

February 7, 1946

THE VETERANS' EMERGENCY HOUSING PROGRAM

A Report to the President

from

Wilson W. Wyatt

Housing Expediter

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Dear Mr. President:

On January second I came to Washington at your request to study the critical housing shortage which confronts America today and to recommend and execute a plan of action. In the past five weeks I have met with more than thirty groups from industry, labor, veterans, and government. I have listened closely to their recommendations, and I have examined the principal available data.

Two sobering and inescapable facts emerge from this study in bold relief:

First, there is an urgent need for some 3,000,000 moderately and low priced homes and apartments during the next two years.

Second, we can meet this need only by bringing to bear the same daring, determination, and hard-hitting teamwork with which we tackled the emergency job of building the world's most powerful war machine four years ago.

When, in a recent radio message to the American people, you called for the immediate production of an unprecedented number of homes, I could not help but recall the goal of 50,000 aircraft which President Roosevelt set in the early days of the war. Though many people considered it impossible, that goal and others like it were achieved and passed.

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We met in full our obligation to our men and women in uniform.

To meet our obligation to those same men and women in civilian life, we will need the same drive and ingenuity on the part of American business and American labor and the same Government stimulus and financial assistance that made possible the miracle of war production in that earlier emergency.

Our sights must be raised far above the present target of four or five hundred thousand homes in 1946.

I am therefore recommending that the following program of emergency measures be put into effect immediately:

(1) Construction of 2,700,000 low and moderate cost homes must be started by the end of next year. The target for 1946: 1,200,000 homes started, of which 700,000 will be conventional houses; 250,000 permanent prefabricated houses, and houses assembled on-site from prefabricated parts and materials; and 250,000 temporary units. The target for 1947: 1,500,000 homes started, of which 900,000 will be conventional houses; 600,000 permanent prefabricated houses and houses assembled on-site from prefabricated parts and materials. (The previous all-time high was 937,000 homes in 1925; in 1945, only 240,000 homes were built.) Except for 200,000 units of temporary re-use war housing and 50,000 new trailers all of these will be permanent homes. On the assumption that the recommended legislation is authorized promptly the program should move into high gear by the end of the first quarter of 1946. Within two years from that time the urgent need figure of some 3,000,000 homes should be met under this program.

(2) Preference for veterans and their families in the rental or purchase of these homes with appropriate provisions for non-veteran

hardship cases.

(3) Greatly expanded production of conventional and new type materials obtained by firm and timely use, where necessary, of:

- a) premium payments for increased production,
- b) guaranteed markets for materials manufacturers,
- c) priorities and allocations of equipment and materials,
- d) wage-price adjustments or price increases where they are necessary and not inflationary,
- e) use of war plants and new facilities to increase present production capacity,
- f) rapid tax amortization for plants which are newly built or converted to produce essential building materials, and
- g) absorption by Government of undue risks in developmental work on new type materials.

(4) Recruitment and training of 1,500,000 additional workers on-site and off-site by the middle of 1947. This means more than tripling the present labor force engaged in residential construction.

(5) Postponement of all deferrable and non-essential construction for the balance of 1946 to release needed materials and labor for veterans' homes and for essential and non-deferrable projects.

(6) Rapid expansion of factory fabrication of materials and parts, as well as complete low cost homes by making materials available and guaranteeing the market for the product.

(7) Priorities and allocations to home builders for equipment and materials.

(8) Federal cooperation and assistance where necessary in the development of home sites.

(9) Channelling the largest part of materials into homes and rental housing, both farm and urban, selling for not more than \$6,000 or renting for not more than \$50 per month.

(10) Curbing of inflation through more effective price control on building materials, ceilings on new and existing homes, and on building lots, and through the continuation of rent controls.

(11) The early adoption of S. 1592, the Wagner-Ellender-Taft Bill.

(12) Insured mortgages on low cost homes up to 90% of value and based on necessary current costs.

(13) New temporary legislation to support the program, including \$250,000,000 for temporary re-use war housing.

(14) Community participation paralleling Federal action through emergency housing committees in cities and towns throughout the country.

(15) The Reconstruction Finance Corporation to play a major role in financing the program. In addition, authorization from Congress will be required immediately to provide \$600,000,000 for premium payments.

I believe that the success of a program of this magnitude will depend on several basic elements of policy which must influence every step that is taken.

Private enterprise must assume the leading role in this task as it did in the task of war production. And to that end the building industry and financial institutions must be relied upon as the mainstay of the production program. In addition, industry is entitled to a fair return for all-time record production of good materials and good homes at low prices.

