

Confidential memorandum  
May 18, 1936

MEMORANDUM ON PROPOSED HOUSING ACT OF 1936

(Draft of May 16, 1936)

The essential purpose of the proposed Act is to round out the policy and the program of the Federal Government with respect to housing. The principal purposes of the separate titles may be summarized as follows:

- I. To establish a Federal Housing Coordination Board.
- II. To encourage the organization of local public authorities to deal with housing problems as they affect families of low income, and to establish a United States Public Housing Authority.
- III. To stimulate the operations of private enterprise in (a) the construction of houses in the lower-price ranges, (b) the rehabilitation and reconstruction of slum and blighted areas, and (c) the production of houses and apartments for rent at low rents.

I.

The Establishment of a Federal Housing Coordination Board

The bill establishes a Federal Housing Coordination Board consisting of the heads of the urban-housing agencies of the Federal Government, together with the Secretary of the Treasury and the Chairman of the Reconstruction Finance Corporation. This Board is restricted to acting in an advisory capacity. If the Board is established by an Act of Congress, however, and its authority clearly defined, it should be able to eliminate the conflicts and delays which have characterized

the informal efforts to coordinate the activities of the several agencies concerned. The prestige of the Administration in housing matters has been greatly impaired by these conflicts and delays and by the failure to present to Congress and to the public a coordinated and comprehensive housing policy and program. This situation has arisen from the fact that no agency existed which could make authoritative findings and finally determine authoritatively a governmental policy. It is a situation that cannot be effectively remedied without some such action as is proposed in this bill.

## II.

### The Definition of Federal Government Policy with Respect to the Improvement of Housing Conditions for Families of Low Income

The draft proposes a Federal policy with respect to the improvement of housing conditions for families of low income which is focused upon four major premises:

1. The ultimate success of any long range program depends upon the creation of governmental machinery designed to formulate and administer a program for the improvement of housing conditions in local areas, and to inform local public opinion with respect to such a program so as to secure the continued support of public opinion.

It has been amply demonstrated both in this country and abroad that, because of the local nature of housing problems and the processes of democratic government, centralized control of housing development on a national scale can be neither economical nor successful. The most vital need at present is the development of local public opinion to the point where it will support the assumption of local responsibility for the improvement of housing conditions in local areas.

2. The magnitude of the problem of improving housing conditions for families of low income necessitates the maximum use of existing facilities and of the initiative of private enterprise.

Many housing problems have arisen from failure to make repairs and improvements in existing properties and from failure to enforce building, fire, and sanitation legislation designed to protect the public health, safety, and morals. These problems can be largely solved by the adoption of a policy which focuses attention upon them, and which offers inducements to the proper governmental authorities to correct the situation.

Except in cases where there is no practical and economical alternative to the construction of new model-housing projects, the use of existing facilities, improved by repairs and modernization, would result in an improvement of housing standards on a much larger scale and in a more realistic manner than the building of new houses. The effect of such a program on unemployment and recovery would be almost, if not quite, as great as that of building new structures, and the opposition to such a program would be far less.

3. From the point of view of practical economic policy, as well as of fiscal policy, the program should be financed in such a way as to spread the financial burden over as long a period as is feasible and to enable the Federal Government to exercise effective control over the use of the funds which it contributes as long as its contribution is effective.

The draft proposes contributions over long period of years in the form of rent subsidies flexible enough actually to reach the low-income group, rather than outright grants large enough to build up-to-date housing, but not large enough to bring the rents down to the income level for which the housing presumably is intended. Such grants once made are beyond control. The rent subsidies represent periodic contributions which can be made or withheld as conditions upon which they are granted are observed or violated.

The draft proposes direct Treasury operation, but the issuance of obligations of the Authority guaranteed by the Treasury would be equally practicable.

4. A national program for the improvement of housing conditions must be formulated and executed from the point of view of the housing situation for all income groups rather than with a view to separating into distinct and unconnected compartments housing for low-income groups and housing for other income groups.

Activities affecting the housing conditions of any group has repercussions upon the entire housing and home-building situation. It is possible for the improvement of housing conditions for a negligible proportion of the families in the lowest-income groups to be carried on in such a way as to deter activities which would benefit far larger numbers in slightly higher income groups.

### III.

#### The Encouragement of Large-Scale Development by Private Enterprise in Lower Price Ranges

The necessity for large-scale operations in the residential building industry needs no demonstration. The lack of organization and skill for handling large-scale housing operations, especially in the lower price ranges, is obvious. While some of the benefits of large-scale housing operations have been secured in connection with the building of apartments, these have for the most part been in the higher price ranges where the market is limited and rentals subject to the widest fluctuations.

The draft proposes to bring about greater stability in both building operations and rental incomes in this type of property, not through the use of governmental funds, but through the principle of mortgage insurance. This objective is sought in the proposed Act by

making the maximum use of private enterprise and of the established methods and organizations existing in the field. By gradual development and improvement of these methods and organizations, the point can be reached where advantage can be taken of large-scale operations and the economies which such operations would accomplish.