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Our nation's housing, message...
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U.S. President, 1961-1963 (Kennedy)

OUR NATION'S HOUSING

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO

OUR NATION'S HOUSING

MARCH 9, 1961.—Referred to the Committee on Banking and Currency and ordered to be printed

To the Congress of the United States:

Our communities are what we make them. We as a Nation have before us the opportunity—and the responsibility—to remold our cities, to improve our patterns of community development, and to provide for the housing needs of all segments of our population. Meeting these goals will contribute to the Nation's economic recovery and its long-term economic growth.

In 1949 the Congress, with great vision, announced our national housing policy of "a decent home and a suitable living environment for every American family." We have progressed since that time; but we must still redeem this pledge to the 14 million American families who currently live in substandard or deteriorating homes, and protect the other 39 million American families from the encroachment of blight and slums.

An equal challenge is the tremendous urban growth that lies ahead. Within 15 years our population will rise to 235 million and by the year 2000 to 300 million people. Most of this increase will occur in and around urban areas. We must begin now to lay the foundations for livable, efficient, and attractive communities of the future.

Land adjoining urban centers has been engulfed by urban development at the astounding rate of about 1 million acres a year. But the result has been haphazard and inefficient suburban expansion, and

continued setbacks in the central cities' desperate struggle against blight and decay. Their social and economic base has been eroded by the movement of middle and upper income families to the suburbs, by the attendant loss of retail sales, and by the preference of many industrial firms for outlying locations.

Our policy for housing and community development must be directed toward the accomplishment of three basic national objectives:

First, to renew our cities and assure sound growth of our rapidly expanding metropolitan areas.

Second, to provide decent housing for all of our people.

Third, to encourage a prosperous and efficient construction industry as an essential component of general economic prosperity and growth.

The housing industry is one of the largest employers of labor. Residential construction alone accounts for 30 percent of total private investment in this country. The housing market absorbs more private credit than any other single sector of the economy. Other important industries and services, including those concerned with building materials, appliances, furniture, and home improvement, depend largely and directly on new housing construction.

For some time the Nation's homebuilding industry has been depressed and housing output has lagged. Nonfarm private housing starts dropped sharply in 1960 to a volume 18 percent below 1959 and to the lowest level in the past decade. Largely as a result of this decline, one out of every six construction workers was unemployed by the end of 1960, 25 percent more than a year earlier—the highest rate of unemployment in any major American industry. Related industries were also seriously hurt. For example, lumber demand dropped by more than 2 billion board feet and roofing demand by nearly 300 million square feet.

Formerly, this kind of depression in the homebuilding and related industries could be more easily met. But the housing market today is basically different from that of only a few years ago. There is no longer an enormous backlog of economic demand which can be released simply by providing ample credit. Credit devices must now be used selectively to encourage private industry to build and finance more housing in the lower price ranges to meet the unfilled demands of moderate income families. It is these families who offer the largest and the most immediate potential housing market, along with those of still lower incomes who must rely on low-rent public housing.

There are 8 million families today with incomes of less than \$2,500, 7 million more with incomes between \$2,500 and \$4,000. Among the 10 million individuals who live alone, nearly 50 percent have incomes of less than \$1,500. One-third of the 6 million nonwhite households live in substandard housing. And our older citizens, a group growing at the rate of 500,000 each year, have special housing needs. And in addition to all of this, before this decade is out, a rate of construction of at least 2 million new homes a year will be required merely to meet the needs of new family units being formed.

To build this many houses efficiently, at stable or declining costs of production, requires a steady and progressive rise in the rate of homebuilding, beginning now. To the extent possible, we want to do this by helping private market processes work more effectively—

particularly in a period of slump. Thus this administration has already taken measures—

to stimulate the flow of mortgage money;

to reduce FHA-insured mortgage interest rates;

to reduce the sale of mortgages from the Federal National Mortgage Association portfolio, in order to help assure that the increasing supply of mortgage money goes directly to new consumer borrowers at lower rates of interest;

to accelerate urban renewal and low-rent public housing projects;

to release additional funds for college housing, farm housing, and housing for the elderly; and

to remove restrictions and reduce interest rates on community facilities loans.

The combined force of these steps, supported as they have been by the Federal Reserve System's action to encourage a reduction in long-term interest rates, will accelerate housing activity. But much more is needed.

I. HOUSING FOR MODERATE INCOME FAMILIES

Among the basic economic innovations of the thirties was the development of the Federal Housing Administration mortgage insurance system, which was a precedent for the veterans' loan guarantee program at the end of World War II. These two programs made possible a partnership between industry and Government which broadened the housing market and helped make homeownership possible for more than three-fifths of our families.

These programs have aided many families of moderate incomes, but chiefly those with incomes from \$5,000 to \$6,000 and more. Many additional families could afford decent housing if it were made available under programs more carefully tailored to their resources.

