



Coordination

The Commission encourages and facilitates the exchange of information and ideas. This minimizes the necessity in many areas of activity for each local government unit to conduct research or to develop programs on a trial-and-error basis. This sharing affords economy of funds and effort. The new five-county inter-government council, which was established under the auspices of the Commission, is an example of regional coordination. All planners in the district are represented at regular coordination meetings held by the Commission. All planning programs are reviewed by the Commission staff in order to assure coordination.

Assistance and advice

Some areas of planning are essentially local. Among these are zoning, subdivision regulations, capital improvements, urban renewal, and general community development. The local government can best determine the proper locations for community and neighborhood shopping centers, small parks, churches, schools and other service facilities in relation to the homes they serve. The Commission gives guidance and advice, makes proposals and suggestions, establishes standards and disseminates data on a large number of projects that are relevant to local needs. The Commission provides continuing local planning services with certain of the municipalities. The services range from full-time employment of planners to planning for particular projects.



A. ATLANTA
City Hall

B. CLAYTON COUNTY
County Courthouse

C. COBB COUNTY
County Courthouse

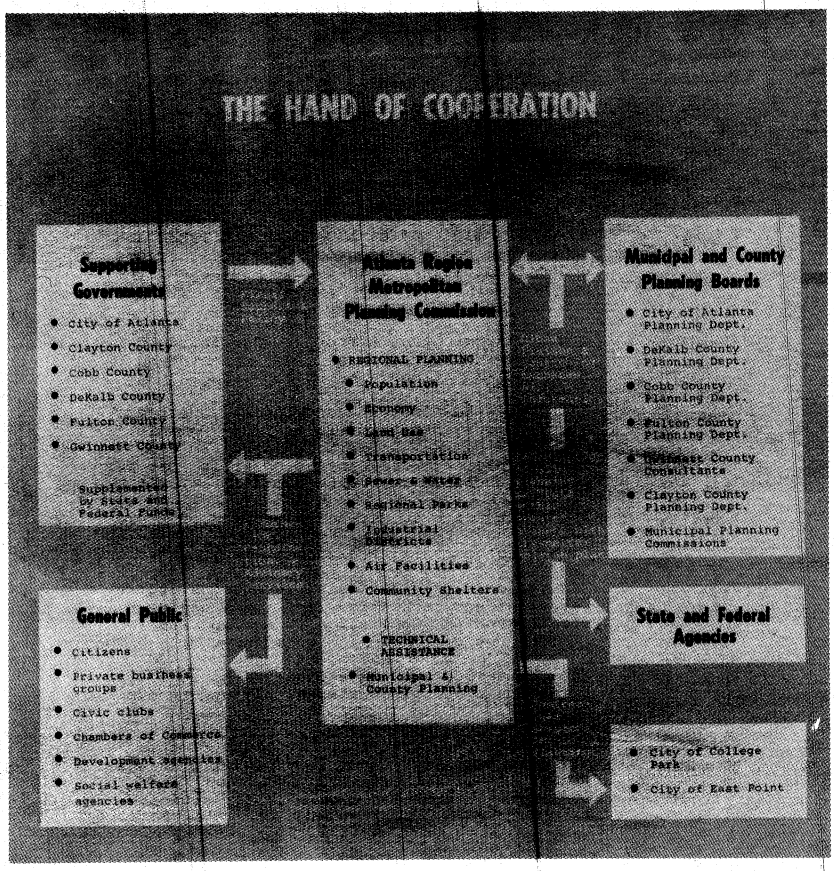
D. DEKALB COUNTY
County Administration Building

E. FULTON COUNTY
County Administration Building

F. GWINNETT COUNTY
County Courthouse

SOME HIGHLIGHTS OF PLANNING

Population	The Commission estimates the region's current population every year. It also issues reports on characteristics of the population.
Building	A two-year study of housing and building code adoption, administration and standardization is being conducted. Housing characteristics are reported annually.
Economy	Many economic studies have been published and others are being conducted. Subjects include economic profiles, land requirements, and the outlook for research and development, for example.
Airports	A two-year study of airports and related facilities in the region and long-range needs for civil aviation is being conducted.
Highways	The Commission is the agency chiefly responsible for coordination of local planning with the State Highway Department in regard to federal-aid highways, including staff work for the Technical Coordinating Committee.
Transit	A comprehensive survey and a program of rapid transit have been completed and the Commission is now concerned with aiding in implementation.
Parks	The region's need for nature preserves and related outdoor recreation facilities has been studied and the Commission is now working to implement the program it has suggested.
Water	The Commission acts as a clearing house for information concerning water supply and removal of waste.
Inter-government	A Metropolitan Council of Local Governments has been organized under the Commission's auspices. It will be of invaluable worth in dealing with problems common to the region.


THE HAND OF COOPERATION
Supporting Governments
City of Atlanta
Clayton County
Cobb County
DeKalb County
Fulton County
Gwinnett County
Supplemented by State and Federal Funds
Atlanta Region Metropolitan Planning Commission
REGIONAL PLANNING
Population
Economy
Land Use
Transportation
Sewer & Water
Regional Parks
Industrial Districts
Air Facilities
Community Shelters
TECHNICAL ASSISTANCE
Municipal & County Planning
Municipal and County Planning Boards
City of Atlanta Planning Dept.
DeKalb County Planning Dept.
Cobb County Planning Dept.
Fulton County Planning Dept.
Northeast County Consultants
Clayton County Planning Dept.
Municipal Planning Commissions
General Public
Citizens
Private business groups
Civic clubs
Chambers of Commerce
Development agencies
Social welfare agencies
State and Federal Agencies
City of College Park
City of East Point

HOW THE COMMISSION OPERATES

The Commission is composed of fifteen members representing the six participating governments. Three each are from the City of Atlanta, DeKalb County, and Fulton County; and two each from Clayton, Cobb, and Gwinnett Counties. Commissioners serve without pay and hold regular meetings. The Commission elects its own officers and adopts its own rules of procedure.

The Executive Director heads the staff and is responsible for over-all administration and community relations. The Planning Director is in direct charge of planning programs, the supervision of projects and the preparation of reports, studies, and surveys.

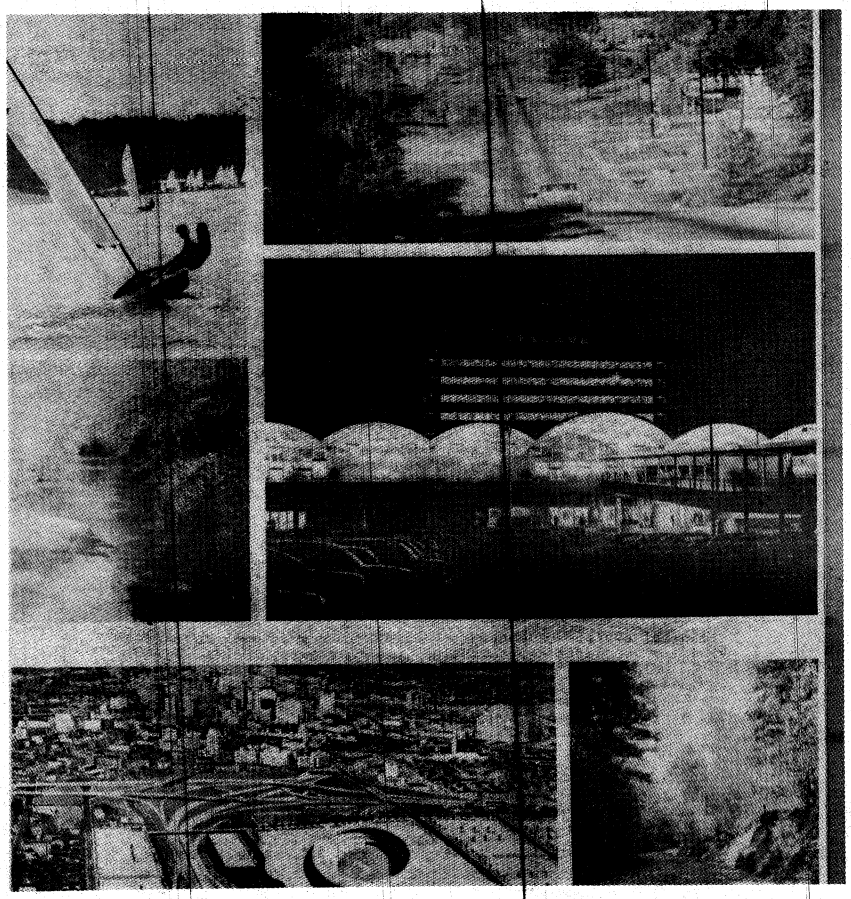
The Commission's work program is developed from a continuing review and analysis of the region's problems and potentials. Projects are approved by the Commission on an annual basis; amendments and adjustments to the adopted work schedules are possible from time to time. Programs and budget requests are submitted to supporting governments annually before September 1 for the ensuing calendar year.

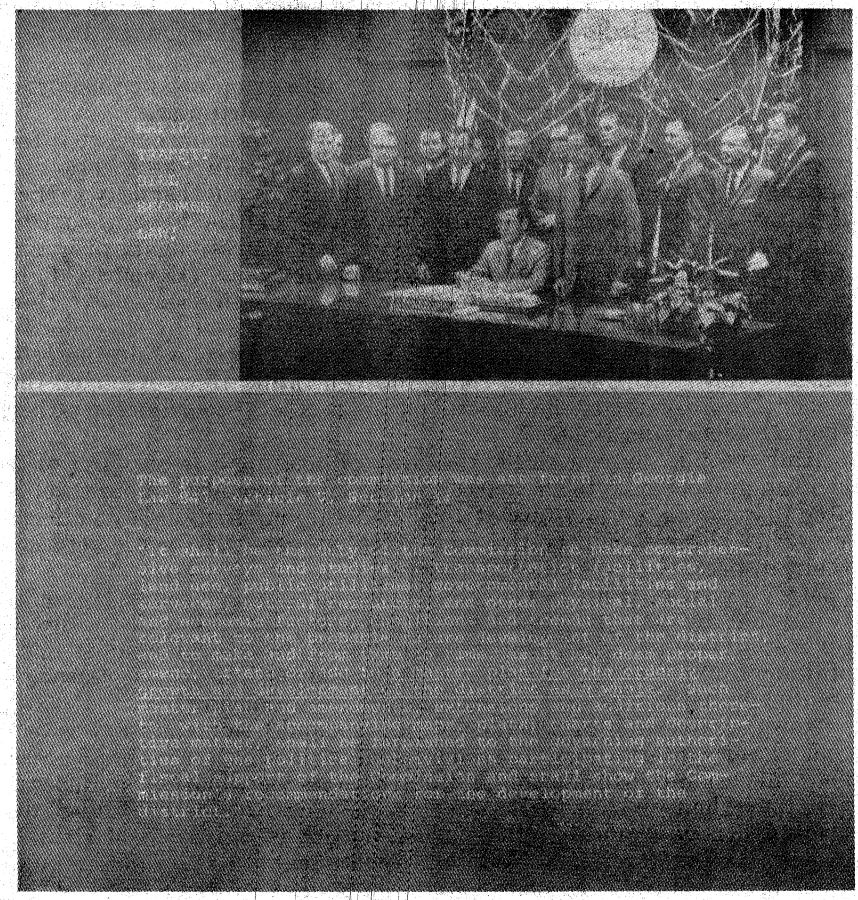
The Commission's financial support comes largely from the participating governments on a 12¢ per capita basis, plus $2,000 from each of the five counties and the City of Atlanta. Federal assistance is received for special projects through the Housing and Home Finance Agency's "701 program." The State of Georgia, through the Department of Industry and Trade, is expected to contribute to the Commission's program beginning in 1965.

Technical assistance contracts are at times made with individual governments and occasionally with other agencies.

In 1964 expenditures totaled about $240,000. In 1965 they are expected to be somewhat higher. About 80 per cent of the budget is spent on personnel costs and the remainder on printing, planning aids, and overhead.

Monthly financial statements are presented at each meeting of the Commission, and the accounts of the Commission are audited annually by an independent accounting firm. Copies of the annual audit are presented to the participating governments.





Mr. BARRETT. I have just one short question here that I would like to ask you.

I want to thank you for your very fine statemnt here this afternoon. Anyone coming from Atlanta is always welcome here. We do have some very fine members from your very great State. Charlie is one of our most knowledgeable members on the full Banking and Currency Committee.

He might want to ask you one or two questions on mass transportation, and when he desires we will give that opportunity.

First, I do want to thank you on behalf of the subcommittee for your excellent and informative statement. I would like to ask you the same question that I asked Mayors Cavanagh and Lindsay earlier this week. Some people seem to have the fear that the Federal coordinator which the bill would set up for each demonstration city program would be some sort of a Federal dictator or czar. Of course, I do not think this is so. And I do think the bill makes this very clear, that they should not have any fears of a dictatorial power by this coordinator. I would like to ask you two questions: First, would the people who have such fears feel better, do you think, if we renamed the Federal coordinator or the Federal official as a local coordinator rather than a Federal coordinator?

And second, do you think the idea of making the services of a coordinator optional to the participating cities would be more acceptable in Atlanta, or any city if they had the opportunity to indicate who they think would be the most effective person to work between their respective city and Washington?

Mr. BENNETT. With respect to the first question, of course, I would think that any fear of a coordinator becoming anything like a dictator would be ridiculous. But there are people who speak against Federal aid for fear of having some strings attached. For that reason, I would emphasize the word "local" in the title somehow.

Now, the question of whether or not it should be mandatory is one that is very interesting. It seems to me that all metropolitan areas need much more information and much more coordination in Federal programs than we have had up to now. We have at the city and State levels discussed seriously setting up such a job ourselves. But I think it would be better if the Federal Government did it, and I would assume for political reasons it might be more expedient to have the provisions of the bill provide for an optional local choice.

Mr. BARRETT. Thank you very much.

Mr. Weltner, would you like to ask any questions?

Mr. WELTNER. Mr. Chairman, if time permits, I have a few questions. But I would defer to the members of the subcommittee.

Mr. BARRETT. I am sure they will give you a chance to ask your questions.

Mr. WELTNER. I do have some questions I would like to ask the witness.

Mr. Bennett, thank you for your usual concise and clear statement. I was interested in two points. You have submitted to the Office of Transportation a $1.1 million request under section 702. And as you have stated, that request has not materialized because of lack of funds. I would like to know whether or not, consistent with sound procedures and with the conservation of money and resources, it would be possible

to proceed at this point on a substantially lesser amount? Is there one particular phase of the matter included in your total submission that might be funded and on which you might proceed at this time?

Mr. BENNETT. Yes, sir. It would be possible, and it would be beneficial to do certain of the jobs proposed in the bigger segment separately. So it would be possible for us to work effectively with a smaller sum. But it means that the preconstruction period would be lengthened and prolonged somewhat. We had envisioned spending something like $1.6 million or about 2½ or 3 years in this particular period when we are precising the costs, the alinements, and the characteristics in getting a segment ready to present to the people for final approval in case it costs additional local taxes. And in order to do this you have got to have a lot of engineering. Our last plan was made in 1962. A great deal of growth has taken place since then. And we believe the basic premises that existed then still exist, but we think that we have got to update our plans. We have got to investigate all kinds of alternatives that different people in the community may be interested in.

So this is a big job. We have got to take borings, we have got to make surveys, and we have got to get down to real engineering.

Mr. WELTNER. We also know, do we not, that somewhere along the line, before the cars start moving people swiftly and economically to and from work that $100 million of local money must be acquired and invested?

Mr. BENNETT. Some large sum. We are not certain what that is. And of course, the amount depends on what assistance we get from the Federal and State. And it now seems that we will get it from the State.

Mr. WELTNER. I think that is the Matterhorn of this entire matter that will have been glimpsed.

Mr. BENNETT. Certainly.

Could I elaborate a little on what I said earlier? We are going slow at this stage because of the fact that we do not see the big money, and we do not want to waste little money at this particular time, although we must be tooled up ready to go in spite of whatever happens eventually. And we do not want to waste anything. So far the authority which came into being in January of this year has not really spent much money, almost none. And I think this has been wise up to now. The overall picture, though, becomes more clear in favor of rapid transit eventually as we do more related planning work. Just recently our economists have told us for other planning purposes, in other planning projects, that between now and 1983 we are going to have about 15 million additional square feet of office building constructed in downtown Atlanta. This is in keeping with what has happened in the last 7 years. This is tremendous. Where are they going? So we need now to do a lot of additional planning that is closely related to the downtown rapid transit system. This is awfully important, and I have not been able to get this point over to some of my friends in Atlanta yet.

Mr. WELTNER. I hope your appearance might assist in that, Mr. Bennett.

I have the distinct impression that there are great unused resources, not only in our area, but throughout the country, simply because we in Congress passed these wonderful bills up here and nobody back home

knows what we have done. For instance, we passed a bill last year called the Solid Wastes Disposal Act. And I voted for that bill, and I am all for the disposal of solid wastes. But I doubt very seriously if many municipalities have the slightest idea that there is such a program, and whether or not it is being funded, they have no concept that they might receive some real help in some serious public problems. What is your opinion of the bill which provides grants for urban information centers?

Mr. BENNETT. Mr. Congressman, that is very interesting to me, and I meant to comment on it, although I did not.

This, to me, would provide what we have had to dig out for ourselves in a rather awkward way by two or three different agencies trying to keep up with the Congress and trying to get before the people the assistance which is available to them.

I think you will find that I have a letter in the coming Sunday paper in which I point out how little we have used the planning assistance, the 701, outside of the metropolitan planning assistance, which has done very well. Of the individual governments of the five counties around Atlanta only one has a 701 project, and yet they are all eligible. Of the cities outside of Atlanta, 43 municipalities, only 4 or 5 have used 701 assistance. This is in an area where we have been trying to improve planning and where people want to improve planning. And I cannot quite understand the reluctance to take advantage of the Federal programs, although as you point out, one reason is the lack of understanding. The establishment of an information center with 50 percent Federal assistance, as you indicate here, would be a project which my planning commission could very well undertake. And this could be tied in with something like a seminar in a large conference such as we had last year when you gave that magnificent speech at the Biltmore Hotel about what had been done. And this had a great attendance, as you know. And I think we could have a project of great value to the community which would include both the information center and the development of further meetings, informational meetings such as that.

Mr. WELTNER. Thank you, Mr. Chairman.

That is all, Mr. Chairman.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Bennett, I had occasion to visit your community just a year ago. And I certainly saw that it is an alive and growing community. And I think it is fortunate that you are doing some planning so that you do not have this unplanned growth that some of the older cities have.

I come from the city of Pittsburgh. And in our county we have 128 separate municipalities. And we have not yet found the key to getting them to work together.

I am interested, therefore, in your council of local governments. How is that established? Is it voluntary, on—or is it by statute? Or how does it operate?

Mr. BENNETT. Mr. Moorhead, this is a very loosely organized voluntary association of counties and municipalities which was done in 1964. The metropolitan planning commission called a meeting of all the governments asking if they would be interested in going further in forming such a council. And they expressed an interest. And then

we wrote bylaws, and we elected officers. And we have three or four standing committees. It does not have any power. It is purely voluntary. Its purposes are to bring about harmonious action among the governments, to provide a place for exchange of information and to provide opportunity and mechanism for the governments to coordinate their activities and work together on common problems.

Now, it has not gone very far very fast. But the idea is sound. And I believe it has projects for the future which will be extremely effective.

As a result of this, the best thing we have done up to now has been the establishment of what I mentioned in my prepared statement, Metropol, which is an organization of law enforcement officials throughout the six-county area. This did three things immediately. It increased the efficiency of communication among police forces and sheriffs where communications had been bad. We put in a teletype system which paid for itself the first month by getting information on stolen cars and catching criminals across county lines and among cities.

The second thing, we established a fugitive squad, which is a metropolitan squad of officers contributed to by several governments, providing a chance to use teamwork in the capture of criminals and searching for those that are known to have come into the area, and so on.

The third thing we did was to develop a good training program. Within a few months we gave a hundred hours of training to each of over 300 police officers who would not have had that training had it not ben for Metropol. This was tremendous. And the FBI agents in the area cooperated and confirmed the value of this, and have urged us to continue with it.

At the same time we have had Metropol going, only since last June, the crime rate in Atlanta has gone down. We cannot take all the credit, but I think that some of it goes to Metropol and to metropolitan coordination and cooperation in this business of fighting crime which goes across jurisdictional boundaries.

Mr. MOORHEAD. Mr. Bennett, are you in a position to comment on title II of this act which deals with new communities? Do you want to state whether you favor or oppose the enactment of title II?

Mr. BENNETT. I am no authority on that subject. I generally personally favor it, but I would prefer not to go into much detail, because it would be purely a personal opinion. I am not working in that field myself.

Mr. MOORHEAD. Have you studied and do you care to comment on the demonstration cities bill?

Mr. BENNETT. It seems to me that—I have not studied the bill carefully, but it seems to me that there is a parallel between this bill and the demonstration cities bill. And I notice that there is no likelihood of any conflict or overlap. To me this is an exciting possibility, and I think it is something that we are coming to in this very fast changing urbanization period.

Mr. MOORHEAD. Thank you, Mr. Bennett.

Thank you, Mr. Chairman.

Mr. BENNETT. Mr. Stephens?

Mr. STEPHENS. Thank you, Mr. Chairman.

I want to apologize for being late. We stayed here until 1 o'clock listening to another fellow Georgian and I could not get back quite

as soon as I expected. But I certainly appreciate you coming and being before the committee and explaining the great work being done in Georgia and in the metropolitan area in and around Atlanta.

Mr. Chairman, we had a very fine program sponsored last year by the metropolitan group in Atlanta asking that the members of the Georgia delegation who had districts that bordered on the metropolitan area get together to discuss their mutual problems. Congressman Weltner and Congressman Mackay took the lead in that because they represent the core of the metropolitan area. My district comes within 25 miles of the city limits of Atlanta. And I am very much interested in municipal things. As I said, on the rapid transit bill, it does not directly affect Athens, Ga., but I want to have my constituents get in and out of town when they come to Atlanta.

I appreciate your coming and giving us the benefit of your experience to the committee.

Mr. BENNETT. Thank you, Mr. Stephens.

I want to say that we appreciate your coming to our metropolitan conference last year and giving such a fine speech.

Mr. BARRETT. Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

That was a first-rate statement, Mr. Bennett. And we appreciate it.

I noted particularly what you had to say about the dynamic things Atlanta and the Atlanta region are doing about rapid transit. And I want you to know that this committee is keenly conscious of the need for some breakthroughs in rapid transit. And I would like to get your opinion on a bill that was cosponsored by some 25 Members of the House as well as some 15 Members of the Senate. Your distinguished Atlanta Congressman, Mr. Weltner, is one of the cosponsors. It is now being offered as an amendment to this housing bill. And I will just read it, because it is very short.

This amendment would direct the Secretary of Housing and Urban Development by next year to come back to the Congress with—

> a draft program for research, development, and demonstration of new systems of coordinated urban transportation that will carry people and goods within metropolitan areas speedily, safely, without polluting the air, and in a manner that will contribute to sound city planning.

The amendment goes on to say that:

> The program shall aim at breakthrough results within 5 years of its approval by the Congress; it shall concern itself with all aspects of new systems of urban transport, for metropolitan areas of various sizes, including technological, financial, economic, governmental, and social aspects; it shall provide national leadership to efforts of States, localities, private industry, universities, and foundations.

I am wondering if you have an opinion as to the desirability of such an amendment.

Mr. BENNETT. I believe it would be very desirable generally. I believe there has been a great lag in research in the field of transportation, particularly urban transportation. I think this is one of the biggest problems the country faces right now, because of the speed with which we are urbanizing, and the way in which population is growing and producing traffic in metropolitan areas.

The way in which the family income throughout the country is going up leads me to believe that there will be more automobiles, more pres-

sure for new houses out in the suburbs, and that we are coming to the point where nobody but the Federal Government can cope with the problem. That is the subject of a whole speech in itself, sir.

Mr. REUSS. You have done very well.

I want to commend you, too, on the very handsome brochure that you have given us on the work of the Atlanta Regional Metropolitan Commission. I am a little saddened to see on the last page a beautiful new baseball stadium, but I understand that your work is concerned with the planning of the stadium rather than with what team plays in it.

Mr. BENNETT. This is a rather thrilling subject in Atlanta, now that it has almost been settled.

Mr. REUSS. Thank you, Mr. Chairman.

Mr. STEPHENS. Does your amendment that you proposed on rapid transit include transportation to and from the baseball stadium?

Mr. REUSS. I am afraid I would have to pass that up.

Mr. WELTNER. Would it include the rapid transit of a baseball team from one city to another?

Mr. REUSS. Two-way rapid transit.

Mr. BARRETT. Thank you, Mr. Bennett. And thank you for coming here this afternoon. All time has expired.

The next witness we will have is Harold F. Wise, chairman, National Legislative Committee, American Institute of Planners.

Mr. Wise, will you come up and make yourself feel at home. We are glad to see you here.

STATEMENT OF HAROLD F. WISE, CHAIRMAN, NATIONAL LEGISLATIVE COMMITTEE, AMERICAN INSTITUTE OF PLANNERS; ACCOMPANIED BY DAVID HARTLEY, DIRECTOR OF INSTITUTE DEVELOPMENT

Mr. WISE. Mr. Chairman, I have with me David Hartley, the director of institute development, the American Institute of Planners.

Mr. BARRETT. We are glad to have you and we are glad to have your associate. Of course, we do desire to make you feel at home here this afternoon, as we try to make all of our witnesses. We want to give you the same courtesy that we have extended to all of them by permitting you to read your statement completely, and then if we have any questions we will ask those questions after your statement is completed.

Mr. WISE. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the subcommittee, I am here representing the American Institute of Planners, which is the professional society of city and regional planners in the United States. Its 4,200 members account for the professional planning staffs in city, metropolitan, and State planning agencies, and in many housing and urban renewal agencies. Other members of the institute, in private practice, serve as consultants to local, State, and Federal agencies on problems of urban growth. Thus the profession is well qualified by experience and interest to testify on matters concerning urban development and the Federal responsibility.

Mr. Chairman, we endorse the administration's concept of a locally prepared and scheduled program for rebuilding or restoring entire sections and neighborhoods of slum and blighted areas. The magnitude of poverty, crime, unemployment, and deterioration in parts of our great central cities requires a major commitment from the American people and from the Federal Government.

It is also undeniable that Federal programs have not heretofore been sufficiently coordinated for maximum impact on the urban problems we face, nor has local leadership and private initiative, as the President's message of January 26 so well states, been sufficiently mobilized. We look for new ideas from the proposed demonstration cities program.

Our primary concern is the dichotomy between parts of this legislation—and this is symbolized by their titles—Demonstration Cities and Urban Development Acts. It is as if the administration were proposing two separate types of programs for two different constituencies, the older central cities and the growing suburbs.

We object to this false demarcation, and the President's message put the real situation quite succinctly:

> **The goals of major Federal programs have often lacked cohesiveness. Some work for the revitalization of the central city. Some accelerate suburban growth. Some unite urban communities. Some disrupt them.**

In other words, the metropolitan region is a single economic entity and the boundaries between city, county, and suburb are becoming less real and less important.

We are suggesting that a "demonstration cities program" for the central city alone will be inadequate. A metropolitan area must be viewed as a whole—central city and suburb. These are interdependent parts.

When your distinguished subcommittee, and that of the Senate, develop a coordinated omnibus bill, we hope the artificial distinction will be removed.

We do have several specific comments to make on the legislation before us. One of the requirements provides that eligible city demonstration programs be "consistent with comprehensive planning for the entire urban or metropolitan area" (sec. 4(c)(5)). We think this is a weak statement. Certainly it is important that projects must not only be consistent with the plan, but also and even more importantly, the program must be developed as part of the comprehensive planning process for the entire metropolitan area. There is a difference. As a concrete example, city officials who must deal with the State highway department on location of highways realize that it is not sufficient to have the State highways consistent with the city plan. This is because highways are such an important determinant of urban form and of the future of our city that the highway must be taken into consideration from the very beginning in developing the plan. This is certainly true equally for urban renewal and antipoverty programs. The comprehensive metropolitan plan itself would be a hollow shell without the contribution of these major determinants of the future urban environment.

Section 4(c)(5) would, in our opinion, better be phrased, "the program is consistent with, and developed as part of, the compre-

With this bridge from philosophy to action ready for use, we look forward to the disappearance of the crippling inconsistency within a Congress that, on the one hand, authorizes Great Society programs and, on the other hand, withholds the funds to make them work.

Acion area B

We must help to evolve new organizational structures and interrelationships for all of the governmental agencies, industries, institutions, and citizen organizations that function to reach urban development goals.

Federal Government structure.—The new Department of Housing and Urban Development is essentially an elevation of the Housing and Home Finance Agency. It inherits national housing and urban development programs contained in a myraid of separate pieces of legislation accumulated over 30 years. To mold the many separate parts of the many separate agencies, laws, and regulations into a cohesive whole is going to take time, serious study, and ingenuity. Therefore, the association believes that the structure of the Department must be kept fluid and flexible to accommodate the shifts and changes that must come over a protracted period of time. As a basis for the decisions as to which separate parts to combine and which to divide or eliminate, NAHRO urges the codification of all housing and urban development statutes and the assembly and analysis of their legislative history and of the administrative regulations developed to put them into effect.

The association also believes that the structure of the Department must be geared to the machinery of local government and local operating agencies, themselves coping with the need for changed structure. NAHRO urges, therefore, that Secretary of the Department set up a permanent advisory council representative of national groups directly concerned with the operation of housing and urban development programs and confer regularly with this council in the structuring of the Department and in the formulation of regulations and new legislative proposals.

Further, once the functions of HHFA have been reassigned in the new Department, NAHRO urges that the assistant secretaries concerned with specific programs set up procedures for continuing the present practice of the HHFA constituent agencies of meeting regularly with, and consulting with, local operating officials on the formulation of new Federal policy and procedure.

We recommend further that the new Department recognize the administrative principle that the degree of Federal supervision and control should be scaled to the experience communities have had in the execution of federally aided programs: it should be proportionately less for those with long and responsible experience. Such communities should be encouraged through various incentives, to exercise maximum inventiveness and economy, rather than be directed to HEW to lines of federally imposed uniform procedures.

Metropolitan area structure.—The rapid expansion of housing and urban development programs over the past decade has produced a diverse, uneven growth pattern both in geographic areas of operation and in functional organization. In the last few years, emerging concern with the problems of urbanization that overlap the bounds of various political jurisdictions has created a new functional unit—the urbanized region—which in many cases crosses State boundaries and encroaches on the existing framework of local government units.

NAHRO recommends that the Advisory Commission on Intergovernmental Relations be asked to take on special assignments in the field of the administration of housing and urban development programs, calling on NAHRO, the U.S. Conference of Mayors, the American Institute of Planners, the National League of Cities, the National Association of Counties, the Council of State Governments, among others, to help identify the present pattern of functional relationships among the governmental units represented by these associations in the area of housing and urban development, with the goal of proposing a system for coordinating the functional interests involved.

NAHRO further recommends that the Commission analyze local, State, and Federal laws, which, in many instances, place inhibitions on carrying through urban development programs on any scale broader than a single community, and make recommendations for changes that would facilitate metropolitan area or regional area operation, whenever circumstances dictate the need.

State structure.—Since very few States have official bodies concerned with housing and urban development, it is NAHRO's recommendation that such bodies be created at the State level over the next biennium, with responsibility (*a*) for encouraging metropolitan, regional, countywide, or similar areawide operations

where appropriate; (*b*) for exploring the need for statewide minimum housing standards, with concomitant authority to insure their enforcement: (*c*) for exploring other areas of need for statewide standards; (*d*) for undertaking, where feasible, direct financial aid to localities as supplements to Federal housing and urban development programs; (*e*) for encouraging State educational institutions to become aggressive partners in urban development through teaching, research, and leadership.

Local structure.—Local governmental agencies: It is the NAHRO view that there has never been a time of greater opportunity—or greater need—for pulling together the related interests of local agencies that work on various aspects of urban development. The technique, however, is still to be found. It will be NAHRO's objective in the coming biennium to follow all of the patterns being used, in the expectation that a recommended structure will emerge. Devices currently in use involve both the coordination of several functions and various types of areawide groupings of single functions, both of which will be put under study by the association.

Public-private agencies: In the area of restructuring of public-private relationships, the association notes that the Housing and Urban Development Act of 1965 opened up many new opportunities for public-private operation and expanded existing opportunities.

In the field of housing, there are new opportunities for the participation of real estate, building, and financing interests—directly, as housing sponsors and management agents and, indirectly, through cooperative efforts with local housing authorities in leasing, development, and rehabilitation programs. The nonprofit housing sponsor has an expanded role and responsibility, both independently and in coordination with the local housing authority. NAHRO urges local housing authorities to take the initiative in developing programs with builders, realtors, financing institutions, nonprofit housing sponsors.

In urban renewal, the private developer has already taken an important role in the planning and land disposition phases of operation. The real estate broker also has played a specialized role in the selling of urban renewal land. In central business district redevelopment and in areas renewed as industrial parks, chambers of commerce, businessmen's committees, and private development groups have been effective partners of local public agencies. These same relationships should be applied just as extensively in neighborhood conservation and rehabilitation areas.

In the area of rehabilitation, applying both to urban renewal and codes enforcement activity, NAHRO emphasizes the need for close public and private cooperation to refine the reshabilitation process, to devise a "package" approach that will bring economies of scale to the rehabilitation effort, and to move toward the establishment of a private rehabilitation industry.

Citizen organization structure.—NAHRO anticipates that, in the coming 2 years, public programs directed toward the alleviation of such social problems as poverty, unemployment, racial segregation, substandard housing, will increasingly reflect planning and policy decisions reached by the people to whom the programs are directed. Already there are organizational structures of various kinds through which citizens are channeling their ideas on the public issues that these programs involve. Some of these structures have been framed to encourage aggressive, even militant, expression; others are directed toward the process of education and discussion; others, toward direct self-help action. NAHRO recognizes that planning with, rather than planning for local citizens must become the guiding principle of community action programs on the local level and NAHRO sees as an important task of the biennium ahead an evaluation of these varied methods of bringing the citizen into active participation in the urban development process. What should be sought is a method that will respect the factual and technical recommendations of the operating official, while, at the same time, accommodating the aspirations and special needs of the affected citizen. If we succeed in finding a technique that actually brings these citizens into the policymaking process, without precipitating clashes and power struggles, the United States will have again demonstrated the strength of its democratic institutions.

Action area C

We must reshape the specific programs with which NAHRO members are concerned (housing, renewal, and codes administration) to fit both the purposes and the structures that come out of action areas A and B.

Urban renewal.—During the past biennium, NAHRO has worked hard to clarify the urban renewal process. Out of this experience has come the conviction that "urban renewal" must be redefined to include all community improvement activities. NAHRO foresees that what is now labeled "renewal" will eventually become the overall urban development process.

The problems of the past must be understood in order to reach a new program definition. NAHRO sees these major problems:

The fact that the program has been too narrowly defined in the minds of many key agencies and leaders and in the minds of the general public. It has been seen largely as a housing operation, whereas the intent of the program is the clearance or rehabilitation of urban slums and blight and the use of land to its best advantage under a general plan for the city. NAHRO supports a balanced program that recognizes the importance of aids for central business district renewal, industrial area development, and institutional expansion.

The fact that renewal accomplishments have been too narrowly measured. The test of success has too often been the extent to which the local tax base has been increased as a result of individual renewal projects. NAHRO contends that, while increasing a locality's tax revenue can be counted as a major advantage of renewal, it should not be the sole measure of success. The elimination of overcrowding, the changing of incompatible land uses, the provision of public works—they all bring improved city living and should also be used to measure success. Furthermore, in instances where projects do return added revenues, NAHRO opposes any attempts to recapture Federal grants from such tax increments, in view of the limited financial resources of cities.

The fact that renewal has been unfairly labeled as a disruptive force through displacement of families and small businesses. NAHRO points out that urban renewal is the first federally aided program in the history of the Nation to carry a requirement for assisting all those residents and businesses displaced by public action. While urban renewal has been assisting its displacees, other federally supported programs (highways, public housing, public works) have been free to let their displacees fend for themselves. Although urban renewal continues to develop effective techniques for assisting in relocation, it must be recognized that the success of any one effort may not be recognizable if other public and private displacements do not achieve comparable results. NAHRO has long supported (and, in large measure has seen achieved) a broadening of relocation aids under other public programs. It supports uniform relocation aids for all public displacement and also supports improved programing of relocation housing and a strengthening of relocation assistance to families with severe social and economic problems.

The fact that some renewal critics charge that rehabilitation can substitute for clearance. NAHRO considers conservation of neighborhoods a basic goal of urban renewal and urges cities to devote greater attenion to this aspect of their programs. Nevertheless, it is self evident that structures beyond repair or in poor locations demand clearance—often on an area basis—to restore land to its proper use within the community. Clearance and rehabilitation work together to correct neighborhood defects and restore structures to sound condition.

The fact that urban renewal is often too narrowly administered on the local level. NAHRO urges local administrators to make use of all the techniques at their disposal, including the full range of aids offered in the Housing and Urban Development Act of 1965.

The fact that urban renewal—with its concern for citizen participation and relocation—takes time to achieve its goals requires that localities (*a*) devise "first aid" treatment for deteriorating or deteriorated areas, (*b*) make ingenious uses of land acquired early in the renewal process, (*c*) develop new methods of land use control, and (*d*) find a way to protect the interests of property owners before public action commences.

In the biennium ahead, NAHRO recommends a bold new approach to urban renewal. In formulating this new approach, NAHRO will recognize that (*a*) cities must be given an option to work in "total improvement areas" that include all portions of the city in which community improvement activities are contemplated; (*b*) Federal planning funds must be provided to keep program objectives up to date and to support local administration on a continuing annual budget; (*c*) Federal reservations of capital grants must be provided on a budget

cycle similar to a local capital improvements program, timed over a period that coincides with a long-term Federal funding authorization period (4 years under the 1965 act); (*d*) execution of specific programs must be based on a local action schedule; and (*e*) the criterion for eligibility for a specific program must be simply that it will have on impact on the cycle of deterioration or provide a basic improvement to the area.

Further, NAHRO continues to support the enactment of legislation similar to H.R. 6431, introduced in the 80th Congress by Congressman Rains to facilitate renewal of central business districts.

Code enforcement.—NAHRO sees the biennium ahead as a crucial testing period of whether or not the Nation's communities are ready to initiate planned systematic approaches to conserving neighborhoods by applying effective minimum standards below which they will not permit their housing supply to fall.

The Housing and Urban Development Act of 1965 gave recognition to the national importance of code enforcement in community development programs and authorized direct grants to communities for programs of concentrated code enforcement to assist them to expand and strengthen local codes administration.

NAHRO makes an urgent plea to every community to immediately plan and implement concentrated code enforcement programs, utilizing section 117 as well as the supplement aids provided in the 1965 act, including grants for planned programs of demolition of unsound structures.

NAHRO calls the attention of all local government officials to the obligation imposed in the Housing Act of 1964, requiring that communities have an effective housing code program beginning March 1967 for certification or recertification of their "workable programs." This requirement ties the future of all local federally aided housing and community development programs to the adequacy of codes programs. Therefore, it is imperative that all local government officials begin now to give full support to local codes officials and assist them in planning and implementing effective codes programs.

With respect to the newly enacted section 117, NAHRO, calls attention to the fact that this amendment does not authorize concentrated code enforcement programs in our truly depressed slum areas. NAHRO urges Congress, at its next session, to amend or clarify this section so that depressed slum areas qualify for section 117 aid, for the following reasons: many such areas lack ongoing federally assisted programs; the responsibility for maintaining decent housing standards in these areas devolves upon code enforcement officials; and individuals and families inhabiting such depressed areas, at the least, are entitled to housing that meets minimum standards of habitation, pending the renewal or redevelopment of the area.

Housing.—The new Department has four major housing programs aimed at providing assistance to those families and individuals not able to afford private housing: the public housing program; the two below-market interest rate programs (the Federal Housing Administration's section 221(d)(3) moderate-income program, and the Community Facilities Administration's direct loan program for the elderly); and the rent supplement program authorized by the Housing and Urban Development Act of 1965.

The public housing program is at a new stage in its process of evolution. Integration into the new Department may provide a valuable opportunity to reframe concepts and procedures developed in response to the economic and social conditions of the 1930's. It may also provide a framework to utilize new public housing assistance tools in a productive relationship with other urban development programs. The other programs of housing assistance are too new to require adaptation in the same sense as the public housing program. However, there is a special need to consider the tested experience of the past—especially the experience of the public housing program—in developing the concepts and practices of these newer programs.

Perhaps the most important consideration in adjusting housing assistance to the needs of the 1960's relates to the position of the low-income family in the United States. Low-income families are deeply involved as the focal point of an effort to eliminate poverty from the national scene and they have a new, forceful voice in their own destiny. NAHRO calls attention to a number of important concerns that should be made a part of the process of planning housing for low-income families:

> Complete concentration of low-income families in center city areas or in separate housing developments is under serious question. While there will be a continuing need to utilize housing developments for low-income

families only, as one strong tool to meet housing needs, there will be increasing emphasis on ways to provide diversified housing, involving more than the low-income group.

Providing incentives for low-income families to move toward eventual independence is recognized as essential in all assistance efforts.

Providing opportunities for low-income families to participate in decision-making affecting their own welfare is now recognized as a realistic goal.

Coordination of all types of low-income assistance in a comprehensive attack on the total cycle of deprivation is viewed as the only possibility for long-term success in lifting a family from deep poverty.

All housing programs must frankly acknowledge the current gaps in coverage in reaching low-income families.

Two of the most evident gaps are in meeting the housing needs of the large family and the very low income family. More aggressive solutions should be sought to reach these two groups in particular.

As the public housing program becomes a part of the new Department, it bring a long, tested experience in housing construction and management. New forms of assistance authorized in recent housing legislation—such as the "flexible financial formula" and the leasing of private housing—will make it increasingly possible for public housing to move beyond a project concept and become an effective partner in neighborhood and total community planning. Recent progress in seeking to achieve (a) excellence in housing design, (b) increased access to social services, and (c) a resurgence of tenant organizations, is promising. However, to press forward with these gains requires either reemphasis or implementation with respect to—

Development costs: Achieving imaginative, yet economical architecture in low-income housing requires the full availability of the development cost ceilings authorized by the Congress in the 1965 act. No arbitrary administrative ceilings should be substituted for those set in the Housing Act.

Modernization funding: Providing an adequate financing mechanism for modernization of older housing developments, particularly those 20 years of age or more, is an urgent necessity.

Land write-down: Access to a write-down of land for public housing development outside urban renewal areas can greatly accelerate site availability.

The below-market interest rate programs and the rent supplement program must respond sensitively to the needs of the 1960's. This means a firm commitment to serve families most in need of housing and to recognize their special needs, particularly in the area of social services. The importance of good housing design at a reasonable density should be a prime area for concern. These programs place great emphasis on the capacity of nonprofit groups as housing sponsors. NAHRO strongly supports this increased role and pledges its resources to assist nonprofit sponsors in achieving skills in development and management of housing, particularly through its training institutes and seminars. NAHRO also pledges its help in developing strong relationships between the nonprofit housing sponsor and local housing, renewal and codes agencies, so that they can pursue mutual interests in assisting low- and moderate-income families.

NAHRO sees the next 2 years as strategic in the exploration and testing of new ideas in housing assistance and ways for public and private agencies to work together.

Action area D

We must take the initiative for an immediate, large-scale training and manpower development program for the urban development professions, encouraging teaching institutions at all levels to educate young people in the philosophy and the technique of urban development and then recruiting them as workers in the field.

Despite increasing professionalism in the housing, renewal, and codes enforcement fields, little has been done to create solid educational support for these emerging professions. If urban progress is to continue, the training resources of every public and private body interested in manpower development for the urban professions must be mobilized to provide a broad range of educational programs, especially in-service training.

NAHRO sees the following action goals for the next 2 years:

1. Immediate creation of the Institute of Urban Development called for by the President in his "Message on the Cities," giving special priority for the training of local officials.

2. Immediate attention to providing short-course training for code enforcement officials to assist them in initiating the codes assistance provisions recently made available in national housing legislation.

3. Examination and adjustment of personnel policies and recruitment practices for housing and urban development agencies—Federal, State, and local—to assure that they are conducive to attracting and keeping the best new talent available, including:

Extension of the local public agency training effort supported by the Urban Renewal Administration to all local agencies operating programs under the new Department of Housing and Urban Development;

Acceleration of the Housing and Home Finance Agency's intern program under the new Department;

Increase in the summer and part-time job and internship opportunities for students in agencies at all levels;

Improvement in opportunities for professional advancement, accelerated training, and meaningful salary and benefit increments for midcareer agency personnel.

4. Acceleration of present in-service training activities by all sponsors and expansion of specialized programs into new areas, including:

Review of the mechanism for implementing title VIII of the 1964 Housing Act in an effort to facilitate State-local coordination of in-service training for future use in this and other Federal legislation;

Increased use of all presently available Federal in-service training assistance programs in such areas as aging, poverty, and public welfare;

Initiation of the new opportunities for local agency-university partnerships under the Higher Education Act of 1965;

Expansion of NAHRO's program of short-term, in-service training through sponsorship of training institutes, publications, and program development. In addition to capitalizing upon its present resources, NAHRO should seek foundation support for establishing, as a continuing, independent section of the association, a national in-service training center for administrators and specialists in the housing and urban development professions.

[From the Journal of Housing, No. 1, 1966]

"New Towns" Role in Urban Growth Explored, Public Policy Issues Examined—(1) Form of Local Government, (2) Land Use Controls, (3) Relationship to Central Cities

(By Robert Gladstone, of Robert Gladstone & Associates, economic consultants, Washington, D.C. The following statement was presented to a general session of NAHRO's National Conference on Oct. 26, 1965. Mr. Gladstone's firm is responsible for a long list of economic studies for downtown, residential, commercial, and industrial development projects)

New communities program proposals have been controversial for a number of years, failing twice to gain congressional acceptance, although changed in substance—and even in name—from "new towns" initially to "extensive development" in the 1965 attempt.

Evaluation of new communities as a policy of urban development—apart for the moment from specific program proposals—can clarify the debate on program. Accordingly, it is our task here to identify and analyze major public policy issues in the light of national and local trends and interests—especially the interests represented in NAHRO's membership.

Four major items are of particular interest to us. In summary, these are:

1. Center city redevelopment and new community development—are these conflicting objectives?

2. New communities, metropolitan development policies, and the role of Federal Government.

3. Social patterns and segregation—the contrast between new communities and suburban development.

4. Local government issues and new community development—problems of urban services, self-determination, and fiscal factors.

CENTRAL CITY, NEW COMMUNITIES

Perhaps the single most critical issue is the relationship between central city development and redevelopment and the creation of new communities in the metropolitan orbit. Key questions are: Do new communities compete with central cities for development, sapping the vitality of the central city? Is suburban "sprawl" actually an advantage to central cities? Would new communities compete for Federal urban development funds, drawing them away from central cities?

Fundamental to resolution of these questions are the trends, scale, and location of urban gains in U.S. metropolitan areas. Analysis of these trends and patterns—to be discussed in further detail below—points up a number of important factors that would hold whether or not a new communities policy were to operate for the Nation. These factors include the following:

The fact of urban growth is not arguable in terms of the past record, as well as the indicated future pattern.

The location of new growth within metropolitan areas has been and must continue to be dominantly peripheral, even though redevelopment and intensification in central city locations may occur. We are familiar with the pace of urbanization dramatically expressed by the reminder that 1 million acres of new land moves into urban development each year. And indeed, the function of the metropolitan periphery—where open land is available—is to absorb much of the new growth occurring in urban locations.

The largest share of urban gains is focused to a remarkably high degree on a selected group of U.S. metropolitan areas. These limited, maximum impact areas are the most seriously affected by growth and extension problems and, of course, would potentially be the most directly affected by new communities policies. I would estimate that only one-third of our 200-plus metropolitan areas would be substantially affected, based on present pace and scale factors in the marketplace.

Given the pattern of continuing, substantial, fast-paced urban gains, the key issues as they relate to city development patterns then become:

First, not whether metropolitan growth and extension will occur, but, rather, how, where, and when it will occur; and

Second, whether suburban development patterns typical of postwar United States are to continue—and make no mistake here, because the outlook is for a continuation into the future—or whether improved patterns based on specific program and policy intervention can be introduced to better this pattern.

In this context, the role of the central city would remain strong, although dynamically changing. The task of central city development is to identify existing as well as new strengths and support them fully and creatively by appropriate action. Rather than competing with central cities, in a rational distribution of the region's activities, new communities would complement them.

NEW COMMUNITY CONCEPTS

A new communities policy and effective programs for their development are potential basic ingredients in a new pattern of urban growth for the Nation. The prime objective in a new communities program would be to accommodate the Nation's urban gains on an improved basis. Critical to this concept would be a full response in the new communities to urban growth needs. To do this, they would need to be an integral part of the metropolitan regional system, directly relating to the metropolitan social and cultural structure: its economy, its transportation system, its open space and land development patterns, and the full range of its market systems.

Although some relatively isolated, semiautonomous, or economically specialized new communities might continue to be built, as in the past, the overwhelming orientation of new communities would be toward metropolitan locations, where the major population gains of the Nation and its primary economic growth are taking place. Los Alamos, Kitamat, and other "Shangri-La" communities are not relevant to the mainstream issues of urban and metropolitan problems in the Nation today.

No hard-and-fast definition of new towns is applicable to all situations in various parts of the country. This is especially true at the present time, even though a more sophisticated definition might evolve with further new community building in the years ahead. However, criteria relating both to scale and fea-

tures of such development can be established now. Specifically, the following items are of key importance:

(1) *Features.*—A planned new community should program for multipurpose development, providing living choices in a full variety of housing types for a range of socioeconomic levels within the limits of available demand and available housing programs. In addition, as broad a complex of job types, economic activities, and ancillary functions as can be appropriately accommodated and attracted to the community should be included. Jobs, based on population serving activities could, of course, be a major source of community employment. In addition, other job types—"basic" to the new community as well as to the surrounding region—might also be provided, insofar as they relate to a functional pattern of job distribution in the region.

The new community should be reasonably autonomous in terms of the facilities it provides, yet physically and functionally related to the surrounding region and central city. Although providing selected economic and cultural activities, the new community should also rely on facilities and institutions that serve the entire region from a central city location.

(2) *Scale factors.*—Community scale would be varied in terms of both area and population. If the concept of new community development is to successfully apply to various locations, market, and development situations in the United States, appropriate scale must be established with direct reference to local areas. Perhaps the most useful scale index applicable to multiple locations would be time span of development. A new community should be sufficiently large in area, population, and employment targets that the projected development span would require on the order of 10 or more years.

In some locations, this standard would suggest a total new community area of 500 acres and, in other areas, a 10,000-plus acre reservation might be required. Projected population levels would vary not only with the total area involved but also with the mix of dwelling types, density, and commuting patterns of workers—all influenced by local conditions.

PRESENT CHALLENGE

It is impossible to realize the urgent need to improve urban development patterns without looking at the present scale of our urban expansion. Not only does our urban growth pace set the challenge for new community building—it also identifies the opportunity available now. The scale of the Nation's urban expansion has never previously been as great. It is this scale that provides a basis not previously available for creating new communities.

Population: Census Bureau estimates show that the Nation's population now stands at some 195 million persons. More than two-thirds of this total, approximately 135 million, live in urban areas. Today's 135 million figure can be compared with the 90 million counted in 1950 and less than 70 million in 1930—35 years ago.

Urban population is thus up by approximately 45 million persons in 15 years and by some 65 million in the last 35 years. At present, urban gains total about 3 million persons per year. Along with these numerical increases, substantial shifts in the proportion of urbanites have also occurred. In 1930, 56 percent of our population was urban; by 1950, this fraction increased to 60 percent; and the proportion currently stands at an estimated 70 percent. These gains are continuing and even accelerating.

Housing: Patterns of national housing production have been reflecting the pace of population growth. Annual starts for new dwelling units have been running in the 1.5-million-per-year range with reasonable consistency. Of course, in individual years, or for short periods of time, the rate has dropped below this level. Causes of the drops, however, appear due more to short-term market distortions than long-term declines in underlying demand factors. In the period ahead, the housing outlook is for increases from the 1.5-million-per-year level to new, sustainable highs, especially in the latter portions of the current decade. This is based not only on present demand trends but also on the specific stimuli of new programs, such as those in the recent Housing Act.

Although overall national gains in housing are spread throughout the Nation's 6,000 urban places and 200-plus metropolitan areas, a selected number of metropolitan centers are the key focal points of growth. Some 2 dozen metropolitan areas in the Nation today have populations in excess of 1 million persons. The 10 largest metropolitan areas alone account for nearly one-fourth of our total population. Spectacular gains in selected areas point up this picture.

In the past decade, Los Angeles alone added roughly 2 million people to its 1950 base, for a 45-percent gain; Washington, D.C., added approximately 500,000 persons, for a gain of 37 percent; and Houston added more than 50 percent to its total population.

Typically, some 25 metropolitan areas in the Nation now support annual housing markets in excess of 10,000 newly constructed units. These top areas account for nearly 50 percent in our total housing production. A half dozen or so metropolitan areas are consistently in the 25,000-unit-per-year range. The New York region and Los Angeles—in strong years—approach the 100,000-unit-per-year level. Washington, D.C., is currently performing at the rate of more than 50,000 new housing units per year.

The fundamental point is that population and housing gains, while spread throughout the entire Nation, to a degree are overwhelmingly metropolitan-focused and, beyond that, concentrated to a high-degree in a limited number of super-metropolitan areas. It is at these locations where our principal urban growth is occurring. It is in these locations where the main opportunity and challenge for new community building is primarily available.

Economic growth: As with people and housing, economic gains in the Nation are now also at a scale that uniquely provides the basis for new community development. Overall U.S. economic expansion, measured by gross national product, has produced a gain of more than $80 billion per year—or 6.5 percent on the average—in the production of goods and services for the period between 1960 and 1965. The total value of production in current dollars during this period has increased from $500 billion to $665 billion—a gain of $165 billion, or 33 percent.

In terms of jobs, since 1960 the Nation has added more than 5¾ million to its employment rolls on a net basis. In new physical facilities, investments by the Nation's industry for new plant and equipment, based on announced corporate intentions, should reach and maintain record levels. Yet, despite the scale and pace of this recent pattern of economic expansion, the future outlook is for continued gains at a similar scale.

These gains are, of course, urban-focused, along with population growth. However, within urban and metropolitan areas, expansion in jobs and new plant facilities of all types has been dominantly taking place in the outer portions of metropolitan areas—just as it has with people and housing.

In the case of Washington—typical in many ways of the situation around the Nation—recent trends have shown that approximately 75 percent of all net job growth in the region has been located in the outer portion of the area as against builtup portions of the central city. In fact, Washington is probably more "centrally oriented" than many other metropolitan areas in the Nation, with its emphasis on Federal Government employment and the concentration of jobs in the Capital's Mall area. Yet, conservative anticipations are that two-thirds of the new jobs in the area during the years ahead will be in outlying locations. This trend will support construction of major new outlying job centers to accommodate the gains and, in turn, create new outlying housing demands, setting in motion the full sequence involved in the urban development process.

NEW COMMUNITY VALUES

Apart from underlying forces that establish new community potential, there is the basic question of why new communities. What advantages do they offer? Conversely, what problems might they eliminate? How do they compare in these points to the present pattern of urban development?

Principal benefits from new community development have traditionally been argued in physical terms. The origin of new community thinking goes back more than half a century. The "garden city" idea and the planning ideal of the "city beautiful" were early goals in urban design.

The potential of new communities today, however, is more than a sentimental recall of these earlier designed motivated, even utopian concepts. The new building opportunities today generate directly from hard realities of urban expansion in the Nation. Similarly, potential meaning of new communities needs to be assessed in terms of economics, governmental organization, and fiscal benefits as well as social considerations. The potential for realization of these benefits in new communities as against present suburban development patterns—discussed further below—is the specific focus for this analysis.

Before going on to governmental and social issues, an overview of the development values potentially attainable in new communities can be set forth:

Shorter work-to-home trips for a sizable portion of community residents, based on balanced community development on the appropriate location of economic activity.

Greater ease of internal movement, based on limited community size.

Elimination of "sprawl" and continuous urbanization without interruption, achieved by a variety of development types and open space.

Better proximity to open space and accessibility to major recreational areas.

Improved visual environment.

Economies in land development and utilization.

Potential for a full variety of housing types and choices.

Reduced pressure for irrational rezoning and development patterns.

Opportunity to create rational service areas for local government.

Greater potential for fiscal viability based on balanced development patterns.

METROPOLITAN GOALS

It is sometimes argued that the present pattern of suburban squalor is advantageous to central cities, because the relative attractiveness of the central city as against new development is increased. The Macy's-Gimbel's type of competition implied in this argument is neither appropriate nor acceptable at this level of national interest. This attitude is limited, however, both in terms of its validity and supporters. It is simply not possible to settle for undesirable, unsuitable, and workable suburban development patterns any more than we can settle for slum conditions in central cities.

On the contrary, urgently needed now is a comprehensive metropolitan development system that can effectively relate all parts of the region to appropriate componets of development, balancing interests of the central city with the new outlying developments. The system must be sound both technically and politically. Its creation is fundamental to responsible metropolitanism and absolutely necessary if suitable urban development is to be realized.

The beginnings of effective metropolitan development programs are now getting underway in a limited number of major metropolitan areas. Although metropolitan planning efforts carried out under section 701 and the metropolitan transportation planning process—mandatory under the Highway Act of 1962—frequently leave much to be desired, they provide a basis for extension and improvement. The participation and even commitment of local governments to coordinated metropolitan action in such fields as transportation, environmental health, and public safety justifies some optimism that overall metropolitan development and its potential role in a new communities program can be obtained.

A further issue in the relationship between central cities and new communities, identified earlier, is possible competition for Federal financial support among various urban programs. Two responses to this concern have been advanced.

First, a key to new communities development would be to effectively focus programs already available—even if on a limited basis—in metropolitan areas. These include open space and recreation programs; community facilities support; highway and rapid transit programs; urban and metropolitan planning assistance; water pollution, environmental health, and river basin development; Federal land and facilities policies; home mortgage insurance and credit policies; and airport development programs.

Second, any new Federal financial support keyed to specialized aspects of new community development—even apart from focusing already operating programs—must be directly related to need as well as effectiveness in accomplishing the full range of objectives at the local level. Vital existing programs must not be cut back to create new programs. As a matter of record this has not been the case. Rising need and increasing national financial ability to meet this need have produced growing public investment in urban development—a trend that can definitely be expected to continue.

GOVERNMENT AND SOCIAL ISSUES

Given a new communities policy as an appropriate response to urban growth problems, then issues of Government; public interests and finance; segregation and social balance can be analyzed in comparative terms—the effects of new com-

munities in these matters as against typical metropolitan development patterns.

Within the overall issue of local government and public interest in new communities, a wide range of specific problems is involved. These include the following items:

(1) How to achieve short- and long-term fiscal stability for new communities within the constraints of suitable tax rates, high early costs, and initially "slim" tax base.

(2) How to provide adequate urban services including necessary utilities, schools, public safety, welfare and recreation services, given the local tax base.

(3) How to introduce a local government apparatus responsible for providing urban services and representing public interests in relation to private interests.

These questions are difficult—and thoughtful public administrators tell us that no final blanket answers as they relate to new communities are available. The key issue is the degree to which new communities inherently add to the present complexity of local government issues or simplify them in contrast to current patterns of outlying development. The full range of local government problems just listed are now applicable to typical suburban developments and new communities would not alter the nature or extent of these problems. Accordingly, this becomes a neutral issue with respect to a new-communities policy.

Social issues—segregation and diverse population characteristics—simply must be examined in terms of comparative effects of alternate development policies. I would emphasize that problems of segregation and social balance—although manifest in outlying and central city area development patterns—must be dealt with in the large context of programs aimed at eliminating poverty; narrowing income gaps; stimulating economic development; providing equal access to jobs based on equal educational opportunity; adjusting social attitudes; eliminating discrimination in housing; and broadening the reach and effectiveness of new housing programs oriented to low-income demand sectors.

The need for action within this broader framework, however, should not preclude the recognition of such specific issues related to metropolitan development patterns as:

(1) The ghettoization of low-income, minority groups within central city areas as a result of traditional patterns of job location; discrimination; and supply of dilapidated secondhand housing stock.

(2) Major impediments presently operate against suburbanization of these minority groups, despite the increasing potential for such a shift based on expansion of suitable jobs and growing incomes of minority group members.

(3) Major impediments notwithstanding, some factors are now operating to alter these patterns including specific housing programs with suburban location potential; nondiscriminatory requirements of law; and the efforts of fair-housing groups and others of good will.

It is unrealistic to expect that new communities are inherently capable of changing this pattern without energetic application in a variety of other programs. The following factors, however, could operate to help improve social balance under a new communities program:

Financial constraints on new community developers to maximum sales make it advantageous to reach the full range of housing types and markets. Balanced against these constraints, however, are the "classic" concerns, whether real or imagined, of prejudiced among suburban residents and possible loss of community acceptance as a result.

In comprehensive new community programs seeking a full range of economic activities, the need for diversified labor skills to meet requirements of varied enterprises creates another constraint for socially balanced population.

To the extent that Federal, State, and local government agencies in selected areas become involved in new community programs, realistic efforts for social balance could be promoted or, alternatively, required as a condition of involvement.

POSSIBLE APPROACH

Many proposals have been advanced for implementing new communities policy in metropolitan regions. Approaches include:

(1) Substantially independent private operations, with minimum Government involvement. Essentially this is a status quo approach. Further "encouragement," as appropriate, by use of Government powers to control and spend—including zoning, utilities and municipal services extension, highway and access development, open space acquisition—might also be involved.

(2) Land development insurance programs for large-scale building and land development operations. The beginnings of this program have been incorporated into the 1965 act. This approach would involve private land acquisition and the development of sites with backup support in the form of credit risk insurance through standard Federal Housing Administration sources.

(3) Eminent domain procedure involving public acquisition by local authority and improvement, followed by subsequent disposition to developers for final construction operations. Fundamentally, this is an urban renewal type of operation. Precursor of this approach is the open land-arrested development feature in earlier acts.

(4) Direct, action by State agency to undertake new communities development, with or without eminent domain procedures. A variant of this approach would be direct action by another specially created public or quasi-public development corporation, which would perform similar new community development tasks.

Each of these four proposals has some merit in specific situations. On a national basis, a combination of these approaches could conceivably work effectively to accomplish a new communities policy for metropolitan development. Even within a particular metropolitan region a combination of these approaches might work on a simultaneous basis. I would emphasize, however, that without direct, programed action that can mobilize private enterprise as well as Federal, State, and local government, neither a new communities policy nor its objectives will be realized for the Nation.

In addition to the approaches outlined, one other can be added. This would be to involve the central city actively in the new community process. This approach could reverse central city concern for compatibility of its interests with new community development. In some senses, this would adapt the "mother city" concept from Greek city-states to a modern urban situation.

The central city has both capabilities and needs that could be effectively served under this approach. Capabilities include substantial know-how in the "business" of city operation derived directly from experience with municipal activities. Specific capabilities related to new community requirements include financial resources and financial know-how; experienced staff in the operation and construction of utilities distribution and treatment facilities; design, construction, and maintenance of street and highway facilities; an array of services in general administration, planning and zoning, urban renewal and redevelopment, public housing and community economic development.

Some central city needs could be met by new community development. These include expansion and modernization of its tax base; the addition of selected new types of development to the city; availability of relocation sites for families and businesses displaced by redevelopment; highway construction; as well as normal land-use shifts.

