low income, in urban and rural nonfarm areas, that are injurious to the health, safety, and morals of the citizens of the Nation. In the development of low-rent housing it shall be the policy of the United States to make adequate provision for larger families and for families consisting of elderly persons * * *

"The role of public housing," as pointed out by President John F. Kennedy, "* * * is basically pragmatic: it is designed to strengthen our human resources—in the light of our own constructive self-interest." Public housing, then, to use a phrase from the title of the Joint Economic Committee's inquiry, is indeed a "human resources program."

"The basic philosophy of the housing program is that the end result must be better living * * * better neighborhoods and * * * better housing * * * it all adds up to a better city," according to HHFA Administrator Robert C. Weaver.

"Public housing is a cornerstone in the national public welfare program * * * pledging creation of economic and social opportunities for the less fortunate * * *" (PHA Commissioner Marie C. McGuire).

2. Operation

The Public Housing Administration provides financial assistance to local housing authorities in order to help maintain the low-rent character of the locally owned federally aided dwellings. These are planned by the local agencies, constructed by private contractors under contracts let by the local agencies, and managed by the local agencies. Technical assistance is provided the local authorities by PHA, and supervision of local authority activity occurs to the extent directed by the Congress for the purpose of assuring that the projects achieve the purposes of the U.S. Housing Act. The following brief explanation of how the federally aided public housing program operates is—unless otherwise noted—an explanation of the rental (as distinguished from the "mutual help") program. Federally aided public housing has been most often provided through new construction (as distinguished from the purchase or leasing of existing properties) and unless otherwise noted, the following discussion will be in terms of new construction.

Based upon a showing of existing local need, the local housing authority makes application to the Public Housing Administration for a program reservation and preliminary loan for a given number of public housing units. This application must be approved by the local governing body, and is followed by the execution of an agreement of cooperation between the local housing authority and the local governing body. In this agreement the local government agrees to furnish the usual municipal services to the project. In turn, the local housing authority agrees to make a payment in lieu of taxes. The payment in lieu of taxes generally amounts to 10 percent of shelter rents, which payment is usually in excess of the tax revenue from the site prior to construction of the project. Upon independent verification of the existence of need, the Public Housing Administration will issue a program reservation for the requested units. This takes the form of a statement to the local housing authority that upon completion of certain prerequisites the Public Housing Administration is prepared to assist with the development of the dwellings.

Planning the project.—A preliminary loan contract is usually the first contract executed between the Public Housing Administration and the local housing authority. It provides funds with which the