(A) To the extent possible, we want to meet these needs through private enterprise under the established FHA system of mortgage financing. I am, accordingly, recommending that the present limited FHA insurance of no-downpayment, 40-year mortgages—now available only to families displaced by governmental action—be broadened on a temporary and experimental basis to include any family, and be otherwise amended to make these mortgages more attractive to private investors. This broader program will offer an opportunity and a challenge to both builders and lenders to meet the needs of middle income families through private enterprise without Government subsidy.

(B) Many families with somewhat lower incomes, however, cannot afford housing at current construction costs and at market interest rates even under the more liberal FHA program. For these families I recommend enactment of a new program of long-term, low-interest-rate loans for rental and cooperative housing, financed from the special assistance fund of the Federal National Mortgage Association, and processed and supervised by the FHA. These loans would be made to cooperatives, nonprofit associations, limited dividend corporations, and local housing authorities. Occupancy of these projects would be strictly limited to those individuals and families whose incomes exclude them from standard housing in the private market.

II. HELPING LOW-INCOME FAMILIES

The housing needs of many families will not be met by the programs outlined above. Government housing subsidies are required for families with very low incomes. Public housing is the only housing they can afford; yet public housing is too often unavailable. Unless we increase the supply of low-rent housing, our communities cannot rid themselves of slums, provide adequate community facilities, and rehouse low-income families displaced by clearance operations. I recommend, therefore, that the present limitation upon the use of the remaining authorization in the Housing Act of 1949 for public housing be removed—thus authorizing construction of about 100,000 additional low-rent units.

In addition, both statutory and administrative changes in this program in the light of experience are long overdue. Our program should have maximum flexibility so that it can best be adapted by local communities to their particular requirements. Local housing authorities should have greater freedom in establishing priorities for admission of tenants and to determine design. In addition we need a program of demonstration grants to afford communities greater opportunity to experiment in the field of housing for low-income families.

III. HOUSING FOR THE ELDERLY

Sixteen million of our people are 65 years or older. By 1970 this figure will increase to more than 20 million. Most of these elderly people have very limited financial means. More than half of the families headed by a person over 65 have annual incomes below \$3,000 and four-fifths of all people of this age living alone must subsist on less than \$2,000 a year.

The housing problem of the elderly is attributable only in part to low incomes—many have physical infirmities limiting their activities; many need access to special community services. Special equipment and apartment designs can make their homelife safer and more comfortable.

This country cannot neglect the growing housing needs of the elderly, or rely on the overly limited steps previously taken. Two types of affirmative action are required:

First, I recommend to the Congress legislation increasing the present direct loan authorization for housing for the elderly from \$50 million to \$100 million.

Second, I shall direct the Administrator of the Housing and Home Finance Agency to earmark 50,000 units of low-rent public housing specifically for low-income elderly persons and families. Because of the special equipment and facilities required in housing for the elderly, and because of the smaller number of rooms per unit, I shall propose to the Congress amendments to the public housing law increasing by \$500 per room the cost limitation on housing for the elderly. Furthermore, because many of the elderly have such exceedingly low incomes, payment of an additional subsidy of up to \$10 per month for each housing unit occupied by them should be authorized.

IV. REVITALIZING OUR URBAN AND METROPOLITAN AREAS

Seventy-three out of two hundred and fifty-eight central cities lost population in the decade of the fifties when our urban population as a whole grew rapidly. Other powerful trends have been eroding the central cities over a much longer period.

1. *Improving our cities.*—If the cities are to recapture their economic health, they must offer better opportunities for those commercial, industrial, and residential developments for which their central position is a distinct advantage. They must strengthen their cultural and recreational facilities and thus attract more middle and upper income residents. They should make space available for suitable light industries, especially those which need close-in locations. And they must improve their transportation systems, particularly rapid transit services.

Urban renewal programs to date have been too narrow to cope effectively with the basic problems facing older cities. We must do more than concern ourselves with bad housing—we must reshape our cities into effective nerve centers for expanding metropolitan areas. Our urban renewal efforts must be substantially reoriented from slum clearance and slum prevention into positive programs for economic and social regeneration.

(A) The Congress has wisely extended the use of urban renewal funds to certain nonresidential renewal projects which the locality deems necessary for sound community development. I recommend that local communities be given even wider discretion in determining renewal areas.

(B) This program, if it is to be truly effective, must help local communities go beyond the project-by-project approach. I have instructed the Administrator of the Housing and Home Finance Agency to work with the local officials in every area to foster this broader approach, in which individual projects will be developed within the framework of an overall community program, a program which clearly identifies the city's long-term renewal needs and opportunities and the changing shape of the city.

