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U.S. CONGRESS. BANKING AND CURRENCY COMMITTEE (H).

LANHAM ACT AMENDMENT. HEARINGS....
80th, 1st.

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LANHAM ACT AMENDMENT

HEARINGS

U.S. Congress House BEFORE THE
COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

FIRST SESSION

ON

H. R. 2780 (5854)

A BILL TO AMEND SECTION 502 (A) OF THE ACT ENTITLED
"AN ACT TO EXPEDITE THE PROVISION OF HOUSING
IN CONNECTION WITH NATIONAL DEFENSE,
AND FOR OTHER PURPOSES"

APRIL 9, 10, AND 11, 1947

Printed for the use of the Committee on Banking and Currency

Federal Housing Administration
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H. R. 2780
UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947

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LANHAM ACT AMENDMENT

WEDNESDAY, APRIL 9, 1947

HOUSE OF REPRESENTATIVES,
BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

The committee met at 10 a. m., the Honorable Jesse P. Wolcott (chairman) presiding.

Committee members present: Mr. Wolcott, Mr. Smith, Mr. Sundstrom, Mr. Kilburn, Mr. McMillen, Mr. Buffett, Mr. Stratton, Mr. Fletcher, Mr. Foote, Mr. Spence, and Mr. Brown.

The CHAIRMAN. The committee will come to order.

We are meeting this morning to consider H. R. 2780.

(The bill referred to is as follows:)

[H. R. 2780, 80th Cong., 1st sess.]

A BILL To amend section 502 (a) of the Act entitled "An Act to expedite the provision of housing in connection with national defense, and for other purposes"

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 502 (a) of the Act entitled "An Act to expedite the provision of housing in connection with national defense, and for other purposes", approved October 14, 1940, as amended (42 U. S. C. 1572 (a)), is amended by striking out "\$410,000,000" and inserting in lieu thereof "\$460,000,000".

SEC. 2. That the additional funds herein authorized shall be available to carry out the purposes of sections 501, 502, and 503 of said Act of October 14, 1940, as amended, but shall be available only for necessary expenses in (1) completing the provision of temporary housing (including dwelling units not under construction) for which a contract in writing with any educational institution, State or political subdivision thereof, local public agency, or nonprofit organization had been made prior to the enactment hereof pursuant to title V of said Act of October 14, 1940, as amended, and (2) reimbursing any such educational institution, State or political subdivision thereof, local public agency, or nonprofit organization (a) for funds expended by it in completing any such temporary housing (exclusive of the costs of site acquisition and preparation, or the installation of streets and utility mains), or (b) for the cost of utility and other work in connection with any such temporary housing performed by it for the Administrator on a reimbursable basis pursuant to section 502 (d) of said Act of October 14, 1940, as amended.

The CHAIRMAN. I might add that we have a problem before us, which we might consider in connection with this bill, with respect to the disposition of permanent housing accommodations under the Lanham Act.

No bill has been introduced on that phase of the Lanham Act, but I understand that under the reorganization bill it is not necessary to have a bill before the committee in order for the committee to consider a subject within its jurisdiction. So the committee will try to dispose of both of these questions—the one contained in H. R. 2780 and the other dealing with the disposition of Lanham permanent housing—at

the same time having in mind that possibly when we have determined what action the committee desires to take regarding the latter question, it might be reported out as an amendment to H. R. 2780.

Mr. Foley, National Housing Administrator, is to be here later this morning. He is now before the Senate Committee on Banking and Currency and will be here shortly.

Mr. Fitzpatrick, of his office, is here with us, and I understand Mr. Fitzpatrick will read Mr. Foley's statement and answer any questions until Mr. Foley gets here.

Mr. Fitzpatrick, you may proceed.

STATEMENT OF B. T. FITZPATRICK, GENERAL COUNSEL, NHA

Mr. FITZPATRICK. My name is B. T. Fitzpatrick, general counsel of the National Housing Agency under Administrator Raymond M. Foley. As the chairman has indicated, Mr. Foley hopes to be here very shortly and has asked that I read his statement to you. He will be here and will be available for questions just as soon as he can get away.

The CHAIRMAN. Mr. Fitzpatrick, perhaps in receiving your statement it might be well to incorporate in the record the message from the President which is contained in House Document No. 151, and that Mr. Foley's statement succeed that message.

(The document referred to is as follows:)

[H. Doc. No. 151, 80th Cong., 1st sess.]

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A REQUEST FOR ADDITIONAL APPROPRIATIONS FOR VETERANS' HOUSING PROGRAM

To the Congress of the United States:

A significant contribution to the amount of rental housing so direly needed by veterans and their families at rentals they can afford has been made during the past year by the temporary reuse program under title V of the Lanham Act.

Under this program, Army barracks and other military or civilian wartime structures are converted into temporary dwellings. Many of these are reused on their sites; others are moved and set up on the campuses of universities for the use of student veterans. Still others have been placed on new sites in cities where the housing shortage is desperate.

These educational institutions, municipalities, and other public bodies have used their own funds to provide sites for these temporary reuse homes. The Federal Government, through the Congress, made two appropriations, totaling \$445,627,000, to finance its part of this program.

Originally, it was planned to convert war structures into 200,000 temporary units under this program. This would of course have provided accommodations for many more than 200,000 persons. Rising costs of labor and building materials, as well as rising costs caused by the increased time required for completion due to shortages, have made it necessary for the Government several times during the past year to cut back the temporary reuse program.

Prior to February 1, 1947, allocations had been made for 158,834 units, but the rising costs of building and the scarcity of materials made it necessary recently to suspend 8,357 of these. With cut-backs, which had been ordered earlier, it now appears that it will be possible, out of the Federal appropriations, to provide for only about 150,000 units, or approximately 25 percent fewer than was planned. Of these, 95,451 units have been completed and around 55,000, including suspended units, are under construction.

No more allocations out of the funds available under the Lanham Act can be made. Prior to the time cut-backs and suspensions were ordered, as a result of the approaching exhaustion of funds however, many local groups such as city governments and educational institutions, already had obligated or spent considerable funds of their own, as required under the Lanham Act. This was done to acquire sites, provide utilities or community facilities to accommodate the housing which they confidently expected would be set up. In some instances they also

spent funds on a reimbursable basis, to provide utilities and perform other necessary work in connection with these houses. When it became obvious that some temporary reuse units could not be completed at Federal expense many local bodies set aside funds of their own in order to bring these units to completion.

The result is that in order for the Federal Government to fulfill its contractual obligations a further appropriation by the Congress of \$50,000,000 is necessary.

These obligations fall into four categories:

1. Completion of all units now under contract, including approximately 8,357 units suspended since December 14, 1946.
2. Completion of approximately 4,869 units which were canceled in previous cut-backs.
3. Reimbursement of public bodies for expenditures of their own funds for the completion of approximately 400 units which otherwise would have been canceled.
4. Reimbursement of public bodies for the cost of utility and other on-site work performed by them in connection with veterans' temporary housing on a reimbursable basis.

The Federal Government must carry out contractual obligations accepted in good faith by educational institutions, municipalities, and other local bodies.

It is recommended, therefore, that the authorization contained in section 502 (d) of the Lanham Act be increased by \$50,000,000 and that the funds subsequently appropriated under the increased authorization be available to meet the four obligations specified above.

Over and above these contractual obligations, we have obvious responsibilities to those who served their country in the armed forces. Under our program about half of the temporary reuse housing is made available to colleges and other institutions of learning to house veterans while they are studying under the terms of the GI bill of rights. The other housing is set up in crowded cities, where otherwise many of our returned servicemen would be unable to find accommodations. Rentals of these temporary structures average \$30 per family unit. I am sure I do not need to stress the urgency of the completion of this program to alleviate the stringent housing shortage faced by so many of our veterans.

I urge the Congress to make a further appropriation of \$50,000,000 in order that the Government may meet its contractual obligations referred to and in order that this phase of our continuing program of aid to veterans may be carried out.

HARRY S. TRUMAN.

THE WHITE HOUSE, February 28, 1947.

STATEMENT OF RAYMOND M. FOLEY, NATIONAL HOUSING ADMINISTRATOR (READ BY B. T. FITZPATRICK)

Mr. Chairman and members of the committee, as you know, in his February 28 message to the Congress the President recommended that the authorization contained in section 502 (a) of the Lanham Act be increased by \$50,000,000.

In this message the President also indicated that the funds subsequently appropriated pursuant to this increased authorization should be available to enable the Government to fulfill its contractual obligations to municipalities and educational institutions in connection with the provision of temporary housing for veterans.

Two identical bills (H. R. 2340 and H. R. 2780) which would carry out this recommendation of the President have been introduced and are now pending before your committee. My statement with respect to these bills will be general, because Mr. Myer, the Federal Public Housing Commissioner, is here and will discuss more fully the provisions of these bills which, as you know, primarily relate to operations which are carried out through the FPHA.

Perhaps the first point that ought to be made in connection with your consideration of these identical bills to increase the Lanham Act authorization is that the need arises from operations under the title of the Lanham Act which has to do with the provision of temporary, re-use housing for veterans.

This title—title V—was enacted in June 1945. As originally passed, it made available to the National Housing Agency all the Lanham Act powers in order to provide temporary housing for servicemen and veterans and their families who were affected by evictions and other unusual hardships. However, it was not until the end of December 1945, that this title was amended to provide for what is now commonly known as the temporary re-use program, and the first funds were appropriated under this title.

Briefly, the function of this program was to make effective use of existing surplus Army barracks and other wartime structures which could be converted into temporary dwellings to be rented to veterans. Essentially, the program has represented a joint venture of the Federal Government and our local communities, educational institutions, and similar agencies.

Under the act, the local communities and other participating agencies provide the sites and off-site utilities, while the Federal Government undertakes the responsibility for moving the structures and transporting them to the site, and for erecting the temporary housing, which thereafter is managed and operated by the local agency.

Approximately \$450,000,000 has been appropriated for this program. On the basis of costs at the time of these appropriations, it was expected that it would be possible to provide 200,000 temporary re-use units. However, due to additional costs resulting from the construction delays caused by material shortages and increasing construction costs, the size of this program has had to be reduced to approximately 150,000 units as a result of a series of cut-backs and suspensions.

Prior to the time cut-backs and suspensions were ordered, because of the approaching exhaustion of funds, however, many municipalities and educational institutions already had obligated or spent substantial amounts of their funds, as required under the Lanham Act. This was done to acquire sites and provide utilities to accommodate the housing which they confidently expected would be set up.

When it became obvious that the funds made available would not be sufficient to permit the Federal Government to carry out its obligations in moving and reerecting the temporary housing, some local bodies set aside funds of their own in order to bring these units to completion without further delay. In some instances they also spent funds, on a reimbursable basis, to provide on-site utilities and perform other necessary work in connection with this temporary housing.

The result is that, in order for the Federal Government to fulfill its obligations, a further appropriation by the Congress of \$50,000,000 is necessary.

It should be made clear at this point, however, that the additional \$50,000,000 authorization is not intended to restore the size of the re-use program to that originally planned. The necessity for this additional amount stems from the fact that the drastic rise in costs has served not only to require a 25-percent cut-down in the size of the program, but also to make it impossible to cover necessary expenditures on re-use projects with respect to which the Federal Government has already assumed obligations and which it was expected, at the time they were undertaken, could be complied with.

These obligations fall into four categories:

1. Completion of all units now under contract, including approximately 8,300 units suspended since December 14, 1946.

2. Completion of approximately 3,730 units which were canceled in previous cut-backs.

3. Reimbursement of public bodies for expenditures of their own funds for the completion of approximately 1,458 units which otherwise would have been canceled.

4. Reimbursement of public bodies for the cost of utility and other on-site work performed by them in connection with veterans' temporary housing on a reimbursable basis.

Mr. Myer will discuss these obligations—including the estimated costs—in greater detail. The essential point I would like to make now is that the increased authorization is needed to carry out commitments of the Federal Government which were accepted in good faith by our cities, colleges, and other local bodies and on the basis of which substantial costs have been incurred by them.

In addition to the \$50,000,000 authorization provided for in the two identical bills before your committee, there is one further amendment to the Lanham Act which I should like to recommend. Under section 301 of the Lanham Act, certain of the basic powers contained in sections 1, 202, 401, and 402 of that act will expire when the President declares that the limited national emergency declared on September 8, 1939, has ceased to exist. While this creates no problem with respect to most of the operations which continue under the terms of the Lanham Act, it does, of course, create serious problems with respect to the title V program. Therefore, it is important that section 301 be amended to make it clear that the powers contained in these sections would continue for the limited purposes of the re-use programs under title V after the termination of the emergency and until July 1, 1948.

Also, because the housing shortage has required continued operation and use of most of the war housing itself beyond the period originally contemplated, limited amendment of section 301 is necessary to meet certain specific and continuing needs in connection with these operations.

For example, there are cases where temporary projects, which must be continued in use for some period of time, have been constructed on land held under a short-term lease. In such cases it may be necessary to continue the Government's leasehold interest for an additional period of time. In some of the lease cases it will be cheaper for the Government to acquire title than to carry out the lease obligation to restore the property to its original condition.

There are other cases where the utility lines serving a permanent project on land to which the Government has a fee simple title approach through property on which a temporary project has been constructed on land in which the Government has only a leasehold interest. In such case it will be necessary for the Government, upon the termination of its present leasehold interest, to acquire the necessary easements for the utility lines needed to protect its interest in the permanent project. In this connection, also, Mr. Myer will discuss the problems involved in detail.

The need for this amendment of section 301, it is to be noted, was recognized in the President's message to the Congress of February 19, which recommended the repeal of various temporary war statutes. I may add that, as indicated in my letter of February 28 to the Speaker of the House of Representatives—which letter was referred

to your committee—the Federal Works Agency, which also has certain operations under the Lanham Act, joins in the recommendation that this amendment be enacted. The language of this recommended amendment is as follows:

On page 2 of the bill, add the following new section:

SEC. 3. Section 301 of the Act entitled "An Act to expedite the provision of housing in connection with national defense, and for other purposes," approved October 14, 1940, as amended (42 U. S. C. 1541), is hereby amended to read as follows:

"Sec. 301. When the emergency declared by the President September 8, 1939, shall have ceased to exist—

"(a) The authority contained in sections 1, 202, 401, and 402 hereof shall terminate (1) except with respect to contracts on projects previously entered into or undertaken and court proceedings then pending under titles I, II, and IV hereof, and (2) except that, until July 1, 1948, the Administrator may continue to exercise such authority in connection with title V hereof;

"(b) The Administrator may, until July 1, 1948, with moneys derived from rental or operation of properties administered under this Act continue by lease or condemnation any interest less than a fee simple in lands heretofore acquired pursuant to titles I, II, or IV hereof, or Public Laws 9, 73, and 353, Seventy-seventh Congress (50 Stat. 14, 198, and 810), and acquire by purchase or condemnation a fee simple or lesser interest to any such lands whenever the Administrator determines that the acquisition of such fee simple or lesser interest is necessary to protect the Government's investment or to maintain the improvements constructed thereon, or that the obligation of the Government to restore the property to its original condition would exceed the cost of acquiring the title thereto; and

"(c) Property acquired or constructed under this Act (including schools and hospitals) shall be disposed of as promptly as may be advantageous under the circumstances and in the public interest."