Of course, there are some problems inherent in this approach to new community development. Particularly critical perhaps would be problems of local and regional government arrangements; city-to-city relationships as well as county-to-city; and legal factors related to application of public funds and other governmental powers. In most cases, I understand changes in State law would generally accommodate such an approach. Some States would already permit this type of program. In some areas, sites—Federal "surplus" landholdings—could be made available.

THE OUTLOOK

The problem of creating sound policies and programs to guide outlying metropolitan development areas is complex. I would like to stress again that the fact of the Nation's urban growth is not arguable. The only issue is how this urban growth will occur. The most serious mistake we can make is to shrug off the difficult problems in these issues by oversimplified answers or naive solutions. At stake here is no less than the pattern for the stupendous growth forecast in U.S. urban areas during the period ahead.

To focus this problem, we can recall the points made in President Johnson's March 2, 1965, message to Congress—"Problems and future of the Central City and Its Suburbs"—which pointed out that during "the next 15 years, 30 million people will be added to our cities—equivalent to the combined populations of New York, Chicago, Los Angeles, Philadelphia, Detroit, and Baltimore. Each year, in the coming generation, we will add the equivalent of 15 cities of 200,000 each. At the end of the century—in less than 40 years—urban population will double, city land will double, and we will have to build in our cities as much as

all that we have built since the first colonist arrived on these shores. It is as if we had 40 years to rebuild the entire urban United States."

The value of a new communities policy in our urban areas is potentially enormous. We can discover ways to obtain these values without sacrifice of major objectives in the public interest. Central city areas could become constructively involved in the creation of new communities. There is both challenge and opportunity in the present situation. I would urge members of NAHRO to explore the potentials of new community policies and programs for your own localities as well as for the Nation.

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COMMENTS ON MR. GLADSTONE'S STATEMENT—FROM THE POINT OF VIEW OF THE CENTRAL CITY

(By Carl F. Stover, Director, National Institute of Public Affairs, Washington, D.C.)

"New towns" discussions always remind me of a country lady I once encountered. She had led a very active life—by the age of 35 she had 14 children and showed some of the spread that I understand can result from having that many children. One Sunday morning she dressed all of them up for church, which, as you recognize, is quite a task. Just as they were about to leave, the 2-year-old little girl dashed out of the front door, down the steps, and fell full-face into a mud puddle. The mother threw up her hands, exclaiming, "Lawsie, it's going to be just as easy to go and make a new one as to get that one cleaned up."

I take it that I am here as spokesman for the interests of the central city. This is not a subject about which one can be as optimistic as about the new towns. The new towns are a very promising experiment. If properly done, they can afford an occasion for us to show just how good communities can be.

By contrast, the central city is typically a stinking, rotten place to live. Except, of course, for the very rich, who can afford to get above, or to wall off, the stench and the decay. The new towns could, as Mr. Gladstone has implied, help the central city but I am not sure that I see quite as clearly as Mr. Gladstone does the way that this will work out in reality.

Before going too far, I must declare quickly that, as a spokesman for the central city, I am a fraud. I don't live there. I would like to live there, but I cannot afford the price in property, or in taxes, or in private schools for my children, which the central city so often demands. I am not wealthy * * * but neither am I poor, so I don't have to live in the central city as many of the poor do. I can afford to live in the suburbs—or in a new town, if I choose to. Yet, I am not happy with the suburb in which I live.

My suburb, although relatively better than central city, is a sterile environment. Its face is white; its caste is middle-class professional; its ethic is materialistic; its style is mediocre; its flavor is bland. It lacks color, contrast, and variety—all of the things that enrich life and make it worthwhile. Still, my suburb is not a tract. It has trees, different styles of houses, hills and winding roads, a park and a stream—many of the kinds of things I hear about being put into the new towns. By accepted standards of planning, my suburb is a fine place. It simply seems to me that it is not a good enough place for people to live. It is artificial. People, especially children, can learn too little of life there. It is a hot-house * * * and I am afraid that the new towns may become like my suburb—falling somewhat short of the grandiose plans that are laid for them.

I am also afraid the new towns, like my suburb, will continue to rob the central city of those juices that might restore its vitality. Of course, I am much encouraged by Mr. Gladstone's recognition of this problem in his good statement but I am not sanguine about the possibility of realizing in practice what he describes as the development of new towns in the context of the needs of the total metropolitan area. Neither Reston nor Columbia, good as they will be for those who are there, are likely to do much to help deal with the problems of central city Washington and both may do something to hinder.

The way new suburban communities and new towns have sapped the central city in the past is all too familiar. They are the retreat for the wellborn, the wellmade, the well to do, and the well educated. In almost every case, white. This leaves the central city to the relatively ordinary poor and the ignorant—in too many cases, Negro or Puerto Rican or Oriental or Mexican-American. They

are also the retreat for business and industry—I hear they are courting even more of it, in the interests of sound economic planning. Of course, they want the best kind—research and development and other activites that do not corrupt the air or the streams and that, by and large, employ "the better people."

By this process, the central cities are left with a poverty of leadership and of income at the same time that they are given greater and more difficult socio-economic problems to face. The new towns will help to reverse this process only if we are tough minded about developing them—and I doubt that many, or perhaps any, can or will be that tough.

Certainly, new towns will take minorities—the "good people" among the minorities. They will take the middle class or the aspiring middle class—those who are or intend their children to be professionals in the community. Thus, they will further rob the minority communities of central city of the leadership they so badly need.

What new town is going to install a planned slum—an essential transition quarter for integrating the lowest income people into the community? How can any new town resist the dollar advantage of appeals to exclusiveness that now make their real estate advertisements in metropolitan dailies read like a guide to advancement in social class and social structure? What new town will ask for its fair share of the dregs of human society—the despised poor, the huddled masses, the criminals and the delinquents who populate the worst sections of central cities and constitute their greatest problems? Frankly, I doubt that many or any will.

The only hope that new towns may be significant for and help to do something about the problems of the central city is in new town development by the central cities themselves. This is a possibility for which Mr. Gladstone made a rather persuasive case. I think it could be made more strongly and hope we will get back to it—perhaps to talk about a specific possibility in Oakland, Calif., known as Oakland East. However, even this possibility will present problems unless the leaders of the city are willing to accept the fundamental responsibilities involved in planning these new communities in relation to central city needs and problems and engage, not just in planning, but in large amounts of control to make sure that the plans work out the way they were intended.

The new towns will at best be irrelevant and at worst a negative influence so far as the central city's problems are concerned. They will become another way of turning away from those problems, ultimately to the detriment of us all, including the new towns, themselves. After all, the only reason the new towns can have it as good as they seem to be able to, is that the cities have it so bad.

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Comments on Mr. Gladstone's Statement—From the Point of View of a City Planner

(By Melvin F. Levine, Chief Planner, Downtown Progress, Inc. Washington, D.C.)

After the statement by Mr. Stover, even though I do have the most formal downtown identity here, I feel moved to defend the suburbs. My problem is that I don't live in the suburbs. I do happen to live in an urban renewal area, specifically in the Southwest urban renewal area in Washington.

Now, I like central city living. I think one of the problems that follows from some of Mr. Stover's remarks is that, if the central cities are, indeed, made more livable, as Southwest has proved, so many people will want to live in the limited central city area, that I won't be able to afford to live there anymore and I'll have to go to the suburbs.

I do not have a formal presentation, because at the last minute I was asked to comment as well as to report. So let me run through a list of things I have written down in reaction to some of the remarks you've heard and also in extension to some of the ideas that were introduced, especially the one that Bob Gladstone cited and that Mr. Stover ended on, which is the if-you-can't-beat-'em-join-'em idea for getting the central city to have some responsibility for developing new communities to try to solve some of the problems of urban life.

SEMANTICS

First of all, as a reaction, a semantic problem cropped up. I discovered we are talking about "new communities" rather than "new towns." This implies to me that we are not talking about independent political units but sort of well-

planned arrangements of housing and community activities that are parts of metropolitan areas. If that is, indeed, what we are talking about—well, what's new? Conceivably, by applying the principles of good design to large sections of suburban areas and central cities, you can have efficient amenable places in which to live. This can be done right now. The only difference between the application of good design to large areas of urban development and to new communities is that, somehow, a new community has a more readily identifiable physical entity. It's not a political unit.

METROPOLITANISM

Secondly, there certainly has been recognition among our professions, and I am speaking as a city planner, that cities and suburbs, although separate politically, are parts of metropolitan areas, which are the true cities. We are seeking, somehow, to eliminate those things that inhibit freedom of movement within our metropolitan cities, so that everybody, regardless of race, color, creed, age, religion, profession, and sex, can have a range of opportunity for all kinds of activities. There are inhibitions to this right now, because of the facts of discrimination and of political boundaries.

Another thing that we would seek in a true metropolitan area, to help expand freedom of choice, is a common tax base. The inequalities of services and of tax bases produces unfortunate problems of competition between central cities and suburbs. If we can solve the tax base problem and reduce the discrimination problems, thus allowing more freedom of choice for more people, then the new community issue becomes secondary. It is just a question of applying good design principles to more parts of the areas in which we live.

"IDEAL" PEOPLE

The real change, and Mr. Stover touched on it and I think Bob Gladstone touched on it, has yet to come in the people. I think that we all agree that we want an ideal community. Definitions will differ as to what's ideal. My definition is: to have an ideal community you have to have ideal people. (And ideal people mean people like you and me, I imagine.) I think we can all agree on a number of characteristics we would like in an ideal community. We have professionals who can design for these characteristics. The real question, as Bob Gladstone pointed out, is how do you do it? And then, if we could, somehow, eliminate the problems of tax base inequities and artificial political boundaries, and if we had freedom of choice without discrimination, how much different would our metropolitan areas be in terms of distribution of people and activities than what we have now? There might not be much change on a two-dimensional map.

In terms of amenities in three-dimensional design, there could be a lot of improvements. This leads me to conclude that the real improvements in our environment, after we've solved the problems of political differences and tax base inequities, can come about only by changing the people. This brings us into the area to which President Johnson has directed a lot of attention and energy during the past year, to a whole range of programs designed for improving the people—making them ideal people, so that we can, indeed, have an ideal community for them. I am talking now also in the aftermath of the American Institute of Planners convention last week in St. Louis. For the first time, to my knowledge, the main theme of that conference was directed at the importance of doing social and economic planning. Although we have some know-how in the physical realm, the real improvement in our cities and in our life is going to come about when we can improve the people so that they can enjoy the benefits of the beautiful environment we can create.

"MOTHER CITY"

I'd like to close with some comments on the idea of the mother city. Perhaps we can tie together the concept of new communities in the suburbs and urban renewal programs in the cities. In the District of Columbia and in other cities, there has been recognition of the fact that the only way in which to solve the massive relocation problems that are coming about as a result of urban renewal, and of major public works such as freeways and transit, will be somehow to get out beyond the limits of the central city and use suburban land as a relocation resource. I think perhaps we should start to explore how to combine the pro-

grams of urban renewal that are seeking to help make ideal living conditions in central cities with the new community ideas for the suburbs to help provide nice places to live out there as well.

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Comments on Mr. Gladstone's Statement—A "New Towns" Experience Report: Reston, Va.

(By James B. Selonick, executive vice president, Reston, Va.)

Many basic planning concepts have gone into the creation of Reston, Va. I'll touch on but a few of the more important ones. First, the result must be a total community oriented to the human being living in it. Second, these people must be able, if they so desire, to live in the same neighborhood during all stages of their lives. And, third, the environment we create should provide an absolute maximum stimulation of both minds and bodies. Obviously, all of these concepts must be implemented in relation to an economcially successfully real estate development.

VARIETY

To accomplish these objectives, we have provided a variety of housing types, ranging from conventional lots for detached houses to a 15-story highrise apartment building built 20 miles in the country and including garden apartments and clustered townhouses, all within easy walking distance of each other. In addition to the physical living accommodations, we have spent literally years preplanning the community, so that when the first residents moved in, it would at once be alive with the activity we consider essential. This preplanning will present our residents with opportunities—not control their activity. We have sold land to church organizations with predetermined population levels, establishing a point at which each commences construction; we have made arrangements for elementary, intermediate, and high school facilities with the county of Fairfax; we have planned and leased the first convenience store, which will be opening next month. We have constructed a broad range of recreational facilities: for golf, tennis, swimming, horseback riding, fishing, boating, and many others. The cultural aspect of our planning has not been ignored but rather emphasized. And, accordingly, we have programs for art classes, pottery making, extension courses available from nearby universities, a lecture series, film programs, and we have even established an art gallery that will be among the first retail spaces to open this fall.

The staff of our first community center is actively operating as of today and will guide the first residents in establishing the kind of program they want. Each homeowner of Reston becomes a member of our home owners association and those living in townhouse clusters will also become members of cluster associations, with responsibility for maintenance and improvement of land owned in common; they will also participate in and review building plans within these areas. We anticipate that these associations will provide the base for political activity and should result in the development of a sense of community responsibility as well as the feeling of belonging.

INDUSTRY

In order to give the community balance and provide a substantial opportunity for residents to work near where they live, we have allocated approximately one-seventh of our total land area to house research and development and light industrial firms. We sincerely hope that our residents will take advantage of these possibilities and thereby be able to use the time saved in commuting in participating in the Reston community. The industrial area has the additional advantage of providing a tax base, which helps us pay our own way in the county.

After a seemingly long gestation period, Reston has been born. Even to our own amazement, four industrial firms are already in operation at Reston, with three more having purchased land and having scheduled themselves to be in operation within the coming few months. The attraction is obviously what we have created at Reston, since there is ample land cheaper, closer to town.

The first residents are with us and represent a gratifying range of income. Our first townhouses, ranging in price from $23,000 to $46,000, have been purchased by a very substantial number of people earning under $10,000 and almost as large a number of people in the over $20,000 category. The first sampling of

our rental units, which range from $125 a month to $270 a month, leads us to conclude that this range will be substantially increased by the rental segment of our housing. We believe that the people attracted by the environment we are creating will be compatible within a wide range of income; segregating housing within narrow price categories is a distasteful alternative. Obviously 5 years will be required to determine the soundness of this proposition. But our first residents are pleased and our units are selling. Our next housing units will be under construction next year and will begin at a slightly lower range, about the $18,000 area.

LOW-COST HOUSING

A possibility of going below this price, in relation to our land development and basic construction cost, seems remote. Our best opportunity for low-cost housing is in the rental field, where various Federal programs are available to us. Next year, approximately 100 units of housing for the aging will be under construction under a section 202 program and we are prepared to construct a building under section 221(d)(3) as soon as a sufficient number of qualified workers, or prospective workers, from our industrial commercial areas indicate the need for such accommodation. We have said that we will provide housing for anyone who works at Reston and we intend to fulfill that commitment.

Much that we propose should stimulate the appetite and cultivate the tastes of our residents, thereby enabling them to partake of the obviously superior cultural and educational facilities available in the central city. We are convinced that people involved in the community, with a renewed sense of identity and belonging, will make better citizens. This is clearly the challenge for all of us.

Mr. BARRETT. Mr. Fay, I certainly want to thank you on behalf of the subcommittee for a very excellent and informative statement. It is one of the finest statements we have received thus far.

Mr. Fay, I would like to ask you the same questions I asked Mayors Cavanagh and Lindsay and also Mayor Daley last week. Some people have the fear that the Federal coordinator which the bill will set up for each demonstration city program would be some sort of a Federal dictator, or as they call them, commissar, or czar. Now, I think the bill is clear that he would not have dictorial powers. But I would like to ask you the two questions:

First, would the people who have such fears feel better, do you think, if we renamed the Federal official as a local coordinator rather than a Federal coordinator?

Second, do you think the idea of making the services of the coordinator optional to participating cities rather than mandatory as now provided in H.R. 12341 is a good one?

Mr. FAY. Mr. Chairman, I share your expressed feeling that the Federal coordinator—and frankly, I would prefer to call him a Federal expediter—would not become a czar or a dictator in the communities. I don't think there is anything sacred about the name. But is it a fact that in many communities we already have operating within the framework of the city government a local development coordinator. The number of such positions is really surprising, and is probably an outgrowth of the title that used to be around, urban renewal coordinator.

I would hope that the title would not be frozen so completely that it might impose a hardship from this point of view. And I really don't believe that the situation would be very much changed by whatever designation might be given him.

Again I repeat, I see the function of this man as an expediter concerned almost entirely with the expedition and facilitating of clearances and benefits under the Federal programs flowing into the localities. I don't see him having any opportunity for direction of the work, nor the selection of areas.

And on your second point, I feel that such an individual would be an essential member of any demonstration or coordinated development program. It is almost inconceivable to me that a demonstration or a program of that magnitude could be carried out without the expediting services of such an individual.

Mr. BARRETT. I would like you, if you will, to comment on the optional versus the mandatory.

Mr. FAY. On the matter of the optional point, which is what I attempted to cover just a moment ago, but apparently not adequately enough, my own feeling is that this man would be an essential member of the team. And, therefore, I would have no objection to having it a mandatory requirement. I think probably our association would feel the same.

Mr. BARRETT. Thank you. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Fay, you indicate that $2.3 billion is not enough for just 60 to 70 cities. What do you think would be enough?

Mr. FAY. That is a difficult question to answer. And last week even some of the best mayors in the country were not able to translate it in terms of what could be used in their own communities.

I think, obviously, if we are going to make 60 or 70 demonstrations we will probably have to have several times that amount. I think we need the 60 or 70 demonstrations to cover the field.

Mr. WIDNALL. As I understand your testimony, you're recommending that the demonstrations be conducted in cities of great variance in size, so that we will get an example of what exactly you can do?

Mr. FAY. Yes, sir.

Mr. WIDNALL. What do you think would be enough for the entire country?

Mr. FAY. We have not made any projection of this point. We would be glad to try to do so and to furnish it to you.

Mr. WIDNALL. I would appreciate it.

May it be furnished for the record, Mr. Chairman?

Mr. BARRETT. Without objection it is so ordered.

(The matter requested is as follows:)

ESTIMATED COST OF 60 TO 70 DEMONSTRATION PROGRAMS

The administration has suggested that $2.3 billion will be needed to fund demonstration programs in 60 to 70 cities over the next 6 years. Precise information, however, is not available on how this total fund would be distributed among various sizes and types of communities.

Statements by the administration and newspaper articles indicate that there will be three city-size categories—small, medium, and large. In addition, it has been suggested that the amount of funds to be made available in each category will be approximately equal. Estimates have also appeared indicating that the number of large city demonstrations will be between 5 and 8, the number of medium-size city demonstrations between 10 and 12, and the number of small city demonstrations between 40 and 50.

Based on this information, it can be assumed that the annual share of the approximately $400 million for each city-size category will be roughly $130 million. If it is further assumed that five demonstrations are to be conducted in the large city size category, it can be stated that the annual supplemental contribution per demonstration in this category would be in the neighborhood of $26 million. However, if eight demonstrations are conducted in this category the annual supplemental contribution to the program in each city would be reduced to $16.2 million. Similar shifts in the other two categories produce similar results.

Until the cities make firm proposals that are certified as acceptable demonstrations, it appears impossible to precisely estimate demand per city or per category. Moreover, in the absence of such estimates it is difficult to predict what the total demand will be for the entire program.

After careful review of the testimony of several mayors who have appeared before the subcommittee, and an investigation into the current budgetary expenditures of local units of general-purpose government, we are prepared to say that demand for demonstration funds might be expected to run somewhere between the suggested $2.3 and $10 billion. Our judgment is based on the fact that current proposals, especially in the large-city category, are running far in excess of the maximum possible allotment under the assumed breakdown discussed above, and the somewhat contradictory fact that many current municipal budgets are running so low that even the proposed allotments would have a significant impact on their local development problems.

In other words, precise estimates of the total cost of the demonstration cities program depend a great deal on the distribution of cities in and among the various size categories, the magnitude of need in the cities selected, and the current expenditures by the general-purpose government in the selected demonstration cities. None of these factors will be known until all the proposed demonstration cities are selected.

The only published estimate for a demonstration program that sets forth a detailed breakdown of the component of the proposal would be that put forward by Mayor James H. J. Tate of Philadelphia in his testimony before the Subcommittee on Housing on March 21. The Philadelphia demonstration, as submitted, could use up $600 million of the estimated $780 million that would be available to this category. Hence, total need in this category depends to a large extent on whether one or more cities of comparable size and with similar problems are selected for demonstration projects. The same case could be made, of course, in the other city-size categories.

On the other hand, if cities are selected that have relatively small budgetary expenditures at the present time, and there are many in this class, the program could have a significant impact with less Federal expenditure.

Therefore, NAHRO suggests in view of these indeterminate variables that rather than projecting "demand" for program funds, which would probably run into hundreds of billions of dollars, Congress should consider earmarking $10 billion of our Nation's resources for the implementation of all proposals that might qualify for funds under the high standards, which we understand that the Department of Housing and Urban Development plans to establish. In this way, and perhaps only in this way, can we avoid the obvious ambiguity involved in speculative figures regarding the total cost of the program, or the average demand per city or category. At the same time we would eliminate discrimination against cities having programs that meet the qualifications, but fail certification for lack of funds, and free ourselves of the responsibility of prejudging the exact number of demonstrations needed to fulfill the intent of the program.

NAHRO feels that a $10 billion ceiling would strike a workable and healthy balance between the administration's estimate of what can be done immediately and the cities' estimates of what they would need to develop their communities in the way they would like to ultimately see them developed. This figure seems to be a realistic estimate of what we might expect the public to devote to this area—roughly 10 percent of the Federal budget and 1.4 percent of the Nation's gross national product.

Mr. WIDNALL. We have authorized $7.6 billion, and we have committed $5.4 billion. We have paid out only $1.5 billion, and the program has had 16 years to produce. Do you or do you not believe that the urban renewal operation should be speeded up before it seeks additional funds?

Mr. FAY. The amount which has been committed, as I understand it, is not available for the use of cities other than those to which it has been committed. So that it seems to me that we are coming fairly close to the limitations of the present fund. As a matter of fact, the urban renewal program is already out of money for all practical purposes.

Mr. WIDNALL. There seems to be a considerable time lag between the commitment in the beginning of the programs and the consummation of the programs.

Mr. FAY. That is true.

Mr. WIDNALL. And somewhere along the line I think Congress ought to be able to do a better job in expediting and the fulfillment of the dreams that everybody has as far as urban renewal is concerned. Don't you find that the time lag in many instances is very helpful to the project?

Mr. FAY. There is no question about it, Mr. Congressman. Those of us who are attempting to carry out such programs have indeed found it to be that way.

I might say that a part of the problem has been uncertainty of cities to undertake even the most general kinds of preliminary planning until they were reasonably certain that funds would be available with which to undertake the program.

And then by its very nature, the urban redevelopment program is a long, drawn out process, involving many approvals at many levels, and some of the most complicated and difficult types of problems that we encounter in our cities.

Mr. WIDNALL. Do you have figures on public housing? What I have in mind is this, whether or not you know the percent of turnover in the public housing program?

Mr. FAY. I would not know the general figures. We could get that for you and furnish it to you. In our situation in Richmond our turnover is about 20 percent.

(The information requested follows:)

TURNOVER, LENGTH OF STAY AND REASONS FOR MOVEOUT IN PUBLIC HOUSING

The latest available figures from the Public Housing Administration reports indicate that the annual average turnover for the fiscal year ending June 30, 1965, was 21 percent. Figures for recent fiscal years are: 1964, 21.4 percent; 1963, 21.8 percent; 1962, 22 percent; 1961, 22.7 percent.

Comparable figures in private real estate management are contained in the Apartment Experience Exchange of the Journal of Property Management. This is a publication of the Institute of Real Estate Management and covers information for over 40,000 private apartment units in all parts of the country. The rate of turnover for calendar year 1964 was: 18.3 percent for elevator apartments; 24.4 percent for walkup apartments of 12 to 24 units; 20.1 percent for walkup apartments of 25 or more units; and 40 percent for garden-type apartments.

The reasons for turnover and length of occupancy are varied, although there are obvious relationships with age of household and housing opportunities. Recent figures for families in public housing indicate that the average length of stay is about 5 years. The breakdown of length of stay for eligible tenants in occupancy in fiscal 1964 is:

Number of eligible families in public housing occupancy (460,960 families)

Year of admission:	*Percent of total*	Year of admission—Continued	*Percent of total*
1964	3	1956	5
1963	18	1955	4
1962	15	1954	5
1961	11	1953	4
1960	8	1952	3
1959	7	1951 or earlier	7
1958	6		
1957	5	Total	100

While the Public Housing Administration does not report rates of turnover of length of stay by age or characteristics of household, it is the experienced opinion of many local housing administrators that the smallest turnover occurs among elderly households who are at the end of the family cycle and have no potential for increasing their incomes.

The reasons for moveout again are varied but strongly related to stage in the family cycle of the individual family, type of employment, and access to housing opportunities. In public housing, reasons for moveout are not only varied, but directly related to the particular purposes of the program, including the fact that families are low income. Thus, in addition to such factors as changes in family composition and circumstance, there are such contributing factors as evictions for overincome, and for nonpayment of rent as well as for a variety of economic and social motivations including the ebb and flow of employment and housing opportunities in the community.

On the average, some 10 to 20 percent of public housing families move every year to purchase their own homes; these are largely young families in the first stage of the family cycle whose income has risen while in public housing occupancy.

Mr. WIDNALL. What is the average length of stay of a tenant in public housing?

Mr. FAY. About 4½ years. That again is our own experience.

Mr. WIDNALL. Are the reasons for leaving basically a change in the income or other reasons?

Mr. FAY. There are many reasons. We have been attempting to follow the progress of public housing tenants from the standpoint of income and their own elevation in society. And we have been very pleased to notice over the past 20 years that about 10 percent of the families that go through our public housing projects move out to buy homes of their own. To be sure, these homes are not fully paid for, but at least they have progressed from the point of requiring public assistance to get a roof over their heads to a point where they will be becoming in effect taxpaying citizens and responsible members of the community.

Mr. WIDNALL. Are those who are receiving public assistance the ones who normally stay in public housing the longest?

Mr. FAY. I think the ones who stay longest are the broken families, and the elderly woman whose husband perhaps has died and whose children have moved away, and who now has the illnesses of age, and on that account there is no prospect of her improving her situation.

Mr. WIDNALL. Thank you for a constructive statement.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. I have just one question I would like to ask Mr. Fay.

It was suggested last week by one witness that there would be so many difficulties in selecting the demonstration cities that we should encourage all cities to make their plans and then put all the names of those offering fully qualified plans in a fish bowl and select the cities by chance. From your testimony you don't feel this is the way to do it.

Mr. FAY. I think it might be the quick and easy way to do it. But I am not sure that it would be the most satisfactory in the long run.

Mrs. SULLIVAN. But you do feel—I think you mentioned in your testimony that you feel—that 60 or 70 of these cities would be needed to participate in order to have a fair evaluation of whether the demonstration cities program is successful?

Mr. FAY. Yes, madam. In order to provide a complete cross section of the various local conditions in various population brackets that have been described by the Secretary. That does not give a very

great opportunity for anything more than a broad general cross section of the country as we see it.

Mrs. SULLIVAN. I agree with you that they should not all be cities of the same size. We must have a variety of sizes in order to be able to make a proper evaluation.

That is all. Thank you.

Thank you, Mr. Chairman.

Mr. BARRETT. Thank you.

Mr. Harvey?

Mr. HARVEY. Mr. Fay, you have made a very fine statement.

I just have one statement. I wonder if you could tell me what would be the costs of these various amendments as you propose?

Mr. FAY. As I pointed out, three of them would not have any costs involved. The costs of the others, 1, 2, and 4, is something that we would have to get some information on. And we will be glad to do that and furnish it to the committee for the record, Mr. Chairman.

Mr. HARVEY. I would like to have that for the record.

Mr. BARRETT. Without objection, it is so ordered.

(The information requested follows:)

COST OF NAHRO'S PROPOSED AMENDMENTS TO THE HOUSING ACT OF 1937

As indicated in our testimony, three of the six proposed NAHRO amendments would have no financial impact on the Federal contribution. These are:

Amendment 3. Amendment to the language of the Housing Act to encourage good as well as economical design

Amendment 5. Authorization for over-income tenants to remain in occupancy and pay economic rent

Amendment 6. Authorization for sale of portions of low-rent housing developments to nonprofit housing sponsors, under appropriate circumstances

The remaining three proposed amendments could have some financial impact, although in two cases (Nos. 1 and 4), the Federal contribution could be the same or less, depending on the alternative selected.

Amendment 1. Amendment to permit modernization and updating of older low-rent housing developments

(*a*) *Full fixed annual contribution.*—NAHRO recommends that the full fixed annual contribution be made available to local housing authorities, with residual receipts (after operating expenses and reserve allocations) going either for modernization and updating needs or for prepayment of existing bonded debt. The full fixed annual contribution available to local housing authorities under contracts with the Public Housing Administration for fiscal 1966 is $253 million. The amount actually to be paid, after deduction of local housing authority residual receipts, is estimated at $233 million. If the full fixed annual contribution were available, it would mean an additional resource of some $20 million for local housing authorities. This additional financial resource would be most immediately useful to those authorities now returning residual receipts to the Federal Government, but which have modernization and updating needs which cannot be met by present reserve fund restrictions and inadequacies. If some portion of these residual receipts were used to prepay existing bonded debt, it would result in a net saving to the Federal Government because of reduction in interest costs. Availability of the fixed contribution would also make possible a more effective budgeting process for all local housing authorities because they could anticipate the amount of Federal contribution in advance, without having to wait for the actual income and expense at the end of the fiscal year. It would also encourgae economical management since any residual receipts would become available for needed and desirable local purposes.

This amendment would provide for an additional Federal contribution (now authorized, but not appropriated) of about $20 million annually. However, in the event that some of this additional contribution were used by local housing authorities for prepayment of bonded debt, it could result in a net saving in Federal expenditure.

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

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

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

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

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

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

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

crease in this contribution depending on which alternative method is selected to pay such contribution—an amount chargeable to the annual contributions contract or a direct grant.

An example will illustrate the working of the formula for writedown under section 107(b) of the Housing Act. Assume that a particular site were acquired for public housing outside an urban renewal area and the per dwelling unit cost of acquisition, relocation, demolition, etc., were $5,000 per dwelling unit. The resale price is estimated at a market value of $2,500. Under the formula established in section 107(b) of the Housing Act (for public housing and moderate-income housing sites in urban renewal areas) a Federal contribution of one-half of the difference between acquisition cost and resale cost is available. Thus, in the example cited, a Federal contribution of $1,250 per unit would be available at the construction stage of the housing development.

If it were determined that the method by which the Federal Government would make this writedown contribution available was by charging it to the annual contributions contract, there would be no increase in the Federal contribution. It would simply mean that annual contributions would be staged to make more of the contribution available at an early stage to cover the costs of writedown.

If it were determined that the method by which the Federal Government would make this writedown available, was by a direct grant (as is the case for both public housing and moderate-income housing inside renewal areas), there would be a small increase in the contribution equal to the difference in interest rates by which the Federal Government could borrow the grant money at the going Federal rate (currently about 4.0 percent) or finance long-term public housing by the issuance of bonds (currently about 3.5 percent). This method would have the benefit of being uniform for all housing assistance programs—public housing and moderate income—both inside and outside urban renewal areas.

Under either alternative way of disbursing grant money, there would be benefits, other than financial. Slum sites would be more readily available for public housing construction and a more accurate measure of the true construction cost of public housing, without supplementary costs of slum clearance and relocation, would be provided.

Mr. HARVEY. I have no further questions, Mr. Chairman.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. FAY. I share your concern that the $2.3 billion is not enough to do the job for 60 or 70 cities. If we are faced with a very rigid budgetary limitation of $2.3 billion, what would you think of reducing the 80-percent figure to say 50 percent maybe with an escape clause of up to 80 percent in the case of extraordinary need? That would tend to spread the $2.3 billion.

Mr. FAY. This would be the grant formula that you would propose to reduce.

I think that would probably still be attractive to the communities. It undoubtedly would not be as attractive as the larger amounts. But here again I would hope that we would have enough cities interested so as to make the demonstration a valid one.

Mr. MOORHEAD. Thank you, Mr. Chairman.

I have no further questions.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Getting back to one aspect that Mrs. Sullivan covered, I ask you this question. Supposing that once the criteria of need and necessity and eligibility were arrived at by the Secretary of the Department, then the Secretary would balance the applicants against these criteria as to eligibility, and determine which cities have the greatest need or are best qualified, and then so to speak put the names of these cities into a fish bowl. Once they determined which cities were going to be chosen, suppose they then form teams, one, two, or three teams of expert planners. It is my understanding of this act, the Demonstration Cities Act, that the purpose behind it is to

come up with an overall solution to the overall and total problem existing within large communities, or in the case of some smaller communities, in the entire community, the problem being one of not only physical improvement, but sociological and economic improvement. But if we want to really solve this, and come up with demonstration cities or models as to how it can best be done. It seems to me that we should take the best talent we have available and make sure that the moneys we are going to spend on these demonstration cities are well spent, instead of haphazardly hoping that from city X, Y, or Z we are going to come up not ultimate with a good plan, but rather take those planners that the Secretary knows from experience are well qualified and have them direct the broad concept that is going to be utilized within these cities of varying sizes. I am wondering if you feel that perhaps this might not be a better method than that method whereby the cities are picked and then they are given a grant for the period of a year to prepare those plans, and then subsequently they put these plans into effect, if they are separable. Once again, the Secretary stated, incidentally, when he appeared before us on Monday of last week that certain cities would be given planning funds, and it was logical to assume that the cities that would be given the planning funds and which would report back within a year would be those cities accepted because of the fact that they had been spending funds and a year's time to come up with these plans. Therefore, we have a situation where it is not a question as to which cities have come up with an expert plan, but it is going to be judged or turn on the point of which cities have an acceptable plan.

Now, I wonder if you could give us a comment on these two varying positions, Mr. Fay?

Mr. FAY. Perhaps it might be well in order to establish a common basis for our discussion for me to point out how I understand the selection process generally would work, and then I will respond to your questions.

It is my understanding that any city which wishes to do so would submit a proposal which would not be a detailed expensive planning concept but would only be a statement of the goals it would expect to accomplish in the demonstration if it were selected as one.

Mr. ST GERMAIN. And I believe, Mr. Fay, that this would also include an outline of the needs of that particular city.

Mr. FAY. Of course; very much so.

And then the selection, as I understand it, would be made by whatever kind of group, probably by a blue ribbon jury, which might well include some of the outstanding planners of the country, which of those basic proposals should be accepted. And then the 90-percent planning funds would be directed to that group. And within a year they would come back in their detailed plans for the demonstration.

I would hope that we would not lose sight of the need for experimentation and demonstration, and that the matter of need, which I know to be of the very greatest importance, might not sway our judgment as simply being a means of utilizing these demonstration city funds to take care of an extremely complicated and difficult problem. If we did that, we might end up by taking over half a dozen major problems around the country, but we might not have any demonstration or experimental results when we finished with a program.

So that I would still hope that the demonstration aspect would be one of the principal criteria against which these proposals would be evaluated.

Mr. MOORHEAD. Would the gentleman yield?

Mr. ST GERMAIN. Yes.

Mr. MOORHEAD. I would like to ask, what about a city that has already done its planning? Would you say that it would be proper for it to submit a detailed plan and request a grant for an action demonstration, not necessarily to go through this planning request stage? Or is that not your understanding?

Mr. FAY. It is my understanding that the basic proposals would be reviewed first to make sure that everybody was considered on a fairly equal basis, and that when the groups were selected from those submitting basic proposals, then the city which has its homework done could come in very much more quickly. And it is our feeling that perhaps they might within a few weeks or not more than a very few months be ready to go.

But I would not think that it would be desirable at this beginning stage for a city to come in with its preparation in great depth unless they have it all ready, because even if you have a good staff and a lot of data it still would cost money to prepare such a proposal.

Mr. ST GERMAIN. Mr. Fay, the Secretary testified to this procedure, that they would pick out the 60 or 70 cities, and then after planning funds were available it would probably be a year before they came in with detailed plans. Once again I repeat, it is almost a foregone conclusion that these cities, once initially chosen, once they complete their plans, and these plans are implemented—I say to you, do you feel that this method is a method that is going to best achieve the result of the demonstration cities where we have no assurance that a great many of these smaller cities will be chosen?

You talk about an across-the-board situation in your testimony on page 4. We feel that cities of various sizes with different type problems and different locations should be the cities chosen as demonstration cities, so that having a class or category subsequently we will have an example to look at? It seems to me as though we don't have much assurance of the fact that we are going to get good demonstration city plans from a lot of these cities, under this particular procedure.

Mr. FAY. Here again, Mr. Congressman, the original selection would be based on the——

Mr. ST GERMAIN. The seven or eight guidelines?

Mr. FAY. Yes, the very general kind of proposal.

And then when the Secretary considered and evaluated the demonstration capabilities of the entire group, at that point he would authorize the execution of a contract for the planning grant that would permit them to develop the kind of carefully worked out and detailed programs that would provide the guide for the conduct of the demonstration.

Mr. ST GERMAIN. I guess I will have to let that one go.

You state that you feel that once again 60 or 70 cities should be concluded, and further down you break down the $2.3 billion. If you are going to have expert planning for those 60 or 70 cities, and you are going to have a variety of sizes and types of cities, I think you also agree that the funds are not very realistic at the $2.3 billion authorization, even if it were completely appropriated it would be doubtlessly

low, if we wanted to accomplish what we should accomplish in these cities, without asking you what the specific amounts would be. And from your testimony I gather that you and your organization are also concerned that this particular act not drain from the present urban renewal programs, or from your present housing programs. You cited the testimony of Mrs. McGuire and Mr. Slayton on Monday last, where I actually was proposing these questions to them. Do you have any suggestions as to how we, in the Congress here, can insure the fact that this Demonstration Cities Act will not drain from our present urban renewal act, let us say?

Mr. FAY. Yes. We suggested, Mr. Congressman, that the entire amount of $2.3 billion be made available at once without respect to the annual limitations by way of contract authority, and then that would give us an opportunity to come another year to see where we stood with respect to the total amount.

Mr. ST GERMAIN. Do you feel that in these areas we have now arrived at the point where we are doing a great deal of planning with no reassurance of the fact that there will be funds available to execute or put into being these plans that are being submitted?

Mr. FAY. I am not familiar in detail with the situation in every city. But I know that in many cities around the country basically planning of a general nature has been done. But it is difficult to retain staffs and to maintain momentum in such programs when there is no assurance that applications can be handled quickly or that the funds will even be available. The situation of communities now submitting proposals for new projects is a very dim one, under the limitations of the act as it now stands. But if we were to make the entire contract authority available without respect or without regard to the annual limitations, I think this problem would be removed.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Gonzalez?

Mr. GONZALEZ. Mr. Chairman, I want to commend the gentleman for the excellent analysis he has made; the analysis is the best we have had, section by section, so far.

But I am particularly pleased by the emphasis on your public housing statements, both as to the need to revise and modify some of the existing law as well as the new proposals, and particularly, your remarks on page 3 with respect to specific amendments which will permit the modernization and the updating of the older public housing.

I have been very much concerned with the testimony we have heard so far. And yet even with Secretary Weaver's testimony in which it seems to me—I could be wrong, of course, but it seems to me that public housing was either being completely overlooked, or deemphasized, whereas from the practical standpoint in my own district I have become convinced that public housing is an integral valuable portion of a program which seeks to upgrade living conditions among those who really need the help the most. I know that there are many things that we can all point to, by way of suggestions, in improving public housing from the design standpoint of the experiences that we have had in San Antonio. But at the same time, even with all the shortcomings, I have personally been aware of so much good that has come of this program that I have been frankly very much worried. I noticed in the scheme or the outline of organization of the Department as presented by the Secretary, and I guess adopted, that public

housing does not seem to loom large in the conceptual thinking of those who are forming this broad new Department.

So I compliment you on recognizing that this is important. I realize that the organization is primarily faced with many problems. But nevertheless I hope that you will maintain an unremitting effort through your organization and your membership to alert the citizens of the danger that threatens the public housing in our country.

I do not agree with so many of the critics and enemies of public housing—of course, public housing has already been fought, and it seems to me that now we have reached a point where the enemy has gained a considerable victory. And yet the people this movement helps and has helped are generally the people who do not have an articulate voice. This is where I think we can better justify our election to these positions of ostensible representation.

So I end up where I started by complimenting you on your interest and your awareness of our need.

And Mr. Chairman, I yield back whatever time I may have remaining to my colleague, Mr. St Germain.

Mr. BARRETT. He has 2½ minutes, Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Fay, I would like to agree with you on a few of your proposed amendments. On page 13 as to modernization and updating of older low-rent housing developments, certainly we are all aware of the fact that a great many of these are in dire need of modernization and updating.

And No. 3 in your suggestions, "To encourage good as well as economical design," here again we have seen examples of some pretty horrible design. It seems as though there has been a trend there—I feel that this applies also to housing for the elderly. There seems to be a trend in economics, and one concept where they come up with a particular design, and it is acceptable, and it is found to be economical enough, and everywhere you go you see that same housing project or that same housing for the elderly project with maybe a few little minor variations, but in essence no real inspiration, no thought, no attempt at picking a site, for instance, that when developed would have natural beauty tied in with the design, and no attempt at having the design tied into the geographical location and the natural beauty that might be available.

And so I say to you, I commend you on bringing up this point, because I think it is terribly important. I think it is encumbent upon us to spend a little more time looking at many of these, and encouraging better design and more efficient and effective design, and yet more beautiful design. Because these particular projects can lend to the beauty of the community if well executed.

Mr. FAY. Mr. Chairman, might I just respond to the Congressman.

We have been very mindful of the problem in this direction. I might say that it is a very challenging matter, as you can readily understand, to take limitations of most sites that are available to us in our cities these days, and economically within the criteria still come up with something that is attractive. But NAHRO last year sponsored with the American Institute of Architects and the Public Housing Administration a series of design seminars, some 8 or 10 of them around the country, as I recall. This was carried out in part with a grant from the Ford Foundation, and was at least in part responsible

hensive plan for the metropolitan area in which the program is located."

Section 7 of the demonstration cities bill provides for the office of a Federal coordinator. While this is a good idea, it is definitely limited. The duties of the Federal coordinator should be extended to include providing a clearinghouse for all Federal programs in the metropolitan area. His office should be tied in with the metropolitan information center provided in title IV of the Urban Development Act.

URBAN DEVELOPMENT ACT

We heartily endorse the goals of title I of this bill which would use Federal financial incentives to tie metropolitan planning directly into decisionmaking and action. The principle of supplementary grants to applicant State and local planning bodies that are actually carrying out development projects meeting truly comprehensive metropolitan or regionwide considerations is certainly commendable.

We have no quarrel with the language of most of the bill as contained in title I of most of its provisions.

We do suggest a change in section 105 of the bill, which defines development projects in terms of specified Federal programs. There are some notable omissions from the list of programs, including urban renewal, public housing, air resource management, public health grants, and Department of Agriculture assistance to water and sewer projects.

These omissions, in our opinion, further fractionalize the metropolitan area into central city and suburb and inhibit cooperation and commonness of purpose across jurisdictional lines.

It is our experience that it is unrealistic to administer an urban renewal program by taking only the interests of the central city into consideration.

This may seem politically objectionable to some. But it is a fact nevertheless that renewal and relocation must be dealt with at the total metropolitan scale. Otherwise, we continue to fence in the central city ghetto and to breed discontent and distrust when we should be committed to a policy of unity among all citizens. Furthermore, many urban renewal projects have failed to attract investment capital precisely because the total metropolitan market for housing, and for industrial and commercial facilities had not been taken into account.

We would therefore recommend that major urban renewal and public housing projects having a measurable impact on metropolitan development be included in section 105, as well as Department of Agriculture grants for water and sewerage facilities under section 306 of the Agricultural Act of 1961, when they are made in metropolitan areas.

Dr. Weaver has estimated that about a dozen metropolitan areas might become eligible for supplementary grants during fiscal 1967 and accordingly the administration is recommending a first-year program level of $25 million. It is further stated that with continued encouragement under this program, about 75 metropolitan areas would qualify by the end of 5 years. We would like to see the provisions of this act extended to all 250 or so metropolitan areas within 5 years and Federal policy directed to that end. Only then will we be on the way

to valid and comprehensive solutions to the problems of metropolitan areas.

LAND DEVELOPMENT AND NEW COMMUNITIES

Mr. Chairman, we again commend the administration and the committee for including FHA financing to land development and new communities. We supported it last year and we think it is a splendid program and should be enacted into law. We can predict that the program will be well-received and will provide important new tools in directing urban growth and channeling it into beneficial forms that will improve urban life.

The major omission in section 201 stating criteria for new communities is lack of mention of metropolitan planning. The closest approximation is No. 4, "maximum accessibility to any major central city in the area." If this statement is designed to allay fears of both central city and suburban interests, we feel it might have just the opposite effect, for it is certainly true that "maximum accessibility" facilitates out-migration from the central city as well as return from the suburbs. Better language should be added as:

"(5) Further, if the development is to be located in a metropolitan area, it shall be consistent with and developed as part of the comprehensive metropolitan plan of the area."

Section 206, specifically authorizing urban planning assistance grants to metropolitan planning agencies and local governments where new communities are to be located, is especially important, for it is through this vehicle that the new communities will be put in their proper metropolitan framework.

Another criterion that we would suggest be added to this definition is that new communities should have varied land uses, including commercial and industrial, so as to provide job opportunities for all the residents. This will assure that the communities are actually integrated, reasonably self-contained communities with sufficient recreational facilities and employment opportunities to justify subsidy and not merely large housing tracts.

We would also suggest that the new community be under a single development plan, and have a clear plan for governmental organization (that is, harmony with the existing unit of general local government within which the new community is to be located).

We again support section 208, which would extend Federal assistance to the public land development agencies to finance the acquisition of land to be utilized in connection with the development of well-planned residential neighborhoods, subdivisions, and new communities.

We are convinced that State and local government not only have the legal powers to aid in developing a better urban environment, but also have the growing technical and political capacity.

Where States have been stimulated to direct such growth, they have lived up to their responsibilities. One of the best examples lies in industrial development, where it was determined that bringing new jobs into the area was of top priority. Thus Kentucky has established the Spindletop Industrial Research Park with State aid. The State of New Jersey is redeveloping the salt flats into a new Meadowlands Industrial Park. Many States give special mortgage assistance for industrial sites and buildings in areas of high unemployment.

A specific example of a State-developed new community is underway right now in Wisconsin, where the Wisconsin Federal Surplus Property Development Commission is administering a new community at Brighton, Wis., in Kenosha County.

In 1954, the U.S. Air Force selected over 5,500 acres in Wisconsin as the site for construction of the Richard I. Bong Air Force Base. After considerable work had been completed, the project was abandoned in October 1959, and the land turned over to the State of Wisconsin. It was determined that the surplus Federal land should be developed in accordance with a plan for the entire region, and therefore, the Wisconsin Department of Resource Development was authorized to prepare a master plan of development for the area. This plan was completed several years ago and the Wisconsin Federal Surplus Property Development Commission is now in the process of selling the land to private developers in accordance with the plan.

In this connection, it is interesting to comment that 35 States have now received grants from the Federal Government for comprehensive statewide planning studies. Thus most of the States are well underway to building up the capability to do just the very thing that is envisioned in section 208.

Of course, municipalities would be eligible to borrow money from the Federal Government if they were willing to develop satellite communities. An example is Oakland East, which has been proposed by the central city of Oakland, Calif., as an entirely new community east of the adjoining foothills. Alert counties also could take advantage of this special assistance.

In summary, we would say that this new provision adds a fine tool in the kit of assisting local government and private industry to provide a better living environment for all the citizens of the metropolitan area. We strongly urge its favorable consideration.

NEW TECHNIQUES OF METROPOLITAN PLANNING AND IMPLEMENTATION

I might add parenthetically that we endorse the proposal for demonstrations in effective metropolitan planning contained in the President's message. The cost was estimated at $6.5 million per year. We would caution, however, that if the vehicle of urban planning assistance (sec. 701) funds are to be used for these demonstrations, that increased appropriations be provided so as not to disrupt the existing effective program of grants to States, counties, and municipalities.

URBAN MASS TRANSPORTATION

Expansion of the urban mass transportation assistance program is most important to developing a truly balanced and efficient system of metropolitan transportation. We would also be in favor of the amendment proposed by Representative Reuss and others giving more emphasis to research and development of new systems of coordinated urban transport for metropolitan areas. This is especially important in view of possible incorporation of this program in a new Department of Transportation.

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URBAN INFORMATION CENTERS

We do have several major reservations about the language used in title IV demonstrations for urban information centers.

Section 402(b)(5) properly requires coordination of information systems funded by these demonstrations with systems set up with other Federal programs—most especially urban planning assistance funds. These systems should also be closely coordinated with systems already set up and in existence by States and metropolitan areas, whether or not funded with Federal funds.

Section 403, we feel, is not sufficiently flexible to allow development of useful data banks. There is certainly need for integration of data from the several Federal programs, data from State sources, and from metropolitan jurisdictions—that is, "horizontal integration" for each level of government. But there is also a need for integrated data systems for Federal, State, and urban data—that is, "vertical integration." The distinction between "metropolitanwide utility" and "statewide utility" is, in our opinion, completely unrealistic and should be stricken from the bill.

Section 404(a) authorizes 50-percent Federal grants. The urban planning assistance program—section 701—which has financed work along these lines in many parts of the country makes two-third grants, and other Federal agencies—such as the Office of Economic Opportunity and Economic Development Administration—will fund even higher percentages. We would favor raising the Federal share of the demonstrations envisioned in this bill to two-thirds.

Section 404(b) would, in our opinion, have the effect of making these demonstrations useless and inoperable. As planners, we will be among the most important consumers of the data in these centers, and excluding any data "to be used primarily in the day-to-day operations of State or local governing bodies and agencies" is unsound. Planning is indeed involved in day-to-day operations and this makes it useful. Since title IV would fund only demonstrations, we favor eliminating section 404(b) from this bill. When authorizations are sought to provide assistance in operation of these information centers, prohibitions about using the funds for bookkeeping, stamps or office rent can be developed administratively. Incidentally, rental of computer time is quite expensive and this should not be considered a nonfundable expense.

EDUCATION AND MANPOWER

We wish to add one further comment to this proposed legislation. These bills would increase the coordination of programs on the metropolitan and State levels of government. We support these new trends in Federal thinking. We must add, though, that there is a grave shortage of talent and personnel on the local level to do the necessary job of coordination. We feel that it would be most unfortunate for Congress to enact legislation requiring program coordination without adding money authorization for alleviating the technical manpower shortage.

The legislation before you should, in our opinion, include authorizations for training grants, inservice education, college scholarships and grants to universities to expand their facilities for edu-

cating local community development personnel. This committee very wisely added a significant authorization to the Housing Act of 1964, in title VIII, for city planning fellowships and training programs. To date this has not been funded.

We respectfully call the attention of this committee to the precedents established in other legislation. Last year's solid wastes bill contained authorization for training and education of environmental health scientists. Similarly, the Department of Agriculture every year receives funds for training of extension agents, soil conservation personnel, forest management personnel and other natural resource technicians. We would hope that the Department of Housing and Urban Development under this legislation could be granted broader resources to conduct training seminars and provide educational programs to train local personnel in these very important aspects of local government.

Mr. Chairman, the problems of our urban areas are so formidable as to require the full resources of our entire Nation. Nothing less than implementation of the lofty goals stated so eloquently by President Johnson will suffice if the United States is to become a truly great Nation worthy of world leadership. The rest of the world looks askance at our failure to solve basic urban problems—the richest Nation in the world with the most advanced technology in history with over a fourth of the population living in poverty, and a very large share of our total housing stock in disrepair.

The Federal establishment must provide leadership to mobilize the total resources of our great Nation.

Your committee is to be commended for its wisdom and courage in enacting new approaches and exercising leadership.

Thank you for this opportunity of expressing our views.

Mr. BARRETT. Thank you, Mr. Wise, for a very thoughtful and constructive statement.

I think we share at least one thing in common at the outset, that we both live in the great city of brotherly love called Philadelphia. And you, certainly not I, are a very successful consultant in planning. And I notice on the last page you said that with the shortage of trained personnel we ought to consider this coordinator very carefully. Do you not think we have the most outstanding planners in the world in the city of Philadelphia?

Mr. WISE. I think they have done a most remarkable job in the city of Philadelphia, Mr. Chairman. I have done rather extensive consulting work with them. And I think the program there is becoming very well balanced as between matters of urban beautification and a very direct and keen concern about the serious problems of poverty in that city.

Mr. BARRETT. I appreciate your comments on the job that we have done. But I would like to repeat my question. I say, do you not think we have some of the most outstanding planners in the world in Philadelphia?

Mr. WISE. I think we have indeed some of the most outstanding planners in the world in Philadelphia, and we could use a lot more like them, no question about it.

Mr. BARRETT. I notice at the bottom of page 2 on your statement you say that the Federal coordinator is a good idea but it does not go

far enough. You recommend that his duties should be extended to provide a clearinghouse for all Federal programs in the metropolitan area. You know most of our witnesses have had reservations of one kind or another. And I am glad to see such an outstanding consultant as you making this observation.

Would you indicate how you feel about having him considered on an optional basis or a mandatory basis, and whether he should be selected by the Federal authorities only, or whether he should be recommended by the local authorities and then discussed completely with the local and the Federal authorities to get the best results that we can from a coordinator?

Mr. WISE. Well, Mr. Chairman, as a matter of principles of political science, I believe that the Federal coordinator should be appointed by the Federal Government. I have observed a large number of regional directors at work in the old Housing and Home Finance Agency, and they are very effective people. They are not trying to put their leg on both sides of the political street at the same time. Of course, they want to get along with the local people. But basically they are Federal employees and they are appointed by the Federal Government. If they are obnoxious locally they are not appointed. But that is a part of the political process.

We see this very important office of the Federal coordinator as a two-way street. I do not read the legislation as saying that he is going to be there solely to protect the Federal interest, if you please, but he is to be there to provide a clearinghouse, to provide a single point of reference with regard to the many, many programs that this administration hopes to bring to bear on a coordinated fashion in this marvelous demonstration cities idea.

Now, as I have indicated, I have worked with the planning commission in Philadelphia and many, many other places. And until very recently it has been difficult to coordinate within one city—and it is not just Philadelphia, I can speak for the State of California and the State of Texas as well, sir—the activities of the many Federal agencies that are involved. I think perhaps the term "coordinator" might raise the hackles on the back of some peoples' necks, because it sounds more like a director. But if this were a representative whose job it was to represent the total Federal interest and could come back, then, and coordinate through the Bureau of the Budget the activities of the Department of Agriculture and the Department of the Interior, it would be a splendid thing.

But to answer your question directly, I do not see how this person can be appointed by anybody but the U.S. Government.

Mr. BARRETT. Thank you.

Mr. Harvey?

Mr. HARVEY. Mr. Wise, you have made a very fine statement. There are a couple of questions I have.

The pages are not numbered, but where you discuss the urban information centers on one of the last pages, about the middle of that page you referred to section 404(a) authorizes 50 percent Federal grants. And you recommend, I believe, that it be increased to two-thirds.

Mr. WISE. Yes, sir.

Mr. HARVEY. What amount of money are we talking about there? Do you know what it would cost to do that?

Mr. WISE. I think there is an authorization something on the order of $5 million per year.

The reason, Mr. Harvey, that we suggest this is to make the program useful. With the same general kind of activities, with a slightly different twist, available under section 701 when you get two-thirds money there, and under certain conditions under the Economic Opportunity Act and the Economic Development Act, you might even get a 50-percent program here, and even though it might pick up more activities than, say, 701 authorized, it would bring it into a parity so that you would not be shopping around.

Mr. HARVEY. On the next page under "Education and Manpower" you speak of a great shortage of personnel on the local level to do the coordinating. I am not sure I understand what personnel you are talking about, and how many cities and how many are available at the present time? Could you elaborate a little bit?

Mr. WISE. Certainly.

Right now at the graduate level in the United States there are more than 35 schools that are engaged in the granting of master's degrees in city planning. The membership of the American Institute of Planners has increased from 2,400 to 4,200 since 1960. But there remains a large shortage. In 1965 there were 300 graduates from planning schools, and there were over 600 job opportunities available. I just finished and published 10 days ago a study on the planning requirements of the Washington metropolitan area. This includes four counties in northern Virginia and two in Maryland, plus the District of Columbia. The report was done for the Washington Metropolitan Council of Government. This was to determine what kind of planning ought to be done here on an intergovernmental basis. And when we got through with the job and added it up we felt that there ought to be a professional staff just for this 1 organization of 71 professional people. And this is just the beginning. There is a very serious shortage.

Mr. HARVEY. On another subject, it has been suggested that areas outside the central city could be used to provide the low- and moderate-income housing. Let me ask you whether you think that this proposal is realistic? What if the economic justification—the jobs—are in the central city?

Mr. WISE. If I may refer to my most recent Washington experience, we have got the beginning of a reverse twist to that sort of a thing here. And that is that a lot of the jobs are going to the suburban areas that are attracting lower income workers and people out of the central area. And there are going to be housing needs out there too.

Now, I recognize that there has been a historic reluctancy—it is stronger than that, I guess, sometimes not spoken as clearly as it is felt—to consider housing and the housing problems at the metropolitan scale. And yet from my own experience, when a city is doing a redevelopment job, and the highways are cutting through the city, another committee is considering the Intergovernmental Relations Act of 1966, which deals with a standard relocation program—if you are disrupting people in center cities, then you have to find places for them to live. And this should be looked at in our judgment on a total metropolitan scale. And I think that it is realistic. It does not

mean that you have to have a housing authority in every county and every city. We do have some other new tools.

In doing this job for Metropolitan Washington, I talked to county supervisors and said, "We have to provide housing, we are going to use 221(d)(3) out here, we have to have a common housing policy between the District of Columbia and some of the surrounding areas."

It is not going to happen over night. But it is going to happen, I think, as people realize that the metropolitan area has to solve all of its problems, including the very tough problems of housing.

Mr. HARVEY. I just have one other question—not a question, but an observation.

I gather from the first page of your statement that you felt that these bills H.R. 12341, and H.R. 12946, are very definitely not in harmony. And I wonder if you would care to elaborate in that regard.

Mr. WISE. I think that they could be in greater harmony if they were included in a single bill, in which we would then be able to relate one part to another.

For example, in the Demonstration Cities Act, as I have said it in the testimony, it seems to me that this has to be looked at again as a part of a metropolitan phenomenon and not just a part of one neighborhood versus another neighborhood, and that we have got to look at the coordinator as a part of the demonstration center idea. If they were in one bill, I think we would begin to look at it more as an approach to the urban metropolitan phenomena in the country instead of parts of it.

Mr. HARVEY. Thank you very much.

I have no further questions.

Mr. BARRETT. Thank you, sir.

Mrs. Sullivan?

Mrs. SULLIVAN. As a comment, sir, I thoroughly agree with Mr. Wise when he says that the program must be developed as a part of the comprehensive planning process for an entire metropolitan area.

But I think there are going to be problems. And while I don't think that the problems could not be overcome, I believe they would be difficult. For instance, my own city of St. Louis, which is an independent city with a mayor and board of aldermen, while St. Louis County surrounding St. Louis has a country supervisor and a council. The city is not part of the county. One is Democratic and one is Republican.

Mr. WISE. I am very aware of that.

Mrs. SULLIVAN. As I said, I think it would be worked out, but it would be difficult to get a comprehensive plan combining both areas. But we would be very foolish if we did not try.

Mr. WISE. I have had, Mrs. Sullivan, some discussions with Supervisor Roos and some others in St. Louis about getting started a metropolitan council of government as a beginning for the exchange of common information. And some of these steps have already been taken.

Mrs. SULLIVAN. I think it is the only way it can be done. Because we are seeing the movement of people into the county and suburbs and out of the city, to the detriment of the city, and when the central city goes down, the people in the suburbs feel it too, eventually. It is not to the benefit of either city or suburb for this to happen.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Wise, if we do keep the bills separate, I wonder if you would comment on the proposal that the one bill which is now cited as the Urban Development Act should not properly be changed to be called the Metropolitan Development Act.

Mr. WISE. I would certainly concur in that approach, Mr. Moorhead, definitely.

Mr. MOORHEAD. With respect to this Federal coordinator, whatever title we finally come up with, am I correct that it is your testimony that there should be a coordinator for every metropolitan area, and we would not need a special coordinator for a demonstration city; we would have this one Federal coordinator whether this was a demonstration city or not; is that not correct?

Mr. WISE. That is exactly my thinking. I think whether or not he is called a coordinator or a central source of information, whether he is out of the Bureau of the Budget or HUD, there is a great need for this in the localities.

Mr. MOORHEAD. I had not thought of that possibility, that he would be out of the Bureau of the Budget.

Mr. WISE. You might think about it.

Mr. MOORHEAD. I do not know whether we have the jurisdiction to do that.

Mr. WISE. If I may extend that thought for just a moment, Mr. Moorhead. I think the Bureau of the Budget has done a rather outstanding job of coordinating the efforts between various departments that have a parallel kind of a mission. The Executive order that came out, I think, last August or September related the planning requirements for the Open Space Act administered by HUD and the Land and Water Conservation Act administered by the Department of the Interior. These planning requirements are not in conflict, they are consistent. And this is one of the big jobs that the Bureau of the Budget has done.

Mr. MOORHEAD. If they can do the job here in Washington—and you are suggesting that we have a fieldman to do that for metropolitan areas—I think the committee should consider that.

Mr. Wise, you also testified about the job of relocation being metropolitanwide, and gave us an example in east Oakland of the possibility that the cities could use this new communities provision for establishing—for helping to solve their relocation. Is this outside of the city limits; is that what you are proposing?

Mr. WISE. The Oakland East development is somewhat similar to the Wisconsin situation I was speaking of. It would use a military facility of large acreage and would be some 12 miles outside the existing limits of the city of Oakland. But it would have the same city council, and the police department, and the same tax base, because it would be part of the same city.

Mr. MOORHEAD. And the city of Oakland would expand by the purchase route, and the people who live in this new community would be considered citizens of Oakland and vote?

Mr. WISE. Yes, indeed.

Mr. MOORHEAD. I wonder if that could be done legally in other States, or is it a particular provision?

Mr. WISE. It would require a fairly simple amendment, as a matter of fact, to the basic legislation in California to remove the requirement of continuity. But the idea is big enough and exciting enough, and addresses itself to many different problems. Although it has not been formally proposed to the legislature, the discussions I have had out there indicate that it would be pretty favorably received if the city wanted to do it.

Mr. MOORHEAD. Yes; I know. In some cities, and I include my city of Pittsburgh, we have the problem, if we have tried to clear out slums we have no open land on which relocate people.

Mr. WISE. Within the city.

Mr. MOORHEAD. All we have is a greater density in another part of the city.

Mr. WISE. This would be a part of the comprehensive metropolitan development plan, the new city of Oakland East, as they propose to call it, would be part of a planned growth development for that entire section of the east Pacific of the San Francisco Bay area.

Mr. MOORHEAD. Thank you very much, Mr. Wise. I find your testimony extremely interesting and stimulating.

Mr. BARRETT. Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

Mr. Wise, I share your zeal to provide a climate in which metropolitan planning can thrive. I have certain difficulties with the proposition you advanced that the demonstration cities program should have as an essential criterion that the program not only be consistent with comprehensive metropolitan planning, which is what the present bill provides, but that it be developed as part of a comprehensive metropolitan plan. I would certainly hope that it would be. But what about a city which wants to have a demonstration cities grant program but finds itself surrounded by dog-in-the-manger suburbs which for all the reasons that you are familiar with, don't want to have metropolitan planning? I would hate to deprive such a city of the demonstration cities program when through no fault of its own it is not able to plan on a metropolitan basis.