(C) To develop an effective long-range program to arrest and remove blight and revitalize our cities, local communities must be able to count on adequate and continuing support through a long-term Federal commitment. I therefore recommend to the Congress that new authorizations totaling \$2,500 million over a 4-year period be made available for urban renewal programs.

(D) We must continue to clear and redevelop slum areas only where suitable housing is elsewhere available for occupants of these areas who can be humanely and fairly relocated. Similarly, small businessmen in clearance areas deserve more consideration. I recommend legislation liberalizing Federal allowances for relocation payments to displaced businessmen, whenever the localities are also prepared to share in larger compensations.

(E) FHA is a major operating agency in the Federal Government's total urban renewal efforts. It is essential that it perform this function efficiently. I have already issued instructions directing FHA to expedite the processing of applications for insurance on properties in urban renewal areas. This involves both a streamlining of internal procedures and the reassignment of personnel.

2. *Residential rehabilitation and conservation.*—As we broaden the scope of renewal programs looking toward newer and brighter urban areas, we must move with new vigor to conserve and rehabilitate existing residential districts. Our investment in nonfarm residential real estate is estimated at about \$500 billion—the largest single component in our national wealth. These assets must be used responsibly, conserved, and supplemented, and not neglected or wasted in our emphasis on the new.

(A) I recommend to the Congress enactment of new authority for FHA to insure a wide variety of loans for home improvement purposes. Such insurance is needed to help finance the improvement of the Nation's housing, especially the backlog of over \$300 million in home improvements planned, but not yet started, in existing urban renewal areas.

(B) We must also recognize that some types of rehabilitation, while socially desirable, cannot succeed on a voluntary, self-financing basis. For rehabilitated housing to remain available to moderate income families, public absorption of a portion of the cost may be necessary. I recommend to the Congress legislation permitting the resale of existing housing in urban renewal areas at a realistic price for rehabilitation.

3. *Metropolitan development.*—The city and its suburbs are interdependent parts of a single community, bound together by the web of transportation and other public facilities and by common economic interests. Bold programs in individual jurisdictions are no longer enough. Increasingly, community development must be a cooperative venture toward the common goals of the metropolitan region as a whole.

(A) This requires the establishment of an effective and comprehensive planning process in each metropolitan area embracing all major activities, both public and private, which shape the community. Such a process must be democratic—for only when the citizens of a community have participated in selecting the goals which will shape their environment can they be expected to support the actions necessary to accomplish these goals. I recommend therefore the enactment of an extended and improved program of Federal aid to urban and metropolitan planning. The draft measure which I shall submit would provide an increase of the Federal share of planning grants to two-thirds and an increase of the authorization from \$20 million to \$100 million.

(B) As I stated in my message to the Congress on highways, I have urged an increase in joint planning between the Administrator of the Housing and Home Finance Agency and the Secretary of Commerce, including the participation of State and local housing and highway officials, as well as private experts.

V. LAND RESERVES

Land is the most precious resource of the metropolitan area. The present patterns of haphazard suburban development are contributing to a tragic waste in the use of a vital resource now being consumed at an alarming rate.

Open space must be reserved to provide parks and recreation, conserve water and other natural resources, prevent building in un-

desirable locations, prevent erosion and floods, and avoid the wasteful extension of public services. Open land is also needed to provide reserves for future residential development, to protect against undue speculation, and to make it possible for State and regional bodies to control the rate and character of community development.

(A) I am directing the Administrator of the Housing and Home Finance Agency and the Secretary of the Interior to develop a long-range program and policy for dealing with open space and orderly development of urban land.

(B) Nevertheless, this problem is so urgent that we must make a start now. I therefore recommend legislation providing: (1) for \$100 million to initiate a program of 20-percent grants to help public bodies finance the reservation of land—by acquisition or other means—as permanent urban open space in the form of parks and other facilities; and (2) for urban renewal loans to help local agencies finance the acquisition of open space for future public or private development. In both programs a prerequisite for Federal aid will be an effective and comprehensive plan for metropolitan or regional development.

VI. COMMUNITY FACILITIES AND URBAN TRANSPORTATION

(A) The availability and location of community facilities profoundly affect the patterns of urban growth and the cost of serving rapidly growing populations.

Private sources can and should continue to supply most of the credit needed as they have done in the past. However, Federal assistance is required to help communities which do not have ready access to the private capital market to schedule and obtain community facilities construction and to anticipate future needs. To accomplish these objectives, I shall submit legislation to the Congress authorizing an additional \$50 million for public facilities loans.

(B) Nothing is more dramatically apparent than the inadequacy of transportation in our larger urban areas. The solution cannot be found only in the construction of additional urban highways—vital as that job is. Other means for mass transportation which use less space and equipment must be improved and expanded. Perhaps even more important, planning for transportation and land use must go hand in hand as two inseparable aspects of the same process.

