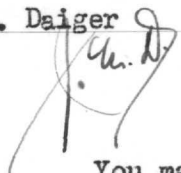


Office Correspondence

FEDERAL RESERVE
BOARDDate May 27, 1936To Chairman EcclesSubject: Attached notes on S. 4424From J. M. Daiger


GPO 16-852

You may be interested in reading this comparison of the Wagner bill in its original form and in the amended form that I have suggested.

Confidential memorandum
May 25, 1936

NOTES ON S. 4424

COMPARISON OF SLUM-CLEARANCE AND LOW-RENT-HOUSING PROVISIONS
OF PROPOSED AMENDED BILL WITH THOSE OF ORIGINAL BILL

Long Title

The statement of purposes is substantially the same in both bills insofar as they relate to slum clearance and public housing. Since the amended bill, however, deals with the coordination of Federal housing activities and the stimulation of private housing activities, as well as with slum clearance and public housing, appropriate additions are made to the statement of purposes in the amended bill.

Findings and Policy

The statement of findings and policy is substantially the same in both bills, except that the amended bill adds a finding to the effect that conditions which bring about a shortage of housing tend to cause speculative excesses and economic dislocation and endanger the stability of money and credit.

Definitions

The amended bill omits the term "low-rent housing," which in the original bill is defined as decent, safe, and sanitary dwellings

within the financial reach of and available solely for families of low income. The amended bill divides housing broadly into "standard housing" and "substandard housing." Standard housing is defined as housing which conforms to local law with respect to light, air, sanitary facilities, and safety, or the construction of which would be permitted under local law. Substandard housing is defined as housing which does not conform to such law.

"Families of low income," which in the original bill are defined as families that cannot pay enough to induce private enterprise to build an adequate supply of decent, safe, and sanitary dwellings for their use, are defined in the amended bill as families that lack sufficient income, without the benefit of financial assistance, to enable them to live in standard housing or under other than overcrowded housing conditions.

The terms "slum," "development," "public housing agency," and "administration" are given substantially the same meaning in both bills.

The amended bill uses the term "lowest prevailing rental level" and defines this as the average rental at which the lowest renting 25 per cent of standard housing, so located as to be reasonably available for the housing of families of low income dwelling in substandard housing, is being rented.

The amended bill uses and defines the terms "existing properties," "rehabilitated properties," and "new properties." These terms are not used in the original bill, which apparently does not contemplate more than an incidental use of existing or rehabilitated properties for the housing of families of low income.

The original bill uses and defines the terms "housing agency," "public housing society," and "limited-profit housing agency," but these terms do not appear in the amended bill.

Housing Authority

Section 7(a) of the amended bill and Section 3(a) of the original bill create a new agency and are substantially the same, except that in the amended bill the agency is given the name "United States Public Housing Authority" as more accurately describing the nature and function of the agency than the name "United States Housing Authority."

Section 7(b) of the amended bill and Section 3(b) of the original bill create a board of directors and are substantially the same. Section 8(a) of the amended bill and Section 4(a) of the original bill have to do with salaries and other conditions of employment and are substantially the same.

Section 9 of the amended bill and Section 4(d) of the original bill provide for the transfer to the Housing Authority of the assets

and projects of the PWA Housing Division and are substantially the same. Section 10 of the amended bill and Section 5 of the original bill deal with the powers of the Housing Authority with respect to the securities and land which it may acquire and are substantially the same.

Section 11 of the amended bill has to do with the administrative expenditures of the Authority and is identical with Section 6 of the original bill.

NOTE: It would appear that part of the language of Section 11(a) of the amended bill, which is identical with Section 6(a) of the original bill, would remove the authority from the operations of the Bureau of the Budget and the Office of the Comptroller General.

Assistance to Housing Projects

In respect of the financial assistance to be extended to housing projects, there are substantial differences between the amended bill and the original bill. The effect of these differences is to spread the benefits of the grants and loans over a larger number of families than appears to be possible under the original bill, and to permit lower rents than appear to be attainable under the original bill.

Section 9 of the original bill authorizes grants up to 45 per cent and loans covering the balance of the cost of a project. The grants may be paid in a lump sum or in annual installments up to 60 years. The loans may run up to 60 years. The Authority determines the rate of interest and the manner in which the loan is secured.

The amended bill also authorizes loans and grants, but provides in Section 14 for certain preliminary studies to be made in the community before a slum-clearance or housing project is undertaken. Section 16 authorizes grants in the form of rental subsidies payable on an annual basis. The use of the subsidy is limited to the rehousing of families of low income that are dwelling in substandard housing or under overcrowded housing conditions. Section 16 also provides that families admitted to subsidized housing must be certified by the local relief agency to be families of low income.

