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CONFIDENTIAL REPORT

OF

CONSTRUCTION COMMITTEE MEETING

HOUSING ADVISORY COUNCIL

10:00 A.M.

JANUARY 18, 1935

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U.S. FEDERAL HOUSING ADMINISTRATION

WASHINGTON, D. C.

Housing Advisory Council - Construction Committee Meeting - 1/18/35

The first meeting of the Construction Committee convened at 10:00 A.M., January 18, 1935, on the call of the Chairman, Mr. George B. Walbridge. The purpose of the meeting is to decide the questions listed in the following agenda:

(References are to Transcript of December 17-18 Meeting)

A - Title I (a) Should the limit of $2,000 for insurable loans be raised or should there be no limit?

(b) Should scope of application be enlarged to include renovation and modernization of multi-family dwellings, commercial buildings and industrial plants?

(c) Should the expiration date of December 31, 1935 for this Title be extended?

(Ref.: Pages 43, 47, 51, 52 and 53 of transcript)

B - (a) Review and recommend changes, if advisable, in Circular No. 2 - "Property Standards".

(b) Standards of performance or function for materials and devices used in construction.

(Ref.: Pages 102 and 103 of transcript)

C - Subjects suggested by Members of the Committee or Staff.

Those members present were:

George B. Walbridge, Chairman
S. F. Voorhees
M. J. McDonough
Wayne F. Palmer, Executive Secretary
James D. Dusenberry, Ex Officio

Mr. Walbridge reported in detail the very careful canvass he had made of the Detroit district since the first meeting of the Housing Advisory Council. He talked with bankers, real estate men, industrialists and many others. He reported a feeling that there is a lack of aggressiveness on the part of the Federal Housing Administration; that the Act is of benefit only to the banks; and that there is a general disappointment on the part of many that the Act fails directly to benefit labor, the construction industry, manufacturers of materials and individuals needing homes. He found a great lack of confidence on the part of the individual to commit himself to a long period of payments for a home if he is again, during this term of payment, to be denied the results of his years of sacrifice through foreclosure proceedings. He stated that he felt that these questions were all of major importance and that the success of the Federal Housing program depended upon a prompt remedying of these objections.

Mr. Voorhees called attention to the fact that in New York City there is great hesitancy on the part of private capital to invest in large housing projects if the Government is going to enter into direct competition with private investors.

It was the opinion of this Committee that these questions should be put onto the Agenda for the full meeting of the Council on January 21 and 22.

The Chairman asked that the balance of the meeting be confined to the Agenda.

A (a) <u>QUESTION</u>: Should the limit of $2,000. for insurable loans be raised or should there be no limit?

The question as to whether or not loans under Title I need of necessity be confined to character loans was raised and it was noted, from the Act, that there is no mention of character loans, or the restriction of loans under this Title, to any one classification. The determination of types of loans and the rules and regulations surrounding these loans are subject to the rulings of the Administrator.

It was also stated that there is nothing under Title I confining reconditioning loans to housing projects. Attention was invited to the fact that powers under this Title are limited to "financing alterations, repairs and improvements upon real property".

Mr. Walbridge was of the opinion that there should be no upper limit - that this would be controlled by the lending institutions and by the insuring offices of the Federal Housing Administration.

Mr. McDonough stated that, from the earliest conception of the Act, he had used the power of the Building Trades Department of the American Federation of Labor to further its passage. He stated that the reason for this was to relieve unemployment in the construction industry. He had no desire or interest in stabilizing the mortgage market because he had had no experience in that field. He felt that it was the belief of many of those who were backing the Act that the relief of unemployment was the major aim of the Act and now it did not appear that labor is receiving the full benefits because of the restricted allowance in Title I.

Mr. Voorhees stated that he thought the term "housing" under Title I should be so broad as to include not only the housing of persons but the housing of goods and manufacturing facilities as well.

He could not concur with the suggestion of Mr. Walbridge that even the broadest interpretation of the Act should include manufacturing equipment.

VOTE: Upon motion duly made and seconded, it was unanimously voted that the expiration date of January 1, 1936, in Section 2 of Title I, be extended to January 1, 1937.

VOTE: Upon motion duly made and seconded, it was unanimously voted that the total liability for insurance under Title I should be increased to 400 million dollars instead of 200 million dollars.

After prolonged discussion of low cost housing, the Executive Secretary suggested that Messrs. Walbridge and Voorhees sit in with the Planning Committee, which was meeting that afternoon and discussing these questions. It was felt that it would be an advantage to all parties to have an exchange of ideas.

B (a) QUESTION: Review and recommend changes, if advisable, in Circular No. 2 - "Property Standards".

Mr. Dusenberry stated that, since the first meeting of the Housing Advisory Council, there had been a number of changes in Circular No. 2, to make it more elastic. It is desired to adapt the requirement of the Administration to good custom in different localities.

VOTE: Upon motion duly made and seconded, it was voted not to recommend any changes in Circular No. 2 - "Property Standards" - at this time.

B (b) QUESTION: Standards of performance or function for materials and devices used in construction.

VOTE: Upon motion duly made and seconded, it was unanimously voted to await the report of the Architects' Committee. Thereafter, the two Committees would work in conjunction on this question.

The Meeting adjourned at 1:15 P. M.

Housing Advisory Council - Construction Committee Meeting - 1/18/35

The Construction Committee of the Housing Advisory Council convened for a meeting in the office of the Executive Secretary of the Council at 10:00 A. M., January 18, 1935.

