we have with us two acts, the Demonstration Cities Act of 1966 and the Urban Development Act of this year. I don't understand why you want two separate acts. It seems to me that when you talk about new cities and urban renewal that the only difference is whether you are going to call it a Latin name or an English name. I would like to have you explain why you feel it is necessary to put these in two different acts.

Secretary WEAVER. If the question involves the combination of the provisions of these two programs in a single act we would have no objection to that. I think this developed out of the exigencies of the situation rather than for any philosohical consideration.

Mr. STEPHENS. I wanted to be sure that I understood that, because I feel like for several years we have rejected the proposals for demon-

stration cities in the urban renewal program. Now this would come in as a separate kind of activity from urban renewal. However, I hope that the urban renewal programs that are in my district, that are going on in my district, will truthfully meet a demonstration of the work ability and the feasibility, and the desirability of urban renewal. And I think that the Demonstration Cities Act has that same objective.

Secretary WEAVER. I certainly think that it represents an evolutionary step on a higher level of the original concept of the urban renewal approach.

And secondly, of course, the principal ingredient in it as far as the grant-in-aid programs are concerned on which you will compute the supplemental amount is the urban renewal consideration. So it is definitely related. And I would say it is a member of the same family, but a little different type of offspring from the earlier one.

Mr. STEPHENS. I would like to see it put all together in one act, or one amendment to the act. Thank you, Mr. Secretary.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Secretary, in going over this legislation, the summaries, and the varied opinions and interpretations of the press, I am wondering if perhaps we are not getting into another situation that might be likened to the war on poverty or the OEO, where much confusion abounds, and nobody knows really where they are going or how or why.

With all due respect, in going over the summary of the act itself, I feel that there are so many open ends involved that we may end up just as bad if not worse.

Now, in your testimony, Mr. Secretary, on page 14 you mentioned that:

> It is expected that about a dozen metropolitan areas, encompassing several hundred local communities, might become eligible for supplementary grants during the first year. Accordingly, the administration is recommending a first-year program level of $25 million.
>
> With continued encouragement under this program, about 75 metropolitan areas, having an aggregate population of around 60 million, might qualify for supplemental grants by the end of 5 years.

With such labeling it would occur to me that the office of the HUD has a pretty good idea of what communities are going to be involved; isn't that so?

Secretary WEAVER. No; we do not. We have a pretty good idea, knowing the general situation, of what number would be. But this would be from a universe of maybe eight or nine times the actual number that will come up. If we knew the number that would come out I think we would go about it in a different manner. But I don't think we do.

Mr. ST GERMAIN. And you say you are going to provide the names of the communities that have applied—and there are possibly 60 at this point—to the committee? I would appreciate it, Mr. Secretary, when this is done, if you would provide it not just to the committee itself, but to the individual members. I know that it is an unusual request. But we are all keenly interested at this point in these particular questions.

Secretary WEAVER. These 60-some inquiries concerned the demonstration cities grants. The statement on page 14 of the testimony refers to the supplemental incentive grants for metropolitan planning.

That proposal was introduced quite recently and we have had only a few inquiries as to these metropolitan planning incentive grants.

Let me go back to your first point, however. I think—and I am not going to——

Mr. ST GERMAIN. Excuse me, Mr. Secretary. The first part was an observation that will be brought out by questioning as I go along.

Secretary WEAVER. I beg your pardon.

Mr. ST GERMAIN. In the criteria in section 4:

> Provide substantial increase of supply to extant housing, and take care of people in slum and blighted areas, and with a view to reducing educational disadvantages, disease, and enforced idleness.

Not to be facetious, but you know the young damsel from St. Louis, a very charming and hard working individual on this committee, heads the Subcommittee on Consumer Affairs. And I am wondering if perhaps HUD should not ask her to look into the price of bacon, which is up to $1.18 now. That contributes to disease among underprivileged people when they can't afford the necessities of life.

So perhaps, this could be incorporated also, Mr. Secretary, in the aims of the act.

Secretary WEAVER. I will have to decline that suggestion sir. I think that what we would hope to do here would be able to prepare people better to participate in the economic affluence and well-being of society so that they could pay the price of bacon as well as those who are better off. It is somebody else's job to keep the price of bacon low. This is not something that I feel we have any competence in.

Mr. ST GERMAIN. Thank you.

Mr. Secretary, in line with that, under section 4 once again there is a reference to "providing a good access to industrial or other centers of employment." My question is, Is this limited to access roads? In other words, to highways, the building of highways that would allow these people to get to their places of employment, does it contemplate or take in urban transportation that would get these people to their employment, or does it refer to what it considers industrial parks to bring employment into these areas, so that after the 5 or 6 years when some of these people, it is hoped, are going to be helped by the act, will be working on the renewal of these cities, they will then have permanent employment in industry within the area?

Secretary WEAVER. I think it refers to all of them. Obviously as far as the transit is concerned, it is not only a question of streets and highways and parking facilities, but also a matter of mass transit. These are people, some of whom cannot, and some of whom should not have to purchase automobiles in order to get to their employment.

As far as the industrial park side of it is concerned, this would be more indirectly than direct, because we are concerned here with primarily developing residence areas. Now, there may be some small factories and so forth. But one of the things that would be considered in the cities plan that would make the cities plan more feasible would be if the city also had gone along with some activity to provide industrial employment and industrial parks and places for employment. And au courant this would be certainly a factor that would make this a sound and more desirable program and plan than another city that could not do it——

Mr. ST GERMAIN. Keeping au courant, Mr. Secretary, in order for the city to do this, if it is a city that needs money and is in bad shape, and it also needs funds to develop an industrial park to give employment to these people, I am wondering why this was not included as so many other things were in the Demonstration Cities Act.

Secretary WEAVER. The reason for it is dual. In the first place, as I said earlier, we want this to be concerned primarily with housing and with the human elements involved.

Secondly, under the existing urban renewal program the city now has Federal support up to two-thirds for the provision of industrial parks, so that it can do this out of the regular program that can be coordinated into this. There is no lack of assistance for that now.

Mr. ST GERMAIN. But for the most part it is 50 percent, and I also——

Secretary WEAVER. For the economic development program, but up to two-thirds for writing down the cost of blighted land in our urban renewal program. The manner of developing the land and the site for the industrial park could come in as an urban renewal project. Now, the actual development of that would probably come under the economic development program. Let's assume that you had a city developing an industrial park, and it went through urban renewal to get the site, and used our two-thirds grant to write down the cost of the site. It would be two-thirds Federal money and one-third local. On that one-third local, the proportion of it that would result in improvement and employment for the people involved here—they would get 80 percent of that one-third. If the other Federal program, economic development, which deals with the development as contrasted to the making of the land available were involved, and that were a 50-percent grant, with respect to the proportion of the local contribution to that grant which helped these people, they could get an 80-percent grant from this program. So this proposal does cover it. just as it would cover the building of the houses.

Mr. ST GERMAIN. I know my time is up, but I would like to make one observation, because we will be back to the Secretary, I am sure later on, Mr. Chairman.

On two occasions, the Secretary mentioned that we are primarily interested in housing. I make this observation, Mr. Secretary. If you give these people wonderful housing you must also give them jobs to afford to stay in that housing after 5 years.

Secretary WEAVER. I think this program would do it under the very approach you have suggested.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. I would like to defer questioning until this afternoon.

Mr. BARRETT. It seems to be agreeable to the Secretary. I am sure that he will answer your questions.

Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

Mr. Secretary, in commenting to Mr. Ashley and Mr. Moorhead on the four amendments which were put to you, and particularly on the amendment to require the development of an expedited program for new systems of urban transport, when you indicated you approved of that, I thought your approval was a little hesitant, and that you

implied that that was not a good way to do it. The two things which you mentioned I think could be cleared up if you could read with me the proposed amendment. You said (1) you thought that 2 years was not enough to develop such a program. And secondly, that you thought that the approach ought to be through new systems rather than just through individual technology. Now, if you will read the amendment with me, I think you will agree that we have in mind precisely what you do—the amendment will direct the Department to prepare a program for research and development and demonstration of new systems of coordinating urban transport. And then it says the program should "aim at a breakthrough within 5 years of its approval by the Congress," and it "concerns itself with the technical, financial, economic, governmental, and social aspects of the problem. In this connection, experts from such universities as Massachusetts Institute of Technology, and such aerospace companies as North American Aviation, have recently testified that a program of this sort has an excellent chance of bringing about the required breakthrough. The proposed program would 'provide national leadership to efforts of States, localities, private industry, universities, and foundations.' "

Now, I call your attention to the fact that we are talking about 5 years rather than 2, and that we are talking about not just isolated technology, but whole new systems, for communities of different sizes. Doesn't this convert you into an enthusiastic adherent of the Ashley-Moorhead-Reuss amendment?

Secretary WEAVER. Let me say that it removes some of my hesitancy. I think there are two problems involved here. The first one is, of course, to reconcile this amendment to what we already have under the mass transit law. And the second goes back to the fact that we will soon have a message up to the Hill on a Department of Transportation. I think it would be premature for me to make any comment on anything to do with mass transportation until the position of the administration on the whole subject has been set forth.

Mr. REUSS. As of today, you are in mass transport. And the question is, are you content in going along buying communities a new bus here and a new subway car or subway station there? Or don't you think, as representatives of the aerospace industry do, as representatives of our great universities like Massachusetts Institute of Technology do, that what is really needed in our problem of urban transport is an approach like that of the Manhattan project on atomic energy, like that of the Boston and Washington high-speed railway, like that of the space program to put a man on the moon, whereby the Federal Government acts as a coordinating influence on the whole society, with all its public and private aspects?

Secretary WEAVER. I think our differences come down to this, that I feel that there has been a great deal of overemphasis on what I call the hardware approach, on the notion that you are going to get some technological breakthrough, and get people riding on air and have them riding in a new type of thing—monorail, for example, is often mentioned—or have them riding in a tube underneath the ground, pneumatic tube, and so forth. I think that while this is a part of the picture, the economics of it, the consumer habit part of it, and all of these other factors are equally important. I would hate to see—and I

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don't see that your bill necessarily does this—but I would hate to see this emphasis made.

Mr. REUSS. May I call attention to the fact that the technological, of course, was merely one of five aspects which are listed as technological, financial, economic, governmental and social? Does not a reading of that reduce the swelling a bit as far as your Department is concerned?

Secretary WEAVER. A bit.

Mr. REUSS. Thank you.

Mr. BARRETT. Thank you, Dr. Weaver. The committee will stand in recess until 2 o'clock.

(Whereupon, at 12 noon, the subcommittee recessed to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

Present: Representatives Barrett (presiding), Mrs. Sullivan, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Reuss, Widnall, Fino, and Mrs. Dwyer.

Mr. BARRETT. The committee will come to order.

This morning we operated on a 5-minute rule. We hope to give the members an opportunity to ask questions for a longer period this afternoon. And therefore we are going to operate under the 10-minute rule.

Mr. Secretary, as I understand, the funds for actual planning under the metropolitan planning program, they will come from the existing section 701 program. Under that law most areas get only a two-thirds grant, while the depressed areas can get up to three-fourths. This bill would authorize higher ratio grants under another program as an inducement to planning. But frankly I am surprised to see that there is no increase in the planning grant ratio. Wouldn't you consider it logical to increase the ratio of planning grants to the same 80-percent ratio as you propose for the demonstration cities——

STATEMENT OF ROBERT C. WEAVER, SECRETARY OF HOUSING AND URBAN DEVELOPMENT—Resumed

Secretary WEAVER. Mr. Chairman, we have had, as you know, a period of some years of experience with the 701 planning grant. To date we have not found that the present ratio has created any difficulty to the participating local units of government, nor has it been a deterrent to this type of planning. We didn't increase it because we didn't think it was necessary, and we didn't want to have a higher ratio than was necessary, since this would probably represent an undue Federal participation.

I would say that if there is any evidence that an increase is needed we certainly will reflect that in our legislative proposal. But to date this hasn't occurred. We haven't had difficulty here.

I think the difference between these two programs is that the demonstration cities program involves activities which the cities would like to do but just do not have the financial resources to carry out. This is well documented by their own condition and by the condition that is reflected in the amount of taxes that they can collect, and their expenditures.

We haven't run into a similar situation in the 701 program, and I don't believe we will. But we will certainly be cognizant of this issue. And if it does arise, we will make recommendations to correct whatever deficiencies may be there.

Mr. BARRETT. Thank you, sir.

I see that the metropolitan planning proposal speaks of metropolitan areas as defined by the Bureau of the Census, but gives you power to change that definition. In my own area of Philadelphia, the metropolitan area is defined as including three counties across the river in the State of New Jersey. Would you expect that we would have to get the cooperation of the authorities in another State before Pennsylvania communities could qualify for additional grants contemplated by your metropolitan planning proposal? Is it true that you could divide the area and consider them separately?

Secretary WEAVER. Well, as you know, Mr. Chairman, we have had some experience with that in our planning and our programing for mass transportation, and in some degree open spaces also. I do not believe that it would be possible to get a metropolitan approach in certain activities which would involve the area in which Philadelphia is the center without, for example, involving Camden, which is so closely allied to Philadelphia both physically and otherwise. I would doubt as a general rule that it would be possible to get a metropolitan area-wide approach for Philadelphia which would not include certain parts of Jersey.

We run into the same problem, for example, though of a more complex nature, when in New York City. There you have not only New Jersey but also Connecticut. I think the whole concept of a metropolitanwide approach falls down if you don't involve with those other two States.

In Congresswoman Sullivan's area of St. Louis you have not only the State of Missouri but the State of Illinois as well which is also involved.

I think our problem here is to get the type of interstate compacts that we have been doing. We would feel that we should assist the localities in getting those agreements and encouraging them in every way possible to make this occur.

Mr. BARRETT. Mr. Widnall.

Mr. WIDNALL. Thank you, Mr. Chairman.

Dr. Weaver, the rent certificate program, which was section 103 of last year's bill, and which I first proposed in 1964, has gone into action, and I believe there have been some good reports on it. It seems to have stirred up considerable interest. Could you tell me how many rent certificate applications have been approved to date, since you issued the form for that purpose in late October?

Mr. BARRETT. Mrs. McGuire would have to answer that.

Mrs. MCGUIRE. I have no figures. We have had applications from 16 communities, formal applications for a total of 3,405 units, and many more inquiries.

Mr. WIDNALL. Of that number how many are waiting approval at this time?

Mrs. MCGUIRE. We have approved six, and the balance are awaiting approval, although some are in the central office and are clearing it now. We have executed annual contributions contracts on three. Only 3 with 75 units have actually been leased and occupied.

Mr. WIDNALL. How long a period does it take for you to approve those units? What are you finding your experience to be?

Mrs. MCGUIRE. It is much quicker than the normal public housing. But we do have to be very careful about the supply of available units and the economic situation in the community with respect to public housing.

Mr. WIDNALL. The 3,405 figure represents all that are now pending?

Mrs. MCGUIRE. All for which we have actual applications. We have many cities which have indicated active interest and many cities which are preparing these leasing programs.

Mr. WIDNALL. Would any applications be pending that you do not have at the present time?

Mrs. MCGUIRE. No; I think we show only those from the regional offices that may be in the central office now.

Mr. WIDNALL. What do you estimate could be used this year?

Mrs. MCGUIRE. We have budgeted only 3,000, but you can see we already have exceeded that. And I expect the popularity of the program is such that it would be at least 6,000 before the end of this fiscal year.

Mr. WIDNALL. As I understand it from the new proposals, on page 21 of Dr. Weaver's testimony it says:

> The leasing provision is particularly helpful in providing housing for large displaced families, many of which have been on the waiting list for public housing for many years. Local housing authorities cannot assure what will happen to these families when the short-term leases end. Authority to enter into leases with longer terms would prevent further insecurity, and in some cases the actual hardship of any additional displacement for these families.

Now, the proposal as I understand it would make possible 40-year leases in a rent certificate program.

Secretary WEAVER. No; we are not asking for that. We realize that the genius of this proposal is that it is a relatively short-term arrangement. But we feel that 3 years is too short a term, particularly for these people who have been displaced and for whom we have a moral responsibility to give some assurance that they would be adequately housed over a reasonable period. We were thinking in terms of a 10-year period rather than a 20- or 30- or 40-year period.

Mr. WIDNALL. Of course, this is spelled out in the open-end authorization as presently set up in the bill.

Secretary WEAVER. Well, we would be perfectly willing to nail it down to a reasonable period, say, a period of 10 years.

Mr. WIDNALL. Don't you think it would be better to get some reasonable experience out of this before we launch a program?

One of the things I had in mind in offering this program was that we would have an opportunity to experiment with it to see what the results were without freezing into a permanent mold. It differs from rent supplements in that you have a 40-year freeze in on rent supplements. Once you have signed your contracts for rent supplements you have no ability to change during the 40-year period. I thought that the rent certificate idea was something very worthwhile in the overall program. You could use available units which would put people into decent, safe, and sanitary housing much faster than the rent supplement program. Don't you think that it is wise to test

something along this line, before we talk about increasing the lease lengths any further?

Secretary WEAVER. We would like to do a little bit of both, Congressman. We would like to have the 3 years, as you originally proposed, as the general regulation for the program. But in those instances where we have families which are displaced, and where the matter of security is tremendously important, where they have had to pay the cost for improvements that help the whole city and may not help them, we feel that some degree of longer tenure for them would be desirable. We are asking for this extension for this category only. It would not affect the total program, only those units where those displaced by public action are involved.

Mrs. MCGUIRE. May I add, Dr. Weaver, that this proposal, part of this has come from actual experience with housing authorities who have long waiting lists for large families and who are also faced with the relocation of families by public action. It is also based on the reactions of many authorities who don't want to be faced with a landlord finishing the lease in a 3-year period with relation to large displaced families.

Mr. WIDNALL. I appreciate the fact that you are really just started on this program, that it is being tested. I hope it proves itself in action.

Mr. Secretary, as first proposed by the President last year, I discovered in your statement before the committee during hearings held in 1965 that the rent supplement program was for people above the eligibility level in their respective communities; is that not right?

Secretary WEAVER. You mean the eligibility level for public housing?

Mr. WIDNALL. That is right.

Secretary WEAVER. Yes.

Mr. WIDNALL. And the Congress said, reduce this eligibility level for those who would have a rent supplement to the public housing level. Since that time you have issued revised administrative requirements with regard to rent supplements. As I understand the eligibility income requirements correctly, they are now the same as those of public housing with the exception of New York City, where rent supplement payments can only be made for tenants if their income is higher than that of public housing; is that not correct?

Secretary WEAVER. Well, yes and no. Let me say that we have not issued any regulations. We have set forth the rules of the game, which will be the basis for the regulations when they are issued. We will not issue regulations until after the program is funded.

We have proposed that the maximum income at time of admission for the rent supplement program cannot exceed those for public housing. In the case of New York City, because of the relatively high cost in that city, we have a cutoff point at a three-bedroom unit, whereas public housing goes up to a five- or six-bedroom unit. That is why the cutoff point for public housing is higher in New York City than would be true for rent supplements. We have not modified the public housing limits. But we have made a realistic adjustment to the cost factor which is involved in New York City.

Mr. WIDNALL. The public housing eligibility requirement for a family of five in New York City stands now at a maximum of $7,476, to

which can be added up to $2,400 in deductions for a total possibility of $9,896 maximum allowance for a normal family of five. The rent supplement income limit for a family of five in New York City is $6,100, according to our latest advisory. This is a differential of almost $3,100. The present bill would allow a deduction within the operation of the rent supplement program when we get it going.

Secretary WEAVER. Let me try to interpret these figures. In the public housing program in many cities there are separate income limitations for ordinary families that would enter, and for those families which have been displaced by urban renewal and by highways and by other public improvements. I think the figures that you have read belong to the latter category, and I do not make any such distinction in the rent supplement program.

As far as the maximum income at the time of entrance is concerned, we are taking, as the law requires, the gross income. This is written in the rent supplement law at the present time.

So the answer to your latter question would be "No," because of the statute.

Mr. WIDNALL. Thank you.

Mr. BARRETT. The time of the gentleman has expired.

I will deviate a little bit from my usual rules to recognize Mr. Gonzalez. He was very kind this morning in passing his time and giving me an opportunity to give the other members a chance to ask some questions.

So at this time I will recognize Mr. Gonzalez. And then we will come back to our usual routine.

Mr. GONZALEZ. Thank you very much, Mr. Chairman.

First, may I say that I sincerely believe that congratulations should be the first thing in order here for this team of expert witnesses, and personally to Dr. Weaver and the Under Secretary, Dr. Wood, and the Assistant Associate Secretaries, because I feel that this is a real beginning, a real challenge.

Also I would like to bring to the attention of my colleagues on the subcommittee and others this magnificent frontispiece from Time magazine with Dr. Weaver's very nice upward, forward-looking aspect. And I would like to say also that the response so far as the grassroots are concerned seems to be or represents itself to be tremendous.

This last Saturday on a less than 24-hour notice we had a meeting in which we had a complete cross section representatition of most every political subdivision and agency representation that would be effective in a metropolitan area that comprises about 775,000 people. This morning, as the result of this meeting Saturday, the city council of the city of San Antonio passed a resolution whereby the city of San Antonio indicates its desire to participate as soon as it is feasible. There is intense interest as to whether it does or doesn't become one of the fortunate cities, and whether or not this particular legislation is enacted in the way it is formulated.

In other words, in my opinion, as a Representative of this entire area, may I say that this has caught the imaginative feeling, the spirit and the desire to work as a partnership with the Federal Government.

Now, with respect to questions, I feel that there is one thing that I would like to ask you, Dr. Weaver, to perhaps expand on a little bit.

In the bill and in your discussion you referred to this, once a demonstration area has been ascertained, the naming of a coordinator. Could you expand a little bit on the definition of the area? What will this represent? Will it be one city coming forth with an approved man, or a combination of cities, or a region? Would you mind expanding a little bit on that?

Secretary WEAVER. Before I answer your question, sir, I would like to thank you for your kind introductory remarks.

The cities demonstration program will operate on the unit of the city. Each city which participates or wants to participate will develop a proposal. And that proposal will be reviewed. On the basis of that proposal it may then qualify for a planning grant. The city will then develop its own program to participate in this particular activity. That program may cover a complete neighborhood, it may be several sections of a city. It will have to involve, of course, those areas which contain a significant part of the slum and blighted portions of the city. On the basis of its proposal the city will then come into the program, and it will follow that proposal except for such modifications as experience may demonstrate.

And the supplementary money, which will be provided, which is 80 percent of the non-Federal share of the Federal grants-in-aid, will be available to that city to spend on anything that is included in that demonstration program.

Mr. GONZALEZ. What about the designation of the coordinator, though? What will trigger that off?

Secretary WEAVER. The coordinator will be designated at such time as the plan is accepted and the city becomes a demonstration city.

Mr. GONZALEZ. Suppose subsequent to that in the area that could be considered metropolitan urban, but geographically not far removed—in Texas, of course, 190 miles isn't far, but 190 miles is the distance that separates San Antonio from Houston, the No. 1 city—how many coordinators would then be called for if subsequent to the establishment and recognition of one area you had another one? This is what I was thinking of.

Secretary WEAVER. Each demonstration city that qualifies will have a Federal coordinator.

Mr. GONZALEZ. As to participation of the people affected in the areas, perhaps there we might profit from the experience with the OEO. As I think you are aware, the biggest problem has arisen from the local standpoint in your community action, in that particular part that calls for community action development. And there the definitions of what constitutes maximum feasibility participation by the persons affected has really been a big issue locally. And I was just wondering if some looking into has been done with respect to the OEO sector in this respect.

Secretary WEAVER. I don't like comparisons. But I will say that one of the great advantages, I think, of this approach, involving as it does less than 100 cities and a hundred plans, will be that we don't have to be doctrinaire. It may well be that in one city citizen participation will take on one form, and in another city it will take on another form. We want experimentation, we want diversification. We also want results. And if in one city, because of its peculiar nature, and because of its peculiar institutions, and even because of its peculiar

composition, one type of citizen participation will operate, this doesn't mean that that would be foisted on another city or that the other city will elect to do this. The city will decide this. And we will then sit down with the city and talk it over and see whether or not the objectives that we mutually have in mind will be accomplished. If they will, then that will be the form of citizen participation. And my guess will be that we will have quite a few variations in the way the citizen participation is set up.

Mr. GONZALEZ. Of course, I could see that in your case here you will have one advantage, because your demonstration agency will be based on a very representative, responsive and responsible type of organizational unit, whereas in OEO in these community action setups you could have a variety of types of organizations setting themselves forth as the local community action groups. In this case, of course, as to their composition and selection, these are issues I won't have.

And one more thing—and this is of concern of course to me personally, because I might make a public confession here. I worked for public housing in San Antonio way back, in fact my boss was Mrs. McGuire, and I don't want her to get mad at me, or vice versa. Let me say that it was a most educational and rewarding experience, because it gave me a chance to see all of the processes for acquiring land and title to land for the relocation of families. And I might say that we relocated over 450 families without one single eviction order. And I saw flourish in otherwise pretty bad environment some pretty good standard housing for families which for all the period of their family existence had not had a chance to occupy.

I am worried, frankly, about public housing.

Doctor, what I would like to hear from you is, is this new type of programing—this new type of programing will not mean a downplaying or anything to the detriment of public housing?

Secretary WEAVER. This program envisions the utilization of public housing to the maximum degree. It also envisions the utilization of the rent supplement program. And it is based—as is our whole approach to the housing of low-income families—on the thesis that the need is so great that we can utilize public housing, rent supplements, and other approaches that may be developed, and still not meet the total need. This is not a question of public housing versus rent supplement, but a question of utilization of both with the mix which the locality desires to establish.

Mr. GONZALEZ. So in reality you don't visualize any deterioration in the public housing approach or activities as a result of the development of this city's demonstration?

Secretary WEAVER. I would say that within the last few years, particularly since the housing and urban development bill of 1965, we have revitalized public housing by making it more flexible and by giving it new approaches, using the same basic tools which the original legislation provided. We intend to continue to do this.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Fino?

Mr. FINO. Mr. Secretary there is no question in my mind but that the basic purposes of this legislation are beneficial. But there are two features or two things in this bill that disturb me. One is that I don't think that the bill provides for sufficient safeguards for local

government, because I am very much disturbed with the creation of this commissar or czar or coordinator that you mentioned in the bill.

And the other part of the bill which disturbs me is the provision that gives the Secretary of Housing and Urban Development a policy to deny assistance under this program if he determines that there is no provision for economic integration.

Now, this morning I made reference to language in the bill requiring cities to have plans for social renovation as a qualification for Federal aid. And up to that time I didn't know exactly on what page it was. But on page 3 of your bill, or the committee bill, or the administration bill, it says under "Comprehensive city demonstration programs":

A comprehensive city demonstration program is eligible for assistance under sections 6, 8, and 9, only if the Secretary determines that the program is of sufficient magnitude in both physical and social dimensions.

Wouldn't you say that that is the provision that would give you the power to determine that this type of program would not go ahead unless there was provision for economic integration?

Secretary WEAVER. I only can reiterate what I said earlier as far as your first point is concerned. This is not a commissar. He will not be a commissar. There is no way he can become a commissar.

Mr. FINO. At that point may I interrupt you? If you say there is no question about the position that this coordinator will occupy, then you have objection to using the language that I have in my bill, which is substantially the same except with reference to the definition in the use of "information officer" instead of "coordinator"?

Secretary WEAVER. Yes; I do. I think that the idea, as I said earlier this morning, of information is quite different from the idea of assisting in the operation and in expediting. An information officer by common usage is a person to whom you go to get facts and to get information. The man we have in mind, the office we have in mind, requires a person who is not only knowledgeable but can also be effective in assisting the local government in carrying out this program. So I think there is a very great difference here.

Now, as far as the safeguards to the local governments are concerned, these are built in by the very nature of the program. The program is developed by the locality, determined by the locality. It is the locality's program.

I think that the safeguard for the local government lies in the ability of local government and in the fact that the local government, I think, will guard very jealously its right to determine what this program is going to be. Not only will the locality want to determine its program, but the law so specifies.

Mr. FINO. Let me ask you in that connection——

Mr. BARRETT. Would the gentleman yield?

Mr. FINO. Yes, sir.

Mr. BARRETT. Dr. Weaver, many people seem to be afraid of this word "Federal." I wonder if we called him a "Local Coordinator" would this change be agreeable to you?

Secretary WEAVER. I certainly don't have any, and the administration has no definite commitment to the terminology which appears in the bill. I might say that the local coordinator, however, might then be attacked as a man who is coordinating the local activities. So we

may be swapping one difficulty for another. But I am perfectly open-minded about what the title may be, recognizing the difficulty in the title.

Mr. FINO. With respect to the power of the Federal coordinator, supposing you were to determine that the particular city was not complying with certain substantive elements of the city's plan for a comprehensive demonstration program, what action would be taken to force the city to make them comply?

Secretary WEAVER. The same action is taken in every Federal program that now exists. There is a contractual relation between the Federal Government and the local government. This specifies what is going to be done. It specifies the conditions that are mutually agreed upon, and both parties to the contract are expected to fulfill the contract. We would of course attempt to negotiate the differences and to come to an amicable settlement. The Federal coordinator would not be the only one involved. It might even get to my desk.

But this is nothing new. There is nothing involved in the existence of the Federal coordinator that makes one iota of difference in this relationship. There are always conditions when Federal money is expended. It is to be expended for the purpose for which it was either appropriated on the one hand, or for which the contract on the basis of its assignment was made on the other.

Mr. FINO. But doesn't the coordinator have all of the powers that you have delegated to him?

Secretary WEAVER. Yes. But so does everyone in the regional offices, and so does everyone in Washington. And so does every Federal agent or every Federal employee who is involved. They all have only those powers that are delegated to them. There is nothing new in this relationship as to this particular official.

Mr. FINO. So with you as the Secretary of the Department could delegate authority to the coordinator to stop or slow down the flow of Federal funds into that community, is that right?

Secretary WEAVER. No. I would think that whether or not these funds are to be slowed down would be a power that would not be delegated to the coordinator. If it were delegated it would be delegated no further than to the Secretaries, the Under Secretaries, or the Regional Administrator.

Mr. FINO. So you have no fear that this coordinator would be a czar or a commissar?

Secretary WEAVER. Not only do I not have that fear, but I don't think the mayors have it either.

Mr. FINO. Haven't some of the mayors expressed some apprehension about this?

Secretary WEAVER. They did until they found out what is involved. And then those mayors that we discussed this with seemed to be perfectly satisfied with the explanation. And many of them have so publicly stated, I might add.

Mr. FINO. Can we get back to this second part?

Secretary WEAVER. All right.

As far as the social and physical aspects of the programs being combined is concerned, I think there is no question in those people's minds that the only way we are going to come to grips with the prob-

lem of our slums and blighted areas is to coordinate the social, economic, and physical activities. We cannot talk about simply providing Federal housing aids. We must provide better opportunities for people to participate in society—prepare them, as Congressman St Germain mentioned this morning, to be able to earn better livings, give them better education, make them feel a part of the mainstream of society. I think the outbursts of last summer were graphic, and very, very unfortunate evidence of this fact.

It is with that in mind that we are attempting this accommodation, and saying this is a necessity.

Now, as far as economic diversification is concerned, one of the approaches that is involved here is to minimize the permanent dislocation of individuals, the breaking up of neighborhoods. There are neighborhoods in this country, many of them which may have some slums in them, and many of them which may be primarily slums, that are not made up of a single economic class. If these neighborhoods are to be preserved they must have the same diversity and maybe more than they had before.

This is the essence of the approach.

Mr. BARRETT. The time of the gentleman has expired.

Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Secretary, of course, you know I am from Missouri, and I have to be shown. I believe in most of the proposals you have made. But I am going to ask if there isn't some way—and I wouldn't expect you to give it to me now in just a few quick words—but could you personally send to us or have one of your deputies come to the committee during this hearing with a written example of how a number of these aids might be meshed together in one city or in one area?

Secretary WEAVER. We have that already prepared. And we will be happy to put that in the record.

But I think it would be much more meaningful to be read and to be heard. And I would be delighted to do it.

Mrs. SULLIVAN. I think it should be; it would be more complete. So if you can do that it would be appreciated.

Mr. BARRETT. Do you desire to put that in the record?

Secretary WEAVER. We would be happy to put it in.

Mr. BARRETT. It may appear in the record without objection.

(The information requested follows:)

HYPOTHETICAL CITY DEMONSTRATION PROGRAM

1. Nature of demonstration program

Section 4(a) of the proposed legislation describes a comprehensive city demonstration program as a locally prepared and scheduled program for rebuilding or restoring entire sections and neighborhoods of slum and blighted areas through the concentrated and coordinated use of all available Federal aids and local private and governmental resources, including citywide aids and resources necessary to improve the general welfare of the people living or working in the areas.

As will be noted, the demonstration program is intended to mobilize all public and private resources in a concentrated and coordinated manner, such as is inherent in a scheduled program, to improve the general welfare of the people living or working in the demonstration area. The public resources include those of the Federal, State, and local governments. The participating private resources include businesses, industries, and building operations within the area or the city in which the area is located, as well as the eleemosynary institutions,

churches, and other private groups (nonprofit or profit) that seek to relieve the distress of the poor. Private resources will also include business enterprises that help rehabilitate or restore sections of the city and thereby create job opportunities.

Federal Government assistance comprises two types: (1) The complete array of all available categorical grants in the fields of housing, renewal, transportation, health, education, welfare, economic opportunity, and related programs; and (2) supplemental grants (available pursuant to section 6 of the proposed legislation) that may be used to finance any activity, project, or special program that is included within the comprehensive city demonstration program as approved. The supplemental grants may be used for activities that are completely unrelated to any existing categorical Federal grant-in-aid program, or they may be used to pay all or part of the non-Federal contribution required under a Federal grant-in-aid program.

Set forth below is a hypothetical city demonstration program for a city with a population of somewhere between 500,000 and 1 million persons. The figures used in the illustration do not relate to any particular city but, instead, are indicative of activity levels found in various cities on the basis of available information. The demonstration program, in effect, is an array of intended expenditures. These expenditures are broken down into three major components: (1) federally assisted activities; (2) municipal and State public expenditures (unrelated to Federal assistance programs); and (3) expenditures by the private sector of the economy.

Federally assisted activities that are part of a demonstration program can be classified into three groups: (*a*) capital improvements (such as public works or housing) within the demonstration area; (*b*) public and social services for residents within the demonstration area; and (*c*) other capital improvements in other parts of the city that are demonstration-program connected in the sense that there is a flow of benefits from such capital improvement projects to those residing in the demonstration area; for the latter only a prorated share of such capital improvement expenditures are counted as part of the demonstration program.

In the example shown below, the annual outlays for the hypothetical city demonstration program are $81.5 million, or $407.5 million over the 5-year period. Of the $81.5 million per year, 52.5 million reflect total expenditures (Federal, State, and local) under federally assisted activities, $16.6 million reflect municipal and State public expenditures (unrelated to Federal assistance programs), and $12.4 million reflect expenditures for private housing construction and rehabilitation, private nonresidential construction, and outlays by private nonprofit organizations.

The $81.5 million for the annual expenditures is obtained from the Federal and local shares of regular grant-in-aid programs, from State, local, and private activity support and from the supplementary grant funds authorized by section 6(c) of the bill.

2. Derivation of special grant entitlement

Section 6(c) of the proposed legislation prescribes that the supplementary grants for the comprehensive city demonstration program may not exceed 80 percent of the aggregate amount of non-Federal contributions otherwise required to be made to all projects or activities assisted by Federal grant-in-aid programs, which are undertaken in connection with the demonstration program. For the purpose of the illustration, three types of non-Federal contributions are shown: (*a*) non-Federal shares for federally aided capital improvement projects, such as urban renewal, public housing, hospitals, neighborhood centers, parks, and libraries, located within the demonstration area, which are fully counted in the special grant entitlement calculation; (*b*) non-Federal shares of federally aided public and social services, estimated on a per family basis, multiplied by the 24,000 families assumed to be living in the demonstration area (such services include the program activities of the Office of Economic Opportunity, child and elderly welfare and health services, vocational rehabilitation and manpower training); and (*c*) non-Federal shares for federally aided capital improvement projects located in other parts of the city that are undertaken in connection with the demonstration program, which are counted on a pro rata basis reflecting the population of the demonstration area in relation to the city's total population (assumed to be 10 percent), adjusted in some instances where the incidences

of project benefits are likely to be higher for the residents of the demonstration area.

Section 6(d) of the proposed legislation provides that if the supplementary grants made available by the legislation are used for projects or activities assisted under a Federal grant-in-aid program which are undertaken as part of such demonstration program, the special grants "shall be credited as part or all of the required non-Federal contribution to such projects or activities." In the case of the public and social services in the demonstration area, $3.6 million of the $9.9 million shown in the summary table under B represent special grants that would augment local funds to finance the non-Federal contributions required under the categorical Federal grant-in-aid programs.

As shown under B of the summary table, the non-Federal shares under the various Federal grant-in-aid programs that are part of the model city demonstration program are calculated at $19.6 million, and 80 percent of this figure results in a supplementary grant entitlement of almost $15.7 million on an annual basis, or about $78 million over a 5-year period.

3. Urban rehabilitation

For a city with a population of between 500,000 and 1 million, it is estimated that between 8,000 and 16,000 dwelling units will need rehabilitation assistance via writedowns of property at an average net cost of $5,000 per unit. This will involve outlays of $40 to $80 million over a 5-year period, or $8 to $16 million per year. This would be financed in large part through urban renewal funds for projects in the demonstration area, but also in part through the supplementary 80 percent grant funds.

4. Other uses of supplementary grants

Part of the remaining supplementary grant funds, it is assumed, would be allocated to various public works projects which could not be accommodated under existing Federal assistance programs because of the limitations on program funds, the low priority for these projects in the respective State plans, or because the intended purpose is not eligible for Federal assistance under the existing programs. These funds would be spent on such public works as (*a*) school facilities for low-income families; (*b*) health clinics and other outpatient facilities; and (*c*) various recreational facilities such as children's playgrounds.

Of the remaining supplementary grant funds, it is assumed that they would be used in part to increase the city's participation in Federal grant-in-aid programs, such as the Economic Opportunity Act; to reduce caseloads in categorical welfare assistance programs; to increase training under the Manpower Development and Training Act, Vocational Rehabilitation Act and Vocational Education Act; and to increase participation in various health, education, and welfare programs.

The balance of the supplementary grant funds would be used for new or supplemental municipal services within the demonstration area, such as increased refuse and rodent control, street repair and lighting, police protection, zoning administration, recreation services and in increased staff of courts, corrections, and parole. They would also be used for new types of activities, such as establishment of programs to combat chronic alcoholism and narcotics; to provide citizens consumer advice; a program of job transportation assistance; and community relations services.

SUMMARY TABLE

Hypothetical city demonstration program for a city with a population of over 500,000

[Dollars in millions]

	1-year program	5-year program
A. Expenditure program component:		
1. Federally assisted activities:		
(a) Capital improvements—Demonstration area	$23.7	$118.5
(b) Public and social services—Demonstration area	22.9	114.5
(c) Other capital improvements—Demonstration program connected [1]	5.9	29.5
Subtotal	52.5	262.5
2. Municipal and State public expenditures (unrelated to Federal assistance programs): [1]		
(a) Existing municipal expenditures [1]	8.0	40.0
(b) New and supplemental municipal service	7.6	38.0
(c) State expenditures (within city) [1]	1.0	5.0
Subtotal	16.6	83.0
3. Private sector:		
(a) Private nonprofit organizations [1]	3.4	17.0
(b) Private housing construction and rehabilitation [1]	5.0	25.0
(c) Private nonresidential construction and rehabilitation [1]	4.0	20.0
Subtotal	12.4	62.0
4. Totals	81.5	407.5
B. Derivation of suppemental grant entitlement (non-Federal share):		
Capital improvements in demonstration area	7.7	----
Other capital improvements—Demonstration program connected	2.0	----
Public and social services in demonstration area	9.9	----
Total	19.6	----
80 percent of total	15.7	----
C. Use of supplemental grants (in demonstration area):		
1. Urban rehabilitation and capital improvements	4.5	----
2. Payment of portion of non-Federal share under categorical Federal grant-in-aid programs for public and social services	3.6	----
3. New and supplemental municipal services	7.6	----
Subtotal	15.7	----
D. Federal share under categorical aid programs	18.4	----
E. Total Federal expenditures	34.1	----

[1] Figures prorated to demonstration area.

NOTE.—Sum of figures may not equal total shown due to rounding.

Mrs. SULLIVAN. You say on page 8 of your statement:

The Federal assistance authorized by the demonstration cities bill will be provided to a city demonstration agency. This may be the city or any local public agency established or designated by the local governing body to administ- for the comprehensive city demonstration program.

Could this new program possibly come under the existing housing authority that is already set up?

Secretary WEAVER. It could. I think the difficulty is that this will involve not only urban renewal and public housing—which in St. Louis is under one administrator—but also the school system, the board, which always has a sort of peculiar relationship, the welfare people, and the people who are in the OEO program. And you have such a diversification—it certainly would involve the planning board, and it would involve any group that is responsible for the planning and operation of mass transit. It has been our experience that very

often when you get—if I may make a figure of speech—administrative siblings coordinating for other siblings, you get into difficulty.

Here again we want to have diversification and flexibility. In one city you may have a strong individual that can do this, or you may have such a peculiar type of administrative machinery that this could be done. There is nothing in the law that prevents it. My guess is that it would be a rarity rather than the rule.

Mrs. SULLIVAN. It should be, then, a new agency setup with possibly some of these people in the agencies that are now in existence representing it?

Secretary WEAVER. I wouldn't say that it should be, Mrs. Congresswoman. But I would say that it probably will be.

But this again would be up to the local government to determine, realizing the type of system that you have in the local government. In the cities that I have been operating in on the local level it would be necessary, from my knowledge of them, to have a special individual, although this individual might also have the responsibility for carrying out urban renewal and public housing, and a few other programs.

Mrs. SULLIVAN. Does your agency have any guidelines as to what type of agency should be set up? In other words, what type of people might be better qualified to serve?

Secretary WEAVER. No, our approach has been to set out the results we expect to get from the agency. It is a performance standard rather than the technical or the structural criteria that we are concerned with.

Mrs. SULLIVAN. Following up what Mr. Barrett mentioned before, since the whole emphasis seems to be on development grants, would it not be more appropriate to rename the second administration bill, H.R. 12946, the "Metropolitan Development Act" instead of the "Urban Development Act"?

Secretary WEAVER. I think that this might be more descriptive. But again this gets into the semantics of the thing. What we are trying to do is get the word "urban" to be synonymous with "metropolitan," and to invlove not only the central city, but also the satellite communities around it, and the urbanized areas beyond. But I don't think any particular violence would be done to our concept by that.

Maybe Secretary Haar would like to speak to that. That is his particular area of interest, and he hasn't said anything so far anyhow.

Mr. HAAR. We see no objection to renaming it that way. There are other sections that dealt with the city programs as well. And so we used the word "urban" in the broad sense which the Secretary has described. But I think calling it the Metropolitan Act would be all right too.

Secretary WEAVER. I might note that the Assistant Secretary under whom this will fall has "metropolitan" in his title. So we are using both terms.

Mrs. SULLIVAN. I think we are getting to the point where we can recognize that there is a difference between what we normally term "urban area," which is a city, and the metropolitan area, which takes in many suburbs, cities, and even including a little of the rural area.

Secretary WEAVER. This is exactly what we mean.

Mrs. SULLIVAN. Thank you. That is all for now, Mr. Chairman.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. Mr. Secretary, how many different programs will be included for coordination in the demonstration cities program?

Secretary WEAVER. This will vary from city to city. We have a laundry list of the major ones which we would be very happly to put in the record. This will not be complete, because each city program will vary from the other city programs. I am sure that there will be, however, more or less a hard core of Federal grant-in-aid programs, which will appear in practically all. These we would be very happy to list, and also list others which might.

Mrs. DWYER. How about the maximum use of the Federal programs?

Secretary WEAVER. This, I think, would test our ingenuity, because it would more or less prejudge what the plans are going to be. And there would be little use in having the cities decide what they want and a period of planning if we had predetermined what that plan was going to be. But we do know from experience what the major sectors would be. And these I would be very happy to delineate.

Mrs. DWYER. Will you list them for the record?

Secretary WEAVER. We will be glad to.

(The information requested follows:)

FEDERAL GRANT-IN-AID PROGRAMS LIKELY TO FORM BASE OF CITY DEMONSTRATION PROGRAM ACTIVITIES

The programs on the attached list are those Federal grant-in-aid programs deemed most likely to be utilized by a city in developing a city demonstration program "of sufficient magnitude in both physical and social dimensions" to meet the criteria of the demonstration cities bill. It is not implied that these programs necessarily will or should be used in any one demonstration or that other programs may not also be used.

Program	*Citation*
Department of Housing and Urban Development:	
1. Urban renewal projects	42 U.S.C. 1450–1464.
2. Neighborhood facilities	42 U.S.C. 3103–3108.
3. Urban mass transit	49 U.S.C. 1601–1611.
4. Open space land program	42 U.S.C. 1500–1500e.
5. Urban beautification program	42 U.S.C. 1500–1500e.
6. Grants for basic water and sewer facilities	42 U.S.C. 3101–3108.
7. Community renewal program	42 U.S.C. 1453(d).
8. Code enforcement program	42 U.S.C. 1468.
9. Demolition grant program	42 U.S.C. 1467.
10. Low-rent public housing	42 U.S.C. 1401–1435.
Department of Health, Education, and Welfare:	
Office of Education:	
1. Education of low-income families.	20 U.S.C. 241a–231*l*.
2. Library services and construction.	20 U.S.C. 351–358.
3. Adult basic education	42 U.S.C. 2801–2807, 2831.
4. Supplementary educational centers and services.	20 U.S.C. 841–848.
5. Community services and continuing education programs.	20 U.S.C. 1001–1011.
6. Guidance testing and counseling services (National Defense Education Act).	20 U.S.C. 481–484.
7. College work study program	42 U.S.C. 2751–2757.
8. Higher education academic facilities.	20 U.S.C. 701–733.
9. Vocational education—Apprentice and general training and retraining.	20 U.S.C. 15j.
10. Vocational education—Work-study program and educational facilities.	20 U.S.C. 35–35m.

Program	*Citation*
Department of Health, Education, and Welfare—Continued	
Office of Education—Continued	
11. Instruction in critical subjects and institutes (National Defense Education Act).	20 U.S.C. 441–445, 591–592.
12. Vocational education—Training in specified occupations (Smith-Hughes Act and George-Barden Act).	20 U.S.C. 11–15, 16–28; and 15i–15m, 15o–15q, 15aa–15jj, 15aaa–15ggg, 35g, 35i.
Vocational Rehabilitation Administration:	
1. Vocational education—Rehabilitation services and facilities for handicapped.	29 U.S.C. 32, 33, 34, 41a, 41b.
Public Health Service:	
1. Hospital and medical facilities construction.	42 U.S.C. 291–291o.
2. Clean Air Act	42 U.S.C. 1857–1857l.
3. Community mental health centers.	42 U.S.C. 2681–2687.
4. Mental health services	42 U.S.C. 242a, 242b.
5. Community health service for the chronically ill and aged.	42 U.S.C. 246(c), 247a.
Water Pollution Control Administration:	
1. Waste treatment plants	33 U.S.C. 466–466e.
Welfare Administration:	
1. Aid to families with dependent children.	42 U.S.C. 601–609.
2. Child welfare services (foster home, day care).	42 U.S.C. 721–731.
3. Maternal and child health services.	42 U.S.C. 701–716.
4. Medical and other assistance to the aged (Kerr-Mills).	42 U.S.C. 301–306, 1381–1385.
5. Aid to the blind—Preventive and rehabilitative services.	42 U.S.C. 1201–1206.
6. Aid to the permanently and totally disabled.	42 U.S.C. 1351–1355.
Department of Agriculture:	
1. Food stamp program	7 U.S.C. 2011–2025.
2. School lunch program	42 U.S.C. 1751–1760.
Department of Commerce:	
1. Highway planning and construction	23 U.S.C. 101–134, 136, 319.
2. Public works grants (Economic Development Administration).	42 U.S.C. 3131–3136.
Department of Labor:	
1. Training and skill development programs.	42 U.S.C. 2581–2587.
2. Neighborhood Youth Corps	42 U.S.C. 2731–2736.
Office of Economic Opportunity:	
1. Community action programs	42 U.S.C. 2781–2791, 2831.
2. Work experience program	42 U.S.C. 2921–2923.

Mrs. DWYER. Mr. Secretary, H.R. 12341 states that cities do not have adequate resources to deal with critical problems facing them, and that additional Federal assistance is essential. Does this acknowledge that the public housing and urban renewal programs, into which have been poured billions of dollars, in fact, have developed shortcomings?

Secretary WEAVER. No, it simply says that the amount of Federal aid which has come from these programs—all of these programs have had an impact, and I think all a desirable impact, upon city problems—has not been adequate to meet the total needs and the total deficit of needs in the cities.

Mrs. DWYER. I am particularly interested in the existing programs, and I wondered what happened to the application for the demonstration grant under the Transportation Act which was made by our State highway commissioner to Mr. Kohl.

Is Mr. Kohl here?

Secretary WEAVER. I can answer that. This application is still under consideration. And we are now reviewing it as to its technical problems, and as to whether or not it qualifies under the definition of a demonstration grant.

Mrs. DWYER. I was asked by my State highway commissioner, Mr. Palmer, to give you a little push when you came here, Mr. Secretary.

That will be all, Mr. Chairman.

Mr. BARRETT. Thank you, Mrs. Dwyer.

Mr. Ashley?

Mr. ASHLEY. Mr. Secretary, it occurs to me that a number of questions arise out of the general criteria which a city must meet in order to qualify under the demonstration cities program. Inasmuch as these criteria represent conditions which must be met by the local community in order to have their plan approved I should like to ask for your written comment, which can be supplied for the record.

The first requirement is that the program be—

of sufficient magnitude in both physical and social dimensions (i) to remove or arrest blight and decay in entire sections or neighborhoods, (ii) to provide a substantial increase in the supply of standard housing of low and moderate cost, (iii) to make marked progress in serving the poor and disadvantaged people living in slum and blighted areas with a view to reducing educational disadvantages, disease, and enforced idleness, and (iv) to make a substantial impact on the sound development of the entire city.

I wonder, Mr. Secretary, if your Department can furnish guidelines as to what is meant by "entire sections or neighborhoods"?

Secretary WEAVER. I can answer that now if you care to.

Mr. ASHLEY. I have a series of questions, and I think it might be as well if the answers were supplied

Secondly, does the requirement that a substantial increase in the supply of standard housing of low and moderate cost be provided pertain to sections or neighborhoods where current density levels are already high? If not, does this requirement mean that there must be a substantial increase of standard housing of low and moderate cost in other than the project sections or neighborhoods?

Thirdly, is the Department able to indicate how it will measure a "substantial impact" on the sound development of an entire city which the project section or neighborhood is required to make?

The second general requirement reads as follows: The rebuilding or restoration of sections or neighborhoods in accordance with the program will contribute to a well-balanced city with adequate public facilities (including those needed for transportation, education, and recreation), commercial facilities adequate to serve the residential areas, good access to industrial or other centers of employment, and housing for all income levels;

Can the Department spell out for cities interested in this program what is meant by a "well-balanced city"?

Does the requirement that there be housing for all income levels mean that housing must be furnished for all income levels within the project area or within the entire community?

The third requirement provides that there be "maximum opportunities for employing residents of the area in all phases of the program * * *."

Is this meant to add a new citizen participation provision to each of the Federal programs which potentially might be drawn upon and utilized in a cities demonstration program?

The seventh requirement is that the program be designed to "assure maximum opportunity in the choice of housing accommodations by all citizens."

Inasmuch as State laws vary with respect to open occupancy, can the Department indicate whether it intends to favor plans from cities where open occupancy is possible and is provided for in the plan, as against those cities where occupancy is not in the ordinance or otherwise in the statute book?

Mr. BARRETT. Would the gentleman yield?

Mr. ASHLEY. I have two more, and then I would be very happy to.

The final requirement states that the program shall meet "such additional requirements as the Secretary may establish to carry out the purposes of this act."

Is it contemplated that such additional requirements would be substantive or procedural; can the Department indicate the kinds of requirements that might later be introduced pursuant to this section?

Those are some of the questions that I have with respect to these seven general criteria.

Now I will yield.

Mr. BARRETT. I was just going to suggest—I know the gentleman has many more things to ask—I was going to ask if he would submit those questions to the Secretary. I notice Mr. Foard is trying to take it down.

Mr. ASHLEY. I have a copy of them. I would just as soon read them.

Mr. BARRETT. I think it might be more accurate.

Mr. ASHLEY. As I say, they will be available for the record.

Mr. Secretary, subsection (c) on page 5 of the bill indicates that the Department will give maximum consideration to four criteria in reaching a determination as to which cities will be selected. Under the first, consideration is given to whether "substantive local laws, regulations, and other requirements are, or can be expected to be, consistent with the objectives of the program."

Again does this refer to such local laws as might relate to open occupancy? Can the Department indicate what other types of substantive local laws, regulations, and other requirements it has in mind that cities must be expected to respond to?

Secretary WEAVER. Do you wish that to be submitted also?

Mr. ASHLEY. Yes, please.

Secondly, consideration, as I said, will be directed to whether that program will enhance neighborhoods by applying a high standard of design.

Is it contemplated that a neighborhood plan will be sufficiently in detail that it would include design concepts?

The fifth consideration is that the program be consistent with comprehensive planning for the entire urban or metropolitan area.

Again, does this mean that comprehensive planning will be a condition precedent to project approval, and if so, does such compre-

hensive planning have to be in being or can it be undertaken in conjunction with the neighborhood project?

In other words, must the local community be engaged in a CRP, or in metropolitan planning? Just what is the position of the Department with respect to this requirement?

(The information requested follows:)

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., March 22, 1966.

Hon. THOMAS L. ASHLEY,
House of Representatives,
Washington, D.C.

DEAR MR. ASHLEY: During the course of the February 28 hearings on the Demonstration Cities Act of 1966 (H.R. 12341 and H.R. 12342) you requested written comments to a number of questions on the general criteria which a city must meet in order to qualify for assistance under that act. The questions you posed and our comments follow:

Question. The first requirement is that the program be "of sufficient magnitude in both physical and social dimensions (i) to remove or arrest blight and decay in entire sections or neighborhoods; (ii) to provide a substantial increase in the supply of standard housing of low and moderate cost; (iii) to make marked progress in serving the poor and disadvantaged people living in slum and blighted areas with a view to reducing educational disadvantages, disease, and enforced idleness; and (iv) to make a substantial impact on the sound development of the entire city."

I wonder, Mr. Secretary, if your Department can furnish guidelines as to what is meant by "entire sections or neighborhoods"?

Does the requirement that a substantial increase in the supply of standard housing of low and moderate cost be provided pertain to sections or neighborhoods where current density levels are already high? If not, does this requirement mean that there must be a substantial increase of standard housing of low and moderate cost in other than the project sections or neighborhoods?

Is the Department able to indicate how it will measure a "substantial impact" on the sound development of an entire city which the project section is required to make?

Answer. The term "entire sections or neighborhoods" will be interpreted in terms of the specific city involved and its particular neighborhood patterns. The intent is to deal with total cohesive areas rather than just small fragments of a few square blocks.

In his message transmitting recommendations for city demonstration programs, the President provided general criteria of what was intended. He indicated that a city program could involve as much as 15 to 20 percent of the substandard structures within the city. For the largest cities, such a program might involve a total of 35,000 dwelling units. For a city with a population of approximately 100,000, the program might involve 3,000 to 4,000 dwelling units.

The proposed requirement that there be a substantial increase in the supply of standard housing of low and moderate cost is intended to apply to the community as a whole and not just to the area of the demonstration. We expect that the bulk of the new standard housing of this category would be provided either through rehabilitation of existing housing or the construction of new housing in the demonstration area. However, if one of the problems of the demonstration area is excessive density, then a necessary part of the program would be the reduction of that density and the provision of housing in other parts of the community. It should be emphasized that there is no requirement that all of the activities of the local demonstration program must be carried out within the boundaries of the demonstration area. Some will be carried out in other parts of the community with the intention that they would have beneficial impact on the demonstration area.

A demonstration program will be making a "substantial impact" on the sound development of the entire city if the major social and physical improvements being made in the demonstration area or areas will make the city as a whole a better place in which to live and work.

Question. The second general requirement reads as follows: the rebuilding or restoration of sections or neighborhoods in accordance with the program will contribute to a well-balanced city with adequate public facilities (including those

needed for transportation, education, and recreation), commercial facilities adequate to serve the residential areas, good access to industrial or other centers of employment, and housing for all income levels.

Can the Department spell out for cities interested in this program what is meant by a "well-balanced city"?

Does the requirement that there be housing for all income levels mean that housing must be furnished within the project area or within the entire community?

Answer. The intent of this general requirement (subsection 4(b)(2)) is to assure that the demonstration area is not treated as a special enclave apart from the rest of the city. What is done in the demonstration area must be regarded as a part of the overall improvement of the city.

A "well-balanced city" is one which contains a mixture of the facilities and services needed to serve the diverse groups living and working in the city. It implies a variety of housing types, styles, and prices to provide an adequate range of choice for all who want to live in the city. It implies adequate and convenient commercial facilities to serve the needs of the residents. It implies adequate job opportunities and a transportation system to permit ready movement between residence and shopping and working areas. It implies adequate public facilities, including parks and other recreational facilities. In sum, a "well-balanced city" is one which provides the full range of services and opportunities which the average citizen expects to be a part of city living.

The requirement that there be housing for all income levels does not apply to the demonstration area alone. The local demonstration program must contribute to that goal for the city as a whole. Generally, demonstration areas will be large enough that a variety of housing styles and price ranges to meet the needs of various income groups can ordinarily be provided within it. However, provision of housing for all income levels within the demonstration area is not a mandatory requirement since circumstances will vary from city to city and there may be sound reasons for not being able to supply a full housing mix within the demonstration area. On the other hand, the demonstration program should not result in increasing the concentration of housing at a single price level in the demonstration area.

Question. The third requirement provides that there be "maximum opportunities for employing residents of the area in all phases of the program * * *."

Is this meant to add a new citizen-participation provision to each of the Federal programs which potentially might be drawn upon and utilized in a city's demonstration program?

Answer. No. This requirement is designed to assure that, to the extent that job opportunities are created by the demonstration program, an effort will be made to make them available to the unemployed or underemployed residents of the area. This provision would add no further requirement to other Federal programs. However, it would require that the city make a conscious effort to see that the jobs created by these programs were, to the maximum extent feasible, made available to the residents of the area.

Question. The seventh requirement is that the program be designed to "assure maximum opportunity in the choice of housing accommodations by all citizens."

Inasmuch as State laws vary with respect to open occupancy, can the Department indicate whether it intends to favor plans from cities where open occupancy is possible and is provided for in the plan?

Answer. Open occupancy laws are only one method by which a city may undertake to assure maximum opportunity in the choice of housing accommodations. The existence of such a law is not necessary to achieve compliance with this requirement. The provision contemplates imaginative measures for maximizing housing choice rather than adherence to doctrinaire positions as to the desirability of particular local laws.

Question. The final requirement states that the program shall meet "such additional requirements as the Secretary may establish to carry out the purposes of this Act."

Is it contemplated that such additional requirements would be substantive or procedural; can the Department indicate the kinds of requirements that might later be introduced pursuant to this section?

Answer. This catchall general-authority provision has two purposes: (1) to serve as a base for procedural requirements, and (2) to permit the closing

of unforeseen loopholes. There is no intention of using this provision to impose new substantive criteria.

Question. Subsection (c) on page 5 of the bill indicates that the Department will give maximum consideration to four criteria in reaching a determination as to which cities will be selected. Under the first, consideration is given to whether "substantive local laws, regulations and other requirements are, or can be expected to be, consistent with the objectives of the program."

Does this refer to such local laws as might relate to open occupancy? Can the Department indicate what other types of substantive local laws, regulations and other requirements it has in mind?

Answer. There is no requirement for the general review of local laws or regulations. The Department will be concerned only with those laws and regulations which have a bearing on the capacity of the city to carry out its demonstration, such as its housing, building, and zoning codes. In some cases, the existence of an open occupancy law might be an essential element in the capacity of a city to meet the goal of maximum opportunity in the choice of housing accommodations by all citizens. However, as indicated earlier, the existence of such a law is not at all mandatory if alternative approaches are provided.

Question. Secondly, consideration will be directed to whether the program will enhance neighborhoods by applying high standards of design.

Is it contemplated that neighborhood plans will be sufficiently in detail that they will include design concepts?

Answer. There is no mandatory design requirement in the act. Rather, the Secretary is directed to give consideration to local efforts to apply such standards in the carrying out of its demonstration program. To the extent a city proposes the application of high design standards, the Secretary will recognize this as an effort toward achieving the objectives of the act.

Question. The fifth consideration is that the program be consistent with comprehensive planning for the entire urban or metropolitan area.

Does this mean that comprehensive planning will be a condition precedent to project approval; if so, does such comprehensive planning have to be in being or can it be undertaken in conjunction with the neighborhood project?

Answer. There is no mandatory planning requirement in the act. However, the existence of appropriate plans and a continuing planning effort are indications of the extent to which the city has committed itself to sound development policies and they are matters to which the Secretary will have to give consideration. Equally, the extent to which the city's demonstration proposal is consistent with comprehensive planning for the entire urban or metropolitan area is a matter which will have to be considered.

Sincerely yours,

ROBERT C. WEAVER, *Secretary.*

Mr. ASHLEY. I am interested, Mr. Secretary, in how and where the $2.3 billion price tag came from on this program.

Referring again to the New York Times piece of Sunday a week ago, it was suggested that it was arrived at by determining the total cost of all the programs, bearing in mind that such programs would affect a certain percentage of the community—a certain percentage of dwelling units, people—that the cost will be $5.6 billion, and that there would be derived from resale of land and improvement some $3 billion, leaving a net of $2.6 billion, the local contribution toward which would be $300 million and the Federal share $2.3 billion. Would you comment on this, please?

Secretary WEAVER. Yes.

As far as the figure of $2.3 billion is concerned, that is an estimate made by the Department on the basis of the best information that we currently have. Obviously it is an estimate. It is not a firm figure, because, No. 1, we don't know which cities will participate.

Mr. ASHLEY. I am interested in how it was arrived at.

Secretary WEAVER. It was arrived at on the basis of assuming that anywhere from 60 to 70 cities of various sizes were to participate, and assuming further that if they were to participate, a certain number of dwelling units would be involved, so many to be rehabilitated, and so many by new construction, and also that certain social services would be provided, and that all of this activity would result in a certain amount of Federal grant-in-aid programs. The total of the required local contributions in those grant-in-aid programs was then summed up, and 80 percent of that total became the figure which is the $2.3 billion figure.

Mr. ASHLEY. Isn't it true that the New York Times piece that I am sure you read as I did indicated that the impact of the program would be in the neighborhood of $6 billion?

Secretary WEAVER. That is the New York Times figure, and not our figure.