This statement has been submitted to the Bureau of the Budget. I have been advised by the Director of the Bureau of the Budget that there is no objection to its presentation, and that the bills to increase the Lanham Act authorization by \$50,000,000, and the amendment recommended herein, are in accord with the program of the President.

Mr. FITZPATRICK. Mr. Chairman, you had also raised the question as to the availability of FHA insurance in connection with your consideration of the disposition problem, and there has been filed with the committee a short statement indicating that, in the main, the FHA insurance is available only for new construction.

There is also indicated on that statement the language of an amendment which, if the committee desires to make FHA insurance available for these purposes, would accomplish that objective.

(The document referred to is as follows:)

AVAILABILITY OF FHA INSURANCE TO FINANCE SALES OF WAR HOUSING OWNED BY THE UNITED STATES

The question has been raised as to whether, under the National Housing Act, the Federal Housing Administration may insure mortgages executed in connection with the sale of war housing owned by the United States, particularly war housing under the jurisdiction of the Federal Public Housing Authority.

Under section 203 of the National Housing Act separate mortgages executed in connection with the sale of one- to four-family dwellings in war housing projects under the jurisdiction of the FPHA could be insured, provided any such mortgage—

- (a) Does not exceed 80 percent of the appraised value of the dwelling or dwellings;
- (b) Does not exceed \$16,000;
- (c) Has a maturity of not more than 20 years; and
- (d) Bears interest at a rate not exceeding 5 percent per annum.

It is to be noted, however, that the great bulk of the war housing now owned by the United States has been constructed as large-scale rental housing projects. Since the amount of war housing which could be disposed of as one- to four-family dwellings is relatively small, the mortgage insurance provisions of section 203 of the National Housing Act could not be used to any great extent to aid in the disposition of this war housing.

The provisions of section 603 of the National Housing Act, and of sections 207 and 608 relating to the insurance of mortgages in connection with large-scale rental housing properties, make it clear that mortgage insurance is available thereunder only for new construction and that it is not available in connection with existing construction.

In the event that the Congress should determine as a matter of policy that FHA insurance should be made available to assist in financing the disposition of war housing owned by the United States, such objective could be carried out by the enactment of the following:

"Section 608 (g) of the National Housing Act, as amended, is hereby amended by striking out the period at the end thereof and inserting the following: ", and to insure under this title any mortgage executed in connection with the sale of residential property by the United States or any agency thereof, without regard to the limitations of eligibility or to any limit as to time or aggregate amount contained in this title."

The CHAIRMAN. Mr. Fitzpatrick, in connection with H. R. 2780, the figures which you have used in the statement are substantially the figures which were included in the President's message, are they not?

Mr. FITZPATRICK. There have been some slight changes in those figures, Mr. Wolcott. In the first category the President's message includes approximately 8,357, while the figure in Mr. Foley's statement is 8,300.

In category (2) the figure in the President's message is 4,869; in Mr. Foley's statement it is 3,730.

In the third category in the President's message it is 400 units; in Mr. Foley's statement it is 1,458 units.

The CHAIRMAN. Certain questions have arisen that you might be able to clear up, Mr. Fitzpatrick. The President's message says:

Prior to February 1, 1947, allocations had been made for 158,834 units, but the rising costs of building and the scarcity of materials made it necessary recently to suspend 8,357 of these. With cut-backs, which had been ordered earlier, it now appears that it will be possible, out of the Federal appropriations, to provide for only about 150,000 units, or approximately 25 percent fewer than was planned. Of these, 95,451 units have been completed and around 55,000, including suspended units, are under construction.

In category (1) the President mentions that the necessity for this \$50,000,000 is for the—

completion of all units now under contract, including approximately 8,357 units suspended since December 14, 1946.

Now, that 8,357 units, as I understand it, is part of the 55,000 units. What is the distinction between this 8,357 units, as to their status, and the difference between that figure and the 55,000 units, which would be about 47,000? Do I make myself clear? The 8,300 seems to have been set apart as being in a different category than the remaining 47,000.

Mr. FITZPATRICK. My understanding is, Mr. Chairman—and Mr. Myer can correct me if I am in error on this—that the approximately 8,300 units are included in the 55,000, which are actually under contract but where, as to the 8,300 units, they have had to order a stoppage of the work.

Mr. MYER. That is correct.

The CHAIRMAN. What I am getting at is this: Has any work been done on these 8,300 units?

Mr. FITZPATRICK. They are in various stages of work; yes.

The CHAIRMAN. How does that differ from the rest of the 55,000?

Mr. FITZPATRICK. As to the remaining portion of the 55,000, they have sufficient funds to continue, under the contract, to complete those. But they have had to order a suspension of work on approximately 8,300 of the 55,000.

The CHAIRMAN. Then you have money enough, as I understand it, to proceed with and complete about 47,000 units?

Mr. FITZPATRICK. Approximately, yes.

Mr. MYER. Mr. Chairman, may I correct the record on that? The 8,300 plus units are not in that 55,000. The 55,000 are the ones which at the time the President's message was sent up were still under construction and proceeding.

The CHAIRMAN. Well, this is rather confusing. The President's message says:

Of these, 95,451 units have been completed.

Mr. MYER. That is right.

The CHAIRMAN. That is, of the 150,000, and "around 55,000, including suspended units, are under construction."

Now, in category (1) he says:

Completion of all units now under contract, including approximately 8,357 units suspended since December 14, 1946.

It would seem to me that that is very clear—that the 8,300 are part of the 55,000.

Mr. MYER. There are 152,000 units at the present moment that are either completed or on which construction is going ahead. In addition to that there are about 12,000 units included in these other figures that are either suspended or which were not started, but were under contract.

The CHAIRMAN. Now you are making it more complicated, because the figure of 12,000 does not appear in any of the statements.

Mr. MYER. Well, it will in my statement. It is adding up the categories (1) and (2), under the major items that the President presented in his message, Mr. Chairman.

The CHAIRMAN. What is the difference? How many could you complete under your present authorization?

Mr. MYER. 152,000 units, Mr. Chairman.

The CHAIRMAN. What is the significance of this 55,000 figure the President used in his message?

Mr. MYER. That is simply an indication as to progress of construction. There are 95,000 of those 150,000 mentioned, which were completed at the time the President's message was sent up, and an additional 55,000 plus were under construction. They are going ahead with that now. It is simply a progress report.

The CHAIRMAN. The President says:

With cut-backs, which had been ordered earlier, it now appears that it will be possible, out of the Federal appropriations, to provide for only about 150,000 units.

Mr. MYER. That is correct.

The CHAIRMAN (reading):

Or approximately 25 percent fewer than planned.

Now, he says 95,451 of the 150,000 have been completed.

Mr. MYER. And an additional 55,000 are under way.

The CHAIRMAN (reading):

And around 55,000, including suspended units, are under construction.

Is that 8,300 part of the suspended units?

Mr. MYER. No. I have just stated, Mr. Chairman, that that is an error.

The CHAIRMAN. Well, then, why didn't you say so in the first place? We are getting somewhere now. If you say it is an error we will not consider that figure any further. If that is an error, then the President's statement in that respect is in error.

Mr. MYER. That is correct.

The CHAIRMAN. Now give us the facts. What is the truth about it?

Mr. MYER. There are 152,000 units either completed or under construction at this time. There are approximately 12,000 units, including the two items mentioned there—the 8,300 plus and something under 4,000 units that were cut back earlier—which are not completed, and have been either under suspension or were not started at the time this message was sent up, making a total of 164,000 units in the program, if the \$50,000,000 is provided.

That figure is different from the President's statement by about 1,000 units. There is also an error there of 1,000 units. I think the President's statement indicated there were 165,000 units in the total program at that time.

The CHAIRMAN. Was that error made before the National Housing Administration had made the survey of what was necessary to complete this program, or since then?

Mr. MYER. I think the matter of saying that it included the other units was merely an oversight, because it is quite evident, on the face of it, that when you add 95,451 units and 55,000 units it comes out to 150,000, which we have been going ahead with right along.

The CHAIRMAN. You say that is 152,000, though.

Mr. MYER. It is at the present time. At the time it was indicated there it was about 150,000. We have been able to pick up a few of those units. That is why the figures are somewhat different than the President's figures. I have those figures in detail in my statement, Mr. Chairmen.

Mr. SUNDBROM. Will you yield?

The CHAIRMAN. Yes.

Mr. SUNDBROM. I am interested to know what you mean when you say "152,000 completed or under construction." Then, "12,000 not completed or under suspension."

What is the difference between "under construction" and partially completed?

Mr. MYER. Well, those that we say are under construction have not been stopped. They have been going right ahead. The 12,000 units, part of which were never started, because funds were not available at the time, or which were stopped back about mid-December and have not been under construction now for the last 3 months. They are simply standing still and are not proceeding.

Mr. SUNDBROM. In other words, you have the money already to complete the 152,000 units?

Mr. MYER. That is right.

Mr. SUNDSTROM. That money is set aside?

Mr. MYER. That is right. The money is obligated and we are going ahead.

Mr. SUNDSTROM. Of the 12,000, how many of those have not even been started?

Mr. MYER. I will get that figure for you in a moment.

The CHAIRMAN. Would that make 162,000 units altogether?

Mr. MYER. 164,000, Mr. Chairman.

Three thousand seven hundred and thirty units, Mr. Sundstrom, is the number of those that were stopped previous to December 14, making accommodation for 4,300 families. That is the figure that you asked about.

Mr. SUNDSTROM. That have never been started?

Mr. MYER. Well, they have been contracted for, but they actually were not above the ground.

Mr. SUNDSTROM. Well, are they above the ground now?

Mr. MYER. No. Those were all held at that stage.

Mr. SUNDSTROM. Thank you.

Mr. SMITH. You mean 3,730 had been contracted for?

Mr. MYER. That is right. They were under contract but they were never started. In addition to that there were 8,300 units that were in different stages of construction and were suspended while they were under construction and have not gone forward since.

Mr. SMITH. I see.

Mr. SUNDSTROM. In other words, the municipalities have no investment in those 3,730 units as yet.

Mr. MYER. Generally speaking, that is true.

Mr. SMITH. I still do not quite understand. Is the figure of 8,357 units included in your 12,000 units?

Mr. MYER. That is part of the 12,000 units; yes, sir.

Mr. SMITH. How far along are the 8,357 units?

Mr. MYER. They are in various stages of construction. Some of them are up to the place where they have roofs on them. Some of them have been partitioned. Certain others are just at the stage where the foundations have been laid and the basic utilities put in. There are units in all stages in between those two.

Mr. SMITH. How many additional units do you expect to build with this \$50,000,000 you are asking for?

Mr. MYER. 12,000, approximately—the figure that I have just given you.

Mr. SMITH. You merely want enough money, then, to complete this 12,000 program?

Mr. MYER. The 12,000 units would be completed, plus certain obligations we have in certain communities where they put up funds they were not obligated to put up to begin with, and where they have gone ahead on their own.

There are certain other obligations, there, on certain site work that the cities have done and which we had contracted to do. We were to reimburse them, but we have not been able to reimburse them for that work. But the number of units to be completed would be the 12,000 units.

Let me just say on that point, Mr. Chairman, that all that is included in this request are the obligations that were written in the contracts, either with colleges or cities, and were actually under contract,

that we have not been able to complete. There is no new construction in here. No new obligation is suggested. We are simply trying to complete the obligations that we were committed to under contract with the universities and the cities.

Mr. SMITH. Is that exactly true? On page 4 of the statement read here by Mr. Fitzpatrick on behalf of Mr. Foley, at the bottom of the page, he said: "In some of the lease cases it will be cheaper for the Government to acquire title than to carry out the lease obligation to restore the property to its original condition."

Mr. MYER. Mr. Smith, that was in a different matter, and is not involved in this particular bill. That is a matter of the extension of section 301 of the Lanham Act and is a separate item from the item we are now discussing.

Mr. SMITH. Well, you did not recommend that this be put in the bill?

Mr. MYER. Not necessarily. It may be supplemental.

Mr. SMITH. Not necessarily? I am asking the question whether you intend that this be included in the pending bill.

Mr. FITZPATRICK. Dr. Smith, if I may interrupt there, it was recommended that there be an amendment of section 301 added as an amendment to this bill, but not in terms of using any of the moneys which could be made available under this \$50,000,000 increase in the title V authorization for any of the purposes of the suggested amendment of section 301, namely, of converting a leasehold to a fee or for acquiring easements to protect your utilities, and so on. That is quite a separate amendment of the Lanham Act. That phase of the suggested amendment of section 301 relates to war housing built under title I.

Mr. SMITH. Well, if an additional \$50,000,000 were added it would certainly be involved in this recommendation.

Mr. FITZPATRICK. That is correct. None of the moneys—

Mr. SMITH. I did not get what you said.

Mr. FITZPATRICK. None of the moneys which could be made—

Mr. SMITH. You say my statement is not correct?

Mr. FITZPATRICK. No, sir. I said that your statement is correct—namely, that none of the moneys which could be made available under the authorization in this bill could be used for this purpose. Any of those obligations, in converting your leaseholds, and so on, would be paid not out of appropriated moneys but out of your operating revenues which you derive from the various projects that are presently being managed.

Mr. SMITH. My point is that this provision that you are recommending will alter your present program. Is that correct?

Mr. FITZPATRICK. No, Dr. Smith, it would not alter the present program. Those types of operations are going on now.

Mr. SMITH. Such as you are asking for here?

Mr. FITZPATRICK. Sir?

Mr. SMITH. Such as you are asking for here, in this provision?

Mr. FITZPATRICK. That is correct.

Mr. SMITH. You say they are going on at the present time?

Mr. FITZPATRICK. They are going on at the present time in connection with war housing built under title I of the Lanham Act and that war housing is still being used where you may have a leasehold expiring and you have to extend it through another year. Under

the law, this can be done up to the time where the President terminates the September 8, 1939, emergency. At that time the statutory power under which we have the right to convert a leasehold or to acquire property by condemnation under the act would terminate unless some extension were made.

Now, if that were terminated, and you have to keep these projects in operation, you will have these continually recurring conditions where you may have to go and condemn in order to convert your leasehold.

Mr. SMITH. So you already have this power?

Mr. FITZPATRICK. Yes, sir.

Mr. SMITH. You are merely asking us now to extend the wartime power?

Mr. FITZPATRICK. We are asking that that be extended, sir, until July 1, 1948.

Mr. SMITH. But you are asking that that be extended until 1948. You are asking extension of an emergency power, or a wartime power.

Mr. FITZPATRICK. Yes, sir.

Mr. SMITH. Then let us state the facts and not try to equivocate because we were elected last fall to get rid of these war powers and we just simply want to know about it. Here is an item that is involved. We merely wish to be clear about it.