Those members present were:

1. George B. Walbridge, Chairman

2. S. F. Voorhees

3. M. J. McDonough

4. Wayne F. Palmer, Executive Secretary

5. James D. Dusenberry, Ex Officia

The meeting was called by the Chairman for the purpose of discussing the following questions:

(References are to Transcript of December 17-18 Meeting)

A - Title I (a) Should the limit of $2,000. for insurable loans be raised or should there be no limit?

(b) Should scope of application be enlarged to include renovation and modernization of multi-family dwellings, commercial buildings and industrial plants?

(c) Should the expiration date of December 31, 1935 for this Title be extended?

(Ref.: Pages 43,47,51,52 and 53 of transcript)

B - (a) Review and recommend changes, if advisable, in Circular No. 2 - "Property Standards".

(b) Standards of performance or function for materials and devices used in construction.

(Ref.: Pages 102 and 103 of transcript)

C - Subjects suggested by Members of the Committee or Staff.

MR. WALBRIDGE: I have had a lot of fun the last month. I have canvassed our city all over from stem to stern, and I have talked with bankers, real estate men, industrialists, etc. They give quite a varied opinion that this thing is not going to work because there is no aggressiveness; nothing behind it except to reinforce the bank, and the bank will not do it. That is generally the opinion, and I do not know but what it is right. In other words, my idea is that if we are going to succeed we

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have got to step out to the front and say, "Here's our plan; if you don't do it, somebody else is going to do it."

MR. VOORHEES: I can't say; I haven't made much of a survey in New York. I have talked to one or two of our clients who are in the field of lending, and they have certain doubts. In a little community in Rockland County we have a bank (I happen to be on the board becuase of a friendship with the chief owner), and this thing occurs up there. We have about 10 or 12 applications. People come in to find out about new construction and the conversion of old mortgages. The one difficulty was the elaborateness of the application. We had to set up a clerk to make out the applications for the people who were interested and say that all of this information was quite proper, and that they could afford to sign it. The other thing is the conversion of the existing loans which run 6% in our community. It works up to somewhere near 7% after you take 5% plus amortization, and that was a hold back up there. The other side of the picture that is rather interesting to me is that the board discussed the probability that we might turn all of our old mortgages over to long term amortization without sending them in for insurance at 5% instead of the 6%. If the mortgage holders would agree to an extension on an amortization basis, following the table of the Federal Housing Administration, the bank's viewpoint and mine being that these old mortgages, some of which are 40 years old, have been carried on the same basis with relatively little change. In some cases persons in the sixties and seventies will be perfectly satisfied with a 1900 model. If we can bring our mortgage down when the property decays and move in in the next 10 years or so, we would be in a better position than the heir who had had an opportunity to add to the value of his house and then increases the mortgage because of the greater equity created. And we might, and canafford, to cut our mortgage interest rate from 6% to 5%, so that there are some of those by-products that are on the favorable side of the picture. This is new and so new that like any pioneer job it takes time to get it over. And I think that we still have in the community a good deal of resistance to the new story. That is sort of in the air.

MR. WALBRIDGE: One of the big things that I find is the fear of losing the home. I find that everywhere. The trial of disaster has been so terrible that a man said I am a fool if I try to build a new home because I might pay for 8 or 10 years and then might lose it. Unemployment is another, and the uncertainty of what the Government is going to do itself. Those are the three big factors that are stopping this thing or clogging it up.

MR. VOORHEES: Don't you think it is in the large communities? I don't think there is a fear of what the Government might do in a community of 10,000.

MR. WALBRIDGE: I don't think it affects the small community.

MR. VOORHEES: That is the hazard we are all fearful of, that the Government will come along and put up a big housing project and seek out people, as they are now. The Knickerbocker is taking people out of the Chelsea Apartment; that is on the same scale as Tudor City,

$20 or $25 a room; $12.50 in the Knickerbocker Village. You know the Chelsea Apartment, erected about 20 years ago. Even though this is between the bridges and in a rotten neighborhood the saving of $8 per room means something in these days. Destroying one investment, the Chelsea, was a pretty good job.

MR. McDONOUGH: The only position they are in is that they will have to compete with the Government operations.

MR. VOORHEES: You will destroy the first lien. That is what holds back private venture.

MR. WALBRIDGE: Don't you think these three things are what should be gone into? Don't you think we should make recommendation?

MR. VOORHEES: I think it would be well for us, as the members of the whole Council, rather than the Committee.

MR. WALBRIDGE: We should.

MR. VOORHEES: I was just wondering whether the Committee should consider it in its special functions.

MR. PALMER: The Committee can certainly enter into a discussion and ask that they be included in the agenda for the Council for the first of the week. We are wide open for any suggestion.

MR. McDONOUGH: I think the suggestion is very good.

MR. VOORHEES: I think it would be better if we stick to this thing as a group of the three of us. Our experience should be put into the Council. That is all the difference; it is a minor difference.

MR. WALBRIDGE: We should recommend any of the things we want to throw into the pot.

MR. VOORHEES: I think we should put it on the agenda.

MR. WALBRIDGE: The first one on the agenda is Title I - A (a) "Should the limit of $2,000 for insurable loans be raised, or should there be no limit?"