Mr. ASHLEY. I would be interested in a further detailed account of how the $2.3 billion was arrived at. I am interested in the total dollar impact of this program. The $2.3 billion represents, I understand, the Federal contribution toward the cities' share of the various programs. Is that not so?

Secretary WEAVER. No, sir. The $2.3 billion represents the amount of supplemental grant that would be given to the cities. That in turn is based upon the amount of the non-Federal cost of the grant-in-aid Federal programs that would be involved in these demonstrations.

Mr. ASHLEY. Let's take an urban renewal project which is a part of a demonstration cities program. If it is a $80 million project, if the net project costs some $80 million, and there are no noncash credits available, the Federal Government would buy—let's make it $80—would buy $60 million, and the local will be responsible for $30, isn't that correct?

Secretary WEAVER. That is right. The local then would get 80 percent of the $30 million in addition.

Mr. ASHLEY. Yes.

I don't see where the disagreement came from a moment ago when I suggested that the $2.3 billion is going to be corrected to picking up the local share of the various Federal loan programs.

Secretary WEAVER. The difference is that it is not as big as it should be, it is 90 percent.

Mr. ASHLEY. All right. Presumably there has been serious consideration given to the dollar impact to the program. I don't see how the dollar impact would be very much less than $8 or $9 billion, based upon—and I am talking about the total Federal contribution toward total local contribution, or should I say, in addition to total local contribution.

Secretary WEAVER. We estimate—and these are all estimates, because I cannot give you firm figures now—we estimate that the total impact of this will be from $5 to $10 billion.

Mr. ASHLEY. I would appreciate it if there could be provided for the record the basis for that assumption.

Secretary WEAVER. In round numbers we would be happy to give it to you.

(The information requested follows:)

DERIVATION OF $2.3 BILLION ESTIMATE FOR SUPPLEMENTARY GRANTS

The basic financial element in the President's proposal for the demonstration cities program is the authority for supplementary grants equal to 80 percent of the local share of Federal grant-in-aid programs that are utilized in connection with a demonstration city program. Estimates were made of the local share of such programs in cities of different sizes that might constitute the base against which 80 percent would be applied to determine the amount of the supplementary grant.

Such estimates were made for cities of a few size categories. It was assumed that about 10 percent of the city population might reside in the demonstration area and statistically the average family size would be 3.5 persons (except that in cities of under 50,000 the entire city would be a demonstration area but only 3,000 families would receive social service and welfare assistance).

Three basic components of Federal grant-in-aid assistance were estimated. After examining the levels of major types of federally assisted capital improvement programs in a typical city, estimates were made of capital improvement programs that would be concentrated in or serving people from the demonstration project area. An average per family amount of social service and welfare expenditures under Federal grant-in-aid programs was then estimated and used to arrive at a total social component figure.

On the basis of the statutory matching grant formulas for each categorical Federal grant-in-aid program involved, the local matching share was derived and 80 percent was applied. When this procedure is used for 60 to 70 cities of different size classes, approximately $2.3 billion will be required to fund the program.

Both the size distribution of cities and the dollar amount per city will, of course, vary from estimated amounts used in a hypothetical framework that is used to approximate the dollar size of the program, but the $2.3 billion figure was the judgment figure arrived at for a program of 60 to 70 cities in all size ranges.

TOTAL PROGRAM SUPPORT

The total activities involved in the demonstration program will be much more than is represented by the $2.3 billion figure. The Federal share of grant-in-aid programs is larger than the local share in almost all instances. Therefore, as a minimum, the total impact would be more than twice as great as the $2.3 billion, or at least $5 billion.

When consideration is given to additional State, local, and private program activities that will be brought into the demonstration area, the total impact might again be twice multiplied. For example, if rent supplement or below-market interest rate housing is built for low-income people in the demonstration area, it will involve either private financing with FHA mortgage insurance or FNMA special assistance funds. It will not involve a Federal grant-in-aid program with matching Federal and local shares. There will also be a good deal of private volunteer welfare work activity which does not come under any Federal grant-in-aid activity. It is reasonable, therefore, to estimate that the total impact of the demonstration cities program over 5 or 6 years would be between $5 and $10 billion.

Mr. ASHLEY. You referred to outbursts of last summer which we know are a matter of deep concern to you as they are to all of us. Isn't this the kind of situation that this program is and should be directed to counter?

Secretary WEAVER. Yes. I would say, if you recall the President's message, when this program was first announced, one of the objectives of the program was to give hope to those persons who are now in the slums and blighted areas.

Mr. ASHLEY. How does this bill, then, distinguish between a Watts type situation and a situation in another part of the country where you don't have the incipient revolution and bloodshed that you have in a Watts or a Harlem?

Secretary WEAVER. I think there is the incipient situation in practically every one of such areas. I think that when you have a country such as ours which is affluent, that then the people who are suffering in slums and are in misery and in poverty become much more conscious of their status than they ever were before. So I don't think that we can identify every one of these cities as the ones that may explode next, or something of that sort.

Mr. ASHLEY. So there is not going to be an effort to measure the kind of tensions in the particular communities that might be—and certainly are in some instances——

Secretary WEAVER. I don't think that we can do much more than make a rough measurement. There are many people who are authorities in this field who had no idea that Watts would erupt. They thought it would be some place else. Certainly nobody that I have seen who has written in this area expected that Rochester would have the difficulty that it did have. So I think in the first place you have got a very, very uncertain criteria to begin with.

And secondly, I think that not only is there a problem of those cities which have this type of situation we are trying to deal with—but, also, there is the question which cities are prepared to do something about it effectively.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Secretary, I am impressed favorably with this office of Federal coordinator, whatever you end up calling him. As a matter of fact, it would seem to me that we should have such a coordinator, not just in demonstration cities, but in all cities where we have more than one Federal Government aid program in existence. Had you given any consideration to that?

Secretary WEAVER. Yes. We expect as regions are strengthened and as we move to them that we would be able to have in certain larger urban areas an official of the Department who would serve more as Mr. Fino has suggested as an information officer rather than a coordinator of a specific program, but who would also take on some of the general coordinating functions with respect to clearinghouse services on Federal urban aids. For those areas which are smaller, we could have someone working out of the regional office to perform this function for a number of areas. And I think this is inevitable in the requirements under the law that are made under the Department. And this we are thinking very seriously about doing.

Mr. MOORHEAD. I notice from the act, which I think of as the Metropolitan Development Act, on the fact that you established a special assistant secretaryship to take care of the metropolitan development, that you consider this very important. What I would like to ask you or Assistant Secretary Haar, What are the problems that you have faced in the metropolitan areas, and No. 2, how can you hope to solve the problems by this legislation?

Secretary WEAVER. Let me speak first to the problems, and then turn it over to Assistant Secretary Haar.

I think that perhaps some of the most significant and difficult problems in the process of urbanization are the problems which we call those of metropolitan development. I think that this starts from the indisputable fact that here we have a proliferation of government.

a multiplicity of governments, many of which do not have sufficient scope to deal with the problem by themselves, and the result is, you have a series of partial and sometimes inconsistent approaches to problems that cut across a broad area.

Secondly, we have the effect that if we look into the future, with the great increase in urban population which is inevitable, we will have new patterns of land use, new patterns of housing, new patterns of community facilities which will be established in parts of this country where there is now no effective unit of government to assist and to help.

So this is the broad dimension of the problems that we are concerned with.

And now I will turn it over to Assistant Secretary Haar.

Mr. MOORHEAD. Mr. Assistant Secretary.

Mr. HAAR. Thank you.

I find it very difficult to amplify on that fine statement of the Secretary with respect to the broad aspects of the issues of metropolitan development.

But I would just like to add a few of the details here. We have the questions of the various State and local and Federal aid in the metropolitan areas which do not effectively work together at times. And part of our issue here, due to the lack of Government coordination, is to make sure of efficiencies in the expenditures of these funds to make sure that the road programs work with the mass transit programs, and that they work together with the local controls and the local desires with respect to their land-use developments.

So one of our primary concerns here is efficiencies and economies in the operation of the Federal programs which deal with metropolitan areas.

We are also much concerned with getting a dialog started among the different local government units which are dealing with the questions of welfare, how can we handle the great need for public facilities, the great need for rebuilding and almost doubling our present public facilities, our present cities, our infrastructure, the sewers, the water, the schools, out in these areas where people are growing and developing. And I think it is these problems of efficiency and coordination and giving a chance for the people in the local metropolitan area to express their needs and their desires effectively and to have a voice in these programs and their own destinies that is the important political arrangement, the portion that could create a federalism that will have to be developed over the next decade.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Stephens?

Mr. STEPHENS. Mr. Secretary, the question has come to my mind in respect to the demonstration cities and blighted areas is one that we have had our difficulties with in the State of Georgia and in the rural communities. In some of our communities the blighted areas have come about by virtue of the fact that there are no longer any economic opportunities in those areas, with the change in farming and the other changes that are taking place. The people have come into our cities from the smaller communities, because they do not have the economic opportunities. In some of the cities blighted areas have occurred because in those parts of the cities where you have blighted areas no economic opportunities are available for people to earn a living and to better themselves.

If you take the demonstration city and put it in a blighted area, as you have talked about, what is going to keep that blighted area after it has been worked over and made into a demonstration city, what is going to keep that alive unless you bring in some supporting industry, some supporting opportunity for people to earn a livelihood, that would help them better their conditions? Are you just going to create this new unit of a city and have nothing to support it so that it will stay alive?

That is what worries me about the proposition.

Secretary WEAVER. Let me say, sir, that I think for the past 15 years, ever since I have been dealing with the urban renewal program, we have been very conscious of the absolute necessity for an economic base for the city. And this is the point that you raise so eloquently, and that Mr. St Germain spoke of earlier. You have to have employment opportunities, you have to have industry or commerce or both, preferably in order to have a sound and healthy place in which people can live.

The urban renewal program has made its contribution to this. The Economic Development Administration is very concerned with this, also.

And we recognize that this is a necessity.

There is, however, the fact that a central city or a small town or a suburb, no longer has to supply all of the economic opportunities, because our people are more mobile today than they have ever been before.

So it would seem to me that cities that participate in this program would also have to present some evidence that they have some planning and some programing—some recognition of the economic base, recognizing further that we would not demand, of course, and expect that everyone would be employed within the city limits itself.

Mr. STEPHENS. I think that, perhaps, explains it. The second thing that I would like to ask a question or two about is to hit upon something that Mr. Widnall talked about a little bit earlier.

In the process of trying to work on the finances of rent supplement programs. I have tried to explain that this rent supplement is not a new concept—a new idea. And I would like to ask you if my thought is correct. For many years—and this is not critical of the public housing program because I have supported it, and will continue to support the public housing program—but I have said—and I want to ask this question in this way, so that I can get a verification of the conclusion that I arrived at—that in the low-income housing that we have provided, housing for people of low income, we have also provided low rents in the public housing. And have we not always had, in the public housing program, a type of rent supplement?

Secretary WEAVER. Decidedly so. The annual contribution which is the Federal subsidy to public housing provides for a rent supplement of a different type or form from the rent supplement that we are proposing here. But the only way that you can provide decent housing within our current costs for people who cannot afford an economic rent is to supplement it. And you can supplement it through an annual contribution contract as you do the public housing, using the public agencies throughout, or you can supplement it through a rent supplement by using a combination of public money and private enter-

prise to build and to construct and to operate and maintain and manage the development.

Mr. STEPHENS. Thank you. That verifies what I wanted.

Mr. BARRETT. The time of the gentleman has expired.

Mr. St Germain?

Mr. ST GERMAIN. Mr. Secretary, going back to the question of my colleague, Mr. Gonzalez, public housing. Are we meeting the needs of public housing, or isn't it a fact that we are behind and have been behind? I would like to have Mrs. McGuire answer this question.

Mrs. MCGUIRE. Well, I think obviously the answer is "No." We have had, Congressman, since the passage of the 1965 act, we have had applications which are now close to the 80,000-unit mark, as against our proration of 60,000 units of public housing for each of the 4 years under the 1965 act. And in addition to that, as was pointed out last year in the testimony, we have had in excess of 500,000 families who had applied for and were on the waiting list for public housing low-rent housing, around the country.

Mr. ST GERMAIN. I wonder Mrs. McGuire, if you would also answer the same question with respect to housing for the elderly?

Mrs. MCGUIRE. This is particularly critical.

Mr. ST GERMAIN. This is within the same category?

Mrs. MCGUIRE. This is particularly critical. And today about 46 percent of all the applications for public housing units which are being developed are for the elderly. I think this is because this is a catch-up program; it is fairly recent.

Mr. ST GERMAIN. It is the greatest program we ever put on the books.

Mrs. MCGUIRE. It is certainly the most gratifying one, and one which the tenants themselves respond to with pleasure and delight and benefit.

But I think there is a tremendous need for low-rent housing for older people and also for the handicapped, as Mr. Ashley recommends, and for a number of other special groups. We think today of the American Indian and Eskimo and other special groups.

We have the special areas of need. I think perhaps the elderly is the most pressing at this time. And the communities are realizing this, and their applications are reflecting this.

Mr. ST GERMAIN. And I wonder if Mr. Slayton would be gracious enough to tell us where we stand on urban renewal, how close we are to keeping up with approved requests for urban renewal programs. In other words, how far behind are we running, dollars and cents wise, Mr. Slayton?

Mr. SLAYTON. Well, we have roughly $200 million left of this fiscal year's authorization. And we have in the pipeline $600 million in applications. And we expect to receive for the balance of the year $400 million in applications.

Mr. ST GERMAIN. You see, Mr. Secretary, the reason I ask these questions is that here we are, we are way behind in our public housing, and we have got a lot of elderly people who would like some housing, we are away behind in urban renewal. And I think that this is quite a program, it is coming along nicely, and it has improved, and its acceptability has improved, and its impact at long last is getting the people to the point where they realize its value. And I agree that

these demonstration cities in this legislation in many ways, might sound very good. But when you have one of your mayors calling you, all steamed up and saying, "You ask Secretary Weaver, how come they want $2.3 billion for this new act, demonstration cities, and we can't even get our programs approved?"

How do you answer these people, Mr. Secretary?

Secretary WEAVER. I think very simply, sir. In the first place, this is not a program which is unrelated to either the public housing program or to urban renewal. Of the Federal grant programs which will serve as the basis for computing the $2.3 billion supplemental funds, urban renewal will be the largest single component. As I said earlier, this program will not take 1 penny away from any city which would get urban renewal money. It will provide supplementary grants to cities that participate in the program. The public housing component will work the same way.

I think this program does say that when we talk of urban renewal, and when we talk of public housing, we cannot talk simply of the real estate operation or of the physical building. We have got to consider the social aspects of the problems of the people involved. And we have got to consider the economic aspects, the employment aspects, as you pointed out this morning. The cities' demonstration program is a refinement and an extension in comprehensiveness of these programs. It does not take anything away from them. It does add something to them.

Mr. ST GERMAIN. Mr. Secretary, will all due deference to your opinion, I must disagree vehemently, because when you take $2.3 billion from here—I am not saying you are taking it out of the moneys appropriated in the past or that we intend to appropriate in the future for programs such as urban renewal and public housing—but I say this, rather than take $2.3 billion and put it in a new program, let's give very serious thought to taking that $2.3 billion and putting it in the existing tried and true programs.

Secretary WEAVER. The difficulty with that, sir, is this. This is not a new program. It is a refinement of existing programs.

Mr. ST GERMAIN. Mr. Secretary, is it fair to give to, let's say, 50 or 60 cities, an additional 80 percent of the local share of—let's say one is urban renewal costs—and the other cities, hundreds of cities haven't qualified as demonstration cities, they are not getting the advantages that are available in this Demonstration Act. As a result, you don't get this extra 80 percent, you only receive two-thirds or 50-percent cost of urban renewal in other cities.

Secretary WEAVER. Yes, I think so. If you look at the objective of the program, the program is not designed to aid 50 or 60 or 70 cities. The program is designed purely and simply to try to get an example and a series of illustrations which point the way as to how we can actually come to grips with this urban problem, how we can actually come in and keep out slums and destroy the growth of blight and make the people who are involved whole and make them participants and full participants in American society. That was what we thought we were doing, and I was part of it, in 1934, when we started public housing. This is what urban renewal said in its preamble it was going to do. It was going to destroy slums. It was going to rehouse the slum dwellers. It was going to rehabilitate the slum people. And

this is really a program to make real and to make realized the promises that we have been making all this time to ourselves and to the citizens.

Mr. ST GERMAIN. Dr. Weaver, if you could answer this one by breaking it down into simple facts, what do we have here? What will this act do that urban renewal and public housing will not do?

Secretary WEAVER. Certain things. In the first place, for the first time——

Mr. BARRETT. Doctor, would you yield to me for just a minute?

Aren't we trying to prevent these rent gougers from preying on our poor people? I am not talking about the upright realtors, I am talking about rent gougers and chiselers. And we want to give these poor people an opportunity for decent housing—if I may give you one example that just came to me on Friday night, an old lady about 80 years old and probably older came to me and said that she pays $15 a week for housing. She has no facilities in it. They have a lavatory down the hallway. It is a community lavatory. And she came to me and said that she would like to have the board of health come down there, because people were throwing their empty beer cans there. They are throwing their garbage in this lavatory, and she doesn't have a chance to use it.

These are the cases that I am sure you are pointing out that we want to correct. This old woman pays actually $60 a month for a 9- by 12-foot room. And we are trying to give people like that, by this program, a decent, safe, and sanitary home.

I think this is the heart of it, to help these people living in such terrible conditions—this is what we are trying to correct.

Mr. ST GERMAIN. Mr. Secretary, if you will yield to me now, I want to say that I wholeheartedly agree with my chairman, because I have a similar case. Here is a lady who called me, 74 years old, with a husband who is 78 years old. They have a third-floor apartment. The husband's leg was amputated Monday of last week. He cannot walk. And they have to go across the hall to get to the sanitary facilities. She said, "Will you please get us into the housing-for-the-elderly project?" I have to say, "I am sorry, we are overcrowded, we don't have enough units."

And so I would answer this type of problem with more public housing for the elderly, and let's keep urban renewal going.

I will defer to the Secretary.

Secretary WEAVER. This is not going to take away from the programs that I have.

I think I can illustrate by asking you a question. What will this do that public housing can't do? What will this do that urban renewal can't do?

In the first place, as far as public housing is concerned, one of the great unsolved problems in public housing has been the fact that we have yet to learn how to handle the social problems that are involved in the area that we deal with in public housing. Originally we didn't have this. We had tenant selection. So we didn't have any problem families. We have problem families now. You cannot do this on a hit-and-miss basis. You have got to have a comprehensive approach. This is why we are taking in an area wide enough to make an impact. And we are going into that area to work with the people who are there. We are not only going to rehouse them in that area both temporarily

and permanently if they care to be rehoused there, but we are also going to deal with a series of problems that impinge upon them, and they are more than just the problems of bad housing.

Now, as far as urban renewal is concerned, urban renewal, I think, has made a significant contribution to the economic base of the city. It has made a significant contribution to better land use. It has made a significant contribution to building more middle-income housing, and higher priced housing. We have tried in the last 4 or 5 years, certainly since I have been in Washington, to make it house more people of low and moderate income, and to have less economic displacement in the sense that you tear down an area where poor people live, and you rehouse either commercial activities there, or you rehouse industrial activities, or you rehouse higher income people.

The demonstration cities bill says to the mayors, if you want to take on these harder problems, we are going to give you additional means for doing it. And this is why we are concerned with this new program. We want to find out how it can be done in 50, 60, or 70 cities, each one going at it with different techniques, different approaches, and each one we hope proving that it can be done.

Then we hope that it can be done throughout the United States. The only way we are going to get rid of slums in this country is by taking big bites, and by working at all of the problems, not only the physical problems but the social, the economic, and the human problems that are a part of the slums in blighted areas.

Mr. ST GERMAIN. Mr. Secretary, I think that one of the big problems facing the cities, if you take the northeast section of the country particularly, is the fact that for 2 years we haven't been able to water our lawns or wash our cars. There isn't any water. And I am wondering if within your legislation there is a provision for a regional water compact—not water facilities, but location of water.

Secretary WEAVER. All I can say to that is——

Mr. ST GERMAIN. We have had a long drought, you know.

Secretary WEAVER. I think that there are many problems. There are problems of river basins. And there are many problems that impinge upon our cities that no one approach is going to solve. This one comes nearer to solving more of those problems than any other.

Mr. ST GERMAIN. Is this part of it, Mr. Secretary, urban renewal and public housing? Are these separate items? And I think we are looking at a package here, the social, economic, and housing—the three necessities of life—food, clothing, and shelter.

Secretary WEAVER. Under the metropolitan approach we will be dealing with that. But I don't think you can expect any one bit of legislation to solve all the problems of the country. Go back to your earlier statement that maybe the price of lamb chops is too high. I don't think this program can solve that. It can help it in a way by getting the people in a better position to be able to pay for food. It can help solve the water problem by getting water distribution lines and better water and sewage disposal systems. But it cannot do all of them. And there are limits to it, as comprehensive as it is.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

Mr. Secretary, this morning we were exploring your views on the four amendments proposed by Mr. Ashley, Mr. Moorhead, and myself. We discussed the mass transit research program. Let me now go to another amendment, having to do with the central coordinating function of the Department of HUD. It is perfectly obvious that a great many urban functions are not in the Department of HUD—water pollution, we are told, is to go to Interior, the war on poverty is in the Office of Economic Opportunity, and our expressways are in the Department of Commerce—and it was at least hinted this morning that now mass transit is going somewhere else, in the Department of Transportation, possibly.

Our first amendment, recognizing this scatterization of urban functions, would impose upon the Secretary of HUD the task of coordinating with other Departments the urban aspects of these problems, and if the Secretary of HUD believes that the Department primarily handling these aspects is doing it in a way inimical to the national interest and the needs of the cities, he should take the matter to the President and get the matter decided.

Are you for that or against it?

Secretary WEAVER. As with all of the amendments that you have proposed, I am for them certainly in principle. And I am for them as far as the results are concerned. I have some questions again as to whether or not it is the most effective way to accomplish the joint objectives that we have.

I call to your attention the fact that this new Department has just been established. And that the legislation establishing it says: "The Secretary shall among his responsibilities exercise leadership at the direction of the President in coordinating Federal activities affecting housing and urban development." So that we now have a charter for doing this. I think that the administration is now in the process of seeing how that charter can best be carried out. I think it is premature for us to say that this particular proposal or any other proposal is the means of carrying it out.

At the Washington level there is a question as to whether or not you accomplish by fiat the objective that you have in mind. It may be that this becomes necessary. But I would think that you would attempt first to try to get some type of cooperation short of having a law that says you do this, that, or the other.

In the field where, after all, the problems of coordination become really most significant, we are moving in this direction, and the demonstration cities program is a very great breakthrough in encouraging the local communities to come in with coordinated local programs, and setting up machinery to make sure that the Federal agencies are responsive to that. I would think that here there is the matter of technique and the matter of timing. And there is no difference in our opinion as to the ultimate result. As to whether or not this is either the time or whether or not the idea of passing such a law as you suggest is the technique for getting it done best is something that I would have to certainly study longer than I have had a chance to study this. I certainly think it is something that the administration would have to look at in terms of what it is now thinking about, and preparing to do in this area.

Mr. REUSS. I do want you to study it further. But if you come up opposed to the idea, I would like to have you state in particular

how you think that Congress should rest easy with a situation where the Secretary of Housing and Urban Development is under no congressionally imposed obligation to take important matters in dispute with other agencies to the Chief Executive for resolution.

Secretary WEAVER. I think that he has some such obligation because he has to exercise leadership at the direction of the President in coordinating Federal activities affecting housing and urban development. In addition, there will be an Assistant Secretary whose main concern will be this particular area. I think there is administrative machinery moving toward this. Whether it is moving fast enough or not is something I would have to look at after a little more experience and more cogitation.

Mr. REUSS. We will await your response on that.

The second proposed amendment has been alluded to briefly by Mr. Ashley. That has to do with the demonstration cities program and the reaction of some of us to the criteria for qualifying cities under this program. I have a fear on reading the administration's bill that this whole thing is somewhat of a lottery, that the standards are so vague and general that 3 cities might apply, or 300. There is a point of equity, and a point, too, in keeping faith with the cities. After all, if you have invested them with the first-stage, 90-percent planning assistance, it is going to be very disappointing to some if they come in and are told, "This is only for 60 cities, and you are the 200th city, and while your program technically complies, we are not going to admit you to this select company, and you thus don't get any of the 80 percent matching funds."

Therefore, our idea was to beef up the criteria to make it clear that the demonstration cities program was a program for sections and neighborhoods suffering from social and economic tensions. And then we list them. It is not necessary for us to go through with them again. Your only objection to that this morning when Mr. Ashley raised this, as I recall, was that you were afraid that this language would present a situation whereby city X comes in to you with its second or third worst social tension area, and where you would have to say "No" to them, that you could consider only their worst.

Such was certainly not in the mind of Ashley, Moorhead, and Reuss in drafting this language. And I cannot find a phrase which conduces toward that interpretation of it.

Let me put to you this question. If this language is clearly purged of any suggestion that you cannot aid a second or third worst slum in a city, if that city elects to present it, and if it otherwise qualifies, if the language is cured of that alleged impediment, you would not oppose it?

Secretary WEAVER. Not at all. I don't think it is necessary, because I think if you read the criteria that we have, which is to provide low- and moderate-income housing in a substantial amount, to do certain of the social activities and solve certain of the social problems, to assist disadvantaged people back into the mainstream of society, with the emphasis that it has upon the disadvantaged, I think that the net result as you have interpreted your language and the language that is now in the bill would be exactly the same.

Mr. REUSS. I am delighted to hear that. Because to our mind, it is necessary to work out a program which has clear criteria and where

anybody who qualifies may come in for this share of the $2.3 billion, or whatever in years to come practical experience tells us that we need. If, for example, we find that there are only a few cities qualified, although I don't think that it will be the case, when we don't need anywhere near $2.3 billion. If on the other hand, as I suspect will be the case, there are many potential Watts areas around the country, then we will need more money.

What we wanted to do was set up a clear criterion so that all eligibles might qualify, and get rid of the lottery element that we perhaps unjustifiably saw in your draft. And now you tell me that you didn't have a lottery in there at all.

Secretary WEAVER. I don't want to give the wrong impression on this. I want to say that not only are there the criteria you wish to write in, which I understand to now require that there be an area which is a blighted area, or a slum area with very serious social problems. This is something that we accept 100 percent. However, we also have other criteria——

Mr. REUSS. Those we would keep, we would not disturb those. We would simply add to that.

Secretary WEAVER. But the point I want to make is this: Those proposals which may meet the criteria which you have described could not qualify under this program if it didn't meet the criteria now in the bill as well.

Mr. REUSS. Entirely so.

My time is up.

Mr. BARRETT. Dr. Weaver, I have a short question.

We will again continue the 10-minute rule. And I would expect that you are becoming exhausted now. But the members are interested in asking you more questions.

Secretary WEAVER. I am delighted to have it, sir.

Mr. BARRETT. I think you realize that there will be many metropolitan areas which cannot get 100 percent cooperation from all the suburban communities. The bill, in fact, recognizes this. But would you tell us how you would handle the case of a water or sewer line that went through a noncooperating community? Would the grant be reduced because that community would not cooperate in planning? And how would you allocate the costs?

Secretary WEAVER. Well, in the supplementary planning grants there would be the requirement that there be a comprehensive plan for all of the major and pertinent public facilities and land-use activities of that area, and that there be a unit of government which is observing that now, and will observe it in connection with the programs which are involved, not only for the specific program, but for all such programs.

The problem that you present would be handled in this way. If there were a small enclave in this metropolitan area which wanted to hold out and really hold up the rest of the area, as we had, as you recall, under our mass transit system, under a different set of criteria in the Philadelphia area, and if this area were holding out and were not cooperating and its holding out did not materially affect the total area, then the total area would become eligible, and all the sections of the area that were cooperating would become eligible for the supplemental grant, the holdout area would not get it. But you would have

to have substantial cooperation in the total area to make the total area eligible.

Mr. BARRETT. Thank you.

Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Secretary, I was a bit startled by your answer to Mr. St Germain with respect to the use of urban renewal. It seems to me that, more and more, those who are administering urban renewal are looking to this as though it was officially intended for clearance for commercial purposes, and therefore, we have got to propose new methods to do the job for the low-income and middle-income group. It has been apparent as the legislation has come up in the last few years that the emphasis has been increasingly on commercial redevelopment, enough in the last year to bring it up to 35 percent of the total urban renewal funds available.

Now, in connection with this, I like the idea as expressed of requiring the project to produce "a substantial increase in the low- and moderate-income housing." While this applies to the demonstration program, the demonstration program will probably have to depend on urban renewal for its major impetus, and there is nothing in the urban renewal law to encourage cities to leave their present emphasis on commercial redevelopment or high-income apartments. The increased tax returns of this kind of urban renewal might well outweigh the attraction of the extra Federal share provided in this bill. I intend to offer an amendment to the urban renewal laws which would require that a residential project must provide a substantial increase in low- and moderate-income housing. That will deflect all funds in the right direction, not just those associated with demonstration projects, and I think it encourages demonstration projects under this area. I would like your reaction to that.

Secretary WEAVER. I think I would be opposed to that, for the simple reason that I don't think you could conceive of a well-rounded renewal program which does not concern itself with the economic base of the city. There is a legitimate place, I think, in urban renewal, for downtown urban renewal projects. There is a legitimate place in urban renewal for some projects that will house higher income people. There is also the need for a balanced program. And this is what we have been moving toward in the last 5 years.

I might call your attention, sir, to the fact, that at the present time most of the residential construction, the vast majority of it, in urban renewal sites which is now planned—in other words, where we have got a site, and where we have cleared it, and where we have got a redeveloper, is now going for moderate- and low-income families. The reverse was true in 1961. But I think when we get a requirement that every residential area, regardless of the location, regardless of the needs of that particular city, has to be for a low- and moderate-income family, I think we are making this program too inflexible, and I think we are putting too much Federal control over something where there should be some local determinations. I agree that the image of the program has to be more and more toward rehousing the people who are in these areas. That is exactly what this demonstration program will do. But I do not think we should say categorically that you can never build for higher income people regardless of the circumstances in that particular city.

Mr. WIDNALL. Dr. Weaver, don't we really have any priorities in this? You made a rather impassioned plea for taking care of the low-income people and preventing the riots which took place last year, and which God knows none of us want repeated. And yet if we consistently consider, and many times grant, priorities to commercial redevelopment rather than to taking care of the cancerous slum housing with our community, we are doing the country a disservice, and we are not getting at the core of the hard matter that we want to get at to improve conditions for our people.

Secretary WEAVER. I think you have to do both. And this was raised by several of the gentlemen who asked earlier questions—Mr. Stephens raised it, and Mr. St Germain raised it—I do not think that you can have a city that is going to survive unless that city has in it more than residences. It has got to have a vital downtown. It has got to have it first in order to make it an exciting place.

It has got to have it secondly in order to have a tax base.

It has got to have it thirdly, in order to have employment opportunities for the people.

So that this phase of urban renewal is a legitimate part of urban renewal in my opinion.

Secondly, I think that most of the residential construction in urban renewal will be and should be for low- or moderate-income families. But I am not willing to say—and certainly would oppose the notion—that never can you build in any urban renewal site for anything but low- or moderate-income housing.

Mr. WIDNALL. Dr. Weaver, I am not proposing that. I do believe that there are priorities involved. And I do believe that there is considerable merit to the suggestion that many of us have made that for commercial redevelopment, that it should be on a loan-repayable basis. Put it back on a paying basis, rather than giving grants or doing some of the things that we do in urban renewal today, and rather than make some of the commercial redevelopment possible with very constant profits to those who go in and take advantage of it. I don't like to put so much emphasis on it when we do not even seem to be catching up and meeting the needs of those who are in the very low income class.

