

FEDERAL HOUSING ADMINISTRATION
WASHINGTON

STEWART McDONALD
ADMINISTRATOR

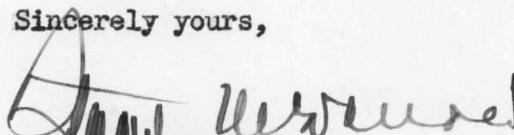
October 24, 1939.

Dear Marriner:

I cannot thank you enough for your helpfulness in calling off the abortive broadcast by the housing experts in the Department of Commerce.

Just why the Department of Commerce should set up a housing administration of its own and start off through the air like Haley's comet is something I can't understand. We thought Congress had made it very clear that was something this Administration was set up for.

Sincerely yours,



Stewart McDonald,
Administrator.

The Honorable Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington.

FEDERAL HOUSING ADMINISTRATION
WASHINGTON

STEWART McDONALD
ADMINISTRATOR

November 10, 1939

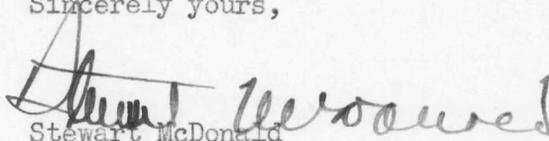
Dear Marriner:

This Department of Commerce so-called Housing Division is still muddying the water.

Apparently their experimental apparatus consists of typewriters, mimeograph machines and other publicity devices.

As you see, this bulletin of the National Association of Real Estate Boards, which goes to 14,000 active realtors around the country, will serve no other purpose except to further confuse the situation.

Sincerely yours,


Stewart McDonald
Administrator

Honorable Marriner S. Eccles
Chairman
Federal Reserve System
Washington, D. C.

FEDERAL HOUSING ADMINISTRATION
WASHINGTON

November 16, 1939.

STEWART MCDONALD
ADMINISTRATOR

Dear Mr. McDonald:

I am holding your letter of November 10 for Marriner's return from the West which should be some ten days hence. Meanwhile, I am having some of our people here check on the item which you marked in the November 6 weekly letter of the National Association of Real Estate Boards.

Yours sincerely,

Lawrence Clayton,
Assistant to the Chairman.

Mr. Stewart McDonald, Administrator,
Federal Housing Administration,
Washington, D. C.

LC/fgr

STEWART MCDONALD
ADMINISTRATOR
NOV 13 1939
STEWART MCDONALD
ADMINISTRATOR



NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

22 WEST MONROE STREET
CHICAGO

CONFIDENTIAL WEEKLY LETTER

45
No. 193
Mon
Nov.
6

Dear Member:

THE PROPOSAL TO GIVE THE REAL ESTATE TAXPAYER THE RIGHT TO OFFSET ONE-HALF OF HIS REAL ESTATE TAXES AGAINST HIS FEDERAL INCOME TAX UP TO AN AMOUNT EQUAL TO ONE-HALF OF THE FEDERAL TAX was discussed by the Board of Directors of the Association at the Los Angeles convention. The Association's counsel expressed the opinion that such a program was feasible and should be fully explored. A further suggestion was made that all those who pay ad valorem taxes might be included in such a program.

Those who pay ad valorem taxes are today carrying two-thirds of the cost of local government. Those same taxpayers are also paying all other taxes which owners of evidences of debt and those who receive salaries or other income pay. The federal government has not hitherto recognized this fact. Adoption of the offset principle for at least half of ad valorem taxes would considerably improve the position of local governments in their finances and would tend to put the owners of real and personal property on a parity with the owners of intangibles in the entire tax structure.

It is suggested that member boards explore the above proposal as it would apply to the tax situation in their own cities and to real estate ownership in their own communities. Would it encourage investment in real property by persons of substantial means?

In this connection, it should be stated that the proposal is not impracticable from the viewpoint of the federal government. While exact figures are not yet available, it is doubtful if more than 5% of the present proceeds from the federal income tax would be adversely affected.

A HOUSING PROGRAM FOR REALTORS is suggested by Arthur Binns of Philadelphia, who was acting chairman of the Association's housing committee at the Los Angeles session. Mr. Binns showed the delegates pictures of houses which he has rehabilitated and emphasized the practicability of a nation-wide rehabilitation program. Here is an outline of a possible approach to the housing question which Mr. Binns sends us. Won't you look it over and send us your comments?

OUTLINE OF POSSIBLE APPROACH TO HOUSING - 1940 PROGRAM - NATIONAL ASSOCIATION
OF REAL ESTATE BOARDS.

Starting at the Bottom:

Try to compress subsidized housing into the lowest income group, starting at the very bottom with those persons with no income, who are essentially social and medical problems.

Revise the practice by subsidizing the tenant, rather than housing and have the projects pay an economic rent, which will enable those projects to pay at least full city taxes and all costs of maintenance, even if the original cost is a matter of grant of taxpayers' money, and this must strictly limit the extent and scope of Government subsidized housing.

Cooperation between USHA and FHA:

Work for cooperation between USHA and FHA enabling privately owned limited dividend #207 corporations to acquire parcels for low cost and slum clearance housing in which the eminent domain powers of USHA will be exercised to acquire land areas and then give, or sell without interest, or at least very little interest, to these corporations the land, which then is subsequently improved with the aid of FHA #207 mortgages. The whole, however, to be privately owned and be free from any burden to the taxpayers' by reason of subsidy.