MR. VOORHEES: My idea is that it should be raised and that there should be a limit. We must not make haste too rapidly on this thing. In other words I think it might help a great deal if we could reach into the group dwelling where $2,000 means little or nothing, and secondly into the smaller commercial operations; that is, I am not sure that we ought to look for a $250,000 loan on an office building to put in elevators, new toilets, etc. I am wondering if there should not be a limit on it. The politics are that we might have to have Congress to get an insurance risk. I do think very definitely that we could open up the market and extend the time payment if we had a higher limit than $2,000. We have found a good market for that thing, just to briefly illustrate. In two institutions that we are lending into was a property that had a $25,000 mortgage. That was cost to the banks after they closed in. We added $16,000 to that, $11,000 of which was on mortgage and $5,000 that the purchaser put in--a $36,000 mortgage on the property. The purchaser will take out about $1,000 a year on the property, the mortgage interest being over five years and starting out with four, and finally reaching 5% in the last two years; amortization of small amount in the last three years, first two years without amortization. That is an attractive investment. A thousand a year is 20%. Ten apartments and store building. The bank gets its four and five, stops its losses, and at the end of 5 years gets that down to $33,000 or $34,000. They have this value if they had to take it should the worst happen. They are getting a good going property, built in 1890. They raised the rental value of these rooms which were originally four room apartments, and they were getting $20 a month, that is $5 per room per month. We turned them into 4½'s, renting at $11, because they are a modern structure, putting in kitchens all modern, etc., and changing the arrangement of the rooms so that they were much better. This apartment has about a 11' ceiling; Hillside has eight and a half. We have got larger rooms than Hillside. We have just as good bath and kitchen, in just as good a neighborhood. It is a good neighborhood; just run down due to the fact that these houses have had nothing done to them-run down, out of date, worn out. The neighborhood is not as good because they do not have the open spaces for playgrounds, nice wide streets, etc. What I am getting at is this--We could do more of that useful thing if, instead of making these people pay down this $5,000, give some spread to it. In this case a fellow has to put $5,000 in it, and he cannot get any security back of it.

MR. WALBRIDGE: Is that in this Act? I thought it was character loans.

MR. VOORHEES: The amount on which he can get a loan is $2,000. Here is $5,000 this man wants to borrow, and the law says $2,000. If you raise the limit, you get into the other field, so the fellow can get a time payment proposition.

MR. WALBRIDGE: If you raise this he would not have to pay down $5,000.

MR. McDONOUGH: On that 10-family house, $2,000 wouldn't do very much.

MR. VOORHEES: It wouldn't get you anywhere. That $5,000 is relatively small. There are people who apparently can pay $11 a room, and if they can get modern accommodations they will go for it. The vacancy is going to be in the outworn buildings.

MR. PALMER: Your idea would be to increase the limit on the mult-family only?

MR. VOORHEES: No; there apparently is no appreciable demand for an increase on single dwellings. The worst that can happen is where the structure is bad. All this is predicated on good structure. The thing that gets out of condition is the heating, and plumbing, and electrical work, and unless there is great deterioration or obsolescense, I cannot see what objection there would be to taking off entirely the limit as to the number of families.

MR. WALBRIDGE: My slant is that you should not make any limit. The lending agency will tell you whether he will loan you $50,000 or $75,000. You will otherwise shut out a lot of people who want to borrow.

MR. DUSENBERRY: Mr. Moffett is inclined to go up on it a little bit. Mr. Steffan is against it. Mr. Reinbrecht is against it. From a banking standpoint it is to be a different set-up entirely. If you get a different set-up you can work it.

MR. VOORHEES: My feeling is that, sticking to Title I, which is renovation, it ought to have no limit at all as to the structure on which the work is done. If we are going to stick to residential renovation, O.K., but I would extend it to any sort of commercial buildings, even industrial buildings. We may have industrial loans which involve reconditioning of the plant (i.e. the equipment) rather than the building itself, say 75% equipment and 25% building, that might be outside of this Act, but I am thinking of where the structure itself is the main factor, instead of an office building, where construction is 75% and use is 25%. Take that field - I would take the limit off entirely. I would not limit it to four-family dwellings. I am talking about reconditioning.

MR. DUSENBERRY: You are going into Title II. We are not limiting anything in Title I - that calls for character loans.

MR. McDONOUGH: Take the 10 or 40 apartment buildings - you cannot do much with $2,000.

MR. DUSENBERRY: You will have a grand racket if you lend $100,000.

MR. McDONOUGH: You would have to surround it with restrictions that would protect the Government. If you have a character loan of $2,000, probably the lender is more lenient than if he were going to lend $75,000. They would watch the bigger loans.

MR. DUSENBERRY: Here is another thing. There would not be many of these large loans, and if one goes bad, there goes your whole pot. You would get a lot of loans in the lower limit.

MR. McDONOUGH: If we get scared we will sit where we are. Primarily, this whole Act was to help employment. Is not that the basis of the whole thing?

MR. DUSENBERRY: No. It is to reduce the mortgage situation in the country. It is a long time program. We do hope that it is going to employ a lot of people and start up construction, but it is to get the mortgage business in proper shape, primarily, and set up standards.

MR. VOORHEES: Title I certainly is employment first, and to sell the idea to the bankers of the payment plan, second. Going back to my county in New York, all the loans have been made to people to whom we would have loaned $2,000 without any question. Why didn't they come in before? Because the time payment plan appealed to them, and they could not do it before. That is the basis of the loans. It is well known in other fields, but almost unknown in the durable goods field. I think there are two objections to Title I.