Labor is entitled to a fair return for its share in the task. And that means higher wages in some contributing industries where workers have been historically low paid.

It will take a dynamic program to achieve this goal. Neither business-as-usual, labor-as-usual, building-as-usual, nor government-as-usual will suffice.

THE SIZE OF IMMEDIATE HOUSING NEEDS

The present housing emergency is the culmination of more than ten peacetime years and four war years during which an inadequate number of new homes has been constructed.

In October, 1945, 1,200,000 families were living doubled up with other families. At that time the situation was critical. It is rapidly becoming worse. The following table shows with shocking clarity that even without reducing the number of families which were doubled up in October, 1945, we would have to build approximately 3,000,000 new homes by the end of 1947 just to keep the situation from becoming worse:

Families living doubled up with
other families in October 1945--at least 1,200,000

p Add:

Married veterans who will be needing
homes by December 1946 2,900,000

Non-veterans marrying who will be
needing homes by December 1946 560,000

3,460,000

Subtract:

Existing vacancies and new vacancies
occurring during 1946 as the result of
deaths and dissolutions of families 945,000

Additional families needing homes by end
of 1946 2,515,000

Additional families needing homes by end
of 1947 680,000
(1,110,000 new families less 430,000
vacancies occurring as the result of deaths
and dissolutions of families)

TOTAL NEED BY END OF 1947-- 3,195,000
WITH AT LEAST 1,200,000 FAMILIES STILL
DOUBLED UP

Our target is 2,700,000 homes and apartments started by the
end of 1947.

Approximately 1,200,000 must be started in 1946. Of these, some 700,000 will be conventional houses; 250,000 permanent prefabricated homes and homes assembled on the building lot from prefabricated parts and materials; and 250,000 temporary units. (200,000 temporary re-use war housing and 50,000 trailers).

Approximately 1,500,000 homes must be started in 1947. Some 900,000 of these will be conventional homes and 600,000 will be permanent prefabricated homes and homes assembled on-site from prefabricated parts and materials. No temporary units will be built under this program in 1947.

In my judgment we can hit this target. We must - unless we are to fail in our duty to the veterans. Without bold, emergency action I am convinced that only about four hundred to five hundred thousand new homes would be built in 1946.

It will take time, under any program, to produce materials and to build houses in quantity. Because the program will start slowly and will speed up as materials and manpower become available in greater quantity, each month's delay in getting under way in 1946 will mean a loss of about 75,000 units, a number equal to almost one-third of the 1945 production of homes.

During the past few weeks I have heard the fear expressed that gearing our building industry to meet the present emergency will result in an over-expanded industry. The facts contradict this fear. The figure of some 3,000,000 homes needed by the end of 1947 does not take

into account the more than 10.5 million homes which are sub-standard and which must and can be replaced in a healthy, full production economy. Each year, in addition to the existing sub-standard dwellings, about 200,000 additional units drop into the sub-standard class or are destroyed. Approximately 400,000 net additional new families are created each year. These figures do not include farm homes or the temporary housing which was built during the war and which must be replaced.

THE PROBLEM OF MATERIALS

Increasing the flow of building materials is the essential first step in meeting the problem. Necessary restrictions through the war years have closed down many mills and factories; production in others has been severely curtailed. Inventories of all building materials have been sorely depleted.

These conditions mean that shortages of materials would be encountered even in building the 400,000 to 500,000 homes previously contemplated for 1946. The proposed Veterans' Emergency Housing Program tremendously increases this problem.

For example, in 1945 residential construction consumed about \$400 million of building materials. In 1946 this program will require \$2 billion of building materials, and in 1947 it will require \$3.25 billion. This represents an eight fold increase in requirements between last year and next year.

Requirements of all materials and supplies -- lumber, brick, wall board, lath, cast iron soil pipe, electrical, plumbing, and heating

supplies, roofing materials, and others -- far exceed foreseeable production unless emergency action is taken.

These materials deficits must be made up by greatly expanded production of conventional materials and by the use of new types of materials. The possibilities in this direction are significant. The use of metal window sash and framing instead of lumber has already been introduced. Composition and plastic materials are available for flooring to supplement scarce seasoned hardwoods. Pre-assembled unit bathrooms and kitchens can economize both material and manpower. Examples of this sort can be multiplied.

To achieve the necessary expansion, both of conventional and of new-type materials, three fundamental steps are called for:

- (1) All existing plants must be brought to capacity operation " as speedily as possible.
- (2) Unused war plants and facilities must be converted for the production of new as well as conventional materials.
- (3) Beyond this, new capacity must be built to the degree necessary to meet the requirements of the program.