Now, I have got some questions on H.R. 12341.

There are determinations the Secretary will make before he grants Federal financial assistance to the community concerned.

Now, I am sure that this requires considerable elaboration in the future, and we will try to get that from you, too.

But in making determinations, the Secretary is also to give maximum consideration to five different standards. I would like to have this spelled out quite a bit more. Skipping 1, 2, and 3, consideration 4 insists on a program of good community relations and one that will counteract segregation of housing by race and income. I approve of this purpose. But I would like to know how you are going to force integration of families by income. What levels of income are you talking about?

Secretary WEAVER. There is no enforcement of any integration of any type here. What this says is that the plan that comes in will make a significant contribution toward this objective. Now, the way it will do it will be by providing facilities for multi-income family oc-

cupancy within the program. This will vary from one site to another, from one location to another. And this is again not going to be something that is going to be set up in rigid steps. What we are concerned with here is the result. Each community will come in with a different proposal for accomplishing this, and they will be judged on their performance rather than on the fact that they are stratified to meet a goal or mold that the Federal Government might think in its infinite wisdom it can determine. I don't think we have that infinite wisdom.

Mr. WIDNALL. The agency does not contemplate assigning certain percentages of certain income groups to housing developments.

Secretary WEAVER. Definitely not. I am against all quota systems.

Mr. WIDNALL. As to No. 5 in the considerations, there are insistencies on comprehensive programing for the entire urban or metropolitan area. Are you aware that in the Los Angeles region in advance of your bill's introduction, that it was in print, that unless you went to one particular planning official out there you would not be eligible for any HUD assistance?

Secretary WEAVER. I would be very glad to exchange correspondence with you on that. It is a very complicated issue. It has not always been interpreted correctly in the press reports. But I would be happy to let you review the correspondence so that you can judge what that situation is.

Mr. WIDNALL. Apropos of the present urban renewal acts, I know it has been said by some that, contrary to the original purpose of a decent home and decent living environment for lower income people, that it is actually for other purposes, and this was the original purpose of the bill rather than the other that was said in order to get it passed.

Secretary WEAVER. I think that is a misinterpretation of the act. The purpose of the act—a decent home in a decent environment for every American family—not only embraced urban renewal, but it also embraced all the other housing programs which the Federal Government is sponsoring. And it didn't expect urban renewal in and of itself and by itself to do this. I don't mean to say that we have accomplished that. I don't mean to say that I have not been dissatisfied with the progress which we have made in that connection, because, as you know, I am and I have been publicly on record on that score before I came to Washington and since I have been here. But I think it is unfair to say that the act expected that urban renewal in and by itself would do this. It should have been complemented, and it is now being complemented by other programs one of which, for example, is the 221(d)(3) program, and another of which will be the rent supplement program, and still another one of which will be this particular program that we are presenting here, the demonstration cities program.

Mr. WIDNALL. I would hope you would also mention rehabilitation and modernization, which has been very successful in New Haven.

Secretary WEAVER. Definitely. And I say that within the last 5 years, we have pushed rehabilitation and modernization and this particular proposal involves much more rehabilitation than anything else as far as housing is concerned. It is primarily a rehabilitation approach to the residential aspect of urban renewal.

Mr. WIDNALL. If enacted, H.R. 12946 would encourage the use of additional Federal funds by metropolitan regional government with

control over such purely local matters as zoning and land use regulations. Further, the definition of what constitutes an eligible metro area would be left to your determination, as I understand it. In my opinion it represents the most far-reaching legislation to come before the Congress in over 30 years. Could you supply for the record the number of communities, if any, in the United States that have voluntarily relinquished such powers to regional governments to this date?

Secretary WEAVER. I would be happy to. But I want to point out that I don't think that the law requires what you have said. I think the law requires that groups get together and mutually and voluntarily agree on these things, and not subordinate localities to any metropolitan government. As a matter of fact, this law does not contemplate the establishment of metropolitan government, it contemplates the cooperation of the elements within a metropolitan region to get a metropolitan approach.

(The information referred to follows:)

We have found two instances where municipal governmental functions have been assumed by a larger governmental entity. This has occurred in Dade County, Fla., and in the Nashville-Davidson area of Tennessee. In both these cases, it appears that the respective State legislatures specifically authorized this merger of governmental functions.

The proposed program of grants to assist in planned metropolitan development does not, of course, in any way require that municipalities abrogate their governmental functions as a condition of assistance. The law does not contemplate the establishment of metropolitan governments but rather the cooperation of local governments within a metropolitan area in order to develop a metropolitan approach to mutual problems.

Additionally, there is growing evidence that the importance of the broad metropolitan approach to planning is receiving general recognition on the State and local level. For example, most of our States already have laws which in varying degrees authorize regional or metropolitan planning by regional, metropolitan, or county planning bodies or through a State planning agency.

Mr. WIDNALL. If you will have to qualify this, of course, they have got to enter into a metropolitan agreement.

Secretary WEAVER. They have to enter into an agreement within the metropolitan area, yes. But they would not have to establish a metropolitan government, nor is this contemplated, nor do I think is it even suggested in the statute. It certainly is not suggested in my mind.

Mr. WIDNALL. On page 4 of the bill——

Secretary WEAVER. And it could be an informal arrangement. It would not necessarily have to be a governmental organization of a new type.

Mr. WIDNALL. I would like to read from section 102 of the bill on page 4:

Where the applicant for a grant under this title is a county, municipality, or other general purpose unit of local government, it must demonstrate, to the satisfaction of the Secretary that, taking into consideration the scope of its authority and responsibilities, it is adequately assuring that public facility projects and other land development or uses of public metropolitanwide or interjurisdictional significance are being and will be carried out in accordance with metropolitan planning and programing meeting the requirements of subsection (b). In making this determination the Secretary will give special consideration to whether the applicant is effectively assisting in and conforming to metropolitan planning or programing through (1) the location and scheduling of public facility projects, whether or not federally assisted; and (2) the establishment and consistent administration of zoning codes, subdivision regulations, and similar land use and density control.

I just take that as almost absolute authority to you in connection with this.

Secretary WEAVER. It is not. In the first place, this has nothing to do with existing grants which are now available to the localities. They get those on the existing basis, most of which are on a 50–50 basis. This is a supplemental grant given to those which voluntarily decide that they want to cooperate in order to get a metropolitanwide approach. If they do not want it, they certainly do not have to do it, and many of them will not do it.

Mr. WIDNALL. Do you think they are in a position to refuse 20 percent more for their primary roads?

Secretary WEAVER. I think they are.

Mr. WIDNALL. The college housing program, Is it to continue at the $300 million, or have you got to phase out the program?

Secretary WEAVER. The program is now budgeted at a $300 million level.

Mr. WIDNALL. You don't expect to phase it out?

Secretary WEAVER. No.

Mr. WIDNALL. The program for elderly housing, What is the future of that program?

Secretary WEAVER. That program will continue, it will expand. I have forgotten what the figure is, I can supply it for the record. I do not have the budget before me.

Mr. WIDNALL. It has been a successful program. And I certainly hope it is going to be continual and will be expanded.

Secretary WEAVER. I have no idea that it will not continue and expand.

(The information referred to follows:)

Loans for rental housing for the elderly or handicapped (sec. 202 of the Housing Act of 1959)

[Dollars in thousands]

	Cumulative, June 30, 1964	Actual, 1965	Estimate, 1966	Estimate, 1967
Applications received	361	37	50	50
Program level:				
Loan reservations (net):				
Projects	151	27	45	45
Amount	$197,870	$46,858	$85,000	$85,000
Loan agreements executed (net):				
Projects	100	37	45	45
Amount	$116,014	$62,856	$78,357	$77,200
Construction starts:				
Projects	70	35	45	45
Units	6,461	4,476	5,720	6,610
Construction completions:				
Projects	37	30	40	40
Units	3,082	2,737	4,750	5,640
Loan disbursements	$52,434	$42,645	$56,900	$71,000
Net budget expenditures	$53,553	$41,361	$53,576	$63,760

Program funds for loan commitments and disbursements are provided through a revolving fund. The budget proposes an appropriation of $80 million to this fund.

Enacted in 1959, this program provides long-term loans for new construction, rehabilitation or conversion of housing for elderly or handicapped persons. Loans may be made to private nonprofit corporations, consumer cooperatives, and eligible public bodies. Qualified applicants who can demonstrate that they cannot obtain a private loan on equally favorable terms may borrow funds to cover total development costs including advisory services, land and site improve-

ments. The direct loan program supplements the Department's other programs serving the Nation's elderly population, the low-rent public housing program for the low-income elderly, and the program for insuring housing loans to the elderly under section 231 of the National Housing Act.

The current rate of interest on loans is 3 percent, the maximum permissible under the Housing and Urban Development Act of 1965. Loans may be made for the total development cost and may run for as long as 50 years.

With the program levels projected, there will be $95 million of unused authorization remaining on June 30, 1967.

Mr. WIDNALL. One question of Mr. Brownstein.

What is the current status of your acquired properties? Do you have any information with you?

Mr. BROWNSTEIN. Yes. Our foreclosures have leveled off at a rather high level, Mr. Widnall. We have about 42,500 single family units on hand. This is down from a high of about 53,000 units at one time.

Mr. WIDNALL. And you feel that you are really making progress in disposing of those?

Mr. BROWNSTEIN. In our disposition of them, yes. In slowing the rate of acquisition I think that as long as we are going to be insuring mortgages on these kinds of terms, and as long as we have relative stability in the real estate market, we are going to have to expect a foreclosure rate at about what we now have.

Mr. WIDNALL. In the disposition of the assets that you required, how much of a loss are you taking?

Mr. BROWNSTEIN. We lose a little under 30 percent of the original mortgage amount.

Mr. WIDNALL. That amounts to what to date on the properties that have been sold? Do you have any accurate figures on this?

Mr. BROWNSTEIN. Well, our average sale price is about $11,000. And our average loss per property is a little under $3,000.

Mr. WIDNALL. Thank you. That is all.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. Mr. Secretary, it seems to me that there may be a danger with respect to the demonstration cities program and plans will be tailored so that there will be included those Federal projects on which the local community either has or can get a commitment for approval. This, of course, is not what was contemplated in the act.

Secretary WEAVER. I don't think I follow you, sir.

Mr. ASHLEY. Let's suppose that there are some 62 Federal programs that might be available for inclusion in a demonstration project. Let's suppose further that a city in its planning would determine initially that it can, based upon its need—that it should put together a plan that would incorporate a dozen Federal programs, open space, and urban renewal, public housing, 221(d)(3), et cetera. Suppose that the city, anxious to proceed, recognizing, perhaps, problems in getting approval from various departments or agencies outside of your jurisdiction, recognizing perhaps its own financial limitations, even acknowledging that the local share would be picked up, as it would under the act, would not there be a tendency on the part of such community to plan its project with an eye toward those Federal programs under which it could or likely could get prompt approval, and would not this be something over which you would have no overall jurisdiction?

Secretary WEAVER. I think that there would be a step antecedent to that. And that would be the fact that the city would come in with a proposal. The proposal would be evaluated in terms of the criteria

which are set forth in the act, and primarily in terms of whether or not this proposal would make a sizable impact on the solution of the social and the economic and the human as well as the housing requirements of that area. And it would then, I think, attempt to get as many of the existing Federal grant programs as would contribute to that end.

It would be our responsibility to look at the proposal as far as its feasibility is concerned. And it would be the responsibility of the local public agency which is coordinating the local program to try to facilitate that particular technique. And one of the things that we would judge would be the reasonableness of the mix—the availability of Federal grant programs of the type that it wanted. I think the danger here would not be too great if we were realistic in looking at it. In other words, if a city came in with a proposal for twice as much money from a given Federal program as was available in that program, we would have means of knowing what would be available, and we would know that this was not a realistic proposal.

Mr. ASHLEY. Would this not be a problem if we have, let's say, 60 demonstration cities—it is not unreasonable to suppose that most plans would call for a certain amount of open space, inasmuch as there is a general lack of open space in the hands of the communities?

Secretary WEAVER. Yes.

Mr. ASHLEY. If you take a look at the appropriations that the Congress makes annually for this program, it would be difficult for me to see how these 60 projects could be accommodated and have anything left over, or whether there would be anywhere close to enough even for the 60 projects.

Secretary WEAVER. I think this is something we would have to look at as it came up. My guess would be that this would not be too serious a problem. I think when we plan the open space program, particularly that part that applies to the built-up areas, which would be most of what would be involved here, expected them to be concentrated in just such areas as this. Add to this the fact that this is not the open space requirement for 1 year, this goes over a period of 5 years.

Mr. ASHLEY. Yes. But you would not want to have to wait 5 years for funds for one of the principal ingredients for its projects?

Secretary WEAVER. But you couldn't fund it all in 1 year either, because you could not execute it in 1 year.

Mr. ASHLEY. Yes. But it is very hard to full approvement in 1 year unless the money is available.

Secretary WEAVER. Let's go back to the open spaces. Assuming that there was a deficiency in the amount of Federal funds for open space, that part of the $2.3 billion that a given city would have would be used to supplement the open space funds.

Mr. ASHLEY. That is, of course, what I am getting at. Why would not it be a good idea for thought to be given at least to where a Federal project might be approved on its merits, but for which there would be a lack of funds, why would not it be a good idea for part of the $2.3 billion to be directed to assuming the funding for that particular project?

Secretary WEAVER. I think this is something that will have to be decided as we go along, when we get the projects, and see what the components are. We are now estimating. And I don't think we can evaluate this with any degree of certainty at this time.

Mr. ASHLEY. Has thought been given to this?

Secretary WEAVER. Yes. This has been a possibility. We have made no decision on it.

Mr. ASHLEY. Is it your thought that perhaps a decision will be reached within the next few weeks, or is it something to which you feel that experience is necessary; a year or so of working on the program?

Secretary WEAVER. The funding of this phase of it will not be until next fiscal year anyhow, and by that time we will have the first answers to those problems.

Mr. ASHLEY. The question is directed to you, Doctor, with respect to college housing. Last year, the Congress changed its program significantly, in that it now makes possible $300 million a year for 4 years directly for this purpose. I wonder if it would be possible to furnish for the record some indication of the extent to which this program has tended to eliminate from the financing of college housing the mortgage underwriting segment of our financial community?

Secretary WEAVER. This would not come under the mortgage underwriting section, I think it would come under the bond market, it is usually done by bond rather than mortgages.

We could give you a statistical review of what is happening in this, and from that you would have to make the deductions.

Mr. ASHLEY. It would not be difficult to do, because we know that the private market engaged in this to get a certain level over a certain number of years. And my interest is the extent to which this kind of private participation has been short-circuited and eliminated by virtue of the program that it adopted last year.

Secretary WEAVER. Of the 3-percent rate. We could give you the statistics on this.

Mr. ASHLEY. That would be very helpful. Thank you.

(The information referred to follows:)

TRENDS IN COLLEGE HOUSING BOND FINANCING

Comparison of college housing bond financing during the past 5 months with the financing in corresponding periods during the preceding 2 years indicates that there has not been any diminution in the volume of private financing.

Heretofore, private investors have evidenced interest only in the college housing bonds issued by public institutions where the interest income is tax exempt. As shown in the following table, during the period October 1965 to February 1966, a total of $75.6 million of college housing bonds issued by public institutions were purchased by private investors. In contrast, during the corresponding period in 1964–65, private purchases of such tax-exempt bonds totaled $60.2 million and in 1963–64 private purchases totaled $55.2 million. Thus, private purchases during the 5-month 1965–66 period rose by 37 percent over the private purchases during the comparable 1963–64 period. On the other hand, for the same calendar period, purchases by the Department of Housing and Urban Development rose from $71.6 million in 1963–64 to $77 million in 1965–66, an increase of 8 percent. Significantly, the proportion of college housing bonds issued by public institutions accounted for by private purchases rose from 43.5 percent in 1963–64 to 49.5 percent in 1965–66.

In the case of private institutions, where the interest income is not tax exempt, there has been negligible private investor interest in such bonds so that virtually all of the borrowing for college housing purposes by private institutions is made from the Department of Housing and Urban Development. As will be noted, the volume of bonds issued by private institutions to HUD during the October to February period changed from $58.4 million in 1963–64 to $50.8 million in 1964–65 and to $65.7 million in 1965–66.

In evaluating these figures, it should be recognized that many of these bond purchases reflect basic determinations (as to whether or not to apply for Federal loan assistance) that were made some time prior to the actual bond sale. But so far there is no evidence of any significant diminution of private purchases of college housing bonds. In fact, notices of bond sales during March 1966 indicate that there will be no abatement of private purchases during the current month.

College housing bond purchases by private investors and Department of Housing and Urban Development during October–February, fiscal year 1964–66

	Bonds of public institutions (interest income tax exempt)			Bonds of private institutions, Department of Housing and Urban Development	Total bonds, all institutions
	Private investors	Department of Housing and Urban Development	Total		
A. October–December:	*Millions*	*Millions*	*Millions*	*Millions*	*Millions*
1963	$26.2	$40.7	$66.9	$33.8	$100.7
1964	37.4	22.6	60.0	26.3	86.3
1965	47.6	54.0	101.6	46.2	147.8
B. January–February:					
1964	29.0	30.9	59.9	24.6	84.5
1965	22.8	11.9	34.7	24.5	59.2
1966	[1] 28.0	[1] 23.0	[1] 51.0	[1] 19.5	[1] 70.5
C. October–February:					
1963–64	55.2	71.6	126.8	58.4	185.2
1964–65	60.2	34.5	94.7	50.8	145.5
1965–66	[1] 75.6	[1] 77.0	152.6	[1] 65.7	[1] 218.3
D. Percent distribution of bonds issued by public institutions in October–February:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1963–64	43.5	57.5	100.0	----------	----------
1964–65	63.6	36.4	100.0	----------	----------
1965–66	49.5	50.5	100.0	----------	----------
Ratio: 1965–66 and 1963–64	137.0	108.0	120.0	113.0	118.0

[1] Preliminary figures; full compilations of bond sales during January–February, 1966, as presented by the bond buyer, coupled with HUD reports, will probably result in figures higher than those shown for these 2 months.

Mr. ASHLEY. Just a final question. I want to make certain with respect to a question and a concern that Mr. Reuss voiced. The $2.3 billion figure, if I understand you correctly, is predicated upon a certain number of participants in the act. Is this 60—is there a number that you can give us?

Secretary WEAVER. I can give you a series of numbers which I think will give the scope of what we are thinking about. These are again estimates rather than firm figures. We assume about 60, as I said, to 70 cities. We expect that the number of families in the demonstration areas will be over 600,000. We expect that the number of people in the demonstration areas will be over 2 million. We expect that there will be about 250,000 dwelling units rehabiltated, and that an additional 40,000 units of low- and moderate-income housing will be built under this program. This is the housing component of it.

Mr. ASHLEY. Now, the 60 to 70 cities, those that would be fortunate enough to secure approval, be selected to serve as examples and illustrations, as you put it, of what is meant to be useful to other cities, would not this bring them into an extremely advantageous position over the duration of the 6-year program, and would not actually a question arise as to other cities that would not find them also in this

advantageous position? I understand that there are some 250-plus general neighborhood renewal programs that are—have been approved, general neighborhood renewal programs, that there have been over a hundred community renewal plans that have been undertaken by cities obviously interested in upgrading their environment, or they would not have bothered. I find it difficult, although I must say I am sympathetic with the problem, but I find it difficult to see how this would not present something in the nature of a grab bag, inasmuch as there are 60 or more cities that would be interested, unless there would be increased numbers approved in immediately subsequent years; that is, the third year of the program. And the second year is the first year on which there would be programs to go forward, and if there be increased numbers and increased appropriations to support it in the following years, then there is no question, there is no problem. If this is not the way of it, I think that as a matter of fact, we ought to know about it.

Secretary WEAVER. I don't think I can answer the latter part of your question categorically, because I think it depends upon a lot of things. Many of them related to the budgetary problems of the Nation, which have to be considered and which are beyond the impact of any one particular program. But as to your first point, I would say that those which are now and will be by end of the period when applications come in most willing and able to deal with their major urban problems will get this supplemental aid. This will not take anything away from what any other city would get if this program didn't exist. So that the other cities are in the same position as they would have been if there hadn't been this program.

Mr. ASHLEY. Let me ask this kind of a question. What you are really saying is, "First come, first served, fellow, and you had better hurry."

Secretary WEAVER. No, we are not.

Mr. ASHLEY. You have said that. And this is what becomes clear to me. And it might be quite easy for Toledo, Ohio, to qualify itself for it in an imaginative and vigorous way. But what about the city of New York, for example, where you have a problem which is so enormously difficult to tackle in any respect? I could see where it might be—take them better than a year to put together the kind of plan that would be approved under the criterion that pertained to the act. I would consider it contrary to the purposes that I think should be represented in the act if upon ultimate review and approval of such a plan relating to such a critical area it would be found that the 60 spaces have been occupied.

Secretary WEAVER. I think this is inevitable in any type of a demonstration approach. I think you have a choice as to whether or not you are going to have a reasonable period of time when the cities can come in and can meet these requirements—some of them meet them better than others—and have a demonstration program which will come within a budgetary figure that seems to be reasonable, or wait until you get a situation where you can budget a total program. This may not be feasible at this time.

Mr. ASHLEY. Doctor, as I suggested, I think I tried to. It seems to me that there might be an alternative. And I refer to one in which priorities could be established based upon these that are perfectly

measurable, we have the sophistication and the ability to make measurements as far as density is concerned, and delinquency and crime are concerned, and public health and education. And if we don't do this and don't do it in a sophisticated fashion, then we are dismissing as an alternative the establishment of a priority that is perfectly constant.

Secretary WEAVER. We have no objection to that. We are in complete agreement with that. But there is the other side of the coin, and that is the ability of the cities to make a success of this within a reasonable period of time. If you are going to give some demonstrations and some illustrations, you not only have to have the need, but you have to save the ability to carry through with the need.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Fino?

Mr. FINO. Mr. Secretary, is there any ceiling or limitation on the number of programs within a city? I am thinking of New York City particularly, where you have Harlem and Bedford-Stuyvesant. Can you have two programs within that city at one time?

Secretary WEAVER. Definitely. The only limitation there would be is that each of them would have to be large enough to make a significant impact on the area that we are dealing with. You would not take a block here or a block over there. But if you took a section which would have significance, you could cover several areas. And it would seem to me, knowing New York City as I do, and as you do, that this would probably be the type of approach a city like New York would normally take.

Mr. FINO. Getting back to some of the discussions we have had here regarding the coordinator, besides creating new jobs, why couldn't you have the job of coordinating to the existing regional directors of the FHA? I think you have about 76 around the country. Why couldn't they do the job?

Secretary WEAVER. I think for two reasons. In the first place, I don't think proximity necessarily means availability or ability. The present directors of FHA are pretty busy people. They have tremendous pressures upon them. And they have a job of handling mortgage insurance which is quite different from the job of dealing with coordination of Federal, local, and State programs. They are, in many instances, inexperienced in this particular type of activity. Some of them may be temperamentally not suited for this. And others may not be interested in this. And finally, I think they are fully employed in their present job. The net result of using them for this purpose would be to dilute their efficacy in their present job and to find them not too efficient in the new job.

Mr. FINO. We have experienced a little difficulty, and in some instances great difficulties, in our private programs throughout this country. What is to prevent your Department through your commissar or coordinator from getting involved in local politics in the same manner as we had the means in the poverty program?

Secretary WEAVER. The first thing is to prevent him from being a commissar—which he will not be.

The second thing I think is the type of program which we have proposed here. And this is why we talk about a demonstration program. It is so that we can have flexibility, so that we do not have to

have the program administered in a fixed fashion. This is one of the reasons we want to do the demonstrations. So that we can deal with this problem, which in my opinion is a problem that has very different manifestations from one city to another. It has different manifestations in a large city from a small city or a town, different manifestations in one geographic area than another. This, I think, is going to be the main reason why we are going to minimize—we are going to have problems—this matter of citizen participation. It is fraught with problems. But I think, if you are going to succeed in doing what we hope to do, which is not only to revive and revitalize these areas physically, but also help the people psychologically and socially and humanly, you have to do this, and you have to learn to do it, and you learn to do it by having many patterns and finding out which patterns are the best patterns.

Mr. FINO. H.R. 12341 states among its purposes the provisions of educational and social services. Does this mean a coordination of the work that the poverty corps and HEW are doing?

Secretary WEAVER. Very definitely. It is impossible to conceive of this being done without such coordination.

Mr. FINO. Is there not some danger of duplication of services?

Secretary WEAVER. This is exactly what the coordination prevents, among other things. It gets us together and prevents us from duplicating each other.

Mr. FINO. Mr. Secretary, in H.R. 12946, you are speaking of 60 to 70 percent living in metropolitan areas. Now, obviously, that includes the cities of over 1 million people. I would like to know, in dealing with the metropolitan areas that make up the 60 and 70 percent of our population, how far down are you going in the size of the cities?

Secretary WEAVER. It depends upon the makeup of the metropolitan area and the nature of the metropolitan area. We are using as the criteria for a metropolitan area the census definition, which is pretty well established. One reason that we make modifications in this is that we only get the census every 10 years, and sometimes these areas change between. But the definition of the metropolitan area is primarily and basically the definition of standard metropolitan areas as set forth in the census.

Mr. FINO. Well, under section 105 of H.R. 12946 where you define a metropolitan area, a standard metropolitan statistical area as established by the Bureau of the Census, you make that subject, however, to such modifiaction and intentions as the Secretary may determine to be appropriate. Does this not reduce a metropolitan area to whatever you, the Secretary say it is?

Secretary WEAVER. No. As I said earlier, the purpose of this is to recognize the fact that many of these areas are fast growing, and that between the 10 years when the census is announced you may have a very significant area which would be added to the metropolitan area that existed at the time of the census. We are now in the year 1966. It will probably be 1967 when we get to administer this. Some of the metropolitan areas as defined in 1960 will no longer include some very basic elements that will have come in during that 7-year period. The criteria which we will use to make any additions will generally be the same criteria that the Census Bureau originally used in designating the areas taking into account current situations and the needs of planning for future metropolitan development.

Modifications may also be necessary to reduce the size of an area. SMSA's are based on county boundaries. Particularly in the West, counties may be fairly large. The Duluth SMSA extends up to the Canadian border and the Reno SMSA extends to Oregon. For the purposes of metropolitan planning and development large expanses of wilderness or other open land can be excluded from the SMSA where they are not essential to planned urban growth.

Other modifications may have to be made where adjacent SMSA's form a single metropolitan complex requiring planned and coordinated development. In all cases, modifications and extensions of SMSA's, for this purpose, would be made only after consultation with the Bureau of the Census and appropriate State and regional agencies.

Mr. FINO. Am I correct in saying that currently under the public housing there is a provision for two bathrooms?

Mrs. MCGUIRE. Yes, in some cases where there are five to six bedrooms there is a bathroom and a half, not a full bathroom.

Mr. FINO. It is a fact that the President has ruled that two bathrooms are ineligible for rent supplement housing, so doesn't this mean that you cannot accomodate large families in these projects?

Secretary WEAVER. It means that we are not going to be able to accommodate as large families in these projects as are accommodated in some of the public housing units, yes.

Mr. FINO. Mr. Secretary, if you permit and allow cities shifting funds between programs, doesn't this possible negate the will of Congress that now pertains to specific funds for specific programs? And how do you maintain program control if funds can be shifted in and out from one program to another?

Secretary WEAVER. There are no funds that are now legislated by the Congress that would be shifted one iota under this proposed legislation.

Mr. FINO. In other words, funds earmarked for this program will stay in this program?

Secretary WEAVER. Grant funds which are appropriated for any program will stay in that program. And this bill will have nothing to do with how they are spent or with their allocation.

Mr. FINO. You mentioned the possibility of obtaining for lease or purchase of public housing units at less than the Public Housing Administration is paying under its annual contributions contracts method. Why the large difference in costs?

Secretary WEAVER. I tried to explain that earlier. When a public agency contracts for any type of construction, it has certain restraints and requirements that do not apply to a private person doing the same type of operation. In the first place, there is a certain amount of overhead which is there. But more important, there is the matter of advertising for bids, competitive contracts, et cetera, which in turn require much more elaborate types of specifications and architectural details than is true in a private development. If the private builder builds to meet the specifications of the public agency in order to sell to the public agency, this is a fait accompli before the public agency gets in. The public agency either rejects the proposal or accepts the proposal. If it accepts the proposal, it doesn't have to do all of the inspections it would have to do if it were making the product itself. These are the basic cost-saving factors that are involved here.

Mr. FINO. In the conditions you cite on page 4 of your statement as necessary to the granting of the demonstration cities systems, you mention the provision of additional services for the poor and disadvantaged living in slum areas. What would those additional services be, and would they be provided by your Department or some other Federal or local agency?

Secretary WEAVER. These would vary from area to area. I have made a list of some of the more significant ones. The economic opportunities program, child health, vocational education, child welfare, sanitation and rodent control, and public safety.

You will note, for example, that two of these which come to mind immediately like the sanitation and rodent control and public safety are not now assisted by any Federal programs. This would then come out of the supplemental funds which would be spent for any purpose, whether there is a Federal program covering that purpose or not, provided it is related to the demonstration and included in the demonstration plan.

Mr. FINO. Just one final question, Mr. Secretary.

For a year I think I have been trying to get from your Department some information regarding the study on section 221(d)(3). I haven't seen one iota of information. And I don't think I have even received the courtesy of a reply.

Would you please supply for the record the number of units and the costs to the Federal Government this year for section 221(d)(3), low-rent housing for families earning up to $12,000 a year in New York, and $9,000 in Washington, D.C., $16,000 in Alaska, and so forth?

Secretary WEAVER. That report was sent to you over a week ago.

Mr. FINO. The mail must be very slow.

Secretary WEAVER. We can send you another copy.

Mr. FINO. I will check with my office and get in touch with you, if I don't find it. But I have been looking for it a long time.

Secretary WEAVER. I have checked it, sir, and I am told it has been sent.

Mr. FINO. Thank you.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. BARRETT. Will the gentleman yield for just a moment?

Mr. Secretary, we are going to try to give you some limitation here. We expected Mr. Reuss will want some time. And we can almost assure you and your staff that we won't run you over 5 o'clock, but we will run you as close to it as possible.

Secretary WEAVER. I will be here as long as you are.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Mr. Secretary, you are requesting authority which makes it possible for local housing authorities to use privately built new housing under the local rent program. This is actually a supplement to what we did under the last year's act where we were taking existing housing.

Incidentally, at that time wasn't there a percentage of the number of apartments owned by one owner that could be used for this purpose by the housing authorities?

Mrs. MCGUIRE. In section 23 it is suggested that 10 percent of the units in any one structure be used, unless there is some reason.

Mr. ST GERMAIN. Unless there is some unusual circumstance.

Mrs. MCGUIRE. Yes.

Mr. ST GERMAIN. Is there a similar limitation here?

Mrs. MCGUIRE. It has not been suggested.

Mr. ST GERMAIN. There is no limitation to this one in particular.

My question, Mr. Secretary, is, Would this housing be subject to the Davis-Bacon requirement, construction of housing by private contractors?

Secretary WEAVER. I couldn't answer that. I would have to check it out.

Mr. ST GERMAIN. Would you check that and provide it for the record. Because I think you realize that it will have a great bearing on the consideration of the section in some areas.

(The information requested follows:)

There is no statutory requirement that prevailing wage rates must be paid in connection with private housing constructed for use for low-rent public housing purposes, as provided in section 105 of the proposed Housing and Urban Development Amendments of 1966.