Mr. WISE. Mr. Reuss, I am certainly sympathetic and understand your position. I think, however, that I can observe that within, let's say, the next 5 years at the outset that it is quite likely that we are going to have effective metropolitan planning in every metropolitan area in the United States. Now, the Highway Act of 1962 required that there be a comprehensive transportation planning process in place and going by July 30, 1965, in every metropolitan area. I think almost all if not all of the metropolitan areas in the United States have achieved that, or have met that requirement.

Mr. REUSS. There was, of course, an important stick being held over the backs of these communities, because if they did not participate in such combined metropolitan transport planning, the highway would not go through their borders, and that would be the end of them. But what about a selfish suburban community which could not care less about the explosive Wattses in the central city? We have them. And how are they going to be impelled to participate in broad-scale metropolitan planning just to help the central city get its grant to clear up its Watts area?

Mr. WISE. The point that I am making is that you are beginning to develop a tool that is made up of many sticks, and that the Highway Planning Act is one of them. There is a very similar requirement. almost precisely the same kind of thing that now pertains to the expenditures of funds under the Land and Water Conservation Act of 1964.

Now, I say, with the Highway Act we are beginning to get some dialog, we are beginning to see that perhaps our thoughts on just highway planning were not broad enough. We are on the way to achieving dialog, communication and a great deal of understanding in the metropolitan area. If you would rather leave the act the way that it is, in terms of consistency with metropolitan planning, at the present time this would be fine, provided that the development of the demonstrations program was a part of the cities' comprehensive planning process. The objection that I was raising is that rather than saying that it should be consistent with a plan, we feel that it should be developed as a part of the plan. Now, if you want to leave it consistent with the metropolitan plan, but indicate that it should be a part of the comprehensive planning process within the city, this would, I think, overcome your objection.

Mr. REUSS. Mr. Moorhead and Mr. Ashley and I have proposed an additional criterion by way of amendment to the demonstration cities program of the administration which would require a workable program, which means communitywide, before you could get a demonstration grant. And that would meet at least part of your point, would not it?

Mr. WISE. Yes; it would.

Mr. REUSS. Thank you.

I do have one more short question.

I enjoyed your whole testimony, and particularly about new towns. I wonder if you have noticed as I did that whereas the State ownership part of the new towns proposal requires multi-income communities, the mortgage insurance portion does not. Don't you think the good planning for State-owned new towns is equally important for mortgage insurance to new towns?

Mr. WISE. If I were drawing the legislation, I would certainly draw it that way, Mr. Reuss, very definitely.

Mr. REUSS. Thank you.

Mr. BARRETT. Thank you, Mr. Reuss.

Mr. Wise, you have been a very informative witness here this afternoon. We have been very glad to have had you and your associate here.

The committee will recess until Monday morning at 10 o'clock.

(Whereupon, at 2:23 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Monday, March 7, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

MONDAY, MARCH 7, 1956

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, Moorhead, St Germain, Gonzalez, Widnall, and Harvey.

Mr. BARRETT. The committee will come to order.

The first witness this morning is Frederick Simpich, president of Oceanic Properties, accompanied by Mr. Harlan S. Geldermann.

Mr. Simpich, we are certainly glad to have you and your associate, Mr. Geldermann, here this morning. We do want to make you feel at home. We understand that you just had some surgery. And realizing that, we are going to try to speed up the time for you and not exhaust you in any way and get the best results that we can out of your testimony.

If you desire to read your testimony through, you may do so, and after you finish we will ask you some questions.

STATEMENT OF FREDERICK SIMPICH, PRESIDENT OF OCEANIC PROPERTIES; ACCOMPANIED BY HARLAN S. GELDERMANN, PRESIDENT, GELCO DEVELOPMENTS

Mr. SIMPICH. Thank you, Mr. Chairman. I would like to read our testimony, but I would like to be asked questions afterward, in which Mr. Geldermann will assist me in answering.

Mr. BARRETT. Before we continue, Mr. Simpich, we have one of our most capable Members here this morning. I know he is both a good friend of yours and Mr. Geldermann's. And he has proved to be one of our most capable and productive Congressmen. Don Edwards of that great State of California. And I would like Don to introduce both of you here this morning.

Don, would you do this honor for these two distinguished gentlemen?

STATEMENT OF HON. DON EDWARDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. EDWARDS. Thank you, Mr. Chairman and members of the subcommittee.

It is my pleasure to introduce two distinguished gentlemen and good friends of mine. Mr. Frederick Simpich, Jr., of Honolulu,

president of Oceanic Properties, and Mr. Harlan S. Geldermann, of Danville, Calif., president of Gelco Developments.

These two gentlemen have long been involved in homebuilding and land development. They are noted throughout the West for their creative work in the planning of new communities. They have important and thoughtful testimony in connection with provisions of the housing bill which have to do with the provisions for new towns and I am sure that you will find your discussions with them most helpful in your present considerations. Thank you.

Mr. BARRETT. Thank you, Mr. Edwards.

Mr. SIMPICH. Thank you, Don.

Mr. GELDERMANN. Thank you, Don.

Mr. BARRETT. You may proceed with your testimony, Mr. Simpich.

Mr. SIMPICH. Thank you, sir.

We are here representing a joint venture in the development of a new community on 12,000 acres of land in San Jose, Calif. A subsidiary of Castle & Cook of Honolulu, Hawaii, of which Mr. Simpich is president, is also developing a 2,000-acre new community on the outskirts of that city. The following comments in support of certain features of the housing legislation under consideration are pertinent to both of these substantial new community developments.

Our remarks will be in support of H.R. 12939 introduced by Congressman Barrett, chairman of the Subcommittee on Housing, and H.R. 12946 introduced by Congressman Patman, chairman of the full Committee on Banking and Currency.

Last year the Congress enacted a significant new program of mortgage insurance for privately financed land development, which encouraged the formation of new communities. There was thus established as national policy the principle that the creation of such communities is one valid ingredient of urban expansion. And urban expansion there will be, sooner than most realize. The Nation's cities must expand to accommodate 200 million people in the next 20 years. For example, Honolulu, small among American cities, with its half a million population, will nearly double in size in this period and require urbanization of 25,000 acres of the scarce land on the island of Oahu.

If this urban expansion is to occur in an orderly and planned fashion, it must take place in the form of new communities and, unfortunately, the $10 million limitation imposed on the FHA mortgage insurance program for land development in last year's legislation is inadequate. We have before us the cash flow requirements for a new community within the city limits of San Jose. This statement, based on over a million dollars of planning, research, and engineering work and generated by computer, shows that a cash amount in excess of $20 million is required for this development. Clearly, only organizations with vast resources can undertake such a development. Passage of Congressman Barrett's and Patman's measures will make it possible for smaller developers and builders to participate in the way urban America should and must grow.

Further, the latitude given the Secretary of Housing and Urban Development, in extending the term of such mortgages beyond 7 years is important. Again referring to the cash flow for the new community in San Jose, we find that 11 years are required for the developer to recover his investment of cash.

While the conference of mayors has remained silent on this legislation, it is significant that the city manager of San Jose and the mayor of Honolulu are both strong advocates of the two new communities with which we are concerned and of the legislation which we endorse today.

Adoption of title II will provide the spur to the proper urbanization that the American public aspires to and which our economy and technology are capable of producing. Although almost entirely profit-motivated, the housing industry has, nonetheless, repeatedly demonstrated its anxiety to create a better living environment for Americans of every income level. The greatest and most dramatic opportunity to accomplish that objective has, in recent years, been couched in comprehensive preplanned urbanization. Unfortunately, however, after much probing over the past two decades, involving vast expenditures of private capital, one fact has become inexorably clear: The success of the new communities concept requires Federal assistance. Specifically needed are (1) single-source, large, long-term, low-interest loans; and (2) a clearinghouse set up to efficiently amass, organize, and disseminate factual information relating to this vast new industry.

There are no conventional sources for the type of loan required. Smaller builders must either compromise the concept of the new communities development or resort to exorbitant interest payments, 12 percent is not unusual, plus some "sweetener" to attract the lender. The added inducement may take the form of an option on a large share in the equity or other collateral participation in the success of the venture. Conventional financing for land development is usually for a term of 3 years or less, while the development of a true new community will take from 10 to 20 years to complete.

Adoption of title II will have a multiplicity of benefits:

1. It will permit better housing and a better environment to be put on the market at lower prices.
2. It will insure smaller developers an opportunity to participate in the new communities concept by providing credit sources not now available to them.
3. It will permit devotion of greater areas to open space and the provision of more generous amenities.
4. It will permit better quality throughout.
5. It will insure better planning.
6. It will permit the creation from the outset of an environment balanced as to residence, recreation, open space and employment.
7. It will provide properly sized utilities and roads which will yield economies in the future thereby reducing the capital cost of the facilities as well as the service costs to the homeowners.
8. It will make for comprehensive planned coordination of transportation, greenbelts and open space, regional parks, recreational facilities and other regionwide cultural and physical amenities.
9. Because all of the regular amenities, such as schools and public buildings, will have been provided, it will do much to insure the success of the new communities concept, as this is directly related to the confidence of the home buyer in the ultimate outcome of the project.

May we make one final point. The very small builders and contractors have been concerned that encouragement of the new communities concept would somehow divert construction business away from

them and to the bigger contractors. While we cannot speak for others, valid business considerations in both San Jose and Honolulu have lead us to quite the contrary position. As a result of extensive and comprehensive market studies and analyses, and upon the unanimous recommendations of our consultants, we plan not to build ourselves, but, once having developed the basic roads, utilities, and amenities, to encourage a number of builders with a vast divergence of styles and price ranges to come in and build competitively within the general framework of our controlled and operational master plan.

Thank you, Mr. Chairman, for this opportunity to be heard.

Mr. BARRETT. Thank you, Mr. Simpich.

Mr. Simpich, I have a very short question I would like to ask you.

I want to thank you for your excellent and informative statement. As you know, this proposal for FHA insurance of loans to establish new towns and communities has been before our committee for several years. Last year we authorized FHA insurance for suburban subdivisions, but the Congress did not extend the FHA insurance to embrace new towns. Frankly, there is considerable doubt about new towns on the part of the homebuilders and mayors. Would you think if Congress were to authorize FHA insurance for a limited number of new towns, say, for example, a half dozen—in other words, we would set it up as a demonstration program to see how it would work—do you think this would be good strategy?

Mr. SIMPICH. Well, I think we would be a little disappointed that the Congress did not accept the legislation as now drafted. We certainly would be candidates to participate in such a demonstration program, because we are satisfied from both the business and esthetic point of view that the future growth of America should be in the form of new communities, new towns, however it is phrased.

Do you have anything to add to that?

Mr. GELDERMANN. In our particular cases, Mr. Chairman, each of these developments is within the city limits of a major city. So it is not the new town that has gone away from the neighboring city and started up on its own with the political subdivision, et cetera.

Mr. BARRETT. Mr. Geldermann, I want to say that many on our committee are in favor of new towns. We are hopeful that we can give an abundance of housing units to the people that are in dire need of them. But we also have to be practical and look at the opposition to this type program.

Now, would authorizing the programs for a few, as I said, say a half a dozen cities, for the purpose of convincing the mayors that it is not detrimental to their own cities, be better than trying to get the entire whole cake, and losing it entirely?

Mr. GELDERMANN. I would consider that a valid approach.

Mr. BARRETT. You think that would be a sensible approach?

Mr. GELDERMANN. I would have to think more about it, sir. But I think that the principle is good, if it means that it has to be approached on that basis in order to enact the enabling legislation, then I would be in favor of it.

Mr. SIMPICH. May I add a point?

It would be my opinion that one of the reasons that the mayors are indecisive on this is that many of them have not been exposed to the detailed planning and the arguments which are available on

behalf of this means of growth, and the fact that if properly planned the new community concept will permit reductions in the expenditures of tax dollars for city services over those that would prevail through conventional expansion and growth. But this takes a long and persuasive discussion with an individual mayor in terms of his own town. Now, as I said in my statement, in both San Jose and Honolulu the mayors are the greatest advocates.

Mr. BARRETT. I can appreciate that. And I certainly appreciate your statements here. But some of the mayors think differently.

Thank you very much. Mrs. Sullivan.?

Mrs. SULLIVAN. No questions, Mr. Chairman but I would like to observe that on the short trip we made to Honolulu last year some of the committee saw some of the new developments being done in Hawaii. Your testimony has been most helpful to the committee.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Do I understand that the development of the new community in California is within the city limits of San Jose?

Mr. SIMPICH. That is correct.

Mr. MOORHEAD. And how about the development in Hawaii, is that within the city limits of Honolulu or outside?

Mr. SIMPICH. Within. The whole island there, it is the city of and county of Honolulu, so that the same zoning and tax base throughout the island are involved.

Mr. MOORHEAD. I think it is significant that it is within the corporate limits, and you have the support of the mayors. I think that where we lose the support of the mayors is where we are planning a new community outside of the city limits. I would like to see if I understand correctly your position with respect to Chairman Barrett's question. If in order to get this legislation passed as a practical matter, if we would have to put some limits on the number of new communities, or the total amount of money authorized which would have substantially the same effect, you would regret this, but accept it as a step in the right direction and only wish it were a bigger step, is that correct?

Mr. SIMPICH. That is correct; yes.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Moorhead.

As I promised you, Mr. Simpich, we are not going to exhaust you this morning. We appreciate your very fine statement, and your answers and those of your associate to the questions.

All time has expired for your testimony. We thank you for your very fine statements.

Mr. SIMPICH. Thank you.

Mr. GELDERMANN. Thank you, Mr. Chairman and members of the committee.

Mr. BARRETT. Our next witness this morning will be Frederic A. Fay, president, National Association of Housing Redevelopment Officials. I wonder if Mr. Fay would come forward.

Mr. Fay, we are glad to have you this morning.

I notice you have an associate with you. Would you be kind enough to introduce your associate?

STATEMENT OF FREDERIC A. FAY, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS; ACCOMPANIED BY JOHN D. LANGE, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. FAY. The man accompanying me is Mr. John Lange, the executive director of the National Association of Housing and Redevelopment Officials.

You have identified me as the president of the association. And I am executive director of the Richmond, Va., Redevelopment and Housing Authority.

Mr. BARRETT. Of course, we are well acquainted with John Lange as a witness before our committee, and we greatly appreciate the previous very fine statements of your organization. And I am sure the statement that you will give us this morning will be edifying. We are glad to have you and we certainly want you to feel at home. If you desire to complete your statement you may do so, and we will ask you some questions afterward.

Mr. FAY. Thank you, Mr. Chairman.

My testimony consists of a prepared statement and a supplemental statement that we should like to furnish for the printed record. And then, of course, I will be pleased to answer any questions that may come from the committee.

It is with considerable pride, that I appear before you this morning. For 33 years, our association, which, in the interest of brevity, I will refer to as NAHRO, has represented the views of the operating officials who have the responsibility of making both existing and new housing, redevelopment, and code enforcement programs effective on a day-to-day basis. This is a great responsibility, for, as you well know, the success of any program lies in its execution.

Our membership consists of Federal, State, and local public officials representing every section of the Nation. They are actively involved in all types of federally aided housing, code enforcement, and urban renewal operations in over 2000 localities across the country.

Therefore, Mr. Chairman, we come before the committee to present the point of view of the individuals who must translate Federal assistance programs into action. Our problem is getting the job done, once the legislation has been approved.

Today, we are here to give our support to three bills proposed by President Johnson and introduced by the chairman of this subcommittee, Mr. Barrett, the Demonstration Cities Act of 1966, the Urban Development Act, and the Housing and Urban Development Amendments of 1966.

The proposals for new large-scale demonstrations for cities and metropolitan areas are truly exciting and promising. NAHRO members are deeply concerned and involved with the improvement of living in cities and metropolitan areas. We recognize that only the highest order of commitment of both our physical and social resources will be sufficient to turn the tide of blight and unplanned growth. NAHRO is ready to work cooperatively with other interests, public and private, at both national and local levels, to achieve the goals of the proposed demonstration acts.

We particularly commend the demonstration cities concept for its recognition of the need for comprehensive community programing and the need for coordination of Federal assistance programs at the local level. We also particularly endorse the approach of incentives to achieve metropolitan area planning and coordination, as it is contained in the proposed Urban Development Act.

As we give our support to the new demonstration programs, we express a firm belief that the existing programs of housing and urban development are the solid base on which the demonstration programs must be built. The prospects for these existing programs should be as exciting and promising as the prospects for the demonstration cities program. We should have assurance that they will be strengthened where necessary by amendments and funded at a level where they can fulfill their highest potentials, both as part of and independently of the demonstration efforts. It would be ironic and tragic if, in emphasizing what cities can do under the demonstration cities program, we overlooked what is being accomplished even with limited funds under the existing urban renewal and housing programs. I will have some specific recommendations to make in this regard a little later in this testimony.

Mr. Chairman, there are three aspects of the Demonstration Cities Act on which we wish to comment: (1) how the selection process will be handled; (2) the number of cities that can realistically expect to participate in the program; and (3) the area, or areas, that a city can include in its demonstration project.

On the first point, it is our understanding that these demonstrations are meant to provide evidence that "massive" improvements in urban life—on a fast time schedule—can flow from the use of certain techniques of coordinated planning, concentrated action, and pooled financing among many Federal, State, and local agencies. This is a dramatic concept. If we can move into realizing it with the least possible delay, we feel sure there will be widespread national acceptance of an accelerated and expanded community development program that will, at long last, begin to make the kind of impact on urban slums and blight that the mayors who have testified here—as well as our members—have been trying to achieve with limited resources under the existing programs.

To move with dispatch, we think the Secretary of the Department of Housing and Urban Development should be given a very flexible formula for selecting demonstration cities. Cities already well advanced in coordinating various community development and social welfare programs would certainly not require a year or more of planning to qualify as a demonstration city: they might well have a qualified application, outlining the dimensions of their proposal, ready shortly atfer passage of the act.

Further, these demonstrations should take place in cities of varying size, of varying age, of varying geographic location, confronted with varying social and economic problems. In this way lessons would be available to cities of all sizes and conditions. There might well be a demonstration in a city that has, up to now, made no moves toward urban renewal or community development. Thus, we feel that the demonstration aspect should be an important consideration in the selection of cities.

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This leads naturally into our second comment: Whether it is realistic to think that there can be 60 or 70 high-quality demonstration programs funded out of the $2.3 billion figure that has been set as the price tag for this program. It is our view that no less than the suggested 60 or 70 demonstrations can provide useful experiences in dealing with the wide variety of situations outlined above. Therefore, NAHRO feels that, if this program is to accomplish its stated purpose— to demonstrate what a number of cities can do given the necessary resources—we must be prepared to commit a great deal more than $2.3 billion even to begin the job.

As to area, or areas to be included in the demonstration, NAHRO feels that noncontiguous areas should be eligible for consideration as part of a city's demonstration program. The President spoke of providing flexibility so that cities can determine the nature and extent of their demonstrations. Large cities might well want to attack only one section, or neighborhood, but medium and small cities should have the opportunity to present truly citywide proposals to treat all their blighted areas if they so desire.

Mr. Chairman, we have commented on three specific aspects of the demonstration cities program. We should now like to revert to our earlier point: our concern that existing Federal assistance programs—especially the new programs enacted in 1965—may not be funded adequately to realize their highest potentials.

The most critical need for funding as we see it is for the urban renewal program.

When NAHRO testified before this subcommittee in 1965, we stated that the administration's request for $2.9 billion in capital grant authorization for urban renewal projects fell considerably below the demonstrated need for funds. We stated at that time:

> The sad fact is that, in the past, the Urban Renewal Administration has run out of capital grant funds and has been unable to keep up with local programs, thus creating serious problems for the cities. Start-and-stop programs mean that local staffs cannot be kept intact, that project boundaries have to be cut back, and that long-range planning and programing must be undertaken without assurance that funds will be available to carry out projects.

We concluded:

> In view of the fact that applications to the Urban Renewal Administration have twice exceeded $1 billion a year, when sufficient grant funds were authorized, and that since then the number of participating cities has increased, we recommend that the Congress authorize a total of $6 billion to be committed for capital grants over a period of 4 years, but without limitation in any one year.

We regret to inform you that we underestimated the seriousness of the shortage. We have since followed the monthly figures on supply and demand for urban renewal funds. Urban Renewal Commissioner Slayton provided the subcommittee with a glimpse of those figures on the first day of the hearings, when he predicted almost $1 billion in urban renewal backlog by the end of this fiscal year. Additional demands on the same total renewal authorization will come from cities embarking upon concentrated housing code enforcement programs, demolition programs, and rehabilitation grant programs—all authorized as grant-in-aid programs by the Congress last year. Thus we are faced with the most serious gap in the history of this program between the cities' needs and the Federal Government's supply of urban funds. We face that gap at a time when this bold demonstra-

tion cities program would create an immediate and substantial new demand for urban renewal funds. This will be over and above the new demands created by the passage of the 1965 act.

Mr. Chairman, this immediate need can be met out of the $2.9 billion authorized last year by the Congress to be used over a 4-year period—if the yearly restrictions on the use of those funds are eliminated. Those funds should be made available to the cities to use as their capabilities and needs demonstrate.

One additional word about this $2.9 billion. The commitment of this money is needed in the form of reservations to enable cities to start planning their projects. Actual disbursements come later. This is advance funding, and it is vital for housing and urban development programs. Cities are reluctant to begin planning a project if they do not have assurances that funds will be available to carry it out. Until 1965 urban renewal was conducted through advance funding—defined as contract authority. We urge the Congress to restore contract authority to the urban renewal program, and to extend it as well, to the demonstration cities program.

Mr. Chairman, now I would like to say a few words about current demand in the low-rent housing program. Commissioner McGuire said last Monday, the backlog of public housing applicants on the waiting list is estimated at 500,000.

Demand for public housing in this fiscal year will probably be the largest in any year since the passage of the Housing Act of 1949. The number of reservations issued in the first 8 months of the fiscal year which began last July total almost 45,000 units in 273 communities. This 8-month figure is larger than for any full fiscal year since 1950—when World War II housing backlog and passage of the Housing Act of 1949 were stimulating factors. The number of applications received in this first 8 months—over 84,000 units—is similarly the largest in 15 years. Even though the current pace of applications and reservations does not yet reflect the new proposals authorized in the 1965 Housing and Urban Development Act, the prospect is that the number of localities with reservations will be the second largest in public housing history.

I cite these figures to point out that this program is on the move; that the current annual projection of 60,000 units a year anticipated in the 1965 act may already be outdated; and the prospect is that the total authorization of 240,000 units for 4 years will undoubtedly be inadequate to meet the demand. Needless to say, current projections do not reflect the demands to be made on public housing under the demonstration cities program.

As in the case of urban renewal allocations, we recommend that the total authorization of units be made available for commitment immediately as the need indicates so that communities may proceed in a sound manner.

Mr. Chairman, I should like at this point to turn to H.R. 12946, the Urban Development Act.

NAHRO fully supports the President in his desire to provide a more realistic approach to problems that have, for some time now, defied solution within the limitation of traditional political jurisdictions.

I should like to quote from our 1965 to 1967 policy resolution, adopted at our 30th national conference held in Philadelphia in October of 1965. We stated that NAHRO is aware that "* * * emerging

concern with the problems of urbanization that overlap the bounds of various political jurisdictions has created a new functional unit—the urbanized region—which in many cases crosses State boundaries and encroaches on the existing framework of local government units."

Mr. Chairman, may I request permission to place the entire text of this policy resolution in the record at the end of my testimony?

Mr. BARRETT. Without objection, it is so ordered.

Mr. FAY. Thank you, Mr. Chairman.

Title I of H.R. 12946 seems to be appropriate for beginning the process of integrating the developmental activities of the various political jurisdictions into a comprehensive and effective regional plan for growth and development.

By providing financial incentives, this bill will not only encourage the creation of metropolitan planning bodies, but will also provide State governments an increasing role in local and regional efforts through the provision of proper mechanisms for the planning and development of metropolitan areas.

Title II of H.R. 12946 expands and improves the new communities provisions of the Housing and Urban Development Act of 1965 by increasing from $10 to $25 million the amount of a mortgage that the Federal Housing Administration can insure with a private developer for the assembly and improvement of a new community site and by authorizing the Department of Housing and Urban Development to make loans to public land development agencies for the assembly of new community sites, for later sale to private developers.

NAHRO supports both of these forms of Federal aid for new communities. But, consistent with our 1965 testimony, we still feel the lack of a comprehensive national policy and philosophy with respect to new town development. The two land assembly programs carried in this bill put special emphasis on economy in the assembly of land and on controls with respect to the social and economic balance of new communities.

It is NAHRO's view that these considerations do not get at the full scope of what a new communities program can mean to orderly urban growth and to improved living conditions on a national basis. The association still believes, as it stated in testimony last year, that there is an urgent necessity to undertake a concerted study aimed at establishing a comprehensive concept and policy, including an evaluation of such key issues as those raised at the new communities session of NAHRO's biennial conference last October—(a) form of local government, (b) land-use controls, and (c) relationship to central cities. However, in view of the critical need to undertake some action to direct unplanned growth, we endorse the two proposals contained in the 1966 Urban Development Act—with the prospect of review and adjustment at a later date, when they can be considered as part of a total program and policy. Pending the formulation of such a comprehensive policy, we wish to recommend a safeguard. That the Secretary make a finding that the proposed new community is consistent with the planning being done in the metropolitan area, and will not have an adverse effect on the central city.

As a point of information, Mr. Chairman, NAHRO has taken very seriously its obligation to participate in the effort to develop such a comprehensive policy. In addition to the session at our biennial con-

ference—a report of which I would like to file for the record—we have presently three other studies in prospect: a review of the American experience with the three greenbelt towns built in the 1930's, an analysis of British experience with land-development policy and limitation of city growth, and a review of the Israeli land-use control system. We should like to recommend that the new Department initiate a research and development program in this area, a matter it is particularly qualified to undertake.

I will not dwell on title III of H.R. 12946, Mr. Chairman, except to say that local operating officials strongly support the development of adequate mass transportation systems and give approval to the increase in authorization and extension of the Urban Mass Transportation Act of 1964 as requested in this title.

As to title IV—grants for urban information centers—we are enthusiastic about the potential of such centers. Our members are continually hampered by a lack of adequate material and the diffuseness and uncoordinated status of facts on our urban "condition." As we read the legislation, it should not only be possible to assemble data on the basic characteristics, sources of assistance, and problem trends with respect to particular metropolitan or State areas—but to stimulate the orderly collection by other agencies of additional needed facts, for dissemination through the centers. Most individual cities have not yet managed to set up such centers of local information—but a beginning, on the State and metropolitan level, as envisaged in the bill, should have a stimulating effect on the whole field of urban data collection. This could be particularly the case if such centers were related to college and university programs.

Now, Mr. Chairman, I would like to devote the balance of my testimony to H.R. 13065 and offer some suggestions for improving our existing programs, which after all, must bear the burden of urban development progress in the vast majority of communities not participating in any of the above demonstration programs.

Mr. Chairman, there are a number of amendments in H.R. 13065 that NAHRO feels are particularly important. While endorsing the entire bill, we would like to comment briefly on sections 104, 105, 106, and 107.

Section 104. Low-rent housing for displaced families—Term of lease.—This amendment would provide for greater flexibility under the promising new program of private leasing by making it possible to lengthen the limit on the term of lease (3 years) in the case of displaced families. This should make the new private leasing program even more effective as a relocation assistance tool.

Section 105. Low-rent housing—Use of newly constructed private housing.—This amendment would make it possible to achieve broader use of private housing resources in a local community for low-income families, including new as well as existing private housing and would also encourage joint ventures between local housing authorities and private owners in low- and middle-income housing.

Section 106. Applying advances in technology to housing and urban development.—One of the important guidelines (No. 7) in the President's 1966 message on urban development is "to take advantage of modern cost-cutting technology without reducing the quality of work." If this guideline is to have a realistic application, an intensive effort

must be made at once to search out the best technology which can be utilized in rapidly expanding construction programs in the urban development field. This program of assistance should provide valuable insight on the most productive ways to apply advanced technical knowledge in a practical and broad-scale effort, without sacrificing quality.

Section 107. Rehabilitation and code enforcement grants.—We agree with the administration that the limitations on the amount of urban renewal grants available for the new rehabilitation and code enforcement programs provided for in the Housing Act of 1965 seriously hamper the success of these programs. We therefore, strongly support the removal of these limitations as provided for in this suggested amendment.

Now, Mr. Chairman, I would like to propose for your earnest consideration some additional amendments to the law not in the current bill. We consider these of priority concern.

We would like to call the attention of Congress to the fact that local government officials are faced with two urgent code enforcement problems: first, that of enforcing housing and related codes within an intensive program to conserve basically sound areas and prevent them from becoming tomorrow's slums; and, second, that of enforcing these codes in the worst slum areas as an immediate remedy for substandard housing conditions, merely to protect the health, safety, and welfare of the inhabitants.

Last year, Congress enacted section 117 of the Housing and Urban Development Act of 1965 authorizing grants for concentrated code enforcement programs in deteriorated and deteriorating areas. This provision goes far toward meeting the first problem, but ignores the second—the more urgent code enforcement problem. This is because concentrated code enforcement programs under section 117 are not authorized for use in the most depressed slum and blighted areas.

These are areas that are likely to be the principal target of the demonstration cities program presently under consideration. They demand immediate attention in order to alleviate the seriously hazardous conditions under which residents of such areas are often forced to live which, in turn, create some of the explosive tensions and other conditions of social unrest. Code enforcement is the only tool with which local governments can provide immediate housing relief in these areas. Ultimately, of course, the worst slum areas will require more extensive renewal treatment.

However, pending such treatment, they continue to house vast numbers of people. At the least, the inhabitants of these areas should be assured housing that meets minimum standards of health, safety, and welfare. Therefore, we urge this subcommittee to amend or clarify section 117 of the Housing and Urban Development Act of 1965 to allow slum and blighted areas to be eligible for the Federal grant-in-aid assistance authorized under this section.

Mr. Chairman, we would also like to point out that the grant-in-aid formula under sections 116 and 117 of the 1965 act does not follow the pattern established in urban renewal grant-in-aid programs and thus presents a serious inequity. We, therefore, recommend that sections 116, Demolition Grants, and 117, Concentrated Code Enforcement Grants, be amended so that the grant-in-aid assistance for cities of less

than 50,000 population as well as for cities of any size which are certified and under the Area Redevelopment Act.

In connection with the U.S. Housing Act of 1937, NAHRO proposes six priority amendments. These are all amendments which are designed to strengthen public housing and enable it to meet the difficult tests of an effective housing program for low-income families including such key factors as site location, construction and design quality, social needs and incentives for family advancement. While I will not go into detail, I would like to stress their urgency, particularly in view of the relationship of public housing to an effective demonstration cities program. Three of the amendments (3, 5, 6) would require no increase in Federal authorization or appropriation. The full detail on each amendment is contained in a supplement to my testimony which I request be filed for the record.

Mr. BARRETT. Without objection it is so ordered.

The proposed amendments are:

1. Amendments to permit modernization and updating of older low-rent housing developments.
2. Revision of the provision on the special subsidy for the elderly.
3. Amendment to the language of the Housing Act to encourage good as well as economical design.
4. Write-down of land for low-rent housing outside urban renewal areas.
5. Authorization for overincome tenants to remain in occupancy and pay economic rents.
6. Authorization for sale of portions of low-rent housing developments to nonprofit sponsors, under appropriate circumstances.

In connection with sections 221 (d) (3)—moderate income housing—and section 202—direct loan program for the elderly—the nonprofit housing sponsors who are members of our association have indicated that a number of amendments would be desirable in making the provisions more uniform and assisting nonprofit sponsors to assume their growing roles as housing resources. While we do not have specific recommendations on amendments at this time, I am listing in my supplemental statement a number of important areas where such amendments should be considered. NAHRO recommends that nonprofit groups and the Federal administrative agencies jointly consider necessary amendments and submit them to the Congress.

Before concluding, I would like to call attention to a recommendation in our association's policy resolution for the enactment of legislation similar to H.R. 6431, introduced in the 88th Congress by Congressman Rains to facilitate renewal of central business districts. The improvement of the employment cultural and economic bases in our central cities must go hand in glove with renewal of residential neighborhoods and with the war on poverty. Together they constitute the balanced program that Secretary Weaver so eloquently described last week.

Mr. Chairman, we conclude our testimony on a note of high expectation. The spirit of all the legislation before us reflects a new cohesion of goals involving all of the major social and economic programs of the Nation. Coupled with this sense of mutual goals is the will to provide the financial means and operating methods to achieve coordinated action. We are headed for a new era in the field of community development; NAHRO has already pledged to do its full

share of the job. We shall do so in the knowledge that we are working in a joint enterprise that combines the strengths of an imaginative and forceful presidential leadership; a Congress that, with the aid of this able subcommittee, gave us a great piece of legislation in 1965 and can be expected to do so again in 1966; and an enthusiastic and able new Department of Housing and Urban Development.

We appreciate the opportunity to appear before this subcommittee.

(The supplement to Mr. Fay's statement, the 1965–67 policy resolution of NAHRO, and the report on "New Towns" follow:)

SUPPLEMENT TO THE TESTIMONY OF NAHRO PRESIDENT FREDERIC A. FAY

NAHRO'S POSITIONS ON PROVISIONS NOT INCLUDED IN PROPOSED 1966 HOUSING AND URBAN DEVELOPMENT LEGISLATION

Low- and moderate-income housing

NAHRO's policy resolution for 1965–67 (which we request permission to file) calls attention to a number of important considerations for future planning and/or operation of any housing programs for low- and moderate-income families.

"* * * complete concentration of low-income families in center city areas or in separate housing developments is under serious question. While there will be a continuing need to utilize housing developments for low-income families only, as one strong tool to meet housing needs, there will be increasing emphasis on ways to provide diversified housing, involving more than the low-income group.

"Providing incentives for low-income families to move toward eventual independence is recognized as essential in all assistance efforts.

"Providing opportunities for low-income families to particpate in decisionmaking affecting their own welfare is now recognized as a realistic goal.

"Coordnation of all types of low-income assistance in a comprehensive attack on the total cycle of deprivation is viewed as the only possibility for long-term success in lifting a family from deep poverty."

Whatever the sponsorship of housing for disadvantage families, the task faced is a difficult one. Over the past 25 years, the public housing program has provided important insights on housing of disadvantaged families which should be recognized as a source of valuable experience for the future. The complexities and frustrations of achieving good housing for disadvantaged families can be recognized in such key issues as site location, construction and design quality, management orientation to social needs and incentives for family improvement. The long-term tests of effective low- and moderate-income housing seem to revolve around the following concepts:

Site locations suited to the needs and aspirations of low- and moderate-income families and closely bound to the community social structure;

Sound and attractive, yet economical construction that may have to weather long-term use with minimum maintenance costs while, at the same time, serving as an encouraging environment for the occupants;

Effective housing management that can work within a minimum operating budget, yet be sensitive to the special characteristics and needs of depirved families; and

Opportunities for initiative and independence by low-income tenants, including that of eventually being able to purchase their own homes.

If the above considerations and tests are to be carried forward, as well as effectively related to the new demonstration cities program, then a concerted effort must be made to strengthen current housing programs with some additional strategic amendments.

Proposed amendments to the Housing Act of 1937

Almost 3 years ago, in the summer of 1963, NAHRO published its "Low Income Housing Program for the 1960's." A number of the recommendations of this program have now been written into law, principally through the Housing and Urban Development Acts of 1964 and 1965. However, there still remain some recommendations which we feel are urgently essential to future success. NAHRO specifically cites six basic amendments and proposes them for priority congressional action in 1966.

1. *Amendments to permit modernization and updating of older public housing developments.*—While programs of sound maintenance and replacement have

been integral parts of public housing operation since early days of the program, many developments have facilities which today are obsolete. Many contain outmoded electrical and utility systems, inadequate laundry facilities, lack of indoor and outdoor play spaces for children, to mention only a few examples.

Some public housing, especially that developed during and after World War II, was constructed with substitute materials, because they were the only materials available. In addition, there was a period in the decade of the 1950's when local housing authorities were requested by the Public Housing Administration to postpone important major maintenance and replacement while returning residual receipts to reduce the Federal contribution. All of these factors place a heavy responsibility on public housing officials in 1966 to do something about housing developments that are aging. An aggressive program of modernization undertaken now could pay large dividends in the future by extending the useful life of many housing developments well beyond the 40-year amortization period. This would provide a continuing source of good housing for low-income families at a cost far less than replacing outmoded developments with new construction.

We make the following specific recommendations:

(*a*) Amendment of the present annual contributions provision (sec. 10(b) of the United States Housing Act of 1937) to permit the payment to local housing authorities of the full annual contributions authorized under the statute on condition that any residual receipts after payment of the operating costs (including reserves) and required debt service, be utilized either for necessary modernization of older housing developments or prepayments on existing bonded debt.

(*b*) Amendment of United States Housing Act of 1937 to provide that, where modernization of a housing development is essential to its continuing usefulness for low-income families, the amortization period can be extended beyond the 40-year term, up to an additional 10 years, with annual contributions continuing in this period to assist in meeitng the modernization cost. An important advantage of this method of meeting modernization cost is that it avoids the accumulation of large reserve funds over long periods of time.

We believe that these two provisions should be of substantial assistance in meeting the financial demands facing the public housing program over the next few years.

2. *Revision of the provision on the special subsidy for the elderly.*—In 1961, the Congress enacted an amendment to the Housing Act that made it possible for a local housing authority to receive up to $10 in additional contribution for every dwelling unit occupied by an elderly family, where such amount, in the determination of the Public Housing Administration, was necessary to enable the public housing agency to lease the unit to the elderly family at a rent it could afford and to operate the project on a solvent basis. Experience over the past 4 years has demonstrated that many additional elderly families have been able to be housed in public housing because of this amendment. However, experience has also shown that the $10 per unit per month figure does not nearly meet the gap between what most elderly can afford to pay and the operating costs of public housing.

Also, it should be pointed out, that to receive such a subsidy for elderly families, a local housing authority must show that, at the end of a fiscal year, it would not be able to maintain a solvent position, without such subsidy.

NAHRO recommends two actions. First that the provision in the law relative to elderly subsidy be amended to provide that the additional contribution be equivalent to the gap between the ability to pay of elderly households and the operating cost of the public housing operation (including provision for reserve but excluding debt services). Further, we would recommend that the language of this section of the law be amended to make such additional contribution available without the restrictive and administratively difficult tie to project solvency. Such amendments would make it possible for many more elderly to be housed in public housing, and particularly in housing developments especially designed for and occupied by elderly households.

3. *Amendment of the language of the Housing Act to encourage good as well as economical design.*—The only reference in the Housing Act to design in public housing is a provision requiring that projects be undertaken in such a manner that they will not be of elaborate or expensive design or materials. In order to reflect both local and national concern with good design, particularly for public housing, NAHRO strongly supports an amendment to the Housing Act which would encourage "good" as well as "economical" design.

4. *Write-down of land for public housing outside urban renewal areas.*—Slum clearance has been an integral part of the public housing program since its inception in 1937. With the passage of the Housing Act of 1949, Congress accepted the principle that slum clearance is a one-time operation. However, this principle has never been applied to the public housing program, except in cases where a public housing site is part of an official urban renewal area. Thus, total slum clearance costs are still made a part of the total development cost and amortized over a 40-year period. This not only distorts public housing costs, but does not provide incentive for local housing authorities to acquire slum sites, with the attendant costs of relocation and demolition.

With the many opportunities for a local housing authority to contribute to the clearance of poor housing, every step should be taken to encourage and move forward such action, without waiting for the designation of such housing as part of an official urban renewal area.

It is recommended that the same procedure be authorized for public housing sites outside urban renewal areas as for inside such areas. This would provide that a determination be made of the equivalent price for which such site would be made available if it were part of an urban renewal area, under the formula established under section 107(b) of the Housing Act. Under this procedure, the Public Housing Administration would remit to the local housing authority at the time of permanent financing, an amount chargeable to the annual contributions contract, or a direct grant, equal to the net difference between total costs of site preparation and price which has been determined as the amount to be included in the total development cost for permanent financing. This would be a clearance cost, as distinct from construction and development.

5. *Tenants to remain in public housing occupancy and pay economic rents.*—The Housing Act of 1961 included a provision whereby under "special circumstances" a tenant family in public housing, with income in excess of the maximum income limits could remain in occupancy, provided it is demonstrated that private housing is not available in the community at a rent it can afford to pay. Such a family, thus certified, can remain in occupancy for the "duration of such situation."

This provision is helpful as a temporary measure in response to the hardship situation of an individual family. However, it does not affect a basic policy of public housing where a family whose income is rising is under constant pressure of possible eviction. Nor does such a procedure lend itself to a positive program aimed at promoting residential stability and personal neighbor relationships.

NAHRO proposes that a public housing family reaching the point of the income limit maximum be allowed to remain in occupancy and pay economic rent, thus contributing to family and neighborhood stability. At the same time, we recommend that the local housing authority be required to substitute an additional housing unit within its total program, for occupancy by a family within the income limit eligibility, for every unit occupied by a family paying economic rent.

6. *Sale of portions of public housing developments to nonprofit housing sponsors.*—In order to encourage a wide diversification of low and moderate income groups and household types in public housing, NAHRO proposes an amendment which would make it possible, where feasible, for local housing authorities to sell a portion of a public housing development to a nonprofit housing sponsor. In the event such a sponsor is serving families with incomes higher than those eligible for public housing, the local housing authority would be required to provide additional, substitute low-income housing units as part of its total program.

Other recommendations.—Listed below are additional recommendations taken from the "NAHRO program for low income housing" presented to the Congress in 1964 and 1965. We believe that they are still needed and are ready to discuss the details of these recommendations at any time.

1. Assistance in the development of commercial facilities in relation to public housing.

2. Establishment of eligibility of local housing authorities as sponsors of FHA 221(d)(3) and CFA 202 programs.

3. Elimination of the 20-percent gap requirement.

4. Change in name of low-rent public housing assistance to more accurately reflect its current functions and program.

5. Study of the public housing mutual-help program now used on Indian reservations to determine its application in an urban setting.

Moderate income and elderly housing

The nonprofit housing sponsor is increasingly recognized as an important means of attaining a more adequate supply of housing for low- and moderate-income families. The chief sources of Federal assistance for these groups are: Section 221(d)(3) (moderate income housing); section 202 (direct loan program for the elderly); rent supplements in connection with the foregoing programs; and assistance under moderate-income housing programs used in combination with the public housing program.

Nonprofit groups associated with NAHRO have indicated that there are a number of things which would be desirable in assisting nonprofit groups to assume their new responsibilities. Some of the recommendations require changes in the law, while others are matters of administration. They include in general, needs for more uniformity between the requirements and provisions of section 221(d)(3) and section 202 and more technical assistance geared to the needs of the nonprofit sponsor to enable him to qualify for assistance and carry through with long-term management responsibilities. We would like to cite the following:

(1) Organizational and planning fee: Section 221(d)(3) provides for such a fee while section 202 does not. On the other hand, section 202 will authorize a loan consultant fee but will not permit such fee to be given to the staff of the nonprofit agency performing such work.

(2) Payment for equipment: Offices and community space: Section 221(d)(3) permits such equipment to be included as cost items under the mortgage; under section 202, the nonprofit sponsor must purchase such equipment.

(3) Working capital: Under section 202, a nonprofit sponsor must put in escrow one-quarter of the first year's operating costs, unless he can show 75 percent occupancy at project opening. Under section 221(d)(3) such working capital can be a mortgage item.

(4) Adaptability to elderly occupancy: Under section 202, requirements permit occupancy of an efficiency unit by two persons. Under section 221(d)(3) no more than 10 percent of all units can be efficiency, thus making it less useful as housing for elderly. This last requirement makes rehabilitation difficult in many instances since many structures available for rehabilitation contain small units.

(5) Section 221(d)(3) requires certification of the city's workable program; section 202 does not.

(6) It is not clear whether costs for training management employees is an eligible cost under either or both programs.

In general, NAHRO would recommend that administrators of the agencies of the Department of HUD responsible for the administration of section 202 and 221(d)(3) be encouraged by the Congress to work together and with nonprofit sponsors to make sponsor requirements as uniform as possible, as well as provide additional technical assistance to enable nonprofit groups more effectively to meet their responsibilities. After careful examination by these groups, we suggest that a listing of any technical amendments necessary be submitted for the consideration of the Congress.

1965–67 Policy Resolution of the National Association of Housing and Redevelopment Officials

(Adopted at 30th National Conference, Sheraton Hotel, Philadelphia, Pa., October 24–27, 1965, at biennial business meeting of members, October 26, 1965)

PREAMBLE

The United States is staggering under the burdens of the urban age. An immense job lies ahead in adjusting institutions, attitudes, and living patterns to a new, overwhelming, rapidly changing America. Nowhere is the magnitude of the job more evident than in the field of housing and urban development.

NAHRO believes it is fortunate that, at this critical juncture in the evolution of urbanism in the United States, a Cabinet-rank Department of Housing and Urban Development is now a reality. This Department can provide the framework and focus to bring together all the diverse, complex facets of urban life in a meaningful alliance. It is fortunate, also, that many of the basic legislative authorizations necessary to move housing and urban development programs more effectively are now part of national law: the Housing Act of 1964 and the Housing and Community Development Act of 1965 reflect a broadened vision of urban development and give new life to many older programs.

But the association views these developments as only a beginning. True, there is a new Department of Housing and Urban Development * * * but there is no consensus of what a modern city should be. True, there is impressive new legislation that includes extension of urban renewal and housing programs, Federal assistance for local codes administration, and new financing aids for such programs as open space and suburban development * * * but there is no comprehensive process that encompasses all of these programs and covers both regeneration of older areas and guidance of growth in newly developing areas.

As a measure of the inadequacy of our consensus of what urban life should be, we have as our only objective the declaration of purpose in the 1949 Housing Act: "a decent home and a suitable living environment for every American family." This declaration is useful as a goal but it is no substitute for an embracing philosophy of a new urban social structure in which the values associated with home and children, community life and friends, living and cooperating with nature, will have a chance to develop.

In the area of national housing policy, we have a loose alinement of national economic policy and housing production, in which Federal housing programs have been reduced or expanded largely in response to pressures of a changing economic climate. In 1965, we need a coordinated housing and economic policy that will permit progress toward long-range housing goals under all kinds of economic conditions.

In terms of an evolution of urban development planning, we are struggling under a "project" concept at a time when dynamic physical, economic, and social forces are sweeping aside community and even metropolitan boundaries into larger concentrations of urban form.

NAHRO believes the next few years will continue to witness a revolution on the urban scene. We know only that much of the urban structure and practice of the past is dead that that we are in motion toward a new society. The trying test for all institutions and programs caught in this cycle of urban change will be the maturity and sensitivity with which we sift their past, in order to retain or discard—and the way we adapt them to the new look of the future.

To assist this transition into a new urban age, NAHRO sees the following as necessary areas for action in 1965–67. We have not numbered these areas under a priority sequence, because we believe all of these actions must proceed immediately—and simultaneously.

Action area A.—We must work to develop a declaration of goals to guide urban development in order to give a unity of purpose to the many elements that are a part of the process. Given this sense of a unified whole, it is our hope that the followthrough from legislative authorization—to appropriation of funds—to the initiation of local action will come without friction and delay.

Action area B.—We must help to evolve new organizational structures and interrelationships for all of the governmental agencies, industries, institutions, and citizen organizations that function to reach urban development goals.

Action area C.—We must reshape the specific programs with which NAHRO members are concerned (housing, renewal, and codes administration) to fit both the purposes and the structures that come out of action areas A and B.

Action area D.—We must take the initiative in launching an immediate, large-scale training and manpower development program for the urban development professions, encouraging teaching institutions at all levels to educate young people in the philosophy and the technique of urban development and then recruiting them as workers in the field.

Action area A

We must work to develop a declaration of goals to guide urban development in order to give a unity of purpose to the many elements that are a part of the process. Given this sense of a unified whole, it is our hope that the followthrough from legislative authorization—to appropriation of funds—to the initiation of local action will come without friction and delay.

The total process of urban development must be identified and areas of public responsibility must be defined for coping with each stage in the cycle of urbanization: growth, maturity, decline, decay.

To undertake this task, we must mobilize the same type of group that this association brought together in 1933 to develop a housing program for the United States. The combined wisdom of legislators, administrators, scholars, planners, architects, and civic leaders must be focused on the potentials and problems of urbanization. From this mobilization should come a national philosophy of urban life expressing a consensus that can be unhesitatingly translated into action programs.

for some of the thinking that went into the design award program of the Housing and Home Financing Agency in which the recommendations covered public housing developments.

I think this has been quite a stimulating things. And of course, it does not end here. It is a matter, as you have indicated, as to which we need constantly to be alert.

Mr. ST GERMAIN. And lastly, Mr. Chairman, No. 5, you suggest "Authorization for overincome tenants to remain in occupancy and pay economic rents." I do not know if you want to answer this for the record now. If you want to submit an answer later, it will be all right with me.

My question there is, what is your reasoning behind it as to why?

Mr. FAY. We have, of course, Mr. Congressman, covered this in greater detail than the supplement that is attached to the testimony. The reasoning generally is that it is a very disruptive process. The individual gets up to the point where he is no longer eligible for the public housing development. He has to move out. But there is no place for him to go except back into a deteriorating neighborhood. It is the question of the gap, the no man's land that exists between the top limits in public housing and the lowest rent in private enterprise.

Mr. ST GERMAIN. So that amendment of this type would include guidelines? In other words, if the family cannot go into housing other than substandard——

Mr. FAY. That is right.

Mr. ST GERMAIN. If he cannot go into housing that is equal or better than what he is in?

Mr. FAY. That is right.

Mr. BARRETT. The time of the gentleman has expired.

All time has expired.

Mr. Fay, I certainly want to thank you for your fine testimony this morning. We have been glad to have you.

Mr. FAY. Thank you, Mr. Chairman.

Mr. BARRETT. The next witness will be Paul Davidoff, chairman of the Department of City Planning, Hunter College, New York, representing the Americans for Democratic Action, accompanied by David Cohen.

Mr. Davidoff, we are glad to have you here this morning, and your companion. You are well known to us in the great City of Brotherly Love, Philadelphia. And we certainly want you to feel at home here this morning. If you desire, Mr. Davidoff to make your statement in full, and then have us ask some questions after you complete your statement, you may do so.

STATEMENT OF PAUL DAVIDOFF, CHAIRMAN, DEPARTMENT OF CITY PLANNING, HUNTER COLLEGE, NEW YORK; ACCOMPANIED BY DAVID COHEN, LEGISLATIVE REPRESENTATIVE, AMERICANS FOR DEMOCRATIC ACTION

Mr. DAVIDOFF. Thank you Mr. Chairman. It is a great privilege for me to appear here before your committee. I am a former resident of your city, having just left there. I am now director of the Urban Research Center and professor of urban planning, and chairman of a

newly formed graduate urban planning program at Hunter College of the City University of New York. But prior to that time, I spent 7 years teaching in the Department of City Planning in the University of Pennsylvania. I serve on the ADA's Housing and Urban Development Commission, and I chair one of its subcommittees.

On behalf of Americans for Democratic Action I thank the subcommittee for allowing ADA time to testify on H.R. 12341—the Demonstration Cities Act of 1966, H.R. 12939—the Urban Development Act, and H.R. 13064—the Housing and Urban Development Amendments of 1966.

We fully support the administration in its goal of achieving a suitable living environment for all. The administration's proposals are important steps in that direction. However, as is natural and appropriate in a free society, ADA respectfully will suggest various amendments to the legislation under consideration. ADA believes that its suggested amendments will accelerate the "forces of change" in our urban areas so that they will in fact be "the masterpieces of our civilization."

First, I would like to discuss our urban problem.

We welcome the administration's outline of the current urban problem. To face our problems squarely and openly is an essential step in developing public policy. President Johnson's message on city development specified the major problems.

Next, I would like to comment on the need for comprehensive programs to attain a suitable living environment. Our principle goal is that all Americans are entitled to live in a suitable environment and that they are entitled to it now. They were entitled to it by the Housing Act of 1949, and they certainly are entitled to it at present, and that goal should be reached as rapidly as possible. Measured against this essential goal the proposals of the administration, while bold in conception, are woefully inadequate. The goal of "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" commands our enthusiastic support. The size of the Federal commitment, however, in this—in the bills under consideration amounts to planned neglect. The small Federal commitment proposed in the demonstration cities program will not rebuild our cities. Millions of Americans will continue to live their lives in slum housing and blighted neighborhoods.

We engage in a process of self-deception if we believe that H.R. 12341, H.R. 12939, and H.R. 13064 fulfill the goal set forth by the Presidential message: Legislation to be "of sufficient magnitude both in its physical and social dimensions to arrest blight and decay in entire neighborhoods." Needed is at least a $20 billion program over the next 5 years that will provide an increasing Federal commitment each year.

No matter how bold and imaginative programs are (such as the administration's proposals), if there is a paucity of Federal investment the needs of the urban poor will remain unmet. What is needed is not a demonstration program but a full-scale assault that recognizes slums cannot be eliminated until poverty is ended. Solutions to problems concerning our cities cannot be considered apart from measures necessary for achieving permanent full employment and eliminating poverty.

One-fifth of our population, America's poor, have incomes below the minimum standards adequate for living above subsistence. We cannot have decent housing unless we pursue a policy that bad housing is primarily a problem of too many Americans having insufficient income. Congress must enact legislation that will deliberately raise the income of the poor through such devices as increasing the minimum wage to $2 per hour and providing coverage for those not now protected, doubling social security benefits, establishing national unemployment compensation standards, adopting both the negative income tax, and establishing family allowances as a supplement to other forms of income maintenance, and creating needed subprofessional jobs in our public services.

In the midst of affluence we must not permit limited job opportunities. In addition to ending insufficient income, we need an increased Federal investment program of sufficient size and scope that will begin to dent all our unmet private and public needs.

ADA policy recommendations are designed to obtain three basic domestic goals:

1. Achieve full employment by 1967;
2. Eliminate poverty by 1970; and
3. Attain a standard of living that substantially rises above the poverty level by 1975.

To implement these goals we urge that the subcommittee amend the demonstration cities bill to set an additional standard for Federal grants: The Secretary of the Department of Housing and Urban Development should be directed by January 1, 1967, to (1) establish a comprehensive definition of decent, safe, and sanitary housing and a suitable living environment that would include, but is not limited to, economic and social factors; (2) recommend how this can be achieved at rents all people can afford. By 1968 to receive Federal funds under the demonstration cities and urban renewal programs cities should have plans on how to achieve by no later than 1972 decent, safe, and sanitary housing, and by 1975 a suitable living environment for all of its citizens. Additional incentives should be offered to cities that can implement their plans on a speedier basis.

We believe that a congressional mandate that establishes time limitations is essential to obtain these necessary goals. Our achievements in outer space are ample evidence of the value of setting forth time limitations. Time limitations tend to produce substantial Federal commitments. Without a time limitation problems are too often fought by rhetoric rather than action. As a planner I spend a great deal of time teaching the importance of time dimensions. Unless time dimensions are based on programs, time limits have no meaning as a measure of success in obtaining our goals.

Next I would like to turn to a discussion of racial discrimination and the urban programs before us.

An affirmative program on nondiscrimination in federally financed programs by the Department of Housing and Urban Development and other Federal departments is essential to obtaining a suitable living environment. The passage of the Civil Rights Act of 1964 was a milestone on the road to ending racial discrimination. Unfortunately HUD has timidly, haphazardly, and sluggishly enforced the Civil Rights Act of 1964, particularly as it relates to title VI.

Title VI of the 1964 Civil Rights Act has a clear congressional mandate. It specifically states "no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, or be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance." The relationship of title VI to urban problems is well documented in an excellent pamphlet entitled "Metropolitan Housing Desegregation," by John Silard and Arthur Levin, published by the Potomac Institute.

The authors demonstrate that many thousands of families are displaced from their homes every year by federally financed projects under the workable program for community improvement and other governmental activities.

The authors of the pamphlet suggest a modest but firm positive program for housing desegregation, which ADA fully supports. We request that this program be made part of the hearing record.

We strongly urge that the committee report specifically state that title VI enforcement vigorously be stepped up along the lines outlined in the Silard and Levin pamphlet.

Congress has acted. Title VI of the Civil Rights Act of 1964 is the law of the land. This congressional mandate should not be undermined by nonenforcement by HUD and other Federal agencies.

Next, I would like to turn to recommended changes on H.R. 12341, H.R. 12939, and H.R. 13064. Mr. Chairman, I now would like to discuss specific amendments to the legislation under consideration. We urge that H.R. 12341, H.R. 12939, and H.R. 13064 be combined and be reported out as a clean bill.

1. We support the Ruess-Ashley-Moorhead amendment that would require two additional criteria for fund eligibility.

First, cities that have "economic and social pressures such as those involving or resulting from population density, crime rate, public welfare participation, delinquency, poverty, unemployment, education levels, health and disease characteristics, and substandard housing" should have priority in receiving funds.

Second, to receive funds such neighborhoods should have a workable program such as is currently required for receiving urban renewal funds. This amendment will help assure that the legislation achieves its stated social purpose.

2. Any city that meets the criteria specified in the demonstration cities program should be eligible for receiving funds. More than one neighborhood in a city, if it is otherwise eligible, should be receiving funds. We believe it is socially explosive to limit the program to just one neighborhood in each eligible city. In short, public policy should not force a city to choose between its Harlem, South Bronx, and Bedford-Stuyvesant.

3. The bill's purpose should specifically call for dispersal of racial and income ghettos. The legislation should deliberately promote residential integration of both different income classes and racial groups. Cities should be required to show that these proposals would not lead to greater segregation in the affected neighborhoods and in the city.

4. We believe that comprehensive city demonstration programs should include as one of the criteria for funding subsections (1) (5) inclusive of section 4(c). We support a deletion on page 5 of lines

17 and 18 and renumbering subsections (1)–(5) to subsections (9)–(13) of section 4(b).

The next recommendation is the most important.

5. As a condition of receiving demonstration cities or urban renewal funds those relocated should be relocated to a suitable living environment. Our various suggestions on relocation also encompass changes in the requirement of the workable program. The relocation standards required in section 105(c) of the Housing Act of 1949 are insufficient.

Mr. BARRETT. You say on 4 that "We believe that the comprehensive city demonstration should be included as one of the criteria for funding sections"—so forth and so forth. You submit a deletion on page 5 of lines, you said 17.

Mr. DAVIDOFF. 17 and 18. Yes, I am making the change because it is subsection (c) that we are deleting, that should be changed so that subsections (1) through (5) following that are continued after subsection (8) of section 4(b).

Mr. BARRETT. Thank you.

Mr. DAVIDOFF. We say that a system should be established whereby the Federal coordinator, or the regional HUD office, would be able to effectively inspect and verify that those relocated for any purpose are relocated to a suitable living environment. This applies to all relocating caused by federally sponsored programs. And we believe that this can be accomplished by the simple change, though not simple in its administration, to see that the person who is relocated is relocated in a decent neighborhood. And we will have more to say about that later.

6. Persons should not be relocated to areas which are planned for condemnation within 5 years. Part of the culture and psychology of poverty is that a citizen is often relocated to a dwelling that will be torn down shortly after he gets settled in it. This guarantees moving families and individuals from one slum to another. Where a community has already planned to tear down an area it is both unfair and expensive to relocate persons into this area. And it is this practice as well which has led to much of the objection by many to the way the urban renewal program has been practiced.

7. Those relocated should be permitted greater compensation than they now currently receive. Too often those relocated, usually low-income families, pay higher rents than before relocation, but their incomes are not correspondingly increased. Compensation, with adequate controls, should include payment of full rent differential and include compensation for the purchase of furniture.

8. Those relocated should not be relocated to the census tract where the median income is in the lowest quantile of the city's population. Low-income housing too often means slums and relocatees should not be placed there. This provision would tend to assure that relocatees are placed in desirable neighborhoods. This would probably be unnecessary if our proposal in regard to relocation in suitable living environment were put into effect.

9. In code enforcement the Housing Act of 1964 clearly demonstrates the congressional intent was that HUD should certify only those workable programs producing effective local code enforcement efforts. The same requirement should apply to the demonstration

cities bill. It is evident that urban renewal projects that demolish housing, and proceed at the expense of code enforcement, have no real benefit since slum areas develop in the marginal areas, thus requiring additional demolition. Code enforcement is an excellent preventative.

We urge the committee to direct HUD to expand its code enforcement operations to include systematic inspections of buildings, including the interior, to enable HUD to verify the validity of claims of code enforcement under workable programs. We believe that this would implement the 1964 Housing Act. In short, HUD inspectors would not enforce codes, but they would gather evidence to check on whether the city is doing so.

10. Cities should be required to take over the property of slum landlords who fail to obey the housing code. In addition, HUD should make inspections to see that the cities are operating such housing at code standards. This should also be a workable program requirement.

Next, we turn to amendments to H.R. 12939—Urban Development Act.

1. In section 206 dealing with section 701(A) of the Housing Act of 1954 we believe that one of the conditions for getting grants under section 701 is that the local planning agency develop a comprehensive plan that shows how it will set forth policies dealing with the environmental and educational needs of low-income families. In short, local planning grants should be geared to complement national antipoverty policy. Suburban communities unwilling to aid the war against poverty, should be excluded from the benefits of that section.

2. The administration has for the third time proposed a program of mortgage insurance for land development. On the surface, providing mortgage insurance for land development programs that will be utilized for new subdivisions under entirely new communities, appears to be a major innovation. However, the bill only provides a nominal new town proposal. The proposal in the Urban Development Act will meet the national goal of a decent, safe, and sanitary house for every American only if the provision assures that low- and middle-income persons and the elderly will be able to purchase and obtain housing in large subdivisions in the new communities. The administration's program fails to support fully its ideology of fighting a total war against poverty. There is no explicit provision made for providing a large number of new homes for low-income families.

The land development program, if it is to assist in creating equal housing opportunity, must take into account the need of low-income families, regardless of race of ethnic group, to gain access along with others to areas of new development. Such private land developments should be granted Government mortgage insurance only if they propose to establish communities that all sectors of the population can afford. At least one-third of all insured land development should be required to be priced at an available level for low-income families. A specific low-income provision should be written into the law. Our support for the program is contingent upon such a provision being included.

It would be a great tragedy to have the Federal Government supporting an expensive new program furthering economic class distinction between central city residents and suburban residents. It is

anomalous to create new towns, while rebuilding cities, without assuring that a significant number of relocatees would have the choice of living in the new towns. Federal programs should not force the poor to remain in the city ghettos or force them to relocate to new towns. The poor as well as the other classes should be enabled to choose where to live. But as presently worded the two bills may force the poor to remain in the poor areas.

3. A balanced transportation system is essential to a suitable living environment. Seventy percent of our population now live in urban areas. Conservative estimates indicate that the urban population will increase by an additional 14 percent within 20 years. To this end we support in addition to the proposed mass transit amendments the following:

(*a*) The Reuss-Ashley-Moorhead amendment requiring the Secretary of HUD to develop an "expedited program for research, the development and demonstration of new systems of urban transport no later than January 1, 1967." This amendment appropriately deals with the mass transit problem comprehensively. It encompasses the entire urban mass transit problem—technical, financial, economic, governmental, and social.

(*b*) The Bingham-Tydings proposal (H.R. 10126) to permit a State to use highway trust funds for urban mass transportation. This will foster creative federalism.

(*c*) The Bingham-Williams extension of the mass transit program (H.R. 12407) to include operating deficits of mass transit companies providing commuter services and requiring the local public agency and company to develop a comprehensive commuter service improvement plan.