The additional cost and risk of expansion, whether through increases in output, or additions to existing plants, conversion of old ones, or construction of new ones, must -- when clearly necessary -- be shared by the Government just as it was during the war. This requires more rapid than usual amortization of the plant for tax purposes; Government underwriting of sales of new-type materials at prices sufficient to cover developmental costs; adequate short and long-term Government credit, where private capital is not available, and premium

payments in selected cases for increased production of conventional and new-type materials, achieved over and above a carefully selected base period. Premium payments will also be necessary in cases where production costs rise due to the payment of overtime, or the addition of another shift.

Such premium payments will bring production to a high level without increasing the cost of the completed house to the veteran.

The total national outlay for materials for the housing program will be about \$2 billion this year and about \$3.25 billion in 1947. Of the two year total of \$5.25 billion, \$4.25 billion will probably be spent for conventional materials. While it is impossible at this time to determine accurately how much will be needed for premium payments, it is estimated that about 10 per cent of the total national outlay for conventional materials or approximately \$400 million may be required.

Premium payments from this fund will be made selectively. Increased production of some materials can be secured without such payments; for others a slight additional payment will be sufficient; in a limited number the premium will have to be substantial to secure the needed output.

In addition to premium payments for conventional materials we must recognize that proportionately greater risks will be encountered in production of new materials. One billion dollars worth of new or substitute materials will be required. It is estimated that approximately 20 per cent of the amount or 200 million dollars will be required to encourage increased production.

THE PROBLEM OF MANPOWER

Serious manpower shortages will have to be overcome if we are to attain our goal of 2,700,000 dwelling units by the end of 1947. There are at present 650,000 workers employed (both off-site and on-site) in producing homes. To meet our goal, a peak of 2,150,000 workers will have to be on the job -- 1,150,000 actually constructing houses and 1,000,000 at work producing and distributing the materials going into home building. This means that by mid-1947 we must have more than triple the number of workers presently engaged in the industry.

Vigorous action will be needed to attract an additional 1,500,000 workers. Recruiting programs pointing up the long-term prospects of a revitalized industry will have to be started at once. Veterans should be given every inducement to participate. A large scale apprentice program should be undertaken promptly to produce the skills that are necessary.

Wherever wages in industries producing materials are abnormally low and stand in the way of recruiting the necessary manpower, wages will have to be raised. In specific cases where it is absolutely necessary, wage increases will be cared for by premium payments in order to stimulate maximum production.

CONSTRUCTION TO MEET THE NEEDS

No matter how successful we are in stepping up the supply of materials and in training and recruiting manpower, the most vigorous and imaginative measures will be required in the construction industry itself to build 2,700,000 homes in less than two years.

In 1946 we cannot escape the use of converted barracks and the movement and re-use of surplus temporary houses. These are not the kind of homes people like but in the present emergency they are acceptable. It should not be necessary to provide any more of them in 1947. They will be located on publicly owned land and will be torn down as soon as the increase in the supply of permanent homes makes their use unnecessary.

Both the construction industry and labor groups must gird themselves for far greater effort than ever before. The nation expects maximum efficiency from both industry and labor to reduce housing costs. Our target of 1,500,000 homes to be started in 1947 is more than twice the production in 1941, when 715,000 units were built. And it far exceeds the record of 1925, the biggest home-building year in our history when 937,000 units were built.

In order to meet our goal, we must step up conventional construction. This will be facilitated by utilizing some of the improved techniques developed during the war emergency. Under pressure of war needs, some of the leading builders pioneered in mass production methods and on-site fabrication. As a result they were able to accelerate and increase construction and to reduce costs. We will need more widespread use of these mass production methods in conventional building. We will gain great advantages from the use of prefabricated parts for houses, such as complete bathroom and kitchen units, as well as new types of materials. The ingenuity of the industry should extend and improve these methods to meet the needs of this program.

A job of this magnitude is going to require the best efforts of the entire building industry including both large builders and small, both builders of apartment houses and large developments and builders of individual homes. Large scale production of materials will enable the big builders to go ahead rapidly with the larger housing developments. And at the same time, it will assure the small builder, both rural and urban, that he will get his share of materials.

While we must depend for the bulk of our homes on building by conventional methods, we will also need to stimulate a large program of factory fabrication of homes. Increased emphasis on factory fabrication is also important from the point of view of manpower since this method requires a smaller percentage of highly skilled workmen. Greater reliance can thus be placed on semi-skilled and unskilled manpower which can be quickly trained. This is essential since the magnitude of this program cannot be met even by the use of every skilled worker who can be recruited or trained. Furthermore, it is expected that greater production of lower priced homes may be achieved.

