

HOUSING DEVELOPMENT ON LOWER EAST SIDE

October 3, 1934.

Following the luncheon meeting held yesterday, October 2nd, at the office of Mr. Orrin C. Lester, I have prepared this memorandum for submission to those who were present hoping that it may serve as a foundation for, or at least as a suggestion for a concrete proposal to be submitted to a broader group.

It is self evident that we are all anxious to see a project launched on the Lower East Side in the interest of the following objectives:

1. The immediate creation of employment in the building trades.
2. The removal of unsanitary slums.
3. The erection of high grade living quarters for persons with moderate incomes.
4. The planning of such a project on a basis that will make it ultimately self sustaining.
5. The planning of such a project on an economic basis that will serve to stimulate other projects privately financed which will:
  - a. Give further employment.
  - b. Eliminate other unsanitary slums.
  - c. Provide additional good housing for persons of low income.

We recognize the need for some degree of subsidy for an initial project.

We feel that the project should be sizable and are accordingly doing all in our power to find ways and means of creating a set-up which would make it possible for Institutions to participate in the financing of such a project.

The task is far from easy because if government funds and credit are to be utilized along any of the lines which we have discussed we must work out a plan which will be fair to the Federal Taxpayer, to the City Taxpayer and to the millions of thrifty persons a part of whose funds we would be investing in the project.

It seems to me that a set-up along the following lines deserves most careful consideration by all concerned:

1. That the P. W. A. acquire the land.
2. That the Federal Government contribute the 30% grant for labor and materials.
3. That the City of New York provide either,
  - a. The beds of certain streets, or
  - b. Some park space not now existing.
4. That the Institutions including savings banks, commercial banks and trust companies and insurance companies be prevailed upon to take first mortgages on individual buildings or groups of buildings together with the land appurtenant thereto in order to provide the balance of the financing which it is assumed would in this case not exceed 55 or 60% of the gross cost.
5. That the title to the land and buildings be vested in some public authority, as provided for in the Federal Law, with whom agreements would be entered into covering the following points:
  - a. An assignment of rents to be given to any government authority mutually agreed upon between P. W. A. and the holders of the first mortgages upon terms and conditions acceptable to the P. W. A. and the said mortgagees.
  - b. This assignment of rents or some other agreement to provide for the sale of the equity in the property junior to the mortgages held by the Institutions provided that:

1. The amounts advanced by the P. W. A. had been paid off or were paid off as a part of such sale.
2. That cash or securities acceptable to the government were delivered to the government in repayment of the 30% grant which it had made.
3. That the City of New York was reimbursed for any lands which it had contributed to the project and which were actually owned by the project.
6. That the project would for a period of time pay taxes to the City of New York equal to the annual tax rate multiplied by the assessed value of the land and buildings standing on the property as determined for the year 1934. Thereafter, the assessed valuation might gradually be increased until the property bore its actual share of City taxation.
7. That amortization which at first would be on a modest scale would increase annually approximately at the rate at which aggregate interest payments decreased.
8. That the F. H. A. insure the mortgage or groups of mortgages and that their annual premium should not exceed one half of one per cent.

It is my understanding that the mortgage would probably have to run for a period of not less than twenty years and that the interest rate could not exceed 4%. This will undoubtedly present a serious difficulty to overcome as it will constitute virtually a lockup of funds for any Institutions which may agree to participate in the financing.

I am quite aware of the fact that some of the suggestions above referred to have not been discussed and may appear novel. The objects for putting them in are multifold. For example,

1. I am anxious to see a job done on the Lower East Side and I believe a much larger and more effective job can be done if Institutional Funds can supplement government funds.
2. While I recognize the need for certain subsidies to start the

project, I feel that the project should gradually be worked around to a point that would put it on an equal footing with subsequently undertaken private projects. The reason for this is self evident, and at the same time fundamental.

The project to be successful must not simply produce an isolated group of moderate priced living quarters, it must stimulate rehabilitation and new building and it must serve gradually to convert what is now a financial and moral liability to the City into an actual asset. In short, it must stimulate the rejuvenation of the Lower East Side.