Next, we turn our attention to amendments to H.R. 13064—Housing and Urban Development Amendments of 1966.

1. To expand rehabilitated housing we support the Sullivan proposal (H.R. 13063) to amend the National Housing Act to authorize mortgages, executed by nonprofit organizations, to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent sale to low-income purchasers.

Next, we like to refer to amendments to the Internal Revenue Code which we believe would improve housing conditions in our cities.

2. We support tax credits to landlords who rent rehabilitated housing to low-income families at below market rates. Fair market rates can be established in the same manner as they are for rent subsidies. Those renting the rehabilitated housing would be the same persons eligible for the rent subsidy program. Second, we would like to bring to your attention amendments to the Internal Revenue Code

1. Tax credit for builder constructing units for low-income families or for landlord renting at low rate to low-income families.

2. The Architects' Renewal Committee in Harlem (ARCH), through its Director, Mr. Richard Hatch, and its counsel, Mr. Leon Friedman have proposed a change in the Internal Revenue Code which would have great effect in preventing landlords from abusing their buildings and the lives of those who occupy them. I should like to ask the committee's approval for making this statement by ARCH a part of the hearing record.

Mr. BARRETT. Without objection, it is so ordered.

(The statement referred to follows:)

ARCHITECTS' RENEWAL COMMITTEE IN HARLEM, INC.,
New York, N.Y., February 21, 1966.

One very effective way of dealing with slumlords in New York City (and in other urban centers) who own and maintain buildings in a condition continuously dangerous to their tenants would be to deprive such owners of their depreciation allowance under section 167 of the Internal Revenue Code. In many cases, the reason why landlords purchase slum buildings and operate them so profitably without taking care of them is because of the depreciation allowance. If they were deprived of that economic benefit because the buildings they owned were certified by the appropriate city agency to be in a deteriorating condition, this would be a most effective incentive for them to keep the buildings in good repair.

The economics of the situation can be shown in the following example:

A real estate operator may purchase a slum building for $200,000. Of this, $80,000 may be in cash and the other $120,000 may be by mortgage. In any given year he would have the following expenses:

Interest on mortgage	$12,000
Taxes	8,000
Heat, water, etc	5,000
Total	25,000

The owner may take in yearly rents up to $45,000 on property of this kind. Deducting the expenses listed above, he would have total income of $20,000 on his original cash investment of $80,000. Moreover, because of the depreciation allowance, he may end up by paying no taxes whatsoever on the $20,000 income. If the useful life of a building is 20 years, under straight line depreciation, he could deduct $10,000 against his income and pay taxes on only $10,000. Thus (depending on what income the owner derives from other sources), he could save anywhere from $2,200 to $4,800 on his tax bill. In addition, if he takes advantage of the accelerated depreciation provisions of section 167 of the code, he can deduct as much as $20,000 in the first year after his purchase (in the second year his depreciation allowance would be $18,000; in the third $16,200, etc.), thus, in the above case, he could end up by paying no taxes whatsoever although he earned $20,000 income on an $80,000 cash investment. It is for this reason that investments in slum tenements are so profitable.

If a slumlord were deprived of the depreciation allowance, he would have to pay taxes on the entire $20,000 income, which would mean a tax bite of up to $9,600. Slumlords faced with the difference between paying no tax and a tax of $9,600 in any given year would be more likely to invest $2,000–$3,000 or more to fix up their buildings.

An amendment could be made to section 167 of the Internal Revenue Code adding an new subsection (j) which would read as follows:

"(j) No depreciation deduction shall be allowed to any taxpayer owning a housing accommodation (other than a single-family residence occupied by the owner thereof) if at any time during the tax year such accommodation is certified by any governmental agency having jurisdiction to be a fire hazard or in a continued dangerous condition or detrimental to life or health."

Section 2(f)(9) of the rent, eviction, and rehabilitation regulations of the New York City Rent and Rehabilitation Administration uses similar language with respect to putting otherwise exempt housing accommodations under rent control. The same kind of test could be applied with respect to the depreciation allowance. Regulations issued by the Secretary of the Treasury might provide that any violation of a city's criminal code or administrative code for maintaining a housing accommodation in a continued dangerous condition should be transmitted to the local Internal Revenue Service office so that they would have a record of such violations for checking against the tax return of the owner of the building.

There should be no constitutional difficulties in such an amendment. Deductions are a matter of legislative grace and can be conditioned by Congress in any reasonable way it chooses.

Moreover, such an amendment fits within the theory of the depreciation allowance. The allowance is appropriate only where a building is kept in normal repair and gradually loses its value over a period of time. In that situation, an owner should not be required to take his loss only in the year when the building

finally collapses, but should be able to charge the value of the building over its normal use. However, where slumlords do not keep a building in normal repair and through their action and nonaction endanger the lives of its tenants, they should not be given the privilege of spreading their loss over a period of time. They will be able to take their loss only in the year when it is actually suffered, i.e., when the building actually collapses. As a practical matter, no landlord could possibly wait until the last year to take his loss and would be compelled to make the necessary repairs to keep his building in a safe condition and thus be allowed to take his depreciation allowance. The tax code could also be amended to insure that a slumlord could not carry back or forward any loss on a building collapsing because it was in a dangerous condition through the owner's nonaction. This would protect against such an owner obtaining any kind of tax saving.

A proposal of this kind would be a most effective economic sanction against slumlords in New York City and elsewhere.

LEON FRIEDMAN, Esq.

NOTES.—I would suggest that version of section 167 above be further revised to read * * * if for a period of 30 days or more in any tax year such accommodation.

2. It should be incumbent upon the owner, not the IRS, to demonstrate (by attaching a copy of a clean report from the local buildings department) that his deductions are allowable.

C. R. HATCH.

Mr. DAVIDOFF. The ARCH proposal recommends the adoption of a new subsection, subsection (j) of section 167 of the Internal Revenue Code. Subsection (j) would read as follows:

"No depreciation deduction shall be allowed to any taxpayer owning a housing accommodation (other than a single family residence occupied by the owner thereof) if for a period of 30 days or more during the tax year such accommodation is certified by any governmental agency having jurisdiction to be a fire hazard, or in a continued dangerous condition, or detrimental to life or health."

The ARCH proposal would make it incumbent upon the owner, not the IRS, to demonstrate that his depreciation deductions were allowable. The owner could do this by submitting a declaration from the local building department that his building was free of violations of the type that would preclude the granting of the deduction.

Further, ARCH proposes that the local agencies having jurisdiction over building conditions be required to submit to local IRS offices lists of buildings in violation of local codes.

ADA strongly supports this proposal as a major means of regulating the quality of dwelling units and as a proper means of limiting the privileges granted under section 167 of the Internal Revenue Code.

I would like, if I may, to include a point which I confused earlier as a part of the amendments which we propose to H.R. 13064. And that is that the rent subsidy program should be modified to benefit those low income families who pay more than 20 percent of their income for shelter rather than the present 25 percent. The supplement would pay the difference between the rent and 20 percent of a family's income.

The workable program should include a requirement that cities establish a model building code based on performance standards. Such a code should utilize research and development advances made in the building industry.

Finally, in conclusion, in his demonstration cities message President Johnson concluded by asserting, "If we begin now the planning from

which action will flow, the hopes of the 20th century will become the realities of the 21st." ADA believes that the goal of a decent home and a suitable living environment can and must be achieved well before the 21st century.

This goal can be achieved within the next decade:

1. If funds are provided in sufficient amounts and with an increasing Federal commitment.
2. If renewal programs will in fact benefit relocatees by providing decent housing in suitable living environments.
3. If the rebuilding of all cities, and the establishment of new cities are viewed as related parts of a national development policy.
4. If HUD makes rapid and vigorous participation in meeting the national housing goal a condition precedent to the granting of Federal aid.

(The pamphlet previously referred to follows:)

METROPOLITAN HOUSING DESEGREGATION

The case for an affirmative program under title VI of the Civil Rights Act of 1964

(The Potomac Institute, Inc.)

NOTE

As this publication went to press, President Johnson declared in his state of the Union message on January 12, 1966, that he would ask the Congress for Federal legislation to prohibit discrimination in the sale or rental of housing.

It is most heartening that this long-overdue proposal has now been placed on the national agenda, although the specific details of what the President will propose—or what the Congress may dispose—are not yet known.

However, a Federal fair housing law can reach only part of what this publication advocates. For if the experience under State and local laws on housing nondiscrimination is any guide, reliance on the individual complaint procedure has negligible impact on existing ghettos, which are at the heart of the Nation's segregation problems.

It thus becomes even more imperative that concerned Federal agencies exercise their authority and obligation under title VI of the Civil Rights Act of 1964 to eliminate existing community patterns of housing segregation. Together, the Presidential proposal and the congressional title VI mandate can remedy the evil of housing segregation, which has also meant the continuance of slum conditions, segregation of children in public schools, and other unfortunate consequences of ghetto existence.

THE END OF THE BEGINNING

"The voting rights bill will be the latest, and among the most important, in a long series of victories. But this victory—as Winston Churchill said of another triumph for freedom—'is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.'

"That beginning is freedom; and the barriers to that freedom are tumbling down. Freedom is the right to share, share fully and equally, in American society—to vote, to hold a job, to enter a public place, to go to school. It is the right to be treated in every part of our national life as a person equal in dignity and promise to all others.

"But freedom is not enough. You do not wipe away the scars of centuries by saying: 'Now you are free to go where you want, or do as you desire, and choose the leaders you please.'

"You do not take a person who, for years, has been hobbled by chains and liberate him, bring him up to the starting line of a race and then say, 'you are free to compete with all the others,' and still justly believe that you have been completely fair.

"Thus it is not enough just to open the gates of opportunity. All our citizens must have the ability to walk through those gates.

"This is the next and the more profound stage of the battle for civil rights. We seek not just freedom but opportunity. We seek not just legal equity but human ability—not just equality as a right and a theory, but equality as a fact and equality as a result.

"For the task is to give 20 million Negroes the same chance as every other American to learn and grow, to work and share in society, to develop their abilities—physical, mental, and spiritual, and to pursue their individual happiness."—President LYNDON B. JOHNSON, at Howard University, June 4, 1965.

INTRODUCTION

The historic Civil Rights Act of 1964 includes specific prohibitions on discrimination in voting, public accommodations, public facilities, public education, employment and federally assisted programs. Housing discrimination as such is not mentioned in the 1964 act. Careful consideration of title VI of the act, however, leads to the conclusion that it does directly preclude racial discrimination in the sale and rental of private housing.

Section 601 of title VI states that: "No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

This language does not confer discretionary power on Federal agencies; it imposes a compulsory obligation. In his testimony on this section before the Senate Judiciary Committee, former Attorney General Robert F. Kennedy emphasized: "Simple justice requires that public funds, to which all taxpayers of all races contribute, not be spent in any fashion which encourages, entrenches, subsidizes, or results in racial discrimination * * *." [1]

The legal concept of "discrimination" is not static, but one which is evolving continuously as a result of political and judicial development. In 1896, the Supreme Court held that "separate but equal" treatment of the races fulfilled the constitutional requirements of the 14th amendment. In 1954, the Court overruled that doctrine, declaring that the separation of the races by government is inherently discriminatory. In 1964, by enactment of title VI of the Civil Rights Act, the Congress added to the prohibition on racial discrimination the further stipulation that no person "be excluded from participation in" or "be denied the benefits of" any federally assisted program.

To achieve the objective of title VI, therefore, requires more than a passive Federal position with respect to discrimination. Racial discrimination is so deeply embedded in our present-day society that the mere "nondiscriminatory" expenditure of public funds may further entrench and subsidize segregation in public life. For the purposes of title VI, it is immaterial whether segregated housing patterns result from current practices of racial discrimination not prohibited by law, or reflect past discriminations embodied in today's ghettos. In either case, the congressional mandate can be fulfilled only by Government taking positive steps to eliminate and prevent community patterns of racial segregation, for the perpetuation of discrimination by a failure to remedy it may itself be considered an act of discrimination. Every federally aided program affecting housing should be measured against this affirmative requirement for compliance with title VI.

This publication demonstrates that the title VI affirmative requirement applies directly to federally financed urban renewal, highway and other construction and land acquisition programs. These Federal programs annually displace from their homes thousands of families, many of whom are forced to relocate in racial ghettos where communities tolerate housing discrimination and establish patterns of segregated housing. Moreover, apart from relocation into segregated housing it will be shown that the title VI requirement applies to the entire private housing sector, which is directly benefited by and materially dependent upon the totality of Federal assistance programs in the area of community facilities and services.

Yet Federal programs affecting housing presently are being administered without adequate safeguards to insure that public funds are not being spent in a fashion which encourages, entrenches, subsidizes or results in racial discrimina-

[1] 88th Cong., 1st sess., on S. 1731 and S. 1750, p. 333.

tion. To meet the title VI requirement, major affirmative changes in policy and administration of Federal programs affecting housing are recommended.[2]

Lastly, it is suggested that if Federal agencies and metropolitan communities do not move affirmatively to comply with title VI as it affects racial discrimination in housing, court suits may be filed against both the localities and the Federal agencies to enforce compliance. It is to be hoped, however, that litigation will be made unnecessary by the voluntary actions of Federal agencies and metropolitan communities to end racial discrimination in housing.

I. HOUSING DISPLACEMENT IMPACT OF MAJOR FEDERAL CONSTRUCTION PROGRAMS

Many thousands of families are displaced from their homes every year by projects under the workable program for community improvement[3] and other governmental activities. The major Federal assistance programs that force these families to seek other housing are:

(1) Direct construction by government: e.g., highways, schools, public housing, public buildings, and such neighborhood facilities as community or youth centers, health stations and similar public institutions.

(2) Slum clearance, urban redevelopment and renewal.

(3) Acquisition of sites to be used in future construction of public works and facilities.

(4) Acquiring and developing land for recreational, conservation and other public uses, including the purchase and clearance of land in built-up areas for such open-space needs as parks, squares, pedestrian malls, etc.

It is estimated that about one and a half million Negro Americans will be displaced from their homes because of these federally financed construction and acquisition activities in the first 8 years following enactment of the 1964 Civil Rights Act.[4] Commenting on housing relocation, the Housing and Home Finance Agency (HHFA) stated:

"Experience shows that some families displaced from slums and blighted properties have considerable difficulty in finding other accommodations that are decent, safe, and sanitary and within their means due to the limited supply of such housing available to them. For personal or similar reasons, others seek housing no better than that found in the slums and blighted area from which they have been displaced * * *."[5]

The HHFA cautioned community officials "to be fully aware of the importance of taking the necessary steps to provide the means for displacel persons to obtain decent housing which they can afford," and then offered the following guidance about the important elements in determining relocation needs:

"At the time of submission of an initial application for approval of the workable program for community improvement, the community will be required as a minimum to have made a reliable estimate of the number of families to be displaced during the ensuing 2-year period, broken down into four categories of governmental action (i.e., urban renewal, highway construction, code enforce-

[2] In applying the title VI requirement to housing, we do not overlook what is known as the housing exemption that Congress wrote into sec. 602. That exemption removes Federal financial assistance by way of "a contract of insurance or guaranty" from the section authorizing Federal agency enforcement of title VI rights. By this exemption, Congress left unaffected the existing nondiscrimination machinery of the Federal Housing Administration and Veterans' Administration home loan guarantee and insurance programs under President Kennedy's Executive Order 11063. In this dicussion it is not the exempted Federal housing insurance and guarantee programs, but rather the variety of direct Federal construction, assistance, and loan activities affecting housing with which we are concerned.

[3] The workable program for community improvement is the program developed by a local community for the prevention and elimination of slum and blight conditions. To qualify for Federal financial and technical assistance in urban redevelopment, each community must have an approved workable program that meets the standards of the Department of Housing and Urban Development.

[4] Statistical projections prepared for the Congress (see table I—App. C) show that an estimated 111,080 families and individuals will be displaced annually from their homes during these years by acquisition of real property for federally assisted programs (see 88th Cong., 2d sess., Committee Print No. 31, House Committee on Public Works, pp. 15, 258). Multiplication of the "family" ingredient in this estimate (64 percent) by average family size (3.71) reveals that in the 8 years between 1964 and 1972 about 2,400,000 persons will be displaced. Experience shows that of the persons displaced under these programs approximately three-fifths are nonwhite (see Urban Renewal Administration statistics, table 3, p. 25, Report of Advisory Commission on Intergovernmental Relations, January 1965, "Relocation: Unequal Treatment of People and Businesses Displaced by Governments"). It thus appears that about one and a half million Negro citizens will be displaced from their homes under Federal and federally assisted programs during the first 8 years after the effective date of the 1964 Civil Rights Act.

[5] Workable Program for Community Improvement, Program Guide No. 6, "Answers on Housing for Displaced Families," p. 1, August 1962, HHFA.

ment, and other), *and white and nonwhite families. (The nonwhite breakdown may be eliminated for any community in which it is a substantiated fact that all housing resources, public and private, are fully available to all families without regard to race.)* * * *" [Emphasis added.]

Morality aside, this posture was certainly legal when the program guide was published in August 1962. However, by the following year, it had begun to be recognized that at least the urban renewal program should require a prohibition on racial discrimination. A Federal court had so held,[6] and the Urban Renewal Administration (URA) had issued a public statement on June 25, 1963, banning the listing of segregated housing accommodations by local relocation agencies. This statement recognized that the URA "has a responsibility for seeing" that families displaced by urban renewal "are assisted in finding housing accommodations that are free from racial or other such restrictions." Unfortunately, the proposed plan announced in 1963 was never put into effect by the HHFA.

The fact remains that what was a forward-looking proposal in 1963 has become a mandatory requirement under title VI of the Civil Rights Act in 1964. The great displacement impact of Federal construction and acquisition programs chiefly affects the metropolitan communities of the Nation, where housing segregation remains a fact of life.

A great number of metropolitan areas benefiting from Federal financial assistance presently have no legal prohibitions against racial discrimination in private housing. Almost half of the 30 largest cities in the United States are without such laws covering either the central city or affecting their suburban environs. Three of these cities (Chicago, St. Louis, and Washington, D.C.) have housing ordinances which cannot reach the adjacent suburbs. In 10 others, neither the central city nor its suburbs are covered by prohibitions against racial discrimination in housing: Atlanta, Baltimore, Dallas, Houston, Kansas City, Memphis, Milwaukee, New Orleans, Phoenix, and San Antonio.

In those cities which today do not prohibit housing discrimination, persons displaced by Federal programs such as urban renewal and highway construction are necessarily subjected to racial discrimination until community patterns are broken by legal prohibitions on segregation. For it is admittedly beyond the capacity of Federal agencies to insure that, as a result of Federal actions, thousands of displaced families will find adequate housing within the narrow range of choice presently provided by segregated housing practices.

Under the Federal highway program, there is no regulation requiring mandatory relocation assistance to the people displaced by eminent domain. Urban renewal regulations do require relocation aid, but up to this very moment local public agencies are meeting this Federal requirement with segregated housing in many communities. Thus, despite the mandatory title VI guarantee that no one shall "be subjected to discrimination under any program or activity receiving Federal financial assistance," under presently prevailing conditions most of the one and a half million Negro citizens estimated to be displaced by federally financed construction and acquisition activities in the 8 years following the 1964 Civil Rights Act will be forced to relocate in racial ghettos. There, they will pay a higher proportion of their incomes for accommodations that are smaller, more overcrowded, and of poorer quality than those of the rest of the population.[7]

There can be no question that such programs as Federal highway construction and urban renewal are subject to the affirmative requirement of title VI. These are two of the largest Federal assistance programs, with Federal money going directly to pay for the acquisition of the land from which citizens are displaced. Thus, title VI requires an immediate change in policy and administrative practices of the concerned Federal agencies to guarantee each displaced family a free choice of housing relocation unhampered by artificial restrictions of race, color, or natural origin.

II. FEDERAL ASSISTANCE TO PRIVATE HOUSING

Private housing benefits materially and tangibly from a variety of significant forms of Federal financial assistance. Before a house is ever constructed, the builder knows that among the absolute necessities for the marketability of his houses are adequate water and sewers, electricity and access. Beyond these direct necessities is a larger area of vital supporting community services: hospitals, libraries, public schools, recreational services, parks, neighborhood facilities, and similar amenities. While not absolutely necessary for the habitability

[6] *Smith* v. *Holiday Inns of America, Inc.*, 220 F. Supp. 1 (D.C. Tenn. 1963).

[7] "The Heart of the Matter: More Housing for Negroes," Chester Rapkin, the Mortgage Banker, February 1964.

of a dwelling as such, these community facilities and services directly benefit home owners and residents.

The dependency of housing upon the facilities and services of the community in which it is located is a well-recognized principle of the workable program for community improvement. In preparing a comprehensive community plan under the workable program, factual information about community facilities and services, "such as schools, libraries, parks, hospitals, municipal buildings, water systems, storm drainage, sewerage, refuse disposal facilities, other utilities etc., by locations, areas of service, and adequacy" * * * "should be developed so as to clearly reveal existing deficiencies in a community's physical resources * * *."[8] In considering environmental conditions affecting housing code compliance, the HHFA states:

"The upgrading of housing alone will be largely ineffective unless the other blighting influences in the area are eliminated or corrected. This means the provision of adequate public facilities and services such as water, sewers, streets, lighting, schools, recreational, and cultural outlets. It may even mean the planting of trees, shrubs, and grass. It certainly means the elimination or control of detrimental nonresidential land uses such as commercial establishments that are unsightly, noxious, or noisy. Heavy traffic along neighborhood streets is another major blighting influence."[9]

The Federal Government is deeply involved through various programs of Federal grants and loans in direct assistance to these community facilities and services. The provision of water and sewer facilities, electricity, public roads, education, health and recreation services, parks, and neighborhood facilities is inextricably bound up with massive Federal programs of assistance annually aggregating many billions of dollars.

Thus, in fiscal year 1965 alone, the Congress appropriated $365 million to maintain rural electrification, which directly provides electric power for the homeowner in areas where commercial utility services are not available. In the same year, the Congress set aside for State and local highway construction more than $3.5 billion. Another $90 million in Federal assistance was earmarked for sewer and water facility construction.

An illuminating study of the cumulative interplay of such Federal programs, prepared by the HHFA, was published in 1963 by a committee of the U.S. Senate.[10] That study tabulated the Federal programs of assistance in a representative metropolitan area, Atlanta, Ga., during 1961 and 1962. Table II (see app. D), taken from the HHFA tabulation, shows that over $100 million is disbursed annually in this one metropolitan area alone in Federal programs of community assistance, most of which are for the direct benefit of homeowners and builders.

A. Sewers and water.—Federal programs of assistance to community sewer and water facilities construction directly benefit homeowners and builders. Under the Federal Water Pollution Control Act, Congress had appropriated $90 million annually in recent years for grants to States and localities to accelerate local programs of waste-treatment works construction, including intercepting and outfall sewers, to encourage communities to clean up the waters of the country. This represented about one-fifth of the total construction expenditures by the States and localities for local sewer and water facilities.

As a representative metropolitan area example, between 1957 and 1965 the Public Health Service of the Department of Health, Education, and Welfare allocated over $3 million for waste-treatment works construction in Atlanta.

The Housing and Urban Development Act of 1965 established a new program of grants for basic sewer and water facilities, amounting to $800 million over a 4-year period. The 1965 amendments to the Consolidated Farmers Home Act similarly established a program of grants for sewer and water facilities in communities under 5,500 population. The Public Works and Economic Development Act of 1965 also opened up a large new source of Federal support for sewer and water facilities. These new programs represent significant expansion of Federal support for sewer and water facilities directly benefiting the homebuilders and homeowners of the Nation.

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[8] Workable Program for Community Improvement, Program Guide No. 2, "Answers on Comprehensive Community Plan," pp. 2–3, March 1965, HHFA.

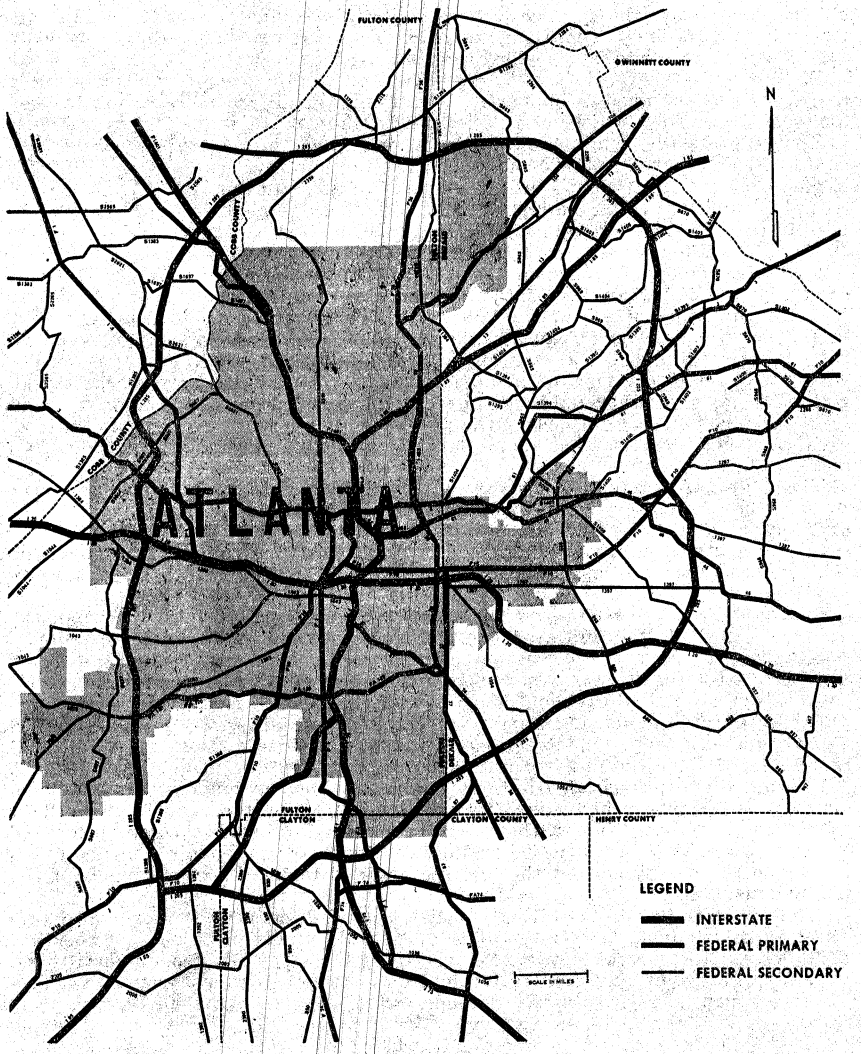
[9] Workable Program for Community Improvement, Program Guide No. 1, "Answers on Codes and Ordinances," p. 3, January 1962, HHFA.

[10] Hearings before the Subcommittee on Intergovernmental Relations, Committee on Government Operations, "Role of the Federal Government in Metropolitan Areas," 87th Cong., 2d sess., p. 82.

B. Public roads.—Equally necessary for the construction and use of private housing are adequate access routes. Road construction today is backed by massive Federal assistance through the primary, secondary, urban, and interstate highway construction programs. These programs, for which Congress expends billions of dollars annually, are particularly significant in the urban and suburban areas of the Nation where the pattern of housing development and redevelopment is geared to and dependent upon new road construction. Table III (see app. E) indicates the extent of this aid to each of the 50 States and the District of Columbia in the first 10 months of 1965.

The significance of Federal participation in the construction of urban access routes and highways may be appreciated from another illustration in the representative Atlanta metropolitan area. From July 1961 through June 30, 1965, the total construction cost of the federally assisted highways in this metropolitan

FEDERAL ASSISTANCE HIGHWAYS, ATLANTA METROPOLITAN AREA



SOURCE: U.S. Department of Commerce
Bureau of Public Roads
Sept., 11 1965

area was approximately $94 million, $80 million of which was provided by Federal funds. The composite map reproduced here, drawn from Bureau of Public Roads sources, shows highways in the representative metropolitan area receiving Federal payments for construction. The briefest examination of that federally assisted network will show how far the housing construction programs of our metropolitan areas are dependent upon urban and suburban roadbuilding.

C. Electric power.—No less a necessity for home use than sewers, water, and roads is electric power. For many years the Federal Government, through the Tennessee Valley Authority and the Rural Electrification Administration, has supported the furnishing of electric power facilities for homeowners in areas where commercial development fails to provide adequate service. Thus, hundreds of millions of dollars are annually appropriated by Congress for loans to REA cooperatives by the Rural Electrification Administration of the Department of Agriculture. These cooperatives provide power facilities to more than 20 million people in the United States.

In the five counties included in the representative Atlanta metropolitan area, electric cooperatives have, since January 1, 1961, invested over $7 million in facilities and have received over $6 million of Federal loan assistance for the furnishing of electric power to the people of those counties.

D. Supporting community services.—The Federal Government is increasingly and massively involved in supporting community facilities construction in such areas as education, health, and receration. Many millions of dollars annually are provided by the Congress for such facilities, and the Federal assistance will continue to increase in view of new legislation Congress recently approved.

The Housing and Urban Development Act of 1965 authorized $25 million annually for 4 years to public bodies to help finance the acquisition of sites to be used in future construction of public works and facilities. An annual authorization of $50 million for 4 years was made to public bodies to help finance projects for neighborhood facilities such as community or youth centers, health stations, or similar public buildings. Matching grants were authorized to assist localities in programs of beautification and improvement of open-space and other public lands, including such things as street landscaping, park improvements, tree planting, and upgrading of malls and squares. Grants to States and local agencies to cover up to half the cost of acquiring and developing land for recreational, conservation, and other public uses were increased from $75 million to $310 million. The act also authorized the purchase and clearance of land in built-up areas for such open-space needs as parks, squares, playgrounds, and pedestrian malls.

These programs are less directly involved in assisting the homebuilder or owner than are programs providing electric power, public roads, and sewer and water facilities. Nevertheless it is undeniable that the homebuilder or owner in many cases is receiving benefits "under any program or activity receiving Federal financial assistance" as a result of federally aided community development.

E. Direct Federal assistance to private housing.—The Housing and Urban Development Act of 1965 initiated a major new program of Federal rent supplements to provide a large volume of private housing within the means of low-income families. It is expected to generate some 375,000 units of nonprofit, cooperative, or limited dividend housing over the next 4 years by attracting private capital into the housing market for low-income families. The act authorized $30 million for rent supplement payments in fiscal year 1966, and additional amounts of $35 million in fiscal 1967, $40 million in 1968, and $45 million in 1969.

The act also authorized grants to enable low-income homeowners in urban renewal areas, whose homes are required to be rehabilitated, to improve their homes and remain in them rather than be relocated elsewhere. Also authorized was a new program of low-rent housing in units leased in privately owned existing structures to supplement the housing assisted under other provisions of the public housing law.

When private housing is directly assisted by Federal grants, there can be no question that it is subject to the affirmative requirement of title VI of the 1964 Civil Rights Act. Similarly, when private housing benefits from federally assisted programs of community development, either directly through the provision of such necessities as water and sewers, electricity and public roads, or less directly through supporting community facilities and services, such housing similarly should be available on a nondiscriminatory basis.

The principal point here is the pervasiveness of direct and indirect Federal assistance to private housing, which is so materially dependent upon the totality

of federally aided community facilities and services. The fact that Federal support is funneled through State and local governments now legally requires these jurisdictions to provide the concerned Federal agencies with affirmative assurances required by title VI and "no person in the United States shall * * * be excluded from * * * denied the benefits of * * * or be subjected to discrimination under * * *" any of these Federal programs of assistance to private housing.

III. METROPOLITAN HOUSING DESEGREGATION

It should be evident that families displaced by Federal programs of construction and land acquisition are necessarily subjected to discrimination unless they are guaranteed a free choice of housing relocation unhampered by artificial restrictions of race, color, or national origin. It should be equally clear that the title VI affirmative requirement applies to the entire private housing sector, which is so materially dependent upon the pervasiveness of direct and indirect Federal assistance. It follows, therefore, that title VI affirmatively requires each community participating in Federal programs affecting housing to prohibit housing discrimination by law as a precondition for Federal financial assistance.

The prohibition of housing discrimination by law as a precondition for Federal financial assistance also applies to States that participate in federally assisted highway construction. Highway construction transcends community boundaries, as does the displacement and relocation resulting from such land acquisition and construction. Federal grants for highway construction are made directly to State governments, which administer the programs within their borders. Thus, States benefiting from this Federal program are similarly subject to the title VI guarantee of nondiscrimination in housing.

The requirement of an enactment of law as a condition of Federal aid is an established principle of Federal-State relations. The workable program for community improvement requires by regulation the adoption of zoning ordinances and modern building, plumbing, electrical, and housing codes for certification, as well as effective enforcement of codes, a planned systematic housing code compliance program and accurate reporting on compliance activity, including "a showing that there is a reasonable use of appropriate local resources in terms of inspectors and funds needed to enforce compliance with the codes." [11] A similar regulatory requirement for enactment and enforcement of a housing nondiscrimination law would seem equally reasonable.

Laws against housing discrimination will not, of themselves, achieve the affirmative purpose of title VI. Many States and communities having such laws still expend public funds, of which Federal payments often are the major share, in a fashion which continues to encourage, entrench, and subsidize housing segregation. However, and antidiscrimination law is the fundamental base for projection of affirmative action to eliminate and prevent community patterns of racial segregation in housing.

To achieve this objective, considering the complexities of present-day urban development and the multiplicity of Federal programs affecting housing, careful comprehensive planning is required, as was so succinctly stated by Housing Administrator Robert C. Weaver (now Secretary of Housing and Urban Development):

"Without a comprehensive community plan to point the way to successful urban growth and renewal, a locality is in much the same position as the fabled gentleman who mounted his horse and rode off in all directions. Unless it knows what it is striving to achieve, the community will find itself strangled with haphazard growth in every direction. In this uncharted maze, the solution to one problem frequently compounds another problem.

"A properly drawn, comprehensive community plan recognizes not only the problems of the locality, but how these problems—and their solution—are related to those of the entire area or region, since the complexities of urban growth and blight do not respect jurisdictional boundaries." [12]

Several suggestions for metropolitan planning for housing desegregation grow out of this observation. First, any comprehensive plan for federally assisted urban development and renewal should now include the positive steps to be taken to eliminate and prevent community patterns of racial segregation in housing. Second, such comprehensive plans should be required of every federally assisted program involving housing.

[11] Op. cit., program guide No. 1, p. 1.
[12] Op. cit., program guide No. 2, introduction.

Third, since housing is affected by the interplay of a number of different federally assisted programs, the various Federal agencies involved should act jointly to issue a comprehensive regulation requiring the State or the affected community to furnish an overall plan as to how the combination of programs under consideration for Federal funding will contribute toward eliminating and preventing community patterns of racial segregation in housing. As presently adminstered, each such federally assisted program is independent and the requirements for compliance are different—sometimes even conflicting. Insofar as these program affect housing, it would seem reasonable and logical for all concerned Federal agencies to strive toward a mutual objective, and to coordinate enforcement of such a comprehensive regulation.

Last, neither housing discrimination nor the many other problems of urban development can be solved effectively within the confines of community jurisdictional boundaries. As described by the HHFA:

"No community is an island unto itself. Its economy is tied in with the economy of the area of which it is a part. This applies to communities in metropolitan areas as well as to those in agricultural or rural areas. Transportation, water resources, waste disposal, air pollution, police and fire protection, and even slums and blight have no respect for jurisdictional boundaries. It is wasteful to consider them on a piecemeal basis. It is, therefore, an appropriate exercise of local responsibility under its workable program for each community to participate in planning and in solving common problems with its neighboring jurisdictions where possible, and to foster the formation of planning agencies that can operate on an areawide or regional basis * * *. Also, some communities are authorized by State law to extend their planning jurisdiction into the unincorporated areas beyond their limits and to exercise certain controls over such areas.

"Not only are metropolitan areas and regional planning agencies eligible for grants under the urban planning assistance program, but the HHFA Administrator is directed under this program to 'encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas.'" [13]

Existing community patterns of housing segregation will yield most readily to regional planning of this broad perspective. Insofar as federally assisted programs affecting housing transcend jurisdictional boundaries, title VI should be construed to affirmatively require that the elimination of housing segregation be made part of such comprehensive regional planning.

Citizen participation

"A successful long-term workable program depends in large measure upon active participation by local citizens. Every citizen benefits in some degree from the program and every citizen has something to contribute to it. The citizen participation requirement of the workable program provides a means whereby citizens can come to understand the program benefits and can make a positive contribution so that a program can be planned and carried out to meet their needs and command their support * * *.

"Experience has demonstrated that effective citizen participation over the extended period necessary to carry out a successful workable program is based on an active citizens advisory committee that is communitywide and representative in scope, officially designated by the mayor and/or council, in accordance with local custom. The designation of such a committee is a workable program requirement. Also because of the almost universal difficulty in communities over the country in making adequate housing available to minority groups, it is generally expected that there will be established a subcommittee or special committee on minority group housing. Both the overall advisory committee and the minority group subcommittee or special committee should have minority group representation." [14]

Recognizing as it does "the almost universal difficulty in communities over the country in making adequate housing available to minority groups," the suggestion of a citizens advisory committee would seem particularly appropriate to help develop objectives and goals in community planning for housing desegregation. Therefore, any comprehesive plan for federally assisted urban development and renewal should provide for a citizens advisory committee, with adequate minority representation. Similarly, where several Federal agencies in-

[13] Ibid., pp. 4–5.
[14] Workable program for community improvement, program guide No. 7 "Answers on Citizen Participation," p. 1, November 1964, HHFA.

volved in programs affecting housing adopt a comprehensive regulation, it should incude provision for a citizens advisory committee. The committee should concentrate on the objective of eliminating and preventing community patterns of housing segregation, and its primary functions should be the same as described below for the workable program:

(1) "To learn about the nature and extent of deficiencies and the means and methods of remedying them;

(2) "To make recommendations for improvement; and

(3) "To help inform other citizens and groups as to the need for the improvements and thus develop united community understanding of this need." [15]

IV. AN AFFIRMATIVE PROGRAM FOR HOUSING DESEGREGATION

Gunnar Myrdal suggested three principal factors that could explain the prevalence of residential segregation: Free choice, poverty, and discrimination. Karl Taeuber, through the application of his segregation index, demonstrated that neither free choice nor poverty is a sufficient explanation for the universally high degree of segregation in American cities. "Discrimination is the principal cause of Negro residential segregation, and there is no basis for anticipating major changes in the segregated character of American cities until patterns of housing discrimination can be altered." [16]

To meet the title VI requirement of Federal financial assistance that does not encourage, entrench, subsidize, or result in racial discrimination in housing, the following are suggested elements of an affirmative program for housing desegregation:

A. Fair housing law.—

(1) Whenever federally assisted programs of land acquisition or construction cause persons to be dislocated from their homes; or

(2) Whenever Federal assistance programs materially benefit private housing through the development of community facilities and services, one qualification for participation in such federally assisted programs shall be the enactment by the State and affected political subdivision of laws prohibiting racial discrimination in the sale or rental of private housing, with suitable administrative machinery for enforcement.

B. Comprehensive community plan.—

(1) Any comprehensive plan for federally assisted urban development and renewal shall now include detailed information as to how the project will contribute toward eliminating and preventing community patterns of racial segregation in housing, and;

(2) Such a comprehensive plan shall be required by every federally assisted program causing housing dislocations or providing financial aid to community facilities and services, and;

(3) Where multiple jurisdictions are involved in such federally assisted programs, all concerned municipalities, political subdivisions and public agencies shall be required to achieve coordinated regional planning for the elimination of housing segregation.

C. Federal agency coordination.—

(1) Where housing dislocation and assistance to private housing through community development involves the interplay of a number of different Federal programs, the responsible Federal agencies shall jointly issue a comprehensive regulation requiring the State or affected political subdivision to furnish an overall plan as to how the combination of projects under consideration will mutually contribute toward eliminating and preventing community patterns of racial segregation in housing; and

(2) The various agencies involved shall designate a responsible authority to coordinate overall enforcement of such a comprehensive regulation, and;

(3) Approval of any one program governed by the comprehensive regulation shall be withheld by the coordinating authority until all affected programs are in compliance.

(4) The agencies most directly concerned are:

(*a*) The Department of Housing and Urban Development;

(*b*) The Bureau of Public Roads and the Economic Development Administration of the Department of Commerce;

(*c*) The Public Health Service and the U.S. Office of Education of the De-

[15] Ibid., p. 2.

[16] "Residential Segregation," Karl E. Taeuber, Scientific American, vol. 213, No. 2, pp. 12–19, August 1965.

partment of Health, Education, and Welfare; and

(*d*) The Rural Electrification Administration and the Farmers Home Administration of the Department of Agriculture.

D. Citizen participation.—

(1) Any comprehensive plan for federally assisted urban development and renewal, and any comprehensive regulation adopted jointly by Federal agencies, shall provide for a citizens advisory committee, with appropriate minority representation; and

(2) The primary function of the citizens advisory committee shall be to help achieve the objective of eliminating and preventing community patterns of housing segregation.

(3) The administering Federal agency hold a public hearing prior to the approval on any comprehensive plan; and

(4) All such approved plans shall be available for public inspection on request to the administering Federal agency.

E. Effective date. The Civil Rights Act was signed into law on July 2, 1964, and therefore the title VI requirement applies to all federally assisted programs after that date. As many of the above elements as feasible shall be applied to the particular stage of development of each existing federally financed program affecting housing, and all shall be applied to all new programs.

This is not intended to be an all-inclusive list of remedies. Bold and imaginative administrators, determined to achieve the Great Society envisioned by President Johnson and endorsed by the Congress, undoubtedly will find many other affirmative ways to implement the title VI requirement that programs they oversee will not encourage, entrench, subsidize, or result in racial discrimination in housing.

V. LEGAL ENFORCEMENT OF TITLE VI OBLIGATIONS IN HOUSING

The process of change cannot and will not be painless. Some States and communities may conceivably choose to forego urban renewal, highway aid, water and sewer construction grants, and similar Federal assistance programs rather than comply affirmatively with title VI by adopting a general requirement of housing desegregation and moving toward the elimination and prevention of community patterns of racially segregated housing. But the congressional requirement is express and mandatory. Under that requirement, such agencies as the Urban Renewal Administration and the Bureau of Public Roads should now take affirmative action in States and communities receiving their assistance which continue to tolerate housing segregation.

In resorting to available remedies to enforce the affirmative requirement of title VI in the area of housing, the preferred method is, of course, that provided by the statute itself. In section 602 of the act, Congress has spelled out procedures by which Federal agencies should move to assure equal rights and benefits in the programs to which they provide assistance.

Of course, States and communities need not and should not await the compulsion of Federal agency action. Major metropolitan communities in the United States where housing segregation presently is not prohibited in both the city and its adjacent suburbs include Atlanta, Baltimore, Chicago, Dallas, Houston, Kansas City, Memphis, Milwaukee, New Orleans, Phoenix, St. Louis, San Antonio, and Washington, D.C. About 3 million Negro citizens living in these metropolitan areas presently are denied the right to desegregated housing in their communities. For these citizens the continuance of housing segregation also means continuance of slum conditions, segregation of their children in the public schools, and other unfortunate consequences of ghetto existence.

But if voluntary community action is not forthcoming, and Federal agencies do not fulfill their obligations under title VI in the area of housing, there remains the possibility of litigation brought by Negro citizens to enforce their rights under section 601 of the act. That section creates direct rights for minority citizens in its guarantee that "no person in the United States shall on the ground of race * * * be excluded from participation in, be denied the benefits of, or be subjected to discrimination under * * *" any federally assisted program.[17]

[17] One Federal court has already held that title VI gives Negro citizens rights against discrimination in a federally assisted program. In *Lemon* v. *Bossier Parish School Board* (240 F. Supp. 709), the U.S. district court in Louisiana ruled that Negro children attending schools supported by Federal funds "are recipients of the rights conferred by sec. 601, and as such are entitled to bring this suit to require desegregation of the federally assisted schools."

While title VI does not expressly establish judicial power to secure section 601 rights on behalf of injured citizens, a right of judicial relief is implicit in the congressional enactment of the substantive right itself, under the established doctrine that courts will presume judicial power to secure the Federal statutory rights of a protected class. The legal basis of this principle is discussed fully in appendix A.

Under this doctrine, it is clear that when Federal agencies fail to secure the rights of injured citizens under section 601, such citizens may sue those agencies in Federal court to require them to take remedial protective action. Congress, in section 601, has put Federal agency assistance to racial discrimination beyond agency power, and has made it a violation of individual rights to subject any person to discrimination under a federally assisted program. It follows that courts have the power to protect this statutory right in accordance with this established doctrine.

Thus, if the communities and the Federal agencies should continue to fail to meet their title VI obligations, judicial remedies are available to enforce the housing desegregation requirement of the 1964 Civil Right Act.

APPENDIX A

THE DOCTRINE OF IMPLIED JUDICIAL POWER TO SECURE FEDERAL STATUTORY RIGHTS

Title VI of the 1964 Civil Rights Act does not specifically provide for suits by persons denied the rights granted in section 601. But that section does provide that "no person in the United States shall on the ground of race * * * be excluded from participation in, be denied the benefits of, or be subjected to discrimination under * * *" any federally assisted program. Accordingly, under the established doctrine that courts will presume judicial power to secure Federal statutory rights, the availability of judicial relief is implicit in the congressional enactment of the substantive right itself.

That principle was firmly established by the Supreme Court's 1944 decision in *Steele* v. *Louisville & Nashville R.R. Co.* (323 U.S. 192), recognizing judicial power to enforce rights against racial discrimination found in the Railway Labor Act, though Congress had not expressly provided a judicial remedy. Recently, the Supreme Court emphatically reaffirmed that principle with the emphasis that "this Court cannot lightly infer that Congress does not intend judicial protection of rights it confers against [Federal] agency action * * *" *Leedom* v. *Kyne* (358 U.S. 184, 190).[18]

Even before the *Steele* decision, the Supreme Court had found an implied right of judicial suit to vindicate Federal statutory rights where Congress had failed to prescribe a judicial remedy as such. See, e.g., *Texas & New Orleans R. Co.* v. *Brotherhood of Railway & S.S. Clerks* (281 U.S. 548, 549); *American School of Magnetic Healing* v. *McAnnulty* (187 U.S. 94); *Virginia R. Co.* v. *System Federation* (300 U.S. 515).

In *Steele*, that rule was applied where a Federal right against racial discrimination was found by the Court to inhere in the Railway Labor Act against the union which is the statutory representative of the class or craft of workers. Although Congress had provided administrative relief before the Railroad Adjustment Board through an individual grievance proceeding, the Supreme Court ruled (p. 206) that: "We cannot say that there is an administrative remedy available to petitioner or that resort to such proceeding in order to secure a possible administrative remedy * * * is prerequisite to relief in equity." And the Court went on to uphold the availability of judicial relief for Negro workers to enforce this Federal statutory right against racial discrimination:

"In the absence of any available administrative remedy, the right here asserted, to a remedy for breach of the statutory duty of the bargaining representative to represent and act for the members of a craft, is of judicial cognizance. That right would be sacrificed or obliterated if it were without the remedy which courts can give for breach of such a duty or obligation and which it is their duty to give in cases in which they have jurisdiction * * * there can be no doubt of the justiciability of these claims. As we noted in *General Committee* v. *Missouri-Kansas-Texas R. Co.*, *supra* (320 U.S. 331), the statutory provisions which are

[18] The principle applies even to criminal statutes. As stated in the opinion of Judge Hand for the Second Circuit with respect to one Federal criminal enactment: "Although the act does not expressly create any civil liability, we can see no reason why the situation is not within the doctrine which, in the absence of contrary implications, construes a criminal statute, enacted for the protection of a specified class, as creating a civil right in members of the class, although the only express sanctions are criminal." *Reitmeister* v. *Reitmeister* (162 F. 2d, 691, 694).

in issue are stated in the form of commands. For the present command there is no mode of enforcement other than resort to the courts, whose jurisdiction and duty to afford a remedy for a breach of statutory duty are left unaffected. The right is analogous to the statutory right of employees to require the employer to bargain with the statutory representative of a craft, a right which this Court has enforced and protected by its injunction in *Texas & N.O.R. Co.* v. *Brotherhood of Railway & S.S. Clerks, supra* (281 U.S. 556), and in *Virginian R. Co.* v. *System Federation, supra* (300 U.S. 548), and like it is one for which there is no available administrative remedy.

"We conclude that the duty which the statute imposes on a union representative of a craft to represent the interests of all its members stands on no different footing and that the statute contemplates resort to the usual judicial remedies of injunction and award of damages when appropriate for breach of that duty."

The rule explained and emphasized in *Steele* has subsequently been applied by the Supreme Court on numerous occasions to uphold judicial protection of Federal statutory rights even in the absence of any express statutory provision authorizing judicial action. See, e.g., *Graham* v. *Brotherhood* (338 U.S. 232); *Conley* v. *Gibson* (355 U.S. 41); *Greene* v. *McElroy* (360 U.S. 474).

Thus, in a recent summary of the principle, the Supreme Court stated that "generally, judicial relief is available to one who has been injured by an act of a Government official which is in excess of his express or implied [statutory] powers." *Harmon* v. *Brucker* (355 U.S. 579, 581).

Moreover, the rule was recently applied by the Supreme Court in *Leedom* v. *Kyne* (358 U.S. 184), even in a situation where Congress had established a remedial administrative procedure, the Court ruling that in case of a clear statutory violation by a Federal agency, judicial review is mandatory. The Court provided the following significant explanation of its ruling:

"This case, in its posture before us, involves 'unlawful action of the Board [which] has inflicted an injury on the [respondent].' Does the law, 'apart from the review provisions of the act,' afford a remedy? We think the answer surely must be 'Yes.' This suit is not one to 'review,' in the sense of that term as used in the act, a decision of the Board made within its jurisdiction. Rather it is one to strike down an order of the Board made in excess of its delegated powers and contrary to a specific prohibition in the act. Section 9(b)(1) is clear and mandatory. It says that, in determining the unit appropriate for the purposes of collective bargaining, 'the Board *shall not* (1) decide that any unit is approprite for such purposes if such unit includes both professional employees and employees who are not professional employees unless a majority of such professional employees vote for inclusion in such unit.' [Emphasis added.] Yet the Board included in the unit employees whom it found were not professional employees, after refusing to determine whether a majority of the professional employees would 'vote for inclusion in such unit.' Plainly, this was an attempted exercise of power that had been specifically withheld. It deprived the professional employees of a 'right' assured to them by Congress. Surely, in these circumstances, a Federal district court has jurisdiction of an original suit to prevent deprivation of a right so given.

"In *Texas & New Orleans R. Co.* v. *Brotherhood of Railway & S.S. Clerks* (281 U.S. 548, 549), it was contended that, because no remedy had been expressly given for redress of the congressionally created right in suit, the act conferred 'merely an abstract right which was not intended to be enforced by legal proceedings.' (Id. 281 U.S. at p. 558.) This Court rejected that contention. It said: 'While an affirmative declaration of duty contained in a legislative enactment may be of imperfect obligation because not enforceable in terms, a definite statutory prohibition of conduct which would thwart the declared purpose of the legislation cannot be disregarded * * *. If Congress intended that the prohibition, as this construed, should be enforced, the courts would encounter no difficulty in fulfilling its purpose * * *. The definite prohibition which Congress inserted in the act cannot therefore be overdidden in the view that Congress intended it to be ignored. As the prohibition was appropriate to the aim of Congress, and is capable of enforcement, the conclusion must be that enforcement was contemplated.' (Id. 281 U.S. at pp. 568, 569.) And compare *Virginian R. Co.* v. *System Federation.* (300 U.S. 151).

"In *Switchmen's Union of North America* v. *National Mediation Board* (320 U.S. 297), this Court held that the district court did not have jurisdiction of an original suit to review an order of the National Mediation Board determining that all yardmen of the rail lines operated by the New York Central system constituted an appropriate bargaining unit, because the Railway Labor Board had

acted within its delegated powers. But in the course of that opinion the Court announced principles that are controlling here. 'If the absence of jurisdiction of the Federal courts meant a sacrifice or obliteration of a right which Congress had created, the inference would be strong that Congress intended the statutory provisions governing the general jurisdiction of those courts to control. That was the purport of the decisions of this court in *Texas & New Orleans R. Co.* v. *Brotherhood of Railway & S.S. Clerks* (281 U.S. 548), and *Virginian R. Co.* v. *System Federation No. 40* (300 U.S. 515). In those cases it was apparent that but for the general jurisdiction of the Federal courts there would be no remedy to enforce the statutory commands which Congress had written into the Railway Labor Act. The result would have been that the 'right' of collective bargaining was unsupported by any legal sanction. That would have robbed the act of its vitality and thwarted its purpose.' (Id. 320 U.S. at p. 300.)

"Here, differently from the *Switchmen's* case, 'absence of jurisdiction of the Federal courts' would mean 'a sacrifice or obliteration of a right which Congress' has given professional employees, for there is no other means, within their control (*American Federation of Labor* v. *National Labor Relations Board, supra*), to protect and enforce that right. And 'the inference [is] strong that Congress intended the statutory provisions governing the general jurisdiction of those courts to control.' (320 U.S. at p. 300.) This Court cannot lightly infer that Congress does not intend judicial protection of rights it confers against agency action taken in excess of delegated powers. Cf. *Harmon* v. *Brucker* (355 U.S. 579); *Stark* v. *Wickard* (321 U.S. 288); *American School of Magnetic Healing* v. *McAnnulty* (187 U.S. 94)."

Congress in section 601 has put Federal agency assistance to racial discrimination beyond agency power, and made it a violation of individual rights to subject any person to discrimination under a federally assisted program.[19] Accordingly, courts have power to protect those statutory rights in accordance with the established doctrines reviewed above—that agency action in excess of power (*Harmon*), contrary to congressional limitations (*Leedom, McElroy*) or in violation of statutory rights (*Steele*), requires Federal courts to provide judicial relief to the injured citizen. Particularly is this so, as the Supreme Court has emphasized (*Steele*), where Congress has provided no formal or adequate administrative remedy to the injured citizen.

In sum, it is clear that where Federal agencies have failed to secure their rights under section 601, injured citizens may sue those agencies in Federal court to require them to take remedial protective action.

APPENDIX B

(The Civil Rights Act of 1964)

TITLE VI.—NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

SEC. 601. No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

SEC. 602. Each Federal department and agency which is empowered to extend Federal financial assistance to any program or activity, by way of grant, loan, or contract other than a contract of insurance or guaranty, is authorized and directed to effectuate the provisions of section 601 with respect to such program or activity by issuing rules, regulations, or orders of general applicability which shall be consistent with achievement of the objectives of the statute authorizing the financial assistance in connection with which the action is taken. No such rule, regulation, or orders shall become effective unless and until approved by the President. Compliance with any requirement adopted pursuant to this section may be effected (1) by the termination of or refusal to grant or to continue assistance under such program or activity to any recipient as to whom there has been an express finding on the record, after opportunity for hearing, of a failure to comply with such requirement, but such termination or refusal shall be limited to the particular political entity, or part thereof, or other

[19] There is no legislative history which precludes the result suggested. The only congressional effort to provide specifically for suit by injured citizens to enforce sec. 601 rights was incorporated in a substitute to title VI originally offered by Senators Ribicoff and Keating. However, when the administration provided a new draft of that title, the Senators withdrew their substitute (see 110 Congressional Record 7065) and thus there was neither a vote nor any discussion on the issue of individual suits to enforce sec. 601 rights.

recipient as to whom such a finding has been made and shall be limited in its effect to the particular program, or part thereof, in which such noncompliance has been so found, or (2) by any other means authorized by law: *Provided, however*, That no such action shall be taken until the department or agency concerned has advised the appropriate person or persons of the failure to comply with the requirement and has determined that compliance cannot be secured by voluntary means. In the case of any action terminating, or refusing to grant or continue, assistance because of failure to comply with a requirement imposed pursuant to this section, the head of the Federal department or agency shall file with the committees of the House and Senate having legislative jurisdiction over the program or activity involved a full written report of the circumstances and the grounds for such action. No such action shall become effective until thirty days have elapsed after the filing of such report.

SEC. 603. Any department or agency action taken pursuant to section 602 shall be subject to such judicial review as may otherwise be provided by law for similar action taken by such department or agency on other grounds. In the case of action, not otherwise subject to judicial review, terminating or refusing to grant or to continue financial assistance upon a finding of failure to comply with any requirement imposed pursuant to section 602, any persons aggrieved (including any State or political subdivision thereof and any agency of either) may obtain judicial review of such action in accordance with section 10 of the Administrative Procedure Act, and such action shall not be deemed committed to unreviewable agency discretion within the meaning of that section.

SEC. 604. Nothing contained in this title shall be construed to authorize action under this title by any department or agency with respect to any employment practice of any employer, employment agency, or labor organization except where a primary objective of the Federal financial assistance is to provide employment.

SEC. 605. Nothing in this title shall add to or detract from any existing authority with respect to any program or activity under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

APPENDIX C

TABLE I.—*Families and individuals displaced by Federal and federally aided programs: Average yearly number of displacements in past and estimated for future*

Agency	Average displacement per year	
	Past	Future (estimate)
DIRECT FEDERAL PROGRAMS		
Agriculture Department	5	2
Defense Department	1,646	3,243
General Services Administration	278	538
Interior Department	140	583
International Boundary and Water Commission	19	237
Post Office Department	199	149
Tennessee Valley Authority	64	124
FEDERALLY ASSISTED PROGRAMS		
Bureau of Public Roads	32,395	36,770
Housing and Home Finance Agency:		
Public Housing Administration	4,155	3,166
Urban Renewal Administration	34,033	66,250
Interior Department	19	10
Total (rounded):		
Direct Federal	2,350	4,880
Federally assisted	70,570	106,200
Total	72,920	111,080

Source: U.S. Congress, House, Study of Compensation and Assistance for Persons Affected by Real Property Acquisition in Federal and Federally Assisted Programs, printed for use of Committee on Public Works, 88th Cong., 2d sess., 1964, p. 272.

APPENDIX D

TABLE II.—*Federal programs in the Atlanta metropolitan area* [1]

[In thousands of dollars]

Program and agency	Authorizations	
	1961	1962
Grant and matching fund programs:		
Department of Commerce—Bureau of Public Roads:		
Primary road construction	772.6	2,165.0
Secondary road construction	27.2	5.0
Urban road construction	265.9	1,921.9
Interstate highway construction	15,197.6	25,696.7
Department of Health, Education, and Welfare:		
Office of Education—Payments to school districts	818.6	954.8
Public Health Service:		
Hospital construction	1,261.3	1,791.8
Waste treatment works construction	316.4	120.7
Air pollution research grants	83.0	53.1
Water pollution research grants		19.1
Health facility construction grants	19.6	46.3
Housing and Home Finance Agency—Urban Renewal Administration:		
Title I renewal grants	492.0	1,839.0
Loan and advance loan programs:		
Department of Agriculture:		
Rural Electrification Administration: Loans to electric facilities	1,400.0	
Farmers Home Administration: Rural housing loans	10.9	65.5
Housing and Home Finance Agency—Community Facilities Administration: Advances for public works planning	20.0	33.0
Veterans' Administration: Direct housing loans	194.9	98.6
Insuring and leaseback programs:		
Post Office Department: Leaseback construction facilities	96.0	978.0
Department of Agriculture—Farmers Home Administration: Insured farmownership loans		33.9
Housing and Home Finance Agency:		
Community Facilities Administration: College housing loans	1,990.0	
Federal Housing Administration: Insured housing loans	67,931.0	66,355.0
Public Housing Administration: Public housing construction	1,639.7	1,792.1
Veterans' Administration: Insured housing loans	15,354.2	9,806.8
Total	107,840.9	113,776.8

[1] The Atlanta standard metropolitan statistical area consists of Clayton, Cobb, De Kalb, Fulton, and Gwinnett Counties.

Source: U.S. Congress, Senate, "Role of the Federal Government in Metropolitan Areas," hearings before the Subcommittee on Intergovernmental Relations, Committee on Government Operations, 87th Cong., 2d sess., 1963, p. 82.

APPENDIX E

TABLE III.—*Federally assisted highway construction contracts awarded by State highway departments,* [1] *January–October 1965*

[In thousands of dollars]

State	Contracts financed partially or entirely with Federal funds										Total		
	Interstate system contracts			Other Federal-aid contracts			Force account			Number of contracts	Cost	Federal funds	Miles
	Cost	Federal funds	Miles	Cost	Federal funds	Miles	Cost	Federal funds	Miles				
Alabama	$29,674	$25,110	20	$20,916	$10,824	165	$990	$482	36	134	$51,580	$36,416	221
Alaska				25,898	24,624	279				29	25,898	24,624	279
Arizona	40,007	37,561	112	16,929	13,194	154				65	56,936	50,755	266
Arkansas	35,089	31,522	34	16,021	8,727	220				106	51,110	40,249	254
California	226,253	204,590	181	85,412	52,816	128				194	311,665	257,406	309
Colorado	15,311	13,981	55	20,186	11,501	185				103	35,497	25,482	240
Connecticut	15,796	12,733	2	8,796	4,147	13				53	24,592	16,880	15
Delaware	12,864	11,576	2	8,891	4,462	56				27	21,755	16,038	58
Florida	33,669	30,154	28	18,593	9,607	138				57	52,262	39,761	166
Georgia	58,323	51,130	86	33,049	16,781	344				116	91,372	67,911	430
Hawaii	10,525	9,354	1	2,698	1,192	7				12	13,223	10,546	8
Idaho	7,857	7,294	64	8,944	5,677	76				33	16,801	12,971	140
Illinois	[2] 81,017	72,509	56	[2] 49,450	25,077	401	4,010	3,587		422	134,486	101,173	457
Indiana	35,097	31,573	46	23,606	11,282	44	59	41		94	58,762	42,896	90
Iowa	36,320	31,262	63	33,038	16,886	645				249	69,358	48,148	708
Kansas	8,280	7,238	7	27,726	13,958	397	642	323	53	205	36,648	21,519	457
Kentucky	17,688	16,006	21	16,544	9,495	50				55	34,232	25,501	71
Louisiana	53,943	48,512	34	14,599	7,528	101				42	68,542	56,040	135
Maine	17,730	15,956	86	7,340	3,669	47	54	54	1	51	25,124	19,679	134
Maryland	11,408	10,267	7	6,573	3,790	19				35	17,981	14,057	26
Massachusetts	49,159	44,137	31	17,401	8,696	16				36	66,560	52,833	47
Michigan	75,147	65,917	79	55,183	27,557	575	25	13		230	130,355	93,487	654
Minnesota	[2] 52,664	46,464	67	[2] 22,539	11,018	583	3,274	2,942	6	299	78,477	60,424	656
Mississippi	[2] 29,130	25,885	42	[2] 22,729	11,611	332	687	440		127	52,546	37,936	374
Missouri	29,735	26,761	36	25,190	12,640	103				86	54,925	39,401	139
Montana	[2] 17,810	16,456	54	[2] 22,126	13,597	233	24	14		85	39,960	30,067	287
Nebraska	24,705	22,265	58	13,170	6,638	298	674	337	36	204	38,549	29,240	392
Nevada	13,567	12,270	37	5,924	5,231	69				19	19,491	17,501	106
New Hampshire	11,195	10,066	9	7,869	4,097	26				26	19,064	14,163	35
New Jersey	[2] 29,082	25,117	9	[2] 19,462	10,721	30	1,084	952		59	49,628	36,790	39
New Mexico	37,485	34,287	174	11,666	8,098	147				46	49,151	42,385	321
New York	162,635	147,924	106	81,549	38,204	123				156	244,184	186,128	229
North Carolina	6,161	5,545	18	25,356	13,319	157				68	31,517	18,864	175
North Dakota	10,923	9,989	30	14,683	7,898	881	67	37	7	126	25,673	17,924	918

Ohio	[2] 183,526	163,647	109	[2] 40,750	19,706	84	1,907	1,382	------	135	226,183	184,735	193
Oklahoma	19,009	17,139	18	19,881	10,734	152	------	------	------	170	38,890	27,873	170
Oregon	27,159	25,053	31	21,915	11,001	261	------	------	------	122	49,074	36,064	292
Pennsylvania	112,382	100,862	112	55,826	29,057	108	------	------	------	72	168,208	129,919	220
Rhode Island	12,646	11,391	7	8,234	4,116	7	------	------	------	15	20,880	15,497	14
South Carolina	24,603	22,253	33	17,700	8,714	532	------	------	------	124	42,303	30,967	565
South Dakota	[2] 15,168	13,680	30	[2] 18,476	9,986	458	347	221	14	132	33,991	23,887	502
Tennessee	30,674	27,607	72	25,707	12,853	303	37	18	------	112	56,418	40,478	375
Texas	[2] 106,103	91,044	164	[2] 61,784	30,693	745	130	101	------	200	170,017	121,838	909
Utah	23,407	22,122	42	6,190	3,153	43	------	------	------	46	29,597	27,275	85
Vermont	14,140	12,681	27	6,980	3,499	27	------	------	------	30	21,070	15,180	54
Virginia	80,734	72,583	71	28,747	14,658	144	------	------	------	132	109,481	87,241	215
Washington	58,062	52,563	50	22,611	12,889	165	------	------	------	129	80,673	65,452	215
West Virginia	21,991	19,787	12	9,226	5,464	21	10	8	------	31	31,227	25,259	34
Wisconsin	[2] 28,753	25,138	23	29,943	16,691	217	2,519	1,271	113	243	61,215	43,100	353
Wyoming	19,699	18,365	38	5,580	3,695	69	------	------	------	38	25,279	22,060	107
District of Columbia	2,367	2,129	1	680	289	2	------	------	------	7	2,947	2,418	3
Total, January–October 1965	2,078,672	1,859,445	2,495	1,170,136	633,760	10,381	16,549	12,223	266	5,405	3,265,357	2,505,428	13,142

[1] Contracts awarded and force account work authorized by State agencies for highways, including Federal-State, Federal-State-local, and a small amount by the Federal Government for national park and forest roads, etc. Work on local roads and streets is included only when Federal funds are involved.