A factory prefabrication program lends itself to the use of surplus plants, as well as assuring the full utilization of the existing prefabrication industry. The program is also well adapted to the use of substitute materials.

This program for factory fabrication contemplates the development of permanent homes which will meet accepted standards.

In addition to a shortage of materials, a serious obstacle in the way of the production of 250,000 prefabricated units this year and 600,000 in 1947 is the industry's lack of distribution facilities. The fact that manufacturers do not have established sales outlets tends to keep production

Down.

Under these circumstances, we must encourage private firms to go into this field and do the job, with the Government assuring them of a market for the houses they build. This can be accomplished by giving a Government purchase contract to producers who sell new-type houses through normal private channels of distribution. To qualify for such a purchase contract assuring full capacity operation, the producer should establish that:

1. He is prepared to produce a house which has been approved by the Government as meeting sound and tested standards of safety, durability, livability, and health.
2. The house will be sold in the lower-priced field at approximately \$3500 for a one-bedroom house plus approximately \$500 for each additional bedroom (F.O.B. plant, including the necessary equipment, but excluding the cost of land and erection).
3. He had formulated an effective plan for distribution and erection which will be placed into operation to insure that houses will be put up promptly.
4. He can and will produce a specified number of houses for the twelve calendar months after the date of the Government purchase contract which assures him of a market.

Under the purchase contract, the Government will take delivery of the houses only when the producer is unable to market them within a reasonable period following their production. In that case, the Government will dispose of the homes for use in veterans' housing, in the same manner

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that is now disposed of surplus property of the Government. Some loss may result from this program, but the amount of that loss is expected to be relatively small in relation to the size of the program and to the benefits to be derived.

It should be recognized that conventional builders and construction workers will not only have to do their regular job of home-building, but will also have to play a big part in the erection of factory fabricated houses. Thus, the building industry is assured of a leading role in the emergency job. In addition we can create in a brief period a mass production building industry comparable in size, in opportunity for investment, and in employment with the automobile industry of the '20's.

LAND AND FACILITIES

The Veterans' Emergency Housing Program contemplates building a larger number of homes during the next two years than in any comparable period of our history.

As manpower and materials become available, a sufficient number of lots must be ready, so that veterans' housing may go forward without delay. The number of lots improved with sewer, water and other facilities is far short of the requirements for the housing program. Vigorous action of all concerned will be required to overcome this shortage.

While it is clear that the central responsibility in this problem rests with the community, it may prove necessary for the Government to assist in providing facilities and in the development of sites.

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POSTPONEMENT OF DEFERRABLE AND NON-ESSENTIAL CONSTRUCTION

It will be impossible to achieve our housing goal for the year 1946 without diverting critical materials and manpower from deferrable and non-essential construction, both public and private. Only in this way can we secure an immediate expansion of essential residential construction. It will be a matter of months before we can effectively expand material capacity and recruit and train needed manpower. In the meantime, the deferral of the less essential projects provides the one immediately available source of manpower and materials. It is hoped that the materials and manpower shortage will ease sufficiently by the end of 1946 to permit the relaxation of restraints on non-residential construction. The determination of what constitutes essential and non-deferrable construction must be made in terms of well defined standards and administered on a decentralized basis with the advice of local communities. Appeals from decisions made locally will be reviewed in Washington.

HOMES WHICH VETERANS CAN AFFORD

Recent surveys conducted by the War Department at Separation Centers reveal that most veterans expect to be able to pay less than \$50 monthly for the rental or purchase of a home. A large proportion of these veterans plan to rent rather than purchase homes.

This makes it clear that while there are definite advantages in retaining the present price ceiling of \$10,000 (and rental ceiling of \$80) on new construction, the largest part of residential building materials must be channeled, through priorities and allocations, into

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homes selling for \$6,000 or less including land, or renting for not more than \$50 per month.

To provide moderately priced homes with a maximum of rental units, it is necessary for the Government to offer greater incentive for the building of such housing. This can be achieved by insuring mortgages on low-cost homes for builders to the extent of 90 percent of value. Furthermore, such mortgages must be based on necessary current costs of construction rather than on long-term economic value, and they should be amortized over a long period. These techniques were successfully followed during the war under Title VI of the National Housing Act.

The Government can further reduce financing costs by lowering interest rates on insured mortgages and providing other aids to home purchasers.

A complete plan must also include aid for the expansion of the housing program for families of low income, with preference to veterans.