Mr. FITZPATRICK. That is entirely correct. These powers were granted during the war as an emergency power.

Mr. FOOTE. May I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. Foote.

Mr. FOOTE. The last paragraph of the bill (reading):

(b) for the cost of utility and other work in connection with any such temporary housing performed by it for the Administrator on a reimbursable basis pursuant to section 502 (d) of said act—

will that take care of the contractor who in good faith went ahead and completed a project with his own money, under his contract?

Mr. FITZPATRICK. That particular section, sir, is to cover the case where the local public agency itself has agreed with the Government that it would do work which, under the act, the Government itself is obligated to pay the cost for and to do that work on a reimbursable basis. This would have nothing to do with reimbursing contractors for actual construction or erection of units which the Government was doing itself.

Mr. FOOTE. I have particular reference to a situation in my district—it happens to be in New Haven—where a contractor went ahead and completed a project. He did receive from the city of New Haven some \$190,000 as an advance, but he went ahead, after that, and completed all these projects—there are 5 in New Haven, including some 300 units—and he is now approximately \$118,000 out.

Now Mr. Wiley, of the Boston regional office, indicated that it was a legitimate bill and should be paid. But there are no funds. I was just wondering. Under the terms of this bill it seems that it merely reimburses municipalities for money they have advanced.

Mr. FITZPATRICK. No. There is a third category, and that is reimbursement of public bodies for expenditures of their own funds for completion.

Mr. FOOTE. Public bodies. How about the contractor who in good faith went ahead and completed projects? It is conceded that he gave value received and did a very good job, but he is now owed \$118,000. What would be the procedure in order to get that money?

Mr. FITZPATRICK. Is he owed that by the city, sir? Or do you have that information?

Mr. FOOTE. It is not owed by the city. It is owed by the Government, as I understand it, but they have no appropriations to pay for it.

Mr. FITZPATRICK. If you could let us have the facts of the case we can see, on the individual case, what it is and whether under this bill it would or would not be taken care of.

Mr. FOOTE. As I read the bill, here, I doubt if it would come under it. That is a situation that I have had called to my attention.

Mr. BROWN. As I understand it, all the money under the Lanham Act has been spent. There are no funds now under the Lanham Act.

Mr. FITZPATRICK. It has been spent or obligated, sir.

Mr. BROWN. You are asking for \$50,000,000 extra now; is that right?

Mr. FITZPATRICK. Yes, sir.

Mr. BROWN. Is that to carry out contracts with educational institutions and municipalities?

Mr. FITZPATRICK. Yes, sir; and other public bodies.

Mr. BROWN. Are these institutions and municipalities spending money themselves?

Mr. FITZPATRICK. In some cases.

Mr. BROWN. Have they complied with their part of the contract, or partially complied with it?

Mr. FITZPATRICK. Yes, sir. Under the contract, the costs are shared, anyway. That is, the Government bears part of the cost and the locality is required to bear another portion of the cost. What has happened is that in certain cases the municipalities, in order to get the temporary housing completed, have spent their own funds to pay the costs of completing some units which otherwise the Government would have had to pay, and which, because of the exhaustion of funds, we would have had to cancel those units.

One of the categories does include some of those cases.

Mr. BROWN. Is this \$50,000,000 additional for which you are asking to be spent to help those in that category?

Mr. FITZPATRICK. In that particular category I think there are about \$6,500,000 involved. That is correct, \$6,500,000 for that category, for reimbursing where they have already spent their own funds to complete units which otherwise would have been abandoned. That is one portion of the \$50,000,000.

Mr. BROWN. What is the other money to be spent for?

Mr. FITZPATRICK. Well, there is the completion of units under contract, including 8,300 units which were suspended since December 14, 1946. There is the completion of approximately 3,730 units which were canceled in previous cutbacks. There is the item of reimbursement, which you just spoke of, which involves about 1,458 units, and, finally, the fourth category, of reimbursing these various local public bodies for funds of their own which they spent under contracts with the Government whereby we agreed to reimburse them.

Mr. BROWN. That is all.

Mr. SPENCE. Do the political subdivisions and others not furnish the utilities and the land?

Mr. FITZPATRICK. They furnish the site.

Mr. SPENCE. And they furnish the utilities, do they not?

Mr. FITZPATRICK. Yes, sir; the off-site utilities.

Mr. SPENCE. Have some of them expended their own money in furnishing these utilities, under their contracts?

Mr. FITZPATRICK. All of them have done that.

Mr. SPENCE. All of them?

Mr. FITZPATRICK. They are required to do that by law.

Mr. SPENCE. I so understand.

Mr. FITZPATRICK. And for such expenses there is no reimbursement provided for under this bill. It is only where they have undertaken to pay expenses which, under the act, the Government would have paid that the item of reimbursement occurs.

Mr. SPENCE. Where you contracted with a municipality or a college they have gone along and have paid for the construction of the utilities, and in many instances they are ready for use now?

Mr. FITZPATRICK. That is the case where some of those units had to be suspended or canceled. Some of the municipalities have acquired the sites and have spent their own money. But, unfortunately, the housing has been canceled. They have incurred expenditures in anticipation of housing which had been contracted for and which at the moment we can not provide.

Mr. SPENCE. Can you insert in your testimony a statement as to where this construction has taken place?

Mr. FITZPATRICK. Yes, sir.

(The information referred to appears at p. 19.)

Mr. McMILLEN. I do not know whether you answered one or two of these questions before or not, Mr. Fitzpatrick. I could not hear your testimony. Was this amount of \$50,000,000 included in the President's budget as originally presented?

Mr. FITZPATRICK. No, sir, it was not.

Mr. McMILLEN. As I understand, after the schools and municipalities are through with these units, the title reverts to the Government, and they salvage those units for whatever they can; is that right?

Mr. FITZPATRICK. They are made available, subject to the requirements of the Lanham Act, that temporary housing be removed.

Mr. McMILLEN. Have you salvaged any of the houses that have heretofore been dismantled and moved and re-erected on these sites of schools and municipalities?

Mr. FITZPATRICK. I cannot answer that question, sir, but I am sure Mr. Myer can.

Mr. McMILLEN. But I am correct in stating that the title goes back to the Government after the school or municipality is through with these housing units; is that right?

Mr. FITZPATRICK. No, they are made available to them under the condition that they shall be removed.

Mr. MYER. By the municipalities, when they are through with them.

Mr. McMILLEN. I see. Then, you find yourself having obligated the Government to move and transport and reerect many of these units, for which you do not now have funds; is that true?

Mr. FITZPATRICK. Yes, sir.

Mr. McMILLEN. And you did that with the knowledge that you did not have the funds to transport these houses after the schools and municipalities had provided the sites, and gone ahead and made the preparation in contemplation of the fact that the Government would move the units there at its own expense?

Mr. FITZPATRICK. That is not quite correct, sir. What happened was that early in the program, when the funds first became available, the various projects were programed in anticipation of what the then estimated costs were at the time the allocations were made. It was expected that the Government could, with the funds available, carry out the obligations which it undertook. But because of the delays, and because of the rise in construction costs, the costs shot up to the point where we are not able to carry out in full those obligations.

Let me say this: That none of these projects were allocated or contracted for at a time when it was anticipated that funds would not be available out of those presently made available to the agency to complete those obligations.

Mr. McMILLEN. Well, did you inform these municipalities and these schools that your funds were being depleted, and give them a chance to stop their preparation in the work of providing sites and additional expense—

Mr. BROWN. Mr. McMillen. Will you yield?

You might get the last date of the allocation they made.

Mr. McMILLEN. Yes, go ahead. I will yield to you.

Mr. BROWN. He stated that at the time the allocations were made, he anticipated the cost would be more. I think it would be appropriate to find out that date.

Mr. FITZPATRICK. Mr. Brown, if you do not mind, I would prefer Mr. Myer answer that type of question because he is more familiar with the details than I am.

Mr. MYER. Mr. Chairman, the last contracts that were signed with local bodies and educational institutions were signed, I think, about in the first week of September. There were none signed after that, and just as soon as it became evident funds were not going to be available, these municipalities were notified, but in many cases it was not soon enough—for this reason: That they were required to have the site and provide the basic utility before we started our part of the construction, so in some cases they had gone ahead and expended money, where we have not been able to complete the job.

Mr. SUNDSROM. Then, Mr. Myer, from September to December 15, you misjudged your appropriation by \$50,000,000, because you started in September making the last allocation and on December 14 you stopped, as you said a minute ago?

Mr. MYER. No, I think the record will show that in the first place there were reductions made at that time of part of these figures we have given here. Some of the cut-backs were made before September. We did enter into, however, contracts at that time, but not to the extent of \$50,000,000, because we already had some contracts in effect then, which we were not able to complete later, which we thought we were going to. The costs went up during that period about 25 percent.

Mr. McMILLEN. The amendment to the Lanham Act, by the Seventy-ninth Congress, when additional funds were sought, provided

that schools and municipalities that had, before that time, expended their own money in dismantling, moving, and re-erecting these houses, should be refunded to those schools and municipalities, where they had taken their own money and anticipated the need, and gone ahead, and, as I say, spent their own funds?

Mr. MYER. That is right.

Mr. McMILLEN. Now, how much was refunded after the enactment of the amendment I speak of to these schools and municipalities out of the funds then authorized?

Mr. MYER. I do not remember the funds figure, Mr. McMillen, but the number of units which were constructed in that manner and reimbursed for were about 10,000 units. I will be glad to get the figure for you for the record, but I do not have it at this time.

Mr. McMILLEN. I wish you would put that in the record.

Mr. MYER. I will be glad to.

Mr. McMILLEN. And also state, if you will, now, how much per unit, at that time, was it costing on an average to dismantle and move and re-erect these houses.

Mr. MYER. The estimate at that time, on the average, was about \$1,900. What the actual figures were for that group of units, I do not know at this time. I do not have the information with me.

(Document above referred to is as follows:)

REIMBURSEMENTS OF LOCAL BODIES UNDER SECTIONS 502-A AND 502-D OF THE LANHAM ACT

As of February 28, 1947, there were under consideration reimbursements to educational institutions and various local bodies for expenses incurred in providing veterans housing in accordance with Sections 502 (A) and (D) of the Lanham Act, amounting to \$7,010,000 covering 2,910 family dwelling units, 509 dormitory units and 6,281 trailer units. (These figures are subject to change as final audits are completed.)

Mr. McMILLEN. At the present time how much does it cost per unit, on an average, throughout the country to dismantle, move, and re-erect these houses at the sites provided by the schools and municipalities? How much per unit?

Mr. MYER. The estimate we have for these 12,000 units, these suspended units, is around \$4,100. The average figure for the 152,000 units which I mentioned were completed or are now under construction and pretty well completed, is 2,877 plus—about \$700 more on the average than was estimated a year ago. The increase in cost for the total program is about 37 percent over what was anticipated in December of 1945 when the first estimates were made.

Mr. SUNDBSTROM. Mr. Myer, I am just taking your arithmetic, but I see here that it figures out at about \$2,630 per unit. You say it is \$2,900. That makes quite a difference.

Mr. MYER. Well, the \$410,000,000 is not the total amount of funds used. The Lanham Act provided that in addition to that certain other funds be made available. The total amount of funds made available for this program up to date have been approximately \$438,000,000.

Mr. SUNDBSTROM. \$438,000,000?

Mr. MYER. That is right, which is —

Mr. SUNDBSTROM. Well, when you originally instigated this program, if you knew it was going to cost an average of \$4,160 a unit, would it have been as attractive to you?

Mr. MYER. It probably would not; no. I would not advocate a new program on that kind of a basis. Let me just say, however, that I think the rising costs on this program have just about been in line with the rising costs on other types of building. If you will check it, you will see that the rise has been about the same. I do not think there is much difference between the costs for other types of construction and this type of construction, and one of the major costs, of course, in connection with the rise during this period has been the matter of delays, because of not being able to work full crews, shortages of deliveries of certain types of bottleneck materials, and so forth.

Mr. SUNDBSTROM. In other words, there are 12,000 more units, some of them are not completed, some of them are under construction, and some of them have not even been started?

Mr. MYER. That is right.

Mr. SUNDBSTROM. Is it still advisable, in your opinion, to carry on those units which have not yet been started, when you say it is not quite as attractive as you thought it would be as to costs?

Mr. MYER. If we did not have a contract with the universities and municipalities, which I feel is an obligation, I would not even be recommending it. But since we do have contracts, I feel that I should recommend to the Congress that those contracts be honored.

Mr. SUNDBSTROM. I know that in some cases certain municipalities and schools who originally were very interested in this program have lost interest because of the dissatisfaction with the completed units, and I wondered if, by any chance, the Department or agency had consulted any of these 3,730 people for whom units had not been constructed yet and perhaps give them an out and that way save some money.

Mr. MYER. Well, let me just say that we are not interested in spending money if they do not want it spent. It will not be spent if they do not want it. They have been checked in some cases and they are interested in going ahead.

Mr. SUNDBSTROM. I wanted to know if any effort has been made to find out from these 3,730 units under contract, never started, if the people still want them constructed.

Mr. MYER. Yes; it is true. As a matter of fact, the original figure was reduced somewhat because we found a few of them that were not interested, and that is why the figure is so much smaller than the original figure.

Mr. SUNDBSTROM. Could you somewhere in the record give us a complete break-down of those 12,000 units, as to how many have been completed, which ones have been under suspension, which ones have been partially completed, which ones have never been started, and give us the percentage of completion.

Mr. BROWN. Will you yield, Mr. Sundstrom?

Mr. SUNDBSTROM. I just want to see if he can give me that figure.

Mr. MYER. I can give you an approximate figure. It is awfully hard to determine percentage of completion on certain types of projects because there are so many different factors, but we can give you an approximate statement on that.

Mr. SMITH. Mr. Sundstrom, and the date when the contracts were written, pertaining to each one of these projects.

Mr. MYER. It will take a little time to get that, but we can get it for you.