[2] Included with force account authorizations, but not included with contracts awarded, are the force account authorizations for work on the Interstate System as follows: Illinois, $27,000; Minnesota, $2,881,000; Mississippi, $624,000; Montana, $10,000; New Jersey, $872,000; Ohio, $560,000; South Dakota, $102,000; Texas, $86,000; Wisconsin, $14,000.

Source: U.S. Department of Commerce, Bureau of Public Roads.

Mr. DAVIDOFF. Mr. Chairman, we appreciate this opportunity to appear before this committee.

Mr. BARRETT. Thank you, Mr. Davidoff.

I want to thank you on behalf of the subcommittee for a well thought out and stimulating statement.

I notice on page 2 of your statement you speak of the need for at least $20 billion over the next 5 years for the demonstration cities program. I know many of us would like to see this amount authorized. But I also think you understand that in the present setting, with increased demands on the budget coming from Vietnam, the Congress will not be able to authorize as much as it would like to for domestic programs. In other words, the administration and the Congress have to balance all of our national needs. I would like to have your comments on this.

Mr. DAVIDOFF. Well, Mr. Chairman, our national domestic programs have been established in the Great Society as setting forth goals of equal opportunity for all people in our society, and that it is our belief that this must be met at the earliest possible occasion.

It is our belief—and I have made mention of this earlier—that by failing to set any time limitation on the achievement of this program, of the demonstration program, or of the Housing Act goals of 1949, or the antipoverty fight, that the Great Society has really failed to tell us how it can be established and when it will be established. And this is why I say—it may be just rhetoric—6 months ago Mr. Reston wrote of the Great Society: "It is forming a quiet revolution." To me, it may be a quiet revolution or it may be a noisy status—I do not know which it is. But I do sincerely believe that we must confront our problems at home and confront them rapidly.

Mr. BARRETT. May I just indicate briefly, you think that these pockets of poverty and slums must be eliminated—if I may put it this way—if we are to be strong from without we must be strong from within?

Mr. DAVIDOFF. That states exactly what I would like to say, Mr. Chairman, in much better terms.

Mr. BARRETT. Mr. Widnall?

Mr. WIDNALL. Mr. Davidoff, thank you for a very constructive statement today. I do not think anybody can quarrel with the aspirations and goals that you have set through the Americans for Democratic Action.

As our chairman has said, we have got to determine some priorities, and we have got to decide where we are going to channel our best efforts.

Now, the bills that we are considering and also the amendments that you propose embody an expenditure of not just $2.9 billion but billions and billions more than that. Now, if we are to do this, and if we are to start out on the scale that you envisage and recommend, we are undoubtedly going to need new taxes. Have you taken any position with respect to new taxes, Mr. Cohen?

Mr. COHEN. We have, Congressman Widnall. Around the time when the budget was being developed in late December, and there was a lot of talk then of cutting back or not sufficiently increasing Great Society programs, the ADA National Executive Committee communicated to the President a letter, which I would be glad to supply

for the record, in which we specifically stated that we thought the Great Society should not be strangled in its infancy, and that ADA was prepared to recommend additional taxation if that were necessary to finance, to fund, to invest in the needed public service programs. The greater taxation would be based on a progressive tax system.

We are prepared to say we are for more taxation if it is necessary to fund the Great Society.

Mr. BARRETT. That letter may be submitted for the record. Without objection, it is so ordered.

(The letter referred to follows:)

AMERICANS FOR DEMOCRATIC ACTION,
Washington, D.C., December 29, 1965.

President LYNDON B. JOHNSON,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We are deeply troubled by widespread reports that 1967 allocations for the development of programs of the Great Society are being severely restricted because of the rise in military expenditures. It would be tragic if the Great Society were strangled in its infancy.

It would be all the more tragic because it is unnecessary. The U.S. economy still is not at full employment and there is not full utilization of its marvelous productive capacity. Unemployment is still 4.2 percent of the labor force, not counting the millions of part-time unemployed. Measurements of utilization of industrial capacity also indicate that present operating rates are well below preferred rates and likely to remain so in view of the large volume of new investment planned and underway. With appropriate fiscal policies, a fully employed American economy can support both expanded defense expenditures and the Great Society.

Indeed, the Great Society will make a major contribution to avoiding inflation. Programs of education and training are precisely what are needed to match the supply of qualified workers with requirements, thus overcoming the chief barrier to expansion of output. Expanding the output of goods and services, rather than restricting economic activity, best serves to avoid inflation without sacrificing national defense or domestic welfare.

As economists, we recognize that there is a point beyond which the combined effects of public and private expenditures would overburden the economy. We do not know the size of contemplated military expenditures nor the magnitude of prospective private expenditures for plant and equipment and inventories. At present, however, overheating of the economy does not appear imminent. You have already demonstrated how particular points of strain can be dealt with; for example, by release of stockpiled commodities to check administered price increases, and by widespread observance of reasonable wage-price guidelines.

The economic impact of budgeted 1967 expenditures is still in the future and dependent on development which cannot now be foreseen. We should continue to observe carefully how output, employment, and Government revenues respond to higher levels of demand. If, in fact, it turns out that there is an inflationary gap that cannot be closed by expanding output, then it would be far better to reverse the tax reductions of the last 2 years than to starve the long overdue and most hopeful programs that you have initiated for the welfare of our country. Under such condtions, a reversion to former tax rates would be the choice consistent with the Nation's needs and the Democratic Party platform.

We are addressing this to you on behalf of the Executive Committee of Americans for Democratic Action.

Respectfully,

EMILE BENOIT,
ADA Vice Chairman.
EDWARD D. HOLLANDER,
ADA Vice Chairman.
ROBERT R. NATHAN,
ADA Vice Chairman.

Mr. WIDNALL. Can we determine the form of taxation that you feel would be more effective in handling this? Have you got any suggestion on this?

Mr. COHEN. Yes, Mr. Chairman. We would be prepared, with the exception of the bottom brackets, to repeal the tax cut of the Revenue Act of 1964. There were important changes made in the Revenue Act, such as the minimum standard deduction and such as the reductions for the people earning the lowest income. We would be opposed to the repeal of those taxes, but with the rest of the Revenue Act of 1964 we would be prepared to repeal it.

In addition, we would favor financing the increased taxes on a temporary basis until the war effort would no longer require it.

Mr. ST GERMAIN. Would the gentleman yield for one second?

Mr. WIDNALL. Yes.

Mr. ST GERMAIN. Would you give me an example of a temporary tax that has ever been a temporary tax?

Mr. COHEN. Certainly. The Council on Economic Advisers has in the past recommended, as has the Clark Manpower Subcommittee in 1963, granting the President discretion within guidelines established by Congress as to when taxes can be cut and raised. It is in that context that we would view that new tax legislation should be adopted.

Mr. ST GERMAIN. But let's be realistic. Under the present situation, I asked you, can you give me an example of a temporary tax that has been imposed that has actually turned out to be a temporary tax in the history of these United States?

Mr. COHEN. That is because of the way the legislation is written, Congressman St Germain. We would favor the legislation being written differently along lines I just recommended.

Mr. ST GERMAIN. Thank you.

I thank the gentleman for yielding.

Mr. WIDNALL. I do not know whom to address this question to, but whoever wants to answer it.

I was intrigued by the proposal you make that you call the ARCH amendment. We have within our Government establishments people who are very guilty of being poor landlords. There are many cases of poor and inadequate and improper housing as far as the military is concerned. What penalty would you put upon government in order to make them measure up to standards? And the Congress itself, it seems, is more ready to not do anything about this than any of the various programs. Do you not think that is a correct evaluation?

Mr. DAVIDOFF. Are you talking of the local government unit? I have difficulty——

Mr. WIDNALL. I am talking about the Federal Government that controls housing on its own bases.

Mr. DAVIDOFF. On its own bases?

Mr. WIDNALL. That is right.

Mr. DAVIDOFF. I do not have an answer to that question.

Mr. WIDNALL. I notice in the present budget that is before us they have eliminated the new housing that is so necessary in many of the military bases. This is being postponed. At the same time they are talking about spending millions of dollars for those who are not on the military bases. I don't see why there should not be an equal

treatment. The ones who are on the frontlines should have equal treatment from the Government with those who are not in the military establishments that are poverty stricken.

Mr. COHEN. You are asking us what mechanism we would use, since the depreciation allowances do not apply?

Mr. WIDNALL. That is right.

Mr. COHEN. We have no quarrel with the goal you have established. And with the committee's permission, if our Housing and Urban Development Commission may have some time to consult on this problem, we will try and have an answer.

Mr. WIDNALL. If you have any recommendations, I would appreciate having them.

What is going to be most troublesome, I think, about this entire legislation is the fact that it appears more and more day after day that the bills involved will be astronomical in order to do the job. And it is becoming quite obvious that you are not going to be able to, particularly with the demonstration cities, have an adequate demonstration in the 60 to 70 cities envisaged with the "peanuts" that are being appropriated.

Now, do you have any recommendations to make with respect to the criteria that should be used for determining what cities will put on the additional demonstration? And do you feel that in scope there should be some taken from various categories, like the major cities, New York, Washington, and Philadelphia, small cities, and medium sized?

Mr. DAVIDOFF. Congressman, it is suggested that we support the Reuss-Ashley-Moorhead amendment, that a priority or criteria be established based upon economic and social pressures such as population density, crime rate, public welfare participation, delinquency, unemployment, educational levels, et cetera. And we believe in fact that the priority should be established on the basis of need. And I don't think it should be established on the basis of number of cities, and I don't think it should be necessarily 60 cities or 80 cities, or it should necessarily be 1 or 81 from that 60 or 70, I think the criteria should be on the basis of need, and I think the cities which have the greatest need should receive the first priority. It may be that New York, Chicago, and Philadelphia will receive the largest proportion, because the great cities do have a great need. But I suggest that the basis should be the need, and I think that these criteria are more appropriate, and certainly the most appropriate is the degree of dilapidation of houses.

Mr. WIDNALL. What percentage of money involved in the demonstration cities program do you think should be devoted to residential purposes?

Mr. DAVIDOFF. I must say that my own belief in that matter is that it should be a very large amount, that this is our primary need, that I would think that the major renewal funds, major demonstration funds of this order should be handled or should be devoted to residential development. I would say that we presently have other programs, national programs for stimulating economic development, and I would put my major emphasis upon residential development here.

Mr. WIDNALL. Would you agree with the statement that Mr. Weaver made when he testified here that urban renewal has not lived up to its entire or initial goal? Where do you think it has really failed?

Mr. DAVIDOFF. I think I have made it very clear that it has failed to meet its first goals, that it is, I believe, aimed and has been aimed primarily at aiding middle-income and upper-income families, that only a very small proportion has gone for low-income families. In Philadelphia recently I saw the report of the Philadelphia Housing Association which said that something like 19 percent of the units of renewal have been for low-income families. But I think this is where the great need is. I think too often in the past urban renewal has been aimed at physical details, and it has not been aimed at the families in need. And one thought that by clearing the physical decay there was a possibility for success. But I think this has been a view that is in part based upon the history of city planning movement, which was based upon only looking at the physical aspects of the city. And it is only recently that the city planning movement is beginning to see that city development must account for social development, economic development, and physical development. And they are all part of the same planned program, but they cannot be viewed separately. And the old view which was popular in the 1950's that by making the centers of cities more attractive and stimulating the economy of the center of the city could be helpful for city development was a mistake, because I think it went off from the tack of helping the people who were in greatest need. And I think the renewal program in its history has failed to focus upon the low-income families and has failed to build a decent environment for them.

Mr. WIDNALL. I agree with you, it would be the beginning of a healthy change in attitude on the part of the people within the community, and on the part of the local official as well as the Federal Government. It is about time this took place. And I hope that we can redirect the effort so that we can make some progress and take care of the low-income families. Thank you.

Thank you, Mr. Chairman.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. On page 6 of your testimony, your suggested amendment No. 10, I think it is, to the Demonstration Cities Act, and you refer to the fact that the cities should be required to take over the property of slum landlords who fail to obey the housing code. I wonder if you have an opportunity—I had the privilege of hearing Mayor Daley testify on Friday when he described the method used in the city of Chicago. They go into equity court. Are you familiar with that?

Mr. DAVIDOFF. New York has a receivership law quite similar.

Mr. ST GERMAIN. And do you feel that this perhaps might be the type of mechanism that should be used if legislation were to be suggested? It seems to me, however, that we face the problem here in the implementation on the Federal level, because each and every State—in quite a few States it is based upon different systems of law. But would you say that in theory this is what you feel should be done, this type of a procedure, whereby the city can go into equity?

Mr. DAVIDOFF. Yes, something along that line.

Mr. ST GERMAIN. In Chicago now they say they also have a fund which they have developed to use to improve these properties that are capable of improvement on an economic basis for resale or repurchase by the original landlords.

Mr. DAVIDOFF. Yes, I think that that is along the lines that we contemplate. The exact method is not necessary. What is important that HUD review this action and see—as recently in New York, and I am sure it is true in other cities—that local government, and as Congressman Widnall pointed out, Federal Government frequently does not obey its own standards, to make sure that the cities are acting to maintain a high standard. Now, one of the great problems—I think it is true in New York City—is that there are not adequate funds available for the city. It has receivership powers, but it has very limited funds. And one of the things that we have discovered is that rehabilitation is a terribly costly program——

Mr. ST GERMAIN. And if you read the testimony Friday, you find that they raised funds by voluntary contributions from business people who are interested and who I imagine feel that this action is improving the value of their own property, and this is therefore welcome. And it is a resolving thing, either we sell, or we purchase the properties that are taken over by this receivership.

I have one comment on this. There are quite a few points that I agree with you on. I would say that your overall statement is one of the ultimate utopian goals. And it is grand. By the same token I wonder how frank you are being in making these suggestions to us on page 5, No. 2. There is a followup to No. 1 that you quoted to Congressman Widnall in answer to one of his questions, and you say, "In short, public policy should not force a city to choose between its Harlem and Bedford-Stuyvesant. If you were aware of the course that was cited to us by any one of these individual sections of New York City—let's be practical. True, the tax gambit you tell us about is grand. And I agree with you, we would like to have all of this done. But by the same token, let's get down to dollars and cents and realize that though many of us would like to do this we will never be able to do it. And therefore I submit that if we could have these things, we would be happy to have them. But at the same time, would you tell us what you feel is practical about them, what we actually do under existing circumstances other than what Congress has now constituted?

Mr. DAVIDOFF. Can I respond to that by saying that I think that there is much in this testimony that is very practical. I think the proposals on effecting the Internal Revenue Code are practical at this time.

Mr. ST GERMAIN. Unfortunately, we don't face the needs.

Mr. DAVIDOFF. We do understand. But we do think they are practical and not utopian. I think the major emphasis placed on relocation to suitable insurance. To take relocation back into the slums is not utopian.

Mr. ST GERMAIN. This is the biggest problem we have on renewal in many of these programs, how do you relocate these people properly, how do you put them into housing that will be better than what they have been in. I agree with you that you should not move into other areas that is going to be slum housing all over again in a short period of time, because you are certainly not improving, let alone their physical environment, but their mental environment.

But when I used the word "Utopia" I meant that you feel that all cities should be taken care of that have a need. I agree with you, but we are not going to be able to do it. We must make this choice or force a choice between a Harlem and a Bedford-Stuyvesant. And I think you will have to agree with me to this effect.

Mr. DAVIDOFF. Of course, a choice has been made. We set a limit of $20 billion for the next 5 years. We tried to be practical. And I think that we recognize that some cities have a number of areas which have a great number of problems. And we are saying, as I answered before, that it may be that one city should receive a number of projects, and not be limited to one. And in New York, the need is great, and is as pressing as it is in many other cities. And I think that it would be far better to develop the program in terms of needs throughout the Nation rather than on the basis of one project per city.

Mr. ST GERMAIN. There are two words that bother me, page 2, the first sentence, your last two words "planned neglect." Who is planning the neglect. How would you define the planning and the neglect separately and together?

Mr. DAVIDOFF. I would say that since 1949 we have had a great deal of rhetoric in this Nation about our desire to obtain a decent home and a suitable living envionment for the families of this country. I think in fact we are making very little progress along these lines. I would like to be able to document that remark. And I hope within the near future ADA would be able to submit a study to you along these lines which would demonstrate the amount of change that has, in fact, taken place. In fact, for many years now we have been approaching this goal, we say, but in fact there has been very little occasion to overcome the problems that existed in 1949, that the low-income families have not been the beneficiaries of this program, and that while there is much talk at the Federal level about coping with the problems, in fact there has been very little action. And I think that what is terribly dangerous is the fact that there is no mention of time ever, that the failure to talk about a time when this will be achieved just means it is promises without any substance, without any practical utility. It is only when a date is put on it. Now, it may be that the President is facing reality in his message when he says at the very end it will be the 21st century. But then let's at least come and discuss that openly, shall it be the 21st century when this goal is met, and not assume that it will be at an earlier time. We shall discuss, if we can wait another 34 or more years until these goals are met. I think that is far too long.

Mr. ST GERMAIN. Thank you.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. I, too, compliment the gentleman for a good and a comprehensive statement.

I was particularly impressed by your emphasis on the question of equality of opportunity in housing and the related benefits to be derived from these proposals. This is a very present and a practicable problem back at the grassroots level. Recently, I had occasion to confront this. And I had a very interesting letter from the Assistant Deputy to the Attorney General which stated—and I quote from his letter—

Housing, the financing of that which has been merely guaranteed or insured by the Veterans' Administration or the Federal Housing Administration now according to the Department of Housing and Urban Development is not within the scope of the present Federal statutes aimed at discriminatory practices.

As you know, however, the President will shortly recommend legislation to Congress to strengthen the powers of the Government to deal with such practices. In the light of this interpretation, how do you reconcile title VI in the very poor performance picture that the Government itself has given us about attempting to enforce it? Apparently the Justice Department here is of the opinion or of the mind that it cannot be resorted to. Is this your impression, or is this the impression you have had in your study?

Mr. DAVIDOFF. My belief, but not expert belief by any means, is that title VI is applicable, and should have been. That was the intent.

Mr. GONZALEZ. This flat statement housing the financing of which has been merely guaranteed or insured by the VA or FHA is not within the scope of the present Federal statute seems to be in flat contradiction. That is my impression. Of course, the language itself is contradictory, because it suggests that the President has issued Executive orders of which we can avail ourselves. Well, Executive orders surely would have to be based on some statutory grant of authority. And I cannot think of anything else but title VI.

Mr. COHEN. Congressman Gonzalez, if I may interject for a moment, we think the administration has undermined—and it almost amounts to malfeasance in the way they have enforced title VI, not only HUD, but other departments as well, but HUD especially. And the opinion of the Assistant Attorney General in that instance is, we think, completely erroneous, it is against the congressional mandate, and it goes against the legislative history in both the House and the Senate. And we would hope that Congress could begin complaining about how the Executive is not fulfilling the congressional intent in this important area.

Mr. GONZALEZ. That is very true. And now that we are in the process of entertaining this proposal, I think it is a good opportunity to raise this issue, because it is at the heart of the whole matter. In fact, the President himself has stated categorically in the group of most if not all of our urban problems is a question of racial discrimination. Of that there is no question in my mind. From the very practical experience that one has to have if one is going to have any tight bond with the constituency. And it is morally and legislatively untenable in any postion to see a lot of this money, that is being expended in some current programs underway, very artfully dumped and doled to the detriment of a segment of the constituency. Also whether or not we now, while discussing this, can visualize how even these anticipated programs can be twisted as they have been already by the private realtors and others who in the principal cities of my State have, to all purposes and practices, actually circumvented the question of equality in the opportunity of obtaining housing and housing facilities, even those directly or indirectly financed through Federal activity. And I commend you, because I think you are the first ones that have appeared here in the course of these hearings that have made any reference to this question of equality or segregation, whichever point you consider you want to look at it from.

So I thank you.

Mr. BARRETT. Thank you, Mr. Gonzalez.

And thank you, Mr. Davidoff and Mr. Cohen for your very splendid testimony here this morning.

Mr. COHEN. Thank you, Mr. Chairman.

If I may, the subcommittee has been more than patient, and we are terribly appreciative.

But one of the reasons we come up with these amendments is that really the great respect that we hold the subcommittee in. The cliche, you know, "the Executive proposes and the Congress disposes," is only a cliche, and does not apply to this committee. And I think it is clear that, just looking at the most recent history of the Housing Act of 1964 and the Housing and Urban Development Act of 1965, it is clear that this subcommittee helped really shape all the legislation for the Congress, and improved it by correcting many of the basic flaws in the administration's initial proposals. And we trust that while we are practical enough to know that everything we suggest won't be adopted, we hope that there is a chance for some of the things.

Mr. BARRETT. Mr. St Germain desires to ask you a short question.

Mr. ST GERMAIN. I wonder if you gentlemen heard the question I asked of the previous witness about having a team, so to speak, of expert planners rather than depending—hoping that various communities would have good planning talent, those communities that are chosen—though we would like to go along with you and have all communities participate, say there was 60 or 70 communities chosen, this concept of a team of the best housing planners in the country would be made available to these cities to help them with their plans, so that they could in actuality be demonstration cities, examples or models. I wonder if for the record you would be good enough to give us a comment on that concept. You can send it in to us, because the time is late, and it has not come to your attention previously.

Mr. DAVIDOFF. I would like to comment briefly that I like the idea of getting good planners together, but if planners are not available there are some very specific criteria, and the need is in the legislation to set down the criteria by which the Secretary can determine what he wants of this demonstration, what it should achieve, and those criteria would act as guidelines to the experts brought in to help assist him.

Mr. BARRETT. Thank you again. And all time has expired.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:30 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Tuesday, March 8, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

TUESDAY, MARCH 8, 1966

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

The subcommittee met, pursuant to recess, at 10:05 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, Gonzalez, Widnall, and Fino.

Also present: Representatives Patman (chairman of the full committee) and Harvey of the full committee.

Mr. BARRETT. The subcommittee will come to order.

This morning our first witness will be Larry Blackmon, president, National Association of Home Builders.

Mr. Blackmon, it is certainly a pleasure to have you here this morning, and I observe you have some associates. I wonder if you would be kind enough to introduce your associates for the record in case some of the members may decide to ask you a question that you may refer to them.

Mr. Blackmon, you have a very close friend here this morning, the chairman of our full committee. He has a great deal of respect for you and I am going to ask him to introduce you to this committee.

Mr. Chairman, would you be kind enough to introduce the first witness?

Mr. PATMAN. Thank you, Mr. Chairman.

First, I want to congratulate the chairman, Mr. Barrett and the subcommittee for doing such a splendid job on these three important bills that hearings are conducted on today.

Although a homebuilder and a businessman with diverse interests, Larry Blackmon long ago decided to devote 70 percent of his time to civic, church, and NAHB activities.

As a national officer of NAHB, much of his time is now spent in Washington, D.C., headquarters of the association, where he frequently meets with top officials of the Federal Government.

He still manages to devote a great deal of time to leadership activity in the First Christian Church and Texas Christian University, of which he is a trustee.

The Texas Junior Chamber of Commerce has frequently honored Blackmon for his work in State and community Jaycee work.

As owner and president of Blackmon & Associates, Inc., he conducts building operations throughout Texas. The business, which

was based in Mineral Wells, Tex., for many years, now has headquarters in Fort Worth.

The company builds homes ranging from $9,500 to $25,000, supplemented by extensive activity in the multifamily housing field. It is also active in land developing, commercial construction, and international housing projects.

At 42 years of age, Blackmon has been in the homebuilding business for 15 years. He is a native Texan who returned to his home State after working as an economic adviser in the State Department in Japan after World War II.

In 1961 he made four trips to Latin America for the State Department to assist Latin Americans in establishing housing programs.

He was named NAHB's outstanding regional vice president in 1961 and became a national vice president, representing Texas and Oklahoma in 1962.

He served as national vice president and secretary in 1963, as vice president and treasurer in 1964, and first vice president in 1965.

This is his eighth year on the NAHB executive committee.

Blackmon is a past president of the Texas Home Builders Association and a past director of the Fort Worth Home Builders Association. He was chairman of the NAHB committee on the Federal Housing Administration and the Veterans' Administration in 1961.

He attended Texas A. & M. College.

Mr. BARRETT. Thank you, Mr. Chairman, for that splendid introduction.

Mr. Blackmon, we, of course, want you to feel at home and be as comfortable as you possibly can. If you decide to read your statement in full, and we should like to ask you questions after you complete your statement, it will be all right. If you would like to read it in part and have some of the questions asked at that time by the various members of the committee you may do so with that approach. Whatever you choose to do, we will be glad to abide by.

Mr. BLACKMON. Thank you, Mr. Chairman.

STATEMENT OF LARRY BLACKMON, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS; ACCOMPANIED BY LEON N. WEINER, FIRST VICE PRESIDENT OF THE ASSOCIATION; DR. NATHANIEL H. ROGG, EXECUTIVE VICE PRESIDENT; AND HERBERT S. COLTON, GENERAL COUNSEL

Mr. BLACKMON. I especially want to thank the dean of our Texas delegation for his introduction of me. I was born and raised in his district, grew up there, and have looked to his outstanding leadership for many years as a guide and symbol. He has inspired many of us from that east Texas area to become acquainted with our Federal Government and its activities, and I am most pleased that he took time from his busy schedule to make the introduction that he did.

Mr. BARRETT. Will you introduce your associates, please, for the record?

Mr. BLACKMON. At this time I would like to introduce those at the table with me.

I have with me Leon Weiner, first vice president of our national association and legislative chairman. He has been a close associate of

mine as far as the association's work is concerned over a number of years and is doing outstanding jobs for our association.

I have Dr. Nathaniel H. Rogg, whose background in economics has been helpful and who is executive director of the NAHB and is doing an outstanding job in our activities.

With me also is Herb Colton, chief counsel for the National Association of Home Builders.

At this time I would like, Mr. Chairman, to go through my testimony and insert for the record certain items which I will indicate as I go through.

The several bills that are being considered in these hearings include a number of proposals. Therefore, for the convenience of the committee, we have summarized in attachment A, appended to my statement, our position with respect to each item, and have included in attachment B, certain additions to the National Housing Act which we recommend to the committee.

I shall limit my remarks this morning to comments on those particular aspects of these bills that the National Association of Home Builders believe require particular emphasis. I assume that the attachment will be included in the record to show our position in detail, Mr. Chairman.

Mr. BARRETT. This may be done without objection. It is so ordered.

Mr. BLACKMON. In general, we support H.R. 12341, the Demonstration Cities Act, and H.R. 12946, the Urban Development Act of 1966 with some suggestions for amendments. However, we oppose, as we did last year on almost identical legislation, and for the same reasons, the so-called new towns and State land development agencies provisions which are in title II of H.R. 12946.

Before discussing these bills, we believe it in order first to bring to your attention the increasingly difficult conditions facing the home-building industry. Attached as exhibits I–A and I–B is material on housing, the national economy, and recent changes in the monetary market developed and written by our economics and builder services departments.

The first, comparing housing, housing starts, and economic growth during the past few years, shows that although housing demands continue high, construction has declined while the overall economy has climbed to new records. It discusses briefly the flow of money from savings institutions to commercial banks as a result of the recent amendment to regulation Q.

The second of these exhibits is the latest issue of the Economic News Notes periodically issued by our economics department. The section headed "Home Building" which commences at page 3, is particularly pertinent.

While the legislation before you seeks, rightfully, to provide for the building of a better America in the years to come, the pool of savings capital on which our industry depends for its customer financing is being seriously depleted by the action of December 5 last which allowed the maximum rate permitted to be charged by commercial banks on certificates of deposit to jump from 4 percent all the way to 5½ percent. I attach as exhibits II–A and II–B two recent stories which illustrate what is going on.

As in 1957—of unhappy and unlamented memory in our industry—savings are again being allowed, indeed, encouraged, to flow from

mortgage lending institutions into other forms of credit. Without its fair share of available credit, the homebuilding industry cannot rebuild American cities, cannot adequately provide for proper community growth, and, most important of all, it cannot continue to provide good homes for American families at reasonable prices.

As a result of our industry's difficulties in the recurrent tight money crises of the 1950's, we urged at that time that housing be given a voice in the councils of those who set national policy which determine the allocation of credit resources. We were among the early advocates of a Cabinet status for housing to provide that voice. Nothing in the recent actions which have so seriously affected mortgage credit affords any basis for confidence that the bitter lessons of the first two postwar decades have been heeded or, for that matter, even thoroughly understood.

As I am sure the committee understands, our enthusiasm for the pending legislation—which can have little significant effect for at least several years—is somewhat tempered by our very real concern that, under current money conditions, the present productive capacity of our industry will be sharply curtailed. We may not even be able to continue to provide homes in the volume produced during the past 10 years, much less increase our production to meet changing conditions in our society. Our comments on these bills are made, therefore, with the reservation that the problems of basic mortgage finance now confronting our industry are of immediate and vital importance. We are urgently concerned.

DEMONSTRATION CITIES ACT (H.R. 12341)

NAHB supports this bill because it recognizes the need for a start toward a coordinated approach which would rehabilitate people as well as structures. This seems to us entirely logical.

Certainly, it is simple commonsense to attempt to demonstrate that focusing upon a blighted area, in coordinated fashion, the vast variety of available Federal aids, rather than scattering them in a "shotgun" approach, will accomplish more for slum areas than the people who live in them.

There is some reason to contend that success in this aspect of the program may very well substantially reduce the necessity for large public housing and urban renewal programs. A higher level of education, and consequent higher earning power and employment and other opportunities provided by the Federal programs coordinated under the bill, should inevitably be reflected in ability to obtain better living quarters and in increased pride in maintaining them in good condition.

With respect to the criteria established in the act for the type of housing program required to qualify for assistance under this bill, we particularly applaud those provisions which would give priority to good design, the maintenance of natural historical and cultural characteristics, use of new and improved technology and design, and the use of cost reduction techniques (sec. 4(c) (2) and (3)). A substantial part of the budget and energies of our association for some years have been directed toward cost reduction and the improvement of technology, design and environment. We believe it highly desirable that all Federal housing efforts be required to work toward these ends.

In this connection, we note also that H.R. 13065, the Housing and Urban Development Amendments of 1966 in section 106 also covers this same subject. As stated in the section-by-section summary of that bill, this section—

> Would establish a program 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.

This program suggested by this section, realistically conceived and effectively pursued, could, we submit, save the Federal Government and the American public many times its cost, but only if cast in the mold of Federal assistance to nongovernmental agencies and bodies of all types, including universities and nonprofit and other private research groups.

We therefore recommend that section 106 of H.R. 13065 be amended to emphasize that research thereunder be conducted through nongovernmental bodies or agencies, and that a start on such program be made by setting aside for research one-half of 1 percent of funds appropriated pursuant to H.R. 12341.

We also recommend that the Congress clarify section 7 of H.R. 12341 to make more effective the Office of Federal Coordinator established thereby. We believe an office of this kind is necessary if the manifold Federal programs available to localities are to be kept from complete confusion in action. We see nothing in the bill which would give the Coordinator any duties or powers other than to advise local governments how most effectively to work with Federal grant-in-aid programs. We suggest that this be elaborated and clarified by comment in your committee report on the bill.

In this connection, the title "Federal Coordinator" may be unfortunate. Perhaps the true function of this Office could be better expressed by the use of a name such as "Demonstration Coordinator" or "Urban Program Coordinator."

URBAN DEVELOPMENT BILL (H.R. 12946)

As I indicated at the outset of my remarks, we vigorously oppose title II of this bill but support titles I and III. Title II again brings before the Congress two proposals which it has already rejected. These are mortgage insurance for so-called new communities and direct Federal loans to encourage formation of State and local governmental agencies to engage in the business of land development for housing.

Mortgage insurance for new communities: This is the third year in succession this proposal has been advanced. It was rejected 2 years ago. In 1965 a limited version became title X of the National Housing Act with the originally proposed $25 million limit on the maximum loan, for any one project at any one time, reduced to $10 million. The bill before you again attempts to increase that maximum limit to $25 million. Further, it would grant special benefits to the larger projects, not available even to a project as large as $10 million, in the form of a longer loan maturity and access to FNMA special assistance. With those exceptions, title X already provides everything proposed by this bill.

As I said earlier, we testified against this last year and the record so indicates and I will not elaborate because this will be filed for the record.

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We believe these reasons are even more cogent today since the Congress last year provided, in sufficient form for every substantial experiment, what is here asked in expanded form even before that experiment can get started. Everything requested in this proposal can be done under the existing legislation except possibly to put Federal credit behind a few projects of huge corporations. We believe this better deferred at least until the results of operations under last year's $10 million ceiling can be evaluated.

Gentlemen, at the present time the program is just getting underway. There is actually little or no mortgage insurance program presented under title X at this time. They have some requests for feasibility studies and things of that nature but it is not a program that has been tried or has had any experience. We think time should be given to find out just what is going to take place before embarking on an expanded program.

On the land development agencies, this proposal, as we urged last year, would inject Government deeply, irrevocably, and on an inevitably expanding scale into the business of land development as distinguished from the present system of private development of land under local community regulation.

The proposal raises fundamental questions of the philosophy of Government in relation to private business. Last year we made crystal clear the attitude of the homebuilding industry. At that time, we said:

> The homebuilding industry is firmly dedicated to the proposition that Government should never do what industry can do as well or better for itself; that governmental action is needed only where there exists a private enterprise vacuum or serious abuse; and that Government action, when determined necessary in the public interest, should be taken in the least disruptive form and should remove impediments to private action, not supplant it * * *.

We contend there is no serious abuse at this time and it is not needed.

Our 1965 testimony appears at pages 552 and 553 of the hearings on H.R. 5840. We listed specific reasons why we were irrevocably against the proposal. We repeat and reaffirm that testimony. We urge the Congress to reject the land agency proposal so firmly as to preclude annual discussion of what we are convinced would, at one stroke, destroy the system of private ownership of land as we know it.

Title IV of this bill would provide a system for grants for so-called urban information centers. It would be helpful to local communities to have available the type of program information contemplated, but we believe it preferable that this information be made available through the coordinators to be provided under section 7 of H.R. 12341. In our opinion centralization of such information in the coordinators would help avoid the proliferation of Federal sources to which local communities must resort to obtain information about housing programs.

Additional suggestions: I refer to attachment A, appended to this statement, for a detailed summary of our views on H.R. 11858 and H.R. 9256.

In addition, as attachment B, I submit a list of suggested amendments to the National Housing Act, together with the reasons for each. These would:

(1) Authorize FHA to insure mortgages on college housing. The substantial increase in the size of student bodies in our institutions of

higher learning and the prospect that this trend will continue, results in a demand for student housing which the Federal Government has long recognized in the form of direct loans on easy terms to assist in the construction of dwelling accommodations for students. By providing mortgage insurance, the Federal Government could, without substantial expenditure, greatly increase the assistance it is now providing for this purpose.

(2) Increase to $35,000 the maximum permissible mortgage limits for single-family homes under the FHA section 203(b) regular home mortgage program, section 222 servicemen's program, and the section 234 home mortgage condominium program.

(3) Increase mortgage amounts under the section 220 programs for urban renewal areas to facilitate small rental projects.

(4) Increase from $15,000 to $20,000 the maximum loan FHA could insure for veterans without downpayment.

(5) Authorize the FHA to insure mortgages on vacation homes.

(6) Increase the amount and term of title I property improvement loans.

(7) Facilitate construction of small rental projects by eliminating the cost certification requirement for projects of 24 units or less.

(8) Permit sale of urban renewal land for sales housing for low- and moderate-income families on the same reduced basis presently available for rental or cooperative housing.

(9) Reactivate the section 810: Armed Forces rental housing program.

Mr. Chairman, with the attachments that I have indicated, this concludes my statement before you. I would be most happy to answer any questions that you or members of your committee might ask.

Mr. BARRETT. Thank you, Mr. Blackmon, for your very fine statement. Our gentlelady this morning has a very important meeting and she must leave very quickly. Therefore, I am going to yield to her. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Blackmon, on February 24, I introduced a bill, H.R. 13063 which, for the first time, would provide a financing mechanism to encourage nonprofit organizations to rehabilitate existing houses for sale—not for rental but for sale—to low-income prospective home owners at the very low 3-percent interest rate by amendment to section 221(d)(3), the FHA below market interest rate program.

I have been working on this for some time and this bill represents the fruits of a lot of work by me, religious leaders, and civic-minded businessmen in St. Louis, and by the staff of the Housing Subcommittee and the technical bill-drafting assistance of the people in the housing agency.

I would like to hear, No. 1, whether you would agree with the objectives of the bill, and No. 2, whether you think it is workable.

Could I have your comment? Have you seen the bill?

Mr. BLACKMON. Yes, I have. I have to say to you that NAHB policy is established by our board of directors, and this bill was introduced after our board met last time. However, I would like to comment on your bill and give you some of the ideas that are personally mine along with what ties in with our policy, if you would accept it.

Mrs. SULLIVAN. I would appreciate that.

Mr. BLACKMON. This bill would make favorable financing under the section 221(d)(3), below market programs available for rehabilitation and for sale to low-income families. It would make it a reality that we think it is very important and necessary.

For some years, NAHB has stressed to the committee, the importance of rehabilitation—rather than completely bulldozing sections or neighborhoods.

We think this is more proper a way to handle this program. Two weeks ago, I spent some time in Harlem in New York, studying a rehabilitation program that is going on there that is very exciting. I think it will do a great deal for our low-income families.

NAHB for a long time has been strong in advocating home ownership. Now, I have one suggestion, after reading your bill, that I would like to make, if I might.

On page 5, lines 21 through 25, subsection (f) would forbid entirely a transfer of any dwelling financed under this program except to another low-income approved family. I think this is to be commended, but at the same time I would like to say, while I agree with the objective behind this subsection, it seems to me that instead of absolutely prohibiting the sale, unless it is to a low-income family, we might make it available to a low-income family, or to any approved purchaser, who would then be charged at the full market rate. If a family was not a low-income family, then it would pay the going FHA rate. You broaden your situation and you might find that if you have a low-income family who doesn't choose to buy and another family does, they would pay the going rate and it would not be using the below-market interest rate.

Mrs. SULLIVAN. What we had in mind—and this has been discussed—was that we do not want these low interest rates to be used for anyone except low-income families. But if the original purchaser, under this mortgage plan with the low interest rate, wished to sell, he could sell to someone else on the open market but would be prohibited from passing on the low interest rate. The mortgage would have to be financed then on the regular market at the going interest rate.

Mr. BLACKMON. I think we agree—as I read it, your bill permitted selling only to low-income purchasers and I wanted to broaden this just enough to make it available for low income or another, and that anyone else that purchased it would be required to pay the full market rate. This was true for the Tulsa demonstration project—they had a low market rate interest—but where the family got to where they could pay the going rate, they were required to pay that rather than getting the benefit; and this would release money available to take care of more low-income families.

Mrs. SULLIVAN. What I think we should plan to do, in the committee report, is to be very explicit that this low rate is intended only for those who met the requirements of a low-income family. But in the event that such a family later sold the property, in order for the purchaser to get the advantage of the low interest rate, it could only be sold to a family in that category. But if the owner wished to sell to anyone else, he could still do so but not pass on the advantage of a 3-percent mortgage interest rate. I think that could be made very explicit in the report. We did not want to leave it wide open in the bill and then have it misused. Our hope was that we could tie enough

strings to it so that it is not misused, while leaving it open for further explanation in the report, to indicate that in the event another low-income family did not buy it, it could be sold at the going interest rate.

Mr. BLACKMON. Mrs. Sullivan, I think we are in full accord—it is just the mechanics. I think you should be commended.

I have been dealing with low-income families for many years and if you give them hope, and give them an opportunity down the line, it is amazing how some of them will struggle to become home owners. We even encouraged, if you will remember, in the rent supplement program, that these people who were receiving supplements would also be able to, at such time as they could qualify, purchase their home—there are many—there are any number of ways that this could work, either in a condominium or single family. You could take a condominium apartment in which these units would be sold off and it is commendable to try to get these low-income families to own their own homes.

Mrs. SULLIVAN. Mr. Blackmon, the examples of what is being done already and the proposals being made by this nonprofit group at home are really the most exciting thing that I have ever seen for a rehabilitation program.

Their belief is, as you have mentioned in your statement, that it is time now to give people a chance to own something. We recognize now that you just cannot rehabilitate only the house. You must rehabilitate the family also, and encourage them to use every self-help program. The nonprofit group in St. Louis has so far rehabilitated some 41 houses with private funds and have sold them to low-income families which could not possibly have bought homes under any other circumstances.

This is a technique for rebuilding the whole family. When Johnny begins to saw on the door or begins to abuse the plumbing, papa will stop it right away because he says, "This belongs to us, Johnny. Do not destroy your own property." I think it teaches responsibility and sound values. They can buy these reconditioned houses and eventually own them, rather than having the occupants subsidized in rent either through the rent supplement or some other program, as tenants who have no personal stake in the property.

I am very happy that you feel this merits passage.

Mr. BLACKMON. It is very worthwhile.

Mr. BARRETT. Mr. Blackmon, I have just two very short questions.

I notice on page 6 you indicate that the name of the coordinator could be changed to a demonstration coordinator or an urban program coordinator. What I would like to get from you, if you would tell us what you think of it being optional or mandatory?

Mr. BLACKMON. I would feel that it should probably be optional. I contend that the Federal coordinator could be called anything other than a Federal coordinator. Really, what he is doing is coordinating the program within the community—whether he be called a demonstration coordinator—this gives him more of a title as to what he really is and the Federal aspect has a tendency, especially in some parts of the country, to imply other things that are not desirable, in my way of thinking. And I have had people express themselves to me along these lines.

Mr. BARRETT. You would leave that flexible, I assume?

Mr. BLACKMON. Yes, but I would highly recommend that we do away with the "Federal" and call it any other kind of coordinator. I think his job would be the same, helping coordination among these various departments, but I think that you could find other wording for that.

Mr. BARRETT. We are always pleased to hear from your great industry.

Let me ask you a question on the housing outlook. Housing construction seems to be one of the few components of our economy that is not in a state of boom. Do you think that the higher level of interest rates is cutting down on housing demands?

Mr. BLACKMON. We have material on this in exhibit I–A that I referred to that gives a pretty complete picture and I attached it for the record along with my testimony. We can give you additional information in the form of a memorandum or something else if you desire it.

Today's money would raise the cost of a home to the buyer and, in turn, the mortgage loans, and it cannot help but do two things—disqualify some of the buyers and at the same time increase the cost of that product, which I say will have the effect on the housing starts in the country.

Mr. BARRETT. Thank you. Mr. Fino?

Mr. FINO. Mr. Blackmon, one thing I want to ask you:

Does mortgage credit alone account for the difficulties you indicate the homebuilding industry is facing?

Mr. BLACKMON. Mr. Fino, I would like to ask Dr. Rogg to comment on this at this time.

Dr. ROGG. It is a vital factor in today's immediate situation. There are many other problems which have kept the industry from raising its volume. A number of them we are attacking within the industry because we think they are problems which industry itself ought to be getting to.

I would like, just to give you a short list of them, and we can elaborate on them.

One of our major problems is that we are not very effective as competitors for the consumers' dollars. We have problems of selling, we have problems of building codes, problems of putting the findings of research to work. We have problems of understanding the motivations of buyers, we have problems of arranging for our labor supply in such fashion that it does not create intolerable delays in building housing. We have problems of this kind which the industry itself is attacking.

But the whole problem of mortgage credit which today occupies our attention is one which we feel we cannot handle within our own industry. We are at the moment, subject to the fact that the only tools being used to restrain the overall economy are the tools of monetary policy. Tools used in this manner have one impact—they affect the weaker competitors in the marketplace. The weaker competitors are our customers and the small businessmen who make up our industry.

Mr. FINO. Do you realize that a majority of the demonstration city funds, if authorized and appropriated, will go to urban renewal activities?

Dr. ROGG. Yes, sir. To the redevelopment of our cities.

Mr. BLACKMON. As I understand, there would be possibly a total of some 60 cities designated for this demonstration program.

Mr. FINO. Do you feel the amount that has been suggested or recommended by the Secretary of $2.3 billion will be sufficient to cover the 60 cities?

Mr. BLACKMON. As I understand the program that is being recommended, it is a demonstration program to start with and they would start making progress with this money and be able to evaluate the amount of good that is coming from it and, if possible, they would then come back for additional money if it proves that the demonstration is worthwhile and they are accomplishing what they set out to do. Not only for the 60 cities, for then it would be possible to expand it into even a larger area if it was a worthwhile program.

Mr. FINO. Mr. Blackmon, last week we had some people testify before this subcommittee and they were mayors, the mayor of New York City, who said they would need at least $2 billion and the mayor of Newark said he would need $200 million.

When you look at these figures, that has already exhausted the proposed authorization.

Mr. BLACKMON. I can understand that the desire is to do the full job, but as was indicated, this is a demonstration program. They do not hope probably in this one particular bill, to solve all of the problems, but to get a program started and to properly evaluate it and then, if they can justify that the money they are spending is creating a worthwhile cause, then I believe that you, as gentlemen who sit here year after year observing these programs and watching closely over them, will give them additional money. If they do not make it worthwhile, then you will probably say that they have taken the wrong approach.

I have great hope that the demonstration program will do a lot, as Mrs. Sullivan said, not only just to rehabilitate the housing but also the people, and upgrade the whole aspect of these areas. Rather than a whole city, they will have to pick out certain areas in a city and start to work and see what can be accomplished along these lines.

Mr. FINO. Getting back to my favorite subject of disagreement with the title of "Federal Coordinator" which I have referred to as a possible commissar or czar in this industry, would you advocate that it be "Expediter" instead of "Federal Coordinator"?

Mr. BLACKMON. I think that is probably a good role for him. As I understand him, he is going to be a coordinator between the various agencies to expedite—a coordinator of some type. Whatever wording or verbiage you might want to give it is alright.

Mr. FINO. I would assume that his function would be to cut redtape and not create redtape.

Mr. BLACKMON. I think that would be very desirable.

Mr. FINO. Would you support a move to have legislation provide for local nominations of the cordinator from whose number the Secretary could appoint? Would you support a move on the part of the subcommittee to have legislation or a provision in this bill providing for local nominations of the coordinator from a number of names submitted to the Secretary for his approval or his consideration?

Mr. BLACKMON. From a local nomination of people living within that community?

Mr. FINO. The theory behind that being that there are problems unique in a particular city and every city has different problems, and the one who would best know what the problems are is a person that lives in that city. A suggestion has been made by the mayor of Newark, the mayor of New York City, and the mayor of Detroit and Chicago—they felt that it should be a person that is fully familiar with the problems with the locale, within the city. So the recommendation has been made in so many words that the mayor of the city make the recommendation to the Secretary of the Department suggesting a list of people from which the Secretary can pick. How do you feel about that?

Mr. BLACKMON. We don't have policy on this. I will comment individually if you wish.

I see that you could be getting into a lot of redtape there when you start picking somebody that fits the local mayor's desire. We have some programs right now, I understand, where there is a question as to whether the mayors are going to run the program or maybe the Federal agencies are going to run the program, and you get into, it seems to me like, all kinds of controversy will result at that point. I see nothing wrong if a man knows the local situation, but he may not know a thing about the Federal program involved and you have to have a combination of the two. You are going to have him as knowledgeable as possible about the local situation, but you are going to have him knowledgeable also as to what the Federal programs are all about in order for him to be effective and efficient in pulling these programs together.

I like the idea of a coordinator or expediter among these agencies. And whether he is outside the community or inside the community, as long as he meets certain qualifications, I would say that it would be the prerogative of the Secretary.

Mr. FINO. You believe that programs such as land insurance should be tried out on an experimental basis and the results evaluated and judgment made before full-scale combination-wide activities are undertaken, is that correct?

Mr. BLACKMON. That is correct, sir. We do not know of any title X land insurance being issued at this time, and until the insurance program is issued and we find it workable, I would say that we need to find out more about how they are going to operate before we start doubling up or increasing it.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Ashley?

Mr. ASHLEY. I think with respect to the last point, Mr. Blackmon, that we got testimony from the Secretary that there were about 60 or 70 applications that were under process at this time.

Mr. BLACKMON. I believe that, sir, would be in the preapplication stage because I happen to be one of those applications, but no commitment.

Mr. ASHLEY. You are speaking for the association, you are against it, but you are applying under the program?

Mr. BLACKMON. We are against the increase at the present time up to $25 million of land. But since the program is in existence, you will find many of our members participating in the program. We just think we should find out what it is all about and whether it is workable.

Mr. ASHLEY. We are talking about two different aspects here, one is the State agency and the other is the program for the private development; is that not so?

Mr. BLACKMON. Yes, you have two.

Mr. ASHLEY. I do not quite understand why you are so much against the State agency if it is pursuant to State law. After all does this not just act in an interim basis, providing the mechanism by which land can be acquired at probably low cost and subsequently passed on to private sectors? What is the matter with this?

Mr. BLACKMON. What is the matter with it is simple. It is putting the State into the business of land development when we find that there is not a need for it and the private sector is able to afford to do it. I think around Washington here you have a fine example of that. You have some 12 or 13 new towns being created where they have gone out and bought tremendous tracts of land at a price they felt they——

Mr. ASHLEY. Who is "they"?

Mr. BLACKMON. The community—the new communities around here.

Mr. ASHLEY. It is large developers, is it not, Mr. Blackmon?

Mr. BLACKMON. Yes, private.

Mr. ASHLEY. All right; if we want to say, inasmuch as we live in a large country and we have large developers, let the large developers do it, even though what this means is that you preclude the small developer from participating in this kind of program, then that is one answer. But, I think you have got to recognize that this does put a real burden, an exclusion on the large developer, the fellow who is doing the Baltimore one, and the ones out west where you have insurance companies, where you have manufacturing companies, all getting into land development. Is this not so?

Mr. WEINER. If I may, Mr. Congressman.

I believe our position is that since title X, which already provides FHA land insurance for acquisition and development, presently provides the vehicle for the small developer and builder to acquire sites under a program of Federal insurance which is part of the answer to the question you are raising.

The question of large acquisition of land by a State body or State agency, municipality, or county provides the means by which this land will be taken out of the private entrepreneural market and put in the hands of the governmental agencies and disposed of at their discretion, which may, at this point, be certainly questionable in light of the zoning practices of exclusion of people of low income from many communities, or restrictive and regimented types of zoning practices, which we have seen. So that the questionable factors that we are concerned with, among others, is that these State agencies may not have the method of determining what the market needs are.

In terms of planning——

Mr. ASHLEY. Are you saying that there is a danger here that we may not get all income levels into these developments?

Mr. WEINER. Precisely.

Mr. ASHLEY. Are you saying that or are you saying in your gross points or in your private developments, that you are responsibile for it, that the developers in the private sector are responsible for it? You have this integration of incomes? That is the most preposterous thing I have ever heard.

Mr. WEINER. At the present time, when our industry is looking for all markets that are needed to satisfy our economic thirst in terms of the expansion of our industry, that we are vitally concerned, as demonstrated by our support for rent supplements, as demonstrated by our concern with the housing of low-income families, which has been increasingly a matter of vital concern to us as an industry, that we are concerned with some of the restrictive practices which the State agencies have employed. We do not condone the fact that in the past there has been the kind of exclusionary practice by some of the people who operated in our industry.

Mr. Rouse, in Columbia, has made a deliberate, concerted effort as a private entrepreneur to provide the broadest cross section.

Mr. ASHLEY. I could not agree more.

Mr. WEINER. Most of us who have been doing this have been doing it also in our own smaller developments.

Mr. ASHLEY. He suggested one-half of 1 percent of all funds be required to be spent for housing construction, research, and development. Does this not appear to be a rather large amount due to the fact that certain research is being conducted on a regular basis by such organizations as the NAHB?

Mr. BLACKMON. I do not believe this is too much. If we are going to accomplish what needs to be accomplished, I think that this is a necessary amount.

It has been proven in days gone by in some of our other Federal programs, such as the Federal highway program, to where this research has contributed a great deal to the improvemnt and quality of the roads, that are now being constructed. We think that this will have the same effect on housing and not only that, but it will allow products that heretofore have been prohibited to be used that will consequently make a great saving and a great stride toward lowering it.

Mr. ASHLEY. I want to say that I think your association has really made a valuable and marked contribution in the field of research. It is one of the aspects—this aspect is not as widely known as others, but you are certainly to be commended for it. There has been a continuous over-the-years progress and the American homeowner should know about it.

Certain members of the subcommittee suggested that the demonstration city—the requirement for cities—that they rebuild slum areas. It is suggested that this be used for that. Would you or NAHB require such a requirement?

Mr. BLACKMON. Well, of course, our policy is to attack the overall problem of the city, and I would say if a blighted area or slum is the biggest sore in that community, then it would be logical that that be attacked.

Mr. ASHLEY. What you are saying is that there does have to be a broad attack which includes the downtown core areas as well as the so-called slum area which would be largely residential?

Mr. BLACKMON. Right.

Mr. ASHLEY. Thank you very much.

Mr. BARRETT. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Blackmon, I can say, after reading the statement and looking at the economic report, you have done your homework.

Mr. BLACKMON. Thank you.

Mr. WIDNALL. I would like to agree with what Mr. Ashley has said, you have made a very constructive contribution to our hearings.

I note that you are in favor of increasing the maximum for low downpayment under the new FHA program.

Mr. BLACKMON. For veterans?

Mr. WIDNALL. That is right.

Mr. BLACKMON. Yes, we are, because this is true of the downpayment as far as the veteran goes and we think it should be an equal opportunity. It makes sense to have a coordinated activity.

Mr. WIDNALL. That was a program that I introduced last year and it became part of the housing bill. At the time it was introduced, it had no downpayment, up to $20,000.

Mr. BLACKMON. Congressman Widnall, there are certain areas of the country, because of the high land cost and because of other factors, that makes this very desirable. We support it wholeheartedly.

Mr. WIDNALL. You are aware of the fact that Congressman Barrett and I have introduced a new amendment that would make entitlement possible for those who have used up their VA preference? This would include about 6 million more, I believe.

Mr. BLACKMON. Yes, we have discussed this and we actually were very interested in this amendment to the bill because we think that it is discrimination against those who have used their GI rights and—whereas in the FHA program you can use it and use it again and again—and it makes it consistent with good management.

Mr. WIDNALL. I have been delighted to hear from FHA that about 10 percent of their housing starts right now are going through this program and I am sure that is going to multiply during this coming year.

Mr. BLACKMON. This is just getting started. As you know, it takes some leadtime—when the bill became law it took a while to generate the business. I think you will see a larger percentage as time goes on using this portion of the bill and certainly during this period of time with our housing starts down, it is encouraging to have as many tools as possible to help house the people of this country.

Mr. WIDNALL. Are you familiar with H.R. 13090, the bill that I introduced on February 24, authorizing the Secretary of the Department of Urban Development to make grants for supplementing those for basic water and sewer facilities in suburban communities?

Mr. BLACKMON. Yes, we actually had our legislative committee the day that this bill was introduced, and we had already finished our business. Several officers have gone over the bill which would increase water and sewer grants from 50 to 75 percent. This seems to be in line with some of the policies that we have already agreed would be desirable; for example, in the demonstration cities program.

As you know, we have always been in favor of trying to provide facilities to the communities so that housing could be more readily made available.

Mr. WIDNALL. In the urban development bill, the extra grants are ringed with prerequisites for planning. These prerequisites are not in the bill which I have offered. If you had to decide between the two, do you have any preference?

Mr. BLACKMON. On a bill, I think it is always good to have—I should say it is desirable to have good planning and I believe that we need to encourage this more. I see nothing wrong, as I said earlier, with the increase of the amount of financial aid for these facilities, but I certainly am strong for well-planned, programed, communities.

Mr. WIDNALL. I do not mean doing away with planning, but I think the simple standards would qualify and my own bill would generate quicker activity. This should be seriously considered.

Mr. BLACKMON. Yes, sir.

Mr. WIDNALL. I do not have any other questions. Thank you very much.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Mr. Blackmon, I would like to ask you a little bit more about your attitude toward these coordinators or expediters. Do I understand, sir, that you propose that we have coordinators or expediters in every metropolitan area and not just in cities which have been selected as demonstration cities?

Mr. BLACKMON. No; I think our testimony was concerning the demonstration city bill and it was dealing with those cities that are designated as demonstration cities. That is where the focus is going to be at this time. There are, conceivably, some cities that would have very little activity in Federal programs and, therefore, there would not be a need for a coordinator.

I think first we should follow this experiment through to a point to find out what it can accomplish and what it costs to accomplish it, and then make a judgment as to what we should do in the future on expanding it to other cities. It has some merit of decentralizing, but I think first we need to get the benefit of this experiment.

Mr. MOORHEAD. I am glad to get this clarified.

What we are saying is, for these urban information centers, that they be limited to demonstration cities and those urban information centers be handled through the coordinator, namely, the demonstration city?

Mr. BLACKMON. That is correct.

Mr. MOORHEAD. It appears to me that there will be a great many cities not selected as demontration cities which nevertheless will have, as they have today, a great many Federal programs going on. It would seem to me, to avoid duplication and avoid unnecessary delays and so forth, that even in those cities, not demonstration cities, a coordinator might be helpful.

Mr. BLACKMON. I have to go back to my earlier statement, that this is, again, something new and we need to feel our way on the thing.

Now some of your cities that you are talking about that have a lot of Federal programs that might not be selected, most of these cities are fairly sophisticated and they are fairly knowledgeable or they have staff that is knowledgeable as to the Federal programs, and they are working it pretty well as it is now. It was brought out, I believe by one of the gentlemen here, that some of the cities were asking for almost as much for their city as the whole demonstration program authorizes.

They have some pretty big ideas. So, therefore, we again feel that we should go with the demonstration programs, but find out what are the problems before we start establishing other offices around the country.

Mr. MOORHEAD. One of the witnesses that came before this subcommittee suggested that the coordinator come, not out of the Housing and Urban Development Department but be named from the Bureau of the Budget. What is your reaction to that?

Mr. BLACKMON. I believe I answered the gentleman here awhile ago that any man selected should be real knowledgeable as to the Federal programs that are available. If he is going to be an expediter of assistance to the local people, then he has to know what these programs are all about.

If he be local and understands the local situation, I think he has got to be versatile enough to work with the local people.

As far as the Bureau of the Budget is concerned, as I understand, these programs are already under law and they are merely administering what we already have in existence, I can't see why the Bureau of the Budget should enter into it at this particular point.

Mr. MOORHEAD. I am not urging, I am just searching for ideas.

Some of the programs come out of HEW, the Department of Agriculture, OEO, or other departments, and there is only one agency in Government that has control over all of the agencies.

Mr. BLACKMON. Wherever he comes from, I think he has got to be responsible.

Mr. MOORHEAD. I quite agree with you. The individual, if he is a good one, can do it no matter where he comes from. If he is no good, it does not matter where he comes from. I agree with you. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Stephens?

Mr. STEPHENS. To further follow up on the question about the coordinator, it seems to me that if there is a coordinator, that it would be more sensible for the State of Texas or the State of Georgia to employ somebody that would be working for the State of Texas or Georgia, instead of for the United States, as a coordinator. And then he would feel, and I know, in Georgia, we would feel that they had somebody that was on their side all the time and was looking out for their interests. It would save some money for the United States not to have the coordinators, and I think it might be better to put him on the State payroll.

What do you think of that?

Mr. BLACKMON. We are fortunate in the great State of Texas that our Governor had the foresight, that he has established an office here in Washington which he has staffed to try to coordinate the activities of the Federal Government with our State and I think he should be commended for trying to do this.

However, when you get to a State level, you find that there could be a conflict—the coordinator is responsible, really, to make the program operate on a local basis, and work with the local citizens. I can see that if you have many programs going in a State—again it gets back to the local government and working closely with the local people—that he could do probably a better job. If you have one State man, he may have a conflict between the communities.

Mr. STEPHENS. What I had in mind would be, as in the watershed programs. Those watershed programs are community projects. They go through the State committee and work out pretty good, finally coming to the Federal representatives for advice and counsel. The

final steps are concluded by the Soil Conservation Service in Washington. It looks like that would be a possible way of working with these types of projects.

Mr. BLACKMON. I am not quite as familiar with your State. Do you have one FHA office in Atlanta covering the entire State?

Mr. STEPHENS. Yes.

Mr. BLACKMON. You have more than one office?

Mr. STEPHENS. We have a regional office. Georgians come there more frequently than is possible in some of the other States of the region.

Mr. BLACKMON. Where you have one office, this could be a workable thing. We have five in our particular State and since I operate under several offices, I get several different versions of what the little operating book says, very frankly, and it could lead to some confusion.

Mr. STEPHENS. I know what you mean. I just read in the paper this morning where in spite of the fact that we passed a bank merger bill, it is not being read by the Justice Department like I read it.

The other thing I wanted to inquire of you does not have a direct bearing on this testimony, but before long we are going to try to get an appropriation for the rent supplement program. It is my understanding that the National Home Builders Association has endorsed this program and is still in favor of the rent supplement being initiated. Is that correct?