Limited Dividend Corporations #207, privately owned:

Above this, develop limited dividend corporations #207 privately owned for the rehabilitation of existing real estate, almost all of which can be made very habitable, financed largely under FHA insurance, free from subsidy and burden on the government and owned entirely privately. This bracket is the one in which I have been working.

Low Cost Building:

Stimulate low cost building by more scientific understanding of low rental housing needs. I am positive that no difficulty would be experienced in achieving an all masonry unit at \$2,000.00 and a frame unit, suitable for rural areas, perhaps in the smaller cities, at \$1,500.00. These types of units might be sold to a little better income level, say under Class #3 loans, or similar financing, on such a basis that the ownership of the premises might be acquired by the purchaser in a period of ten years at a cost to him of between \$15.00 and \$18.00 per month.

Present housing is reaching down to about this level at the present time. In other words, within the limits of human certainty, we can cover the entire field of low cost housing from the very bottom up to the ceiling, which is the floor of present private production.

The thing to do is to fight with every bit of power that we possess the philosophy which says that the Government, as a paternalistic bureaucracy, must do all of the work at the general taxpayers' expense, which is a most vicious piece of class legislation.

NEXT YEAR'S CENSUS will give us some much needed information about home builders. Among the three million private businesses in this country, there are some two hundred thousand general contractors, operative builders, and special trade contractors, as well as several thousand manufacturers and building material men. At present, we have little information concerning how many of these are interested in home building or in other building fields. The census will classify the various businesses according to whether or not they are concerned with one- and two-family houses, apartments, industrial buildings, factories, etc. Another portion of the census questionnaire will be devoted to those interested in repairs and alterations.

WALTER ROSE OF ORLANDO, FLORIDA, SUGGESTS that Realtors should adopt a new approach to the tax problem by emphasizing the adverse economic effects of the present tax system. He believes that arguments about the unfairness of the present tax system will not get us anywhere. If, however, we will continuously point out that the present tax system is adversely affecting the building industry and all types of real estate enterprise, thus indirectly affecting about half of all the economic activities in the nation, Mr. Rose believes we will make better progress.

ROADSIDE ZONING IS BEING PUSHED by the Associated Clubs of Pennsylvania for Roadside Development. This includes women's clubs, conservation councils, and the horticultural society. The clutter of hot dog stands, billboards, and architectural monstrosities that are beginning to extend out from every city and destroy the scenic assets of the countryside are in themselves a real estate problem. They constitute a new kind of a slum. Automobile owners of the nation have in large part built and paid for our gigantic highway system for the dual purpose of business and pleasure uses. If all pleasure is taken from auto driving, at least half of the investment made by auto owners will have been destroyed.

Not only is outdoor advertising destroying property values outside of the cities, but it is having an adverse effect upon many business districts. In many cities, shopping districts are so cluttered with overhead signs that the signs destroy one another's effectiveness and conceal or mutilate the architectural quality of the business structures. Businessmen are learning that shopping districts must be made and kept attractive if they are to remain stable. This means that they must be visually and aesthetically attractive.

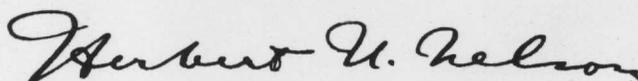
GREATER CARE FOR THE SAFETY AND CONVENIENCE OF THE PEDESTRIAN in future city planning was stressed in discussions at the California convention. It was pointed out that persons in automobiles rarely buy anything except gasoline. All of the shopping in stores is done by people on their feet. Unless pedestrians in shopping areas feel safe in walking; about and in crossing the streets, they will more and more tend to go to the smaller outlying centers for their buying. Many people believe that American cities have gone altogether too far in making things convenient for automobiles and have overlooked the convenience and safety of the men, women, and children who walk about. The possibility of special streets for pedestrians only is being discussed in several communities. Such pedestrian plazas would be a pleasant relief from the monotonous checkerboard plan of business areas and would give islands of safety where the shopper could feel at ease.

THERE ARE WASHINGTON RUMORS that the Department of Commerce will take a hand in the housing problem. It is said that with the help of the Bureau of Standards, plans for houses costing \$2,500 or less are being worked out and that such houses would be sold with 90% F.H.A. mortgage insurance with a nominal down payment.

The anxiety to get a great deal of low-cost housing started may drive us to extremes. Small houses of \$2,500 or less must necessarily be placed on cheap land outside of the cities. All of our cities are today suffering greatly from too many decentralizing influences. What we need is a nation-wide plan for the rebuilding of our cities. What we are getting through the efforts of the federal government is a type of effort which encourages exodus from the city. This is, in effect, running away from our real problem which is to replan and rebuild our cities so that they will be decent and pleasant places in which to live. Today the small house market is amply cared for and in some cities is being over-supplied. The big field which needs development in every city is the rehabilitation of existing buildings. If government officials would give some thought to this problem, they would more nearly approach a sound solution of all housing questions.

THIS WEEK AT INDIANAPOLIS a state committee on taxation composed of executives of groups interested in property taxation is having a session to consider ways and means of changing Indiana tax laws. Special interest has been shown in the idea of assessing real property on an income basis for tax purposes. Indiana already has in effect an over-all limitation and is now considering the next step of getting assessment on a realistic basis.

Sincerely,



Herbert U. Nelson
Executive Vice President