The Department of Housing and Urban Development administratively requires that prevailing wage rates be applied, wherever appropriate, in the construction of private housing to be acquired or leased for low-rent public housing purposes. We maintain this position because of the strong congressional intent expressed in the U.S. Housing Act to protect labor standards in the construction of low-rent housing financed under its provisions.

Thus, under the recently initiated "turnkey" procedure which involves acquisition of newly constructed housing for low-rent purposes, we require the application of prevailing wage rates, submitted to the Secretary of Labor for approval, in the construction of this housing, notwithstanding that this is not specifically required by law.

In the case of leasing newly constructed housing under the "flexible formula" (as would be provided in section 105 (a) and (b)), however, only short-term leases are involved. The application of the prevailing wage rates requirement would not be practicable in this situation.

Mr. ST GERMAIN. Mr. Secretary, there is one section that I find a little perplexing. At one point in your supplement at page 6 you have a heading, "Maintenance of Effort." Under it you say:

In addition, a city will not be permitted to use grant funds provided under the demonstration cities as a substitute for local dollars committed, prior to the application for the planning of the demonstration program, to be spent for a project or activity for which Federal financial assistance is being provided under an existing Federal grant-in-aid program.

Now, let's take a specific example, city X.

Secretary WEAVER. Let me read that again. I thought you were talking about something else. I didn't follow you. What is that section?

Mr. ST GERMAIN. At page 6, Mr. Secretary, "Maintenance of Effort," about midway. This is the title.

Secretary WEAVER. In my statement?

Mr. ST GERMAIN. That is in the supplement to the statement, not the one you read, but the supplement.

Secretary WEAVER. The long statement.

It has to do actually with section 102, subsection (e) of section 102 of H.R. 12946.

I think I had better let Mr. Foard explain this.

Mr. FOARD. This is simply a requirement that if a city has committed itself to a local contribution, these funds are not going to be

used to offset that commitment; they would have to be used for some other purpose.

Mr. ST GERMAIN. I do not like to use the word "simply." Let's take a specific case, theoretical case. City X wants to be a demonstration city, and it files—first of all, they have to somehow or other get some funds to prepare an application to find out whether or not they can be qualified as a demonstration city. We will get to that as my next question. But let's say that they are now being considered under the seven or eight points as a possible demonstration city under the acts as passed. And it is very important that the planning funds that they have received for urban renewal projects—at one point on the urban renewal project they get their planning funds, and their plans are being prepared. And they finally submit them to the citizens of the area, and this is approved.

In the meantime, you are processing the application for a demonstration cities' grant.

At which point is this ruled out, the funds of the Demonstration Cities Act to supplement the cities' or the communities' local share of the urban renewal project?

Mr. FOARD. I think it would depend on whether the cities had made a commitment to furnish those funds or not.

Mr. ST GERMAIN. At which point have they made the commitment, and at which point do you compare the two dates? Have you resolved that one?

Mr. FOARD. I don't think——

Mr. ST GERMAIN. Mr. Secretary, I don't know if you are perplexed at my question or the problem.

Secretary WEAVER. I am perplexed by your question.

Mr. ST GERMAIN. All right, here is the point, Mr. Secretary, and Mr. Foard. An application is made by a city for urban renewal, for consideration as a demonstration city, and at the same time there is in process an application for an urban renewal project. Which of the two dates are going to control, the date of the application or respective applications, or the date that final approval comes through for either one or both?

Mr. FOARD. I am sorry, I don't understand your question. It would not be the time of application, and would not be necessarily the time of final approval. It would be the time when the local commitment has been made for the funds for the project.

Mr. ST GERMAIN. What would you consider as being the time that the local commitment is made?

Secretary WEAVER. I think we will have to come back to you on that. I think the real point here is, that the demonstration program is not to be used to permit the city to cut back its present level of expenditures. The basic thrust is that the city cannot, for example, reduce the amount that the city is paying for police protection, because it is going to use some of the supplemental funds for police protection. I grant you that that isn't precisely what this language says, but this is the main thrust of the "Maintenance of Effort." As to what this is I will have to check it out.

(The following information was submitted for the record:)

USE OF THE SUPPLEMENTAL GRANT

Once the amount of the supplemental grant authorized by section 6(c) of the demonstration cities bill is computed, the total amount of the grant is generally available to the city to be used at its discretion for any project or activity which is included as part of the city demonstration program.

Except in the one situation described below, the supplemental grant funds may be used to (1) assist cities to provide their required share of the cost of projects or activities which are part of the demonstration program and are funded under existing Federal grant-in-aid programs, and (2) provide funds to carry out other, nonfederally assisted, projects or activities (including projects or activities of the type eligible for Federal assistance under existing grant-in-aid programs), undertaken as part of the demonstration program.

However, the supplemental grant funds provided may not be used as the required local share for any project or activity for which Federal financial assistance under an existing grant-in-aid program was contracted to be made prior to the date on which an application is made for funds to plan a demonstration program.

For example, assume a loan and grant agreement had been signed with respect to a particular urban renewal project before the city made application for funds to plan a demonstration program. If this urban renewal project is included as part of the city demonstration program, the non-Federal contribution to it may be included in the base for determining the amount of the supplemental grant available to the city, even though the project was approved and even funded under the urban renewal program before the application for planning funds under the demonstration program was made.

However, the supplemental grant funds may not be used to repay the required local share of this urban renewal project. It must be used for other projects and activities which are part of the demonstration program.

This limitation applies only to projects for which Federal financial assistance under an existing grant-in-aid program was contracted to be made before the application was made for funds to plan a demonstration program. It would not affect a particular project merely authorized (as by referendum or by action of some governing body), or even scheduled. The limitation applies only if financial assistance for that project has actually been contracted for under an existing Federal program before the application for planning funds under the demonstration cities bill was filed.

Mr. ST GERMAIN. The language I was talking about——

Secretary WEAVER. I know.

Mr. ST GERMAIN (continuing). Programs on which Federal financial assistance is being provided. And that is the explanation I got out of your supplement.

A summary of one bill says "will provide that no grants may be made under this title with respect to development projects for which a Federal grant has been made or a contract with assistance has been entered into under the legislation referred to in clause 1 of section 105 prior to"——

Secretary WEAVER. That is the other bill, that is the metropolitan development bill, sir, not this bill.

Mr. ST GERMAIN. This doesn't apply to both?

Secretary WEAVER. No. This applies to the metropolitan development bill.

Mr. FOARD. It is a provision to prevent projects which are already committed from getting the advantage of the incentive grant for metropolitan planning.

Secretary WEAVER. This has no relevance to the demonstration cities.

Mr. ST GERMAIN. It has no relevance to the demonstration cities.

Secretary WEAVER. No.

Mr. BARRETT. Will the gentleman yield?

Mr. ST GERMAIN. Yes.

Mr. BARRETT. I am quite sure, Mr. Secretary, that both the demonstration cities and the metropolitan area planning program are very important to the gentleman. And I was wondering if it wouldn't be more helpful and more specific if you had given some questions to the Secretary in writing so that he could reply to them.

Mr. ST GERMAIN. Mr. Chairman, I am one of those—I am a nonbeliever in this written question business, for the most part, because you get an answer, and then it is properly—it turns out that they didn't understand the question, didn't understand my question initially. I would have never gotten an answer.

Secretary WEAVER. We wouldn't have understood it any more if you had written it.

Mr. ST GERMAIN. That is a point, Mr. Chairman. This is very important, because our deliberations will continue on this for the next few weeks. Because the Secretary and his staff are experts in this area.

No. 8, in the criteria for the determination by the Secretary that a city would be eligible, states:

> The program meets such additional requirements as the Secretary may establish to carry out the purpose of this act.

Do we have to have that type of criteria?

Secretary WEAVER. I think it is pretty standard procedure in legislative drafting. If one abuses this, then one comes back and suffers for it. I think this is one where you proceed at your own risk. But I think you had better have it as an umbrella in case you find that you are not able to anticipate everything.

Mr. ST GERMAIN. Does the Secretary have a pretty good idea of what these additional requirements may be?

There are a couple of reasons for my asking that question, Mr. Secretary. When we pass this type legislation, naturally all the communities who are interested in it or who are potential applicants are eager to know the regulations that supposedly control this legislation.

Secretary WEAVER. I have had some experience with regulations that were issued before the appropriations were made. And that is my last offense, as far as that is concerned.

Mr. ST GERMAIN. I was thinking, Mr. Secretary, that perhaps when the authorization was being considered, that if we had an opportunity to examine the regulations prior to going before appropriations, it might be helpful.

Secretary WEAVER. I think I can assure you that this is a protective clause that will be used very, very lightly, or only in some detail. And there will be no major criteria added which is not in the substantive statute.

Mr. ST GERMAIN. We will be watching that closely, Mr. Secretary.

No. 6 here provides that, "There exists a relocation plan meeting the requirements of the regulations referred to in section 9" of the bill. Section 9 says, we have to assure adequate housing before people are displaced, and requires, to the maximum extent feasible, the coordination of the Relocation Act which increases the supply of standard housing suitable for displaced families.

I understand, Mr. Secretary, that we are going into a demonstration city, or an area of a city, if it is a city like New York, we are going to

improve the social and economic work potential conditions of the peoples, improve the face of the area, and you want to improve their housing. But in the meantime, how could you give them better housing while you are doing this?

Am I reading this section correctly, this requirement correctly?

Secretary WEAVER. No. I think this requirement says, in effect, that there must be a relocation program which assures that there will be an adequate amount of relocation housing available before people are displaced. You may go about this in several ways. In a project which we now have, a demonstration in New York City on 114th Street, which is rehabilitation, we took 20 buildings, one of which was vacant, and we moved the families from the first building that we rehabilitated into the vacant one after we had rehabilitated that, and with a regular turnover. The next time we were able to do two buildings. And so we went progressively.

Mr. ST GERMAIN. Was this in a rehabilitation area?

Secretary WEAVER. Most of this is rehabilitation.

Mr. ST GERMAIN. And it is contemplated that under this demonstration cities that it will be rehabilitation?

Secretary WEAVER. Definitely. I say, when we talk about this total program, we expect the number of dwellings to be rehabilitated to be 250,000, and the number of new buildings for high and moderate income housing about 40,000. So this is primarily a rehabilitation program.

Mr. BARRETT. The gentleman's time has expired.

Mr. ST GERMAIN. Did the Chairman deduct the time I had to relinquish?

Mr. BARRETT. I think I allowed for that.

But perhaps Mr. Reuss would be glad to yield for another question.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Section 11. Consultation: it says here that the Secretary will confer with Federal agencies administering the program. And let's get back to No. 8 that I referred to about the establishing of the criteria. I didn't notice anything about consulting with perhaps the members of the authorized committee on some of these areas. And I wonder if the Secretary had any intentions of doing that.

Secretary WEAVER. Well, I think that the consultation there should be properly through the other Secretaries or the other heads of the agencies. I think there would be a good deal of feeling, and I think rightfully, about these Secretaries going back to their authorizing committees. I think that this would be their responsibility. And mine would be to get this cooperation to explain what we are trying to do and to find out how far they could go to cooperate with us and facilitate that cooperation. But I don't think I should go back behind them to——

Mr. ST GERMAIN. I was thinking about this particular Secretary and this particular authorizing committee, in view of the fact that this is a demonstration act in experience.

Secretary WEAVER. I think I would do that without any word or direction.

Mr. ST GERMAIN. One last comment, since my time is up, and that is, on the Federal coordinators, some of the gentlemen are proposing an amendment to make these permanent. Is that it?

Secretary WEAVER. For all metropolitan areas.

Mr. ST GERMAIN. For all metropolitan areas. I think that this is such a great section in itself, Mr. Secretary, these Federal coordinators, that I would even support legislation to establish these in all the metropolitan areas, so that if this particular bill did not succeed in passing, I still feel that the Federal coordinators at this point in our metropolitan areas, in our cities, are definitely necessary, and I feel that most cities who need help, these Federal programs, unfortunately, cannot afford the talent necessary for an effective Federal coordinator. And I feel that this is an excellent section.

Secretary WEAVER. I don't like to even think of your qualifying clause about the lack of passage of the program. But I would concur with the desirability of this. And we shall be moving in this direction regardless, because we agree this is very crucial.

Mr. BARRETT. Mr. Reuss?

Mr. REUSS. Mr. Secretary, you have practically answered the question I was about to ask concerning the fourth and the last part of the Reuss amendment, because that has to do with the effect of the amendment on your proposal for urban coordinator. We felt the idea was excellent. But why restrict it to the 50 or 60 demonstration cities who come in, and why delay it for 2 or 3 years until a demonstration program gets moving?

And, therefore, we suggested that every metropolitan area of consequence who wants it throughout the country should have a Federal urban coordinator to help expedite the whole series of Federal city programs in that area. We suggested that this might be done through the FHA offices which are already there.

You earlier said that many FHA people aren't suited for it and didn't want it, and so on. I accept your judgment on that. But there must be a corner of their offices where you could put a desk and a bright young fellow who knows about urban renewal and open space and community facilities, and would get in there and help the bewildered locals in their wanderings through bureaucracy and prevent them from having to go down to Washington or to a region that is hundreds of miles away. But I gather from what you have said to Mr. St Germain that you may be in agreement on this.

Secretary WEAVER. We contemplate something along this line.

Mr. REUSS. I am delighted to hear that.

Let me shift now to something that hasn't been touched yet.

You have excellent new town proposals. Tell me, does that apply to new towns within existing cities as well as to new towns out in the countryside? I have in mind a city which suddenly finds itself the heir, let's say, to a Federal Army post, or to a large piece of land. I would hope that it would apply to this city new town as well as to country new towns.

Secretary WEAVER. There is nothing in the letter of the law that would prevent that. I just can't conceive of enough space within a city where it could happen. But if the space were there, it could be done.

Mr. REUSS. Well, Minneapolis has its Fort Snelling. Milwaukee has its Army disciplinary barracks. And Washington, I think, has its National Training Center. So I am glad to hear that, as you read the legislation, were applicable, certain towns——

Secretary WEAVER. There will be no prohibition against it.

Mr. REUSS. On this whole question of metropolitan planning which is inherent in the new town proposal, and is certainly inherent in your metropolitan planning proposal, which I find excellent, too, I am somewhat disturbed at the fact that, apparently as we go ahead with this kind of metropolitan planning, we are going to let our friends at the FHA, whom I love dearly, continue to do what they have been doing for the last 20 years, which is to subsidize by mortgage insurance the most unplanned type of checkerboard suburbs. It isn't FHA's fault. It is all our faults, but why aren't we doing something about it?

Secretary WEAVER. We are doing something about it. For example, we have a title to which you passed last year, which will be administered by regional officers, and which will be tied into the total approach, the metropolitan planning approach, and a comprehensive planning approach. And we are also attempting to concern ourselves with the planning of the larger suburban developments.

I just don't think it is possible to bring all in at one time, both administratively and operationally. And also I think that the FHA itself is becoming more concerned with planning. I refer to, particularly, a technical bulletin they issued a number of years ago about cluster development, which I think is really a significant breakthrough in this, and something, I think, that presents a new image on FHA. And the Assistant Secretary, who is also the Commissioner of FHA, is here. Maybe he would like to speak on that.

Mr. REUSS. Before he does that, let me just ask this question: I know about title 10. And I know about cluster development. And those are nice. But what I would like you to answer is this: If Congress meets the challenge of the new town's proposal, and the metropolitan planning proposal, and enacts these laws, and your Department goes ahead and administers them, while it administers these with one hand, won't FHA on the other hand be out subsidizing unplanned checkerboard suburbs many miles out from anywhere else, which are wasteful in terms of utilities and highway transportation and open space and everything else, simply because Congress is not giving you any other directive?

I am not blaming you. I am blaming ourselves.

Mr. BROWNSTEIN. We are, as the Secretary suggested, giving a good deal of attention to planning, Mr. Reuss.

However, there are areas beyond which we can't go. And even though we may not be planning them as well as we would like to have them planned, we may not have any reason to refuse mortgage insurance in connection with some of these. But to the degree that we can, to the degree that these new dollars are going to facilitate better developments, then FHA certainly has arisen to the problem and they are doing everything possible and they will continue to do everything possible to encourage better developments.

Mr. REUSS. If any of you gentlemen, in the course of reading over the minutes of the meeting, have any answer to my proposition that we seem to be proliferating and subsidizing bad planning at the same time that we take steps in good planning, I would be happy to have you submit it.

Mr. BROWNSTEIN. I think it is rather significant, too, Mr. Reuss, that FHA is involved in about 15 percent of the new housing starts.

And perhaps the 15 percent is somewhat better planned than the 85 percent that we are not involved in.

Mr. REUSS. I think that is true. But let's draw the veil of charity over the other 85 percent.

Mr. Weaver, I am delighted to see that you put in a good word for the rent supplement appropriation. Do you not agree that equally as important as getting in an adequate rent supplement appropriation is to make sure that the appropriation contains no restrictive requirement such as requiring a workable program, approved by the local community, recognizing that such requirements would, in effect, eliminate the rent supplement program in the very areas where it is most needed?

Secretary WEAVER. I think that the philosophy behind the rent supplement program is the fact that it is a private enterprise approach to low-income housing. And I think it should be treated as any other private enterprise approach to housing, since it is financed through the same machinery. And I think that there are adequate housing provisions for any local control or local participation, which apply to all other programs, which ought to apply to this program.

In addition, such limitations would greatly restrict the areas in which this particular activity could be carried on, which would be prejudicial to the people we are trying to help and, really, I think, destroy much of its efficiency.

Mr. REUSS. One final question on your metropolitan planning. You used the magic words "planning," and I think "programing," indicating to me that you have in mind not just a regional or metropolitan planning agency; plans are fine as far as they go, but they don't get anything built in themselves, and you want something more.

Now, the something more, I gather, is not necessarily always a metropolitan council of governments. You carefully ruled out, and I am glad you did, the idea that you have to have a metropolitan super government. You don't want that, and it certainly isn't a requirement. But will anything less than a metropolitan council of governments of some formal or informal nature do?

Secretary WEAVER. I don't like to stretch it. I would say that in most instances I think this is the form that it will take. We are concerned, first, that there be an agency, a public agency, that can perform adequately the metropolitan planning for all of the pertinent areas.

Secondly, we are concerned that there be a unit of government—it can be State—it wouldn't make any difference—it could be any form of government which has both the jurisdiction, the power, and the will to carry out what is provided for in the comprehensive metropolitan plan.

Mr. REUSS. But where the State either doesn't or can't do it, and where the metropolitan problems slop over the county boundary as they frequently do, in addition to a planning agency covering, roughly, the area question, you would require, if not a formal metropolitan council of governments, at least some cooperative arrangements, so that you didn't get 153 Balkan States each fighting each other?

Secretary WEAVER. Yes. I think the important point here is the effectiveness of this.

And maybe Assistant Secretary Haar would like to speak to that briefly, too.

Mr. HAAR. I think we are interested, not only in the planning but in the implementation of it, and the carrying out and the adherence to

the plan. And we are again looking for new developments, innovations, and institutional structure.

Now, the council of elected officials is one that has emerged and has proven to be more useful than other devices, and more effective in carrying out the plans and staffing the local aspirations. We don't want to preclude other innovations and other ways of meeting this problem of planning at one level of development and land activities going on at the other. We want the two to match.

Mr. REUSS. But there has to be something at the implementation level.

Mr. HAAR. There has to be something. And I think it is to give the representatives of the localities, somehow, representation into the groups which make decisions. It doesn't have to be one for one, and it doesn't have to be the exact ratio, but somehow the people who have to make the decisions on the local level, those who have the responsibilities and who are elected on the local level, have to have some say in these metropolitan decisions.

Mr. REUSS. And by metropolitan decisions, you don't mean the planning decisions but the implementing decisions?

Mr. HAAR. The implementing decisions.

Mr. REUSS. I think that is a very good piece of legislative history.

Thank you, Mr. Chairman.

Mr. BARRETT. Gentlemen, the time has expired.

Mr. Secretary, there are two brief questions now and I am sorry we won't be able to let you go at 5 o'clock.

Mr. Widnall wants to ask a short question and I think Mr. St Germain wants to come back. And he says it will be a short one.

Mr. WIDNALL. Mr. Secretary, notice has come to me that in urban renewal's open space program, where the Federal Government picks up 50 percent of the costs of acquisition, that the community of Virginia Beach is requesting such assistance in connection with a purchase of a 144-acre ocean-front property.

The property is priced at $522,000 but is on the tax rolls at $18,360, which, under the Virginia system of real estate taxation, has brought in only $128.50 in taxes during the past year, according to the Virginia Observer, a Virginia weekly newspaper. The Federal Government's share of this $522,000, at 50 percent, would be $261,000. I have inquired several times, through subcommittee staff, of urban renewal authorities as to the progress of the Virginia Beach application. Information has been given us that appraisals of the property have backed up the acquisition cost, but that URA is seeking further information. I am pleased they are alert.

I still cannot understand how a property can be on the tax rolls for only $18,360, bring in only $128.50 in taxes, and still cost the local government $522,000 of which the Federal Government would pay $261,000. Could you or one of your urban renewal assistants further enlighten me?

Secretary WEAVER. I couldn't.

Mr. SLAYTON. Well, Congressman Widnall, you have indicated that we have had some correspondence on this, and I haven't checked upon this recently, since I have come back to work, so I don't know the precise status of it right now. But as our correspondence did indicate, we have looked into this, and we looked into it immediately

when we heard about the application. And the application has not been approved. But I can't give you the information right now. I can, of course, supply it to you.

Mr. WIDNALL. Well, Mr. Secretary, I understand that there have been one or two paper transactions on the whole property which have been in the hundreds of thousands of dollars, despite the fact these purchases were concerned with 165 acres while the city is acquiring only 144, part of which is under water. But until this came to my attention with regard to the city's action, such transactions were, I am told, still over $200,000 less than the $522,000 price tag to the city and the Federal Government. If a full explanation could be furnished for the record, I would welcome it.

Mr. SLAYTON. I think the record ought to show that this is an application that has been received and no action has been taken on this whatsoever in terms of approval or anything of that nature.

Mr. WIDNALL. I would certainly like a full documentation for the record as to the order of procedure in connection with this and what has been done by the authorities.

Mr. SLAYTON. We will supply that.

(The information referred to follows:)

STATUS REPORT RE VIRGINIA BEACH OPEN-SPACE LAND APPLICATION

On August 9, 1965, the Philadelphia regional office received an application from the city of Virginia Beach requesting a 20-percent grant of $90,000 for the acquisition of 144 acres of property which was to be known locally as the Little Island Recreation Area. Shortly thereafter, the regional office acknowledged receipt of the application and authorized the city to undertake acquisition of the lands included in the application if the need arose. Such authorization is not a commitment of Federal assistance but does allow the applicant to proceed with acquisition at their own risk without advserly effecting the eligibility of the land for assistance, if at a later date, a Federal grant is approved. At the present time the application is under review.

In the latter part of September 1965 assertions appeared in the Virginia Observer to the effect that the price paid for the Little Island Recreation Area by the city was highly inflated and did not reflect current market value for similar lands in and around Virginia Beach. These assertions were brought to the attention of the Urban Renewal Commissioner who notified the Philadelphia regional office of the controversy over the application and instructed the regional director of urban renewal to follow up on the matter.

The regional office requested the city to provide two complete professional appraisals of the land for review as soon as possible. These appraisals were completed and delivered to the regional office in December 1965. Subsequently, the regional office has conducted a field review of the site and reviewed the appraisal reports submitted by the city. The city has been requested to provide additional information concerning the methods of appraisal used and supplemental information to complete the original appraisal reports. It is our understanding that this material is now being prepared for submission to the regional office by the appraisers.

It should be noted that in the interim since the submission of the application in August 1965, the Housing and Urban Development Act of 1965 modified the open-space land program and increased the percentage of Federal grant assistance available to a 50-percent level instead of the 20-percent level at which the city's application was originally submitted. Prior to any additional action being taken on the application, the city will have to update and revise their submission to comply with the provisions of the 1965 act. The regional office has not requested submission of a revised application pending complete review of the appraisals and determination of the fair market value of the land in question.

Mr. BARRETT. It is true that you have been hospitalized, is it not?

Mr. SLAYTON. Well, I was homeized, you might say.

Mr. WIDNALL. I am sorry to hear that. But I don't think that this was concerned with hospitalization.

Mr. SLAYTON. My only point is that I haven't had a chance to check into this as to its recent status.

Mr. WIDNALL. One other thing: H.R. 13064 was introduced on February 24, 1966. It contains 38 pages. And to the best of my knowledge the bill itself was not available until this morning. There was a committee report available as of Friday. It is the longest bill that we have before us. It is extremely important. And I think that to do ourselves justice in the committee, we certainly should have the opportunity in the future to go into proposals that are in this bill, in the new section. We haven't had much opportunity to date.

Secretary WEAVER. I think that I would like to add——

Mr. BARRETT. Doctor, I wonder if the gentleman would yield to me?

At the conclusion of today's hearings we are going to ask you and your staff to be on a standby basis. The subcommittee may want to bring you back at a later date, and at that time we would have an opportunity to ask further questions on the bills.

Secretary WEAVER. May I point out one thing in connection with what Congressman Widnall says, that 30 pages of the bill are devoted entirely to conforming the existing legislation to the new situation due to the existence of the Department, and it is therefore a technical matter, not substantive.

Mr. BARRETT. The standby position, Mr. Secretary, is agreeable with you, is it not?

Secretary WEAVER. Certainly.

Mr. BARRETT. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

First of all, I would like to say that we are happy to see Mr. Slayton back on his feet. And it would be nice to get him on the other end of the line when we call his office. And we want to thank the Secretary for his help and his patience in answering our questions today. The concluding question was this, Mr. Secretary: First, in section 4 we have a comprehensive city demonstration program, the requirements for eligibility; and then in section 5, we have got the national assistance for planning comprehensive city demonstration programs. I am a little confused here as to which is the buggy and which is the horse. How does a city begin to get recognition to a point where they can be given financial assistance? Because, let's be realistic in our conversation, Mr. Chairman, I feel that the applications that are submitted by the cities that would like to be considered as demonstration cities are going to be rather lengthy and costly to prepare. It is not going to be an easy method.

Secretary WEAVER. I think the procedure will probably answer both of your questions. The procedure we contemplate is that the cities which are interested in this will come in with a general proposal. Not a detailed plan but a proposal which will indicate what they hope to accomplish, and in general the methodology that they will use, and, also, some indication of what resources they have as far as getting the necessary cooperation, et cetera, to do this.

Then on the basis of this, there will be the selection of cities which will receive planning money to perfect this. And the planning comes

in after the general proposal has come in. And that is where we have allocated the money for planning and a period of a year's time for the detailed planning.

We realize that these cities cannot, without financial assistance, come up with a detailed, finished plan. They can come up with a proposal.

Mr. ST GERMAIN. Where the city is submitting its proposal, its initial proposal, prior to that time it will have the supplemental guidelines from the Secretary and his department as to what is being sought after by the potential applicant?

Secretary WEAVER. Yes. These will be a spelling out of the criteria that is set here, not guidelines as to how they do it, but guidelines as to what they are to accomplish.

Mr. ST GERMAIN. And secondly, the cities that are then granted funds for planning over a period of a year, because of the detail required, does the Secretary here mean that these are the cities that will be successful, or these will be the contestants, let us say, who will be considered?

Secretary WEAVER. I would say—and this is something that is still formative—but my guess would be that if we were going to ask the cities to put in a year of planning that they have got to have a pretty good idea that if their plans meet the criteria in detail that have been set, that they would then be eligible to participate. I don't think you are going to have a group of cities come in with final plans and then throw them out.

Mr. ST GERMAIN. That being the case, this initial submission, then, would be of the utmost importance, because it is actually the controlling submission on which the ultimate decision is made?

Secretary WEAVER. I don't see how you can do it otherwise. I think it is quite unfair to have a city come in and go through all of this—a lot of particulars, and a lot of agreements—and then say, "Well, look, it is very nice but you 'ain't' good enough," if they didn't meet the criteria.

Mr. ST GERMAIN. And I repeat, Mr. Secretary, that it would be most important to those potential initial applicants to know exactly what HUD is looking for from them.

Secretary WEAVER. Certainly.

Mr. ST GERMAIN. And perhaps these suggestions or guidelines, or whatever you might like to call them, will be ready in the near future?

Secretary WEAVER. As near in the future as we can get them ready. But I think we have a problem here. It would be rather premature for us to write these guidelines in detail until after the Congress has written the legislation in detail, because the Congress may change the law.

Mr. ST GERMAIN. Mr. Secretary, that is the end of my questioning. But that was my point, the last time I was questioning you about these details. We are writing the law and we are called upon to vote on the law. I think that this is one of the most important parts of the implementation of the law. And that is what will be the guidelines these cities will have to follow.

Secretary WEAVER. Our proposed guidelines are set forth in this proposed legislation—the only thing more that will be done, if this bill were to be passed in its present form, with every period and

comma, and so forth, in it, would be to elaborate these guidelines—not to create other major guidelines.

Mr. BARRETT. On behalf of both sides of the committee, I want to thank you and your staff for a splendid presentation here today.

We will adjourn until 10 a.m. tomorrow morning.

(Whereupon, at 5:10 p.m., the subcommittee adjourned to reconvene at 10 a.m., Tuesday, March 1, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

TUESDAY, MARCH 1, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Widnall, and Fino.

Also present: Representatives Minish and Mize of the full committee.

Mr. BARRETT. The committee will come to order.

This morning we are happy to have as our first witness, Mr. Wilbur J. Cohen, Under Secretary, Department of Health, Education, and Welfare, accompanied by Philip Brownstein, Assistant Secretary for Mortgage Credit, Department of Housing and Urban Development.

Mr. Cohen, do you desire to read your statement? If you wish to read it, we will let you complete it before we ask questions.

But first I want to state that we are very pleased to have you this morning, and we hope you make yourself feel at home.

You may proceed.

STATEMENT OF HON. WILBUR J. COHEN, UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY DR. PHILIP LEE, ASSISTANT SECRETARY FOR HEALTH AND SCIENTIFIC AFFAIRS; AND DR. HARALD GRANING, PUBLIC HEALTH SERVICE

Mr. COHEN. Mr. Chairman, I am also accompanied by Dr. Philip Lee, the Assistant Secretary for Health and Scientific Affairs of the Department, and Dr. Harald Graning of the Public Health Service.

It is a pleasure to appear before this committee today to express the Department's strong support for H.R. 9256 introduced by the distinguished chairman, Mr. Patman, and an identical bill introduced by Mr. Gonzalez.

This bill would amend the National Housing Act to provide mortgage insurance and authorize direct loans by the Department of Housing and Urban Development to provide financial assistance for constructing and equipping facilities for the group practice of medicine. Assistant Secretary Philip Brownstein of the Department of Housing and Urban Development is also here today. He will speak to the financing aspects of the bill.

President Johnson in his health message of 1965 stated:

> New approaches are needed to stretch the supply of medical specialists and to provide a wider range of medical services in the communities.
>
> The initial capital requirements for group practice are substantial, and the funds are not now sufficiently available to stimulate the expansion and establishment of group practice.

He recommended legislation to authorize a program of direct loans and loan guarantees to assist voluntary associations in the construction and equipping of facilities for comprehensive group practice.

We do not want any person in this country to be denied access to the best medical care possible. Our population is growing. The demand for medical services is increasing. And, to meet this growth, Congress has inaugurated new programs under the Health Professions Education Assistance Act of 1963, and the Nurse Training Act of 1964, to increase the supply of available manpower.

But we must also make possible the expansion of those forms of medical organization which are designed to deliver high-quality health care services to our people.

Group practice is one such form. It is an efficient and effective way of delivering high-quality medical care. In 1946 there were about 400 medical units in group practice in the country; today, group practices number nearly 2,000. In addition, there are about 60 dental group practice groups.