Mr. BLACKMON. That is correct. We came before you last year and endorsed rent supplements as a free enterprise way to house low-income families of this country. We think it has many aspects that are an improvement over public housing. I recall that some citizens living in public housing in certain areas, once they reach a particular income bracket, are required to move. Then they move out of public housing and move into—they actually wind up moving into less desirable housing, and it costs more money. We contend that in this rent subsidy program, a man can live there and once he obtains sufficient amount of money to pay his way, he can still continue to live there, and over all the time he is reaching the point where he would be paying his own way, three-fourths of the money goes to his family.

It further can provide, under the rent supplement program, homeownership. As the man not only attains the point to where he does not need rent subsidy, where he obtains additional money by which he can make a downpayment or begin to pay a market rate, then he can, if properly conceived, become a homeowner and this is very desirable, as Mrs. Sullivan indicated.

We also believe that economics will result in compromises to the public housing program. It will cost the taxpayers less, from a rent supplement standpoint. It will be economically desirable when it comes to the amount of money it takes to house these people. Therefore, it is desirable from that point of view as well.

Mr. BARRETT. Will the gentleman yield?

Mr. Blackmon, I just want to say that the gentleman from Georgia has been a great advocate of rent supplements and has done a splendid job on that legislation.

Mr. BLACKMON. He is to be commended and we in the private sector of our business feel that this is a real step in the right direction of housing these low-income families and we welcome the opportunity to try to do something about it. We hope that Congress will take action

on this appropriation and make it available so that the program can get underway.

You all authorized the legislation last year, but until now we do not have funds to put it into operation. We would welcome the opportunity.

Mr. STEPHENS. May I ask you if you would agree with the position that I have taken that we already have in the public housing a rent supplement?

Mr. BLACKMON. Yes, sir. You have a Federal contribution by the local housing authorities of approximately 5 percent of whatever the cost of the unit is on an annual contribution basis and you all make appropriations every year to fund this. So there is a subsidy, or whatever you want to call it, to the local housing authority and, instead of having Federal ownership, we are having private ownership. We favor private ownership over public ownership.

Mr. STEPHENS. It is not also true that besides the Federal contribution that you are talking about, the people who live in public housing cannot get the same accommodations for the same low rent in the private sector in general?

Mr. BLACKMON. Well, because of the subsidy they get—and they get it in two or three ways—not only the annual contribution, but also they get it in low interest which is a form of subsidy, if you want to recognize it as such, on tax-free bonds, that may bring 2⅝ or 3 percent or 3¼. Second, public housing projects make a payment in lieu of your regular taxation. I would like, gentlemen, to see this committee go on record as favoring the local community, that local communities use the below-market rate and rent-supplement program and recommend to the cities that these programs be given the same kind of tax treatment as public housing. If there is a decrease in taxes, let's let the local cities be rewarded by making this decrease eligible as part of their contribution to participation in the urban renewal program.

Do I make myself clear? In one particular community of this country, in which we are building a below-market-rate project for a Negro Mason group that has a tremendous spirit of trying to help their people, the taxing authority indicated that their taxes would be as much on 140 units as it is on 854 units of public housing and this is not right. How can you hope to accomplish the housing of these people if they write the taxes up real high or discriminate against projects that are trying to house these low-income people?

So this is another form of subsidy that I see—you have at least three when it comes to public housing, and in some way we should try to level this off to where, when we are housing low-income people, we do it on an equal basis. Then we can judge realistically what our accomplishments really are.

Mr. STEPHENS. May I have 1 more minute?

I am awfully interested in the testimony you gave on this subject.

Last year when I advocated it we had a resolution from some of the real estate people at home, and it was said that this was the most socialistic piece of legislation—this rent subsidy thing—that ever came down the spout. It just astounded me that it should come in that way. I did not like to be called a Socialist in the first place. It was a matter of misunderstanding and ignorance on the part of the real estate people to take a congressional newsletter that came out of

Washington that called us all Socialists who voted for the rent supplement.

Mr. BLACKMON. Congressman, I do know the statement that you made, and I know how strongly you feel about your position. You also know that the people who made that statement have since changed their position and are supporting this legislation. They have stated so publicly and I think that maybe they have seen the merits in the private enterprise approach of it.

But they are not homebuilders. You said real estate people and that is the group I referred to that made the public statements here in Washington. They are now supporting the rent-supplement program.

Mr. STEPHENS. I had a telegram from the Augusta Home Builders Association endorsing the rent supplement.

Thank you.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman, and thank you, Mr. Blackmon.

I appreciate very much your very valuable contribution to the consideration of this proposed bill. I was going to try to comfort in some small way my colleague from Georgia. As you know, I have been called more than just a Socialist. I have been called a beatnik.

But in any event, I am intensely interested in your statement, page 5 of your statement, on the economic picture in which you state that working with the Government programs, they have no choice but to either absorb the cost of points or stop using these programs.

This has been a source of concern to me and others, particularly in light of the testimony that was recently given to the subcommittee by Mr. Brownstein who recently was a Commissioner. I asked him a question and he admitted that FHA today represents about—or a little less than 16 percent of the mortages and I asked him why. He said at one time it had been as high as 49 or perhaps even 50 percent. Especially in view of the fact that FHA has been intended by Congress to provide the American family a chance to buy a home, but since this great program has degenerated to the point where the average family wishing to purchase a home has to go to the conventional mortgage market which apparently is more attractive than FHA—can you tell me if there is anything that can be done to counter or arrest this trend and restore to this program its original objectives?

Mr. BLACKMON. We have a real problem, Congressman Gonzalez, today with the FHA program, especially from my part of the country and in California and the Southeast, because of the money market and the way FHA arrives at the cost of money. In one particular office, and I won't single out the office, the one that I am familiar with, they allow 13 percent for overhead and profit on a mortgage. Let's say it is a $15,000 house—they allow this 13 percent to be placed at around $10,000 or two-thirds of the sales price of the unit, so this gives you a total of some $1,300 for overhead and profit.

Now, if you have any kind of operation and you are conducting it in a businesslike manner, you would have, say, 4-percent overhead of cost of doing business in your office. Four percent of $15,000 gives you $600 that you have to charge as overhead, so you really only have $700 left out of the $1,300.

With the discount picture in our part of the country at 4 percent or more, you can readily see that a discount which the FHA does not allow

to be counted as a cost to that house, but must come from the builders' profit directly, another $600 comes out, then how in the world can you expect any private business operation to operate on $100 a unit? That has discouraged many of our people from using these programs.

I will be happy to submit to you a memorandum on this. We have made some proposals on other ways, besides increasing interest, and some other facts that would be helpful.

I will be happy to get this to the committee.

Mr. GONZALEZ. I would be most grateful. You are absolutely correct that when you say two of the hardest hit areas in this market have been and still are Texas and California, particularly Texas.

(The information referred to follows:)

NAHB RECOMMENDATIONS FOR INCREASED USE OF FHA MORTGAGE INSURANCE PROGRAMS

On June 27, 1966, FHA will celebrate its 32d anniversary. As a result of its activities in the housing market in these 32 years, the American people enjoy more and better housing, a basically sound home financing system, and an increasingly more efficient homebuilding industry. FHA programs have pioneered in the field of mortgage finance by providing uniform and dependable property standards, appraisal techniques, borrower credit ratings, and location analysis. These pioneering activities have benefited the Nation greatly through the device of providing for an easy flow of mortgage money through various parts of the country.

The NAHB believes it essential that the Nation's home buyers continue to receive the benefits of FHA's mortgage insurance programs.

However, against a national background of continuing strong demand for new housing, FHA's share of the housing market has been declining for several years. In 1965 FHA financing involved only 16.6 percent of the Nation's new single-family homebuilding, and only 6.8 percent of multifamily building. Since 1961, FHA's overall share of total new starts has declined from 26 percent to 13 percent.

One principal reason for this decline was a long period of plentiful supply of mortgage money. While conventional financing was available on comparatively easy terms, anyone who could avoid doing business wtih the FHA generally did.

The process of doing business with the agency is complicated, expensive and time consuming, even with recent improvements that have been made. Many builders simply decide that it is not worth it even for the advantage of terms better than even the best terms available under conventional financing.

Now, the irony is that in a sudden very tight money market situation, builders also are unable, in many places, to go FHA because of the tremendous discounts required. Builders and sellers must absorb these discounts. The agency generally is slow to raise its maximum interest rate, and in the latest situation has raised it too little and too late.

The problem of doing business with the agency and the interest rate matter lay the groundwork for specific recommendations and comments which follow:

1. MORTGAGE MONEY SUPPLY

As pointed out above, we are faced with the ironic situation that the FHA loses business in a period of plentiful mortgage money because people will avoid doing business with it; and it loses business in a tight money market because of the gouge of points.

A decrease in participation in FHA programs limits the market of builders and, of course, the persons carved out of that market lose an opportunity to own a better home. In addition, the supply of nationally tradable mortgages which helps to even the regional supply of mortgage money, is reduced.

The NAHB is of the opinion that some method must be adopted to enable the FHA mortgage to be competitive in all mortgage money market situations. Only two solutions seem feasible at this time:

(*a*) Incorporating discounts in FHA's final mortgage evaluation, or

(*b*) Permitting the FHA interest rate to reflect the market for long-term funds to make it competitive with conventional mortgage rates.

NAHB is generally opposed to higher interest rates which increase the costs of homeownership. However, retaining the FHA rate at its present level merely results in increasingly higher discounts.

Incorporating discounts, on the other hand, would not only increase yields to lenders, but would be less costly to home buyers. According to NAHB economists, a home buyer will pay less over the term of the mortgage if the discount is included than if the interest rate is increased. In addition, including discounts would recognize that the cost of money to the borrower would be considered in the same manner as the cost of bricks or mortar. Discounts are already allowed by FHA in mutlifamily mortgages.

2. ATTRACTING PARTICIPATION IN THE PROGRAM

The FHA has come to a point where we believe it needs to make a fundamental examination of the way in which it does business. We would like to point out that Assistant Secretary Brownstein has made some laudable improvements by greatly reducing the time in which it takes to get a conditional and firm commitment on an FHA mortgage. He also has shown an appreciation of the difficulties imposed by enormously complicated and time-consuming processing of multifamily cases and is cooperating with the NAHB to help relieve that situation. However, it is still usually very difficult for either a multifamily or single-family home developer to get his case processed in FHA. In addition, the agency has been very slow in accepting new materials or innovations.

Where once the agency led the homebuilding industry, it now often lags far behind and often forces the builder-participant in the program to be punished for wanting to include items or materials in his project that may be very well accepted and widely used in conventional building in the same area.

The agency tends to act as if it were the sole reliable source of knowledge of housing in some respects where it is by no means the sole source. At the same time, it has sole nationwide access to certain types of knowledge of which it takes little advantage. For instance, the agency still insists upon imposition of specific technical standards and a ritualistic inspection system during construction. The FHA standards may not always be appropriate to given areas. Local codes and local building inspections may be fully adequate to insure that the houses will be safe, sanitary, and soundly constructed and the only FHA judgment needed may be that the home is an economically insurable risk. In some areas, of course, local requirements may not be sufficient. But the FHA is inflexible in its requirements and inspections regardless of the adequacy of the local requirements. This simply adds as needless burden to the builder, and ultimately is reflected in higher costs to the consumer.

On the other hand, the agency is engaged in doing business in all types of housing throughout the country. It has, at its command, a tremendous fund of raw information on costs, operating experience—both physical and financial—credit data, and so on, on the thousands of housing units that are processed each year. This data, however, in spite of its tremendous, potential usefulness to the agency and to the industry, has never been organized. We know they now have initiated efforts to organize this vast fund of knowledge and propose to use modern computer techniques to rapidly assemble it. We support this effort and believe that the work must be expedited in all possible ways.

The policy of publication of market analyses was a step in the right direction. We also believe that if this data were improved and made more comprehensive, the process of getting a "yes" or a "no" on an insurance commitment could be made much simpler and much faster.

Many builders who do business in different offices also complain that there is great variation in field office interpretation of central office instructions. This is partly because of the extraordinarily complicated instruction system in the agency. It reflects a need for greatly improved supervision of the field officers as well as improved communication systems. Often the best intention of the Washington headquarters fails to be reflected in field office performance.

In closing and in fairness, we would like to give due credit to Mr. Brownstein for continued efforts to simplify and improve the agency's performance and to extend the benefits of mortgage insurance into outlying areas and areas within the city that may be salvaged from deterioration by the attraction of mortgage funds.

The agency also has developed a better working relationship with the Urban Renewal Administration and has taken risks in programs in which there was little or no experience.

But in the bulk of its business, we believe it needs continuing efforts in modernization. The spirit of the agency in the beginning was one of pioneering in mortgage practices and homebuilding standards that its best brains conceived to be sound. It was remarkably successful, but we believe that in large measure it needs a rebirth of an attitude of flexibility and leadership and of the pioneering spirit.

This will be necessary if it is to provide the enormous need for low-income-family housing, as well as to fulfill its economic role of a credit stimulus to the entire homebuilding industry.

Mr. BLACKMON. Especially the low-income families, Congressman Gonzalez. I think housing these people is very important and, secondly, I think FHA should broaden its scope, not only in the low-income brackets, but higher income as well, because this is business that is very desirable that they do not seem to be getting. It would be helpful in the overall portfolio; it would permit taking a bigger risk in some of the low-income homes to balance their losses and would be helpful in qualifying some of our more unfortunate citizens.

Mr. GONZALEZ. That is very true. I am intensely interested and also concerned because I represent a district in which the bulk of my constituents are affected. It has been very depressing to see the constantly dwindling role of the FHA in this field.

Mr. BLACKMON. I think this is where the committee could be commended and also Mrs. Sullivan's proposal. We should use this Federal assistance to encourage these low-income families. As they get more, they can pay their way and at such time as they pay their complete way, they become homeowners.

This is one way where Federal assistance can be very helpful in uplifting low-income families. Somewhere in 5 years or so this family's income, as you and I know, will increase to a point where they can pay their own way. It gives them a start in the right direction and these funds can be released to start other low-income families on their way to homeownership.

Mr. GONZALEZ. Thank you very much.

Mr. BARRETT. Mr. Blackmon has to be over on the Senate side very quickly.

But we have the gentleman from New York who has two very short questions. I understand that you must leave as quickly as possible.

Mr. FINO. The quick question is, that under H.R. 13064, there is a provision which strikes out from the National Housing Act the provision "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954". Is this a recommendation made by your organization?

Mr. BLACKMON. In our testimony? No, sir.

Mr. FINO. Can you strike out that section?

Mr. BLACKMON. May I have just a minute?

Mr. BARRETT. I wonder if you would not take the question and answer it more in detail in writing?

Mr. BLACKMON. Be most happy to. This is the section that we are not familiar with.

Mr. FINO. According to your own testimony, I was surprised to read that you support title I of H.R. 12946, while you oppose Federal money for land development agencies on the ground that this would inject Government deeply into purely local matters.

Do you realize that it is title I that would grant the Secretary of the Department far-reaching powers to vastly increase Federal grants

to metropolitan planning units, thus enabling the Secretary to control such purely local matters as zoning codes, subdivision regulations, and civil land use and density controls?

There again, if you want, you can answer it later.

Mr. BLACKMON. I will just comment slightly.

Title I is for utility grants that have to do directly with cities, such as water and sewer facilities and items of this nature which are municipal functions. Title II is not a municipal or State function but rather a private enterprise approach.

Basically, I would like, if that is possible, to submit a further statement on it for your consideration.

(The information referred to follows:)

NATIONAL ASSOCIATION OF HOME BUILDERS,
NATIONAL HOUSING CENTER,
Washington, D.C., March 15, 1966.

Hon. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BARRETT: This is in reply to two questions raised by Congressman Fino during my testimony March 8 on behalf of the National Association of Home Builders on proposed housing and urban development legislation.

Congressman Fino asked (1) whether NAHB had recommended enactment of section 110(d) of H.R. 13064, the proposed Housing and Urban Development Amendments of 1966, and (2) for an explanation of NAHB's support for title I of H.R. 12946, the proposed urban development bill.

Section 110(d) of H.R. 13064 would repeal a provision of the National Housing Act prohibiting purchase by the Federal National Mortgage Association of loans insured or guaranteed prior to August 2, 1954.

NAHB has no objection to repealing this existing prohibition of FNMA secondary market mortgage purchases. We understand that it would make eligible for purchase a negligible number of mortgages 12 years of age or over. It should be made clear that section 110(d) is not intended to limit the authority of FNMA to administratively restrict its purchases of loans, by date of insurance or guaranty or otherwise. FNMA should continue to have flexible authority to issue regulations, as conditions require, to conserve its funds so that it may at all times perform its fundamental function of providing a secondary mortgage market for loans for new construction.

Title I of H.R. 12946 would authorize supplemental grants (of up to 20 percent of project costs) to State and local public bodies carrying out nine designated federally assisted development projects. These supplemental grants would be made only to localities within metropolitan areas (1) which had established areawide planning and programing adequate for evaluating and guiding all public and private development activities and (2) which were carrying out the location and scheduling of public facilities, zoning, and other subdivision actions, and other metropolitanwide policies and actions in accordance with areawide planning and programing.

NAHB supports this new program of supplement grants. It would assist localities which are effectively carrying on metropolitanwide planning and programing activities.

In recent years, Federal programs have increasingly required that federally assisted public works or facilities be consistent with locally approved comprehensive planning activities. As a result, many of the Nation's metropolitan areas are carrying on planning and programing activities to guide their overall urban and suburban development.

In many cases, however, planning activities are keyed toward meeting the specific planning requirements of a particular facility (such as sewer or water facilities) and do not result in the effective overall development which is the goal of Federal planning and development assistance. Title I of H.R. 12946 would reward those localities which effectively coordinate all public facility planning and programing activities, and all other public and private development actions, and thereby encourage sound community development.

The planning actions required of localities in order to receive these supplemental grants would not result in increased Federal control over purely local

functions, such as zoning and subdivision controls. Such matters are generally municipal functions which are already covered in comprehensive plans (whether or not federally assisted) in many communities.

Federal assistance to help communities perform well recognized local governmental functions is, in our view, completely distinguishable from direct loans (which would be authorized by title II of H.R. 12946) to induce State or municipalities to engage, for the first time, in the business of acquiring, developing, and selling land for residential and related uses. Up to now such activities have been, in this country, a function of private enterprise. We believe they should remain so.

Sincerely,

LARRY BLACKMON, *President.*

Mr. BARRETT. Thank you, Mr. Blackmon. Your testimony has been very splendid here this morning.

We appreciate your coming.

(The complete statement of Mr. Blackmon follows:)

STATEMENT OF LARRY BLACKMON, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. Chairman and members of the committee, since this is the first time I have had the pleasure of appearing before this committee as president of the National Association of Home Builders of the United States, let me introduce myself. I am Larry Blackmon of Fort Worth, Tex.; I build homes and apartments in several cities in Texas and elsewhere in the United States and in Latin America.

Appearing with me today are Leon N. Weiner, first vice president of the association; Dr. Nathaniel H. Rogg, our executive vice president; and Herbert S. Colton, our general counsel.

Through appearances before you of my predecessors in office, most of you know that NAHB is the trade association for the home building industry. It now has more than 45,000 members, organized in 396 local and State affiliated associations in all States and in Puerto Rico and in the Virgin Islands.

The several bills being considered in these hearings include a number of proposals. Therefore, for the convenience of the committee, we have summarized in attachment A, appended to my statement, our position with respect to each item including certain additional revisions to the National Housing Act which we recommend to the committee.

I shall limit my remarks this morning to comments on those particular aspects of these bills that the National Association of Home Builders believes require particular emphasis. I assume that the attachment will be included in the record to show our position in detail.

In general, we support H.R. 12341 (the Demonstration Cities Act) and H.R. 12946 (the Urban Development Act of 1966) with some suggestions or amendment but with the notable exception that, as we did last year on almost identical legislation and for the same reasons, we oppose the so-called new towns and State land agencies provisions which are title II of H.R. 12946.

However, before discussing these bills we believe it in order first to bring to your attention the increasingly difficult conditions facing the home building industry. Attached, as exhibits I–A and I–B, is material on housing, the national economy, and recent changes in the monetary market developed and written by our economics and builder services departments. The first, comparing housing starts and economic growth during the past few years, shows that although housing demand continues high, construction has declined while the overall economy has climbed to new records. It discusses briefly the flow of money from savings institutions to commercial banks as a result of the recent amendment to regulation Q.

The second of these exhibits is the latest issue of the "Economic News Notes" periodically issued by our economics department. The section headed "Home Building," which commences at page 3, is particularly pertinent.

While the legislation before you seeks, rightfully, to provide for the building of a better America in the years to come, the pool of savings capital on which our industry depends for its customer financing is being seriously depleted by the action of December 5, last, which allowed the maximum rate permitted to be charged by commercial banks on certificates of deposit to jump from 4 percent all

the way to 5½ percent. I attach as exhibits II–A and II–B two recent news stories which illustrate what is going on.

As in 1957—of unhappy and unlamented memory in our industry—savings are again being allowed (indeed, encouraged) to flow from mortgage lending institutions into other forms of credit. Without its fair share of available credit, the home building industry cannot rebuild American cities, cannot adequately provide for proper community growth, and, most important of all, it cannot continue to provide good homes for American families at reasonable prices.

As a result of our industry's difficulties in the recurrent "tight money" crises of the 1950's, we urged at that time that housing be given a voice in the councils of those who set national policies which determine the allocation of credit resources. We were among the early advocates of a Cabinet status for housing to provide that voice. Nothing in the recent actions which have so seriously affected mortgage credit affords any basis for confidence that the bitter lessons of the first two post war decades have been heeded or, for that matter, even thoroughly understood.

As I am sure the committee understands, our enthusiams for the pending legislation—which can have little significant effect for at least several years—is somewhat tempered by our very real concern that, under current money conditions, the present productive capacity of our industry will be sharply curtailed. We may not even be able to continue to provide homes in the volume produced during the past 10 years much less increase our production to meet changing conditions in our society. Our comments on these bill are made, therefore, with the reservation that the problems of basic mortgage finance now confronting our industry are of immediate and vital importance. We are urgently concerned.

DEMONSTRATION CITIES ACT (H.R. 12341)

NAHB supports this bill because it recognizes the need for a start toward a coordinated approach which would rehabilitate people as well as structures. This seems to us entirely logical.

Certainly it is simple commonsense to attempt to demonstrate that focusing upon a blighted area, in coordinated fashion, the vast variety of available Federal aids—rather than scattering them in a shotgun approach—will accomplish more for slum areas than the people who live in them.

There is some reason to contend that success in this aspect of the program may very well substantially reduce the necessity for large public housing and urban renewal programs. A higher level of education, and consequent higher earning power and employment and other opportunities provided by the Federal programs coordinated under the bill, should inevitably be reflected in ability to obtain better living quarters and in increased pride in maintaining them in good condition.

With respect to the criteria established in the act for the type of housing program required to qualify for assistance under the bill, we particularly applaud those provisions which would give priority to good design, the maintenance of natural historical and cultural characteristics; use of new and improved technology and design; and use of cost reduction techniques (sec. 4(c) (2) and (3)). A substantial part of the budget and energies of our Association for some years has been directed toward cost reduction and the improvement of technology, design, and environment. We believe it highly desirable that all Federal housing efforts be required to work toward those ends.

In this connection, we note also that H.R. 13065 (the Housing and Urban Development Amendments of 1966) in section 106 also covers this same subject. As stated in the section-by-section summary of that bill, this section "would establish a program 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 * * *."

The program suggested by this section, realistically conceived and effectively pursued, could, we submit, save the Federal Government and the American public many times its cost, but only if cast in the mold of Federal assistance to nongovernmental agencies and bodies of all types, including universities and nonprofit and other private research groups.

We therefore recommend that section 106 of H.R. 13065 be amended to emphasize that research thereunder be conducted through nongovernmental bodies or agencies, and that a start on such program be made by setting aside for research one-half of 1 percent of funds appropriated pursuant to H.R. 12341.

We also recommend that the Congress clarify section 7 of H.R. 12341 to make more effective the Office of Federal Coordinator established thereby. We believe an office of this kind is necessary if the manifold Federal programs available to localities are to be kept from complete confusion in action. We see nothing in the bill which would give the Coordinator any duties or powers other than to advise local governments how most effectively to work with Federal grant-in-aid programs. We suggest that this be elaborated and clarified by comment in your committee report in the bill.

In this connection, the title "Federal Coordinator" may be unfortunate. Perhaps the true function of this office could be better expressed by use of a name such as "Demonstration Coordinator" or "Urban Program Coordinator."

URBAN DEVELOPMENT BILL (H.R. 12946)

As I indicated at the outset of my remarks, we vigorously oppose title II of this bill but support titles I and III. Title II again brings before the Congress two proposals which it has already rejected. These are (*a*) mortgage insurance for so-called new communities and (*b*) direct Federal loans to encourage formation of State and local governmental agencies to engage in the business of land development for housing.

(*a*) *Mortgage insurance for new communities*

This is the third year in succession this proposal has been advanced. It was rejected 2 years ago. In 1965, a limited version became title X of the National Housing Act with originally proposed $25 million limit on the maximum loan, for any one project at any one time, reduced to $10 million. The bill before you again attempts to increase that maximum limit to $25 million. Further, it would grant special benefits to the larger projects, not available even to a proect as large as $10 million, in the form of a longer loan maturity and access to FNMA special assistance. With those exceptions, title X already provides everything proposed by this bill. In opposing the higher limit last year, we testified:

"This could mean total credit in any one 'new town' of several times that dollar amount. As stated, we believe there are so many unknown and potential high risks in insurance of this type that, if enacted at all, it should be on a limited experimental basis.

"Land prices throughout our history have shown extreme fluctuations. Land speculation excesses have both brought on business recession and intensified them. If this program of FHA land insurance gets underway in the framework proposed, it could generate a huge flow of capital into what has always been a volatile economic area.

"It is certainly not inconceivable that a future economic downturn could cause a dumping into Government hands of very large landholdings * * *. The basic insurance principle of diversity used so successfully in FHA's owner-occupied home mortgage insurance program and less in its multifamily housing financing would be utterly lacking."

We believe these reasons are even more cogent today since the Congress last year provided, in sufficient form for very substantial experiment, what is here asked in expanded form even before that experiment can get started. Everything requested in this proposal can be done under the existing legsilation except possibly to put Federal credit behind a few projects of huge corporations. We believe this better deferred at least until the results of operations under last year's $10 million ceiling can be evaluated.

(*b*) *Land development agencies*

This proposal, as we urged last year, would inject Government deeply, irrevocably, and on an inevitably expanding scale, into the business of land development as distinguished from the present system of private development of land under local community regulation.

The proposal raises fundamental questions of the philosophy of Government in relation to private business. Last year we made crystal clear the attitude of the homebuilding industry. At at time we said:

"The homebuilding industry is firmly dedicated to the proposition that government should never do what industry can do as well or better for itself; that governmental action is needed only where there exists a private enterprise vacuum or serious abuse; and that government action, when determined neces-

sary in the public interest, should be taken in the least disruptive form and should remove impediments to private action, not supplant it * * *.

"* * * We submit, the private enterprise system of land development is producing a better overall result than would be obtained by Government operation, whether a local, State, or Federal Government * * *. The State land development agency proposal would do nothing to enhance the progress now being made by leading land developers and community builders, whose objectives and accomplishments get better each year, and whose ideas are now filtering down to all echelons of the industry. The proposal could, in fact, impede this progress * * *.

"In a democratic society, the proper method to improve land planning and use is by constant research, by education, and by self-criticism of the industry.

"Sound planning, like sound government, is best when broadly based, not imposed by controlling authority, no matter how motivated. The private entrepreneur, being market motivated, knows more about the problems involved and how to solve them within the bounds of economic feasibility than can ever be achieved through state ownership."

Our 1965 testimony appears at pages 552 and 553 of the hearings on H.R. 5840. We listed eight specific reasons why we were irrevocably against the proposal. We repeat and reaffirm that testimony. We urge the Congress to reject the "land agency" proposal so firmly as to preclude annual discussion of what we are convinced would, at one stroke, destroy the system of private ownership of land as we know it.

* * * * * * *

Title IV of this bill would provide a system of grants for so-called urban information centers. It would be helpful to local communities to have available the type of program information contemplated but we believe it preferable that this information be available through the coordinators to be provided under section 7 of H.R. 12341. In our opinion centralization of such information in the coordinators would help avoid the proliferation of Federal sources to which local communities must resort to obtain information about housing programs.

ADDITIONAL SUGGESTIONS

I refer to attachment A, appended to this statement, for a detailed summary of our views on H.R. 11858 and H.R. 9256.

In addition, as attachment B, I submit a list of suggested amendments to the National Housing Act, together with the reasons for each. These would—

(1) Authorize FHA to insure mortgages on college housing. The substantial increase in the size of student bodies in our institutions of higher learning, and the prospect that this trend will continue, results in a demand for student housing which the Federal Government has long recognized in the form of direct loans on easy terms to assist in the construction of dwelling accommodations for students. By providing mortgage insurance, the Federal Government could, without substantial expenditure, greatly increase the assistance it is now providing for this purpose.

(2) Increase to $35,000 the maximum permissible mortgage limits for single family homes under FHA section 203(b), section 222 (servicemen's program), and section 234 (home mortgage programs),

(3) Increase mortgage amounts under section 220 program for urban renewal areas to facilitate small rental projects.

(4) Increase from $15,000 to $20,000 the maximum loan FHA could insure for veterans without downpayment.

(5) Authorize FHA to insure mortgages on vacation homes.

(6) Increase the amount and term of title I property improvement loans.

(7) Facilitate construction of small rental projects by eliminating the cost certification requirement for projects of 24 units or less.

(8) Permit sale of urban renewal land for sales housing for low and moderate income families on the same reduced basis presently available for rental or cooperative housing.

(9) Reactivate the section 810 Armed Forces rental housing program.

ATTACHMENT A—POSITIONS ON 1966 HOUSING AND URBAN DEVELOPMENT LEGISLATION

Demonstration cities bill of 1966 (H.R. 12341)

Provides financial and technical assistance to city demonstration agenices to plan, develop, and carry out comprehensive city demonstration programs. Grants would cover up to (*a*) 90 percent of planning costs, (*b*) 80 percent of administration costs, and (*c*) 80 percent of the non-Federal share required under existing Federal grant-in-aid programs undertaken in connection with comprehensive programs. A Federal coordinator would be appointed for each city having an approved program; the coordinator would be required to coordinate and expedite all Federal programs utilized as part of the comprehensive program. Over a 6-year period, $2.3 billion would be authorized.

NAHB positions and recommendations

NAHB supports H.R. 12341. It would provide a much-needed mechanism for coordinating all Federal, State, local, and private activities in order to make a maximum impact on comprehensive physical and social redevelopment of the Nation's cities.

We particularly approve the bill's requirement that HUD give consideration, in approving comprehensive programs, to local actions directed toward utilizing new and improved technology and design and cost reduction techniques. Accordingly, we recommend that section 106 of H.R. 13065, the Housing and Urban Development Act Amendments of 1966, be inserted into the demonstration cities bill and made part of that proposed program. We further recommend that ½ of 1 percent of all funds appropriated under the demonstration cities bill be required to be spent on a HUD research program designed to encourage the application of new techniques, materials, and methods to the homebuilding industry. Such research should be required to be carried on by private nongovernmental agencies. NAHB and other private agencies are already active in homebuilding research.

NAHB also recommends that the Congress clearly delineate the powers and duties of the Federal coordinator to be established by the bill. The coordinator should be empowered to effectively coordinate the often-times conflicting operations of Federal grant-in-aid programs. It may also be desirable to change the name of the Federal coordinator in order to alleviate fears as to his powers and responsibilities.

Urban development bill (H.R. 12946)

Title I. Grants to assist in planned metropolitan development.—This title would authorize supplemental grants (of up to 20 percent of project costs) to State and local public bodies carrying out nine designated federally assisted "development projects." These grants will be made only for "development projects" for which it is demonstrated that (1) metropolitanwide comprehensive planning and programing are being carried on effectively in the area, and (2) adequate metropolitanwide governmental arrangements exist and are being utilized for coordinating public development policies and activities in accordance with comprehensive planning and programing. For these grants, $25 million would be authorized.

NAHB positions and recommendations

NAHB supports these supplemental grants. Localities which are effectively carrying on metropolitanwide planning and programing should be afforded greater Federal assistance. The benefits to homebuilding which result from properly planned metropolitanwide public facilities are widely recognized. NAHB's policy with respect to environmental design is in full accord with the objectives of these proposed supplemental grants.

Title II. Land development and new communities.—This title would (1) increase the maximum mortgage amount of FHA title X land development mortgages from $10 million to $25 million; (2) establish a special category of land development called new communities, generally larger in size and scope; (3) exempt new community developments from the existing 7-year maximum maturity applicable under title X; (4) require that participation by small builders in land development projects be particularly encouraged; and (5) make FNMA special assistance funds available, where necessary, for new community developments.

Title II would also authorize a new program of loans (at 4 percent interest rate) to State or local land development agencies to acquire land to be used for well-planned residential neighborhoods, subdivisions, and communities. Land development agencies would include cities and other public corporations created for that purpose under State law. Land acquired would be sold to private builders at fair market value for uses in accord with approved development plans. Land could be developed by private builders under FHA title X land development provisions. Participation of small builders would be particularly encouraged. For these loans, $25 million would be authorized.

Title III. Urban mass transportation.—This title would increase by $95 million the authorization for grants under the Urban Mass Transportation Act of 1964 in order to maintain a $150 million program level for fiscal year 1968. It would also provide $10 million for mass transit demonstration grants for fiscal year 1968.

Title IV. Grants for urban information centers.—This title would establish a new program of HUD grants to States and metropolitan area agencies to help finance (up to 50 percent of the costs of) programs for the collection and dissemination of information and data needed for effectively utilizing governmental programs for the solution of local urban problems. For fiscal year 1966 $5 million would be authorized and $10 million for fiscal year 1967.

NAHB strongly opposes extension of title X land development provisions. Ample authority exists for FHA to insure large developments under the existing provisions. The administration has failed to demonstrate a need for an expansion of the program at this time. Furthermore, we understand that as of this date (March 9, 1966), although more than 66 land development projects are being processed, no mortgage has yet been approved by FHA. We recommend that Congress postpone expansion of this program until the nature and extent of land development projects under existing title X provisions can be evaluated.

NAHB strongly opposes these provisions which were rejected by Congress in 1965. We believe that the administration has failed to demonstrate any need for this proposed governmental activity in land development operations. These provisions would eliminate private enterprise from land acquisition and development activities by (1) enabling governmental bodies to acquire (at low-interest rates) raw land which would ordinarily be available to private developers, and (2) restricting the use of acquired land to uses in accord with publicly approved development plans. The increasing amount of private land development in accordance with modern land use concepts makes this administration proposal unnecessary and undesirable.

NAHB supports the proposed increases in mass transit grant and demonstration funds. The mass transit program provides assistance to localities to develop a more rational system of metropolitan area transportation, an essential element of proper urban development.

NAHB supports the objectives of this proposed grant program. The need for better information and easier access to such information (especially in smaller localities) is widespread.

The type of information contemplated under title IV would appear to be most useful to localities taking part in the demonstration cities program, which would be authorized under H.R. 12341. Accordingly, we recommend that the Federal coordinator established under H.R. 12341 be required to supply cities with this type of information. This would prevent a proliferation of information centers and make urban information and data available in those localities which will need it most.

Housing and Urban Development Amendments of 1966 (H.R. 13065)

Title I of H.R. 13065 would make various amendments to existing laws relating to housing and urban development. Its main provisions would (1) permit the FHA insurance premium charged for a title I property improvement loan (made or refinanced within 1 year) to be paid by the borrower rather than lender (sec. 101); (2) facilitate use of the authority to transfer FHA cooperative housing insured mortgages to a mutual insurance basis (sec. 102); (3) increase from $11,000 to $12,500 the maximum mortgage amount on a single-family home insured under the FHA section 221(d)(2) moderate income housing program and increase the mortgage trust on a two-family dwelling from $18,000 to $20,000 (sec. 103); (4) permit local housing authorities to (*a*) lease dwellings for more than 3 years where needed to house displaced families, and (*b*) lease housing to be constructed as well as existing housing (sec. 104 and 105); (5) establish a program to encourage and assist the housing industry to reduce the cost and improve the quality of housing through the application of technological advances (sec. 106); and (6) provide specific examples of types of improvements that may be insured under title X land development program; the improvements would include steam, gas, and electric lines and installations and industrial uses in proper proportion to the size and scope of the development (sec. 108).

Title II would correct the wording of certain statutes to conform to existing law as provided in the Department of Housing and Urban Development Act.

NAHB positions and recommendations

NAHB has no objection to any of the provisions of H.R. 13065.

As stated above with respect to the Federal coordinator which would be created under the demonstration cities bill, we recommend that (1) section 106 of H.R. 13065 be inserted in H.R. 12341, and (2) research authorized by the section be carried on by private nongovernmental agencies and organizations.

Financial assistance for group practice facilities (H.R. 9256)

H.R. 9256 would authorize mortgage insurance and direct loans to help finance the cost of constructing and equipping facilities for the group practice of medicine or dentistry. The FHA Commissioner would insure mortgages equal to 90 percent of the value of the facilities upon completion. Insured mortgages could bear interest to meet the mortgage market, but not in excess of 6 percent. If an applicant is unable to secure an insured loan, HUD could make a direct loan upon terms and conditions as favorable as those provided for insured loans.

NAHB positions and recommendations

NAHB is unable to take a position on H.R. 9256 at this time. The bill will be considered by our board of directors at our spring meeting and we will submit our views on the bill at that time.

As a general principle, NAHB opposes the use of FHA's mortgage insurance operations to assist in the financing of commercial facilties. FHA personnel have knowledge and expertise in the financing of residential housing and development, specialized fields involving altogether different financing and underwriting considerations. Extending FHA's operations to the financing of group medical or dental facilities may result in diluting FHA's ability to perform its present responsibilities.

Extension of FHA mortgage insurance for veterans (H.R. 11857 and H.R. 11858)

These bills would amend the FHA mortgage insurance program for veterans, authorized by section 206 of the Housing and Urban Development Act of 1965. Existing law makes liberal FHA mortgage insurance available only for veterans who have not received benefits under the Veterans' Administration program for purchasing, constructing, or repairing homes. The bills would remove this prohibition and make the FHA program available whether or not VA benefits had been received.

NAHB positions and recommendations

NAHB strongly supports H.R. 11857 and H.R. 11858, identical bills which have bipartisan support. If enacted, an additional 6 million veterans of World War II and the Korean conflict would become eligible for low-down-payment FHA-insured mortgages at no cost to the Treasury.

ATTACHMENT B—PROPOSED AMENDMENTS TO H.R. 13064

(The Housing and Urban Development Amendments of 1966)

I. MORTGAGE INSURANCE FOR COLLEGE HOUSING FACILITIES

(A) Section 207 of the National Housing Act is amended by—

(1) Inserting in subsection (a)(1) immediately after "designed principally for residential use" the following: "(including housing of the type constructed with financial assistance pursuant to title IV of the Housing Act of 1950)";

(2) Inserting at the end of the second paragraph of subsection (b)(2) the following: "Nothing in this subsection shall be construed to prohibit the insurance of a mortgage under this section covering property on which there is or is to be located housing for students or faculties of an "educational institution" as defined in section 404(b) of the Housing Act of 1950."; and

(3) Inserting in subsection (c)(3) after the first semicolon the following: "except that with respect to housing to consist of dormitories of the type constructed with financial assistance pursuant to title IV of the Housing Act of 1950, not to exceed $5,000 per sleeping accommodation;".

Explanation

This amendment would authorize FHA mortgage insurance for housing facilities for college students and faculties of the type constructed with financial assistance under title IV of the Housing Act of 1950, the college housing loan program. Mortgage insurance would be provided under FHA's section 207 regular rental housing program.

Under the college housing loan program, the Secretary of Housing and Urban Development makes direct loans (at 3 percent interest rates) to assist institutions of higher education in the provision of housing and related facilities for students and faculty where such assistance is not otherwise available on equally favorable terms. We understand that the program level for college housing loans for fiscal year 1967 is approximately $300 million.

As college enrollments continue to rise, the need intensifies for additional housing facilities for college students and faculties. In the context of available college housing funds, HUD cannot finance all the needed facilities. Accordingly, FHA mortgage insurance is recommended to supplement assistance to college housing being provided under the existing college housing loan program.

Private enterprise is already active in this field. The availability of FHA mortgage insurance for college housing (which would be provided at the current 5¼ percent interest rate) would increase private activity, especially in dormitory-type construction not presently eligible for section 207 mortgage insurance. In addition, private construction and ownership of housing facilities would benefit colleges and universities by (1) freeing their debt capacities so that they can undertake other projects (such as infirmaries and student unions) which private enterprise is not equipped to handle, and (2) providing them with greater flexibility in meeting a broad variety of housing needs.

II. INCREASED MORTGAGE LIMITS; LARGER INSURED MORTGAGES

(A) Section 203(b)(2) of the National Housing Act is amended by—

(1) Striking out "$30,000," "$32,500," "$32,500," and "$37,500," each place they appear, and inserting in lieu thereof "$35,000," "$37,500," "$37,500," and "$42,500," respectively; and

(2) Striking out "80 per centum" and inserting in lieu thereof "85 per centum".

(B) Section 222(b) of such act is amended by—

(1) Striking out "$30,000" in paragraph (2) and inserting in lieu thereof "$35,000"; and

(2) Striking out "85 per centum" in paragraph (3) and inserting in lieu thereof "87.5 per centum".

(C) The third sentence of section 234(c) of such act is amended by—

(1) Striking out "$30,000" and inserting in lieu thereof "$35,000"; and

(2) Striking out "75 per centum" and inserting in lieu thereof "85 per centum".

Explanation

This amendment would increase the dollar limit on the amount of a home mortgage which can be insured by FHA under its regular section 203 home mortgage insurance program from $30,000 to $35,000 in the case of a one-family home; from $32,500 to $37,500 in the case of a two- or three-family home; and from $37,500 to $42,500 in the case of a four-family home. Corresponding changes would be made in the dollar limits on section 222 mortgages financing servicemen's homes and section 234 mortgages financing family units in condominiums.

It would also reduce the minimum downpayment required under these three programs for homes or units in a condominium having an appraised value in excess of $20,000. The amount of downpayment necessary with respect to that portion of the value of a home or a unit in a condominium which exceeds $20,000 would be reduced from 20 percent to 15 percent under section 203; from 15 percent to 12.5 percent under section 222; and from 25 percent to 15 percent under section 234.

The proposed dollar limits are needed because of continually rising home-building and land costs, particularly in and adjacent to high-cost metropolitan areas. The new limits would be more consistent with limits on loans made by Federal savings and loan associations which can make home loans in amounts up to $40,000 for single-family homes. The slightly reduced downpayments schedules on higher cost homes will make the FHA programs substantially more competitive with conventional financing.

III. INCREASED MORTGAGE LIMITS; LARGER INSURED MORTGAGES IN URBAN RENEWAL AREAS

(A) Section 220(d)(3)(A)(i) of the National Housing Act is amended by—

(1) Striking out "$30,000," "$32,500," "$32,500," "$37,500," "$37,500" and "$7,000" and inserting in lieu thereof "$35,000," "$37,500," "$40,000," "$42,500," "$42,500," and "$9,500";

(2) Inserting immediately after "in excess of four located on such property" the following: ", except that the Commissioner may, by regulation, increase the foregoing $9,500 limitation by not to exceed 45 per centum in any geographical area where he finds that cost levels so require"; and

(3) Striking out "75 per centum" and inserting in lieu thereof "85 per centum".

Explanation

This amendment would (1) increase the dollar limit on the amount of a home mortgage which can be insured by FHA under its section 220 program for housing in urban renewal areas from $30,000 to $35,000 in the case of a one-family home; from $32,500 to $37,500 in the case of a two-family home; from $32,500 to $40,000 in the case of a three-family home; and from $37,500 to $42,500 in the case of a four-family home; (2) increase from $7,000 to $9,500 the dollar limit on additional units (over 4 but not more than 11) in the case of small rental projects; and (3) reduce the minimum downpayment required under the section 220 program for homes having an appraised value in excess of $20,000 from 25 percent to 15 percent.

The proposed dollar limits are needed because of continually rising building and land costs. The new limits and slightly reduced downpayment schedules on higher cost homes will make the FHA program substantially more competitive with conventional financing. In addition, the new limits will encourage construction in urban renewal areas by small builders who ordinarily would not undertake such projects.

Existing law permits up to 11 single-family nnits to be constructed or rehabilitated and held for rental. However, the existing maximum mortgage for such a development is $86,500, or approximately $7,800 per dwelling unit. Increasing cost levels have rendered this amount grossly inadequate. The proposed increase in the basic limits, coupled with a maximum "high cost" designation, would produce a maximum mortgage of approximately $12,600 per living unit. In an area where no "high cost" designation is made, the increased limits would permit a maximum mortgage of approximately $9,900 per living unit.

IV. REDUCED DOWNPAYMENTS ON FHA MORTGAGES FINANCING HOMES FOR VETERANS

(A) Clauses (i), (ii), and (iii) of the next to last sentence of section 203 (b) (2) of the National Housing Act are amended to read as follows: "(i) 100 per centum of $20,000 of the appraised value of the property as of the date the mortgage is accepted for insurance and (ii) 90 per centum of such value in excess of $20,000".

Explanation

This amendment would reduce the minimum downpayment required under the FHA section 203(b) veterans' mortgage insurance program for homes having an appraised value in excess of $15,000. There would be no downpayment necessary on a home valued at up to $20,000 (rather than the existing $15,000). The amount of downpayment necessary with respect to that portion of the value of a home which exceeds $20,000 would be decreased from 15 percent to 10 percent.

The larger maximum mortgage at the basic veterans' loan-to-value ratio is needed because of rising housing construction costs and related expenses of homeownership. In many high-cost areas, the $15,000 limit on a mortgage requiring no downpayment does not provide an adequate or appropriate home.

V. MORTGAGE INSURANCE FOR VACATION HOMES

(A) Section 203(i) of the National Housing Act is amended by inserting the following after the second proviso: "*Provided further*, That notwithstanding the requirement of this subsection, the Commissioner may in his discretion insure under this section a mortgage on a dwelling to be used by the mortgagor for vacation purposes if the amount of the mortgage is not in excess of 90 per centum of the appraised value of the property and he finds that the project with respect to which the mortgage is executed is an acceptable risk:".

Explanation

This amendment would authorize the insurance of a mortgage under the section 203(i) program for low-cost homes in outlying areas where the housing is to be used by the mortgagor for vacation purposes if the property is an acceptable risk, and if the amount of the mortgage does not exceed 90 percent of the value of the property.

The generally rising incomes and increasing leisure time of American families have resulted in a demand for FHA mortgage insurance to provide financing of safe and decent housing for vacation or seasonal use. Under existing law and regulations, schools and other public or community facilities are required to be available to permit year-round occupancy of the home. Under this amendment, the FHA Commissioner would have greater flexibility in determining what facilities are appropriate for vacation homes used seasonally in locations intended for vacation or recreational use rather than year-round occupancy.

VI. TITLE I PROPERTY IMPROVEMENT LOANS

(A) Section 2(b) of the National Housing Act is amended by—

(1) striking out "$3,500" and inserting in lieu thereof "$5,000"; and

(2) striking out "five years" and inserting in lieu thereof "seven years".

Explanation

This amendment would (1) increase the limit on the amount of a property improvement loan that can be insured by the FHA under its title I property improvement program from $3,500 to $5,000, and (2) permit the loans to have a maturity of up to 7 years rather than the present 5 years.

Home repair costs continue to increase along with home construction costs. Increasing the title I loan amount is necessary to enable the property improvement program to assist homeowners in maintaining their properties. In addition, the longer term will help to reduce monthly financing costs and thereby bring the benefits of the program to more homeowners.

VII. ELIMINATION OF BUILDER'S COST CERTIFICATION ON SMALL RENTAL PROJECTS

(A) Section 227(a) of the National Housing Act is amended by inserting "consisting of 25 or more units" immediately before "approved for mortgage insurance".

Explanation

This amendment would exempt from the requirements of cost certification new or rehabilitated multifamily projects consisting of less than 25 units. Under the existing law, all such projects are subject to cost certification requirements.

Many small builders are unwilling to undertake small rental projects due to the burdensome requirements involved in cost certification. This amendment, by exempting small rental projects from these requirements, would facilitate the construction of small projects by small builders, particularly in urban renewal areas where a demand exists for such projects. It would also encourage participation by small builders in many urban renewal projects.

VIII. DISPOSAL OF LAND IN URBAN RENEWAL AREAS FOR LOW- AND MODERATE-INCOME SALES HOUSING

(A) Section 107(a) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: "; *Provided*, that any real property held as part of an urban renewal project may be made available to any purchaser at fair value for use by such purchaser in the provision of sales housing for occupancy by families of low- or moderate-income".

Explanation

This amendment would permit the sale of real property in an urban renewal area at a reduced price to any purchaser who will use such real property to provide sales housing for low- or moderate-income families.

Under existing law, property in an urban renewal area may be sold at fair value for the "provision of new or rehabilitated rental or cooperative housing for occupancy of families of moderate income," rather than at the regular market value of the property. This reduced purchase price is not available for property to be used for sales housing for families of low and moderate income.

This amendment would remove the anomaly of a higher price for land to be used for rental housing than for low- or moderate-cost sales housing. Its enactment should spur the construction of single-family homes for low- and moderate-income families in those urban renewal areas where the provision of sales housing is in accordance with urban renewal plans for such areas.

IX. INCREASED AUTHORIZATION FOR SECTION 810 DEFENSE RENTAL HOUSING

(A) Section 810(i) of the National Housing Act is amended by striking out "five thousand" and inserting in lieu thereof "ten thousand".

Explanation

This section would increase from 5,000 to 10,000 the number of units which may be constructed under the section 810 program of mortgage insurance for rental housing.

It is our understanding that the Department of Defense has allocated all units authorized to be insured under the program. In view of the recent buildup of our Armed Forces and the increased need for housing adjacent to many defense establishments, the NAHB strongly recommends reactivating the section 810 program.

EXHIBIT 1–A: THE ECONOMIC BACKGROUND, MARCH 1966

HOUSING DECLINES—GENERAL ECONOMY BOOMS

Housing construction has been declining for the past 2 years. The overall economy, meanwhile, has soared to new records with the gross national product still climbing into a sixth consecutive year.

Total private housing starts, singles and multiples, slipped from 1,609,000 units in 1963 to 1,577,400 in 1964, and dropped to 1,503,000 in 1965.

In the last 2 years, the gross national product increased by 15 percent while total housing starts declined by 7.4 percent. For the last 6 years, the single-family housing sector has shown little vitality, remaining at a level just below the 1 million rung except for 1963 when production moved slightly above that number.

The persistent 2-year downturn has been accompanied by these other major housing changes:

A shift to production of higher priced homes. The median sales price in August 1963, was $17,900; in November 1965, it was $20,400—an increase of 13 percent.

A decline in FHA and VA units, basically moderate-priced homes, from 291,000 in 1963 to a total 212,506, or 28 percent in 2 years.

A high rate of multifamily starts, more than doubling since 1960. This resulted in relatively smaller construction expenditures than would have been the case if a rise had occurred in the single-family housing market.

A significant increase in the costs of land, labor, and materials—a major factor in pushing up the median sales price of homes.

A gradual tightening, in the last few months, in the mortgage market, culminating in changes in the Federal Reserve Board's discount rate. Interest rates are moving up and pressures are strong to increase discounts. These factors will push further upward the prices of homes, further constrict the market, and disqualify many buyers.

Housing demand still high

The basic need and demand for new housing continues strong despite the 2-year decline in production. Much of the decline has been concentrated in the West, particularly in southern California. Production in other regions has remained steady, if not overly strong.

The decline in the West has been mostly in multiple units. However, a strong and even demand in the multifamily sector is going to continue generally in all areas. The distribution of population by age groups favors rental units. Other factors, besides age distribution population, were considered in preparation of table 1 which shows the projected number of housing starts from now until 1975—a peak total then of 1.8 million. The table shows that multiples are likely to reach a peak of 600,000 in 1972, up from 530,000 in 1965, and then gradually level off around the 500,000 mark.

Housing's basic strength is reflected in two recent surveys which show that consumers plan to buy more new homes in 1966, and builders plan to build more. These surveys, however, do not reflect the effect of the recent monetary actions in the mortgage market.

Other factors in housing's basic strength.—The annual increase in household formation at long last is going to move at a higher rate than was the case in the last few years.

Available vacancy data does not suggest weakness in the housing market. On the contrary, latest data show a third consecutive decline in the rental vacancy rate and an unchanged rate in the homeowner vacancy rate.

Thus, the decline in production reflects no lessening of consumer interest in purchasing and no necessary fulfillment of demand, provided that housing can be made available at satisfactory terms and prices.

Growth of the overall economy

Save for housing, virtually all other sectors of the economy have increased at a rapid rate. The gross national product has risen in 1965 by about $42.5 billion, as compared to $39.5 billion in 1964 and only $28.9 billion in 1963—a recent peak of housing construction. It is very likely that 1966 will see the GNP rising another 42 billion, or 6.3 percent over 1965. A comparison of the performance of some other sectors of the economy are apparent from the following table.

Comparison of housing starts and economic growth

	Current level		Percent change from—		
	Date	Amount	1964	1963	1955
Private housing starts (units, including farm)	1965	1,490,000	−5.0	−7.4	−10
Value put-in-place residential construction (in billions of dollars)	June	20.8	+.7	+3.5	+11.2
Gross national product (in billions of dollars)	2d quarter, 1965	665.9	+5	+15	+67
Personal income (in billions of dollars)	do	528.8	+7	+14	+70
Disposable income per capita:					
Current prices	do	$2,362	+5	+12	+42
Constant (1958) prices	do	$2,173	+3	+8	+21
Population (in millions)	August 1965	194.3	+1.3	+2.8	+18
Industrial production (1947–49=100; seasonally adjusted)	do	144.4	+8	+15	+50
New plant and equipment spending (in billions of dollars)	4th quarter, 1965	52.95	+11	+29	+85
Consumer price index (1957–59=100)	June	109.9	+1.7	+3.0	[1] +9.9

[1] 1957–59.

Source: Council of Economic Advisers: Economic Indicators, and NAHB.

THE MONEY MARKETS

Commercial banks, in contrast to savings and loan associations and mutual savings banks, will experience another phenomenal gain in savings in 1965. By the end of 1965, time deposits were estimated at around $145 billion, more than twice the amount 5 years earlier. The growth in negotiable certificates of deposits has been even more spectacular, rising from almost zero in early 1961 to about $16 billion currently.

The growth in time deposits at commercial banks during the 1960's has had a profound impact on banking and financial systems. During the past 5 years, growth in total bank assets has been astoundingly large. There has been a shift in the composition of total assets toward those with longer maturities. Banks have aggressively competed for deposits because a sustained strong demand for credit of the type that commercial banks can efficiently provide has encouraged and enabled them to do so, profitably.

However, the interest rate on time and savings deposits has risen sharply and, recently, the ceiling on certificates of deposit and other "nonsavings" deposits was raised from 4.5 to 5.5 percent. Banks are now under added pressure to develop a liquidity position sufficient to meet unforeseen contingencies. This task may be somewhat more difficult now than in the past because of the recent shift in the composition of bank assets, the decline in importance of U.S. Government security holdings—the traditional form of secondary reserves—and the increasing importance of certificates of deposit which could prove quite volatile under certain conditions.

The recent increase in the ceiling on certificates of deposit and on time deposits other than savings could hamper the ability of mutuals and savings and loans to attract funds to finance mortgages and other investments. The effort of the commercial banks to raise certificates of deposit money requires them to compete with Treasury bills, finance company paper, and the like. Time deposits other than certificates of deposit and savings accounts, however, are competitive with deposits at savings institutions. If the banks find it desirable to boost their current holdings of these deposits by bidding up the price of savings certificates, etc., savings institutions will have to follow the pattern and risk a further squeeze on earnings or stand pat and lose out in the competition for savings.

In the savings race, the banks have a decided advantage. They can legally operate in a variety of credit markets. The investment return in some of these markets is greater than the yield on mortgages—the major investment outlet for associations and mutuals. The Federal Reserve Board kept the rate payable on savings deposits at 4 percent in order to minimize competitive effects. Nevertheless, the recent Federal Reserve Board action raises the possibility of a further escalation in the competition for funds, with accompanying pressure to sacrifice investment quality for yield. It is too early to tell how associations and

mutuals will fare in the competition for savings. Perhaps all that can be said is that, if the differential in the savings rate between the banks and the other two institutions shifts very much in favor of the former, net savings flows may be different from those currently anticipated.

THE IMMEDIATE OUTLOOK

The housing outlook for 1966, prior to the Federal Reserve Board action, was for a very modest improvement. Now, the general tightening in mortgage markets is constricting that outlook. This means a squeeze on builders and their ability to produce sellable housing units.

It will mean a further decline in federally assisted housing starts unless their interest rates are raised to a level with conventional rates. If not, the resulting payment of points on federally assisted mortgages will mean a hardship unless they are included as the "price" of money in appraisal of replacement cost.

In either event, the Federal Reserve Board action has put builders on the spot. They can still provide houses for the upper middle and high income groups. It is a reasonable assumption that these groups will be able and willing to pay the price of the increased costs as incurred by the builder in the increase in short-term as well as long-term credit. But builders will be less able to provide the housing most urgently needed—for medium and lower income groups—for these reasons:

First, the fact that they have to pay more for interim financing will increase the price of homes.

Second, working with the Government programs, they have no choice but to either absorb the cost of "points" or stop using these programs. Under current and foreseeable conditions, it would be next to impossible to take this out of profits. It would be tragic for the economy and families who depend on Government-assisted financing in housing should builders be forced further out of this market.

EXHIBIT I–B: NOTES ON HOUSING AND ECONOMIC SCENE, MARCH 1966

For the first time since the Korean war, there is talk of price and wage controls. The decision, of course, rests with the President and if it should be done, it will not be to his liking.

That this is a possibility is evident from comments of responsible people, mostly from outside of the administration. Within the administration, it was the Secretary of Labor who had the task of persuading labor to stay within the guidepost as set by the Council of Economic Advisers. Labor's answer to his plea was: "We went with you in the last elections but we did not marry you." Labor is, in essence, saying that profits are high and they should have a share in them. The administration, on the other hand, is saying that it is essential to stay within the 3.2-percent increase in wages as set forth by the Council and that to exceed this is inflationary.

The talk about inflation and how to prevent it has been a major concern of most of the economists since the first of the year. But not until now, however, has a suggestion been made for price and wage control. Let us try to put the problem in a proper perspective.

At this time, there are probably only three indications of a possible inflation: First, is the increase in the index of industrial materials prices which went up 10 points from January 1965 to January 1966; the second is the increase of 3½ percent in wholesale prices. The third indication is the increase in some labor wages; namely, in the construction industry.

However, one must remember that most of the indicators are a reflection of the past and help little in examining the immediate future. What is happening now will only be reflected in much new data later on. President Johnson was well aware of this when he said to the economic symposium celebrating the 20th anniversary of the Employment Act: "We will need to watch unfolding events closely, and to remain flexible in our tax and other policies so that we can change quickly, if the need should arise."

The fact of the matter is that the price pressures in the past few months are real even though not always reflected in the economic data. This is a result of the economy working at record capacity, and unemployment being lowest in recent history. "What this really amounts to," said a high official in the Labor Department, "is that most of the people who are employable are now working." This, of course, puts a strain on the labor market. When companies compete

for workers, the price goes up. And as this column has suggested last October, there has been a serious shortage of labor in the construction industry during most of 1965.

CHART 1

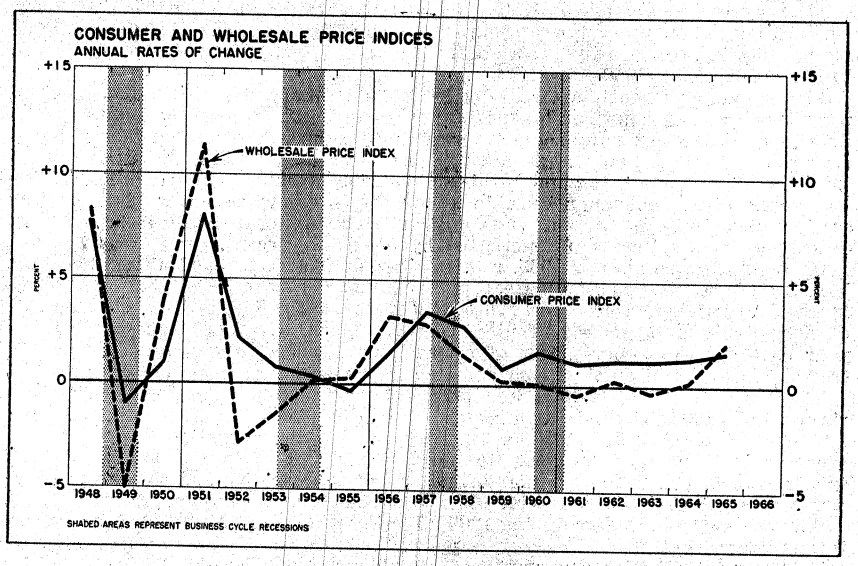
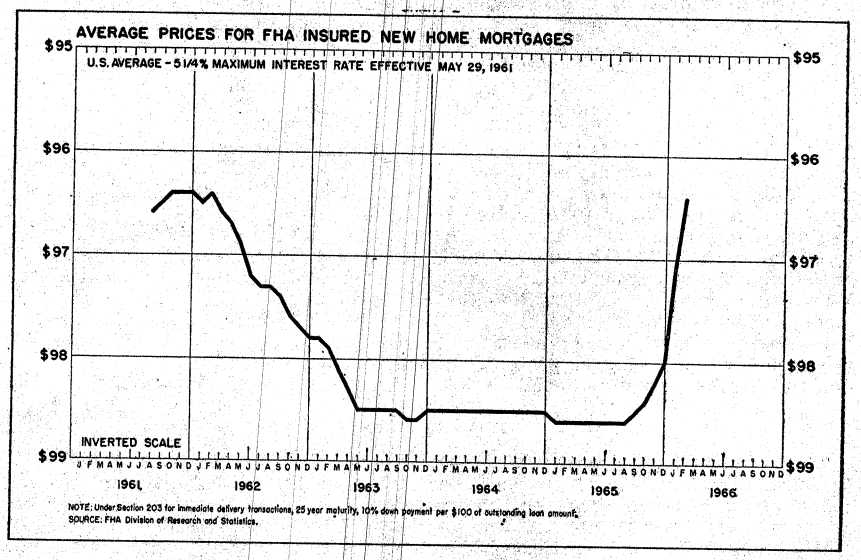


CHART 2



On the materials side, there are few indications of serious supply problems. The exception is copper, but much of this is an international problem rather than a domestic one. There is some talk about some types of textile and canned goods shipped to military which may create some shortages, but there is no actual evidence of this and it is quite unlikely that this should happen.

Much of the recent economic comment has concerned itself with the threat of inflation and labor shortages. Inflation is relative and should be viewed

not in terms of news that prices are increasing, but rather in terms of the magnitude of the increases. Prices have been stable during the period from 1958 through 1964. In 1965 the first signs of increases became apparent during the last quarter. Preliminary data for both January and February point to a continuation of the trend but at a slightly faster rate. Chart 1 shows the year-to-year percentage changes in both consumer and wholesale prices for the period since 1948. Relative to the present, the period 1948 through 1952 saw sharp movements in the price index; a similar but not as sharp a movement occurred in the period from 1956–58.

The consumer price index rose by 1.6 percent during the year 1965 as compared with an average increase of 1.2 percent over the preceding 4 years. Reduced supplies of meat and some other animal products contributed to the sharpest price advances, and rising demand pressures also brought about increases in prices of various other nondurable consumer goods. Prices of automobiles and some other consumer durable goods, however, were lower than a year earlier, principally because of the midyear cut in Federal excise taxes. Prices of services (excluding rent) increased by nearly 3 percent.