GROUP I—UNITS SUSPENDED AFTER DEC. 14, 1946—Continued

Date of contract with local body	Project No.	Location	Total units in project	Status of completion of suspended units								
				Number of units suspended	No work done	1 to 10 percent	11 to 25 percent	26 to 50 percent	51 to 85 percent	86 to 100 percent		
1946												
April	Ill-V11260	Collinsville	94	10		9		10				
August	Ill-V11265	Alton	33	9		9						
August	Ill-V11329	Carbondale, Southern Illinois Normal University	104	36		36						
August	Ill-V11322	Oak Park	74	14		64						
August	Ill-V11330	East St. Louis	4	3								
July	Ind-V11284	Hammond	14	4		14						
August	Ind-V12268	Fort Wayne	14	4		4						
June	Ind-V12260	Indianapolis	305	32		32						
August	Ind-V12300	Fort Wayne	18	12		12						
August	Iowa-V11347	Citrus	69	12		12						
July	Minn-V21076	Minneapolis, University of Minnesota	300	206		206						
August	Minn-V21077	Minneapolis	216	54		54						
August	Mo-V23121	Kirksville, northeast Missouri State Teachers Col.	24	2		2						
August	Mo-V23134	St. Louis	848	176		176						
August	Mo-V23157	do	16	2		2						
August	Mo-V23163	St. Louis, county	156	10		10						
August	Mo-V23140	Kansas City	21	12		12						
August	Mo-V23146	do	10	2		2						
August	Mo-V23149	St. Joseph	87	8		8						
August	Neb-V20147	Beatrice	24	10		10						
August	SD-V89088	Stout Falls	51	3		3						
May	Ala-V1291A	Birmingham	12	6		6						
August	Ala-V1291B	Birmingham	158	15		15						
August	NC-V31218	Wilmington	448	152		152						
August	NC-V88998	Manning	18	18		18						
March	SC-V86993A	Columbia	18	12		12						
April	SC-V86997A	Columbia	300D	300D		300D						
April	SC-V86998A	Greenville	108	54		54						
August	Tenn-V40107	do	36	18		18						
April	Tenn-V40144A	Knoxville	92	22		22						
August	Tenn-V6195	do	212	4		4						
May	Tn-V4390A	Danville	10	4		4						
August	Va-V4636	Norfolk	281	40		40						
August	Va-V4636	Norfolk	281	187		187						24

April	Va-V4898	Charlottesville	110	65		110						
March	Neston Rouge	150	68		68							
February	La-V10116	New Orleans	1,234	144		144						
July	Kans-V14160	Stillwater	160D	160D		160D						
January	Okla-V34132	Agricultural and Mechanical College, Stillwater	29	29		29						
August	Okla-V34088	Sam Houston College, Austin	654	184		184						
August	Tex-V41274	Sam Houston College, Houston	20	20		20						
July	Tex-V41277	Sam Houston College, Houston	452	100		100						
August	Cal-V4696	San Luis Obispo	20	188		188						
August	Cal-V4674	Los Angeles	20	4		4						
June	Cal-V4654	Kern County	20	4		4						
June	Cal-V4540	Westmoreland	72	24		24						
July	Cal-V4643	Needles	32	16		16						
July	Cal-V4569	Westmoreland	42	16		16						
July	Cal-V4569	San Bernardino	74	12		12						
August	Cal-V4566	San Dimas	44	44		44						
August	Cal-V4566	Los Angeles	1,498	968		968						
May	Cal-V4569	San Francisco	775	206		206						
April	Cal-V4427	Contra Costa County	169	141		141						
April	Cal-V4427	Butte County	101	20		20						
March	Cal-V4493	Shasta	101	80		80						
July	Cal-V4507	Stanislaus	88	8		8						
April	Cal-V4507	Sacramento	56	16		16						
March	Cal-V4507	do	84	40		40						
March	Cal-V4507	do	196	42		42						
March	Utah-V46915	Butte	138D	138D		138D						
June	Utah-V42250	Salt Lake City	300	64		64						
July	Utah-V42254	Utah State College	308	95		95						
July	Utah-V42227	Pilot	16	16		16						
June	Utah-V42226	Logan	58	20		20						
May	TH-V31035	Brigham Young University	300	20		20						
May	Ala-V3098	Territory of Hawaii	300D	139		139						
April	ES-V1088A-1	Anchorage	96	96		96						
June	ES-V1018	Lexington	100	18		18						
May	Mich-V20348-A1	Kalamazoo	300D	32D		32D						
April	Mich-V2037-1	Ann Arbor	300	50		50						
April	Mich-V2037-2	Detroit	85	8		8						
April	Mich-V2037-1	Detroit	252	56		56						
April	Mich-V2037-2	do	166	166		166						
May	Mich-V2037-1	Fluor	26	26		26						
May	Mich-V2037-2	do	100	11		11						
May	Mich-V2036A-1	East Lansing	300	12		12						
May	Mich-V2036A-1	East Lansing	300	60		60						

GROUP I—UNITS SUSPENDED AFTER DEC. 14, 1946—Continued

Date of contract with local body	Project No.	Location	Total units in project	Status of completion of suspended units					
				No. work done	1 to 10 percent	11 to 25 percent	26 to 50 percent	51 to 85 percent	86 to 100 percent
REGION VIII—continued									
1946									
June	Mich-V-26342A-1	Mount Pleasant	53	2					
May	Ohio-V-33381-3	Paris	102	6		2			
April	Ohio-V-33381A-1	Akron	52	32	32				
March	Ohio-V-33382-1	Athens	115	19	19				
January	Ohio-V-33382-6	Cincinnati	328	56	56				
	Ohio-V-33382-8	Cleveland	45	6	6				
	Ohio-V-33382-8	do	349	196	196				
April	Ohio-V-33383-A1	Columbus	60	8	8				
March	Ohio-V-33382A-1	Columbus, Ohio State	322	292	292				
May	Ohio-V-33384-1	Dayton	128	10	10				
July	Ohio-V-33487-1	Hamilton	100	30	30				
August	Ohio-V-33485-1	Mansfield	50	24	24				
May	Ohio-V-33401-1	Stark	35	7	7				
August	Ohio-V-33407-1	Sandusky	100	56	56				
May	Ohio-V-33433-1	Toledo	283	45	45				
August	Ohio-V-33433-1	Yapakoneta	140	24	24				
May	Ohio-V-33434-1	Zanesville	176	40	40				
June	W Va-V-6007A-1	Huntington	66	12	12				
	Total								
REGION G, F, O.									
May	DC-V-6110-B	Washington	304	16					
June	PR-V-50274	San Juan, P. R.	200	68					
	Total								

GROUP II—UNITS SUSPENDED BEFORE DECEMBER 14, 1946

Date	Project No.	Location	Total units in project	Status of completion of suspended units					
				No. work done	1 to 10 percent	11 to 25 percent	26 to 50 percent	51 to 85 percent	86 to 100 percent
REGION I									
1946									
June	Conn-V-9987	Syracuse	22	6					
July	Conn-V-9920	Spartanburg	42	16					
May	Mass-V-10121	Northampton, Wesleyan University	28	28	28				
June	Mass-V-10122	Ipswich	21	6	6				
May	Mass-V-10152	Lynn	163	40	40				
July	Mass-V-10140	Southampton	42	14	14				
May	NH-V-27054	Durham, University of New Hampshire	68	33	33				
REGION II									
January	NJ-V-28171	Newark	600	226					
February	NJ-V-28182	Paterson	302	68					
April	NJ-V-28188	Jersey City	300	42	42				
	NJ-V-28186	East Orange	100	10	10				
July	NJ-V-2821	Kearny	100	25	25				
February	NJ-V-28176	West New York	104	48	48				
April	NY-V-20104	Elizabeth	202	38	38				
February	NY-V-20100	Brooklyn	224	64	64				
	NY-V-20101	Binghamton	150	14	14				
	NY-V-20200	Hamilton, Colgate University	1,100	300D	300D				
	NY-V-20188	Ithaca, Cornell University	1,100	28	28				
June	NY-V-20204	Ithaca, Ithaca College	180D	96D	96D				
July	NY-V-20204	Olean, City	51	2	2				
February	NY-V-20198	Saratoga	30	9	9				
March	NY-V-20217	Troy	205	44	44				
July	NY-V-20205	Yonkers	201	118	118				
June	NY-V-20253	Frankfort, Triple Cities College	45	18	18				
May	NY-V-20255	New York, Pratt Institute	25	9	9				
June	NY-V-20255	do	160D	70D	70D				
	NY-V-20258	Wagner Memorial College, New York	130D	24D	24D				
March	NY-V-20206	Syracuse, Syracuse University	815	174	174				
February	NY-V-20206	do	420D	30	30				
July	Pa-V-6648	Harrisburg	1,000	60	60				
January	Pa-V-6642	Philadelphia	2,002	221	221				
February	Pa-V-26501	Allentown	140	40	40				
March	Pa-V-26604	Pittsburgh	750	75	75				
June	ND-V-32524	Fargo, N. Dak., Agricultural College	120	120	120				
	Total		170D	170D	170D				

Mr. McMILLEN. As I understand now, your judgment—and you are in a position to know—is that the cost is approximately \$4,000 a unit to dismantle, move, and re-erect one of these units as an average; is that right?

Mr. MYER. That is right; more than that, as a matter of fact.

Mr. McMILLEN. How much more?

Mr. MYER. \$4,100 plus.

Mr. McMILLEN. \$4,100 plus. Then, you are stating, at the same time, that some of these houses have been partly completed, some of them almost completed, and still you are asking a little bit more than, or approximately \$4,100 for each one of those units, whether they are partly constructed or what not. In other words, for 12,000 units you are asking \$50,000,000, which is more than \$4,000 per unit. How do you justify asking for \$50,000,000 when, on the face of it, you do not need anything like that?

Mr. MYER. Mr. Chairman, I would like to point out that there are costs involved here that do not involve just the 12,000 units. There are four major categories indicated in this item. One of them is the completion of the 12,000 units. And I might say that the average figure I gave you includes the cost we have already put into them.

The other two items involve:

(1) Reimbursement of cities who have gone ahead with units we would have had to suspend otherwise, and put their own money in, with the understanding that when money was made available they would be reimbursed in line with the contract;

(2) Reimbursement of the cities who have done work which we were obligated to do on certain types of utilities, and so on.

Mr. McMILLEN. Well, you have no obligation for reimbursing cities and municipalities at this time, do you, because the provision was made by the Seventy-ninth Congress to look after all of those municipalities and schools that had advanced money and has that not been cleaned up and there was no necessity thereafter, was there, for any schools to obligate themselves because we provided for the moving and dismantling and reerecting of all of these units after that time?

Mr. MYER. Mr. McMillen, you are correct as far as that part that was constructed away back then is concerned. However, during the months of October, November, and early December, before we made these final suspensions, and I think even in a few cases after we had made the suspensions in December, communities, where they had funds, were allowed to put in their own funds to complete the construction of certain units, which are not included in this 12,000 units directly. They have gone ahead to completion with the aid of community funds, with the understanding that if in additional appropriation were made available, that they would be reimbursed for the amount of money they had put in, which we were originally obligated to pay. That is the reason for that, and I think the figure is about 6½ million dollars.

Mr. McMILLEN. Well, when this reimbursement amendment was put in, the amount was represented to be about 11 or 12 million dollars.

Mr. MYER. Yes.

Mr. McMILLEN. Now, how close is that?

Mr. MYER. I will supply that figure for the record. That is an entirely different item and was cleaned up early in the year 1946.

This is a new item, growing out of the fact that we were not able to complete all the units in certain communities, and they agreed to put up the money to complete them, with the understanding that if additional money were made available, that they would be reimbursed for the part which we were originally obligated for.

Mr. McMILLEN. I am interested, as Mr. Sundstrom here is, in a complete break-down of these 12,000 units and also the other information I have asked.

Mr. MYER. We will be glad to supply it for the record, sir.

(The information above referred to appears at p. 18.)

Mr. SPENCE. These houses are not all standardized; they are different, are they not?

Mr. MYER. No, there is a wide variation in type.

Mr. SPENCE. Is there a wide variation in the number of rooms?

Mr. MYER. Not much variation in the number of rooms, but the type of structures that were used varied very widely.

Mr. SPENCE. When you speak of a unit, you mean a completed house?

Mr. MYER. That is right, a family unit or a two-dormitory unit, which is counted as the same as a family unit for easy figuring.

Mr. SPENCE. What is the average unit?

Mr. MYER. Two bedrooms per family unit.

Mr. SMITH. How much floor space?

Mr. MYER. It varies somewhat. Around five or six hundred square feet.

Mr. SMITH. Five or six hundred square feet, and it costs the Federal Government \$4,100?

Mr. MYER. It will cost, Dr. Smith, the Federal Government, at this stage, to do those approximately 12,000 units, an average of \$4,100, but I would like to point out that these are projects that are in the highest cost area of the country for the most part. They are hitting the peak of the construction, and the average cost, the average cost of the total program that we have obligated and under contract, would be \$2,978.

Mr. SMITH. But from here on out, \$4,100 plus?

Mr. MYER. For those 215 projects that are still under construction and suspended, it would cost, I believe \$4,100 plus; that is right.

Mr. SMITH. What is the average additional cost to the municipalities and the schools?

Mr. MYER. I cannot give you the average additional cost because I do not have their figures, Dr. Smith. They have operated under their own contracts, and I do not have their figures at hand. They are responsible, I might say, for the sites, the streets, sidewalks, and basic trunk utilities, as a part of the operation of the program. The contract provides that in addition to that, they will be responsible for the management within the general standards set up and also will be responsible for the removal of the houses as provided for under the Lanham Act when they are no longer needed.

Mr. FLETCHER. And the foundations, are they part of the obligation of the municipality?

Mr. MYER. I did not hear that.

Mr. FLETCHER. Foundations.

Mr. MYER. No; the foundations are not.

Mr. SMITH. But the land is?

Mr. MYER. The land, the trunk utilities, streets, and sidewalks.

Mr. McMILLEN. The utilities, after they reach the line, is the obligation of the school and municipality?

Mr. MYER. No; the basic utilities, trunk utilities, brought up there are there and we complete the utilities.

Mr. BUFFETT. Mr. Myer, can you furnish the committee with an income account and expense account of the operations of these properties up to March 31?

Mr. MYER. I can give you the figure on the net income, I think for the last half of 1946. I do not think I have it up until March 31 as yet, but I have it up until January 1.

Mr. BUFFETT. That would be an income account, which would show the gross income and what has happened?

Mr. MYER. Well, the net income which has come to the Government. It was provided that the net income would be returned to us and would be returned to the Treasury. Our total income for the 6-month period ending December 31, 1946, for those that were in use during that time, was \$4,554,816. The net was \$1,577,213 for that 6-month period. But the total program was not in use then.

Mr. BUFFETT. But, roughly, there is a gross income on them of four and a half million dollars a month, is there not?

Mr. MYER. No. That is for 6 months.

Mr. BUFFETT. I mean for the 150,000 units, at \$30 a room. It seems to me that would be about right. I think we ought to have a break-down on these figures because, to me, this whole project is very scaly, if I can use that expression.

Mr. MYER. Is what?

Mr. BUFFETT. Very scaly. That is an expression we use out in the prairies. I think this committee should have a complete factual story. Maybe these projects that are incomplete now could be sold to these local municipalities and schools rather than be completed by us. The contracts are still going on on the basis of cost-plus, are they not?

Mr. MYER. That is correct.

Mr. BUFFETT. The Federal Public Housing Agency selected the contractors. There was no competitive bidding, no performance clauses, and no completion clauses; is that right?

Mr. MYER. All of the contracts that we have had up to date have been on a cost-plus-fixed-fee basis. Now, it is expected that if money is provided, that all of those projects which have not been started will be started under a firm contract.

Mr. BUFFETT. Have any of those contracts had performance clauses or completion clauses or were they open end contracts?

Mr. MYER. They had completion clauses in them, but in most cases we had to extend them, as you had others, in other parts of the country for the simple reason that they were not able to complete the job of time.

Mr. BUFFETT. In other words, if I, as a contractor, had one of those contracts, I could worry along just as it suited me?