Group practices now exist in almost every State. Some offer comprehensive prepayment plans, others are on a free-for-service basis. Group practice has worked in many different parts of the country. The Kaiser-Permanente program, and the Palo Alto Medical Clinic are examples of both forms on the west coast. In Oklahoma, there is the Glass-Nelson Clinic in Tulsa; in New York City, the Health Insurance Plan of Greater New York, with 29 medical groups, is one of the largest prepayment plans; there are group practices in Philadelphia, Pa.; Rochester, Minn.; Bellaire, Ohio; St. Louis, Mo.; Hanover, N.H.; Middleboro, Ky.; Beckley, W. Va., Albuquerque, N. Mex.; Bessemer, Ala.; and Seattle, Wash. These are only examples; in 1959 we published a preliminary directory of medical groups in the United States which shows that they exist in the largest cities and in smaller communities as well.

Both physicians and patients benefit from the specialized services and joint recordkeeping, by the sharing of staff, equipment, and administrative expenses among physicians.

Experience with the Federal employees health benefits program, for example, has shown that hospital utilization rates are lower among those who have selected group practice than with all other methods of practice.

Hospital costs have been increasing 5 to 7 percent a year in the past 20 years. The average cost of general hospital care in the United States today is almost $42—and still going up. It must be our goal to prevent, wherever possible, unnecessary and costly utilization of hospital services. We are constantly searching for ways to do this. We must find ways so that everyone who needs hospital care gets it but that no person uses hospital care when other services are medically appropriate, such as hospital outpatient diagnostic care, home health services, or ambulatory care in a physician's office. But even as we improve our

existing capabilities and develop new alternatives, we must also move to take advantage of ways and means with which we are already familiar, such as group practice, to reduce unnecessary hospital utilization.

One of the chief obstacles to the development of prepaid medical care plans and the group practice of medicine and dentistry is the difficulty in securing financing on reasonable terms to meet the cost of constructing facilities needed for group practice and the cost of providing the equipment needed for essential services, such as laboratory and X-ray services.

Some physicians who wish to establish a group practice arrangement are able to obtain the necessary loans for doing so. This may be the case when the physicians are well established in the community. Most often, and especially for groups associated with prepayment plans, there is no such history; and the lack of adequate long-term financing may prevent a community from obtaining the benefits which accrue from group practice. A number of instances in which this has happened will be found in the record of last year's hearings before the Interstate and Foreign Commerce Committee at pages 313–317. We believe that by making Federal assistance available to encourage the long-term financing of group practice facilities, a major obstruction to the initiation of group practice will be removed.

As you know, the President in his message on rural poverty, has expressed his concern that we are not providing sufficient incentives to attract medical students to settle in rural medical practice. He has proposed to extend loan forgiveness for student financial aid to medical students who choose to practice in poor rural areas. Moreover, this bill as stated in the enacting clause and in section 302(a) would give priority to group practices in smaller communities. These two incentives taken together—loan forgiveness for student financial aid and mortgage insurance for the construction of modern group practice facilities—could work together to improve the adequacy and availability of medical care in rural areas. However, I would have to admit that much more will have to be done to bring the miracles of modern medicine within the financial ability of our people in smaller and medium-sized communities.

Beneficial byproducts of the legislation before you would be the stimulation of additional valuable prepayment plans under which high quality comprehensive medical or dental care or both would be made available at premium cost within the means of persons with moderate incomes.

Consumer groups wishing to organize such plans, instead of having to depend on extensive fund-raising programs, in advance of enrollment of members in the plans, could, under the bill, borrow funds for capital outlay on terms that would permit them to repay the principal and interest out of current premiums.

In brief, title I of the bill would authorize the Federal Housing Commissioner to insure mortgages secured for the purpose of financing the construction costs of group practice facilities. Title II of the bill would authorize direct loans for this purpose if funds are not available from private sources on terms and conditions as favorable as those applicable to loans insurable under title I.

The bill also provides that the Federal Housing Commissioner and the Housing and Home Finance Administrator—Secretary of Housing

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and Urban Development—should utilize the available services and facilities of other Federal agencies in carrying out the provisions of the act. Specific provision is also made for consultation with the Surgeon General of the Public Health Service with respect to any health or medical aspects of the program which may be involved in prescribing regulations. The provisions provide the basis for an effective working agreement between the Department of Housing and Urban Development and the Public Health Service in the Department of Health, Education, and Welfare, which insures that the competency of each agency is used most advantageously. Under such arrangements, the Public Health Service would participate in the development of regulations establishing standards for the organization of professional groups, and will assist in reviewing applications for the purpose of determining that all professional elements of a group practice exist and that projects are feasible.

It is our sincere conviction, Mr. Chairman, that this bill will serve as an effective stimulus to the development of the group practice of medicine and dentistry in our country. This bill will contribute to the improvement of medical care by bringing to more people the well-established advantages of group practice.

Finally, we urge that you enact this legislation to allow this limited, 4-year program, to begin operations. We contemplate making a careful study and evaluation of the effectiveness of the program over the course of these years.

Thank you for the opportunity to make this statement in support of this bill, and the identical bill introduced by Mr. Gonzalez. We shall be glad to answer any questions you may have.

Mr. BARRETT. Mr. Cohen, of course, we hear a great deal about manpower shortage, doctors, nurses, technicians, and so on. How does this fit into the picture? Would H.R. 9256 improve the situation at all?

Mr. COHEN. Mr. Chairman, it will help. But I must be frank in saying that we are faced in the United States with a tremendous shortage of doctors, dentists, nurses, medical technicians. With a net population growth of 3 million each year, and with incomes going up so that people want to purchase more and better medical care, we in the United States will be faced during the next decade or two with a very large problem of allocating our manpower and facilities to bring the miracles of medical science to all of our people.

As part of the total picture, this bill will help in a small way. It will make it possible for physicians and dentists working together in a group to deliver a higher quality of medical care and a greater quantity of medical care to people than they can do in acting separately. When physicians, let us say, work together as a group, sharing high-cost equipment and X-rays, using subprofessional help in giving the X-rays, and providing laboratory services, it helps to expand the competence of the physician to render more service. In that sense it would definitely help to deal with the manpower shortage that exists. And again, I would have to say, this is only one small piece of a large picture that we have to tackle.

Mr. BARRETT. Mr. Cohen, thank you for your very fine statement. I am quite sure it is going to be very helpful to our committee.

Mr. Fino?

Mr. FINO. Mr. Cohen, I would like to join my colleague, the chairman of this committee, in congratulating you on your testimony here this morning. I agree with you that this question of medical care and research is a problem in this country, and it can become more serious, not only because of the shortage of doctors, but also because of the desire on the part of the doctors to specialize in medical fields rather than to concentrate on general practice. And this has become a problem. We have gotten away from the family doctor. We do not have that any more. They are all specialists. It may be because it attracts more money.

Would this legislation in your opinion be limited to organized groups?

Mr. COHEN. Yes, Mr. Fino. The concept of group that we would have here is that it must represent a number of professional people working together in some organized arrangement by which they agree on their responsibilities, and they agree upon how they are going to operate and deal with their financial arrangements.

I think, generally speaking, if I could put it this way, it at least involves, if you are going to a specialty group—by that I mean a group of pediatricians or a group of surgeons—at least three or more people working together. And if you had a more general group covering a wider range of service, there would have to be at least five full-time physicians in the organization in order to get the advantages of distributing this work over a number of people.

I think I can illustrate in this way, if I might—not necessarily because it is the most important, but it comes to mind easily, and it is easily explainable: If every doctor in the country has to have very high X-ray or cobalt machines, it is going to increase the cost of medical care in this country enormously. It is not the most efficient way to provide for these services if these machines and the professional personnel who operate them are not occupied, let us say, three-fourths of the day. This cost is ultimately borne by the consumer. If you can have a large enough group that can use this equipment, whether it is laboratory services, whether it is X-ray services, or any number of other things, its should help in keeping the cost of medical care in this country within a proper price range. I think that is a very important consideration.

Mr. FINO. Has any thought been given to the question of choice of doctors? This is a big open contention among the people that want to have the opportunity of picking their own doctor rather than being assigned a doctor. As you well know, there is a confidential relationship between the doctor and the patient, and the patient always feels better if he has a doctor of his own choice.

I am familiar with one of these programs or plans in New York City, the HIP plan. In fact, in 1950 I was a member of the Civil Service Commission in the city of New York, and I belonged to the HIP plan. Unfortunately, I was not too happy about it, because I was assigned to a group where I had a list of 20 doctors, and I couldn't find one of them that I knew, and I didn't know which doctor to go to on that list. And I felt that if I had a choice of doctors, it would be much better.

Another fault that I found with HIP—and I assume this applies to other groups—is that on several occasions when I did visit the hos-

pital—this was Mount Drury Hospital where the practice was being conducted—on one occasion I would see Dr. X and on the return visit I would see Dr. Y and on the third visit, I would see Dr. Z. And one didn't know what the other had done, and what my ailment was and what my problem was and he would have to read the chart. And it sort of disturbed me. I didn't feel that I was getting the proper medical care and attention.

This is the only objection that I have to this group practice.

Do you have any thoughts on that, Mr. Cohen?

Mr. COHEN. Yes.

I am quite well aware of the point that you make. I have been a member of the group practice plan myself for many, many years. And I recognize what you have to say there.

I should say first that the term "medical group" as it is used in the bill is not necessarily a prepaid medical care plan, and an insured plan like HIP in New York. It could either be a plan with a fee for service of a group of people, or prepaid and group practice like HIP. So HIP is not the sole type of arrangement that we are talking about here.

Now, with regard to the rest of your questions, I would like to turn that over to Dr. Lee. He has actually as a physician practiced in a group practice plan, and I think he could probably answer your question better from the professional standpoint than I could.

Dr. LEE. This arrangement, of course, varies with different groups. I happen to have been in a group of approximately 100 physicians. About 85 percent of the practice was fee for service, and about 15 percent was prepaid. The prepaid group consisted mainly of the students and about one-half of the faculty of Stanford University. Patients could select any physician within the group of 100. Of course, there were some pediatricians, some internists, and some general practitioners. But they had to select one of the physicians in the group. Patients could not choose, having entered the group practice plan, a physician outside the group.

In addition, I would like to comment regarding your concern about family practice. I think many people now, with the development of groups, turn to the group as their family physician. There may be a pediatrician and an internist that will look after the entire family. There are many groups that are now adding general practitioners. Moreover, this is an ideal environment for a general practitioner, because he works even more closely with the specialists within a group. So it does—to some extent—solve one of the really knotty problems caused by the decrease in the number of general practitioners.

Mr. FINO. Just one other question, Mr. Cohen. Would somebody in this area be somewhat handicapped by requiring that there be five doctors in the group before they could benefit from this legislation?

Mr. COHEN. We would certainly want to keep that flexible in the administration of the law. I think that there may be situations in which you would have three or four or five physicians and perhaps some part-time people. But on the other hand, I don't think that we should go as far as to make no judgments on this score and make the financing available to plans that would not, from a medical standpoint, be able to really operate efficiently and properly. We would want to balance these considerations.

Dr. LEE. I might just add one thing on that, Mr. Fino. That is interesting. Actually, in isolated areas such as North Dakota, South

Dakota, Montana, and Idaho, and that part of the country, a far higher percentage of the physicians are in group practice than in most other parts of the country. There are more physicians in group practice in relation to the total population in the sparsely populated areas than there are in the metropolitan areas, particularly on the eastern seaboard. So that this is the type of practice that appeals particularly to physicians who work in such areas.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. Mr. Cohen, actually, I am a little surprised to learn that doctors need this kind of financial assistance from the Federal Government, or would even perhaps accept it.

Is it not true that the average income of our doctors in the United States is around $20,000.

Mr. COHEN. I would guess now, if I had to, that the average net income of physicians is somewhat in excess of that.

Mr. ASHLEY. They are certainly the highest paid profession in the country; isn't that so?

Mr. COHEN. I don't know whether they are actually the highest, but they are among the highest income groups in the professional field; yes, sir.

Mr. ASHLEY. Generally speaking, direct loan programs are reserved for groups which for one reason or another require special kinds of financial assistance. Are we talking about direct loans under this program?

Mr. COHEN. We are talking about direct loans; yes. And also about insured loans, both.

Mr. ASHLEY. I would like to have a little further justification as to how doctors could possibly qualify with any kind of equity for this special kind of consideration.

Mr. COHEN. I think that is a very fair question. Because it is true, as you say, physicians are among the higher income groups in the country. And normally one would expect that because of their income and their status in the community they ought to be able to go to the normal commercial banking system and borrow the money that they need.

But with respect to the very young physician who just comes out of medical school and is going to practice, his situation is somewhat different than the physician who has been in practice for some time. He has gone to medical school for a long time and he has probably borrowed a good deal of money to get through school, although he may have gotten some scholarship help. But the general situation of the young physician between 30 and 35 who enters medical practice is that he has debts from his schooling—he has borrowed money to get to the stage where he can go into practice. If he comes into a community where he is not yet well known or well established, and he feels that he would like to get together to set up a practice with four or five other physicians, he does not have the kind of reputation, credit rating, or income himself, unless he can borrow it, let's say, from his parents, or his father-in-law, or something like that, to establish this. In that case, he usually will go into private practice, and he may remain in the community 5 or 10 years until he can get the reputation and the income, in which cases he is most likely, however, to remain in solo practice—which, of course, it is his right to do. But I do think that

the present situation is more discouraging for the young doctor just coming out of medical school as compared with the physician who has been in practice for a while.

Mr. ASHLEY. Your experience is certainly broader than mine in this field. But I must say that I have never really found bankers—and this would be in Toledo, in Waterville, Ohio, in Whitehouse, Ohio, small communities as well as fairly good-sized cities—who didn't recognize doctors as the best possible credit risks, whether just out of college or not. After all, they have got a profession, and there is an enormous demand for their services. How can it be said that banks would look askance at them and say they are really not quite established?

Mr. COHEN. I think what you are saying about the theory and the general approach is true. But the fact of the matter—especially if you would look on page 314 of the 1965 hearings before the Interstate and Foreign Commerce Committee you will find a number of statements from various groups identified there in which they say they have had very, very difficult problems in getting financing in their local communities.

Now, whether that, sir, is because of a competitive situation in their communities, I don't want to say categorically. I do think, however, that it is entirely possible that the fact that these group plans can render a very high quality of medical care and deliver more services working together in a group than the individual practitioner may have some effect on other physicians in the community not being enthusiastic about these groups being established, and therefore, not being interested in seeing that they are financed. But I think that that could well be a factor.

Mr. BROWNSTEIN. It may also be a matter of credit terms, Mr. Ashley. We are speaking here in terms of a 90-percent mortgage. This would be much more liberal than the terms on which conventional financing would be available. In all likelihood, a 75-percent mortgage or maybe even a 60-percent mortgage would be the maximum obtainable on conventional terms.

Mr. ASHLEY. Of course, I think that Mr. Cohen strikes an interesting note. I would suppose that as a profession, doctors are the greatest investors in the stock market and real estate. And a program that would take that into consideration might be a good approach.

Mr. COHEN. The same kind of question you are raising was raised in regard to the Health Professions Educational Assistance Act of 1963 in the House Interstate and Foreign Commerce Committee when they testified in favor of Federal financial aid for the construction of medical facilities and financial assistance for physicians.

Mr. ASHLEY. That is very different thing to my mind.

Mr. COHEN. Let me just illustrate the point. And I think the point was the same: If physicians are the highest income producers, you might say receivers, in this professional area, it was argued, why can't they borrow the money for their education? It was argued that you know for the most part they are going to be able to pay it back over the next 30 or 40 years because of their favorable income situation.

But—and this is the only point I wanted to raise—I think here it is not just a question of to what extent we are going to help the individual, it is also a question as to what extent we are going to meet our

national situation regarding this manpower shortage. That is the part of the problem I would focus on. We have 280,000 physicians in the country at the present time. That is not enough to meet our tremendous population growth. It does not do very much good to the sick person to be able to say, when he cannot get the medical care he needs, that we have got 280,000 physicians and they are earning, on the average, more than $25,000 a year, because you are not meeting the needs of people in that sense. And what I am saying is that what we are trying to do here is not help the physician or group of physicians but to see that we encourage a form of medical organization that will deliver medical care to the people as they need it.

Mr. ASHLEY. On page 2 of your statement, you picked out some group practices which have certainly been very constructive, the Kaiser-Permanente program, and the Palo Alto Medical Clinic, and others. But this is not the usual type of group practice that we are talking about, is it, Mr. Cohen? Isn't it true that most group practices are for the convenience of the doctors and not the patients?

Mr. COHEN. Well, I would rather have Dr. Lee comment on the matter of convenience to the doctor. But let me say this—even if I were to make the assumption that it was more convenient for the physician, I still think it is in the national interest to remove obstacles to physicians working together where they are ableto deliver a greater quantity and a higher quality of medical service to sick people.

Mr. ASHLEY. All right. But——

Mr. COHEN. It helps both physicians and patients, is what I am saying.

Mr. ASHLEY. All right. Perhaps. But certainly the group practices that are outlined in the last paragraph of your statement on page 2 are not the usual kind of group practices?

Mr. COHEN. What do you mean by that? I don't follow you. They are illustrative of some of the better known and more geographically distributed. But there are several thousand of them, approximately 2,000 in the United States. So I imagine you would find quite a wide range of types of practices, if that is what you mean.

Mr. ASHLEY. On that point, the growth has been from 400 in 1946 to some 2,000 today. Tell me about this rate of growth. This is not fast enough, I take it, in your view?

Mr. COHEN. That is correct, sir. I think that it has grown, but I don't think it has grown in any way commensurate with the tremendous growth of population. And it has not grown in relation to the tremendously increased costs, for instance, of hospitalization.

Mr. ASHLEY. But we are talking in terms of the number of doctors, not the population figure. The relationship of the number of doctors to population has been very bad. There has been no real sense of responsibility in this area whatsoever. The gap keeps widening. Isn't that so?

Mr. COHEN. That is right; especially for family physicians—general practitioners. The ratio of physicians to population over the next 10 years is going to remain stable. We are going to train more physicians, and we are going to have more population, and the relation of physicians to population is going to remain about the same. Now, if that is so, and people want more medical care and with our population aging and medicare going into effect, and with increasing incomes and

other factors, we have got to find more effective ways of delivering both hospital care and physician services to the American people.

Mr. ASHLEY. Just a final question. Has there been any estimate as to what a target might be? What are we talking about in terms of group practices? What are we looking for under this program?

What would we like to see in terms of a target?

Mr. COHEN. I would like to say, Mr. Ashley, that I don't have any preconceived notion of this. I would hope that we could increase the number. I would like to see us add several hundred more in the United States during the next few years. But I think this is a matter of allowing the physicians and the dentists to decide for themselves. All I would like to do with this bill is to take away any financial discouragement for those physicians and dentists that want to do it. I believe as Mr. Fino says there are certain problems in connection with these plans. But individuals should be free to choose. If you want to be in such a plan, fine. If you do not want to be, I think you ought to have that right too. If doctors want to get together and have a group practice plan, they ought to be entitled to do it, and if they do not want to, they should not be forced into it. But there should not be a financial barrier that discourages either the patient or the physician from doing this if they want to. That is my whole position.

Mr. ASHLEY. Fine. Thank you very much.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman.

First, congratulations to the whole panel here, and to you, Mr. Cohen, for your promotion. I cannot think of a more worthy public servant. And I say that in all sincerity, because they way I have come up, I have long been aware of your contributions.

Mr. COHEN. Thank you, Mr. Gonzalez. I appreciate that.

Mr. GONZALEZ. Well, that is sincere. And I did not introduce legislation just by accident. I have a real keen personal concern and interest. And I have also had a magnificent opportunity to see the need for it because in my own family I have a total of now five doctors, I did have six until the death of my uncle several years ago, but at least five. And the experience of each one of them is very—the most recent addition to the family by way of a M.D. is a nephew who first had to serve his stint in the special forces as a paratroop medic. He served his stint, and he is in San Antonio now just starting his practice. And though it does sound as if all doctors are rich—and they do work hard, and I personally feel they are entitled to what they earn—it takes them some time before they can get to that position. You are absolutely a hundred percent correct. I wish to endorse every statement I have heard here this morning, because it is reflective of the actual pragmatic, practical experience of starting physicians—starting physicians must confront today.

On the other hand, the richer element of my family was represented by this uncle doctor in Laredo, Tex., where two of his sons now operate, in conjunction with their sister and a cousin who is a pharmacist, a tremendous clinical complex. But it took the emergence of the two sons to finally enable the uncle in company with them to reach a point in Laredo where they could associate themselves with other physicians and eventually construct and run this clinic, which is one of the principal clinics of the border area in Texas.

On the other hand, my brother, who had no such help, but came back from World War II to attempt a practice in San Antonio, found it a difficult thing. Practice is not as easy as many people would have you think. Just because a man has an M.D. degree and has a professional career ahead of him does not mean that he can start right in. And he is now involved in a group practice in a facility known as a polyclinic, in which the doctors have the resources in order to obtain the credit, in order to construct the building and buy the equipment. And after some 10 years or so, maybe more, they still have their mortgage arrangements and their payments, plus keeping it up. At the same time, they are serving an area need, a vast need which of the deprived area in West San Antonio, which is predominantly of Mexican descent, or Latin American, or whatever you want to call it. I think that this legislation here is an indispensable adjunct to the Health and Professional Act that was recently passed by this Congress.

In that connection, I would like to sincerely compliment Dr. Graning for his personal contribution to making that a reality. And also to give acknowledgment to the debt that my district, the 20th District, has, because it would have been impossible for us to be counting on the full construction of the third branch of the University of Texas Medical School had it not been for the passage of this act, because the legislative enactment—which incidentally I offered when I was in the State senate—which created this third branch, was completely conditioned on Federal grants. This is the way the Texas Legislature wrote the law. It said, we will provide our support when and if the Federal Government has grants-in-aid or matching funds itself.

So this has become an inextricable partnership arrangement.

I am very glad that through this legislation you visualize and contemplate the partnership arrangement extended to the primary areas where the doctors will be helped in a meaningful way, and where they still can retain all of the aspects of their private practice.

There is no question that the general practitioner today is confronted with a very serious problem. In fact, he is confronted with gradual extermination. And I think that this type of legislation is not only right; it is not only just, but very necessary, to do the very thing that we have already undertaken as a principal step in the Congress, and that is to reduce the wide gap between the existing number of doctors and the increase in population.

I might say in conclusion that I happen to agree with the concept of insured loans as well as direct loans. I know and I am aware that there is more of a controversial aspect to the doctor loan type of activity. But I, for one, have never shared the gloom and doom of the dire prophets and all of these people who have opposed everything from social security to medical care to the Construction Act of 1963.

I might finalize this by just saying that I think my record in voting for medicare clearly shows my position; and again in this family constellation of doctors we had a division of opinion. And the only one who could never afford to say anything to me was my own brother, because in 1937, in the middle of the depression, he could not have gone to school if it had not been for NRA. And so he never said anything about medicare.

And I might say that up to this point it looks OK. And I compliment you for the final word on it. And I do hope that the Congress will put a stamp of immediacy on this proposal, because I think it is very urgently needed.

Mr. COHEN. Thank you.

I would just like to say, Mr. Gonzalez, that although there is a great deal of controversy, not only in your family, perhaps, on medicare, but in the whole United States. But I am very happy to report that today, which marks 7 months since the medicare law was enacted, we have received the most wholehearted support and cooperation from the overwhelming bulk of the physicians of the country in the administration of medicare. And I feel that we are going to get 99 44/100-percent cooperation with the physicians in making this law work when it goes into effect on July 1. So there have been a lot of changes occurring and I believe they have been very constructive.

Mr. BARRETT. Thank you, Mr. Gonzalez.

Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

I want to apologize to you, Mr. Cohen, for not being here when you made your presentation. But there was a bit of excitement down in your agency and I stopped by the Secretary's Office at his invitation.

Mr. COHEN. I am sorry I could not be there, Congresswoman Sullivan.

Mrs. SULLIVAN. It was fun and interesting. I understand the Secretary invited us to meet the regional directors from all over the country and also invited President Johnson, who seemed to enjoy the occasion, also.

Mr. COHEN. Yes. I am glad you could come.

Mrs. SULLIVAN. I did not get to read your whole message, Mr. Cohen. But I would like to ask you this one question.

The ultimate test of legislation of this kind in my estimation is the benefit to the American consumer. Is there any way that you could measure or describe the benefit to the user of medical services in terms of economy and convenience or better service of the kind of facility which would be built if we enact H.R. 9256?

Mr. COHEN. Yes, I think I can.

Let me say this. I think the various studies show that a group of people, physicians or dentists, working together with aids and equipment can render a more efficient and a higher number of any given services to the consumer for the same price. I think it stands to reason that if you can bring physicians together in a group, so that they are not using all this time, let's say, driving this car around, which is not exactly the highest use of a physician's training and experience, but have them together in a group where people can come, and they can use these services, you are going to get more hours of professional service per week from the physician.

Secondly, you can use more subprofessional personnel. I recall when I was a boy and went to the dentist, the dentist cleaned my teeth. But today we have a practice where you have a situation where dentists may have a number of chairs and dental assistants, and he supervises the cleaning of teeth, and he will undertake the more advanced work that requires his professional training.

Now, anything that brings people together in a group where they are working congenially and effectively is going to give the consumer

a greater content of service at either the same price or even at a lesser price. So look at it from the consumer standpoint. I have no doubt in my mind, and I say that unequivocally, that it can provide a greater quantity of service.

For instance, in one study in 1964, published in the November 2, 1964, issue of Medical Economics, showed that the average number of patient visits per week for a physician working alone was 112. But for a partnership or group it was 140.

Now, I don't think we should judge entirely on that basis, because you don't want to judge the quality of medical care on a quantity basis.

But in answer to your question, I have no doubt in my mind that it is more efficient from a cost standpoint now, when you are using—and, as we are going to use—in medical practice, more and more high-cost equipment, like cobalt machines, X-ray machines.

Just 1 machine for a group of 10 or 15 doctors, or any group that is necessary, can be used so much more efficiently, and thus, it helps to reduce the price of medical care, in the long run, to the consumer.

Mrs. SULLIVAN. The one thing that I did want to ask was, would the doctors pass this savings on to the consumer?

Mr. COHEN. If they do not pass the income savings on to the consumer, if they render more or better service for the same price, the consumer is still getting a benefit from it.

Mrs. SULLIVAN. I happened to belong to, I think, one of the first medical health groups, to my knowledge, that started back in the mid-thirties, back in St. Louis. And I think that they can, if they are operated correctly, render a very good service to the community.

But I am willing in every way I possibly can to help them do this more efficiently, if, in the long run, it is going to benefit the consumer. And this is something that I would like to see and have some evidence of, because we are doing more and more to help the professional man.

Mr. COHEN. I think the best evidence is this: If you take the Federal employee health benefits program, under which Members of Congress and the people in the executive branch have an opportunity to be insured, and if you analyze the hospital admissions for nonmaternity cases per thousand persons under the plan from 1960 to 1962, you will find that those Federal employees who picked a group practice plan have a lower utilization rate in hospitals than for all other plans.

Now, this is not absolutely unequivocal proof, but it tends to prove that the consumer benefits in terms of lower hospital utilization from a group practice plan which has built into it a preventive aspect; that is, where you go to the physician and associate yourself with his group, and he takes care of you when you are well and when you are sick, and where you have annual checkups, and he and the whole group can give you all the care that you need, the possibility of having a lower rate of hospital care is very great. And that would mean that you as a consumer would be paying less for hospital care as a result of group care from the physicians' services.

Mrs. SULLIVAN. In other words, it goes back to the old idea of preventive medicine. Watching through periodic examination of the patient for any indication of trouble instead of seeing the patient only when he is sick enough to be put in a hospital.

Mr. COHEN. Yes.

Perhaps Dr. Lee would like to comment on that.

Dr. LEE. I would like to add one other thing that is not an obvious benefit. When you have physicians in a group there is a constant stimulation for them to keep up professionally. They are given time off to go to meetings and they often have opportunities to take sabbaticals for professional study. So physicians in a group over an extended period of time tend to keep up professionally more than physicians in solo practice.

You also have the constant association of other professionals, your peers, you might say, looking over your shoulder. And that improves the quality of care. This is already done in most hospitals. But in outpatient care and in home care, this is not the case, except in groups.

This is something you can't put your finger on, you can't say that it has a certain specific benefit. But I think there is no question that over time this can accrue very definitely to the benefit of the individual patient who goes to the group physician.

Mrs. SULLIVAN. Thank you both.

Mr. BARRETT. We are now going to give Mr. Brownstein an opportunity to make his statement.

And then after you have made your statement, Mr. Brownstein, I am sure the members yould like to ask you some questions.

But if Mr. Cohen yould remain, it may be helpful to Mr. Brownstein and to the committee.

Mr. Brownstein, would you proceed?

STATEMENT OF HON. PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE CREDIT AND COMMISSIONER, FEDERAL HOUSING ADMINISTRATION

Mr. BROWNSTEIN. Mr. Chairman and members of the committee, I am pleased to appear before you again to discuss FHA's participation in the administration of H.R. 9256, introduced by Congressman Patman. Under Secretary Wilbur Cohen has discussed the need for a program to facilitate the financing of facilities for the group practice of medicine and dentistry. I will, therefore, confine myself to how we would propose to process applications for mortgage insurance under the bill, if it is passed.

On the very important aspects of the proposed legislation which require specialized knowledge in the medical or dental fields, we would rely heavily on the professional advice and technical assistance of the Department of Health, Education, and Welfare. As Under Secretary Cohen has told you, we have already had a number of discussions with HEW staff on the provisions of H.R. 9256. These conversations have been very constructive and harmonious. I am sure that we can develop a proper blending of the skills of HEW and FHA needed to administer the chairman's bill in a responsible manner.

In drafting regulations and procedures, and in the establishment of minimum standards for construction and equipment, HEW has agreed to provide us with assistance relating to the medical and health aspects. HEW will also provide consultation to communities and groups proposing to establish group practice. HEW will similarly assist us in the processing of applications for mortgage insurance. In the review of applications, they have agreed to advise on whether the proposed

group practice includes such specialities as are appropriate and compatible with the needs of the area; and on the appropriateness of the arrangements and agreements among the participating physicians or dentists. They will also advise us on the design and equipment of each proposed facility and the need for such a facility in the area in question. To help us in appraising the financial soundness of the proposal HEW has agreed to provide us with estimates of the revenues each group practice facility can be expected to produce.

With this very important assistance from HEW, I believe we will have no difficulty establishing procedures for reviewing applications for mortgage insurance under the proposed legislation and in making sound judgments on them, both from a real estate and financial standpoint and from the standpoint of whether the facilities so financed will contribute to the medical and health objective of the bill.

In effect, what we contemplate is a joint processing of applications, with FHA reviewing those elements of the proposal relating to the soundness of the mortgage financing and HEW reviewing those elements of the proposal which relate to medicine and health. To speed up this joint review, we would propose that HEW and FHA would carry out many of these steps simultaneously.

Because of the need for facilities of this nature and the apparent lack of adequate financing, we would hope that the proposal will receive favorable consideration by the Congress.

With your permission, Mr. Chairman, we are submititng suggested amendments, in line with our report on the bill, which we believe would improve the administration of the program. These will include technical and conforming amendments, some of which result from organizational changes in the creation of the Department.

Mr. BARRETT. You may submit it for the record. Without objection, it is so ordered.

(The amendments referred to follow:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROPOSED AMENDMENTS TO H.R. 9256, 89TH CONGRESS

Page 1

Strike out "Housing and Home Finance Administrator" in the title and insert in lieu thereof "Secretary of Housing and Urban Development".

Page 2

Line 5: Strike out "X" and insert in lieu thereof "XI".