In the closing months of 1965, retail prices of foods averaged about 3-percent higher than a year earlier. Meat prices advanced sharply in the spring and increased further in December. On the other hand, large harvests—particularly of citrus fruits and processed fruits and vegetables dropped to levels well below a year earlier. Consumer prices of apparel, particularly shoes, and of fuel oil, transportation, and medical services also rose more than in other recent years.

The wholesale price which has been relatively stable since 1958 began to rise early in 1965 primarily as a result of farm products; 7 points from January to June. Beginning in May 1965 the industrial factor began to climb also, increasing by 1 percent between May and December. Virtually all of this increase was in the consumer non-durable-goods sector. No information is currently available on the role which the tax excise cut played in pricing.

Sharpest price increases during 1965 affecting the home building industry were in metal products, up 2.3 percent primarily as a result of copper which showed an 11.8-percent rise for copper sheet. Lumber and wood products increased by 1.9 percent, most of the increase being in hardwood lumber which went up by 12.7 percent. Furniture and household durables were virtually unchanged.

The industrial price index increased 0.3 percent in January to the 103.5 level. The index which was stable from 1959 through 1964 has increased at an annual rate of 2½ percent since September 1965. A somewhat more erratic but truer indicator of what lies ahead (a leading economic indicator according to the National Bureau of Economic Research) is the index of industrial materials prices which has risen by 10 points since January 1965. The present level is 120.3 (1957–59 equals 100). Half of the increase has come since September 1965. A third industrial index is the Federal Reserve Board's index of sensitive industrial materials (sensitive to price changes) which has risen from 101.3 in January 1965 to 103.7 in January 1966.

Even though the present increases have not as yet been as sharp, it must be remembered that the large sums of money committed by the Government and the anticipated budget deficit have not been reflected in the current indicators. Within the next few months, the effect of Government policies, both fiscal and monetary, will make itself felt. The "hyperinflation" of the immediate postwar period will not, however, again rear its head. The shortages which characterized the economy are no longer present. Short-term imbalance between supply and demand particularly in materials in heavy demand for use in Vietnam will exist.

HOMEBUILDING

The big news is still mortgage money, or money in general. After the change in the discount rate in early December last year, the availability and cost of money took a sharp turn for the worse. The ¼-percent raise in the FHA rate was too little, too late. As one builder said before the raise, "We are very likely going to be stuck with the increase in the rate as well as the increase in points." He was right. The increase to 5½ percent meant in many cases not only a ¼-percent increase in the interest rate but also a further increase in points. "Before the FHA increase, I paid 1½ points. Now I have to pay 3 points," commented a builder from North Carolina.

Points have taken a sharp turn upward since late last year. In September the average price for $100 of an outstanding loan was $98.4, $98.2 in November,

and $98.0 in December. In January 1966 it was $97.1 and $96.4 in February. (See table 3 and chart 2.)

William C. Magelssen, vice president of the Security Trust & Savings Bank in Billings, Mont., has commented that, "increase of interest rates will force many one-, two-, or three-house part-time contractors out of the business. I look for rates to increase possibly another 2 points on FHA. It is ironic that the Federal Housing Administration did not move their rates to 5¾ percent. I feel that this is an economic blunder due to the increasing yields of prime corporate bonds."

But it is not only the FHA money which is expensive. The interest on conventional loans has increased. In addition, money is harder to get. "With $6,800 down payment on a $26,800 house, the lending institution told me I can get only an $18,000 loan instead of $20,000. So I lost a good solid buyer," said another builder. "From where I sit it looks like the money situation is not going to improve soon," commented an east coast builder. Most of the indications bear him out. Money is going to be even more expensive in the future. There also seems to be a real danger of having less money this year than what the real estate market will need.

The best estimate available at this time show a possible shortage of funds for home mortgage of $1 to $3 billion. The decline of $1 to $1.5 billion in availability of funds has been predicted by John E. Horne, Chairman of the Federal Home Loan Bank Board. The $3 billion shortage in funds was estimated by Dr. Robinson Newcomb in an analysis prepared for the National League of Insured Savings Association. An analysis by the economics department of NAHB shows, likewise, a possibility of shortage in funds between $1.5 to $2.5 billion in 1966. These estimates have been summarized in two tables.

TABLE 1.—*Mortgage requirements for 1- to 4-family housing*

[Dollars in billions]

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
New home requirements	$18.0	$17.5	$17.5	$17.5	$16.5	$14.5	$14.0	$14.8	$10.6	$10.5
Existing home requirements	20.5	20.0	19.4	19.4	17.6	16.7	15.4	17.4	16.8	13.7
Gross requirements	38.5	37.5	36.9	36.9	34.1	31.2	29.4	32.2	27.4	24.2
Total prepayment and retirement	21.5	21.5	21.5	21.2	20.7	19.4	18.9	19.1	17.3	15.7
Net requirement of new capital	17.0	16.0	15.4	15.7	13.4	11.8	10.5	13.2	10.1	8.6
Outstanding, end of year	230.6	213.6	197.6	182.2	166.5	153.0	141.3	130.9	117.7	107.6
Starts for year (1-family)	980	964	972	1020	991	974	995	1234	1064	969

TABLE 2.—*Possible net increase in home mortgage holdings 1965 and 1966*

[In billions of dollars]

	1965	1966
Savings and loan	7.8	7.0
Mutual savings banks	2.8	2.5
Insurance companies	1.6	1.5
Banks	2.6	2.0
Individuals, etc.	1.2	1.5
Total available funds for home mortgages	16.0	14.5
Net requirement of new capital		16.00–17.00

NOTE.—Possible shortage in 1966: $1,500,000,000 to $2,500,000,000.

Source: Estimated from Federal Home Loan Bank Board, home mortgage debt, 3d quarter 1965.

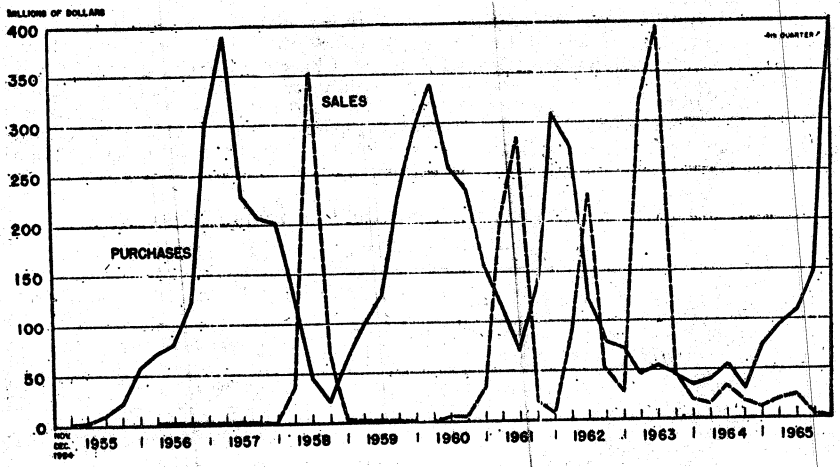
First, illustrating the possible net increase in home mortgage holdings in 1965 and 1966, and second, shows the mortgage requirements for one- to four-family housing, 1957 to 1966. These figures show that homebuilding will very likely need between $16 to $17 billion available in 1966. This, then, will mean a possible shortage of between $1.5 to $2.5 billion for mortgages.

One sure indication of the tight money situation is the Fannie Mae operation in buying or selling Government-backed mortgages on the secondary market. The last quarter, ending in December, was the fifth quarter in a row in which purchases of these mortgages by the Federal National Mortgage Association rose. And this rise has been the highest for any quarter since this operation began in 1954.

Fannie Mae buys mortgages and provides the financial instructions with fresh cash to invest in other types of construction activity. This occurs where money is tight. When money is plentiful, the opposite happens—lenders buy existing mortgages from the Fannie Mae portfolio. Last quarter, purchases by Fannie Mae reached a record high of $405 million and sales declined to only $221,000. A year ago sales reached nearly $12 million and purchases nearly $73 million. Now the purchases by Fannie Mae increased more than fivefold and sales declined to practically nothing (chart 3).

CHART 3

FNMA PURCHASES AND SALES OF FHA AND VA MORTGAGES



The problem of money supply is aggravated by overall expenditures in just about all sectors in the economy. The Government is in the money market in order to finance the highest budget in history. Much of this goes to fight the war in Vietnam. Private individuals are in the market for money. Consumer installment credit last year reached nearly $75 billion, $25 billion higher than 5 years ago. Industry is competing for funds; expenditure for new plant and equipment have been projected for the second quarter of 1966 to be at the rate of nearly $59 billion, close to $9 billion higher than last year.

Federal Reserve Board member Sherman J. Maisel recently urged bankers to withhold loans for adding inventory or provide excess plant capacity in order to slow down the growth in demand. His comment is shared by many others who see a possible danger in the increase of plant capacity if a sudden cutback should force the industry to slow down production, thus hurting the overall economy. This fear stems from new, revised figures of the stockbuilding inventory rate which showed a rapid increase in the last quarter of 1965, in sharp contrast to an initial estimate that it has declined.

Homebuilding is considered in the light of all of the other requirements of the economy by policymakers, and they frankly feel that other items may be more important. On this point, Horne stated that in some "metropolitan areas a surplus of housing still remains," and that the "lenders can be more selective and avoid some unfortunate practices." This would indicate that the administration is not overly worried about the possibility of sluggish housing this year or may even feel that the further decline may be to the advantage of the overall economy. They are not very likely to funnel more money into the housing market by changing any of the existing savings and loan regulations and allowing them to compete in the financial markets. If this restraint is not removed,

namely, that the savings and loan can put only a certain portion of their assets into mortgages and that they cannot increase their borrowing from the Board, then the net inflow into mortgages will likely drop to about $7 billion this year. What this would do to the home market is obvious. There will be a curtailment in the homebuilding activity, both in housing starts and sales of used homes. To put it another way, unable to sell or properly finance, a possible new home buyer may end up not selling his older home and as a result will not buy a new one.

FHA has now published four consecutive vacancy studies done for them by local post offices. The last two have been summarized in alphabetical order and are shown in table 4. As is clearly evident, vacancy data varies considerably from city to city. In general, the apartment vacancy rate is about twice that of the single family house. There are only two cities with over 10 percent of vacant units among singles while there are 35 cities having a 10-percent rate or over, and 6 with over 20 percent.

TABLE 3.—*Average prices for FHA-insured new-home mortgages (sec. 203) immediate delivery transactions—25-year maturity, 10-percent downpayment*

5¼ PERCENT MAXIMUM INTEREST RATE EFFECTIVE MAY 29, 1961

[Per $100 of outstanding loan amount]

Each month	U.S. average	Zone I—Northeast	Zone II—Southeast	Zone III—North central	Zone IV—Southwest	Zone V—West
1964:						
January	$98.5	$99.7	$97.9	$98.7	$98.3	$98.3
February	98.5	99.7	97.9	98.7	98.3	98.3
March	98.5	99.7	97.9	98.5	98.3	98.4
April	98.5	99.7	97.9	98.4	98.3	98.3
May	98.5	99.8	98.0	98.5	98.3	98.3
June	98.5	99.8	98.0	98.4	98.3	98.3
July	98.5	99.6	98.1	98.5	98.4	98.3
August	98.5	99.7	98.1	98.7	98.4	98.2
September	98.5	99.7	98.0	98.7	98.3	98.1
October	98.5	99.7	98.1	98.8	98.4	98.2
November	98.5	99.8	98.1	98.7	98.4	98.2
December	98.5	99.8	98.0	98.9	98.3	98.2
1965:						
January	98.6	99.8	98.0	98.9	98.3	98.4
February	98.6	99.8	98.1	98.8	98.3	98.4
March	98.6	99.8	98.1	98.8	98.3	98.4
April	98.6	99.8	98.1	98.8	98.3	98.5
May	98.6	99.8	98.2	98.8	98.3	98.4
June	98.6	99.7	98.2	98.9	98.3	98.5
July	98.6	99.7	98.2	98.7	98.3	98.5
August	98.6	99.7	98.3	98.9	98.3	98.5
September	98.5	99.7	98.1	98.7	98.2	98.4
October	98.4	99.7	98.1	98.6	98.0	98.2
November	98.2	99.4	97.8	98.5	97.7	98.0
December	98.0	99.2	97.7	98.3	97.6	97.8
1966:						
January	97.1	98.0	96.6	97.6	96.7	97.0
February	96.4	97.4	95.7	96.7	95.9	96.6

Average prices for FHA-insured new-home mortgages (sec. 203)—Immediate delivery transactions, 30-year maturity, minimum downpayment

5¼ PERCENT MAXIMUM INTEREST RATE EFFECTIVE MAY 29, 1961

[Per $100 of outstanding loan amount]

Each month	U.S. average	Zone I—Northeast	Zone II—Southeast	Zone III—North Central	Zone IV—Southwest	Zone V—West
1964:						
January	$98.2	$99.5	$97.7	$98.3	$98.0	$97.9
February	98.2	99.5	97.7	98.2	98.0	98.0
March	98.2	99.5	97.7	98.1	98.0	97.9
April	98.2	99.4	97.7	98.2	98.0	98.0
May	98.2	99.6	97.7	98.1	98.1	98.0
June	98.2	99.6	97.7	98.1	98.1	98.0
July	98.2	99.4	97.7	98.1	98.1	97.9
August	98.1	99.5	97.7	98.3	98.0	97.8
September	98.1	99.5	97.7	98.2	97.9	97.8
October	98.1	99.5	97.7	98.2	98.0	97.7
November	98.2	99.5	97.7	98.3	97.9	97.9
December	98.2	99.5	97.8	98.4	97.9	97.9
1965:						
January	98.2	99.5	97.8	98.4	97.9	97.9
February	98.2	99.5	97.8	98.3	98.0	97.8
March	98.2	99.5	97.8	98.4	98.0	97.9
April	98.2	99.6	97.8	98.3	98.0	97.9
May	98.2	99.6	97.8	98.3	98.0	98.0
June	98.2	99.6	97.9	98.3	98.0	98.0
July	98.3	99.6	97.9	98.4	98.0	98.0
August	98.3	99.6	98.0	98.5	98.0	98.0
September	98.2	99.5	97.8	98.2	97.9	97.9
October	98.1	99.5	97.8	98.1	97.9	97.8
November	97.8	99.2	97.5	98.0	97.6	97.4
December	97.7	99.1	97.4	97.9	97.3	97.3
1966:						
January	96.7	97.7	96.3	97.1	96.5	96.4
February	96.0	97.1	95.6	96.2	95.6	95.9

Source: Federal Housing Administration, Division of Research and Statistics.

TABLE 4.—*Summary of results of post office surveys of housing vacancies in selected localities—January–December 1965*

Postal area	Survey date (1965)	Residences			Apartments		
		Total units	Vacant units		Total units	Vacant units	
			Number	Percent		Number	Percent
Alabama:							
Birmingham	June	141,853	4,043	2.9	36,275	2,172	6.0
Huntsville	January	39,691	1,145	2.9	5,418	353	6.5
Mobile	May	68,829	4,000	5.8	12,165	1,239	10.2
California:							
Anaheim-Santa Ana-Garden Grove.	June	272,174	12,577	4.6	79,879	16,590	20.8
Coachella Valley	do	4,874	190	3.9	910	154	16.9
Fresno	May	101,420	2,514	2.5	14,274	1,315	9.2
Los Angeles	December	157,635	3,573	2.3	72,745	5,765	7.9
Monterey County	October	48,005	1,257	2.6	13,546	1,250	9.2
Sacramento	August	150,084	6,199	4.1	41,692	5,512	13.2
San Diego	November	165,865	6,782	4.1	49,108	7,398	15.1
Santa Maria-Lompoc	August	23,018	1,769	7.7	5,972	710	11.9
Solano County	February	33,190	670	2.0	10,540	784	7.4
Stockton	June	68,601	1,486	2.2	7,296	778	10.7
Colorado:							
Colorado Springs	October	43,422	1,236	2.8	6,332	759	12.0
Denver	March	275,883	10,025	3.6	58,838	8,031	13.6
Connecticut:							
Stamford	August	37,579	564	1.5	17,751	321	1.8
Storrs-Willimantic	January	3,957	117	3.0	3,402	136	4.0
Delaware: Wilmington	do	81,208	1,614	2.0	14,847	934	6.3
Florida: Brevard County	November	50,545	2,309	4.6	9,750	2,081	21.3
Hawaii: Honolulu	September	77,768	1,584	2.0	52,466	1,522	2.9
Illinois:							
Champaign-Urbana	June	25,232	590	2.3	7,681	545	7.1
Chicago	October	521,993	4,644	0.9	545,667	13,523	2.5
Decatur	January	30,602	872	2.8	3,062	342	7.1
Marion	do	5,462	170	3.1	757	25	3.3
Mount Vernon	do	7,718	518	6.7	558	63	11.3
Peoria	October	66,203	1,059	1.6	10,651	794	7.5
Springfield	do	35,237	892	2.5	8,023	990	12.3
Indiana: Indianapolis	February	211,702	6,799	3.2	29,215	3,748	12.8
Iowa:							
Davenport-Rock Island-Moline.	August	65,529	683	1.0	11,593	474	4.1
Iowa City	January	9,244	119	1.3	4,085	28	0.7
Kansas:							
Salina	September	13,036	2,578	19.8	2,552	743	29.1
Topeka	October	37,053	989	2.7	6,975	501	7.2
Wichita	February	92,121	4,170	4.5	14,620	1,721	11.8
Kentucky:							
Lexington	December	36,823	869	2.4	10,952	645	5.9
Louisville	July	191,828	4,588	2.4	31,219	2,881	9.2
Louisiana:							
Alexandria	October	17,773	642	3.6	3,268	227	6.9
Shreveport	June	70,215	3,260	4.6	7,283	1,872	25.7
Maine:							
Brunswick-Bath	August	6,478	237	3.7	3,636	298	8.2
Lewiston-Auburn	April	10,454	221	2.1	12,479	890	7.1
Waterville	do	6,211	215	3.5	3,895	190	4.9
Michigan: Grand Rapids	August	110,237	2,462	2.2	19,578	1,848	9.4
Minnesota: Duluth-Superior.	June	54,678	1,239	2.3	16,569	1,215	7.3
Missouri:							
Kansas City	November	185,427	4,581	2.5	39,353	3,226	8.2
St. Louis	September	323,873	8,585	2.7	59,440	4,583	7.7
Montana:							
Billings	April	18,532	581	3.1	3,639	364	10.0
Great Falls	September	14,936	486	3.3	5,924	294	5.0
Nebraska: Omaha	October	128,029	3,741	2.9	20,531	2,239	10.9
Nevada: Las Vegas	September	47,632	3,621	7.6	22,162	4,798	21.6
New Hampshire:							
Cheshire County	November	5,970	130	2.2	2,598	104	4.0
Laconia	August	4,960	102	2.1	2,536	242	9.5
New Jersey:							
Camden	July	107,458	2,215	2.1	17,528	1,955	11.2
Fort Lee	April	3,407	39	1.1	7,473	198	2.6
Jersey City	June	27,487	610	2.2	176,609	5,155	2.9
Newark	April	263,500	2,505	1.0	265,883	4,852	1.8
New Brunswick	February	5,842	46	0.8	7,119	492	6.9
New Mexico:							
Albuquerque	May	71,868	2,344	3.3	12,863	1,964	15.3
Roswell	December	15,676	2,043	13.0	819	256	31.3

TABLE 4.—*Summary of results of post office surveys of housing vacancies in selected localities—January–December 1965*—Continued

Postal area	Survey date (1965)	Residences			Apartments		
		Total units	Vacant units		Total units	Vacant units	
			Number	Percent		Number	Percent
New York:							
Auburn	February	11,234	271	2.4	2,457	209	8.5
Batavia	September	8,509	129	1.5	1,563	151	9.7
Buffalo	April	302,772	4,334	1.4	71,223	3,054	4.3
Cortland	August	8,450	120	1.4	1,196	149	12.5
Ithaca	April	13,005	121	0.9	3,405	164	4.8
Jamestown	February	23,684	413	1.7	9,038	640	7.1
Oswego	June	14,724	344	2.3	2,939	223	7.6
North Carolina:							
Charlotte	March	71,575	2,451	3.4	14,817	1,282	8.7
Concord-Kannapolis	April	21,056	548	2.6	1,241	85	6.8
Gastonia	March	33,336	789	2.4	1,469	138	9.4
Henderson	February	8,098	129	1.6	171	10	5.8
Sanford	do	7,829	229	2.9	201	16	8.0
North Dakota: Fargo-Moorhead	April	16,276	218	1.3	5,569	203	3.6
Ohio:							
Akron	March	151,631	3,434	2.3	22,031	1,962	8.9
Cincinnati	do	249,121	5,408	2.2	102,439	7,784	7.6
Columbus	do	202,684	5,660	2.8	35,885	5,142	14.3
Dayton	June	208,986	3,558	1.7	17,067	2,306	13.5
Hamilton-Middletown	August	48,433	725	1.5	6,226	346	5.6
Mansfield	May	30,206	866	2.9	4,866	279	5.7
Marion	April	14,675	402	2.7	1,853	311	16.8
Newark	do	18,816	639	3.4	3,979	319	8.0
Sandusky	do	13,348	416	3.1	4,086	269	6.6
Toledo	December	135,310	3,175	2.3	34,612	2,743	7.9
Youngstown-Warren	do	129,710	2,661	2.1	8,233	804	9.8
Oklahoma: Lawton	January	18,584	1,130	6.1	4,035	715	17.7
Pennsylvania:							
Erie	April	59,130	1,230	2.1	11,842	895	7.6
Harrisburg	September	88,306	2,568	2.9	18,237	1,672	9.2
Lebanon	March	20,915	265	1.3	2,430	212	8.7
Lock Haven-Mill Hall-Renovo	February	6,551	117	1.8	1,320	68	5.2
New Castle	April	23,986	500	2.1	4,975	383	7.7
Philadelphia	July	524,991	8,029	1.5	141,019	11,287	8.0
Pittsburgh	June	491,559	8,988	1.8	116,979	7,155	6.1
South Carolina:							
Charleston	do	45,477	1,038	2.3	10,095	707	7.0
Sumter	do	12,641	386	3.1	1,174	164	14.0
South Dakota: Sioux Falls	August	20,583	379	1.8	3,822	293	7.7
Tennessee: Clarksville	April	17,615	630	3.6	2,348	313	13.3
Texas:							
Austin	December	61,231	2,328	3.8	13,287	1,114	8.4
El Paso	June	64,450	3,359	5.2	16,888	2,867	17.0
Houston	May	372,785	13,550	3.6	93,227	16,921	18.2
San Antonio	September	107,630	2,706	2.5	19,315	2,603	13.5
Utah: Ogden	June	28,418	757	2.7	5,717	984	17.2
Vermont: Burlington	August	10,207	108	1.1	7,844	161	2.1
Virginia:							
Clifton Forge-Covington	January	7,238	113	1.6	636	49	7.7
Hopewell	do	4,884	121	2.5	1,658	55	3.3
Newport News-Hampton	February	60,011	1,444	2.4	10,141	567	5.6
Virgin Islands	November	5,467	75	1.4	240	5	2.1
Wyoming: Casper	May	10,975	469	4.3	3,466	398	11.5

Source: Federal Housing Administration, Division of Research and Statistics, Market Analysis and Research Section.

EXHIBIT II–A

[From the Wall Street Journal, Feb. 24, 1966]

BATTLE FOR SAVINGS—BANKS WIN CUSTOMERS FROM SAVINGS AND LOANS BY OFFERING CERTIFICATES OF DEPOSIT; THEY CUT CD DENOMINATIONS TO AS LITTLE AS $25, RAISE INTEREST RATES UP TO 5½ PERCENT

MR. YESINICK'S NEW ACCOUNT

(By Donald Moffitt, staff reporter of the Wall Street Journal)

At first glance the move may seem strange indeed. To get more interest on his savings, Joseph Yesinick, a retired shipping clerk in Pomona, Calif., recently transferred his money from a savings and loan association paying 4.85 percent annually to a commercial bank, forbidden by Federal Reserve Board rules from paying more than 4 percent on regular savings accounts.

However, Mr. Yesinick did not put his money into a regular savings account. Rather, he bought from the bank a "certificate of deposit," or CD as bankers call them, that gives him a 5-percent return. Such certificates are actually receipts from banks issued to those who deposit money for a set period, such as a year, and the Federal Reserve allows banks to pay up to 5½ percent on them.

Increasingly, smaller savers, whether individuals such as Mr. Yesinick or small organizations such as a church, are moving their money into commercial banks to buy CD's. Two recent developments underlie the trend: Commercial banks which once offered CD's in denominations of not less than $10,000, have cut the minimum to as low as $25, and the Federal Reserve, in early December, raised in interest limit for CD's to the current 5½-percent level from 4½ percent.

A note of instability?

These developments are clearly happy news for such savers as Mr. Yesinick. But not for many savings and loan executives, whose associations are striving to maintain high payment rates at a time when demand for mortgage loans—a prime reinvestment source for savings and loans—is lagging. The trend also is disturbing to observers who believe CD's introduce instability into bank finances; the reasoning that CD's carry relatively little assurance they will be renewed, or replaced, when they expire.

When the Federal Reserve decided to raise the limit on CD's to 5½ percent it certainly was not attempting to foster any sort of a rate war between commercial banks and savings and loans. It sought primarily to give traditional CD customers, such as large corporations, more incentive to save, and purposely left the 4-percent ceiling on banks' regular savings accounts. This, according to Federal Reserve Chairman William McChesney Martin, would "minimize the impact on competitive relationships" between commercial banks and savings and loans among others.

Instead, with some commercial banks offering as much as 5½ percent on CD's and with the denominations shaved to a size attractive to small savers, there's growing evidence of that very "impact" Mr. Martin hoped to avoid. This is especially true in California, where the competitive battle for savings has been intense for years and where the smaller banks, particularly, now see a way to recapture ground lost to the savings and loans, many of which have been paying well over 4 percent for years.

Almost without exception, banks offering small denomination CD's report a heavy inflow of deposits.

Inland Bank in Pomona, which sold Mr. Yesinick a $500 CD, reports its sales of CD's reached $1 million in the first 18 days of January. It cut its minimum CD size to $25 from $10,000 on January 1. Medical Center National Bank, Houston, began offering 5-percent certificates in minimum denominations of $1,000 in mid-December, just a week after the Federal Reserve boosted the permissible rate. In 6 weeks, the bank sold nearly $6 million of the certificates.

"Never heard of a CD"

"We're getting depositors who never heard of a CD," says Larry Frazer, a vice president of Medical Center National. "Quite a few of them are officeworkers and white-collar workers generally; a good 35 to 40 percent of them need an explanation of what a CD is."

Oscar L. Grossman, chairman of Surety National Bank, Encino, Calif., says that on January 1, his bank boosted the interest rate on CD's to 5½ percent.

"Money has been coming from savings and loan associations all over the State," say Mr. Grossman. "It's simply fantastic."

A few banks began selling small CD's even before the recent increase in interest rates on time deposits. Citizens & Southern National Bank, Atlanta, one of the first banks to offer them in $25 denominations, says it has sold $125 million worth since December 1964. "We're still selling them at a right good clip," says a Citizens & Southern spokesman. "We've got a lot of savings and loan money, and we think we've even got money out of the stock market."

To fight back, some savings and loan associations are paying a "premium" of one-half percentage point on savings maintained for 3 years.

There may be limits, however, to what most savings and loans can do to counterattack. Most depend largely on the interest they can get on mortgage loans to homebuilders, and homebuilding activity in the key California area has been relatively sluggish in the past 2 years. California savings and loans officials estimate that the profits-to-assets ratio of State-chartered savings and loans declined to an average of 1.23 percent in 1964 from 1.35 percent in 1963, and they anticipate a further decline when the 1965 returns are in.

Similarly, some mutual savings banks in the New York City area recently have been raising their interest rates—generally to 4½ from 4¼ percent—partly to meet small CD competition from nearby commercial banks. This competition stems, in large part, from Franklin National Bank of Mineola, N.Y., which is selling $25 certificates that pay 4.80 percent. In addition, Meadow Brook National Bank, Jamaica, N.Y., is offering $2,500 certificates at 5 percent, and New York City's Bankers Trust Co. and First National City Bank are both paying 4.75 percent on CD's of $2,500 and more.

The biggest banks on the west coast have so far resisted issuing small CD's, though one—Wells Fargo Bank of San Francisco—recently reduced the minimum size of its CD's to $5,000 from $10,000. A decision by any of California's big banks to issue much smaller CD's, in the view of a State regulatory official, would "greatly intensify the squeeze on Savings and Loans."

So far, Governors of the Federal Reserve have displayed little concern over the small CD trend, and have shrugged off suggestions by some Savings and Loans officials that bank CD's be restricted severely—to a $100,000 minimum, for example—to reduce competition for small savers' money.

The Fed launches a survey

The Fed apparently feels that small CD's remain the exception rather than the rule. Nonetheless, it's noteworthy that the system recently conducted a survey of banks to determine, among other things, how widespread is the use of small CD's. The results have not yet been compiled, according to a Federal Reserve spokesman.

Bankers offering small CD's report relatively few savers are switching deposits out of banks' 4 percent savings accounts to buy the higher-yielding time deposits. One reason, bankers say, is that persons with savings accounts in banks, if they were concerned about collecting maximum interest, would have shifted their accounts to a savings and loan long ago.

The bankers are coming up with rather complicated nomenclature to dress up their new CD's. Pomona's Island Bank, whose CD's differ only in detail from those offered by many other banks, calls them "bonds" and is offering four separate "series." The smallest, "series D discount bonds," consists of bonds offered at a minimum of $19.50 each. At the end of 5 years, a D bond matures at $25. Its effective yearly interest rate amounts to 5.64 percent. Meantime, it can be redeemed with 5 percent interest after 90 days.

"Series K growth bonds" are sold for $500 and up; the 5 percent rate is compounded monthly and yields 28.2 percent over a 5-year period, or an average annual yield of 5.64 percent. Buyers of "series C income bonds," sold in minimum denominations of $500, receive an interest check twice a year, at a 5-percent quarterly compound rate. Finally, for the person who has everything but a monthly interest check, "series CM income bonds" are sold in denominations of $1,000 and pay the buyer monthly interest at the 5-percent annual rate. The holder of a $1,000 CM bond, for example, receives a $4.16 check monthly.

[From the Wall Street Journal, Feb. 28, 1966]

EXHIBIT II–B

MONEY FLOW INTO MORTGAGES MAY FALL 5 PERCENT IN 1966, HOME LOAN BANK CHIEF HORNE SAYS

(By a Wall Street Journal staff reporter)

WASHINGTON.—The Government's top savings and loan supervisor said the flow of money into mortgages may drop about 5 percent during 1966 but housing construction isn't expected to fall that much.

John E. Horne, Chairman of the Federal Home Loan Bank Board, said the forecasts of a decline of $1 to $1.5 billion in mortgage money availability this year in comparison with 1965 "suggests more of a rise in interest rates than some expected earlier."

In a speech to the National League of Insured Savings Associations' annual legislative meeting here, Mr. Horne said the situation has favorable aspects in that "lenders can be more selective and avoid those practices that a severe oversupply of funds encourages." The "mild stringency" in mortgage fund supplies, he added, wouldn't justify the district Home Loan ranks in giving associations "wide-open, unrestricted access" to credit.

Separately, a Board official confirmed reports that 3 more of the 12 Federal Home Loan banks have raised the rate they charge associations for advances. The New York bank went to 5 from 4⅝ percent, the Topeka bank to 5 from 4¾ percent, and the Cincinnati bank to 4¾ from 4⅝ percent.

"SHEER ARITHMETIC"

The increases, for the most part predicted, follow several Home Loan bank rate increases of last month, when it was said that "sheer arithmetic" indicated additional rises would be necessary as the banks "can't borrow and relend at a loss," at least not for long.

Because borrowing costs of the district bank system are climbing in line with money market rates generally, some industry representatives believe a 5-percent rate on advances could soon become the most common one.

Factors tending to shrink mortgage flows, Mr. Horne said, include a "drawing away" from mortgages by insurance companies, banks' traditional mortgage cutbacks in preiods of tight credit, and the "somewhat smaller" flow of savings to Savings and Loans due to keener competition from banks and securities markets.

OTHER DEVELOPMENTS

Aside from the difficulty of obtaining financing for some projects, Mr. Horne said, other developments may hold back housing starts. Inventories of unsold new houses are "higher than may be desirable," he said, even though they declined to 220,000 late last year from 260,000 early in 1964. "Any significant increase in single-family dwelling construction this year would increase inventories," he said, partly because formation of new households isn't expected to grow much this year above the 5 year average annual rate of 900,000 units.

Higher construction costs may tend to have a greater dampening effect on starts this year than in periods with "large urgent, backlogs of demand," Mr. Horne said. Homebuilding costs have risen an average 2 percent in each of the past 5 years, with a 3.5-percent jump during 1965, he added. Now is a good time to correct "imbalances" in the housing markets, Mr. Horne urged, citing the "high level of foreclosures" persisting despite general prosperity.

Mr. Horne also sought industry support for a White House-backed proposal that would give the Board additional supervisory tools. Soon to be introduced, he said, this bill would allow the Board to issue cease-and-desist orders to halt illegal actions that threaten an association with substantial loss and that would let it remove, in some situtations, officers and directors.

Powers would be limited by various provisions, Mr. Horne said, and would disrupt an association less than the Board's present "last resort" ones that terminate deposit insurance or result in complete takeover. Federal Deposit Insurance Coropration, he said, intends to seek similar authority over banks.

Mr. BARRETT. All time has expired and we are going to have as our next witness Mr. Jack McDonald, chairman, Board of County Supervisors, Wayne County, Mich.

STATEMENT OF JACK McDONALD, CHAIRMAN, BOARD OF COUNTY SUPERVISORS, WAYNE COUNTY, MICH.; ACCOMPANIED BY C. D. WARD, GENERAL COUNSEL

Mr. MCDONALD. Mr. Chairman and members of the committee, my name is Jack McDonald and I am chairman of the Board of Supervisors of Wayne County, Mich., the county seat of which is Detroit. I am appearing here today on behalf of the National Association of Counties, an organization representing county government throughout the country.

URBAN DEVELOPMENT ACT—TITLE I—GRANTS TO ASSIST IN PLANNED METROPOLITAN DEVELOPMENT

In our view, President Johnson's message of January 26, transmitting his recommendations on metropolitan planning and the city demonstration program has a singularly underlying theme—the need to mobilize the coordinated resources of the entire metropolitan and urban areas if they are to successfully engage the myriad of problems confronting them. For years, county officials have been struggling to devise procedures, governmental arrangements and programs to meet the increasing demands brought about by urbanization.

The county's problem is compounded by a limited tax base which is often unrealistically encumbered by State restrictions and which does not share the ability to keep pace with the rise of our gross national product as to other taxes, specifically the income tax. Consequently, it is mandatory that counties and other local governments avoid costly duplication of effort by encouraging a cooperative approach to the solution of problems shared by adjacent counties and the cities and towns within their boundaries.

These factors have resulted in the formulation of the following basic guideline and policies which are incorporated in the American county platform, the official policy statement of the National Association of Counties. H.R. 12939 and H.R. 12946 would assist these policy objectives and we urge their enactment.

Certain common problems facing our citizens, such as transportation, planning, water supply and waste-water disposal, civil defense, open space, industrial development and others which transcend local geographical borders, must be approached from an areawide point of view because existing governmental units, acting alone, are not capable of finding equitable and effective solutions.

In order to cope with these problems, the National Association of Counties strongly supports the principle of voluntary cooperation among all levels of government concerned, particularly between county and other local officials. We note the evolution of various voluntary regional cooperation groups consisting of local units of government, whose officials study mutual problems, and in the spirit of the give-and-take of the conference table, evaluate the facts in an endeavor to arrive at sensible, politically acceptable solutions.

We urge county and other local officials to consider the formation of such voluntary cooperation groups whose objectives would be to—

(1) Discuss and identify problems;
(2) Establish a concensus;
(3) Cooperate in implementing agreed-upon regionwide policies; and
(4) Support appropriate legislation.

INCENTIVE IN STATE AND FEDERAL GRANT PROGRAMS TO ENCOURAGE JOINT EFFORTS TO RESOLVE COMMON PROBLEMS

Numerous services performed by local government are best provided when undertaken on a territorial basis broader than the individual unit of local government. Experience in such fields as open space land acquisition, public health, urban planning, and airports has shown that grant programs can be designed to achieve more effective local services through joint undertakings by more than one unit of local government. The National Association of Counties believes that State and Federal grant programs, where appropriate, should contain provisions to encourage joint undertakings among local units of government.

STATE AND FEDERAL LEGISLATION NEEDED

We recommend that in order to strengthen county and regional planning that applications from local governments within a metropolitan area for Federal grants-in-aid for airport construction, waste treatment works, urban renewal, public housing, hospital construction, and urban highways be reviewed and commented on by a legally constituted planning agency with responsibility for comprehensive planning for the metropolitan area or region and that such planning agencies be composed of or responsible to the elected local government officials of the metropolitan area.

I would stress, however, that the need for areawide cooperation is not limited to standard metropolitan statistical areas. Financial incentives for cooperation should also be provided for other appropriate areas including the community development districts which were recently proposed by President Johnson to encourage cooperation among rural areas. Additionally, we would urge that it be made clear that notwithstanding the increased emphasis this legislation would place on metropolitan planning, it could in no way be interpreted as meaning the need or requirement to eliminate the ability of the participating general units of local government to plan for many other activities which are the primary or sole concern of these individual local governments. In view of the importance and objectives of the legislation, we would suggest that the $25 million recommended by the administration for the first year of this program is unrealistically small, especially in view of the $400 million recommended for the companion demonstration city program's first year of operation.

TITLE IV—GRANTS FOR URBAN INFORMATION CENTERS

In the January issue of the American County Government, NACO's executive director, Bernard F. Hillenbrand, editorialized on the subject of a "County Urban Adviser and Federal Aid." I request that a

copy of this editorial be made a part of my testimony and included in the committee's hearing.

Mr. BARRETT. Without objection, so ordered.

(The editorial referred to follows:)

[From the American County Government]

EDITORIAL—A COUNTY URBAN ADVISER AND FEDERAL AID

(By Bernard F. Hillenbrand, editor)

For the last 3 years we have urged that every county, urban and rural, establish a new position of county urban adviser.

We have suggested these duties:

1. Under the supervision of the county board, and in cooperation with other county agencies, he would make studies, surveys, and reports with recommendations on urban problems such as water supply and sewage, parks and recreation, refuse disposal, air pollution, industrial and economic development, civil defense, police and fire protection, and traffic control.

2. Under the supervision of the county board, and in cooperation with other county agencies, he would help to coordinate the work of all county governmental agencies and private business in bringing a unified approach to the solution of urban problems.

3. He would be responsible for creating genuine cooperation on urban matters between the county and its component municipalities and other county subdivisions.

4. He would, in cooperation with the State association of county officials, universities, and other public and private associations and institutions, make available the latest information on new developments in urban matters.

5. As adviser to the county board, he would serve as principal point of contact between the county and the State on all urban matters involving State financial aid, technical assistance, or other assistance.

6. As adviser to the board, he would be a source of information on Federal, financial, and technical urban assistance to local governments, individuals, and businesses.

On the basis of this last point alone—serving as contact on Federal aid programs—a person could easily pay his way in almost any county. This issue of American county government highlights the 17 new Federal aid programs—urban and rural—that have been created by the 89th Cougress. There are up to 200 such programs already in existence.

Each county could profit enormously by having one local person survey county needs, identify desirable Federal programs designed to meet these needs, and finally prepare applications and coordinate the resulting programs.

More than two-thirds of our population is now governed by some 300 urban counties. Even the most rural county now finds that it must deal with urban problems such as planning, zoning, and sanitation.

Certainly every county governing body could use the advice and counsel of someone trained in the often extremely technical urban problems.

We suggest that he be a technician and not a policymaker. He must be highly trained in urban administration. His qualifications would be similar to those of a county or city administrator. He would be appointed by and immediately answerable to the county governing body or its designated chief administrative officer. His entire salary should be paid by the county and not shared with the State or Federal Governments. He would not, in any sense, be a decisionmaker. He would be an urban adviser to the board, the county administrator, the elected and appointed county department heads, and the public at large.

In some of the smaller counties perhaps a county official could be delegated these responsibilities on an ex officio basis.

Very shortly NACO will announce an expanded Federal aid service and it would be extremely helpful to participating counties if as a bare minimum one person in the county were designated as a point of contact on Federal aid matters.

Reactions to the creation of county urban adviser have generally been favorable. Many have pointed out that our urban adviser performs in part many of the duties of the appointed county administrator or county manager. This is certainly true. The urban adviser concept is a "halfway house" approach to the age-old problem of the absence in most counties of legal authority for an appointed or elected county executive.

A county could experiment legally by going part of the distance toward an executive head with an urban adviser. If it doesn't work the position can easily be abolished.

In any event, we suspect it is worth a try. We believe it will work.

Mr. McDONALD. Mr. Hillenbrand pointed out that for the last 3 years, NACO has urged that every county, urban and rural, establish a new position of county adviser to have the following duties:

1. Under the supervision of the county board, and in cooperation with other county agencies he would make studies, surveys, and reports with recommendations on urban problems such as water supply and sewage, parks and recreation, refuse disposal, air pollution, industrial, and economic development, civil defense, police and fire protection, and traffic control.

2. Under the supervision of the county board, and in cooperation with other county agencies, he would help to coordinate the work of all county governmental agencies and private business in bringing a unified approach to the solution of urban problems.

3. He would be responsible for creating genuine cooperation on urban matters between the county and its component municipalities and other county subdivisions.

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5. As adviser to the county board, he would serve as principal point of contact between the county and the State on all urban matters involving State financial aid, technical assistance, or other assistance.

6. As adviser to the board, he would be a source of information on Federal, financial, and technical urban assistance to local governments, individuals, and businesses.

You will note that items 4, 5, and 6 are the type of activity provided for by "Grants for urban information centers." Since January 1 of this year, approximately 100 of our counties have established a position comparable to the one suggested in Mr. Hillenbrand's editorial. We appreciate the activities proposed for the county and urban adviser exceed those provided for by title IV of this bill, however, we would request that at least that portion of our county urban adviser's program, conforming to title IV be eligible for assistance under this bill. We feel that language in the committee's report could accomplish this. We would further suggest that assistance under title IV also be made available to counties in excess of 50,000 population which are not a part of the standard metropolitan statistical areas. Counties which are SMSA in and of themselves, would, of course, qualify under the present provisions of the bill. Other areas of the country should receive comparable assistance as a part of the community development districts. We do have one reservation with respect to the county urban adviser. Due to the importance of his position and the unique relationship he will have with the governing body of the county, it should be abundantly clear that he is strictly a county government employee and in no way a State or Federal official.

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COMPREHENSIVE NEIGHBORHOOD DEMONSTRATION PROGRAMS

Our official policy statement is silent upon the proposal embodied in the city demonstration program other than our policy of encouraging governmental cooperation through financial incentives. As initially stated, it is our opinion that the thrust of both the Urban Development Act and the community demonstration program is to encourage and facilitate a coordinated effort to meet the social and physical needs of our urban areas. We echo the concern of the American Institute of Planners that the titles of the two bills would appear to perpetuate the undesirable and inequitable pattern of fragmentation of urban areas by having one program for the core-central city and the other for the suburbs. Both programs will require comparable areawide coordination and cooperation if they are to be successful and should be considered as an entity. With respect to any efforts to rebuild or revitalize entire neighborhoods of slums and blighted areas, we feel it is vital to bear in mind that such areas are not limited to the core-central city. The Advisory Commission on Intergovernmental Relations study on metropolitan social and economic disparities; implications for intergovernmental relations in central cities and suburbs, disapproves the popularly held misconception of a basic central city-suburban dicotomy of economic and social characteristics. By this we mean the idea that the social and economic underprivileged are consistently concentrated in the central city while the suburbs enjoy the prosperity of the middle and upper income families. Of the 190 SMSA considered in the Advisory Commission's study only in the largest metropolitan areas and those located in the Northeast part of the country was the pattern one of a predominance of the underprivileged in the central city.

In small- and medium-sized metropolitan areas, outside the Northeast, elements of the low social economic status was equally important in the central city and in the suburbs. In many metropolitan areas of the South and West, poverty is more typical of the suburbs. Since the demonstration projects are to take place in all parts of the country and in communities varying in size, the projects will often not be in the central city. Consequently, if they are done, it will require the sponsorship of the county or one of the suburban communities.

One of our Pennsylvania members set forth the situation as follows:

> We in Lackawanna County feel that in order for the city demonstration program to be a success, it must reach out beyond the municipal boundaries of our major city. In order to understand and to solve the problems of our urban areas we must disregard these municipal boundaries. Every person living in our urban area is confronted with similar problems which must be met head on through regional efforts. We must look at our problems of physical development in a broad setting. By improving our major cities, we are improving only a small part of our metropolitan area. If, however, we renew several neighborhoods in smaller communities these actions will serve as a stimulus for other actions.
>
> In Lackawanna County, as in many other counties, the urbanized areas do not stop at the city's limits—it radiates out from the city or it extends through the valleys for many miles beyond the central city. These areas oftentimes are just as old, just as blighted, and just as much in need of special programs as our central cities.

The second point I would like to stress was brought out by Secretary Weaver's testimony where he stated, "that the city demonstration

agency would not have to assume operational control of all projects and activities that are part of the local demonstration program." He cites that urban renewal and education would continue to be carried out by the agency having responsibility for them. This would also be the case for other functions such as welfare, recreation, health, and so forth. These are often county responsibilities and they would be an essential part of the social rebuilding and revitalization of any area or neighborhood.

Consequently, we suggest the title "Demonstration Community Act" would be more appropriate and helpful in defining the program. It will avoid a distinct possibility of isolating the program, thereby creating a situation which would greatly encumber any effort to gain areawide cooperation.

STATE ASSISTANCE

We would submit that in the Urban Development Act, and what we would call the "Demonstration Community Act" there be some provision to encourage the State governments to participate. This could be accomplished by an additional Federal grant to match any State contribution.

BUILDING CODES

Section 4(c)(3) requires that the program be designed to make maximum use of new and improved technology and design including cost reduction in techniques. To assist in utilizing our known technology and cost-reduction techniques, we urge that Congress direct the preparation of a model building code. Today, it is estimated that there are 5,000 separate building codes in the United States. A great many communities have no codes at all. Most of the existing codes are specification codes. Many of these have restricted the free use of unimproved products because many of the specification codes favor one product over another and thereby restrict competition.

At present there are four major proprietary codes sold to local subscribers. Manufacturers have pointed out that the variations between these codes and restrictions added by their subscribers have made it difficult to apply fully mass manufacturing techniques to the factory and national sale of housing and building components. Such a mass process is comparable to those which have given us the relatively inexpensive automobile and electrical appliance. One authoritative magazine has estimated that the code jungle may add $1,000 to the cost of new houses.

The National Association of Counties joins the Advisory Commission on Intergovernmental Relations in recommending that all levels of government and the proprietary code groups participate in the drafting of a model performance code. It recommends that the drafting be done by a separate group or as a part of the program of the temporary National Commission on Codes, Zoning, and Tax Commission and Development Standards recommended by the President's 1965 message on urban areas.

We appreciate very much the opportunity of participating in these hearings today and I will be pleased to answer any questions you might have regarding our testimony.

Mr. BARRETT. Mr. McDonald, I certainly want to thank you for a very splendid statement.

On page 4 of your statement you discuss the proposal—the proposed new program of grants for information centers. This is an entirely new idea before this committee. I wonder if you heard the testimony of Mr. Blackmon, of the Home Builders, who preceded you? Mr. Blackmon thought that instead of urban information centers, it would be preferable that the information be made available through the coordinators. Do you agree with the Home Builders' recommendation?

Mr. McDONALD. I will have to clarify that a bit, sir.

We of the National Association of Counties feel that this coordinator for these programs could and should be a county employee, an employee of either the county or, in some cases, an employee of existing intergovernmental units that would provide this service.

In our area, for instance, in Detroit, we have an organization made up of six counties, a committee that works in many areawide problems and it was our thought that perhaps in that area, the coordinator of these programs could be the coordinator of that body to handle the programs for the entire area.

Mr. BARRETT. Why would we have to have two officers instead of one? Can you comment on that?

Mr. McDONALD. I am not suggesting that we have two. I am suggesting that we have one officer. I am suggesting that we really have the center of the coordinator, or whatever you want to call him, he would work for the local unit, the county, and in this case would be working on a supplemental grant from the Federal Government to provide his salary.

Mr. BARRETT. Let me ask you this question. As you know, H.R. 12946 provides open-end authorization for appropriation for the supplemental grants under the proposed urban development program. Apparently you feel that the $25 million requested by the President in his budget message is too little for these grants. Could you give us some idea of how much would be needed in the first year and how this program might grow?

Mr. McDONALD. Well, it would be difficult to say, to answer that question.

I might point out that many of the problems inherent in the big city, and those that we are trying to take care of in the other bill, are those in the suburban areas and in some cases, even in the rural areas.

It is our feeling and in our discussions—if we were to set a figure on what would be needed, it would pretty much coincide with the demonstration city.

Mr. BARRETT. Mr. Fino?

Mr. FINO. Mr. McDonald, I understand that Wayne County, or at least the city of Detroit, imposes a 1-percent income tax on the commuters who earn their livelihood in the city of Detroit. Is it not a fact that the ultimate goal of metropolitan planning is the power of regional local taxation in order to pay for the services of local government?

Mr. McDONALD. I will have to ask you to go over that once more.

Mr. FINO. Is it not a fact that the ultimate goal of metropolitan planning is the power of regional local taxation in order to pay for the services of local government?

Mr. McDONALD. I think the reason for metropolitan planning is that we could build our metropolitan areas on a plan that would make

some sense so we could provide for the needs of the people and provide for these needs in transportation, water and sewage, solid waste disposal, in the best possible manner.

Certainly, the funds for these are going to have to be raised in many ways, the local communities' participation in some area, like we have with our metropolitan tax in our area, they would have to be supported by the individual counties or cities.

Mr. FINO. On the subject of requirements for metropolitan comprehensive planning, there is nothing in the law or administrative regulations requiring that any one particular organization be used. However, does not this lead to a single body being set up with the Secretary's approval and if you do not join this particular organization, are not urban planning aids being denied to nonjoiners?

Mr. MCDONALD. Well, it would be difficult for me to answer that. I might give you some information to consider with our area. We have a group of planners called the Detroit Regional Planning Association that does a great deal of planning for the entire six-county area. They would be the body that would be designated as planners under these programs.

Now, in addition to that, of course, each county has a planning commission, planning consultants, and in addition to that, each of the cities and many of the unincorporated townships have planners.

But as well as possible, all of this local planning is designed to work into the areawide six-county plan that is under the direction of the Detroit Regional Planning Commission.

Mr. FINO. In a number of areas, you have old county systems that are working effectively. Would you want to give these up for this new metrowide planning concept?

Mr. MCDONALD. Of course, the answer is a qualified "No."

Certainly, most of the planning should be done locally for all of the local needs. However, there are some areas in our system that have to be planned on a metropolitan basis. Now, sewage disposal treatment is one, for instance. In our area we have a study underway that is to be implemented for solid waste disposal. Now, this is a voluntary program. This is a plan that was created by our group, our six-county committee, to dispose of solid waste in the Detroit metropolitan area. It is a voluntary program. We hope to enter into a contract with the authorities for this purpose.

Mr. FINO. Now, in the urban development bill, the extra grants are coupled with conditions and prerequisites for planning.

Congressman Widnall has introduced a bill aimed at suburban water and sewer problems which sets up central standards for qualifying. Are you familiar with the bill?

Mr. MCDONALD. I have just glanced at the bill but I could comment on it if you like.

Mr. FINO. Of the two proposals, which would you prefer?

Mr. MCDONALD. I think perhaps we have to look at this insofar as the area of need is concerned. We have many suburban areas in this country, for instance. In 1972 the suburbs will have a greater population than the city of Detroit, in our country alone. This is going to necessitate a great deal of water in the areas of local water lines, sewage lines—sewage treatment to some extent.

These problems have to be met today. These folks have to have a place to live and these subdivisions have to be created and I wouldn't

want to see people go without these proper quarters because of the time involved and in having adequate regional plans for all these various areas of concern right now.

I think that the bill that you mentioned might be a good one for a stopgap at this time. But I think for the future, the NACO has agreed, as a matter of fact, in the county platform, that many of these items should be done on a regional, cooperative basis, as well as the planning for these regional areas.

Mr. WARD. If I might add, Mr. Fino, currently our association is carrying out a project in conjunction with the Public Health Service to try to encourage county governments to get more active in the problem of water pollution control. We are holding a series of 25 regional meetings one in your home State, one in Mr. Barrett's State, and one in Mr. Widnall's State, this spring to get the county governments more involved with water pollution.

It is probably one of the most critical things facing local government today, and in this study we have visited approximately 60 communities throughout the country and we have come to the conclusion, as have most people who have studied this thing, that water pollution is best handled on an areawide basis, and we would think in the metropolitan area where there is a metropolitan plan for water pollution control, as there is in Detroit, that that should be followed and probably your committee should require it to be followed. In those areas where there is not a plan in existence, we would think it would be appropriate to go ahead and give a supplemental grant to the suburban areas so they can do it now.

The condition is critical now and should be met now.

But as far as having to choose between Mr. Widnall's bill and the Urban Development Act, it seems to us the latter one is more encompassing, has more aspects to it, and we wouldn't want to have to choose, if we were to choose between the two, water pollution is very critical, but these other things and facilities are needed in the community, too, and if they are done on an areawide, coperative basis, we think a Federal incentive is helpful and does encourage us to get together on a county-city basis and multicounty basis, and work together economically.

With respect to his metropolitan question you asked, we specifically stated in our testimony that even with this increased emphasis on metropolitan planning, it should be made abundantly clear that we are not requiring or demanding the counties or the cities give up the authority of planning for those functions which are strictly within the county itself.

And we think this should go on full force and by doing so we think it encourages the counties to cooperate together.

Mr. FINO. Mr. McDonald, in calling for a single building code in place of the other codes now in existence, you are overlooking the difference in building requirements like in Maine and Florida and Illinois and Louisiana, California, Oklahoma.

Mr. MCDONALD. Yes, sir, we discussed that in accordance with the weather conditions and ground conditions and so on. And it would be thought that in this single building code there would be stipulations made as to the areas.

Mr. FINO. In other words, you are in favor of a Federal uniform building code with certain provisions to take care of certain areas of the country?

Mr. MCDONALD. That is correct.

Mr. FINO. Thank you.

Mr. BARRETT. Mr. Stephens?

Mr. STEPHENS. Thank you, Mr. Chairman.

I was interested in the suggestion you made, Mr. McDonald, about State assistance. I think that should be developed further.

It has some merit to it and I think it ought to be followed up. It would be helpful to many communities to have some participation, especially if that is a project where the demonstrations are going outside the city limits, or should go outside the city limits by agreement.

I want to tell you that I appreciate the assistance of Mr. Ward. He has always been helpful. I appreciate his being here with you today.

Mr. WARD. Thank you.

Mr. STEPHENS. That is all, Mr. Chairman.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. I do not know what the situation is in Michigan, but in Texas, one of the things that we feel we have got to check out carefully before we round out all the discussions in consideration of this proposed legislation is the question of enabling legislation in some areas of endeavor where there are certain statutory restrictions as to what a certain type of community structure can undertake—the township as differentiated from all others.

It seems to me one of the areas for possible demonstration would be, what can be done in the consolidation, avoiding duplication of services within your local metropolitan or county areas?

As one example, in my district, and at the moment it consists of the county—the district is the same as the county limits, as of this year. Within that district there are close to some 39 different taxes by political subdivisions. This, I think is a continuing problem, since the county system in Texas dates back to the constitution of 1875 where a person could travel from one end of the county to the other, and I was just wondering if you would consider one of the aspects that could be undertaken as demonstration, the work that can be done toward an interagency or intercity metropolitan development plan?

Mr. MCDONALD. To your question, or statement, first of all, the National Association of Counties have been strongly in favor of reorganization of the county government itself. It has fostered workable plans for county home rule across the country.

In Michigan, in our new constitution, some 3 years ago a provision was made with enabling legislation to reorganize our counties in the home-rule situation.

Further, in our area, insofar as the duplication of efforts are concerned, we are presently in the study of the formulation of a group that would be composed of the 404 governmental taxing units in our six-county southeastern Michigan area.

That would include not only the cities and townships, and the counties, but also the school districts.

It is our feeling there that they have a big part in this picture and in fact as far as the property taxes are concerned, they pay the bulk of

it. So we are in the process now of formulating this committee of 100 which would organize all of these governmental districts into one workable group to solve our common problems.

I think it is a step in the right direction.

We had one of the first, as a matter of fact, intergovernmental groups of this kind in the Nation, in our six-county supervisors, in the county committee, and this is a committee made up of representatives of six counties in southeastern Michigan and through this committee we are making studies and are in the process of solving many of our problems which include sewage treatment and disposal, areawide water programs, solid waste disposal. We have had studies concerning the metropolitan area facilities. This has been a very good group and certainly we would like to see something fostered that would have groups around the country get together and solve problems on an areawide, mutual basis.

Mr. GONZALEZ. Did you say you did get an enabling legislation about 3 years ago in Michigan to provide for, roughly speaking, county home rule?

Mr. MCDONALD. Unfortunately, in Michigan, we have had a problem with the enabling legislation. Our new constitution provided for home rule. There was enabling legislation that would be given to us by the legislature of the State. We have run into some problems there in obtaining this legislation and we are in the effort, in this particular session in Michigan, of trying to bring pressure to bear to see to it that we do get some type of legislation this year.

Mr. GONZALEZ. Thank you very much.

Mr. BARRETT. Thank you very much, Mr. McDonald, for making a very splendid witness here.

We appreciate your coming.

All time has expired and the committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:20 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Wednesday, March 9, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

WEDNESDAY, MARCH 9, 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, Moorhead, St Germain, Gonzalez, Reuss, and Fino.

Also present: Representative Johnson of the full committee.

Mr. BARRETT. The committee will come to order.

Our first witness this morning is Nathaniel Keith, representing the National Housing Conference.

I wonder, Mr. Keith, if you would be kind enough to let us extend our congressional courtesy to one of our most able and knowledgeable colleagues who wants to be recognized to submit a statement for the record.

Mr. KEITH. I would be very happy to.

Mr. BARRETT. Congressman Madden, please come to the witness table.

Congressman, we are certainly pleased to have such a distinguished and knowledgeable Member of Congress, one recognized for his very fine work on the Rules Committee, who has been recognized by all the Members from all the States in the House for his splendid and untiring cooperation.

Certainly your statement here this morning I am quite sure is going to be helpful to this committee in marking up this bill.

You may choose any way you desire to submit your statement—you may either submit it for the record or if you desire to read your statement, we will be glad to abide by whatever you choose.

STATEMENT OF HON. RAY J. MADDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. MADDEN. Mr. Chairman, I want to commend Chairman Patman and you, Chairman Barrett, of the subcommittee, and also the members of the Banking and Currency Committee for holding hearings on this legislation in order to bring about some method wherein we can relieve the deplorable situation that exists in a number of our metropolitan cities.

H.R. 12341 proposes to assist cities in rebuilding slum and blight areas and providing public facilities and other municipal functions to aid the general welfare of the people.

I know there are many metropolitan cities throughout our Nation that have been undergoing a "population explosion" during the last 20 years and especially since World War II. These congested localities are handicapped and distressed in their efforts to meet the needs of crowded conditions pertaining to housing, transportation, schools, and many other municipal improvements and necessities.

A half century ago our Nation was not confronted with the phenomenal exodus of millions of our population into our urban areas which has taken place in recent years. It is estimated that over 70 percent of our population today has been crowded into metropolitan areas. City governments in these largre urban concentrations are financially helpless to meet the housing, school, transportation, and other problems facing millions of their citizens. This legislation which you are considering will be a major step to curtail and solve the problem which is expanding in urban centers as the years pass.

I realize your committee has been hearing testimony from mayors and municipal officials concerning their particular necessities, and I want to submit to your committee an outstanding example of a city in my district which would be greatly benefited if the pending legislation were enacted into law.

Gary, Ind., might be an outstanding model as a "logical demonstration city" which needs outside financial aid and supervision to solve its municipal problems. Gary, with a population of a little under 200,000, is the youngest metropolitan city in the United States.

Gary's population started exploding at the beginning of World War II. The largest steel mill in the world is located in the city. We have other steel subsidiaries as well as minor industries pertaining to defense production in the city of Gary. East Chicago, Whiting, and Hammond, three smaller industrial cities join the city of Gary. East Chicago has two major steel mills, Youngstown and Inland, and refineries from major oil companies are located in the Calumet region. All this concentration of defense industries has caused the population explosion in the city of Gary. In the last 20 years the population has risen in Lake County, which is known as the Calumet industrial region, from 240,000 to over 600,000 in 1966. The taxpayers—homeowners especially—are unable to bear the taxload in order to supply the avalanche of municipal needs for workers who have come into this steel-producing area since World War II, and every year since, defense production has increased annually. During World War II publicity and newspaper ads called for workers to come into the Calumet region to work in the steel mills, factories, refineries, and other industries in order to meet the national defense effort.

I mention these facts in order to bring out how necessary it is for legislation of this type to be passed. In order to solve the urban problems that face areas like the Calumet region of Indiana.

In one of President Johnson's recent speeches, he mentioned the "crowded miles of inadequate dwellings—poorly maintained, and frequently overpriced" as one of the prime reasons for the Federal Government to make an attack on blight and slum areas. The city of Gary, especially, has been spending money and going in debt to "meet the population explosion" to provide adequate housing and eliminate slums, provide school buildings and other facilities for our overcrowded youth population. If we cannot meet this challenge, areas

like these overcrowded industrial centers will be victims of disease, ignorance, crime, violence, and many on public relief rolls.

This legislation will give authority to the Secretary of the Department of Housing and Urban Development to make grants and provide technical assistance to enable city demonstration agencies to plan, develop, and carry out comprehensive city demonstration programs.

In determining whether a proposed comprehensive city demonstration program is eligible for assistance, the Secretary would 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.

The bill would also authorize the Secretary to make grants to, or contract with, city demonstration agencies to pay 90 percent of the costs of planning and developing comprehensive city demonstration programs. Such financial assistance must be approved by the local governing body of the city.

No doubt your committee after hearings will meet in executive session and determine in your wisdom practical methods which will provide a means of implementing this legislation to the satisfaction of the Federal, State, and the municipal governments concerned.

The Gary Post Tribune over the last several months has been carrying, in various editions, editorials concerning some dire needs of our rapidly expanding city. These various editorials printed in different editions of the newspaper are too long for inclusion in my testimony before your committee. I might mention some of the titles of the various editorials which included the following: (1) "Revitalizing Downtown Gary." (2) "Look at Our Highways and Streets." (3) "Expand Hospitals—Wisely." (4) "Need: Places for Children To Play." (5) "The Medical School Drive." (6) "Cleaner Air and Water." (7) "Equitable Tax Evaluation." (8) "Keeping Up With Education."

I wish to include with my testimony excerpts from an editorial written by Dale E. Belles, Jr., editor of the Gary, Ind., Post Tribune, the following inserted on February 20, 1966.