The loan provisions of the amended bill are in Section 17. Loans are authorized to public housing agencies for the acquisition of existing, rehabilitated, or new properties, or for the development of projects designed to provide housing in such properties. The period for amortization is limited to 30 years instead of 60 years as in the original bill. The rate of interest on loans is fixed at not less than the average interest paid by the United States on its bonded indebtedness, instead of being left to the determination of the Authority as in the original bill. The effect of the change in the interest provision is to preclude the making of large loans at less than cost or without interest.

The properties with respect to which loans are made may also receive grants in the form of rental subsidies under the provisions of Section 16 of the amended bill. There is no provision in the amended

bill, however, for lump-sum grants. The grants are limited to the annual payment of a rental subsidy on a contract up to 5 years in the case of existing properties, up to 20 years in the case of rehabilitated properties, and up to 30 years in the case of new properties.

An important difference between the amended bill and the original bill is that the grants need not be used solely for the construction of new properties, but may be used also for the payment of rental subsidies on existing or rehabilitated properties. Such properties may be owned by the local public housing agency, or they may be under private ownership and receive the benefit of a rental subsidy through contract with the local public housing agency.

Another important difference between the amended bill and the original bill is that loans and grants under the original bill are not conditioned on any local participation in the subsidizing of housing projects, whereas such participation is specifically required in most cases under the amended bill.

In the case of existing properties, the Authority may grant under the amended bill the full amount of the rental subsidy required up to June 30, 1958; 75 per cent of the required subsidy after June 30, 1958, and up to June 30, 1959; and 50 per cent of the required subsidy after June 30, 1959. In the case of rehabilitated properties or new properties, the Authority may grant under the amended bill 70 per cent

of the required subsidy where such subsidy is contracted for not later than June 30, 1957; and 50 per cent of the required subsidy where such subsidy is contracted for after June 30, 1957.

The difference between the total amount of the required subsidy in any case and the grant made by the Authority is required under the amended bill to be provided through non-Federal funds or tax exemption by local communities.

Loans to Private Agencies

Section 10 of the original bill authorizes loans to limited-profit agencies up to 85 per cent of the development or acquisition cost of a project, but limits the amount of such loans to not more than \$25,000,000 in any one fiscal year. This authorization is omitted in the amended bill, which confines both loans and grants on the part of the Authority exclusively to local public housing agencies. Under the amended bill, however, the Authority may render technical assistance to private agencies and, as previously stated, may grant rental subsidies through local public housing agencies to privately owned existing or rehabilitated property.

Demonstration Projects

Section 11 of the original bill provides that the Authority may develop and administer low-rent-housing and slum-clearance

demonstration projects. The amended bill does not authorize any direct construction by the Authority, but leaves the development and administration of new projects wholly to local public housing agencies.

Rentals

The original bill contains no specific provision with respect to rents other than that implied in the definitions of "low-rent housing" and "families of low income." Section 14 of the amended bill prescribes a method for determining the lowest prevailing rental in properties that conform to local housing standards. On the basis of this lowest prevailing rental level, Section 16 of the amended bill sets a limit on the rents to be charged in subsidized properties.

Subsidized housing in existing properties must be at the lowest prevailing rental level for housing that conforms to local standards; subsidized housing in rehabilitated properties must be at an average rental not more than 33 1/3 per cent above the lowest prevailing rental level; subsidized housing in new properties must be at an average rental not more than 66 2/3 per cent above the lowest prevailing rental level.

Under the amended bill, loans for the construction of new properties are authorized only when housing cannot be provided economically in existing or rehabilitated properties.

Standards

Section 13 of the original bill prescribes standards for the Authority to consider in making loans and grants. The equivalent of these standards in the amended bill is contained in the definitions of "standard housing," "substandard housing," and "families of low income," in the requirement for certification of family income by a local relief agency, and in the requirement for determining the lowest prevailing rental level. The same is true with respect to the standards prescribed in Sections 14 and 15 of the original bill.

Labor Provisions

The labor provisions in Section 22 of the amended bill and in Section 16 of the original bill are substantially the same.

Financial Provisions

Provisions for the capital stock of the Authority is the same in both bills.

In both bills also the Reconstruction Finance Corporation is Authorized to advance upon request of the Authority up to \$100,000,000, secured by what is in effect a pledge of the assets of the PWA Housing Division, which in both bills are transferred to the Authority.

In the original bill the Authority is empowered to issue bonds guaranteed by the United States as to principal and interest and exempt from all taxes except surtax, estate, inheritance, and gift taxes. In the amended bill the financial requirements in excess of \$100,000,000 are met by direct appropriations. Both bills provide a four-year program, but the amended bill also authorizes appropriations for each year thereafter to meet the annual rental subsidy payments authorized in the bill.

NOTE: The two methods of financing—that is, by direct appropriation and by sale of Housing Authority bonds—are equally practicable. However, if the latter method is adopted and the rental-subsidy provision of the amended bill retained, the grants for rental subsidies should nevertheless be by direct appropriation. This is because the rental subsidies are a recurrent annual charge.