Line 8: Strike cut "1001" and insert in lieu thereof "1101" and strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 14 through 16: Strike out in their entirety and insert in lieu thereof "ment thereon.".

Lines 19 and 20: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Line 21: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Line 25: Strike out "Com-".

Page 3

Line 1: Strike out "missioner" and insert in lieu thereof "Secretary".

Line 7: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Line 8: Strike out "is completed," and insert in lieu thereof "or rehabilitation is completed.".

Line 9: Strike out in its entirety and insert in lieu thereof "The value of the property may".

Line 10: Strike out "sioner's discretion,".

Lines 11 through 14: Strike out in their entirety and insert in lieu thereof "physical improvements, equipment, utilities within the boundaries of the property,".

Line 16: Insert after "struction" preceding the comma "or rehabilitation".

Line 17: Insert after "construction" "or rehabilitation" and strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 18, 19, and 21: Strike out "Commissioner" each place it appears and insert in lieu thereof "Secretary".

Page 4

Line 3: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 5 and 6: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 12 through 25: Strike out subsection (e) in its entirety.

Page 5

Line 1: Strike out "(f)" and insert in lieu thereof "(e)".

Line 5: Strike out "Commission" and insert in lieu thereof "Secretary".

Line 9: Strike out "(g)" and insert in lieu thereof "(f)".

Lines 14 and 15: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Line 17: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 18 through 20: Strike out in their entirety.

Line 21: Strike out "that purpose," and insert in lieu thereof "that the Secretary".

Line 24: Strike out "1002" and insert in lieu thereof "1102" and strike out "Commissioner" and insert in lieu thereof "Secretary".

Page 6

Line 4: Insert after "prepayments." four new sentences as follows: "In addition to the premium charge, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the analysis of a proposed project and the appraisal and inspection of the property and improvements. Where the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is authorized to require the payment by the mortgagee of an adjusted premium charge. This charge shall be in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until the maturity date. Where such prepayment occurs, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid."

Line 6: Strike out in its entirety and insert in lieu thereof "debentures which are the obligation of the General Insurance Fund at".

Line 8: Strike out "Commissioner" and insert in lieu thereof "Secretary".

Lines 9 through 25: Strike out section 1003 in its entirety.

Page 7

Lines 1 through 25: Strike out in their entirety.

Page 8

Lines 1 through 6: Strike out in their entirety.

Line 8: Strike out "1004" and insert in lieu thereof "1103".

Lines 10 and 11: Strike out in their entirety and insert in lieu thereof "provided in subsection (g) of section 207, except that an additional amount equivalent to 10 per centum of the unpaid principal amount of the mortgage shall be deducted from the total face amount of the debentures issued or the cash payment made to the mortgagee. The".

Line 12: Strike out "(e)" and insert in lieu thereof "(g)".

Line 14: Strike out "except that" and insert in lieu thereof "and" and strike out "to".

Line 15: Strike out in its entirety and insert in lieu thereof "shall be deemed to refer to this title."

Lines 16 through 18: Strike out in their entirety.

Line 20: Strike out "1005" and insert in lieu thereof "1104" and strike out "Commissioner" and insert in lieu thereof "Secretary".

Page 9

Lines 1 through 13: Strike out section 1006 in its entirety.

Line 15: Strike out "1007" and insert in lieu thereof "1105".

Lines 16 through 22: Strike out in their entirety.

Line 23: Strike out "(2)" and insert in lieu thereof "(1)".

Page 10

Line 8: Strike out "(3)" and insert in lieu thereof "(2)".
Line 24: Strike out "(4)" and insert in lieu thereof "(3)".

Page 11

Line 8: Strike out "public or".
Line 18: Strike out "(5)" and insert in lieu thereof "(4)".

Page 12

Line 6: Strike out "(6)" and insert in lieu thereof "(5)".
Lines 9 through 18: Strike out in their entirety and insert in lieu thereof the following:
"(6) The term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term".

Page 13

Line 5: Strike out "(8)" and "includes" and insert in lieu thereof "(7)" and "means", respectively.
Line 10: Strike out "(9)" and "includes" and insert in lieu thereof "(8)" and "means", respectively.
Lines 15 and 16: Strike out in their entirety and insert in lieu thereof the following:
"SEC. 201. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary")".
Line 20: Strike out "Administrator" and insert in lieu thereof "Secretary".
Line 23: Strike out "X" and insert in lieu thereof "XI".

Page 14

Line 7: Strike out "1001" and insert in lieu thereof "1101".
Line 9: Strike out "1001" and insert in lieu thereof "1101" and strike out "Act plus" and insert in lieu thereof "Act. The borrower shall pay such service charges as may be established from time to time by the Secretary which shall in no case be less than".
Line 10: Insert after "applicable" "to mortgages insured" and strike out "1002" and insert in lieu thereof "1102".
Line 11: Strike out "Act, and" and insert in lieu thereof "Act. The loan".
Lines 12, 17, and 25: Strike out "Administrator" each place it appears and insert in lieu thereof "Secretary".

Page 15

Line 2: Strike out "Administrator" and insert in lieu thereof "Secretary".
Lines 3 through 6: Strike out in their entirety and insert in lieu thereof "and (3) that the Secretary shall have access to and the right".
Line 8: Strike out "Administrator" and insert in lieu thereof "Secretary".
Line 11: Strike out "X" and insert in lieu thereof "XI".
Line 13: Strike out "June 30, 1970," and insert in lieu thereof "October 1, 1969,".
Lines 16 through 25: Strike out in their entirety and insert in lieu thereof the following:
"SEC. 202. (a) There is hereby created a Group Practice Facilities Loan Fund (hereinafter referred to as the 'Fund') which shall be available to the Secretary for carrying out the provisions of this title. General expenses of the Secretary under this title may be charged".

Page 16

Line 4: Strike out "may be".
Lines 5 through 7: Strike out in their entirety and insert in lieu thereof "shall be deposited in the".
After line 8: Insert new subsections (b) and (c) as follows:
"(b) There are hereby authorized to be appropriated to the Fund such sums as may be necessary to carry out the purposes of this title, except that such appropriations shall not exceed $10,000,000 prior to June 30, 1966, which amount shall be increased by $12,500,000 on that date, and on June 30 of each of the

succeeding three years. Any sums appropriated under this subsection shall remain available until expended.

"(c) Interest shall accrue to the Treasury on sums appropriated to the Fund and not offset by deposits from the Fund into the Treasury as miscellaneous receipts as provided in subsection (a). The rate of such interest shall be determined annually in advance by the Secretary of the Treasury taking into consideration the current average yields to maturity (on the basis of daily closing market bid quotations during the month of June of the preceding fiscal year) on outstanding interest-bearing and marketable public debt obligations of the United States having maturities comparable to loans made under title II of this Act. From time to time and at least at the close of each fiscal year, the Secretary shall pay to the Treasury, as miscellaneous receipts, all accrued interest under this section."

Lines 9, 12, and 17: Strike out "Administrator" each place it appears and insert in lieu thereof "Secretary".

Lines 23 and 24: Strike out " 'construction cost',".

Line 25: Strike out " 'group practice unit or organization',".

Page 17

Line 2: Strike out in its entirety and insert in lieu thereof "them by section 1105 of the National Housing Act. The term 'group practice unit or organization' shall have the same meaning as given in section 1105(3) of such Act, except that it may also include a public nonprofit agency or organization established for the purposes outlined in section 1105(3)(B) of such Act."

Lines 4 through 25: Strike out section 301 in its entirety.

Page 18

Lines 1 through 12: Strike out in their entirety.

Lines 14 and 15: Strike out in their entirety and insert in lieu thereof the following: "SEC. 301. (a) The Secretary shall".

Line 16: Strike out "them" and insert in lieu thereof "him".

Line 20: Strike out "X" and insert in lieu thereof "XI".

Page 19

Line 5: Strike out "1007(4)" and insert in lieu thereof "1105(3)".

Line 6: Strike out "1007(5)" and insert in lieu thereof "1105(4)".

Line 7: Strike out "they" and insert in lieu thereof "he".

Line 9: Strike out "Commissioner and the Administrator" and insert in lieu thereof "Secretary".

Line 13: Strike out "them" and "their" and insert in lieu thereof "him" and "his", respectively.

Line 14: Strike out "X" and insert in lieu thereof "XI".

Line 19: Strike out "Administrator" and insert in lieu thereof "Secretary".

Page 20

Line 2: Strike out "303." and insert in lieu thereof "302.".

Line 4: Strike out "1007(2)" and insert in lieu thereof "1105(1)".

Lines 5 and 6: Strike out in their entirety and insert in lieu thereof "National Housing Act), the Secretary may pro-".

Line 7: Strike out "or obtain" and insert in lieu thereof "by contract or otherwise".

Lines 11 and 12: Strike out in their entirety and insert in lieu thereof "Secretary is authorized to utilize available".

Line 14: Strike out "X" and insert in lieu thereof "XI".

Line 17: Strike out "either or both of" and insert in lieu thereof "the Secretary".

Line 18: Strike out "them".

Line 19: Strike out the heading and insert in lieu thereof "CONFORMING AMENDMENTS".

Line 20: Strike out "304." and insert in lieu thereof "303.".

Page 21

Lines 1 and 2: Strike out in their entirety and insert in lieu thereof "tions which are insured by the Secretary under title XI of the National Housing Act'."

Line 7: Strike out "Federal Housing Commissioner" and insert in lieu thereof "Secretary" and strike out "X" and insert in lieu thereof "XI".

Line 17: Strike out "X" and insert in lieu thereof "XI".

Page 22

Line 4: Strike out "X" and insert in lieu thereof "XI".

After line 5: Add two additional amendments as follows:

"(d) Section 212(a) of the National Housing Act is amended by adding at the end thereof the following new sentence: 'The provisions of this section shall also apply to the insurance of any mortgage under title XI.'

"(e) Section 227 of the National Housing Act is amended by inserting in the first sentence of the introductory text after 'or rehabilitated multifamily housing' the following: 'or a property or project under title XI'."

Mr. BARRETT. Thank you, Mr. Brownstein.

I have a question that should be directed to you, Mr. Brownstein. A bill introduced by Mr. Patman, H.R. 9256, would authorize FHA insurance for the construction of facilities to be used for group medical practice. It also provides standby direct loans in the event that private lenders are unable or unwilling to make FHA-insured loans.

Direct loans, of course, are more controversial. And I wonder whether the subcommittee should not consider authorizing only insured loans by the FHA, and not authorize direct loans at all.

You already have a nursing home insured loan program, do you not, Mr. Brownstein?

Mr. BROWNSTEIN. Yes, we do, Mr. Chairman.

Mr. BARRETT. Which seems to be working well, and it seems to have the cooperation of private lenders.

In view of this, and in view of the fact that FHA-insured loans are eligible for Fannie Mae's secondary market operations, what would you think of the subcommittee reporting a bill which would confine the new program to FHA-insured loans? In that way we can get the job done, and, of course, at no cost or burden to the Treasury.

Mr. BROWNSTEIN. Well, Mr. Chairman, we certainly would want to have the maximum participation in this program by private investors. And we would hope that and expect that to a very large degree it would be financed in this manner.

As the chairman has suggested, we do have a successfully operating nursing home program which is being financed by the private market.

Also, as has been pointed out by the chairman, these mortgages would be eligible for sale to FNMA in the secondary market activity.

The purpose of the direct loan feature was to provide a backup in case the private market would not take these mortgages.

There are also, as the committee knows, geographical variances in the availability of mortgage funds, and in some of the smaller areas there may not be private funds available for these mortgages.

It was for these reasons that the proposal was made to include the direct loan feature.

Mr. BARRETT. Thank you.

Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Commissioner Brownstein, in looking at this legislation, none of what is proposed would cover facilities, even though they would be permanent fixtures; is that correct? In other words, you build a medical center, large or small, but a lot of the stuff that goes into it, medical equipment and apparatus which is very expensive, will not be included in this loan, would it?

Mr. BROWNSTEIN. Yes; that would be included in this facility, Mr. Fino.

Mr. FINO. This would be a departure from the usual FHA loan?

Mr. BROWNSTEIN. Of course, we do have some of this in our nursing home program.

Mr. FINO. So this would cover it. In many instances the cost of this medical equipment would probably be as much as the building itself?

Mr. BROWNSTEIN. It is very expensive. Mr. Fino, we have submitted to the committee some technical amendments. And one of the suggestions that we have submitted would provide that the mortgage will include the value of the property, including the land, the proposed physical improvements, et cetera.

Mr. FINO. Equipment and fixtures?

Mr. BROWNSTEIN. Yes, sir.

Mr. FINO. Do you think there should be limits as to insurance, particularly as to the permanent facilities?

Mr. BROWNSTEIN. Limits as to the insurance?

Mr. FINO. As to the insurance.

Mr. BROWNSTEIN. Well, I believe that the limits should be those that are proposed in this revised draft that we are submitting.

Mr. FINO. Can you give us an idea of what the amendments would be?

Mr. BROWNSTEIN. Well, a 90-percent mortgage is being provided here. This is in the original bill.

Mr. FINO. How much do you estimate we should authorize to carry out this legislation?

Mr. BROWNSTEIN. You will recall that in the Housing Act of last year many FHA insurance reserves were consolidated into one general reserve, except for the mutual mortgage insurance fund, and then the cooperative program was also funded on a mutual basis. Since this would go into our general fund, it would be our recommendation that there not be any specific limitation on the amount, but that this go into our regular financing in the general reserve.

Mr. FINO. Thank you.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. No questions.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. Just one question.

Getting back to the need factor, there apparently were 400 group practice facilities in being in 1946, and there are 2,000 today. Would it be possible to submit for the record, Mr. Cohen, or can you give me an idea, whether this rate of growth has generally increased in recent years? What, for example, has been the story in the last 5 years?

Mr. COHEN. Well, as far as I know, the actual last comprehensive study that was made is in this report, medical groups in the United States in 1959.

Mr. ASHLEY. If that is all we know, how do we know if there is any need, Mr. Cohen?

Mr. COHEN. The need, I think, is predicated on other factors than the number of the groups, Mr. Ashley. It is predicated on what I indicated before, the overwhelming demand for more services, for more people.

Mr. ASHLEY. I am sorry, I don't see. Are we talking about 1959 data to support the case for this bill?

Mr. COHEN. No, sir; 1959 is just a statistic about the actual number——

Mr. ASHLEY. How many group facilities were constructed last year with conventional financing?

Mr. COHEN. How many medical groups?

Mr. ASHLEY. That is what the bill is about.

Mr. COHEN. How many were constructed under commercial financing? I don't know that, because I do not know how many there were last year.

Mr. ASHLEY. How do you know if we need any increase over last year's production if we don't know what last year's production was?

Mr. COHEN. Well, we know generally from the situation around the country that it has not been adequate—from the trend over the years, and from our knowledge of what is going on.

Mr. ASHLEY. How can we measure a trend if we do not know the facts?

Mr. COHEN. We have, Mr. Ashley, the facts from 1956 to 1959.

Mr. ASHLEY. This is 1966.

Mr. COHEN. Fine. But I can't make up the facts if they do not exist.

Mr. ASHLEY. Were some facilities brought into existence under conventional financing last year, the year before, or the year before that?

Mr. BARRETT. I wonder if the gentleman would yield.

We will have other witnesses come in later and testify to the fact that the bill is needed and they should help answer your questions, Mr. Ashley.

Mr. COHEN. I just want to say that, of course, we do not know the number of—I would have to admit this, that we do not know what the individual practitioner or the groups are getting in terms of commercial help at the present time.

Mr. ASHLEY. I am talking about the number of facilities. You say in your statement on page 2, Mr. Cohen:

> In 1946 there were about 400 medical units in group practice in this country; today the group practices number nearly 2,000.

How do you know if 1959 is your last date for data?

Mr. COHEN. What we did is, we surveyed—we did not make a survey of the actual number, but we attempted by our specialists in this field, recognizing what was going on in the country, to just make a sound estimate of what had happened since 1959. But we do not have a specific count.

Mr. ASHLEY. I do not know how you can come in before a committee and say that there is this need if it is on the basis of a projection as vague as the one you are suggesting, I really don't.

Mr. COHEN. I do not understand your position. If your point is that you can't take action before you know down to the last number how many there are in the United States——

Mr. ASHLEY. You cannot tell me for last year or the year before or the year before that. You are not able to tell me, apparently, what is going on in the conventional market, whether or not the conventional lending institutions are meeting the need or whether they are not.

Mr. COHEN. There is no evidence that I know of—let me put it this way—that there has been a great increase in the number of group prac-

tice plans since the 1959 data. Nothing in any of the medical journals or in anything we have surveyed would indicate that there has been any change in this situation since 1959.

Mr. ASHLEY. Mr. Brownstein, what do you think about this?

Mr. BROWNSTEIN. Well, I believe, Mr. Ashley, that there is a need for financing these facilities.

Mr. ASHLEY. Based on what, now?

Mr. BROWNSTEIN. Well, based on the obvious conclusions that have been pointed out here.

Mr. ASHLEY. The obvious conclusions?

Mr. BROWNSTEIN. Yes, I think so. Having a son currently in medical school, Mr. Ashley, I am very sympathetic to this.

Mr. ASHLEY. You have answered my question, Mr. Brownstein. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Mr. Brownstein, would not it be a reasonable thing for this Congress to pass this bill without title II, the direct loan program, and then after a couple of years see if there are these gaps in certain areas, and see if there is a need that has not yet been demonstrated for a direct loan program?

Mr. BROWNSTEIN. Of course, this is entirely up to the Congress, Mr. Moorhead. If this is what Congress provides, obviously, we will do everything we can to get the private market interested in this kind of financing and make the program succeed.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Stephens?

Mr. STEPHENS. Is it contemplated that the need for the clinic be made in connection with office accommodations for the doctors?

Mr. BROWNSTEIN. This would be a clinical type facility.

Mr. STEPHENS. What is the attitude of the various medical associations in respect to the proposals that have been made here? Do you have any expression of the opinions of the American Medical Association, or the State medical associations?

Dr. LEE. The AMA several years ago did a study of group practice in general. Prior to that time, they had in general been opposed to the development of group practice. Since that study, which was headed by one of their former presidents, Dr. Larson of North Dakota, they have had a neutral stand regarding the development of group practice. With respect to this specific legislation, I think that the AMA would be opposed to this specific legislation.

Mr. STEPHENS. Why would they be opposed to this specific legislation?

Dr. LEE. I think you would have to ask the AMA that direct question.

Mr. STEPHENS. The observation that I have of the group facilities that have been put together in my home town is that they have been quite an asset to the people of my community. A number of doctors have gone together, they have borrowed the money, and they have built offices and joint facilities to accommodate them. And they can give you in their centers there almost any kind of diagnostic assistance that you need. And I think that the development of that type of thing is very fine. They are all individuals. They have no partnership in building ownership. And I would assume that you would not

intend necessarily for those to be partnership arrangements, they could be any kind of contractual relationships, where a certain amount of space could be contracted for, could be departmentalized and equipped the way a professional man would like to see it done.

Mr. BROWNSTEIN. There is room in the proposal for any sort of arrangement that they might agree to.

Mr. STEPHENS. Personally, from what I have seen of the particular groups that have done this in Athens, Ga.—they have pediatricians, the surgeons, the general practitioners, the eye specialists, and a common X-ray room, and a laboratory. I think it makes it cheaper for the average American to get medical care, because each doctor does not have to finance the entire thing by himself and then recoup his outlay by having to charge a high fee. And I would like to see that.

I do not believe some medical schools are teaching these young doctors what to look for, however. And I say that in this light: My father is a doctor. He is 85 years of age, and he is still practicing medicine. He relies not only on modern machines but what he sees. He says that the young medical man does not rely on what he sees but must take out all your blood before he can diagnose a cold.

Mr. BARRETT. I want to inform the members that we have a very distinguished former colleague to testify this morning. And we are hoping to get him on at 11 o'cock. I notice it is now 20 after 11.

Mr. Gonzalez, do you have any questions?

Mr. GONZALEZ. Mr. St Germain is here now.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Mr. Cohen, from your title the purpose of the act is to provide group facilities for the practice of medicine and dentistry. The word "medicine" in this case, does it include podiatrists, opthalmologists, and chiropractors?

Mr. COHEN. The key words in the bill that would decide that, Congressman, are in section 1007(2) where the term "group practice facility" is defined to mean a facility for the provision of preventive diagnostic and treatment services to ambulatory patients in which patients' care is under the professional supervision of persons licensed to practice medicine in the State, or, in the case of dental diagnosis, under the professional supervision of persons licensed to practice dentistry in the State.

Mr. ST GERMAIN. It says licensed to practice medicine. Depending on which dictionary you are using, a different definition is given to that. One—once again, I ask you, podiatrists, opthalmologists, chiropractors, they are licensed in some States to practice. Would this be considered medicine or not?

Mr. COHEN. Ophthalmalogists would be; they are licensed to practice medicine in the various States.

Dr. Lee might comment on the other two.

Dr. LEE. I think this depends upon the State. In general podiatrists are not licensed to practice medicine. They are licensed to practice podiatry. The chiropractors in those States in which they are licensed are licensed not to practice medicine, but chiropractic.

Mr. ST GERMAIN. If we wished to include podiatrists and chiropractors, we would therefore have to amend this to specify or specifically include them?

Dr. LEE. I would think so. There are some group practices, of course, that may include optometrists and podiatrists. They may be included in large medical groups where they work in association with physicians and dentists. But this would not be the case with chiropractors, I am sure.

Mr. ST GERMAIN. It says that the builder will have to agree that the building would be used for the practice of medicine for the term of the mortgage. That is what the act states.

Mr. BROWNSTEIN. Yes, the sponsor will have to agree to this.

Mr. ST GERMAIN. Am I to understand from that that the requirement could be contained in the mortgage?

Mr. BROWNSTEIN. There would be a regulatory agreement executed at the time of the mortgage, Mr. St Germain, which would have this in it.

Mr. ST GERMAIN. Would it be a part of the mortgage, or a separate instrument unrecorded?

Mr. BROWNSTEIN. It would be a separate instrument, but it would be a part of the mortgage transaction.

Mr. ST GERMAIN. But it would not be a recorded instrument?

Mr. BROWNSTEIN. The regulatory agreement is recorded.

Mr. ST GERMAIN. It is recorded?

Mr. BROWNSTEIN. Yes.

Mr. ST GERMAIN. Where is it recorded?

Mr. BROWNSTEIN. With the recorder of deeds, where the mortgage is recorded.

Mr. ST GERMAIN. I am trying to figure it out legally, Mr. Brownstein.

Mr. BROWNSTEIN. It is in effect a part of the mortgage.

Mr. ST GERMAIN. It is a part of the mortgage. And therefore if someone else were to purchase this building subsequently, he would be on notice in looking at the mortgage?

Mr. BROWNSTEIN. Yes. Also, FHA approval is required for any proposed sale.

Mr. ST GERMAIN. If I wished to purchase the mortgage also he would be on notice of the fact that he must comply with this condition?

Mr. BROWNSTEIN. All parties would be on notice of this.

Mr. ST GERMAIN. Now, is there a penalty clause—should the individual who builds the building 12 years after he has built the building, could he decide that this would no longer be used for group medical practices, and take half of the building and rent it out to a discount house, for instance, is there a penalty attached?

Mr. BROWNSTEIN. What we would do in a case of that kind, Mr. St Germain, is proceed under the regulatory agreement. And we could take it over from him.

Mr. ST GERMAIN. Take the building over from him?

Mr. BROWNSTEIN. Yes.

Mr. ST GERMAIN. Would you then sell it?

Mr. BROWNSTEIN. We could go into court and enjoin him from doing this.

Mr. ST GERMAIN. No further questions, Mr. Chairman.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. Mr. Chairman, I will defer in view of the limitation of time.

Mr. BARRETT. Mr. Fino has a very short question.

Mr. FINO. Mr. Brownstein, could a group of doctors who have already built a group clinic facility with a conventional mortgage later refinance it under this bill?

Mr. BROWNSTEIN. No; they may not, Mr. Fino. However, if this were substantail rehabilitation involved, then this would be possible.

Mr. FINO. In other words, expansion?

Mr. BROWNSTEIN. Yes.

Mr. BARRETT. Thank you, Mr. Cohen and Mr. Brownstein, it has been nice to have you here.

We are now going to have the Honorable Hugh J. Addonizio, mayor of Newark, N.J. His colleague and longtime friend will introduce him.

Mr. MINISH. Thank you. Mr. Chairman and members of the Housing Subcommittee, I appreciate your courtesy in asking me to introduce the next witness, the Honorable Hugh J. Addonizio, mayor of Newark, who—in a time-hallowed phrase which is literally true in this instance—needs no introduction to you with whom he served so long on this subcommittee. I know you are happy to welcome him back and to have the benefit of his views on the major housing legislation now under consideration. As a member of the Housing Subcommittee during his almost 14 years' service as the Representative from the 11th Congressional District, Mayor Addonizio made a substantial contribution to the valuable housing acts enacted from the 81st Congress through the 87th Congress. His broad grasp of housing problems, gained during those years, has been a tremendous asset to him in guiding the affairs of Newark since he assumed the office of mayor in July 1962.

Likewise, his experience as mayor of a large city, plagued with all the ills of our teeming urban centers, has given Mr. Addonizio an intimate awareness of what must be done to rebuild our cities and how it must be done. If the Congress helps to make the tools available, those cities that want to help themselves, such as Newark under Mayor Addonizio's dynamic leadership, can truly become places worth living in for all their residents. His counsel, based upon his long experience as legislator and administrator, will be of immense value to your subcommittee and your colleagues on the full committee in our study of this legislation that will vitally affect the future of our great urban areas.

I am happy to present my distinguished predecessor from the 11th District, the present mayor of Newark, Hugh J. Addonizio.

Mr. BARRETT. Thank you, Mr. Minish, for your very kind remarks about our very fine former colleague.

And I just want to say as the chairman of this subcommittee, Mr. Mayor, it is with deep pleasure that we welcome our old and close friend and former colleague, the Honorable Hugh Addonizio, mayor of Newark, N.J.

A former member for years, the mayor sat with us on this subcommittee and did a tremendous job in writing legislation which has helped the rebuilding and rehabilitating of our cities, and the provision of better housing for our people, particularly those in the lower income groups.

He became an expert in the legislative process, and now have proved his outstanding ability in the administrative field, and as a mayor of Newark.

I want to tell you, Mr. Mayor, we greatly miss you on this subcommittee. But in any event, our loss is, of course, Newark's gain.

And I might point out that since he was senior to me on this subcommittee, I cannot help feeling a little bit of gratitude to the people of Newark, since if Newark had not claimed him, it would have given him the pleasure of sitting in the chairman's chair on the Housing Subcommittee today.

I want to say, Mr. Mayor, everybody on this subcommittee has great respect for you, admires you, and certainly greatly appreciates the fine job you are doing in the city of Newark. And I am quite sure my good friend and your good friend, Mr. Widnall, would like to make a remark.

Mr. WIDNALL. Thank you, Mr. Chairman.

My longtime friend, this is the first time I have seen the members of our subcommittee fighting over who was going to introduce the witness first. We miss you very much. In the years that you served on the Banking and Currency Committee, you made a great contribution. And you showed interest in those very serious problems that plague our cities. And your interest was not just concentrated on the cities. During the time that you served the record will show your deep concern.

Frankly, I cannot understand why anybody would want to be a mayor of a big city in America today with all the problems that they have. And I think you weather them well, and that in your office, from the comments that I have heard, you are doing a fine job toward solving those problems.

We hope that you will counsel with us and consult with us and give us the benefit of your advice.

Mr. ADDONIZIO. Thank you, Mr. Chairman, Mr. Widnall.

Mr. BARRETT. Mr. Fino?

Mr. FINO. Mr. Chairman, I am very happy to be given this opportunity to greet our mayor. I had the pleasure and privilege of meeting him 14 years ago when I first came to Congress. And I want to say that my membership on this committee is attributed to him, because he interested me in becoming a member of the Banking and Currency Committee, particularly the Subcommittee on Housing.

I want to make one observation. I recall that when Mayor Addonizio was a Member of this Congress he was always seeking ballots. Lately, we have been reading in the press that he has been dodging bullets.

It is a pleasure to have you with us, Hugh.

Mr. BARRETT. Thank you.

Mr. Mayor, we want to ask you first if you will be kind enough to introduce your associates. And after that we are going to give you an opportunity to complete your statement. And, therefore, we would naturally want to ask you some questions.

STATEMENT OF HON. HUGH J. ADDONIZIO, MAYOR OF NEWARK, N.J.; ACCOMPANIED BY HENRY CONNOR, GREATER NEWARK DEVELOPMENT COUNCIL; LOUIS DANZIG, DIRECTOR, NEWARK HOUSING AND DEVELOPMENT AUTHORITY; ALDO GIACCHINO, CITY PLANNING OFFICER; AND DON MALAFRONTE, ADMINISTRATIVE ASSISTANT

Mr. ADDONIZIO. Thank you, Mr. Chairman.

May I first say that I am honored to appear before this subcommittee on which I have had the great privilege of serving for many years while a Member of Congress. And I certainly do appreciate those very fine remarks that were made about me here this morning.

On my left is Mr. Henry Connor, who represents the Greater Newark Development Council.

Next to him is Mr. Louis Danzig, who is the executive director of the Newark Housing and Redevelopment Authority.

My extreme right is Mr. Aldo Giacchino, who is the city planning officer of the city of Newark.

And on my immediate right is Mr. Don Malafronte, who is my administrative assistant.

For the past 4 years, as mayor of the largest city in New Jersey, I have witnessed the satisfying results of legislation which was fashioned in this subcommittee.

Today, I would like first to pay tribute to President Johnson, not only for recognizing the great problems that confront the cities of America, but resolving to meet these problems with a comprehensive and coordinated Federal-city partnership.

The strengthening of this partnership is the heart of the legislation before us.

I would also like to commend Congressman Patman for introducing the Demonstration Cities Act and Congressman Barrett for speedily summoning a meeting of this subcommittee.

In the last few years, many Federal programs have been designed to meet specific goals and objectives in our cities. They have been helpful, but often too scattered or too small to make a major impact. The time has come to ascertain the effectiveness of all of these programs when they are effectively combined in a broad problem area.

The Demonstration Cities Act will provide this challenging test. It is vital that we learn to centralize responsibility and achieve the highest level of coordination and it is vital that we do it now. The immensity of the problems of our major cities today leaves little choice. My own city is a prime example.

Newark is a 300-year-old city, with a population of over 400,000 people. It is land poor and tax poor. Only 5,000 of its 15,000 acres are available for residential living and industrial locations. Over 10,000 acres are occupied by tax-free education institutions, hospitals, parks, public buildings, and vast land areas occupied by the Port of New York Authority at Port Newark and Newark Airport.

Like most major cities, Newark has attempted to face up to its responsibilities in providing public housing, urban renewal, job training, economic development, and a long list of social and welfare programs.

These efforts have helped overcome a history of slums, inadequate school building, and the problems of a large minority population suffering from the wounds of a disgraceful national legacy of neglect and prejudice.

But all these efforts are not enough to create what we need in our cities today—a total recasting of urban life, from housing to health, from education to recreation, from work to pleasure.

Through our urban renewal program we have obtained a grant reservation of $120 million. This represents a grant reservation of $300 per person, the highest in the Nation. It is not enough.

Through the Department of Labor, the Department of Health, Education, and Welfare, the Commerce Department, and the Office of Economic Opportunity, we have received over $35 million. With these funds, we have established skills training centers, youth opportunity centers, on-the-job training programs, year-round preschool programs, Neighborhood Youth Corps programs, tutorial and remedial educational programs, recreational programs, and a host of others. And they are not enough.