(1) Gary shares the President's view that "1966 can be the year of rebirth for American cities." It was beginning to demonstrate before the Presidential program was outlined that it meets its requirements of being one of "those cities who help themselves" and where there "is a serious commitment to the project on the part of local * * * authorities."

(2) Gary's city council during the past year has formally adopted a previously promulgated metropolitan plan, sharing with the President the view that it "should be an instrument for sharping sound urban growth—not a neglected document."

(3) Gary's city council, with urging of civic leadership, adopted last year probably the most liberal open-housing ordinance of any city in the Nation, exhibiting its realization of the Presidential point that "at the center of the cities' housing problem lies racial discrimination."

(4) On the opposite side, not negative exactly, but showing need—Gary is the core of an industrial area where increasing steel and other production insures

growth, but has reached the point where help is needed to make sure that "the powerful forces of urban growth" do not "overwhelm efforts to achieve orderly development."

(5) Gary is still beset with what the President terms "crowded miles of inadequate dwellings—poorly maintained, and frequently overpriced" in which many of its Negroes still live. While twin attacks, through the housing ordinance and the newest urban renewal program, have been launched, help will be essential.

(6) Gary's mass transportation facilities are deteriorated and inadequate. Its major street system, cut up by railroads, is unsuited to carrying the necessary load. Some plans have been drafted, but a coordinated effort, preferably with Federal help, is needed.

(7) Gary's parks, once a point of civic pride, and its indoor cultural and recreational facilities have been outgrown or become outmoded. Assistance is needed in pushing through plans already under consideration for meeting these needs both for the present and the anticipated population.

(8) Gary's "one industry" image is gradually being altered, but making it one of the major "demonstration cities" could step up the program of intended diversification which could help make it a better city for all its people.

Mr. BARRETT. Thank you, Congressman Madden, for your excellent statement.

Will Mr. Keith be kind enough to come up to the witness table?

Mr. Keith, I want to thank you for your courtesy extended to Congressman Madden.

We had decided to bring you as our first witness. As always, you have been very generous and very helpful, and I certainly appreciate the courtesy you have extended this morning.

Mr. KEITH. I am very happy to do it, Mr. Chairman.

Mr. BARRETT. Now, Mr. Keith, certainly you know this committee wants you to feel at home here. We consider you part of our big family.

If you desire to read your statement in full, we may ask you some questions after you have completed it. If you desire to be interrupted or submit it in part, we will be glad to go along with your wishes—any way you choose will be perfectly in order with us.

STATEMENT OF NATHANIEL S. KEITH, PRESIDENT, NATIONAL HOUSING CONFERENCE

Mr. KEITH. Thank you very much, Mr. Chairman. I have a statement which is not too long. If it's agreeable with you, I would like to read it and I will certainly be available for any questions.

Mr. Chairman and members of the committee, I welcome this opportunity to appear again before this committee to present the views of the National Housing Conference on major legislative proposals of crucial importance to housing, urban renewal, and community development. As the members of the committee will recall, it was my privilege to appear before you last year in support of the Housing and Urban Development Act of 1965 which represented most significant and far-reaching legislation in these fields. The bills which are before your committee now likewise represent important proposals by the administration for extending national programs directed toward meeting the massive problems of urban and urbanizing communities where the great preponderance of the U.S. population live and work.

The National Housing Conference was deeply impressed by the scope and incisiveness of the President's message on the cities. We are likewise impressed by the objective of the proposed Demonstration Cities Act of 1966 which is now before your committee. Notwithstanding

the progress and expanding activities directed toward the elimination of slums and blight in more than 800 communities throughout the country, it is obvious to all of us that only a small fraction of these pressing problems have been corrected by our national efforts to date and that persist in most communities large sections characterized by slums, congestion, poverty, and all the attendant social evils.

The persistence of these conditions constitutes a glaring contradiction to American resources and achievable American aspirations to establish a decent standard of living and a rewarding environment for all our population. As recent experience has shown, these large areas of blight, dilapidation and poverty are also breeding grounds for social disorders which are a blot on the image of American society, at home and in the world.

On behalf of the National Housing Conference, I therefore register our enthusiastic endorsement of the broad objectives of the Demonstration Cities Act of 1966 to launch massive local programs for the upgrading of broad sections of cities through the concentrated and coordinated use of all available Federal aids and local private and governmental resources, including the supplementary Federal grants proposed by the bill. We are in full accord with the findings and declaration of purpose set forth in section 2 of the bill. We welcome its recognition also that the solution of the human problems in these areas require more than the upgrading of the physical environment and must involve equally a great intensification of social programs and services.

In keeping with the long-term commitment of the National Housing Conference to programs leading to a massive expansion in the supply of adequate housing for low- and moderate-income families and individuals and of essential community facilities and services, we welcome the explicit recognition of these needs in the declaration of purpose of the bill, in the definition of comprehensive city demonstration programs contained in section 4, and in the statement of relocation requirements set forth in section 9.

The comprehensive and coordinated attack on these problem areas proposed in the bill therefore holds forth the promise of greatly expanded local programs and greatly expanded Federal assistance to communities to overcome these blots on American society. We are convinced that, on the basis of experience and progress in communities over the past decades and of the growing recognition of the need for greatly expanded efforts in this direction, these objectives can be achieved provided sufficient Federal financial support and leadership are forthcoming.

Our reservations with respect to the content of the bill which is before your committee do not run to its objectives, which we enthusiastically support. Our reservations run rather to the question of whether the Federal resources which would be available under the bill are sufficient to realize these promises. Specifically, I would like to present the following comments to the committee:

First, while the language of the bill itself does not place a ceiling on the number of cities which could participate in the demonstration cities program, the presentation by the administration and the amount of supplemental Federal financial assistance proposed indicate clearly an intent to limit participation, for the time being at least, to 65 or

70 cities of varying sizes. There can be no question that the number of cities throughout the United States which are qualified to meet the requirements for a demonstration program as set forth in the bill and which would be vitally interested in availing themselves of this imaginative broader approach are substantially in excess of this number. In the interest of the long-overdue expansion in our national programs for elimination of slums and blight, we seriously question a policy which would discriminate against cities of equal capacity and equal commitment to accomplish the laudable objectives of the bill.

In this connection, I would like to quote the following significant paragraph from President Johnson's message, with which we are wholly in accord:

> There are few cities or towns in America which could not participate in the demonstration cities program. We shall take special care to see that urban communities of all sizes are included. For each such community, the impact of the program will be significant, involving as much as 15 to 20 percent of the existing substandard structures.

We therefore strongly urge that the committee in taking action on this bill make it clear that the benefits of the cities demonstration program shall be available to all qualified cities which apply and in the order of their application.

We also strongly recommend that contract authority for the total supplemental demonstration grant of $2,300 million recommended by the President be authorized in this bill, to become available immediately upon the enactment of the legislation. The volume of the ensuing applications from qualified cities would then place both the administration and the Congress in position to gage the longrun need for financing of the cities demonstration program, which clearly will be greatly in excess of the $2,300 million.

Second, another factor of equally great concern is the inadequate financing of the underlying programs which would establish the basis for city demonstration programs. It is clear that the most fundamental of these programs is urban renewal which obviously would represent the core of any extensive city demonstration program. As previous witnesses before this committee have pointed out, the urban renewal capital grant authorization, as established by the Housing and Urban Development Act of 1965, is far below the rate of requests for commitments for eligible projects which are currently being received from the more than 800 communities participating in that program. The result is that there is a current backlog of applications involving more than $800 million in capital grant commitments and that commitment authority for any new projects, no matter how meritorious or urgently needed, are evidently not possible before the beginning of the next fiscal year. Furthermore, when the additional contract authority of $725 million for the fiscal year 1966–67 becomes available on July 1 of this year, the indications are that the backlog of pending eligible applications will rapidly exhaust this amount unless the progress of the program is to be arbitrarily curtailed.

The whole implication of the Demonstration Cities Act is that urban renewal activity in the participating cities will have to be greatly expanded in order to accomplish the objectives of the program. This situation leads us to two major conclusions:

First, that the urban renewal program as such is substantially underfinanced and, second, that the increased demands for urban

renewal commitments which will be generated by the demonstration cities program can be accommodated only through a curtailment of urban renewal funds for other eligible projects either in the same cities or in other communities not participating in the demonstration program.

The alternative, which we strongly urge this committee to consider, is to increase substantially the urban renewal authorization. Prior to the submission of the proposed Demonstration Cities Act by the administration, the Board of Directors of the National Housing Conference, acting on the recommendations of its broadly based legislative policy committee, urged in December 1965 that the capital grant authorization for urban renewal be increased by $1 billion per year for a 3-year period. This was based on the evidence of constantly increasing local demand for urban renewal assistance and such action is even more pertinent now in view of the further demands which will be generated by the demonstration cities program.

If such action is not feasible at this session of Congress, as a minimum we strongly recommend that the balance of the contract authority of $2,900 million made available by the 1965 act for a 4-year period be released without limitation as to fiscal years. This would have the result of satisfying present backlog demands, the continuing applications which will be filed by communities at an increasing rate, and the increased demands which will be generated by the demonstration cities program. This would also place the Congress in position to reappraise the long-term continuing need for urban renewal funds in 1967 or 1968. Because of the long leadtime involved in urban renewal activities between the initial commitment of capital grant funds and their actual expenditure during project execution, the impact of such action on budgetary expenditures in the next 2 fiscal years would be of very small proportions.

Three, in the light of the far-reaching objectives of the Demonstration Cities Act, comparable problems of underfinancing would be presented by related grant programs authorized by the Housing and Urban Development Act of 1965 which would be involved in many if not all of the local demonstration programs. I refer particularly to the programs for grants for basic water and sewer facilities, grants for neighborhood facilities, and grants for urban open space and beautification.

As stated previously, the National Housing Conference is strongly in accord with the objectives of the bill for an increase in the supply of adequate housing for low- and moderate-income families and individuals as an indispensable element in the undertaking of the proposed demonstration programs. We point out to the committee that the accomplishments of this objective and the satisfaction of the relocation requirements of the bill will necessarily require the development of new housing and related community facilities either on vacant land or on other sites not involving substantial residential displacement. We, therefore, recommend to the committee that clarifying language be incorporated in the bill recognizing that Federal assistance will be necessary for such residential development, whether or not contained in the demonstration program area as such or within the municipal limits of the cities involved.

In concluding my comments on the Demonstration Cities Act of 1966, I wish to reiterate the strong support of the National Housing

Conference for the far-reaching objectives set forth by the bill and our equally strong recommendations for amendments as suggested previously to make the achievement of these objectives a feasible reality.

I would also like to express the general support of the National Housing Conference for the objectives of the Urban Development Act, H.R. 12946. The goals set forth in title 1 of that bill with regard to more effective coordinated metropolitan area planning and programed development have long been supported by the National Housing Conference. In our opinion, the supplementary grants for certain types of development facilities which would be authorized for metropolitan areas meeting the requirements of this title would provide an important incentive for the development of sound metropolitan plans and programs to accommodate the vast expansion in population which will occur in these areas over the coming decades. We, therefore, recommend favorable action by the committee on this proposal. At the same time, we again point out to the committee that the requirements for public facilities of all types which will be needed in support of the impending sharp expansion in metropolitan area population will greatly exceed present funding of the related federally aided programs and that substantial increases in these authorizations will be essential in view of the severe financial limitations on local governmental financial resources.

The National Housing Conference is likewise in accord with the general objectives of title 2 of the Urban Development Act for Federal assistance for the development of well planned and well balanced new communities. In view of the unprecedented urban population expansion which is in prospect between now and the end of this century, we are fully convinced of the essentiality of Federal financial assistance for the sound development of generally self-contained new communities to accommodate part of this population growth and to relieve congestion within the cities.

In our judgment, the most effective approach to such assistance will be through Federal financing of local land development agencies or comparable public development corporations as is generally proposed in section 208 of the bill. While we recognize the accomplishments of certain new community developments now in progress by private enterprise, we believe that the broad objectives of a sound large-scale program of new communities can best be accomplished through public assembly of land, public provision for the installation of necessary land improvements, and the creation of sound development plans which would control the new private and public development which would then be carried out. In our opinion, the creation of balanced new communities in terms of a full range of occupational opportunities and a full range of housing and community facility opportunities can best be assured through public initiative in the first instance. For example, such balanced communities should include a wide range of housing accommodations, involving public housing, rent supplementation and below-market housing for moderate-income families as well as accommodations for middle income and higher income groups. The maintenance of land prices at a level suitable for low- and moderate-income housing could more readily be accomplished through public control of the initial land development.

While we support in general the principle of Federal loans to land development agencies as proposed in section 208, we recommend

three amendments to make this proposal more workable as an initial experiment in the development of new communities. First, we recommend that the disposition of land by the land development agencies be permitted on the basis of long-term leases as well as sale of the land, subject in both instances to obligatory conformity to the community development plan. Second, in order to accommodate long-term leasing where desirable, we recommend that the maximum term of the Federal loan be increased to 40 years from 15 years; this would be in line with comparable provisions for 40-year loans to finance the capital value of leaseholds under the urban renewal program. Third, we recommend an amendment authorizing the use of Federal loans to cover the necessary costs of site improvements such as basic public utilities and major streets by the land development agencies.

With respect to title 3 of the Urban Development Act, we are fully in accord with the essentiality of an extension of the grant authorization under the Urban Mass Transportation Act of 1964. However, in our opinion, the extension of the funding of this program for only 1 year is inadequate both in amount and in relation to advance planning requirements. The board of directors of the National Housing Conference recommended in December 1965 that additional mass transportation grants be authorized at the rate of $750 million per year for the next 3 years.

With regard to the grants for urban information centers proposed in title 4 of the Urban Development Act, we believe that such centers would perform a most useful service and we recommend favorable action on this proposal.

We have also reviewed H.R. 13064, the Housing and Urban Development Amendments of 1966. We support the proposed amendments of the flexible formula for the low-rent public housing program to extend the period of use of private housing for public housing purposes and to permit the use of this formula for newly constructed housing as well as existing housing. Comparable amendments were recommended by the board of directors of the National Housing Conference in December 1965.

We also support the proposal in section 106 of the bill to establish a program for research and enouragement of the use of new and improved techniques and methods of construction, rehabilitation and maintenance of housing and other urban development facilities. We likewise support section 107 to repeal the limitations on the use of urban renewal grant authority for grants for rehabilitation and code enforcement which were imposed by the Supplemental Appropriations Act of 1965.

It is our understanding that this committee will consider consolidating the three pending bills which I have commented on and thus reporting a comprehensive single bill. In that event, we would urge the committee to consider incorporating certain expansions in and extensions of existing programs to improve housing conditions for families and individuals in farm and nonfarm rural areas. As this committee well knows, the percentage of substandard and dilapidated housing in rural areas is even greater than in the urban blighted areas to which the other legislation pending before the committee is directed.

We therefore recommend to the committee that it consider amendments increasing from $1,000 to $1,500 the maximum limit on the

amount of a loan, grant, or combined loan and grant for repairs and improvements to owner-occupied dwellings in rural areas or farm service buildings necessary to make them safe and sanitary; amendments to authorize direct loans to private nonprofit corporations and consumer cooperatives for housing for low-income rural families generally, and amendments to authorize rent supplement payments on behalf of low-income tenants on rental housing in rural areas financed by direct loans to private nonprofit corporations or consumer cooperatives.

In conclusion, may I again express my sincere appreciation for this opportunity to present the views of the National Housing Conference on the pending legislation and to express our confidence that the legislation recommended by this committee will again set a milestone for improved housing and community development programs for the American people.

Thank you very much, Mr. Chairman.

Mr. BARRETT. Mr. Keith, I want to compliment you on your very comprehensive statement. We are always most pleased to hear expert testimony from your fine organization.

Mr. KEITH. Thank you.

Mr. BARRETT. Of course, you have been a friend of this committee over the years. We are certainly grateful for your friendship and your very fine and instructive help

Mr. KEITH. I certainly appreciate that statement, Mr. Chairman.

Mr. BARRETT. Mr. Keith, is it true that there are not available any urban renewal funds for commitment for new projects before the beginning of the next fiscal year, June 30? In other words, the demand for urban renewal funds has grown more rapidly than expected. Is this not correct?

Mr. KEITH. That is definitely so, Mr. Chairman.

As I understand the situation currently, the Department of Housing and Urban Development, because of this fund situation, simply does not have the available urban renewal contract authority for this fiscal year to entertain any applications for new projects, or take any final action on them, regardless of how urgently they may be needed.

Mr. BARRETT. I have noticed, too, on your closing page you indicate the percentage of substandard and dilapidated housing in the rural areas is even greater than in the urban blighted areas.

I am quite sure that Mr. Stephens on our committee will be greatly interested in your statement on this, and I shall call his attention to it, and indicate just exactly how you people feel about this.

Mr. KEITH. Thank you very much, Mr. Chairman.

Mr. BARRETT. Mr. Keith, I want to ask you more or less a repetitious question here. I would like to ask you the same question I asked several of the witnesses who have appeared before us. It concerns the fear that some people have that the Federal coordinator which the bill would set up for each demonstration city program would be some sort of a dictator. I think some have called him a commissar and some call him a czar.

I don't believe this, and I think the bill is clear that he would not have dictatorial powers. But I would like to ask you some questions about this.

First, would the people who have such fears feel better, do you think, if we renamed the Federal official the local coordinator rather

than a Federal coordinator. Second, do you think that the idea of making the services of a coordinator optional to participating cities rather than mandatory, as now provided in H.R. 12341, would be a solution.

Would you be kind enough to comment on those two questions?

Mr. KEITH. On the first question, Mr. Chairman, as I understand it, the function of this proposed coordinator, certainly it is not to give him any dictatorial powers. If it would make the proposal more acceptable to have a different title, I don't think that is of too great importance.

I do see a very useful role for having present in a locality, on a full-time basis, a representative of the Department of Housing and Urban Development who could act as a coordinator and no doubt in many cases as an expediter of action by the various Federal departments on programs that are involved in the local program.

With respect to your second question, I would personally see no objection in making this—the establishment of such an office optional on the part of the participating city.

In my opinion, most, if not all, of the participating cities would welcome having such a representative on this scene, on a full-time basis.

One of the frustrating elements, as we all know, of dealing with Federal departments is time-consuming problems that are frequently encountered in getting decisions, involving trips to regional offices, trips to Washington headquarters of these various departments.

Having a full-time office which was fully versed in what the community was trying to accomplish and fully versed in the various Federal programs, would be of great help.

I would quite agree that if we viewed the objective of these jobs as a Federal dictator on local programs, we would strongly oppose it. But we do not believe that is the objective of it.

Mr. BARRETT. Thank you, sir. Mr. Fino.

Mr. FINO. Mr. Keith, in your statement before this committee you expressed some concern and some disturbance over this urban renewal program. You made mention of the fact that there is a tremendous backlog.

What will the demonstration cities do that urban renewal has failed to do?

Mr. KEITH. Well, as I understand, Mr. Fino, the objectives of the demonstration cities program, it would really mean pulling together on a much broader scale the activities that have previously been going on.

As far as urban renewal is concerned, I think it is clear that urban renewal would continue to be the core of the public programs in the participating communities. However, the objectives of the Demonstration Cities Act, as we read them, are first, to broaden the scope of local programs, not only in a physical sense, but in a social sense. It would contemplate, number one, that the program would geographically and in terms of people involve larger undertakings than has been typical under the urban renewal program so far. Second, it would tie together in a single coordinated program all other related Federal aid. And third, it would give major focus and emphasis on expanded social activities in the way of, in part, the various programs—under the so-called antipoverty program—educational pro-

grams, training programs—and would facilitate financially the use of these programs by localities by the supplementary grant as proposed.

Mr. FINO. What is the total funding you are suggesting or proposing for the various housing bills before this committee?

Mr. KEITH. Well, as far as housing is concerned, Mr. Chairman, while we see over the long run a need for substantial increases in Federal financial assistance for housing programs to serve low and moderate income families, at this particular moment in time we do not see any imperative need for an increase in those programs at this time. There will be a need over the years, without question.

The real limitation, as we see it, that exists in the funding of existing programs—the most important and crucial limitation—is the limitation on urban renewal contract capital grant funds. In that respect, what we are recommending for this committee's consideration is either to include in the legislation an increase in the urban renewal contract authority, an increase that we suggest will be needed at the rate of $1 billion a year for 3 years, or if that is not feasible, we recommend that the urban renewal authorization already passed by Congress last year, in the 1965 act, be made available as needed, without a limitation as to fiscal years, which at the current rate of demand in our opinion is found to slow up the whole rate of progress in urban renewal.

Mr. FINO. Would you care to give us a figure of how much you think?

Mr. KEITH. Well, as far as urban renewal is concerned, if our basic suggestion would be followed, this would make available an additional $3 billion for urban renewal. Our alternative selection—our alternative recommendation would not involve any increase in the amount of funds already authorized by Congress for urban renewal, but would make them available without an arbitrary limitation as to fiscal year.

I think it also should be pointed out that either one of those actions would have a very minimal impact on the actual budgetary expenditures of the Federal Government for the next few years, because of the long leadtime that is inevitably involved in urban renewal undertakings between the date that funds are committed or earmarked and the date when the projects are actually being carried out and the Federal funds are expended.

The experience has been there is a leadtime in almost all cases of at least 3 years before any Federal expenditures are made under an urban renewal contract with a locality for a particular project, and those expenditures then will typically be spread out over a period of anywhere from 4 to 6 years. The release of Federal funds already authorized by the Congress for commitments to needed urban renewal projects can be made without any increase in the funds already authorized by Congress, and with practically no impact on the actual Federal budget for the next several years.

Mr. FINO. Well, Mr. Keith, do you realize that out of the over $7 billion authorized for urban renewal, only $1.5 billion has been actually paid out in these 16 years that the program has been in operation; that we are running $4 billion behind in our commitment; that

we are unable to keep up with what we have to do at a time when we are calling for more to do.

Mr. KEITH. Well, I would say the fact that only $1.5 billion has been paid out verifies the statement I have just made—that there is this long leadtime that is involved in the program.

On the other hand, if the whole program is brought in effect to a a halt between now and the beginning of the next fiscal year, and it is then held down to a level substantially under local demands, this would slow up the whole combined efforts by communities to carry on urban renewal on an expanding basis.

Mr. FINO. Well, isn't there more than just underfinancing involved here?

Mr. KEITH. Well, I would say on the whole—and I would think if the figures are examined by fiscal years—I mean the rate of urban renewal expenditures under outstanding contracts has been increasing each fiscal year, as these projects advance further into the execution stage.

I think the primary reason for the fact that actual expenditures of urban renewal capital grant funds so far represent only a fairly small percentage of the total authorization is primarily a reflection of the length of time that is involved in carrying these projects out. It typically takes 2 years to complete a plan, with detailed appraisals, and all the other technical studies that are required to be made before the program actually gets started in the sense of acquisition of property or rehabilitation of property.

The process of land acquisition, the rehabilitation, the relocation of families—this again in any sizable project will take 2 to 3 years before—in the case of a redevelopment project—before land is available to be offered for private development.

Back some years ago it is true that there were a number of projects where buyers for the cleared land were in some cases not in evidence for several years. I mean this has changed very drastically.

I think that in a great majority of cases, as experience has developed in the urban renewal program, as private developers have become more familiar with it, as nonprofit corporations have become more and more significant factors, the problem of disposal of land is nowhere near as serious as it was a few years ago.

Mr. FINO. Well, wouldn't you think, from what you are saying, that this proposed legislation, the demonstration cities proposal, would cripple the urban renewal operations for cities not covered in city demonstrations?

Mr. KEITH. Well, I would say on that, that in order for the demonstration cities program to be effective, in order for cities throughout the country to proceed with urban renewal programs, that there is no question in my mind that additional urban renewal funds are absolutely essential.

Mr. FINO. You advocate, as I understand your testimony, the establishment of new towns with economic integration, am I correct?

Mr. KEITH. That's right.

Mr. FINO. Wouldn't these towns be without a genuine economic base that would enable them to survive?

Mr. KEITH. Well, our whole approach to the new towns or new communities is that they should be developed on a broad basis that would

involve industry, involve employment activities, so the end result would be in effect a self-contained community with employment opportunities, with an industrial tax base, as well as residential uses.

Mr. FINO. Thank you.

Mr. BARRETT. The time of the gentleman has expired.

I wonder, Mr. Gonzalez, if we can go to Mr. Reuss and come back to you, and give you an opportunity to look over the statement.

Mr. GONZALEZ. I have no questions at this time.

Mr. BARRETT. Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

Mr. Keith, we are very grateful for your advice and help.

I followed very closely your expression of hearty support for the goals of the demonstration cities program and also your recommendations for making sure that the program would, in fact, fulfill those goals.

Some members of the subcommittee and myself have had the same difficulties you have had with the size and priorities of the program. I can say for myself that I am sympathetic to your recommendations that the special funds provided for the demonstration grants program be made immediately available on a first-come, first-served basis, and that urban renewal funds at least be made more readily available than they now are.

In an attempt to work out a first-come, first-served basis, Representatives Moorhead, Ashley, and myself were concerned that the standards of eligibility for a demonstration cities grant be clarified so that all cities that are really qualified would be able to get help, and that the necessarily limited funds not be dispersed over cities and projects which were of lesser qualification.

With that in mind, we suggested the addition of a criterion to the eligibility requirements now in the administration's draft bill which additional criterion would require that the sections or neighborhoods to be aided under the demonstration grants program be those "subject to high-priority economic or social pressure, such as population density, crime rate, public welfare participation, delinquency, poverty, unemployment, educational levels, health and disease characteristics, and substandard housing."

I would like your judgment on whether such a sharpening of the criteria would be useful.

Mr. KEITH. I would think it would be, Mr. Reuss. It would certainly seem to me that language of that type would be fully consistent with our understanding of the objectives of the bill. I would think it would be helpful to have it specifically stated.

From my knowledge of most cities, I think they would tend to operate on that basis in any event—from the standpoint of selecting areas for this kind of intensive and extensive treatment. But I think it would be helpful to have the objectives contained in the bill.

Mr. REUSS. My second question has to do with your point three in your testimony under your demonstration cities testimony.

There you say, and I will paraphrase it, that you would recommend that clarifying language be incorporated in the bill, recognizing that Federal assistance will be necessary for relocation of residential development, whether or not it is in the section or neighborhood or the demonstration city area.

Well, I heartily agree that it is going to be necessary in order to break up ghettos, for example, that we extend beyond the affected section or neighborhood.

But I had thought that the bill as drafted by the administration did permit and encourage that.

Are you sure that there is any such exclusion?

Mr. KEITH. I made that comment, Congressman, for the reason that it was not clear to us that this would actually be the case. I think that the bill could be read as implying that an area covered by these demonstration city programs would have to be a contiguous area.

On the other hand, the bill states as part of its objectives, which we strongly support, that the program should result in an increase in the supply of satisfactory housing available for moderate- and low-income families.

It is simply our point and our feeling that in order to accomplish that objective in most cases there is going to have to be new residential development, either on vacant land or on sparsely developed land that would not involve any major displacement in order to reach this objective, both from a relocation standpoint and from a long-term use standpoint of an increase in the housing supply.

Mr. REUSS. If our reading of the bill, when we get to the marking-up stage, discloses that in fact there is nothing in the administration's draft which requires that the new housing be constructed in the section or neighborhood subject to the demonstration cities grant—it is my belief that it does not so require—as far as you are concerned a statement in the committee report that this is our understanding of it would be just as good as language in the bill itself?

Mr. KEITH. Yes, I would certainly say so.

Mr. REUSS. My third and last question has to do with the urban coordinators set up by the demonstration cities bill.

It was a feeling of some of us that the urban coordinator is a good idea, in fact such a good idea that it should not be restricted to that limited number of cities which qualifies for demonstration citiy grants, and that efforts should be made now to see that every metropolitan area has a Robin Goodfellow from the Federal Government in there, knowledgeable on housing and urban renewal and open space and rehabilitation, to assist local people in finding their way through the wonderland of Federal bureaucracy.

Would you agree that if the idea of a Federal urban coordinator is good for demonstration cities, it's also good for major metropolitan areas which may not wish to or may not in fact qualify for demonstration city programs?

Mr. KEITH. Well, I can certainly see a useful role for such a position in any area that is carrying on major programs of an urban nature. There is no question—as I believe I indicated previously—that one of the frustrating elements encountered by cities in dealing with Federal Departments is the time-consuming process of first finding out where to go, and second getting decisions at some distance away.

I think a knowledgeable person to act as coordinator and expediter and a source of information and advice would be helpful in any metropolitan area that has extensive activity underway.

Mr. REUSS. Thank you.

Mr. BARRETT. Thank you, Mr. Reuss.

Mr. Keith, we certainly appreciate your splendid testimony here this morning. We want to tell you that every time you have appeared before this committee, it is most edifying. Thanks very much.

Mr. KEITH. I certainly appreciate it. It is always a privilege to be with you.

Thank you very much.

Mr. BARRETT. Our next witness is one of our great mayors from Pennsylvania, Joseph W. Barr, Jr., mayor of Oil City, Pa., testifying on behalf of the National League of Cities and the Pennsylvania League of Cities.

Mr. Barr, would you come forward to the witness table, please.

Mr. BARR. Thank you very much, Mr. Chairman.

Mr. BARRETT. Mr. Barr, it is certainly nice to have you here this morning.

We have quite an outstanding thing in common. I happen to be a Pennsylvanian, and I constantly hear of this great mayor, Joe Barr, from Oil City, by one of the most capable men I think that has been sent to the Congress from Pennsylvania representing the 23d Congressional District of Pennsylvania. I have known him for many years—while he was in the State senate, also interested in the monetary system of the State, as well as the entire country. He has come here, now recognized as being one of the most knowledgeable and capable men on the Banking and Currency Committee. I am quite sure he would like to introduce you to this committee.

Mr. Johnson, would you recommend your very good friend to this committee.

Mr. JOHNSON. I certainly will.

Mr. Chairman and members of the subcommittee, it is a great honor for me this morning to have as a witness before this committee Hon. Joseph Barr, of Oil City. I think the Chairman rightfully said he is one of Pennsylvania's outstanding mayors. He is a great booster and friend of urban renewal.

As a result of his outstanding leadership, he has practically made a new city out of Oil City, so that Look magazine recognized it 2 years ago as one of the All-American Cities of the United States, which was a signal honor.

Mayor Barr has devoted himself to the job of being mayor unstintingly and with devotion and at great personal sacrifice. He has not only devoted himself to Oil City, but to the Pennsylvania League of Cities as well.

Again, I say we are very honored, Mayor Barr, to have you here before the committee this morning.

STATEMENT OF HON. JOSEPH W. BARR, JR., MAYOR OF OIL CITY, PA., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES AND THE PENNSYLVANIA LEAGUE OF CITIES; ACCOMPANIED BY DONALD A. SLATER, LEGISLATIVE REPRESENTATIVE FOR THE NATIONAL LEAGUE OF CITIES

Mr. BARR. Mr. Chairman, and Mr. Johnson, I appreciate your overgenerous remarks. I will try to live up to the standard you have apparently set for me.

I am very much appreciative of having Congressman Johnson introduce me here. It is a real honor to have him do it. I will say sincerely, in answer to you, Mr. Johnson, we are very proud of the work you are doing for us and for the Nation in general.

Mr. BARRETT. Thank you, Mr. Mayor, and thank you, Mr. Johnson.

Now, Mr. Mayor, we certainly want you to feel at home here. We want you to feel part of this big family.

If you desire to complete your statement before we ask you questions, you may do so, and if you choose to take any other approach, whatever you decide we will certainly be agreeable to.

Mr. BARR. Mr. Chairman, I have prepared some remarks which I would appreciate having an opportunity to present, and then, of course, I will be glad to answer any questions.

Mr. BARRETT. Mr. Mayor, before you start, I note that you have an associate with you. In the event that he might be requested to answer a question, would you be kind enough to introduce him for the record.

Mr. BARR. Yes. I have with me Mr. Donald A. Slater, who is the legislative representative for the National League of Cities here in Washington.

Mr. BARRETT. Thank you.

Mr. BARR. Mr. Chairman and members of the committee, I am Joseph W. Barr, Jr., mayor of the city of Oil City of Pennsylvania. It was my privilege to serve recently as president of the Pennsylvania League of Cities. I continue to serve these 52 Pennsylvania cities as chairman of the League's Committee on Community Affairs and Intergovernmental Relations—I have also served as chairman of the Committee on Intergovernmental Relations of the National League of Cities, an organization of some 13,500 municipal governments of all sizes. I appear before you today as a representative of both of these municipal organizations, and on behalf of both of them I wish to endorse the legislation pending before you, the Demonstration Cities Act of 1966 and the Urban Development Act of 1966. From each of these organizations I possess firm authorization to do this. We are, indeed, in wholehearted concurrence with the objectives of both bills.

In the President's message on cities, and in the testimony on the legislation by Secretary Weaver, Mayor Cavanagh, and the other distinguished witnesses you have heard the nature of the problems besetting urban areas described both precisely and eloquently. This testimony has urged the point that the techniques prescribed by the legislation are relevant to the major metropolitan centers and the small cities as well.

The two bills are singular in their comprehensiveness and administrative arrangements, and constitute by far the most ambitious and far

reaching Federal package yet advanced for the creative rebuilding of our cities. This package represents a logical evolution to a new and more advanced, a more refined stage in Federal policy in urban problems.

It opens unparalleled opportunity for cities to marshal in a more orderly and effective way than ever before the vast array of resources, both public and private, to the task of creating a livable and stable urban society. It offers a means for bringing these resources to bear with more telling impact and greater clarity of purpose.

I mentioned I am speaking on behalf of the two leagues of municipalities. But I might emphasize here, in endorsing this legislation, I am speaking, too, from my own personal experience as a mayor who has grown from, so to speak, from the grassroots, the ground up, in the evolutions of this whole urban picture, particularly, of course, from the small city standpoint.

The objectives of the programs represented by these bills deserve the wholehearted support of all of our mayors of our smaller cities. It is the smaller cities which have the most to gain from the program and, conversely, a great deal to contribute in return to the Nation's economic and social vitality.

My testimony will include an effort to clarify the position of the smaller cities in relation to the metropolitan ones in the overall urban scene.

Smaller cities share the concern, as expressed by Mayor Cavanagh, that the program, if it is to become a reality to all, be comprehensive enough, bold enough, and adequately enough financed to do the job expected of it. The observations on this score presented in previous testimony are of prime importance. We concur in the specific observations presented by witnesses representing our municipal organizations and we desire to underscore them here. Nothing could discredit and destroy these proposed remedies for the urban problem more quickly and completely than inability to carry them out with dispatch and efficiency, with comprehensiveness in scope and with adequate funding from the Federal level of government. On this point, it might be observed that the proposed legislation establishes as a criterion for demonstration city project eligibility that the locality provide firm assurance of the availability of local matching funds adequate to see the job through properly. It is to be hoped that the same criterion will be applied with equal realism to the provision of Federal-level funds.

We also wish to express our concurrence with previous testimony that ample financial assistance be available to all cities to cover both the preliminary planning phase of demonstration projects and the ongoing planning which must accompany project execution.

I think you will find me emphasizing the planning underpinning of this thing quite extensively.

This is fundamental to the entire concept, the very essence of which is comprehensiveness, and a high degree of overall coordination.

Comprehensiveness in attack on the total problem has not always been a notable characteristic of metropolitan programs in the past, often to the detriment of many of these programs. The proposed legislation offers an opportunity to correct this deficiency and to establish trends and precedents in the direction of adequate metropolitan and regional planning, recognizing this as the soundest possible underpinning one can give to any community development undertaking.

It was observed in testimony previously offered here that the proposed funding for planning is inadequate, and suggestions were offered on how this could be improved.

Mayor Cavanagh, I believe, particularly emphasized that point. I want to say we concur fully in the suggestions on making that funding of the planning ample.

In addition to the emphasis urged with respect to planning, we also concur fully in the suggestion that applications be processed on a first-come, first-served basis subject to the requirement that demonstration cities be broadly representative as to geographic and population distribution.

We would enter a plea here that the medium sized and smaller cities of the Nation thus be put on an equal competitive basis with the metropolitan centers in applying for demonstration city projects. In our judgment it would be wasteful and neglectful not to include the small cities in a substantiaal way, for it can be argued that broad-scale activity of this kind develops more impact, dollar for dollar, in smaller communities than in larger ones—if only because the smaller city constitutes a more manageable situation, one amenable to the genuinely comprehensive approach such as is called for in the proposed legislation.

It is pertinent at this point to note that the President has again called for the encouragement of "new towns" through a program of Federal assistance specified in the Urban Development Act. An argument has been advanced in justification for these new communities that they are necessary to accommodate natural population growth in our metropolitan areas. The same argument, it seems to us, can be applied to the problems and the development potentials of our medium and small cities. We would like to suggest that our existing medium and small cities are themselves possible existing nuclei for "new towns." They exist even now as urban centers which still enjoy a wholly human scale, and an environment still conducive to maximum fulfillment for the individual. These smaller urban concentrations represent investment in economic, social, and human values which are eminently worth saving and developing as an invaluable resource in coping with the crisis of urban populations. In fact, it would appear that any approach to the metropolitan problem would be incomplete and possibly futile in the end unless coupled with an equal effort to revitalize the smaller cities as well.

What we are talking to here, of course, is the point that this legislation is and should be small city as well as large city legislation, applicable to both.

In Pennsylvania and New York, we refer to them by the general term, "upstate" urban centers, those lying approximately 50 miles beyond the radius of Pittsburgh, Philadelphia, and New York City. There are some 23 such "upstate" cities in Pennsylvania—ranging in size and type from Erie, Williamsport, Easton, Scranton, New Castle, and York, to Meadville, Bradford, Sunbury, and Shamokin. There is a growing recognition that they differ little from Philadelphia or Pittsburgh in elemental character, regardless of size; that the root problems of all of our cities are identical, differing more in degree and intensity than in kind, and calling for essentially the same responses and remedies. For all of them alike, the task of renewal and regener-

ation requires the coordination of resources of the total government and the concern of our entire society.

A recent survey of Federal assistance programs by the Pennsylvania League of Cities illustrates this point. Of 25 cities in our State, ranging in population from Philadelphia with her 2 million to Uniontown, for example, with 17,000 people, it was found that, predictably, Philadelphia used more of the currently available Federal programs in terms of number of programs—20 in all. The survey also revealed that smaller cities employ many Federal assistance programs, on the average, at least 10. The survey also sought to discover whether or not these various Federal programs were commonly administered or coordinated by one agency of municipal government.

The results indicate that while many of the development and housing programs tend to be under the administration of the local redevelopment agency, there has been very little central administrative or are in the process of establishing offices—usually of departmental these 25 cities, it was found, have, however, either recently established or are in the process of establishing offices—usually of departmental status—for overall community development coordination, thus recognizing the need for a focal point for urban affairs within the structure of municipal government.

We conclude from this, first, that our smaller communities have indeed developed a heavy dependence on existing Federal assistance programs, and we would hope that the demonstration cities program would recognize this body of experience in the utilization of assistance and be willing to build upon it. And second, we see in the demonstration cities program a very important means of stimulating the emergence of central administrative and coordinating mechanisms for urban affairs in cities where these do not as yet exist, and supporting and strengthening the efforts of those cities which have already progressed in this direction.

In short, we eagerly welcome the support implicit in the demonstration cities program for the development of better urban affairs administrative capacity in local government.

A further observation on the subject of coordination is in order. It is essential, particularly with respect to the smaller communities, that the Federal coordinators called for in the demonstration cities bill be assigned administrative regions which conform as nearly as possible to existing regional planning and intergovernmental council regions. In Pennsylvania these jurisdictional boundaries should conform as nearly as possible to the State planning board's 13 regions and those which will emerge in the newly established Department of Urban and Community Affairs of the State of Pennsylvania. These regions are identical to the many regional planning commission jurisdictions and the regional councils of elected officials now emerging.

For instance, we have the Pittsburgh-Southwestern Pennsylvania Regional Planning Commission region which I am most familiar with, and the regional planning jurisdictions around the Philadelphia metropolitan area.

Every effort is being made in Pennsylvania to bring about a conformity as between the boundaries of these regions and those of Federal and State program administrative districts. Our State has, for instance, successfully induced the Economic Development Administra-

tion and the Appalachia program to develop their administrative districts in conformance with these regions.

The establishing of demonstration cities or Urban Development Act administrative districts independently of the basic existing regions within the State could only add more frustration and confusion to a scene which badly needs simplicity and uniformity, and could only defeat the coordination objectives which are so central to the main purpose of these bills. The conformation of the 13 regions in Pennsylvania are largely a response to organic local and regional community needs and initiatives. Nothing discourages local initiative so much as a profusion of administrative districts which ignores the local sense of community. We would suggest that the Department of Housing and Urban Development work closely with the States in handling this key element of a successful Federal-State-local intergovernmental relationship. This action would do much to implement the President's desire to bring the whole gamut of diverse governmental programs and resources to bear more directly and effectively on community development needs.

In this connection, we make one more reference to the comprehensive planning requirements which are established as the foundation of the demonstration cities program and which constitute a significant part of the Urban Development Act.

The planning requirements should, indeed, be high and strict as a prerequisite for qualification for supplemental grants with emphasis on the organic community which overlays the arbitrary boundaries of established municipal jurisdiction. This implies a need to encourage the establishment, concomitantly with regional and metropolitan planning, of regional councils of elected officials, to which the planning becomes directly attached as a staff function. We see this as the clear intent and a major thrust of both bills. The objective here is, of course, to require not only that there be effective and adequate metropolitan and regional planning but also that the means be provided for implementing plans prior to the approval of a grant. The President emphasized this principle in his message, and we support it.

In concluding, I would like to add, of course, I personally see, as a representative of the Leagues of Cities, a number of serious problems facing the implementation of legislation of this kind. But I think that we are concerned with expressing the point that this legislation does represent thrust in the right direction, recognizing that the problems do exist.

I think the delineation of these potential problems has been very adequately covered by previous witnesses and I will not attempt to go into those here. I merely want to talk to the adequacy of the general purpose and thrust of this program.

So thanks very much indeed for this opportunity to be here.

Mr. BARRETT. Mayor Barr, you have certainly made a very fine statement, and I would say a very constructive one.

Of course, some people seem to have the impression that the demonstration city bill would be almost exclusively a large city bill.

I don't agree with that in any aspect of the bill. But I would like to hear from you whether you agree that cities of all sizes, large and small, would benefit greatly by participating in the demonstration cities grant program.

Could we have your comments on that?

Mr. BARR. Well, I don't think there is any question about it. Unfortunately, the image of this legislation has been one attached to the larger cities.

Mr. BARRETT. Mr. Mayor, may I just say this, Will you use your own little city as a model to indicate that certainly the small cities as well as the large cities have the same conditions?

Mr. BARR. Yes; I could use my city, if you don't mind, as an example.

As I have indicated in this testimony, we know that the smaller cities are identical to the large ones in the root problems which confront them. We are involved in a tremendous local program amounting to an estimated total investment of public and private funds of around a million dollars per year for the next 20 years.

We find ourselves using the same techniques, the same approaches to these problems that are used in the metropolitan areas.

I think, quite frankly, we have, over the past 10 years, used much of the Philadelphia approach to metropolitan problems as a prototype for our program—the refinement of their planning, the comprehensiveness of their planning as a basis for their effort, the close interrelationship between planning and governmental action, and citizen action.

To us Philadelphia has served as a prototype.

Now, I think this is emerging in the smaller cities as well. Erie is doing a good job along this line, for instance.

Well, as our testimony pointed out, of the 25 cities which responded in the Pennsylvania League survey, every one has utilized the techniques which are pretty well known in the larger metropolitan centers.

Mr. BARRETT. Mr. Mayor, I might be repetitious in this question—but from your statement I assume you would agree that when the application is accepted by the Secretary indicating that the demonstration city has met all the requirements, and therefore establishes a coordinator's office, and then appoints a director—this would have no detrimental effect and would certainly not cause you to be suspicious that he would take over completely in your city or dictate to you; would it?

Mr. BARR. Well, let me preface that by saying that in this whole local-State-Federal interrelationship, there is always, of course, a legitimate fear that the local scene will be dominated by the higher levels of government.

But I think that whether that happens or not rests entirely with the vitality of the locality itself.

Our whole philosophy in Pennsylvania—I think it represents the Pennsylvania League of Cities' point to view—is that the management of that total relationship must be encouraged at the local level. Otherwise, of course, the higher levels will come in to fill the vacuum.

So assuming that the local community responds as it should, there is just no need whatever for being subjected to arbitrary State or Federal level dominance.

Our whole experience has been in Oil City—if I may refer to Oil City again, where we have managed this whole thing firmly, have been in control of our destiny, and the State and Federal participation has been merely an extension of our local policy. And that, I think we all would agree, is the way it should be.

Mr. BARRETT. Thank you very much. Mr. Fino?

Mr. FINO. Mr. Mayor, what is the population of Oil City?

Mr. BARR. About 18,500 within the municipal limits, but what we like to call an organic community over and beyond the formal limits that we are dealing with here as a practical problem of around 25,000.

Mr. FINO. I gather from the name Oil City that you have oil in that city?

Mr. BARR. It is near Titusville where the first oil well was drilled in 1859.

Mr. FINO. Do you still have oil there?

Mr. BARR. There is some. But the disappearance of oil as the basis for the economy is one of the motivating features of our program. This whole program has been designed to diversify. That is what is happening, very definitely.

Mr. FINO. Now, there has been testimony, there has been argument and discussion regarding the Federal coordinator. This seems to have disturbed some of the members of the subcommittee, particularly yours truly.

Now, suggestions have been made, No. 1, that we change the title of Federal coordinator to expediter or adviser or something else. The feeling is that the title of Federal coordinator might have certain connotations of a czar or commissar or big boss.

Now, a suggestion has been made that possibly the cities involved or the communities involved would make recommendations of local people to assume the responsibility in coordinating these activities. How do you feel about that?

Mr. BARR. Well, I would concur in the point of view that as much as possible the coordinator or the expediter, whoever he is, should be selected from the local scene; yes, if you can find a qualified man.

Mr. FINO. In other words, you feel that you should have a say in picking a Federal coordinator?

Mr. BARR. I would say so, definitely; yes. I am wondering—you will notice in our testimony we have indicated from our Pennsylvania survey that our cities are moving in the direction of establishing their own—well, a lot of them call them community development departments, which are responsible for local administrative coordination.

I think that one of the responsibilities of those departments should be concerned for the adequacy of a local Federal coordinator, help to pick him, recommend, and so forth.

Mr. FINO. On the question of authorization of funds, Dr. Weaver has suggested in his testimony that we go up to about $2.3 billion in this program.

Now, how much do you feel that Oil City would need to get into this program?

Mr. BARR. On that point, I cannot answer you precisely.

Mr. FINO. Can I give you some idea what the others have suggested? The mayor of Detroit asked for about $2.5 billion. The mayor of the city of New York has asked for $2 billion. Already we have gotten over the authorization. The mayor of the city of Newark with 400,000 people has asked for $200 million. A city like yours—how much do you think you would need?

Mr. BARR. In talking this over roughly a few days ago with our coordinator, we estimated that it would call for possibly an additional

5 percent over what we are already deriving from our various—I think we have seven programs. I should have that figure precisely in mind for you, but I don't. I think the Federal fund element here runs around $7 or $8 million at the present time, either expended or committed to our program.

A good deal of that is urban renewal money, which is on a three-quarter Federal grant basis.

The demonstration cities program might add another 10 percent, maybe, throwing all those programs together. Just as a rough guess—10 percent of $7 million—we will say another million dollars.

This is over a 20-year period.

Mr. FINO. You are talking about Oil City.

Mr. BARR. Yes.

Mr. FINO. How about the county? How about the State of Pennsylvania? After all, we do have the chairman of the subcommittee coming from Pennsylvania—Philadelphia more particularly—and we want to be sure they are not short changed.

Mr. BARR. It might amount to a little more than that, because with the emergence of the poverty program phase of this thing, just now getting started, to which no funds have been previously committed—I presume that would swell it.

In answer to that, and I think that is a very pertinent and interesting question—this survey from which I quoted will, when it is completed, probably give us some figures on that.

At the moment, this survey has not been able to develop dollar amounts of Federal funds which are committed to our Pennsylvania cities.

Now, having once gotten that basic figure, I think this study group can go on and maybe get you a more precise answer. I will follow that through if you would care to have some further figures on it.

Mr. BARRETT. Mr. Mayor—I wonder if the gentleman from New York would yield to me.

Mr. FINO. I certainly do.

Mr. BARRETT. I certainly appreciate the gentleman from New York looking out for the welfare of Pennsylvania. But as chairman of the subcommittee, I'm greatly interested in seeing that no people, no cities, no areas in dire need for this kind of money are not getting their adequate amount.

Mr. BARR. Yes.

Mr. BARRETT. Everybody in every area that needs it—certainly I think we ought to work toward that end—to see that they get it. I appreciate the gentleman's interest.

Mr. BARR. Referring back to the comment of a previous witness here, as I came in, possibly that could be one—an additional element in the criteria, the intensity of need. We certainly do not want to overlook first off the areas of greatest need.

Mr. FINO. Well, let me just throw out a question.

Do you think that $2.3 billion is going to take care of 60 or 70 cities that the Secretary talks about.

Mr. BARR. It certainly is not.

Mr. FINO. Digressing for one moment—and only because you brought in the poverty program—I was curious to know, because of all the criticism on this poverty program—does the director of the poverty program in your city receive more salary than you do?

Mr. BARR. There is no director as yet, but I presume he will. As a part-time mayor, so to speak, working full time, my salary is $2,500, I don't mind saying.

Mr. FINO. Then for sure the poverty director will get more than that.

Mr. BARR. He is pretty sure to come up to that. I might be looking for that job myself.

Mr. FINO. Now, as to planning—there is nothing in the law or administrative regulations that requires any one agency to be chosen.

However, doesn't the fact that once the Secretary of the Housing and Urban Development approves one metropolitan agency, that makes that agency the determining factor, and the nonjoiners are somewhat penalized by being denied Federal aid for failure to sign up for whatever reason they might have?

I mean do you feel this is the proper approach—this one agency?

Mr. BARR. I am not sure that I understand the question completely. But it's my understanding that the legislation requires that whatever the local agency is which is selected, that the whole program be endorsed and supported officially by the elected officials of the municipality.

Mr. FINO. Well, the concern is that once this agency is created and set up, this is like a union—you have to join in order to qualify.

Mr. BARR. I will have to admit that I am not entirely familiar with the provisions of the act that you are talking about. I would say this, though. I feel rather strongly, and I think it represents our Pennsylvania League policy, that every effort should be made to see that the elected municipal officials—in other words, the city government—be the focal point for this sort of thing. City hall should be at the apex of this whole community development process. I would not endorse the idea of some lesser agency in the community being this focal point. The selection of whatever local agency this is does place that agency right at the center of the whole community development effort. I would prefer, myself, to see the city council made that very agency.

Mr. FINO. Thank you.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman. I have no questions of the mayor, but I thought he ought to have an explanation of why there are so many absentees this morning, and why I was late this morning.

We were invited down to the White House to witness the swearing in of the new Governor of the Federal Reserve Board. I saw most of my colleagues down there. So that's the reason we were not here to hear all of your testimony.

Mr. BARR. I appreciate your coming.

Mrs. SULLIVAN. What I did hear, I thought was very good and enlightening. I agree with you that we cannot put all of this demonstration money in just the larger cities. I think we should have a number of various size cities in order to make a good evaluation of how this program would work.

I appreciate your coming and telling us your views on this.

Mr. BARR. Thank you, Mrs. Sullivan.

Mr. BARRETT. Thank you, Mr. Mayor. We certainly are grateful for your very fine statement. We appreciate your coming here.

Mr. BARR. Again my appreciation to you.

Mr. BARRETT. Our next witness this morning is a very distinguished Member of Congress from Delaware, the Honorable Harris B. McDowell, Jr.

We also expected to hear from the Honorable John E. Babiarz, mayor of Wilmington, Del., but he sprained his ankle in an unfortunate accident and cannot be with us today. However, we will receive his written statement and incorporate it in the record at the conclusion of Mr. McDowell's testimony.

Congressman McDowell, you may proceed in your own way.

STATEMENT OF HON. HARRIS B. McDOWELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

Mr. MCDOWELL. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I would like to take this opportunity to express to you my support for the three bills proposed by the administration to carry out recommendations of the President in his message to Congress on city demonstration programs and to improve and extend housing and urban development legislation. These bills are carefully designed and justify the hopes of those of us who last year supported the proposal to establish the Department of Housing and Urban Development.

The Urban Development Act would provide new incentives for effective metropolitan planning and development in the form of increased financial aid to federally assisted projects of types which generally affect the growth of metropolitan areas, such as 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. The need for such aid was underscored by President Johnson in his message to Congress when he said:

> 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.

Sound planning is a sound and wise investment. Approximately 125 million Americans live in metropolitan areas, and this is expected to increase to 180 million by 1985. Federal, State, and local governments will be spending, during these years, billions of dollars 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, at the same time, make major contributions to the goal of a suitable living environment for every American family.

In the Housing Act of 1965, Congress enacted a significant new program of FHA mortgage insurance for privately-financed land development. As this program has developed, it has become clear that only large developers can participate in it because of the heavy financial demands required for site preparation. Even for large developers, the financing available is often inadequate for efficiently scheduled land development operations. Moreover, the cost is often out of line with the financing charges that permit small scale land development and the actual construction of housing.

This bill will permit small builders to participate in this FHA program. If this segment of the building industry is excluded, if our small and medium-sized builders are unable to make the contributions of which they are capable, our Nation stands to forfeit the resources which derive from a diversified homebuilding industry.

The Housing and Urban Development Amendments of 1966 will make other needed changes in the laws governing existing programs. I believe Congress must be willing to adopt amendments which will make these housing programs work better when they are based on actual working experience as these have demonstrated.

One such 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. The volume of this program has declined greatly, and it is expected that by giving lenders the small increase recommended by the administration in the return on their loans, more loans will be made. Without such loans, homeowners, especially those of low- and moderate-incomes, may be unable to obtain emergency home repair credit without paying high or even exorbitant interest rates. This seems to me to be a desirable step.

The limit on the amount of a home mortgage insured by FHA under its special program for low and moderate incomes, and displaced families would 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, and is made necessary by increased home costs.

Another amendment, which seems to me to have considerable merit, 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. This provision would be very helpful to local housing authorities, and would enable them to provide housing for large displaced families, many of which have been on the waiting list for public housing for years. At the present time, local housing authorities cannot assure what will happen to these families when the presently authorized short-term leases end. The provision of longer term leases would prevent further insecurity to those displaced by urban renewal, highway construction, or other public improvements.

Still another provision in this bill would enable local housing authorities to lease housing to be constructed. Here, again, increasing interest is being shown by private builders and the private housing industry in general in working with public housing authorities in the development of housing for low-income families. This amendment would result in costs substantially lower than can be achieved by many local public housing authorities and would result in substantial savings to the taxpayers. This amendment would provide, as Dr. Robert C. Weaver, Secretary of the Housing and Urban Development Department, has said:

Additional stimulus for much greater participation by private building interests in the low-rent housing program.

This is a very desirable objective, for, as Dr. Weaver has emphasized:

> 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 technological advances in knowledge that have already been made in the areas of housing construction and design and urban development.

The Demonstration Cities Act of 1966 is the most important proposal in President Johnson's program for rebuilding America's cities. In his message to the Congress recommending this bill, President Johnson said:

> From the experience of three decades, it is clear to me that American cities require a program that will—
>
> Conentrate 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 President pointed out that this bill would "offer qualifying cities of all sizes the promise of a new life for their people." I am pleased to say that I have joined with a number of the Members of the Congress in both the House and the Senate in cosponsoring this measure which has aroused such widespread interest among urban dwellers, city officers, and the news media.

The problems confronting our cities today have been widely publicized in the newspapers, on the radio and television broadcasts, in textbooks and periodicals, and in past hearings before congressional committees. Slums and blight are widespread. Persons of low incomes have tended to concentrate in our cities as the suburbs have grown and proliferated. The spread of blight, and the overcrowding of established communities have tended to create new slums. Tax funds to cope with these problems have declined as the taxable value of slum and blighted areas has declined. It is a depressing cycle, for at the very time that the need for public services multiplies in our cities, the city's financial ability to provide these needed services has been impaired. Sometimes, it has become clear, the cities with the greatest slum problems have the least capacity for solving them. New methods and new techniques have become necessary and it is to these problems that this Demonstration Cities Act of 1966 is addressed.

The Administration bill establishes Federal "urban coordinators" to assist only those cities qualifying for the demonstration cities program. The amendment which I have offered, instead of setting up new and special coordinating offices, would utilize the 76 existing FHA regional directors, who between them, have jurisdiction for all of the urban areas in the 50 States. After all, if the principle of coordination is sound, as I believe it to be, it is sound for all of our cities, not just for those which are selected and qualify under the Demonstration Cities Act. My amendment provides that to the extent that they need additional specialized help, the Secretary of the Housing and Urban Development is directed to provide it. The amendment would have the advantage, over the formulation tendered by the administration, of cost saving through utilizing existing decentralized Federal personnel and offices. It could provide the needed coordination immediately and it would provide for all urban areas not just the limited 60 or 70

cities which are expected to participate in the demonstration cities program. I would hope that the way I seek to amend the Demonstration Cities Act will commend it to your committee and that it will be adopted. I offer it in a constructive and helpful spirit.

I would hope very much that Wilmington, Del., will be one of the cities selected for the demonstration cities program authorized by this legislation.

Wilmington has shown its interest in and its support for Federal housing programs. Through the combination of an alert city government, and with the support of business and civic leaders, and with the help of the Federal Government, it has launched programs to provide better housing for its many low- and moderate-income families, and to provide downtown revitalization as well as improved educational and recreation facilities.

If any city meets the requirements of the demonstration cities program, Wilmington, Del., does, for it is among those cities which help themselves. Its efforts over the past several years demonstrate that there is a serious commitment to the project on the part of local * * * authorities. Wilmington has built, through the years by the use of federally assisted housing programs, a platform from which further sound experiment and development can be launched and executed and from which sound urban growth can be shaped.

Wilmington can be characterized as the core of Delaware's industrial and manufacturing complex. It has, I believe, reached the level where help is sorely needed to assure that the powerful forces of urban growth do not overwhelm Delaware's efforts to achieve orderly development.

Mr. Chairman, I pledge my full support for this legislation and I appreciate very much this opportunity to submit my views to this distinguished committee.

Mr. BARRETT. Congressman McDowell, I do not have any questions to ask you, but I do want to compliment you on your very fine statement.

Mr. MCDOWELL. Thank you, Mr. Chairman.

(The statement of Mayor Babiarz follows:)

STATEMENT BY JOHN E. BABIARZ, MAYOR OF WILMINGTON, DEL., IN SUPPORT OF THE PROPOSED DEMONSTRATION CITIES ACT OF 1966

Mr. Chairman, I am pleased to have the opportunity to appear before this subcommittee of the Committee on Banking and Currency of the House of Representatives. Harris B. McDowell, Congressman at Large from Delaware, introduced H.R. 13292, which in my opinion contains a number of improvements which will strengthen the purposes and intents of the Demonstration Cities Act of 1966. I am also a member of the advisory board of the U.S. Conference of Mayors, and chairman of the Regional Conference of Elected Officials, a regional group extending from Wilmington, Del., on the south to Trenton, N.J., on the north, a highly industrialized area in the Delaware River Valley with Philadelphia as the major city at the core.

I am appearing before your committee on behalf of the 92,000 citizens of my community, its many communitywide and neighborhood organizations, and city and State government agencies concerned with the health and welfare of all of our residents. I am here to support H.R. 13292—the Demonstration Cities Act of 1966. First, I should like to state that I concur with the findings and recommendations made by Mayor Jerome P. Cavanagh of Detroit, who appeared before your subcommittee to testify on the Demonstration Cities Act on behalf of the U.S. Conference of Mayors and the National League of Cities.

The findings and purposes of the Demonstration Cities Act go to the very root of the many problems facing cities and city administrations in our Nation today; the need to improve the quality of our urban life, the need to develop better programs for the housing of our low-income population, the continuing deterioration of our residential neighborhoods, and the inability of cities, on their own, to provide the resources necessary to arrest their continuing decay. Perhaps most important among the many problems of our community, and others, is the extreme difficulty in coordinating all of the many Federal, State, and local programs available to us under comprehensive policy direction. H.R. 13292 addresses itself to these matters, and for the first time offers hope to all cities that a comprehensive approach to urban problems can be made.

My own community—Wilmington—is a good example. Indeed, we are looking forward to participating in the demonstration cities program. For despite the fact that we have a strong program for comprehensive planning and are participating in a number of metropolitan planning efforts; for despite the fact that we have an urban renewal program which will take advantage of all Federal and local tools for renewal; for despite the fact that our community action program has pioneered in a number of significant programs; for despite the fact that we have strong and able civic leadership working hand in hand with Government on many community problems; despite all of these facts we need new dimension in our approach to urban blight and decay in the years ahead. In my opinion, this bill takes a giant step toward the fulfillment of our needs.

Another important proposal of this bill is the provision of additional financial assistance to cities to enable them to participate more effectively in existing Federal assistance programs. Let me give you an example from my own community. In developing future capital budget and program requirements resulting from the recommendations of our community renewal program, Wilmington's planning staff estimates that over 75 percent of our capital spending over the next 6-year period must be for urban renewal project contributions or renewal associated public works projects. This means that we will have to defer other important and needed programs such as open space acquisition, improvements to water and sewer facilities, public safety, or nonrenewal associated public works, or reduce our proposed commitment to the renewal program. The added financial assistance proposed in the Demonstration Cities Act will permit us to meet substantially more of our renewal and other community obligations within a reasonable short period. It will also permit us to participate in other Federal grant programs that heretofore have been unavailable due to a lack of local matching funds.

H.R. 13292, introduced by Representative Harris B. McDowell, of Delaware, it seems to me, offers a number of improvements that should be seriously considered by this committee. First of all, section 4 of the bill spells out in a comprehensive way the relationship between existing programs for rebuilding cities and the proposed demonstrations cities program. It is absolutely essential, in my opinion, that the new program be a continuation and strengthening of present programs for renewal, both physical and social. Second, I would like to support the concept contained in this bill that the regional directors of the Federal Housing Administration act as the urban coordinator for the metropolitan area in which a demonstration cities program is underway. By placing the primary responsibility for coordination in the regional FHA office, local initiative, local decisionmaking, and local responsibility for these programs will be strengthened.

There are now FHA offices in over 75 of the major cities of our country. They should be intimately involved in the problems in their respective urban areas. Then the danger that a Federal coordinator will become a Federal supervisor should be eliminated.

Let me now make several specific comments on some of the other proposals contained in the bill. First, it seems to me that the demonstration cities program should be extended to all of our Nation's cities, without any regard to size or formula for selection. Any community which meets the requirements of the act deserves an opportunity to participate in the program. Second, I would like to propose that section 5(a) be changed to provide for 100-percent grants for the cost of planning and developing comprehensive city demonstration programs. By raising these grants to 100 percent, our communities will be able to continue local and regional planning activities at the same level as before, and the need to divert valuable professional time to application preparation

and program design would be eliminated. Finally, I would like to suggest that Congress consider more specific language in section 6(e) so that the determination of level of expenditures for such activities be averaged over the 5-year period immediately prior to initiation of a demonstration cities program.

Gentlemen, thank you for this opportunity to make this brief presentation.

Mr. BARRETT. That concludes our hearing this morning. We will stand in recess until 10 o'clock tomorrow morning and at that time we will have for our first witness, Mr. Alan L. Emlen, speaking for the National Association of Real Estate Boards.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:35 a.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, March 10, 1966.)

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