THE DANGER OF INFLATION

An inflationary spiral would be fatal to the housing program. By creating uncertainties it would impede production and lead to inventory hoarding and speculation. It would result in such high prices on homes as to put them completely out of reach of veterans' incomes.

Prices of building materials have already risen 35 to 40 percent above prewar levels. We cannot afford any further rise. Houses are being sold at prices in many cases far above even today's increased costs of replacement. Here again we cannot afford any further rise. Many who want

to rent are forced instead to buy at inflated prices. An inflation of housing costs like that which followed the last war would inevitably put prices beyond the reach of millions of veterans and others and would prevent a sustained high level of construction activity.

To curb inflation, the Government must use its present powers to the full, including strict control over prices of materials, and the continuation of rent controls. Legislative authority is needed for ceiling prices on old and new housing and on building lots in urban areas.

COMMUNITY ACTION

No program of this magnitude can be directed from Washington alone. We are going to need the advice and active participation of courageous community leaders in cities and towns throughout the country.

During the past few weeks I have had several meetings with representative mayors and governors, many of whom already have well-developed programs of local action. Together we have mapped out uniform plans for further activity to tie in with the Veterans' Emergency Housing Program.

As a first step we agreed that local emergency housing committees should be formed wherever they do not already exist. These committees will be composed of representatives from local government, veterans, labor, builders, building materials producers, financing institutions, Chambers of Commerce, and other interested groups. The basic purpose of these committees will be to clear away obstacles which might impede the progress of the local housing program.

They will:

- (1) Undertake to assure first preference to veterans on existing houses offered for rent or for sale.

- (2) Develop temporary home-sharing programs for veterans.
- (3) Aid in securing the extension of emergency building codes and the modernization of existing codes.
- (4) Encourage conversions to provide additional dwelling units.
- (5) Speed up inspections and issuance of building permits by local authorities.
- (6) Provide sites for Army and Navy barracks which can be demounted, transported, and converted at Federal expense.
- (7) Discourage Black Market activity in building materials and in rents and support price ceilings.
- (8) Assist in recruiting and training labor.
- (9) Break local bottlenecks in building materials.
- (10) Establish centralized information centers to refer veterans to available housing.
- (11) Assist in arrangements for adequate transportation and services for new developments.
- (12) Help prepare land and facilities to accommodate new dwellings.

In many instances States will find it necessary to adopt legislation which will expedite the Veterans' Emergency Housing Program.

LEGISLATION REQUIRED

Existing laws do not provide sufficient authority to enable us to achieve the objectives of this program. The prompt passage of additional legislation is imperative.

We must have legislation promptly which will:

1. Provide funds for premium payments to secure increases in production of conventional and new types of building

materials. Authorizations of \$600 million are needed for the purpose.

2. Make funds available to the extent necessary to stimulate technical research into new construction methods and materials by private research groups and to absorb certain developmental costs involved in devising new materials or new methods.
3. Permit the rapid tax amortization of new plant facilities which produce new materials or manufactured homes.
4. Permit the construction of additional rental units and low-cost homes through insured mortgages up to 90% of value and recognizing the necessary current costs.
5. Extend to December 31, 1947, the authority for priorities and allocations.

In addition to these measures which are needed to increase and accelerate the construction of permanent housing, legislation is needed which will:

- a. Provide 100,000 additional temporary housing units required to meet the most urgent needs for veterans' housing in cities and in colleges. This additional housing should be provided through the re-use of surplus Army and Navy barracks and other temporary housing. The relocation and conversion of these structures to dwellings requires a minimum of new materials. An additional appropriation of \$250,000,000 is needed for this purpose.

- b. Stop inflation in the prices of homes through price control on housing and housing sites. While production is the long-range solution for inflation, we should protect the veteran against excessive prices if he buys a home now.
- c. Extend the necessary financing and other aids provided in S. 1592 (The Wagner-Ellender-Taft-Bill), to make decent homes available for families of all incomes within their means. This would include the expansion of sound government insurance of mortgage loans to encourage housing for families of moderate income and necessary aid for the expansion of the housing program for families of low incomes.

The permanent housing legislation recommended in your recent message on the State of the Union is essential to achieve emergency housing objectives, while at the same time it launches the comprehensive action required to meet our basic housing problem.

Mr. President, you asked me to prepare a bold and realistic plan to meet the pressing housing needs of our veterans.

This is that kind of plan. It is attainable.

This is a plan to meet an emergency which has grown out of the war just as surely as did our need for 50,000 aircraft in 1942. I believe that Americans will face this task in the same spirit in which they faced the fighting part of the war. I believe that the veterans will get their homes.

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