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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

December 1, 1937

Honorable Franklin D. Roosevelt,
The White House,
Washington, D. C.

Dear Mr. President:

It was my privilege and pleasure to listen carefully to every word of your Housing Message when read in the House yesterday. You chart the way for further progress along this important avenue toward business recovery, but does it promise enough?

The touch-stone, of course, is a method that will attract adequate private capital without extravagant Government underwriting or subsidy. I dislike to criticise any constructive policy without being read to offer for consideration a supplemental suggestion. Here it is:

In a recent conversation with Honorable J. H. Allen, Mayor of the City of Des Moines, Iowa, there was unfolded an idea which impressed me as having great merit. Why shouldn't the police power of sovereign states extend to the humanitarian end of eliminating slum districts by long-term financing through the special assessment method? If a State can create drainage and sewer districts whose bonds are supported by the taxing power, unquestionably we can establish rehabilitation housing districts in our cities and towns to the same end.

It seems to me that comparatively slight federal support of such financing would foster the prompt adoption by the State Legislatures of the enabling legislation that may be necessary to permit cooperative municipal action.

I am submitting this suggestion also to Chairman Henry B. Steagall of our Bank and Currency Committee.

Sincerely yours,

(s) Edward C. Eicher

Edward C. Eicher, M.C.

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U. S. S. POTOMAC,
Dry Tortugas, Florida.

3 December, 1937.

Dear Mr. Eicher:-

I am happy to have the suggestion
contained in your good letter of 1 December,
1937.

I appreciate greatly your interest
and you may be sure I shall have the matter
thoroughly studied.

With best wishes,

Very sincerely yours,

Honorable Edward C. Eicher, M.C.,
The House of Representatives
Washington, D. C.

THE WHITE HOUSE
WASHINGTON

U. S. S. POTOMAC,
Enroute Miami, Florida.

4 December, 1937.

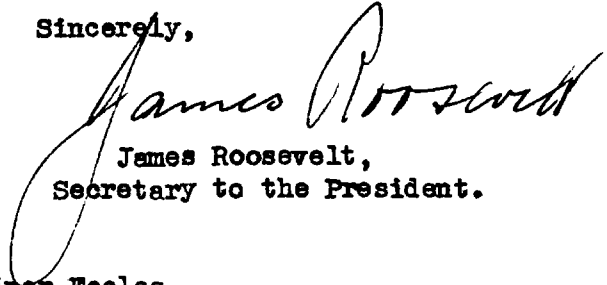
Memorandum For Mr. Marriner Eccles:-

The President has asked me to send to you the attached letter from Congressman E. C. Eicher. With the return of the Congressman's letter would you please indicate your reaction to the suggestion contained therein?

Have had five days of fine weather and some good fishing.

Best wishes -

Sincerely,



James Roosevelt,
Secretary to the President.

Honorable Marriner Eccles,
Chairman,
Federal Reserve Board,
Washington, D. C.

Enclosure: (2)

December 21, 1937

Memorandum for Mr. James Roosevelt

From: Chairman M. S. Eccles

This is in reply to your memorandum of December 4 with which you enclosed a letter to the President from Congressman Eicher, dated December 1, in which the Congressman suggests a new type of legislation to encourage slum clearance. His idea is that the police power of the States and communities should be extended to the humanitarian end of eliminating slum districts by the issue of long term bonds to be supported by the special assessment method. Mr. Eicher argues that if a State can create drainage and sewer districts, the bonds of which are supported by the taxing power, then it can likewise establish rehabilitation housing districts in cities and towns in order to serve the same purposes of public health. He then goes on to suggest that some slight Federal support of such financing would encourage the adoption by the several State Legislatures of enabling legislation to generate such type of construction.

Responding to your request that I give you my reaction to the above suggestion, I think the general aim of the plan is laudable but I believe the Congressman has overlooked some very serious financial hurdles which I think are fatal to the idea. The underlying quality of a special improvement bond is that it is a first lien against property of which the value is a good many times the amount of the lien. In fact, that is one of the reasons that the property owners in a given district are willing to subject their property to the lien. If an improvement district, however, is to consist of improvements which are perhaps several times the value of the land on which they are built, there arises a well-nigh impossible situation. In the first place, owners of real estate would be very loath to subject their property to such a heavy prior lien and in the second place if you could conceivably get the property owners to subject their land to

such a heavy lien, the investing public would certainly not look with any favor upon a bond issue which has such a small cushion of private ownership to insure the performance of the mortgage obligation.

There are, no doubt, other very serious problems, both legal and practical, that would be encountered in attempting to translate Mr. Eicher's suggestion into legislation and thereafter into actual accomplishment in the way of housing construction. In many States there are constitutional limitations on the tax levy that may be fixed by municipalities both as to the amount of the levy as well as the proportion it bears to the assessed valuation of the property.

In sum, even if it were at all possible, I think it would take a long time to generate any construction under Mr. Eicher's plan. On the other hand, it seems to me a good start has been made in the direction of slum clearance by the existing program of the United States Housing Authority. It would seem to me that if there is a necessity for the further encouragement of States and municipalities to carry on slum clearance programs, the indicated action is through extension or enlargement of the present program of that agency.

Sincerely,

M. S. Eccles
Chairman

LC/fgf