MR. PALMER: In Section 2 of Title I of the Act it says: "For the purpose of financing alterations, repairs, and improvements upon real property." That is the purpose of Title I. It is not confined to single family dwellings.

MR. McDONOUGH: My thought was that it was to help construction. I was as much interested in the passage of this bill as anybody. I cooperated with every group that was interested in it, and the thought that guided us was to relieve unemployment in the construction industry. As for the other purposes, such as stabilizing the mortgage market, etc., I would not have any interest because I had no experience in that field.

MR. DUSENBERRY: We hoped it would stimulate construction, naturally.

MR. McDONOUGH: I think that was the primary thought of the Administration. This had more appeal with the Congressmen.

MR. DUSENBERRY: You mean Title I of the Act more than Title II.

MR. VOORHEES: There are two questions. One question is, whether you can raise the limit of the purely character loan. The other is, whether the time payment plan for the improvement of real property could not be extended by adding some more features. In other words, put up your character loans as far as you think the character loan will go safely without security back of it; and I think the recommendation on reconditioning might be pushed up on some sort of security.

MR. WALBRIDGE: I want to get this thing straight. Mr. Dusenberry, you said it was not primarily for the increase of employment.

MR. DUSENBERRY: I want to take that back. Title I probably was. I was thinking of Title II.

MR. WALBRIDGE: Mr. Moffett asked us to go back and find out what we could do to stimulate the matter. I have canvassed our town and I have come to the conclusion that there should be no limit on Title I. One fellow said, "I would like to borrow $15,000. I can get the loan from the bank, but suppose they come down on me in 90 days, I am all thru. If I can extend the time and pay it monthly, I can do it." I have several cases like this. If you want to help industry, why limit it to $2,000? It will not hurt your insurance. Why put any limit on it? If you limit it to $25,000, here comes a man who wants to do it for $26,000, and he is out. It will stimulate business. In every big town it will stimulate business to beat the band. I say it should be increased. Of course, you must change the Act.

MR. DUSENBERRY: The Act has to be changed.

MR. VOORHEES: Why are there not two phases? Go as far as you can on character loans, and then do the rest of it with some security back of it. Of course as soon as you get into security, you complicate it with Title II. Taking the Act as it is, what amount could you write in there instead of $2,000, without changing the Act except the one item of $2,000, and not changing anything else? This is the straight character loan. The other phase is reconditioning in a broader sense, which would get you into the industrial field, where the Reconstruction Finance Corporation is making industrial loans. We might say, so far as the Housing Act is concerned, we should stick to housing, and let some other agency take care of industrial, commercial, store property, etc. This is a Housing Act and I think we should stick straight to housing.

MR. DUSENBERRY: We could use our own organization to promote this work.

MR. VOORHEES: There might be a tie-up there. Looking ahead, I don't think the Federal Housing Administration program will work until we get it all in one place.

MR. MCDONOUGH: That makes it unanimous.

MR. VOORHEES: So long as you have Hackett as Housing Director of the Public Works Administration doing his job, while over here we are doing it, not with Government money, but with Government credit, who is going to determine where the two things cross up, like slum clearance? In Northern New York say we get the thing through, and the Federal Housing Administration insures it. Next week along comes the Public Works Administration and builds across the street, and you are licked. The Government is paying out of the insurance fund for this failure, which they themselves create. If we stick to this as the Housing Act, we are in a stronger position.

MR. DUSENBERRY: We have said we go above the limit.

MR. VOORHEES: Just how far would you go? How far could you go in housing on some other basis of lending? You only insure under Title II on new construction, or the Existing mortgage. You don't provide for any reconditioning work. I was talking about a property where there was a $25,000 cost on the books of the bank, and we put in $16,000 new money. There is nothing in the Act that covers this.

MR. DUSENBERRY: We will appraise this after the job is done and cover it to 80%.

MR. VOORHEES: The man who was putting in the $5,000 in that particular operation would be out of luck on this. He could not get the time payment.

MR. WALBRIDGE: I will read what the Finance Committee said, from the report of their meeting held January 15: "Should the limit of $2,000 for insurable loans be raised, or should there be no limit?

It was the opinion of all members of the Committee that to substantially increase the $2,000 limit would be to take this class of loan out of the class of character loans. It was stated that for single-family dwellings there was practically no demand for an increase in the limit. Consequently, any increase would merely be in the interest of multi-family dwellings or commercial enterprises, which groups have other means of securing money rather than under the provisions of Title I of this Act. It was further felt that if these larger projects were able to meet the requirements of Title I by an annual earning power of five times the loan, any lending institution would be prepared to meet its requirements. Lastly, it was felt that there was no experience on which to base insurance rates for the type of loan proposed. It was thought that the hazard of loans running to larger amounts would be so much greater than the $2,000 character loans as to make this type of business entirely undesirable." When they say there will be no application for that kind of loan they are mistaken. I have had many people in many industries say, "Yes, it would start things going." If we have another institution that will do this outside of the Federal Housing Administration, that is a different story. But we are asked for our recommendation. I do know it will stimulate industry and employment.

MR. PALMER: Mr. Chairman, should you not break the question down to: first, increase on single family dwellings; second, multi-family dwellings; third, industrial property; get a decision and recommend the limits on each? There is nothing in the Bill that would prevent insurance on commercial property.

MR. DUSENBERRY: We have accepted it up to $2,000.

MR. VOORHEES: I think the thing is, how far would you go on strictly character loans?

MR. PALMER: There is nothing that says anything about character loans.