Mr. MYER. No.

Mr. BUFFETT. I could not?

Mr. MYER. No. He is working on a fixed-fee basis for the limited percentage of the original estimate of the total contract. As far as he is concerned, it is to his interest to get the contract completed as quickly as possible, otherwise his costs are going to run up beyond

what his fee will bring him. He also has a fixed overhead—not more than so much percent of the estimate.

Mr. BUFFETT. And there has been some adjustment in some of these overheads upward from time to time; has there not?

Mr. MYER. I do not think there has been any adjustment made of the overhead that I know of. There may have been a few adjustments. I would have to check them.

Mr. BUFFETT. Will you put in the record a check on that item—whether or not any of those overheads have been adjusted?

Mr. MYER. I will be glad to.

Mr. BUFFETT. And a statement of the total of the contracts and the total amount allowed for overhead, and total of the fixed fee?

Mr. MYER. We will be glad to do that, sir.

(The documents above referred to are as follows:)

FIXED FEE AND OVERHEAD PAID CONTRACTORS UNDER TITLE V

The amount of fixed fee and fixed overhead paid to contractors in the title V program is determined by the number and type of units constructed. According to a survey made during February 1947, there is only one case of the fixed fee or overhead being adjusted in a title V contract for reasons other than a change in the number or type of units covered by the contract.

On project number NY-V30187-1 and 2, New York City, involving 976 family dwelling units, an increase of fee and overhead of the contractor, General Fabricating Construction Co., 33 West Forty-second Street, New York, N. Y., as follows:

Contract fixed fee	\$76, 948. 00
Contract overhead	116, 016. 00
Additional fee authorized	22, 983. 19
Additional overhead authorized	34, 474. 78

The fee and overhead were increased on this project to compensate for work performed at the direction of the FPHA beyond the scope of the contract including the purchase and spreading of topsoil, porches and railings, skirting and ventilation, chimneys, handling surplus materials, sheetrock at corner of shower, linoleum, etc.

We wish to point out that several contractors have submitted similar claims for additional overhead and fee and we anticipate others will also submit similar claims based on material increases in the amount or character of the work as provided for in article 13 of the General Conditions governing the contract. Where these claims can be supported and approved under administrative authority, appropriate action will be taken.

The following tabulation sets forth the total amount of contracts in the title V program, the amount of contractors overhead and fixed fee authorized in the contracts, and estimated amount of other items of expense:

Amount of contracts	\$365, 114. 814
Contractor's overhead (dollar amount fixed in contract)	32, 868. 000
Contractor's fee (dollar amount fixed in contract)	18, 406. 000
Inspection and supervision at projects	10, 849. 500
Administrative expense	11, 224. 500
Total	438, 462. 814

(The amount of contracts shown here is the present estimated expenditures under existing contracts. The fixed-fees and overhead amounts shown here were based upon the original unit cost estimated in the title V program and were a maximum of 12 percent for fixed overhead and 6 percent for fixed fee.)

The CHAILEMAN. Mr. Myer will be on the stand himself later. We would like to proceed with Mr. Fitzpatrick at this time.

Dr. Smith.

Mr. SMITH. Mr. Fitzpatrick, going back to the question we discussed a moment ago, at the bottom of page 4:

In some of the lease cases, it will be cheaper for the Government to acquire title than to carry out the lease obligation to restore the property to its original condition.

Suppose the committee did not write this provision into the bill, how much additional would it cost the Government?

Mr. FITZPATRICK. I could not give you that figure.

Mr. SMITH. Well, is there no one here who knows what that amounts to, or what it would amount to?

Mr. FITZPATRICK. We have no basis for it, Dr. Smith.

Mr. SMITH. These hearings do not come out, sometimes, until just about the time we begin to debate the bill, and we would like to have some idea as to why this provision is in here and what it really signifies.

Mr. FITZPATRICK. Well, in terms of a factual case, Dr. Smith, it signifies this—

Mr. SMITH. A little louder, if you please.

Mr. FITZPATRICK. When the shift was made to constructing only temporary war housing, the Government generally stopped acquiring fee interests, as was the case when they were building permanent war housing and changed over to merely acquiring a leasehold. Now in most cases, under that leasehold there is an obligation to restore the site to its original condition after the temporary housing is removed. Now there are cases, and I suppose there will continue to be cases, where the actual cost of putting that leasehold property back into the original condition would substantially exceed the cost of buying the fee interest from the owner or of going back into court and acquiring the fee title. You can only tell those as they arise from time to time.

Mr. SMITH. Do you think that is a rational concept? You made a contract to restore this to its original condition. Now you come back here and say, "We have discovered that we can buy it cheaper than restore it." What was the object?

Mr. FITZPATRICK. Dr. Smith, the original object in acquiring the leasehold rather than acquiring a fee simple title was to try to save the Government money. In cases where you are building temporary housing and are under duty under the statute to take it down after it has served its useful purpose, on the average case it probably will be cheaper to acquire a leasehold rather than go out and buy the fee. But there will be individual exceptional cases where that is not the case when you come to final disposition. The real question is whether you want to go ahead and restore, and perhaps result in the expenditure of a larger amount of money than would otherwise be the case if you acquired the fee. If we could have foreseen that at the time that we took the leasehold, we would have taken the fee rather than the leasehold, because that would have been cheaper.

Mr. BROWN. Will you yield, Dr. Smith?

Mr. SMITH. Yes.

Mr. BROWN. I thought another purpose was that building materials were scarce.

Mr. FITZPATRICK. That bore on the question of doing temporary housing.

Mr. BROWN. That is what I have reference to.

Mr. FITZPATRICK. That is correct, Mr. Brown.

Mr. SMITH. Of course, I cannot quite understand. You set up a financial program here, asking for a certain amount of funds in addition to what you already have. You do not seem to have any financial basis for this statement.

Mr. FITZPATRICK. Dr. Smith, we are not asking for any funds for the purposes of the suggested amendment of section 301 relating to providing for the continued use of land on which title I war housing projects are located, or to converting leaseholds to fees, and so forth. This relates only to title I war housing project. It does not relate to title V projects for which the \$50,000,000 is being requested. We are asking only to have the statutory right to do this in those cases where you actually find that the acquisition of the fee will be cheaper than restoring the leasehold. No funds are being requested for that purpose, sir.

Mr. SMITH. Then, if we do not write this provision into the act, it is going to cost the Government just the same amount of money. Yet you say here: "In some cases it is cheaper."

Mr. FITZPATRICK. Dr. Smith, none of the appropriated funds would be used to pay awards, when you condemn and convert a leasehold to a fee, or to pay for extensions of leases, or to purchase for interests. Those would be paid out of your operating revenues, just as they are paid now.

Mr. SMITH. I cannot hear you.

Mr. FITZPATRICK. Those would be paid out of operating revenues—that is the regular revenue, income and outgo, that you get from your projects, and not from the \$50,000,000 which is requested under the present bill.

Mr. SMITH. That is interesting. We are getting into an entirely different phase of this subject. Now, we have to ask the question: How much of this program is going to be financed out of your income from these properties? This thing is becoming so extraordinarily involved, Mr. Chairman, that I do not know at all where I stand.

The CHAIRMAN. I might say, Doctor, that I thought I had a pretty clear conception of what this bill was all about until we started this hearing. I am a little confused right now; pretty much so, in fact.

Mr. SMITH. I feel now that we ought to go into this question of income—how you intend to expend this income, and for what. What are you spending this income for, that you now have?

Mr. FLETCHER. Will you yield, Dr. Smith, at that point?

Mr. SMITH. Yes.

Mr. FLETCHER. The completed number of units would be interesting now. Some are under construction; how many are completed?

The CHAIRMAN. I thought we might get the information on breakdown from Mr. Foley. Mr. Foley told me some 2 months ago that he was making a survey of these projects, as I understood it, to determine those which he thought it economically feasible to continue and finish, and this \$50,000,000 was to finish those programs which it was found economically feasible to finish, and also to reimburse the municipalities and schools and so forth for any moneys which they would not ordinarily have to spend under this program.

Now, we find this thing is getting terribly complicated. As I understand it—and it is just my understanding, and I will have to admit that I am a little confused on the entire program now—you have

about forty-eight-hundred-and-some-odd units on which you have done no work at all; is that right?

Mr. FITZPATRICK. 3,730.

The CHAIRMAN. 3,730. I wish we could get these figures somewhere near reconciliation. In the third category, in Mr. Foley's statement, you say you want this money for the reimbursement of public bodies for expenditures of their own funds, for the completion of approximately 1,458 units which otherwise would have been canceled. The President's statement, in the third category, which uses almost the identical language, speaks of reimbursement of public bodies for expenditures of their own funds for completion of approximately 400 units which otherwise would have been canceled. There is a difference of a thousand units there between the President's statement and Mr. Foley's statement. I am very confused about this entire situation.

Mr. MYER. Mr. Chairman, may I answer that question? That difference of approximately 1,000 units between the President's statement and Mr. Foley's statement is accounted for by the difference between the 3,730 units and 4,869 in category 2 of the President's statement. It is simply shifted from category 2 to category 3. The total number of units is the same. But it happens in this case that, instead of the 400 units, there are about 1,000 more units that fall in category 3 at this time, because local bodies have furnished the money to go ahead and complete those, and No. 2 has been reduced by about that amount.

The CHAIRMAN. Then, there is another point which I think we should clear up: In the report on the veterans' emergency housing program, January 1947 report, we find these totals: Temporary reuse program, 91,900; projects of other public bodies and educational institutions, 12,900; total, 114,000.

How do you reconcile these figures with the figures you have in your statement here? I think you had better find out where you are going on these bills, and either repudiate the information which you give to us in your report, or—it seems to me that these are very much padded, according to your testimony—try to reconcile the three different sources of information upon which we have to rely to sell this bill to the House. If we cannot understand it, we surely are not going to be in any position to explain it to the Members of the House in our report or in the debates.

Mr. SMITH. Mr. Fitzpatrick, pursuing this line of questioning just a little further, the Federal Government collects the rents on these houses; is that correct?

Mr. FITZPATRICK. Dr. Smith, I think a good many of these questions will be covered by Mr. Myer in his statement.

Mr. SMITH. By Mr. whom?

Mr. FITZPATRICK. By Mr. Myer; and I would prefer that on that kind of a detailed question, he be asked to answer it, because I am not sufficiently familiar with the details to answer you accurately.

Mr. SMITH. You made a statement a moment ago which indicated to me that about one-half of these properties are now held by the Federal Government and not the municipalities and colleges. Am I mistaken about that? Did the Federal Government acquire title to about one-half of the sites?

Mr. FITZPATRICK. The Federal Government has acquired title to some of the war housing projects constructed during the war, under title I of the Lanham Act.

Mr. SMITH. Any of the land where these houses are constructed in the colleges, at college sites and municipalities?

Mr. FITZPATRICK. That is under title V of the Lanham Act—the reuse program. The Government does not acquire the land for title V projects. There the land for the site is furnished by the local public agency.

Mr. SMITH. So there you are asking only for title to those properties where you think it would cost the Government less to have title to them than would otherwise be the case, which are involved in the original housing program?

Mr. FITZPATRICK. In the case of war housing projects under title I; yes. But not in the case of the title V reuse projects.

Mr. SMITH. They move the house, and the Government owns the land; is that correct?

Mr. FITZPATRICK. The Government has the land in connection with war housing built under title I. It does not have the land in connection with the title V reuse projects; there the local public body has the land, and the Government transports and erects the housing.

Mr. SMITH. Have you any other reason for wanting the land, except—

Mr. FITZPATRICK. Well, the only reason, and the only cases where that would be done would be where the cost of actually restoring the site would exceed what it would cost you simply to convert your leasehold interest into a fee interest. Thereafter, you would dispose of the land.

Mr. SMITH. Where did you say you get the money to do that?

Mr. FITZPATRICK. Under the amendment that is stated here, those expenses would be paid from our operating revenues derived from the projects.

Mr. SMITH. What do you mean by that? What projects?

Mr. FITZPATRICK. From all of the War Housing projects.

Mr. SMITH. They would still remain war housing; is that what you mean?

Mr. FITZPATRICK. Well, they were built as War Housing projects, sir. Many of them now are partially occupied, or subsequently occupied by veterans. Those have remained intact in the place where they were originally constructed and have not been moved.

Mr. SMITH. In other words, what you are saying is that you are not converting all of these properties into properties for municipalities and colleges, and that you are paying this money out of your income from the properties that are not so altered?

Mr. FITZPATRICK. Yes, sir; on those war housing projects that you built as such under title I of the act, and which are continued in operation, you pay your expenses from your income, on those.

Mr. SMITH. Would there be any way in which you could acquire any of these houses and make them permanent properties, make them permanent holdings of the Federal Government?

Mr. FITZPATRICK. I do not think that any of the temporary housing is suitable for conversion to permanent housing. In fact, the Congress itself, sir, when the shift was made to temporary housing, recognizing that they were pretty temporary structures, put a specific provision in

the act which requires their removal after they have served their useful purpose, so that they would not deteriorate into run-down areas.

Mr. FOOTE. May I ask one question, Dr. Smith?

Mr. SMITH. Yes.

Mr. FOOTE. When you speak of houses and units, is it not true that this veterans' temporary housing consists mostly of Army barracks that have been dismantled and moved and reconstructed?

Mr. FITZPATRICK. That is actually what has happened, sir.

Mr. FOOTE. Most of these units and houses are really Army barracks, are they not?

Mr. FITZPATRICK. Army barracks and other surplus structures which have been taken down, panelized and then reerected, and converted into temporary housing on other sites.

Mr. FOOTE. Yes. Thank you.

The CHAIRMAN. Mr. Myer, you may proceed with your statement at this time, and, Mr. Fitzpatrick, I assume Mr. Foley will be available on other phases of the bill. I wanted to talk to Mr. Foley about the advisability of making permanent projects, upon disposition by the Government, eligible for FHA mortgage insurance. I would like him to discuss that program. However, in the meantime, we will go ahead with Mr. Myer's statement.

You may proceed with your statement, Mr. Myer, without interruption, if you so desire, and you may be asked some questions later.

Mr. MYER. Thank you, Mr. Chairman. I have supplied a statement for the record which I will try to summarize.

STATEMENT OF D. S. MYER, COMMISSIONER, FEDERAL PUBLIC HOUSING AUTHORITY

Mr. MYER. The immediate item which I wish to discuss refers to H. R. 2780 which provides authorization for an increase of \$50,000,000 in the funds for the completion of veterans' temporary re-use housing program. The circumstances underlying our request for an additional appropriation are outlined in the President's message of February 28, 1947 (H. Doc. No. 151, 80th Cong., 1st sess.). I should like in this statement to supplement the President's message with additional information concerning this program.