But to solve the problems of urban transportation will test our ingenuity and put a heavy drain on our resources. While the responsibility for working out these solutions rests primarily with local government and private enterprise, the Federal Government must provide leadership and technical assistance.

Accordingly, I have asked the Administrator of the Housing and Home Finance Agency and the Secretary of Commerce to undertake an immediate and extensive study of urban transportation problems and the proper role of the Federal Government in their solution.

VII. RURAL HOUSING

Rural housing problems require special attention.

Almost a fifth of the occupied houses in the rural areas of America are so dilapidated that they must be replaced. Hundreds of thousands

of other rural homes are far below the level of comfort and convenience considered adequate in our Nation. Both new houses and major repairs, remodeling, and modernization of existing houses are needed throughout our farm and small-town communities. For example, only one-third of our farm homes have adequate plumbing. A principal factor contributing to this situation is the lack of adequate credit in rural sections.

(A) I therefore recommend that the unused balance of farm housing loan authority of the Secretary of Agriculture, due to expire June 30, 1961, be extended for an additional 5 years.

(B) In addition, I have directed the Secretary of Agriculture, in cooperation with the Administrators of the HHFA and the VA to develop procedures to assure adequate credit for farm and other housing in rural communities.

(C) Finally, because the existing requirement that every farm home improvement loan be supported by a property mortgage has too often resulted in unnecessary hardship, I recommend legislation permitting farm home improvement loans to be secured either by mortgages or by other acceptable forms of security.

VIII. VETERANS HOUSING

The high-interest rates prevailing in the past few years have made it impossible for many veterans to use their right to obtain guaranteed 5½ percent loans to purchase housing. At the same time, eligible applications for direct loans in rural areas have substantially exceeded the amount of funds available for such loans.

The basic solution to this problem is to bring down long-term mortgage lending rates—as we are already in process of doing—and thus make guaranteed loans at 5½ percent more attractive to private lenders.

But existing Federal programs are also important; and in order to allow sufficient time for planning, I recommend that the Congress now extend the duration of both the loan guarantee and the direct loan programs (which expire, in most cases, in 1962) concentrating on those veterans who have served their country the longest and the most recently—and expand the direct loan authority above the present \$150 million to the extent experience should demonstrate that guaranteed loans are still difficult for veterans to obtain.

IX. DEMONSTRATIONS, TRAINING, AND RESEARCH

As we proceed in developing a comprehensive housing and community development program we must constantly widen our knowledge of the complex forces which shape our urban way of life. Since the beginning of the century the proportion of our people who live in urban and suburban areas has mounted rapidly. Yet we have lagged badly in mobilizing the intellectual resources needed to understand and improve this important sector of our civilization. The problems related to the development and renewal of our cities and their environs have received comparatively little attention in research and teaching.

To encourage the study of these pressing problems and to train a sufficient supply of skilled manpower will require a substantial com-

mitment of resources. Universities, private research groups, professional and business organizations can all contribute. But the Federal Government must play a key role in support of these activities—through leadership and financial assistance.

(A) The Housing Act of 1948, as amended, and the Housing Act of 1956 both provide broad authority for Federal support of the market analyses and statistics needed by private industry, and for research into housing and urban problems. I shall ask the Congress to appropriate sufficient funds to carry out these programs.

(B) To find ways to improve the technology of homebuilding, and thus to make better homes available at lower cost, is one of the problems most in need of research and experimentation. Therefore, I recommend enactment of a special FHA insurance authorization to be used exclusively to help finance tests and demonstrations of new approaches to home design and construction which give promise of producing substantial savings in cost.

X. A NEW DEPARTMENT OF HOUSING AND URBAN AFFAIRS

Urban and suburban areas now contain the overwhelming majority of our population, and a preponderance of our industrial, commercial, and educational resources. The programs outlined above, as well as existing housing and community development programs, deserve the best possible administrative efficiency, stature, and role in the councils of the Federal Government. An awareness of these problems and programs should be constantly brought to the Cabinet table, and coordinated leadership provided for functions related to urban affairs but appropriately performed by a variety of departments and agencies.

I therefore recommend—and shall shortly offer a suggested proposal for—the establishment in the executive branch of a new, Cabinet-rank Department of Housing and Urban Affairs.

CONCLUSION

A nation that is partly ill housed is not as strong as a nation with adequate homes for every family. A nation with ugly, crime-infested cities and haphazard suburbs does not present the same image to the world as a nation characterized by bright and orderly urban development. To achieve our Nation's housing goals, to meet our appropriate Federal responsibilities to aid private and local efforts—and at the same time helping to combat the present recession while furthering long-term growth—I commend this program to the Congress and urge its prompt consideration and enactment.

JOHN F. KENNEDY.

THE WHITE HOUSE, March 9, 1961.

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