MR. DUSENBERRY: The Administrator has brought it down strictly to a character loan basis.

MR. PALMER: He could set up different conditions for different types of loans.

MR. WALBRIDGE: How do you feel about it?

MR. MCDONOUGH: I think $2,000 will do a great deal of improvement on a one-story house, but it won't do much on large apartments, say 10, 12, 15 or 20 apartments, or manufacturing or industrial plants. In fact, it just isn't enough, and if you are going to extend your field to those other types of structures, necessarily you will have to insure for more than $2,000. In many cases it will probably be illimitable. I am in accord with you.

MR. VOORHEES: While it does not say anything about character loans, we know they have considered it that way. My feeling would be that the way to consider this thing is how much would be our judgment to raise it to on a straight character loan, and then what to do on other loans under such terms, conditions and restrictions as the Administrator shall prescribe. He can require that there should be some security on certain types of loans - for example, machinery - but I don't know that you could cover it under the Act.

MR. WALBRIDGE: Speaking of getting equipment into the thing - this should be written in the Act.

MR. VOORHEES: Then you must consider. Is this a Housing Act, or is it not?

MR. WALBRIDGE: Suppose I have a machine shop, and will install new machinery to increase production. That would be real property.

MR. DUSENBERRY: No, it is not real property.

MR. WALBRIDGE: It becomes part of the property. The Act could be changed. These bankers have said, "We don't want to raise it." We say, "Yes, raise it. Raise it to $100,000 and the Government will insure it." If the banker does not want to make the loan, the Reconstruction Finance Corporation will. Why not stir up the banks to do it?

MR. VOORHEES: I am sticking to housing. A man and his goods are housing in the broad sense. This Act is a Housing Act. I think the question is, "how far should you raise it with reference to character loans, and then with reference to other types of loans in which there is some security back of it?" There is nothing in the Act which holds it to character loans. The Administrator could say, this type of loan must have some security back of it. The character loan was of course the emphasis.

MR. WALBRIDGE: Can the Administrator do this?

MR. DUSENBERRY: Sure.

MR. WALBRIDGE: Except the time. I suppose that has to be changed.

MR. PALMER: I think there is general agreement that the date, December 31, 1935, must be extended.

MR. DUSENBERRY: No, there is not. Mr. Moffett does not think it should be extended.

MR. VOORHEES: This applies to loans and advances made subsequent to date of enactment and prior to January 1, 1936, so that the loan can be extended for as many years as you want. It is a question of whether you want to open it up for another year. It is not a question of loans; it is a question of insurance.

MR. PALMER: But the loans have to be made before December 31, 1935.

MR. VOORHEES: My viewpoint is that I don't think you need to extend it.

MR. DUSENBERRY: Mr. Moffett feels that by that time the bankers will know how to make this type of loan, and they will go ahead. Mr. Fleming feels that the bankers will not have formed an opinion by the end of the year. They must have more time to find out how it is working.

MR. WALBRIDGE: You can lead them up to the trough, but you can't make them drink.

MR. PALMER: You may be interested to know that of the character loans made so far, only one has gone sour and they had to call on the Federal Housing Administration. That was a $220 loan up in New Jersey.

MR. DUSENBERRY: We have already insured under Title I between 34 and 35 million that we know of.

MR. VOORHEES: On that question of loans my viewpoint is that they should be raised, but that the Administrator should determine to what extent on character and what on some other security back of it. My viewpoint is that the amount should be raised. Whether it should be without limit is somewhat of a question. I think the Administrator should have the power to set the limits for the straight character loans. I think something can be said on that score. If we recommend that this amount should be increased or limited entirely with the understanding that the Administrator should have the right to determine the limit for character loans, it would be more or less along my line of thought.

MR. DUSENBERRY: There are two different kinds of loans. It is a banking situation.

MR. VOORHEES: Yes.

MR. McDONOUGH: This particular Act dies at the end of the year. I think it should be extended.

MR. VOORHEES: Yes, I agree with you. Extend it another year. But if the Act is going to expire this year, you might as well let it ride as it is. I think the time limit should be extended. I move that this Title be extended to January 1, 1937.

MR. WALBRIDGE: Have you any reason for making it just a year?

MR. VOORHEES: On the basis of getting further experience. You will know much better what should be done with it. I move that section 2 of Title I be amended to read "prior to January 1, 1937" instead of "prior to January 1, 1936."

MR. McDONOUGH: I second the motion.

MR. WALBRIDGE: It is unanimous. Now let us take that limit of $2,000 for insurable loans.

MR. VOORHEES: We might talk about face amount. Should there be a limit or shouldn't there be any?

MR. WALBRIDGE: Don't you think that in this case we should take up (b) before we take up (a)? If you don't want to change A (b) you don't want to change A (a).

MR. VOORHEES: I move in the affirmative that the scope of the application be enlargedto include renovation and modernization of multi-family dwellings.

MR. PALMER: Dwelling applies to commercial buildings only if in connection with dwellings.

MR. VOORHEES: Before we make the motion, as a matter of policy, should we extend this Act outside of the field of housing in its limited sense?

MR. WALBRIDGE: They are doing it now.

MR. VOORHEES: No that is mixed occupancy. There are several agencies of the Government trying to stimulate work. To what extent should we extend it beyond the Act?

MR. PALMER: Don't you take it, from Mr. Ardrey's statement, that this is not a housing act, that it is purely a banking and insurance act so that the Federal Housing Administration really settles down under its Constitution to do nothing but a mortgage insurance business.