First, the authority for temporary re-use program: The veterans' temporary re-use program is conducted under the authority of title V of the Lanham Act, as amended by the Mead resolutions (P. L. 292, 79th Cong., approved December 31, 1945, and P. L. 336, 79th Cong., approved March 28, 1946). This legislation directs the National Housing Administrator, under whose supervision the Federal Public Housing Authority is administered, to obtain, convert, and, where necessary, dismount, transport, and re-erect, surplus Government structures for use as temporary housing for the distressed families of servicemen and for veterans and their families who are affected by evictions or other unusual hardships.

Pursuant to this basic legislation, Congress made two appropriations (\$191,900,000 in the First Deficiency Appropriation Act of 1946, approved December 28, 1945, and \$253,727,000 in H. J. Res. 328, approved April 12, 1946), with which it was originally believed that 200,000 family dwelling units (or their equivalent, with dormitory accommodations computed at a ratio of two dormitory accommodations for one family dwelling unit) could be provided.

Of the original appropriations of \$445,627,000, \$432,715,000 was allotted for the re-use program, the remainder of the appropriation being reserved for other functions involved in the over-all veterans' emergency housing program of 1946. This sum has been supplemented by adjustments made throughout the year, including under authority of section 502a of the Lanham Act the addition of funds originally appropriated for war-housing construction, so that the Federal Public Housing Authority has had available for the title V program a total of \$438,462,814.

EXTENT OF PROGRAM

Because of rising construction costs throughout the past year, the original title V program of 200,000 quota units has been successively reduced until as of March 31, 1947, it comprised 164,000 quota units (approximately 186,000 accommodations). Of this total, 125,000 units, affording accommodations to 148,000 veterans, had been completed on March 31, 1947. Twenty-five thousand units were under construction, the great majority of them being 75 percent or more complete. Work on 12,000 units had been suspended in order to insure completion of the active program within the available appropriation. It is to complete this latter group of units involving 215 projects in 165 communities that the 50 million supplemental appropriation is requested.

The title V program was the outgrowth of two previous lines of governmental experience. On the one hand, the Federal Public Housing Authority, in the latter years of the war housing program, developed methods of panelizing, moving, and reerecting war housing. These techniques were developed as the shifting requirements of war industry reduced the need for housing in some localities and greatly increased the need in others. In the interest of economy, both of money and material, methods of moving temporary Lanham Act housing were developed, tested, and used successfully in a number of cases.

On the other hand, as demobilization progressed, particularly after VJ-day, a number of cities and States, notably the State of New York, turned to the use of surplus military structures as a source of temporary housing for veterans. At first structures which could be converted on site were sought. Very soon programs for the movement and conversion of such structures on new sites were developed. The Federal Public Housing Authority itself experimented with the movement and conversion of such structures, but its experience in this type of activity was very much more limited than in the movement of its own housing.

Both types of program were combined to form the title V program. In a short time, however, the movement of Federal Public Housing Authority surplus housing became much the less important part of the program. This change in the basic character of the program came about because war housing units, which late in 1945 were becoming vacant in substantial numbers, began with the return of veterans to fill up again in their existing locations and were no longer available for removal and use in the title V program.

The title V development program involved close cooperation between the Federal Public Housing Authority and the cities, edu-

ational institutions, and other local bodies concerned with obtaining temporary veterans' housing. The procedure developed by the Federal Public Housing Authority, and discussed fully with the congressional committees concerned with the program, required that interested local bodies agree to provide a site, including the development of streets, sidewalks, and trunk utilities on the site, and undertake to manage the project in accordance with prescribed standards. Generally these standards were at a minimum so far as Federal supervision was concerned, but they were intended to insure the operation of housing in accordance with the requirements of the law and as efficiently as possible. The local bodies agreed to pay any operation deficit and to turn in net income to the Government.

FEDERAL PUBLIC HOUSING AUTHORITY DEVELOPMENT RESPONSIBILITIES

It became evident very early in the program that the only way of initiating such a widespread housing effort promptly was for the Federal Government to undertake to do all other development work beyond the responsibilities involved in site preparation. Moreover, consultation with qualified contractors indicated that only cost-plus-a-fixed-fee contracts could be used. The possibility of alternative methods of operation, such as the making of grants to local bodies to do their own development work, and the letting of lump-sum contracts, was explored, but with the conclusion that no program of any size could be based upon such procedures.

As a consequence the Authority developed its program on the basis of cost-plus-a-fixed-fee contracts with established construction firms which had demonstrated their competence in the type of work involved in the program. Most of the companies selected had had experience in constructing war housing. Several had participated in the experimental or other programs of moving and re-erecting war housing. Originally 37 contractors were selected. Later this number was extended to 188.

FIRST COST ESTIMATES

The two appropriations with which the program was financed were based upon the experience referred to above; that is, for the movement of Federal Public Housing Authority war housing there had been a substantial amount of experience; for the movement of Army barracks and their conversion to housing there had been only a limited experimental undertaking within the Federal Public Housing Authority on which to base cost estimates. Using such data as were thus made available, however, and assuming a fairly heavy use of war housing, the Authority arrived, in December 1945, at its initial estimate of approximately \$1,900 per unit for all types of housing. By the time the second appropriation was obtained in April 1946, experience had shown that the program would be composed very largely of structures made from surplus barracks, and as a consequence, a higher unit cost was indicated. For the 200,000 units together, therefore, the available appropriation provided for an average unit cost of \$2,163. This represents an average cost of approximately \$1,900 per unit for the movement and re-erection of war housing and approximately \$2,500 per unit for the movement, re-erection, and conversion of military barracks.

Although a number of projects were completed at unit costs no greater than these estimates, costs on the great majority of the projects began very soon to exceed our expectations. In part this was due to direct rises in the costs of labor and materials. In great measure, particularly after the middle of 1946, the rise in costs was attributed to materials and labor shortages and the excessive delays which they caused.

ALLOTMENT OF TITLE V UNITS

In order to begin construction as rapidly as possible, the 200,000 units which it was expected the program would provide were allotted to the several regions of the Federal Public Housing Authority on the basis of veterans' population and veterans' enrollment in the educational institutions of the regions. The regional offices, in cooperation with the field offices of the National Housing Agency, further allotted the units in the program to the local bodies in accordance with veterans' need. On the basis of these allotments contracts were entered into between the Federal Public Housing Authority and the local bodies under which the Federal Public Housing Authority agreed to complete a stated number of units, and the local bodies agreed to provide the site and to assume the management obligations.

PROGRAM REDUCTIONS TO MEET RISING COSTS

During the programing phase of operations, 20,000 units were withheld as a central reserve. About July 1, 1946, when it first became evident that costs were generally exceeding our original estimates, we took the first step to reduce the program in order to remain within the available appropriation. The 20,000 units held in the central office reserve were canceled, and the funds earmarked for those units were allotted to the field to cover the cost of units already programed.

When I assumed the position of Commissioner of the Federal Public Housing Authority about the middle of August 1946, rising costs had again forced a revision of the program. One of my first acts after appraising the situation was to order the suspension of negotiations on contracts covering several thousand units. After a thorough review of funds, we made some redistribution of allotments between regions and authorized the approval of a limited number of pending contracts with local bodies, but the net effect of the actions taken in August was to make the second major reduction in the program.

Throughout September, October, and most of November 1946, our efforts were concentrated particularly upon breaking supply bottlenecks and pushing completion of units. By November 1, 1946, however, several regional offices began once more to encounter financial difficulties. Before the end of November our regional offices in Boston, New York, and Seattle had all been forced to stop work on certain units in order to avoid overobligating their available funds. In these reductions we were, for the first time, compelled to stop work on units on which actual construction had started.

At a meeting of regional directors in Washington during the week of December 2, 1946, the question of rising costs and the necessity for further adjustments in the title V program had become a major problem. After reviewing the situation region by region at the meeting and

making a thorough analysis of cost reports, we found it necessary, on December 12, 1946, to order widespread suspensions of work on title V. All regional offices were directed to suspend work on all units on which actual erection had not started and to stop work on enough additional units to insure remaining within the appropriation. Work on approximately 8,900 units was suspended as a result of the orders issued in December 1946. In addition, 4,300 accommodations for which the Federal Public Housing Authority was under contract with local bodies were canceled in the several actions taken by regional offices between the middle of August and the middle of December 1946.

In summary, we have made four major adjustments in the title V program in an effort to stay within the appropriation. The first action in early July 1946, dropping 20,000 units programed but not allocated, involved no breach of commitments by the Federal Public Housing Authority. The second action taken in August 1946 stopped negotiations on which in many cases substantial agreement had been reached between the Federal Public Housing Authority and the local bodies, but on which no formal contracts had been signed. The third major step comprised cancellations ordered by several regional offices throughout the period from August to December 1946. In all those cases actual contracts with local bodies were involved, and in many cases work on the units canceled had been initiated. The fourth step was the widespread program of suspensions ordered in December 1946.

I have reviewed our efforts to reduce the title V program thus in considerable detail in order to emphasize the efforts we have made to avoid requesting an additional appropriation. Following the issuance of suspension orders in December 1946, it was our hope that we might use our remaining funds to complete all standing structures. While we knew that we could not complete all of our contractual obligations within the available funds, we hoped that by completing all structures on which work had actually started, we might be able to avoid requesting an additional appropriation. We found, however, that our remaining funds were wholly inadequate to accomplish this purpose. We were able only to complete structures in the more advanced stages of construction, generally those 50 percent or more completed at the time the suspensions were ordered. At least one-third of the units remaining suspended consists of structures approximately 30 percent completed. All funds have been allotted to the regional offices except approximately \$4,000,000 earmarked to cover latent expenses in the active program.

DECISION TO REQUEST APPROPRIATION

Faced with these facts, we concluded that there was no choice but to seek additional funds to complete the suspended units. We had not only contractual obligations with cities and other local bodies which had spent \$3,500,000 of their own money in site preparation, but we had also many partially completed buildings representing a direct Federal investment of approximately \$11,000,000 which would be wasted if the units were not completed. Decision was consequently made to request the additional \$50,000,000 authorization which is now before your committee.

The bulk of the \$50,000,000 will be required for direct construction expenses on the suspended and canceled units. For 3,730 quota units (4,307 accommodations) canceled prior to December 14,

1946, \$15,900,000 is requested. For 8,300 quota units (8,897 accommodations) suspended on or after December 14, 1946, \$21,400,000 will be required. These sums include both direct construction expense and the cost of overhead, such as contractors' insurance and field supervision and inspection.

LOCAL BODY CONTRIBUTIONS

The 50 million appropriation will also be used to reimburse local bodies for certain items of expense incurred by them, largely in connection with the active construction program. The sum of \$6,500,000 is included to reimburse local bodies which have contributed their own funds beyond their contractual obligations to complete units on which the Federal Public Housing Authority was obliged to suspend work because of shortage of funds. One educational institution, the University of Connecticut, and 8 other local bodies have contributed funds for the completion of 1,373 family dwelling units and 157 dormitory accommodations. Since these units would otherwise have been suspended, we feel that they should not be excluded from consideration if an additional appropriation for the title V program is made.

REIMBURSABLE UTILITY WORK

In a number of cases the Federal Public Housing Authority found that certain utility work, for which the Government was obligated by its contract with local bodies to pay, could better be provided by the local bodies in conjunction with their site preparation responsibilities than by the Federal Public Housing Authority as a part of its development work. Therefore, a general plan was developed under which local bodies were asked to perform this type of utility work with the understanding that they would be reimbursed by the Federal Public Housing Authority. When rising costs made reduction in the title V program necessary, we adopted the policy of withholding such reimbursements in most, but not all, cases. The step was taken as an unhappy alternative to the more drastic action of suspending work on still more dwelling units. These reimbursements, however, represent an obligation of the Federal Government which we feel any additional appropriation should cover; \$2,000,000 is intended for this purpose.

Finally the requested appropriation includes \$1,250,000 for administrative expenses, and an item of \$2,950,000 to cover unforeseen expenses in connection primarily with the 152,000 units still under active construction. It is our hope that we will not have to draw upon this amount, but the uncertainties of a large-scale program like the title V program are such that we cannot be certain of our total costs until the last bills are paid. Considering the size of the program, the large number of cost-plus contracts, the extreme uncertainty of construction costs at the present time, and our experience during the past year, this seems a reasonable amount.

REVISED UNIT COST ESTIMATES

We assumed at the time the second title V appropriation was made in April 1946, that we could complete the title V program at an average cost of \$2,163 per family dwelling unit. This estimate, as I have

pointed out, was derived from experience in moving and reerecting war housing and some experimentation with conversion of barracks. While effort was made to allow for possible rises in the cost of construction, particularly when the second estimate was presented in March 1946, we did not anticipate the large rises in costs which have occurred since that time. Even more important from the point of view of costs, our estimates assumed a short-time program made possible by the large use of surplus materials and by an assured supply of the new materials required for conversion.

In the war-housing program, the Federal Public Housing Authority had been authorized to use priorities of the highest type, even including in the latter years of the program a pool of MM ratings for materials required in housing. The war years, we now realize, were years of relative stability in prices, and the controls over materials were much more willingly accepted during the war period than during 1946. In the title V program, on the other hand, both prices and wages rose steadily throughout the year. The Federal Public Housing Authority received no priority for several months; and although later we had to bear the onus of having a "super-priority" awarded late in July 1946, its effectiveness in obtaining materials was slight compared with the effectiveness of wartime priorities.

We were forced into the market for new materials to a larger extent than we originally expected. Because of the heavy use made of military structures, we had to obtain a larger amount of certain critical items, notably kitchen and bathroom equipment, pipe and plumbing fittings, and wallboard, than would have been required if we had been able to use a larger amount of surplus war housing. In addition, we found less material suitable for housing among Government surpluses than we expected.

RESULT OF SHORTAGES

All these factors contributed to delays which have prolonged the program beyond its original goals and have added materially to construction costs. While we were able during the calendar year 1946 substantially to reach our original goal of 100,000 units, the delays resulting from shortages of labor and materials kept us from reaching the revised goal of 200,000 units. In fact, because of increasing costs, it became impossible for us to achieve the enlarged goal at all within the appropriation.

UNIT COSTS OF ACTIVE AND SUSPENDED UNITS

Even with an additional \$50,000,000 we will be able to complete only approximately 164,000 quota units (186,000 accommodations). This will give us a revised average unit cost of \$2,978, an increase of 37 percent over our original estimate. In this connection, I should like to point out that we have encountered the most serious cost problems in the traditionally high-cost building areas of the country—the New York region and certain other metropolitan areas. Moreover, the bulk of our suspended units are of the highest cost type, that is, units provided by the movement, conversion, and reerection of military barracks. As a consequence, the 12,000 suspended and canceled units will, if completed in accordance with the estimates upon which

our appropriation request is based, have a substantially higher average cost than the remainder of the program. Taking into account the investment we have already made in the suspended units, we estimate that an average of \$4,109 will be required to complete these units. This compares with an average of \$2,877 per unit for the 152,000 units now completed or under active construction.