We have provided 13,713 public housing units. We have relocated close to 50,000 persons. We have embraced citizen participation in all programs. We have offered generous tax abatement programs for new construction, as permitted under special State law. We have constructed new schools, built new sewers, and we have overhauled and vigorously enforced our inspection and housing ordinances. And still it is not enough.

With all these things, more than 100,000 persons continue to live in blighted and substandard neighborhoods, bearing the crushing burdens which flow from an unhealthy physical and sociological pattern of life.

If cities are to avoid catastrophe, we must not only overcome the effects of decay, but we must obliterate them forever. Intelligent and massive Federal aid is the best answer.

The legislation before you, inspired by the President of the United States in his forthright expression of concern for urban life, brings to us a method for testing various means of bringing Federal aid to our cities.

We must now pinpoint the interrelationships between various Federal programs. We must devise new combinations of old programs and develop totally new programs. Only in this way can we develop a long-range approach to merging the social, physical, and economic considerations that are all important to the survival of our cities.

Now let me turn to details of the bill itself.

I believe, first of all, the objective of the act must not be simply to warm over public housing or spruce up urban renewal. The act must go beyond the existing array of Federal programs. It must remain a unique program—a demonstration program. It must be concerned with action beyond the rebuilding and rehabilitation of slum structures. It must demonstrate that urban life is for all people, the rich as well as the poor, the executive as well as the laborer and that there is a place for the great mass of middle class citizens that make up the backbone of our Nation. The act must remain flexible and it must remain experimental. Its objective is the rebuilding of a total city life, not the simply physical rebuilding of a neighborhood or the mere providing of supportive social services.

As to the planning and selection of cities contemplated by the act, I submit it is in keeping with the experimental character of the legislation to open the planning phase to wide participation by many cities.

It has been a source of much concern that the program appears to be designed for a small number of cities. Many cities already fear that they may not be "among the chosen."

To set this fear at rest, and to provide a genuine burst of new ideas and new projects, I believe every city in the Nation should be allowed the opportunity to participate in at least the planning phase of the program. We need as many novel ideas and new techniques as we can get.

To finance the expansion of the planning phase, I suggest the Housing Act of 1949 be amended to permit at least $50 million of demonstration city planning grants out of title I grant funds. In addition, I suggest also that there be an appropriation of $12 million, as suggested by the President, available to the Department of Housing and Urban Development for grants to cities in cases of special need and special significance. Through this total approach, this broadening of the planning portion of the program, we will, at the very least, produce in many cities a new awareness of Federal resources and the need for coordination.

However, in selecting cities for carrying out demonstration projects, I submit that the selection be strictly limited—that the number of cities chosen be few.

I suggest that the demonstration projects be approved only if they are of sufficient magnitude and complexity to produce an end result which can be intelligently evaluated in terms of massive impact and which offers solutions which are meaningful in terms of major urban centers.

It seems to me that a program which is designed to demonstrate new approaches cannot—and should not—be applied across the board to all municipalities. It can only lead to the reduction of this novel bill to just another in a long list of Federal aid programs which skim the surface but do not cut to the core of the matter.

In funding demonstration city projects, I suggest that the Federal Government must first adopt the same maintenance of effort provision it requires of cities. That is, it is imperative that in all departments and agencies participating in the project that demonstration funds be made available in addition to existing appropriations.

The appropriation for the demonstration act must add directly to the level of assistance provided by existing Federal programs. In addition, the act must provide enough money to meet the cost of component programs in cases where there are no existing Federal aid programs.

It is well to provide 80 percent of the local share of projects and activities which can be readily committed to the demonstration project, but I believe that there should be sufficient funds in the act itself to provide 90 percent of the total cost of all other projects for which no Federal aid is available.

Furthermore, it is clear that unless all time limitations on urban renewal authorizations in the 1965 act are waived, the demands of demonstration programs for urban renewal grant commitments will surely build up a troublesome backlog of applications.

I recommend such limitations be waived.

Finally, in terms of funding, I suggest there needs to be an increase in the $2.3 recommended for the life of this program.

Fully aware of the great demands being made in Vietnam and elsewhere, it is nevertheless clear that a more realistic level of expenditures would be $2 billion a year for the 5 action years of the program, beginning next year. This is based on our own projections in Newark where we are considering a program involving 30,000 dwellings and not more than 100,000 people.

It is our estimate that any program of the magnitude we are considering will cost no less than $200 million. If only 50 cities are chosen to participate during the 5 action years of this program, similar expenditures on their behalf would run the total cost to an excess of $10 billion. It is upon these figures that I predicate my recommendation that the total cost of the demonstration program might be set at $2 billion per year for 5 years, beginning next year.

Finally, I would like to touch on the proposed administration of this program.

I know Dr. Weaver has been concerned with the fact that mayors and other officials may not be amenable to the creation of local Federal coordinators. As for myself, I welcome a local Federal coordinator. I think it is imperative, if this program is to be successful, that there be a system of coordination outside the normal channels now available to us. It is vital that there be a Federal man on the scene to expedite programs and provide direct communication between the cities and Washington.

I will go one step further and propose that each and every department and agency that participates in demonstration city projects assign an assistant secretary, or an assistant director as liaison for the Demonstration Cities Act. Together these officials would represent a total Federal task force on demonstration city projects. A Federal coordinator reaching out of his locality to assist his project would be able to touch directly the highest ranking policymakers in other departments, all devoted to the successful completion of a demonstration city project.

The Demonstration Cities Act, members of the committee, is a bold experiment.

It challenges the cities to prove they have a right to survive.

It challenges the Federal Government to prove that the hundreds of programs it has devised and the millions of dollars it has spent make sense.

This legislation can be a key instrumentality in bringing back to the cities of America thousands of our citizens who were forced to flee because of intolerable conditions, but who genuinely desire to live in the heart of an active and healthy urban area.

I believe in the future of our cities.

Ie believe people truly want to live in our cities.

But I believe our cities can be reclaimed only if we can provide in its streets and in its homes, the kind of life to which people in our Great Society are entitled. This act can help bring a new day to our cities. It deserves your support.

Thank you.

Mr. BARRETT. Mr. Mayor, I want to tell you, you have made a splendid statement. And because of your experience in running a large city, we will give it very careful attention.

If I know you as a go-getter, is there a possibility that you have a plan for a city demonstration project in Newark now in your pocket?

Mr. ADDONIZIO. Mr. Chairman, we have, of course, submitted a request for planning funds and ultimate designations as a project city. But I do not have a specific program prepared. All mayors, I am certain, and their city planners have a hundred ideas and a hundred programs ready to go. I admit some very definite ideas. But basically, our planning will be designed to bring together the scientists, physical planners, and the community people themselves. We want a program that comes out of the community, not one that is forced onto us. I am sure our program will involve parks, neighborhood centers, schools, and a variety of housing, street widening, and all of the standard approaches. But I expect this will include them in a novel manner, and that it will include some surprises too.

I believe that that is what this bill is all about.

Mr. BARRETT. Thank you, Mr. Mayor.

You are proposing that we appropriate a total of $10 billion to cover just the housing and urban development share of the program, or $10 billion for a total program, including the cost of other participating departments, agencies and programs. What is your comment?

Mr. ADDONIZIO. I am suggesting that the total cost of the program—that is, all facets of it—be $10 billion.

I also feel that this would be directly appropriated for this act, leaving untouched the appropriations of other acts.

I think that doing this, the funding of all facets of programing of this act in this way would end fears of diversion of funds from nonparticipating cities, and greatly simplify the administration of the program.

I think that many cities would be concerned that if we did not fund it in this manner that this may well have money taken from those from other sources.

Mr. BARRETT. May I just ask you this one question in closing. You indicate that $2.3 billion is not adequate, is that right?

Mr. ADDONIZIO. That is correct, Mr. Chairman.

Mr. BARRETT. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Mayor, I think you have made a very constructive statement. And I think the point that you make about concentrating on a few demonstration cities has great value, because again we can waste our effort by trying to spread it too thin.

Mr. ADDONIZIO. At the same time, Mr. Widnall, I want to make it perfectly clear that in the planning phase of it, I want to include as many cities as possible.

Mr. WIDNALL. This, I understand. And I think it is very constructive suggestion, too.

Do you have in mind at this time any particular criteria that you feel should be utilized in making a choice for the demonstration? I just have this in mind right now. I have seen some figures that would suggest that New York City can use $4 billion; Chicago, $2 billion; Los Angeles, $2 billion; Philadelphia, $1 billion; Detroit, $1 billion;

and that could swallow up $10 billion right there. They are larger cities and Newark has very complex problems too.

I just wonder—and I think it would be very difficult to set up what the criteria should be in choosing the cities.

Mr. ADDONIZIO. I believe in the principle of emphasizing need. But I believe also that the bill should remain flexible.

One of the main premises of the bill is that the area selected must be large, that the thing must be done on a grand scale. This, of course, would mean to me that there must be an area of great need in the first place. And I believe that perhaps there ought to be some limitation on the amount of money that goes into any one State. Perhaps 10 percent might be a good figure.

Mr. WIDNALL. We might then run into the same difficulty that we have in the past. Some of the areas that have the most urgent need, would have a capacity to swallow up a great part of the appropriation. To be effective I think in this particular program it might not be wise to limit it to 10 percent in any one State.

Mr. ADDONIZIO. Well, Mr. Chairman, I am not wedded to any particular idea in respect to that. I certainly would leave it up to the wisdom of this great committee which I served with for many years. And I have great faith in what they will decide.

Mr. WIDNALL. Do you feel that you will have any conflict arising between the new proposed Federal coordinator, the Office of Economic Opportunity in your own city and in your own region, and with your own municipal officials? Do you feel that you would be able to coordinate the effort sufficiently by having another official superimposed upon your own government?

Mr. ADDONIZIO. We do not anticipate any difficulty. As a matter of fact, we welcome this help from Washington. And we would be happy to cooperate. We think they can be extremely helpful to us.

Mr. WIDNALL. That is all. Thank you.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

I am delighted to welcome our former colleague.

Mr. ADDONIZIO. Lee, it is always nice to see you. You have always been one of the charming things of this committee that I have had the pleasure of serving with.

Mrs. SULLIVAN. I could have thrown some orchids to you, too, but I thought if we did that, you would never get a chance to testify.

You gave your statement the way you always used to give it to us, straight from the shoulder. And I think you have made some very good points.

And as I get to thinking of these large cities which may be named as possibilities to be selected as the demonstration cities, I wonder whether, if we get started in cities too large, might not the patient be lost, because there is so much to be done in many of our bigger cities in the country. Yet, I realize that in order to make this work, we have to tackle the problems that you do find in these vast areas.

Mr. ADDONIZIO. I do not think that there is any question that it must be done on a grand scale if it is going to succeed.

Mrs. SULLIVAN. But if we try to do it in a city like New York, which would take up, in one bite, so much of the money available for the whole country in order to make a good showing——

Mr. ADDONIZIO. I do not think that New York should be just selected as a city. I think that it should be perhaps an area or a neighborhood in New York.

Mrs. SULLIVAN. What I am concerned about is how it can be done. I asked the Secretary yesterday if he could give us some specific examples exactly how these programs would mesh together to make a real showing—doing all of the things that they are trying to do within this one area.

Mr. ADDONIZIO. I would like Mr. Danzig to answer that question, if I may. He is our technician.

Mr. DANZIG. Mr. Chairman and members of the committee, for too long have these housing programs and urban renewal programs been suffering from what we referred to as projectitis. They have never been actually carried out on a comprehensive basis. And in this Demonstration Act project there would be for the first time the comprehensiveness and the sophistication necessary. We have long ago learned that physical renewal involving just brick and mortar does not alter the behavior pattern of the people who have more recently migrated to our central cities. This bill would provide an opportunity in a project area to create a new neighborhood, and apply all the social sciences, all the educational—new educational media that we now know of, and attack the problems of the people as well as the physical decay. This has been long sought for by those of us who have labored long in the vineyard of housing and urban renewal.

Mrs. SULLIVAN. Thank you for your contribution, Mr. Danzig. I think your mayor knows that for years, I would say the past 13 years anyway, I have been expressing these same thoughts. We have given underprivileged families good apartments to live in and said to them, "All right, here is a modern, clean place to live—now make yourself over and accept your responsibilities as a citizen." But they often didn't know how to accept city life. They had to be taught. We have had a few demonstration programs by the welfare people and social workers who are attempting to train these people to meet the problems of city living and they have shown some degree of success. However, I think this is so vast an area that we are attempting to cover that I believe we have got to do it very carefully, so that we do the job as we are trying to envision it. And that is, to help underprivileged individuals to meet the conditions and problems of today, and give them all the tools with which to do it.

Mr. DANZIG. It seems to me that this is the first time total approach has been attempted.

Mrs. SULLIVAN. Thank you very much.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. I, too, am delighted to join in welcoming a very dear friend and former colleague, one with whom I have traveled so many miles and shared so many pleasant experiences.

And I am happy to know too that Puerto Rico has blossomed like a flower since——

Mr. ADDONIZIO. I would like you to know that I have gone back to Puerto Rico at least once a year for 15 years.

Mr. ASHLEY. You have seen the fruits of our labor?

Mr. ADDONIZIO. I have.

Mr. ASHLEY. All of us have been following the really splendid job that you have been doing as mayor of Newark, and we are extremely proud of you.

How big a city is Newark, Mr. Mayor?

Mr. ADDONIZIO. Now, Newark is approximately 23 square miles.

Mr. ASHLEY. And what population?

Mr. ADDONIZIO. It has a population of some 412,000 people. And for the first time in many years, our population increased somewhat last year.

Mr. ASHLEY. The Secretary, Dr. Weaver, suggested yesterday, I believe, that, considering that there might be approximately 60 cities selected for the action part of the program, that it might be divided into 6 or 8 large cities of over a million, and I believe this is correct, some cities between 250,000 and 500,000—there is a gap here somewhere—and some smaller cities. Do you think that this kind of ratio is beneficial, and that you would fall into a category in which there might be, say, 20 cities selected?

Mr. ADDONIZIO. I think that is a fair judgment that was made by Dr. Weaver. I certainly would accept that.

Mr. ASHLEY. I notice that you indicate your support of the planning phase and suggest that every city in the Nation should be allowed the opportunity to participate in at least the planning phase of the program. And then you do say——

Mr. ADDONIZIO. I hope I have not been misunderstood. I indicated that I thought that as many cities as possible be included in the planning phase. I think that this would be wise on the basis of all of the ideas that could flow from all of these various cities.

Mr. ASHLEY. I see your point. It occurred to me that you seem to be supporting the participation of a good many cities in the planning phase, and then stating subsequently that the number of cities chosen for the actual action part of the program would be few, and this would obviously create a disparity and a lot of disappointed customers. I think I now understand your point, that out of the planning that cities might do would come creativeness and imagination that would be fruitful, even though the city might not, at least immediately, be selected for participation.

Mr. ADDONIZIO. I think a city has to prove that it can be successful in a program.

Mr. ASHLEY. Several of us have thought that it might be useful if the regional FHA director be utilized as the local Federal coordinator. What would you think of this for an idea?

Mr. ADDONIZIO. I would like Mr. Giacchino to answer that.

Mr. GIACCHINO. I think, as it was brought out yesterday during Dr. Weaver's testimony, that the local FHA directors would encounter a great many problems in administering an act which is so different from their present activties, and in addition it is something that would be certainly a great burden in addition to their many present tasks. And that is our view of the situation as it applies to our own local area. The local FHA office there is already taxed with a variety of tasks and it has never entered into any kind of an activtiy that is anywhere near the scope of the proposed action.

Mr. ASHLEY. There has never been any kind of similar activity?

Mr. GIACCHINO. That is right.

Mr. ASHLEY. Whoever will be the local coordinator will be entering virgin territory, because there has not been any such activity?

Mr. ADDONIZIO. I think there has to be a broader approach than the FHA has given it, at least our experience shows that in the city of Newark. I think there has to be more emphasis on many of the other facets that are invloved in this program, and that is in the welfare and social problems, the education problems that we are confronted with. And I think anything that comes from the FHA would certainly be limited.

Mr. ASHLEY. I appreciate your comments very much indeed, and I am glad to know that they are based on your practical experience.

Thank you very much.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

I welcome back a valued friend and respected colleague to this committee room.

Mayor, there is one thing that concerns me——

Mr. ADDONIZIO. I must point out very frankly that I see this committee has graduated since I left to these very wonderful new surroundings.

Mr. MOORHEAD. We welcome you to the new surroundings.

Mayor, the thing that concerns me a little bit about this act is—and you have faced up squarely to it—are we not inviting trouble for the majority of us, and for the majority of the mayors, because most of the cities won't be selected for these demonstration cities, aren't we just inviting trouble by enacting this bill?

Mr. ADDONIZIO. Well, I suspect that there may be some difficulty encountered by Members of Congress who may represent a particular area, and their cities would be left out. I have had great experience in that over a period of many years when I served here. But an effective Congressman can always make sure that his own cities are included, and particularly can he when he sits on this committee. And I have assumed by my friendship here today and the friendships that I have with the members of this committee that my city is certainly going to be successful in being designated for a project.

Mr. MOORHEAD. That is very frankly stated.

Mayor, I commend you for saying that you welcome the local Federal coordinator. Would you not think it would be helpful to have a local Federal coordinator even under the existing programs, or even if your city was not selected as a demonstration city?

Mr. ADDONIZIO. Positively, I agree with you wholeheartedly. Because many of these programs are running into difficult political problems which I think something like that, if it took place, would certainly take it out of that area.

Mr. MOORHEAD. And don't you think something more than just an information office is needed—someone with some authority to do some real coordinating?

Mr. ADDONIZIO. There is no doubt or question about it.

Mr. MOORHEAD. Thank you very much, Mr. Mayor.

Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Mr. Mayor, in view of your position and your attitude here this morning, it might be a good idea if your colleagues on the subcommittee would write Newark in the legislation to make sure it is accepted.

Mr. ADDONIZIO. I am quite sure that would be accepted, and I hope that you will do it.

Mr. FINO. I would just like to make one observation. I support the aims and objectives and purposes of this legislation. There are only two provisions in this bill that sort of disturb me and have disturbed me from the very inception. And I have made this known to the Secretary of the Department of Housing and Urban Development. One provision is the creation of the Federal coordinator, or what I consider a commissar. I am afraid that such a Federal coordinator—who can have all the powers that might be delegated to him by the Secretary—might detract from the autonomous powers of local government. And this is one big fear I have.

Mr. ADDONIZIO. May I speak to your first concern, Congressman? And of course, I recognize what you say. But I do not think that he would have any more power than the Secretary would have in Washington. And this would just be a means of our really reaching out for people who really have authority.

Mr. FINO. I hope he would not too much authority and step over the toes of local government.

Mr. BARRETT. Would the gentleman yield?

Mr. FINO. Yes, sir.

Mr. BARRETT. Mr. Mayor, you would agree that he would be in a position to facilitate the projects?

Mr. ADDONIZIO. Absolutely.

Mr. BARRETT. And he would be helped tremendously if he were able to have liaison with the city officials?

Mr. ADDONIZIO. We have found in the—in our experience as mayor that most of the Federal agencies in the area do not have enough help now, and as a result many of the programs are bogged down.

Mr. BARRETT. If the gentleman would yield further, if we are not too involved with the social aspects of this program, would it be possible that the city of Newark could recommend somebody who knows the social aspects as well as the housing, and knows the blighted areas, so well that he could be of great assistance to the city of Newark as well as the Federal Government, and save the taxpayers a tremendous amount of dollars?

Mr. ADDONIZIO. I agree with you, Congressman. I certainly would hope that the Secretary would check with the mayor of a particular city before anyone is appointed to that responsibility. And I would hope that it would be someone from the local area.

Mr. FINO. Mr. Mayor, if that were possible, I would withdraw my objection. And I would rather see the mayor of a city——

Mr. ADDONIZIO. Mr. Fino, I would hope that you would write that into the bill. I would have no objections to it.

Mr. FINO. Good.

And the other provision that disturbs me is that under this bill, the Secretary has the absolute power—and when I say absolute, it is in the law—he has the absolute power to deny assistance under this program if he determines that there is no provision under this program for economic integration. For example, he can withhold support if

he is not satisfied with the program set up, or that does not provide for economic integration. How do you feel about that?

Mr. ADDONIZIO. Well, I think Congress has to make sure that if he has such power, that he does not abuse it.

Mr. FINO. Are you in favor of limiting that power?

Mr. ADDONIZIO. I would like to see him have that power. But if he abuses it, certainly I would think that some limitations would be placed upon him. And I think Congress in its wisdom would soon find out.

Mr. FINO. We are interested, as you are, in seeing this program develop successfully. And it would help us if we know——

Mr. ADDONIZIO. I must confess, Paul, that I have been counting on your vote, knowing your long experience and knowing how you vote.

Mr. FINO. I will give a plug for you.

Mr. ADDONIZIO. That is why I suggested many years ago that you become a member of this committee.

Mr. FINO. I want to thank you very much, Mr. Mayor, because it has given me an opportunity to see you and see how you have developed over these past few years.

Mr. ADDONIZIO. Thank you.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Mr. Chairman, I welcome Mr. Addonizio, and congratulate him on an excellent statement.

Mr. ADDONIZIO. Thank you.

Mr. ST GERMAIN. Mr. Addonizio, looking at your statement, would you say that this bill should do things other than just building houses, as a housing bill does? "It must be concerned with action," on page 5, "It must be concerned with action beyond the rebuilding and rehabilitation of slum structures." But I would like you to tell me, Mr. Addonizio, what this bill is doing, what actually is it going to do for the cities?

Mr. ADDONIZIO. Mr. St Germain, I would like Mr. Malafronte to answer that question for you, because he has been working on that constantly, and I am sure that he could give you the answer.

Mr. MALAFRONTE. The question is, What can it do beyond rehabilitating houses? I think that is the essence.

Mr. ST GERMAIN. Also the statement is made that you have made some plans concerned with 100,000 people and 30,000 homes.

Mr. MALAFRONTE. Yes. Your interest in the act is to develop what is in effect a new town, what we might call a new town within the city, an area which could demonstrate what a city might be like if the city had resources available to it that cities ought to be available. You ask specifically what type of programs, beyond rehabilitating houses. I think the first would be, of course, the kind of school buildings, school plants which are essential, and the kind of commitment to education in the neighborhood which you are not able to make now. And I think that what we might call the multipurpose center, neighborhood center, would be certainly another key element. And we would build a multipurpose center. And I think we have the commitment of most of the social agencies and other agencies in the city to participate in the building and bringing their particular expertise and interest to our service association, and so on, boys clubs, and so on, under a single roof which could serve as a center for the neighborhood,

as a kind of typical thing that would be there. And I think under our poverty program a variety of neighborhood services would be available the year round. Preschool training could certainly be a part of a demonstration project. And I think that the local services which is now a part of the poverty program would be included in some manner. And I certainly think that—I would hesitate to call it——

Mr. ST GERMAIN. This is not anything new to me. You are just telling me about all the programs that now exist. In other words, what I said initially, we are going to throw a lot of money into one city, so a lot of programs will have all the money, you are going to throw this all at once into one particular city, into an entire city or a section of the city. But what is new about this? What is new about it except throwing money in it to do all these things that you are doing now? You have said that the social agencies will bring their efforts to bear on it, the poverty program, and Headstart, et cetera. All these now existing. I am trying to find something new.

Mr. MALAFRONTE. What is new is the demonstration of all these things together in a single area of work. We do not have that demonstration in any city in the country.

Mr. ST GERMAIN. Don't you agree that this is a logical conclusion to reach, that it is terrific if you can do it, but we are going to do it with maybe 50 or 60 cities, and the mayor does not feel that we should do it with as many cities, but the plan is to do it with 50 or 60 cities, and it will be for 5 years, and then it will all be over with. Nevertheless, the other cities would like to do the same thing. And it has been demonstrated that they can come into a windfall of money. Isn't that what it is?

Mr. ADDONIZIO. I say to you that you are never going to solve the problems of the cities unless you have a comprehensive attack. And this is certainly a giant step in that direction. Now, we have been feeding money for many years—and I was a part of it—to all of these foreign countries. We have been pouring billions of dollars over there for years. And I tell you as a man who served in the Congress, and who has now had the distinction of serving as a mayor, that the problems are in large, older cities of America. And I think that the Congress had better face up to these responsibilities which are facing us in these cities, or they are not going to survive. You are never going to solve these problems. All these programs that we have enacted in Washington over the years are just touching the surface. And you are not getting to the core of the problem.

Mr. ST GERMAIN. Is it your testimony, Mr. Mayor, that it not be a demonstration act, that this actually and realistically be a step forward in the overall rehabilitation of entire cities with Federal help, and that this should be on a permanent basis?

Mr. ADDONIZIO. I think in essence that is what this does. If you want to call it some other kind of act, that is up to you. But this is what this means to me, as mayor of a city.

Mr. ST GERMAIN. With all due deference, you are interested in the city of Newark. Certainly we appreciate that, and we commend you for it. But other mayors are interested. And there are only going to be 50 or 60 cities chosen.

Mr. ADDONIZIO. If we never begin, Mr. St Germain, we will never get any.

Mr. ST GERMAIN. That is right. But the cities that are not chosen, I think we should hold out some hope to them that, should success be met with in this type of a project, that there might be hope for them in the future. Otherwise, why call it a demonstration? Usually, if you are going to have a demonstration, it is to demonstrate that it will work, and once it is demonstarated that it can work, once it has been done successfully, then you say we go on in the future and continue this, and try to even improve it. Would that be your opinion, Mr. Mayor——

Mr. ADDONIZIO. Yes; I certainly would like——

Mr. ST GERMAIN (continuing). As to what we should hope for in this area?

Mr. ADDONIZIO. I would like to see this program continued, because I know firsthand the problems that I have in my city, and my city is no different than New York or Chicago or any of the major cities of this country.

Mr. ST GERMAIN. Mr. Mayor, you say you have been working and your people have been working on a proposed plan to submit to the Department of HUD in order to qualify as one of the cities. I wonder if you and your very worthy staff have found any problems with the way the guidelines are written in the act as to what you will have to provide to HUD to prove to them that you are qualified, and that you meet the criteria. I think this is a very, very important matter. And I think that you with your experience, Mr. Mayor, in the Congress, and with the very competent staff which you evidently have, could give us some good advice in this area.

Mr. ADDONIZIO. Mr. Giacchino will answer that.

Mr. GIACCHINO. I think that you have recognized——

Mr. BARRETT. May I interpose just for this one thing: I want to get the benefit of your knowledge and the knowledge of your staff, but I do have to indicate that the time has run.

Mr. ST GERMAIN. That is my last question, Mr. Chairman. I feel that this is important. I wonder if we could not ask the mayor and his staff, Mr. Giacchino and the rest of the staff, to be gracious enough to provide the members of this subcommittee with their answer to this particular question, so that in considering the legislation we can have the benefit of your voice and your experience.

Mr. ADDONIZIO. We would be happy to submit it in writing to the committee.

Mr. ST GERMAIN. And it will give you more time and be of more benefit to us.

Mr. ADDONIZIO. Yes, sir.

Mr. BARRETT. Do you now have your questions?

Mr. ST GERMAIN. I would submit that they can do a good job for us.

Mr. BARRETT. Mayor, I am sure your staff would be willing to answer any questions that any of the members submit to you in writing.

Mr. ST GERMAIN. I would like to make one observation to the mayor. He says he has got the support of both major political parties. I am wondering if you are in trouble with the constabulary, since you have been trying to take their job away from them chasing bandits?

Mr. ADDONIZIO. I assure you that I am not so brave, I just happened to be there, it was a natural inclination, and after the shots were fired I was trying to dig a deep hole.

Mr. ST GERMAIN. We were reading about you.

Mr. BARRETT. We certainly want to thank you for your splendid testimony, you and your staff. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:25 p.m., the subcommittee adjourned to reconvene at 10 a.m., Wednesday, March 2, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

WEDNESDAY, MARCH 2, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Ashley, Moorhead, St Germain, Gonzalez, Reuss, Widnall, Fino, and Mrs. Dwyer.

Also present: Representative Mize of the full committee.

Mr. BARRETT. The committee will come to order.

Our first witness this morning will be the Honorable Jerome P. Cavanagh, of Detroit, president, National League of Cities, and vice president, U.S. Conference of Mayors.

Mr. Mayor, we are certainly glad to have you here this morning. And if you desire to read your statement, you may do so, and we will ask you questions when you have done so.

STATEMENT OF HON. JEROME P. CAVANAGH, MAYOR OF DETROIT, MICH.; ACCOMPANIED BY ROBERT D. KNOX, DIRECTOR-SECRETARY, DETROIT HOUSING COMMISSION

Mr. CAVANAGH. Mr. Chairman, if it is the pleasure of the chairman and the members of the committee, I will proceed with my statement.

Mr. Chairman and members of the committee, my name is Jerome P. Cavanagh. I am mayor of the city of Detroit, and I am pleased to appear before you on behalf of our residents and as president of the National League of Cities, an organization of 13,500 member cities, large and small, and as vice president of the U.S. Conference of Mayors, which represents cities over 30,000 population. I am sure you have heard this before, but I would like to emphasize right at the outset that the cities of our country, the cities of America, are in need of great help.

This committee responded to past appeals by giving increasing recognition to the wide range of needs generated by the tremendous expansion of America's urbanized areas and the age and decay which is a fact of city life.

As a public official charged with the administration of the Nation's fifth largest city, I have come to know what some of those problems are and the limitations of local ability to grapple with them. If we are making headway, it is because the Congress of the United States has set as our national policy a series of direct grant-in-aid programs.

There is still much to done to overcome blight, eliminate congestion, help the poor escape from poverty, rid our environment of pollution as we clean up our air and water, wipe out decay and blighting influences and change the course of our cities. The goals are fairly well defined by the statements of national policy adopted by our national organizations; that is, the National League of Cities and the U.S. Conference of Mayors. But their implementation is dependent on the action of this committee and other committees of the Senate and the House.

In my appearances before the House Banking and Currency Committee I have always been impressed with the interest of the members, the sincerity of the questions, and the excellent legislative results of your deliberations.

Today I appear in support of H.R. 12341, the Demonstration Cities Act of 1966. This is a landmark legislative proposal and I think offers really for the first time a hope to America's cities that their physical and social landscape can be changed.

The vision of President Johnson's message to the Congress on the cities is found in abundance in this bill. A new coordination on the local level is required to rebuild the old with a concerted, sustained effort which will show dramatic results. A new cooperation and coordination is visualized for the Federal agencies now involved in the cities to make their efforts more effective. And I would say now we need not only your searching review of this important problem, but more important your approval.

The concept of the demonstration cities is one with which I am familiar. It came up during the discussions held by the President's Task Force on Urban and Metropolitan Problems on which I was pleased to serve back in 1964. We have used the demonstration technique to good advantage in this country. What we are seeking to demonstrate through this new program is that the cities of America have a future. They still have vitality. They still act as the port of entry for the new urban residents from the farm and from abroad. They still contain much that is good and in President Johnson's words "aggravate the worst."

We can prove that this country not only will be able to walk in outer space but that our cities can be places where we can walk in dignity and live in pride and in happiness.

The broad goals before us, however, must be measured against the vehicle at hand, the Demonstration Cities Act. In the spirit of cooperation, I would like to present to you our observations concerning the legislation and the objectives which we all share. Our comments are offered with a view to improve the legislation by increasing the effectiveness of the proposed programs.

First, I believe it is important not to try to set up a national competition which might only stimulate envy and unhappiness among those cities not designated as "demonstration cities." The allocation of grants should be on a first-come, first-served basis. The President's message spoke of a limited group of 60 to 70 cities who would participate in the program. There should be no fixed limit on how many cities may attempt to qualify, and the Department of Housing and Urban Development, administering this program, should only lay down general guidelines assuring that participating communities are representative as to geographical distribution and population sizes.