MR. VOORHEES: Yes, that is true, limited to real housing.

MR. PALMER: The Administrator has committed himself and the Administration to furthering industrial developments.

MR. VOORHEES: But not on equipment.

MR. PALMER: No, I don't see how we could get along on equipment.

MR. VOORHEES: I mean shelter. Real property as a shelter, in the case of Titles II and III takes in land and building, doesn't it?

MR. WALBRIDGE: Yes.

MR. VOORHEES: Question 1. Should we follow in Title I what is in Titles II and III definitely limited to residential construction? Should we mix anything with residential construction? When you have made loans on, and recognized, insured mortgages, that goes along with common practice. The New York law recognizes that all the house above the first floor is residential and comes under the multiple dwellings law; it is not commercial. The whole question of mixed occupancy comes up in every code. The question I am raising is to try to clear my own mind. As a matter of broad policy, looking toward the thing that I have got in my mind to bring in the Housing Act, everything that there is, if Mr. Moffett means anything he means housing. National Housing should be all in one place, which I thoroughly agree with. Would the Administration be wiser if they stuck this thing right down here to all kinds of residential construction and not go into the field for shelter for industrial and commercial purposes? That is what I am trying to get clear in my own mind. The question is whether that should be made an appendage of this, or whether the Reconstruction Finance Corporation or what should be the basis. It is true that this Act is about the only one that does anything for the private institution. The Reconstruction Finance Corporation makes its loans direct. It is in competition with the banks, and the same with Home Owners' Loan Corporation which is in competition with building associations, banks, etc. However, what we are looking toward fundamentally on this is the revival of private enterprise if we are going to have recovery. You cannot have recovery if you destroy private enterprise. If you destroy, you have revolution and not recovery.

MR. WALBRIDGE: Right; there is no question about it.

MR. VOORHEES: There is one temptation to cover all sorts of shelter, because there is no other agency of the Government that I know that is working through field institutions. On the other side of my mind, I keep on thinking of strengthening strictly the field of residential construction, looking toward the time when you can gather every Government activity, Public Works Administration, Subsistence Housing, and other public works, etc., in one place, as to this housing. Get this; I think you have overlooked it. After these houses have been built by the Public Works Administration, as down in Atlanta now, they are owned by the Government and must be operated for 20 years. You know what Government operation has done here in our town. Take a look at our municipal building if you want to see what Government operation means. You should just see that place. What I am getting at is that it is going to be operated by a Government agency unless some other method is fitted up. I predict that we will grow toward the European practice, where even the Government has the ownership. That is spreading to the individual occupancy so that you put ownership responsibility on the fellow who lives in the house. In Sweden they have done a swell job, because the occupants of these houses have a stake in it and assume some of the responsibility. You don't let the kids go around with a hatchet if it is your own house. If it is your own house you take care of it. If you rent it, you don't care about the landlord. What we all should be looking toward from our end of the Construction Industry is the getting of this housing matter into one place, so that you don't have to get things settled in one place and someone else comes up and upsets it.

MR. WALBRIDGE: What you mean is that if the housing activities are under one roof, you would recommend that we stay out of the commercial and industrial activities entirely.

MR. VOORHEES: I would go the whole gamut of the residential. I would increase the scope of Title I and Title II. I move that the scope of application be enlarged to include renovation and modernization of multiple-family dwellings and all residential construction.

MR. McDONOUGH: I second it.

MR. WALBRIDGE: Suppose it doesn't come under. I know you can stir up a lot of business in the industrial field if you work in the way we started.

MR. VOORHEES: Here's my suggestion. Why not make a motion right now that we extend it to all residential construction. Why not make a recommendation for extending this same sort of thing to commercial and industrial buildings. The Administrator may have very definitely in mind that he would go along on covering all kinds of buildings. I don't know how Mr. Moffett has thought it out. He has talked of the stimulation of certain large industries, but I wonder if he had thought, or any of your staff had thought, about whether or not it would be desirable to extend the application to commercial buildings and industrial plants.

MR. DUSENBERRY: They had thought about it, but this Act was really confined, for a reason, to houses, etc., and there should be some other agency that would do it or be set up to do it.

MR. VOORHEES: I move that the scope of application be enlarged to include renovation and modernization of multiple-family dwellings, commercial buildings, and other residential buildings.

MR. McDONOUGH: I second it.

MR. WALBRIDGE: What did the other Committee say on this?

MR. PALMER: They voted "No."

MR. DUSENBERRY: They also limited the amount which should be put forward by the Government to not over another $200,000,000.

MR. WALBRIDGE: Let's vote on it. The vote is unanimous. Let us take up the question of whether you want to increase the limit of $2,000.

MR. VOORHEES: All right. I move that the limit of $2,000 for insurable loans be removed and that the Administrator be given power to determine the limits for character loans.

I want the Administrator to indicate the limit and put it in two classes. I think this Committee should recommend to the Council, not necessarily going along with the Bank Committee. This will give the Council full information. Looking at the thing from our standpoint, I rather think we could make this recommendation; and then in the Council meeting, we may be convinced otherwise. We are not bound to vote this way. I think our Committee should vote to remove the limit and leave the determination of the amount with the Administrator.

MR. WALBRIDGE: How is the bank going to know what the Administrator thinks about it?

MR. VOORHEES: By the Administrator's regulations.

MR. WALBRIDGE: There are certain requirements in the Administrator's Regulations.

