

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date January 19, 1937To Mr. EcclesSubject: Robert W. Aldrich RodgerFrom J. M. Daiger

Robert Rodger and his wife, both of whom have been much in the housing picture in recent years, are persons of excellent quality and social standing who have been driven to distraction, and I think also to pecuniary distress, by their unsuccessful efforts to promote various housing projects in New York and Washington. I know both of them fairly intimately and have a great personal sympathy for their plight.

Repeated frustration, after long-drawn-out negotiations with one governmental agency after another, has unfortunately led Robert Rodger to an embittered attitude toward many of the persons he has dealt with, and has even more unfortunately caused his wife to make some hysterical appeals in his behalf to various persons of prominence, including Mrs. Roosevelt.

Rodger is a real-estate man. His successful experience in assembling options for the New York Central some years ago, in its extensive operations on the West Side of New York City, was probably responsible for his conceiving the idea, early in the depression, of assembling options on properties covering a huge area of the Lower East Side and projecting a \$50,000,000 ~~new~~ housing development to be known as Rutgers Town. It was an extremely ambitious and creditable undertaking, but as far as I know it never had any real promise of financial support.

Rodger undertook to get help from the group of New York savings banks chiefly interested in the Lower East Side, from the Municipal Housing Authority, and then in turn from the RFC, the PWA, and the FHA. Later he brought forward another large project in New York, and also a project for the Henderson property ("Mrs. Henderson's Castle") on Sixteenth Street in Washington. This last project is the one referred to in the papers that Rodger left with you.

The Henderson project seemed on the verge of being financed under the Housing Act by the New York Life Insurance Company, when the Supreme Court decision in the NRA cause brought the Washington rental demand into question and caused the Company to reject the loan. Much opposition to the project also developed on the part of owners and mortgagees of other Sixteenth Street properties, these properties having a considerably higher scale of rentals than was contemplated for the proposed Henderson Gardens Apartments.

After the loan was rejected by the New York Life, Rodger entered into negotiations with Hemphill, Noyes & Co. for a bond issue. These negotiations were later suspended and a loan was sought from the RFC Mortgage Company. My understanding is that the loan was tentatively approved by the staff of the RFC Mortgage Company, but was rejected by the RFC Board on the ground that the loan was too full and that the project, furthermore, would impair the value of other properties in the neighborhood.

More recently, Hemphill-Noyes made an offer to finance the project by means of a bond issue. This proposal was rejected by Mr. McDonald because of a policy previously established on my recommendation after I had gone thoroughly into the bond-issue question in the autumn and winter of 1935-36. My recommendation was that all efforts to finance large-scale projects by public offerings of bonds be held in abeyance until (1) the Act itself was clarified with respect to large-scale projects and (2) a group of bond houses was formed that could be relied on for continuous and orderly marketing.

The Henderson project well illustrates, I think, the considerations that prompted my recommendation. The proposed rental for the project is \$17 per room, which compares favorably with a range that is probably from \$20 to \$25 in neighboring properties. But is \$17 designed for "families of low income" and is it "low-cost housing" within the meaning of the Act? And is the Federal Housing Administrator, with the answer to this question depending solely on his interpretation of the vague phrases I have quoted, justified in giving his approval to an issue of bonds to be sold to the general public by a New York Stock Exchange firm that is in no sense an established mortgage-lending institution?

If a life-insurance company, for example, wishes to take the mortgage in the circumstances I have related, there seems to me to be no practical reason why the Administrator should withhold his consent when the conditions of the FHA have been complied with. Likewise if a small group of banks wishes to take the mortgage in the form of a bond issue for their own portfolios. But the transaction takes on a different complexion in the light of a public offering of bonds.

I am attaching the letter that I shall send to Mr. Rodger if it meets with your approval.