A year ago, I would have felt that costs such as these could not be justified. They are, however, I am satisfied, in line with building costs generally. The various standard cost indices, the news stories on the real-estate pages of metropolitan newspapers, our own experience in other programs, and the experience of other public agencies—all indicate rises in construction costs at least equal to the average of our title V experience. I would not, in the face of these facts, advocate a new program of this type; but, because of the still desperate veterans' need for housing at colleges and universities and cities and towns throughout the country, because of our contractual commitments to local bodies, and because of the investments that both the Federal Government and the local bodies have made in many of these suspended units, I believe that the Federal Government would be justified in completing the units, even at the costs indicated by these estimates.

NEED FOR AMENDING SECTION 301 OF LANHAM ACT

I should like to comment upon another proposed amendment to the Lanham Act, which might be incorporated as a separate section of H. R. 2340 or H. R. 2780.

I refer to the proposed amendment of section 301 of the Lanham Act that was transmitted to the Speaker of the House of Representatives by the National Housing Administrator on February 28, 1947, and referred to this committee. The amendment is designed to obviate serious difficulties that would arise with respect to two principal Lanham Act operations when the emergency declared on September 8, 1939, is terminated.

1. One of these operations is the program for providing temporary housing for veterans and servicemen, authorized under title V of the Lanham Act. Title V provides that the powers which may be exercised for the purposes of that program are those powers which are granted in other titles for the purpose of the original war housing program. Among those powers is the power granted by sections 1, 202, 401, and 402 to acquire land, construct, repair and demolish buildings and structures, provide approaches, utilities, and transportation facilities, and procure necessary materials and equipment. Section 301 of the Lanham Act terminates the authority granted by these sections when the 1939 emergency ends. Termination of that authority would, of course, seriously affect our operations in the veterans' reuse program, and the proposed amendment would authorize continued exercise of those powers until July 1, 1948, in carrying out that program.

2. An amendment of section 301 is also necessary to meet certain specific and continuing needs in connection with the operation of war housing projects. Because many of our projects were deemed to be temporary in nature, we often acquired the land involved for only a temporary period, by either lease or use condemnation. In the great

majority of cases our renewal right under the existing lease contracts or condemnation proceedings expires within a limited period after the termination of the emergency. In some cases condemnation decrees and leases do not provide for renewal, and will expire at an early date. Under the present language of section 301, the Government's right to continue its use of the land after the end of the emergency would be seriously limited, even though buildings and improvements constructed by the Government are on the premises and should continue in use to meet the critical housing shortage and provide for veterans' needs. It is essential in my judgment that the Government be empowered to arrange for continued use of the land for so long as the need for the housing continues, and to bring legal action to condemn the continued use of the land where negotiations with the owners are unsuccessful. Under the proposed amendment, subsection (b) of section 301 would provide authorization until July 1, 1948, to take such action.

Subsection (b) would also authorize the Administrator, for a similar period, to acquire a fee simple title or lesser interest in any land now subject to lease or use condemnation, where necessary to protect the Government's investment or maintain the improvements constructed thereon, or where the obligation to restore the property exceeds the cost of acquiring the title. In a few cases some projects constructed on such land are suitable for long-term use, and conditions have so changed that it is now clear that there will be a long-term need for the property as housing. Unless the Government can obtain an interest in the land greater than it now holds, the property will have to be sold under conditions which will either allow the landowner to dictate the terms of the sale or require separation of the buildings from the land. In either event, any real possibility of substantial recoupment of the Government's investment would be lost.

There are also a number of instances in which the identity of small parcels acquired by lease or use condemnation has been completely destroyed in the construction of the housing project. For example, some small lots are now the beds of streets or the courses of drainage ditches. Many times it would be more economical for the Government to purchase the entire interest of the owner, particularly where the value of the land is small, than to attempt a restoration or otherwise make the owner whole. In a few cases, too, utility lines serving a permanent project on land owned in fee by the Government run across Government-leased land used for a temporary project. There should be statutory authority for acquiring the necessary easements to protect the permanent project when the leases covering the temporary project expire. I should like to emphasize that the proposed amendment does not grant any authority to acquire additional lands for existing housing projects. We recommend only that authority be given to continue or enlarge existing interests so that the Government will possess authority where needed to continue existing housing in use by veterans and others and to protect investments already made.

There is attached to this statement a copy of the proposed amendment of section 301 in the form in which it was transmitted to the Congress by the National Housing Administrator.

I will be glad to answer any questions you may have.

Mr. McMILLAN. How much remains of this original \$410,000,000?

Mr. MYER. All of that money has been allocated, sir.

Mr. McMILLEN. How much of it remains in the form of cash at this time?

Mr. MYER. We have in our budget here, in the way of a reserve, at this point, slightly over \$4,000,000.

Mr. McMILLEN. And that has now been allocated to be used for the completion or the complete moving and re-erecting of these 12,000 units?

Mr. MYER. Most of that has been accumulated, sir, by picking up funds here and there.

Mr. McMILLEN. Beg pardon?

Mr. MYER. Most of it has been accumulated from picking up funds here and there as we completed certain projects, and we are maintaining it as a small reserve for contingencies.

Mr. McMILLEN. But you are going to use that for the completion of these 12,000 units?

Mr. MYER. Well, either use it for the completion of the 12,000 units or the 152,000 units that are now under way, depending upon which it is needed for. It may be needed in part for the 152,000 that are now under way, and which are not involved in this particular request.

Mr. McMILLEN. Can you set out approximately for me, as to what this \$4,000,000 you have in cash is going to be used for?

Mr. MYER. I would say that it will be maintained for the time being for contingencies that may arise in connection with construction already under way, of the 152,000 units.

Mr. McMILLEN. Which would be taken up principally by the 12,000 units you have testified about?

Mr. MYER. No, the 12,000 units are included in the additional \$50,000,000 involved in this request.

Mr. FLETCHER. Will the gentleman yield?

That is why I asked how many are actually completed.

Mr. McMILLEN. He is going to furnish that for the record.

Mr. MYER. 126,000 units are actually completed.

Mr. McMILLEN. At \$30 a month, that is an awful lot more money than we seem to have taken in.

Mr. MYER. I do not understand.

Mr. McMILLEN. Well, if it is 120,000 units, multiplied by \$30—

Mr. MYER. Remember the figures I gave you were the figures for the 6-month period from July 1 to January 1. I do not have the figures for this past quarter. There were not 126,000 units completed as of January 1. This is as of March 31. Some of those are just being moved into during the past 2 or 3 or 4 weeks. So that the figures for the 6 months that I gave you would have to be based upon the housing that became available throughout that period, Mr. Fletcher, and we will be glad to give you some break-down.

Mr. McMILLEN. The total amount was \$47,100,000, including contingencies of \$950,000, as I caught your figures.

Mr. MYER. No, I gave the figure of contingencies of \$2,950,000. That is the figure I gave for contingencies.

Mr. McMILLEN. How much did that break-down total?

Mr. MYER. The total was \$50,000,000.

Mr. McMILLEN. Well, I did not get it all, then.

Mr. MYER. It is in my statement for the record, Mr. McMILLEN.

Mr. McMILLEN. Now, you mentioned that you have made some verbal contracts with these schools and universities.

Mr. MYER. That was back last summer before some of these contracts were finally signed. They are not included in any of this program.

Mr. McMILLEN. Well, in some of these instances, I presume that you made a verbal contract, statement, to them and they have gone out and obligated themselves for the cost of these sites.

Mr. MYER. I think not. I do not think any of those have gone to the extent of purchasing sites of spending money for site work, because they knew the contract was not yet signed, and would not have gone ahead until they had a firm contract on it.

Mr. McMILLEN. Well, is it your present attitude to ignore those verbal contracts that you said you had made with these schools and municipalities?

Mr. MYER. That is right, and they so understand. And that has been indicated to them some months ago.

Mr. McMILLEN. I would think that if a verbal contract was made, it would justify these schools and municipalities going ahead in anticipation of the fact that they were going to get these units and that they would have obligated themselves to buy sites and provided for sites, and met their end of the obligation.

Mr. MYER. They were, of course, warned not to enter into obligation until we firmed up the written contract.

Mr. McMILLEN. What was the idea of entering into verbal contracts if you were not going to carry them out; that is the point I am making.

Mr. MYER. At the time those applications were made and they were told we would go ahead with them, it was expected there would be funds enough to carry them out. On the recheck which was made in the last 2 weeks in August, we found we did not have funds enough to carry them out, and to meet the obligations that were incurred otherwise, so as a consequence we ordered our regional directors not to sign the contracts.

Mr. McMILLEN. Now, these units that are being transferred, or have been, I wish you would state how much those units cost the Government when they were built, exclusive of the site, or the real estate upon which they were built. What was the average cost of the units that were built?

Mr. MYER. I have no basis for that cost, because the majority of these units that are being moved or reconverted are Army structures. There are some war housing units which I can get you the average figure on—I do not have it at the moment—but I can get it for the record for that part of it—I do not know what the costs of barracks, quonset huts, and the other temporary structures we used were.

Mr. FLETCHER. Did you use some trailer projects?

Mr. MYER. Yes, we have used some trailer projects. I can get you costs on the housing that we constructed. I cannot get you the cost on those.

Mr. McMILLEN. I would like to be able to make a comparison between what these units cost originally, exclusive of sites and what it is costing now, which you stated is approximately \$4.100 per unit.

Mr. MYER. The cost will not be widely different on the average between the conversion and reconstruction and what it originally cost to build them, because most of those were built in a much more stable price period, with full wartime priorities, where materials were flowing

regularly, without the delays we have now, and, as a consequence, the cost generally was much less than it would be today, and the cost would not be too far away from what they are actually costing on the average now. I can give you—I do not happen to have it at hand—the average cost of our temporary war housing, which I will be glad to supply for the record.

Mr. McMILLEN. I wish you would.

Mr. MYER. Very well.

(The document above referred to is as follows:)

UNIT COST OF TEMPORARY WAR HOUSING

The national average unit cost of temporary dwelling units built during the war-housing program, exclusive of the site-preparation expenses, was \$2,476. This compares with an average cost of panelizing, moving, and recreation of such units in the title V program of \$2,771 per unit.

Mr. MYER. That will give you some idea, but I cannot give it to you for the Army barracks, Quonset huts, Navy barracks, and other types of structures we have used.

The CHAIRMAN. It is very obvious that we cannot finish this morning. Will it be agreeable to you to come back tomorrow morning, Mr. Myer?

Mr. MYER. Yes, sir.

The CHAIRMAN. Mr. Foley, will you be here tomorrow morning?

Mr. FOLEY. I can, yes.

The CHAIRMAN. You and Mr. Myer can determine which one wants to go on first.

The committee will stand adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 12 m., the committee adjourned, to reconvene at 10 a. m., Thursday, April 10, 1947.)

LANHAM ACT AMENDMENT

THURSDAY, APRIL 10, 1947

HOUSE OF REPRESENTATIVES,
BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

The committee met at 10 a. m., the Honorable Jesse P. Wolcott, chairman, presiding.

Committee members present: Mr. Wolcott, Mr. Smith, Mr. Sundstrom, Mr. McMillen, Mr. Kilburn, Mr. Buffett, Mr. Cole, Mr. Stratton, Mr. Scott, Mr. Fletcher, Mr. Foote, Mr. Spence, Mr. Brown, Mr. Monroney.

The CHAIRMAN. The committee will come to order.

Mr. Myer was on the stand yesterday when the committee adjourned. I understand he would like to continue this morning, and later on we will hear from Mr. Foley, National Housing Administrator.

Mr. SMITH. Mr. Chairman.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Last night I read your testimony before the Senate committee on the so-called Wagner-Ellender-Taft bill. I think the members of this committee ought to know that you fully endorse that communitarian housing program.

Mr. MYER. I suppose, Mr. Smith, there might be some difference in how we would term it. I did endorse the Wagner-Ellender-Taft bill and those provisions of it which had to do with the development of public housing.

Mr. SMITH. Do you deny that it is a communitarian program?

Mr. MYER. It has been under way since 1937 as a program adopted by the American Congress, and I do not believe the American Congress or the American people are communistic, and consequently I do not believe it is a communistic program.

Mr. SMITH. You recommend Government housing for perhaps 20 or 30 percent of the families in the United States; is that correct?

Mr. MYER. The recommendation in the bill would provide for housing for slum dwellers not to exceed 500,000 units, and that is what we are recommending at this particular stage of the game.

We have made the statement that there are somewhere around between 20 and 30 percent, perhaps, of the people who are not living in decent, sanitary and adequate housing and under the standards we feel they should live under. These people have not been provided with housing, generally, by private industry.

Mr. SMITH. Does that bill not envision the building of more than 500,000 homes, Mr. Myer?

Mr. MYER. The bill envisions, as far as the public housing portion of it is concerned, a figure not to exceed 500,000 units.

Mr. SMITH. And your testimony—

Mr. MYER. That has to do with the urban part of the bill. There are some provisions for, I think, an additional 30,000 units of low-income and low-rental housing for rural areas, and some provisions for farm housing, largely on a loan basis.

I am talking about the subsidized housing now, which I assume you were talking about, having to do with the subsidies provided by the Government for slum clearance.

Mr. SMITH. And you make the assertion that bill does not envision any more than 500,000 units?

Mr. MYER. No. I made the assertion that the provision in the bill relating to Government-aided public housing for slum clearance does not exceed more than 500,000 units in this bill.

Mr. SMITH. But that was not what I asked you.

Mr. MYER. I misunderstood you; I am sorry.

Mr. SMITH. I asked you this question: Does that proposal, in general, envision the building, by the Federal Government, of more than 500,000 units? Or let me put it this way: Does your testimony, which you gave before the Senate committee, indicate that it is your desire to limit the construction to 500,000 units, and that there shall be no more?

Mr. MYER. Well, I am a little bit confused, Mr. Smith. As I understand your question, you are asking me what is included in this bill, which we support. As far as the urban slum clearance is concerned it limits it to 500,000 units in a period not to exceed 5 years.

Mr. SMITH. What is the policy of the bill—let me put it that way?

Mr. MYER. The policy of the bill provides, basically, as I remember it, that private industry will be encouraged to produce housing insofar as it is possible for them to do so. They are trying to provide decent, safe, and sanitary housing, through the support of this bill, for all the people in the United States, and that a provision for basic financing is provided in addition to some provision for public housing. I do not remember the exact language, but in essence that is about it.

Mr. SMITH. You yourself make the statement that private industry is incapable of building a sufficient number of houses, and you leave a gap of 20 percent. That is according to your testimony.

Mr. MYER. That is provided for in the bill.

Mr. SMITH. And you testified to that effect?

Mr. MYER. That is right.

Mr. SMITH. And you lay down the policy that these 500,000 units come within that category. What I am trying to find out is whether you believe that it will be necessary for the Federal Government to build the houses that are envisioned by your own testimony, not under the 500,000 limitation.

Mr. MYER. Well, let me just correct the record as to one thing, in the first place. The Federal Government does not build the houses. They assist in financing and they provide, if the bill is passed, for contributions to maintain the low-rent character. The housing would be constructed by local authorities established under the State act under cooperation with the Federal Government.

Mr. SMITH. Now, Mr. Myer, you certainly know that I am familiar with all these laws, and you are not sitting here and telling me that the Federal Government does not build these houses, that the Federal Government does not finance the building of these houses.