MR. VOORHEES: I think they are getting around it by making several loans. Suppose you put a $5,000 limit, and then you have a multiple-family loan and you have to change the regulations. If you find the man has good credit and you let him have several loans, you are actually beating the law. Hence I say remove the limit, and that the Administrator be given the power to determine the limit on character loans. He can set up rules, regulations and conditions. This house I spoke of is owned by a man and is not taken over by the bank. If he could get a $15,000 loan he might be able to do that renovation with a 10-family house. Where the bank has it, they are interested in having it turned from a loss into paying interest and taxes, and to make that go, the bank put in 60% of the new money, adding it to the old mortgage. The owner has only $5,000 in it. He can certainly come out square. The fellow who has the house right next door to this is not able to hold on, but he cannot go to the savings bank because they wouldn't give him a loan. That is what I mean.

MR. WALBRIDGE: We will vote on it. Seconded by Mr. McDonough, and unanimously carried.

MR. VOORHEES: What are we going to say about commercial buildings and industrial plants? I think we should leave it to the Administrator, either here or in cooperation with another Government agency. How does he feel about extending it to commercial and industrial plants?

MR. DUSENBERRY: All right, I think.

MR. VOORHEES: Primarily, the Act is a Housing Act.

MR. DUSENBERRY: We felt that way, but we said it is real property.

MR. PALMER: In fact, the Act is a mortgage insurance act.

MR. VOORHEES: On residential structures.

MR. DUSENBERRY: Title I, II and III should never have been together. If you use this Act, you can have a Sixth and Seventh part.

MR. McDONOUGH: If it were not for Title I, I don't think the bill would ever have passed.

MR. VOORHEES: At the hearings, the last day when Harry Hopkins, Miss Perkins, and others were there, and I finished my talk, they asked me if there was any field of renovation. All their questions were directed toward renovation, and not toward mortgages.

MR. McDONOUGH: I think it should be extended to commercial buildings and industrial plants. I am just questioning whether we are not crossing up the wires by having the Reconstruction Finance Corporation make industrial loans. If we put it in here, you have the Federal Housing Administration insuraing loans on industrial plants, and the Reconstruction Finance Corporation lending direct. I am not keen about encouraging this. I would rather have the Reconstruction Finance Corporation handle their operation through some lending institution so that it will not be in competition with Government money. I would rather see the thing covered in a Reconstruction Finance Corporation enactment than set it up here.

MR. DUSENBERRY: We will insure it if they want it.

MR. VOORHEES: My recommendation is that the principle of Title I should be made available for loans on commercial and industrial buildings, and that we request the Administrator to see if a plan cannot be devised in cooperation with other Federal agencies interested in such loans.

(The vote on this was unanimous.)

MR. VOORHEES: I don't know that the $200,000,000 insurance fund should be increased.

MR. DUSENBERRY: They want another $200,000,000. If you are going to extend the Act (Title I) another year, you need another $200,000,000.

MR. WALBRIDGE: What is your recommendation? To increase the limit of liability from $200,000,000 to $400,000,000 under Title I?

MR. VOORHEES: Yes. I move that the total liability for such insurance under Title I should be increased to $400,000,000 instead of $200,000,000.

MR. McDONOUGH: I second the motion.

MR. WALBRIDGE: The vote is unanimous.

MR. WALBRIDGE: Now I want to talk about low-cost housing. What is the definition of low-cost housing? I would like to put that in in place of "Property Standards".

MR. VOORHEES: We had a discussion on this last night at a Chamber of Commerce meeting. I think that the Act covers it. It is a low rental proposition. What is low rental? In New York City $12.50 is what has been determined, and in Brooklyn $11.00 per room per month. However, this is not low rental, say, in Atlanta.

MR. DUSENBERRY: They have different ways of calling them rooms. The kitchen may be half a room in some places.

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1. ECONOMIC CONDITIONS. 2. ECONOMIC
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MR. PALMER: The Planning Committee is going to try to give a definition on this this afternoon.

MR. VOORHEES: When you talk about low rental you go back to the question of a man who says I have $1,000 and can pay $75 per month. What are you going to do for him? When you go over into that you have a different definition of what is low income. If you go down the line you have different definitions as to what is low income or low rental. When you go into Government subsidy, you have a different condition. Generally speaking, in Manhattan $12.50 would be a low rental. That can be done commercially. However, in the case of renovation we can get down to $10 per room per month. Somewhere down the line that is low income for commercial housing and commercial financing; you can get a return on it. We can go to $10, in fact we have gone down to $8 on the lower East Side, and showed a nice return. So here is the dead line - say for Manhattan we say $8 per room per month. Now you come to a section where it is not possible to go any lower. Certainly $5 in Manhattan cannot be done commercially. That is low income housing in connection with what the President has talked about. That group can never be reached. I think the bottom limits for this thing are automatic. The top limit is the other question. We have this question in New York in four blocks we are studying for a large institution that is fearful of the encroachment of negroes, who are spreading out in New York at a great rate. This institution is considering the purchase of some four blocks and putting up houses there. It is the type that could get an income, according to our survey (if they could improve the rooms and facilities), of $15 per room per month; and this would be more likely of success than if we tried it at $12.50. Is that low rental housing within the terms of this section?

MR. DUSENBERRY: We are limited right now to $12.50, but I still feel and hope that we can call "low cost housing" housing that is necessary, needed and proper in whatever neighborhood it is in. Jackson Heights is trying to get in with $14, $16 and $18. This is necessary and proper housing in that locality.

MR. WALBRIDGE: The minute you put a limit on it you are stopping the whole thing. I may show you that $15 is all right. I am not so much concerned with the definition---the rent of which will be commensurate with the income of the occupants.

MR. DUSENBERRY: I think we ought to keep off Park Avenue.

MR. WALBRIDGE: $15 a month is low cost housing. If you could answer those questions you could put over a lot of this stuff. You will eat up your $200,000,000 in no time.

MR. DUSENBERRY: Our interpretation has been whatever limit has been set in the different States.

MR. VOORHEES: It says here in the Act, Section 207 - "...Provided, That the insurance with respect to any low-cost housing project shall not exceed $10,000,000." Can you have as many $10,000,000 projects as you want?

MR. DUSENBERRY: That means each single project is limited to $10,000,000. You can have as many as you want.

(4400)

MR. VOORHEES: You have one billion dollars on new construction. If you had 100 housing projects of $10,000,000 each you would use it all.

MR. DUSENBERRY: We have one billion dollars on new construction, one billion on old construction, and under Title I we can cover one billion by 20% insurance. On low-cost housing we can insure 100%, without limit as to percentage or period. We can take 100% mortgages on low-cost housing propositions. If we think it is an A-1 proposition, we will insure 100% of it, for as many years as necessary, 50 or 100 years.

MR. VOORHEES: Regarding maximum rentals, these are set up in Page 7 of Circular No. 3, Low-Cost Housing - "Projects located in States having State housing laws may not have rentals in excess of the maxima provided by such laws....."

MR. DUSENBERRY: We did not want to go any further than the different state laws said. We would like to put in low-cost housing wherever housing is necessary, and not limit it to $12.50, $15.00 or anything else.

MR. VOORHEES: (continuing reading) ".....Where no state law exists, the Administration will take cognizance of the following and similar factors in determining whether or not a proposed project offers low-cost housing accommodations, and so forth."

MR. PALMER: I suggest that as long as we are going into these same subjects this afternoon, why could not we combine the two groups on low-cost housing and finish these questions?

MR. WALBRIDGE: I would rather do that.

MR. VOORHEES: I am agreeable. Now I would like to dispose of one thing. This is concerning question B (b) -"Standards of performance or function for materials and devices used in construction." The Architects' Committee had a meeting informally after the last meeting of the Council, and we decided we are going to try to, and Mr. Colean will see if he can, write up some performance characteristics for houses - for example, protection against the elements, the walls must have supporting strength, etc. Does this particular material meet those functions? We know that 12-inch material will meet the requirements. The Architects' Committee decided that we could not define the functions of a wall, but just say it must have the characteristics. The question now is, does the construction of a wall with certain characteristics meet the performance characteristics? If we cover that, then the Construction Committee cannot say they conflict.

MR. WALBRIDGE: I have a plan I want to submit to the Architects' Committee.

(In connection with Question B-(b) "Standards of performance or function for materials and devices used in construction." - it was decided to cooperate with the Architects' Committee).

MR. WALBRIDGE: Do you recommend changing Property Standards?

MR. DUSENBERRY: We want to make it elastic.

MR. VOORHEES: I would say let it go.

MR. DUSENBERRY: We have loosened up on it. In Circular No. 2 we have changed it so as to make it elastic. Whatever happens to be the custom in that locality will be acceptable to us, unless it is very poor practice. Mr. Moffett just called me up, San Francisco had been after him. There they cover a lot between 75% and 90%, and according to our rulings they are out. We have liberalized on that to be in accordance with the customs.

MR. VOORHEES: On existing or new housing?

MR. DUSENBERRY: Both. There is no difference in our standards.

(Mr. Voorhees said something about standards for old and new construction, rating, coverage, etc.)

MR. DUSENBERRY: Have you gone through our Manual?

MR. VOORHEES: I have not seen it.

MR. DUSENBERRY: Our Manual shows how we approach that subject. If it comes out a certain percentage in the end, it is all right.

MR. WALBRIDGE: That is rather elastic, is it not?

MR. DUSENBERRY: Yes. Coverage is but one of the elements. That is what Mr. Moffett told me to take up today. We have something in Operative Builders and New Neighborhoods about that - they will have to have 25% coverage, then we will consider it. If you have 100 acres, 25 of those acres will have to have proper housing, spotted in the proper place, not several houses three blocks away. It is our opinion that we should be just as elastic as possible.

MR. VOORHEES: You don't want to make a loan on land?

MR. DUSENBERRY: That's right. Mr. Moffett thinks this ought to be made elastic, and would like to get our expression of opinion on that. I think it is more or less unanimous that we should be elastic without doing something injurious. I would rather take this up with the group this afternoon, however.

MR. PALMER: Do you want to add them to the agenda this afternoon?

MR. DUSENBERRY: We can bring it up as new business. Now, have you worked out any suggestions at all as to how we can get this whole program going better? It is doing fairly well, but we want suggestions to pep it up.

MR. VOORHEES: I don't think it is a question of construction, immediately. It is a question of financing.

MR. DUSENBERRY: You construction people certainly can try to get banks to see the light, and do some missionary work yourselves. If we can offer you any service along this line, we would like to know.

MR. VOORHEES: We are trying to do this.

(Meeting adjourned at 1:15 P.M.)

(4400)

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Housing advisory council meeting(s) suppl. (2).

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