Mr. MYER. I did not say it does not finance them, Dr. Smith. I said it did not build them. The local authorities build them, and have the responsibility for doing so with financing provided.

Mr. SMITH. Now, Mr. Myer, let us be honest about that matter. You know that the local housing authorities are merely agencies, or dummies, of the United States Housing Authority. You know that, do you not?

Mr. MYER. No, sir; I do not.

Mr. SMITH. Who sets them up?

Mr. MYER. They are set up under State act and established by the mayor or the local officials in the individual communities.

Mr. SMITH. Now, Mr. Myer, I went through that experience personally in Marion, Ohio, and you know about it. The Federal Government manipulated the whole proposition, and it does in every instance. It fixes the rents. The Federal statutes fix the rents, and you have a situation where you can foreclose on these buildings any time you want to. The Federal Government owns these structures the same as it does the post offices. Do you deny that?

Mr. MYER. I do.

Mr. SMITH. Where does the local authority get its finances?

Mr. MYER. Mostly from loans from the Federal Government.

Mr. SMITH. Mostly from what?

Mr. MYER. From loans from the Federal Government or from bonds which are sold to private investors.

Mr. SMITH. Which are guaranteed by the annual Federal contribution.

Mr. MYER. That is correct.

Mr. SMITH. Then it is the same as though they had been peddled by the Treasury itself. Is there any difference at all, fundamentally, as long as they are guaranteed by the Federal Government?

Mr. MYER. We think they are good, safe bonds.

Mr. SMITH. You what?

Mr. MYER. We think they are good, safe bonds, and so do the investors.

Mr. SMITH. Now, you are not answering my questions, Mr. Myer. Certainly they are safe bonds because the Federal Government guarantees them. It is this thing, Mr. Myer, that provokes us: That you do not come out and discuss this thing fairly and honestly.

Mr. MYER. Mr. Chairman, let me say that I did not know we were planning to discuss the low-rent housing program this morning and I did not come prepared to discuss it. I am glad to do so and I would like to make it clear that I am answering the questions to the best of my ability as they are put to me.

Mr. SMITH. Mr. Myer, the only reason I brought this out is that I would like to have the committee know something of your background. Now let us proceed with the bill itself.

I am not clear why you are short \$50,000,000 in the completion of your program. Just when did you discover this shortage?

Mr. MYER. I was appointed as Commissioner of the Federal Public Housing Authority on August 12 last. One of the first things I did, when I took my seat at my desk, was to find out what the status of this program was, because I found that the problems of financing were developing and they had already cut the program back. On August 15 I sent out a telegram asking that all contracts that had not been

entered into up to that date be withheld until we had a chance to reinventory the situation to see where we stood on funds. We made that inventory between August 15 and August 31. We shifted some funds, as between regions, in order to meet commitments that we felt were already entered into, and felt that we had done the job that was necessary to provide the funds to complete the program under contract and to allow the regions, with the funds they already had, to go ahead and enter into a few additional contracts as we then saw it from the standpoint of the price level at that time.

That was the first time, Dr. Smith, that I came into the matter, and we made an honest effort to firm the program up. The question was raised yesterday as to whether or not we did not overcommit, knowing that we were \$50,000,000 short. The answer is that we did not overcommit at that time, knowing that we were that much money short, because we were not able to anticipate that the large number of contracts already entered into, and under way, could not be completed with the funds allotted to them. As a matter of fact, the expectation at that time was that they could be completed.

Mr. SMITH. So that when you came in, in August, and after having gone over the proposition, you concluded that you had a sufficient amount of money to complete the program.

Mr. MYER. To complete the program then contracted for, with a few additional units that were contracted for within a week or two following that time, after we had resurveyed. We did drop from the program a number of contracts that were already written and not yet signed, as I mentioned yesterday, and which were never completed, because we felt we could not complete the commitments on those. These contracts were not signed although they were programmed.

Mr. SMITH. The point I am trying to get at is that at the time you took over the responsibility you did conclude that you had a sufficient amount of funds to complete the contracts.

Mr. MYER. Well, yes; to complete the contracts already drawn. We did. That is correct. And at that time I think anybody would have arrived at that conclusion on the basis of the evidence available, and the prices and the situation as then existing.

Mr. SMITH. But you knew, Mr. Myer, certainly, that we were living under conditions of a depreciating currency, did you not?

Mr. MYER. I knew there had been a good deal of price rise during the period from the time the program had started up to the time we made that revision, and that is the reason, of course, that we had to make the revision.

Mr. SMITH. The point I am getting at is: Could you envision anything else, and can you envision anything now except a continuous price rise?

Mr. MYER. Dr. Smith, I am sorry to say that I do not consider myself an expert in the field of economics to the extent that I could predict what the continuing price situation will be. I would sincerely hope that we were not going to have to envision a continual price rise.

Mr. SMITH. The reason I am asking that is this: Will the \$50,000,000 be sufficient to complete the program which you have in mind now?

Mr. MYER. We think so. We have figured it out very carefully. We have done everything we know to get the facts together on which to base our judgments. I cannot be sure of that, because I cannot be

sure of what the price situation is going to be in the next 3 or 4 months. But as nearly as we can envision it, and being as conservative as we can in arriving at these figures, we think it can be done.

Let me just add one other thing. As far as those communities where projects have not been started are concerned, if the money is provided I hope we can work out a basis where we can turn the money over to the community to do the job themselves and have them agree to do it within those limits.

If that is not possible, as I have indicated, I would hope that we can get agreement, if it is at all possible, to let firm contracts rather than cost-plus-fixed-fee contracts for those that have not yet started. On those that are under way we think we have made adequate provision for taking care of the additional cost. And I think we can provide the controls that are necessary to do so. However, I want to repeat that in this type of program I have not been able to anticipate costs before and I could not assure you, and be 100 percent sure of it, that we can do the job within this limitation. But I think we can do it, or I would not be up here supporting the program.

Mr. SMITH. Well, now, we have had a continuous rise in building costs certainly since 1945; is that not true?

Mr. MYER. Well, I should say that most of the rise that we have noted has been since 1945. The major part of the rise, however, was during 1946.

Mr. SMITH. Do you not think it would be a good idea, in your programming for housing, to allow for a rise in the future?

Mr. MYER. We have tried to take that into consideration in estimating our budget, and you may note that there is a figure, which I gave yesterday, of about \$3,000,000 for contingencies, in relation to this program that is already under way, plus the fact that we have about \$4,000,000 which has not been allotted, in addition to that, for such contingencies. I think there is no doubt but what any prudent person at this stage of the game would provide for some contingency if he had the authority to do so. That is correct.

Mr. SMITH. You would hardly expect private enterprise to be short, say, \$50,000,000, in a program that it had set up, would you?

Mr. MYER. Well, all I can say is that a lot of them have been, if you put the size of the program on the same basis. I think they have been short just about the same amount of money. After all, these structures were built by private contractors who contracted to do the job with a fixed fee on the basis of estimated costs. And I am sure they did it as cheaply as they knew how, within those limits, because they knew that their fee was not going to increase because of the increased cost.

Mr. SMITH. What is your percentage of error?

Mr. MYER. It is costing about 37 percent more. I think that is the figure.

Mr. SMITH. More than you anticipated?

Mr. MYER. That is right.

Mr. SMITH. Well, of course you cannot get the contractor to even bid on a structure. They will give you an estimate, but they will not give you a bid on it.

Mr. MYER. That is the reason, Dr. Smith, that we had to use cost-plus-fixed-fee contracts. Had we been able to get bids, and firm bids, which were basically sound, and had we felt we could do it

cheaper that way we would have done it that way. We believe, in spite of the increase in costs, that the cost has been less than if we had insisted on bids on these contracts because we believe that the contractors—and they told us so—would have had to raise their bids to the point where there would have been a great deal of speculative costs involved, and it probably would have cost us more money.

Mr. SMITH. Yesterday I asked whether the Government received any of the rents from the houses that you place in the municipalities and colleges, and the answer given me was "No." There seemed to be a difference of opinion.

Mr. MYER. I am afraid there is a misunderstanding if the answer was "No." I do not remember that question. The facts are these: Under this particular program the contract provides in all cases, with the municipalities and educational institutions, that the Federal Government receives the net income above the cost of operation, in the case of rents received, and I think I gave a figure yesterday indicating that there has been received around \$1,500,000 net by the Federal Government for the last 6 months of last year. That means that only a comparatively small portion of the total program was then under lease. As they were constructed, people moved into them and we have received some net income.

Beginning approximately July 1 we ought to begin to get the full return from the construction that has been completed up to date, and we anticipate that we will receive some net income from these properties.

Mr. SMITH. That is taken into consideration in your request for the \$50,000,000?

Mr. MYER. Oh, no. We are not proposing to use that net income for construction work. That will be a part of the funds that would ultimately be returned to the Treasury.

Mr. SMITH. It goes right back to the Treasury?

Mr. MYER. Well, it either goes right back to the Treasury or it goes into our capital funds. We are operating as a corporation, and anything netted out of the costs, excepting for cost of administration, and so on, would ultimately go to the Treasury.

Mr. SMITH. Does the Government hold title to these projects after they are built?

Mr. MYER. No, the title is turned over to the communities with the understanding that the communities, when the properties are no longer needed for this type of housing, will remove the properties as provided by the Lanham Act for temporary housing.

Mr. SMITH. And if they sell those houses, where does the money go?

Mr. MYER. They could not sell those houses except for salvage, or for some other use other than for housing, under the law, and presumably that would reimburse them for any salvage cost that they may have in conducting the salvage later on.

Mr. SMITH. The Federal Government would not have anything to do with that?

Mr. MYER. No. The title has been turned over to them.

The CHAIRMAN. Are there any further questions?

Mr. BUFFETT. Mr. Chairman.

The CHAIRMAN. Mr. Buffett.

Mr. BUFFETT. Mr. Myer, you are going to get us a list of those projects showing the status they are in?

Mr. MYER. That is in process of preparation. I think we can get it out not later than tomorrow.

Mr. BUFFETT. And the latest available balance sheet of the corporation showing the break-down of the expenditures and income to date; is that right?

Mr. MYER. You want the balance sheet for the whole corporation?

Mr. BUFFETT. Well, for this entire project. To me the veterans' housing project is one entity, and this is in connection with it.

Mr. MYER. You are interested in this part of the project we are discussing—title V?

Mr. BUFFETT. Yes.

Mr. MYER. Yes; that is in process of preparation now.

(This material not supplied in time to be included in hearings.)

Mr. BUFFETT. Mr. Chairman, I would like to offer the observation that it would be impossible for me to pass intelligently on this bill until I have some knowledge of the projects under discussion and an understanding of the whole financial problem.

Mr. MYER. I might say, Mr. Chairman, that we are providing the data requested for the record. I want to repeat, so that it may come to your memory again, that there are 215 projects involved in all of these items, involving 165 communities or colleges, and we will give that break-down for the record just as soon as we can get it for you.

Mr. BUFFETT. The authority in this bill would provide for the acquiring of properties by these various communities because some of these housing projects, in turn, will be run as long-term projects; is that right?

Mr. MYER. You are referring now to the provision relating to section 301, Mr. Buffett?

Mr. BUFFETT. It is subsection (b), here.

Mr. MYER. Let me just say, before we start on that, that that has no direct relationship to the \$50,000,000 and the provision we are now discussing, excepting as it would continue the general authority which is provided in the Lanham Act.

Now, the main provision in that section which would be of interest, I think, to the committee and to us, assuming that it stays in existence for some time as far as title V is concerned, would be the opportunity to complete this job without question, if funds are provided, because it does tie back to the authorities under title I and title III of the Lanham Act and, as indicated by Mr. Fitzpatrick yesterday, would continue the authority some time until we can make a complete review of the situation which would allow the purchase of land, some of which is now under lease.

Much of the temporary housing which was constructed under the Lanham Act for war use was constructed on leased land, with the expectation that it would only be used as long as the war plants were operated in that community and then immediately salvaged. It is quite evident that nobody could anticipate, at that time, that there was going to be a continuing demand for some time for much of this housing because of the veterans' demand and the tight housing shortage everywhere.

As a consequence, there will be a need to continue it for a longer period than was anticipated. The law provides still that 2 years after the emergency is declared over the temporary housing shall be removed, unless it is certified by the community that there is a

continuing emergency need and unless it is reported to the Congress, and from that time, if it is maintained, it is to be reported to the Congress annually.

Now, here, briefly, is the problem: If that is done some of these short-time leases would cost more money than if we took title to the land, and even in connection with some of those that will be salvaged, where there are several different lots of land—and in some cases a small tract of land—the purchase would cost less money than to go in and restore the site the way the owner wants it restored.

As a consequence, it is recommended that the powers provided in section 301, which refer to title I and title III, be extended until July 1, 1948, to give a chance for that resurvey and to utilize the authority in that interim period, assuming that the authority may go out of existence in the meantime if it is not extended.

Mr. BUFFETT. Mr. Myer, am I correct in this? Would that authority have the result of entrenching the Federal Government in these local situations through the acquisition of land, thereby solidifying their position?

Mr. MYER. No, I do not think so. Mr. Buffett. It would simply give the opportunity to the Federal Government to dispose of this housing and then dispose of the land at a cheaper cost to the Government than if you continued the thing under lease as it is now. It would not be used in all cases, because in many cases the buildings can be removed and the lease provisions can be met without additional cost to the Government. But in some cases that cannot be done.

Mr. BUFFETT. I always feel that where I have got property under lease I am in a less permanent position than if I own that property.

Mr. MYER. I do not know what you are suggesting, other than you feel that it may keep the Federal Government in the business over a longer period of time.

Mr. BUFFETT. I think there is that possibility.

Mr. MYER. I do not believe it will because the Lanham Act provides, as I already indicated, that these houses will be removed within 2 years after the emergency is over. And I think the record will show, if you check into the history, that we have moved ahead and disposed of a lot of the vacant land that was accumulated in the meantime. Some of these houses have already been salvaged and the land so far has been turned over to the War Assets Administration to be disposed of. We have been getting out of the business as fast as we could possibly do so.

Mr. BUFFETT. What about these extensions?

Mr. MYER. The only reason for the extensions has been the tremendous demand for housing on the part of the veterans and their families, and all of this housing is being made available to veterans as fast as it can be. That was provided for in the amendment adding title V to the Lanham Act.

Mr. BUFFETT. Do you know, when the veterans' housing program under title V was first started, what the estimate was as to how long those houses would be in use? Was it 5 years?

Mr. MYER. I was not here at the time, and I have not checked the record in full on that matter, but I have the impression that the time was about 5 years; yes.

Mr. BUFFETT. As long as 5 years?

Mr. MYER. In some cases; that is right. By the way, on the veterans' housing, on this title V, let me repeat again, so there will be no misunderstanding, that these are being turned over to the colleges and municipalities and are theirs to dispose of whenever they are through with it.

Mr. BUFFETT. Why would it not be smart for this committee to suggest that these incompleting projects should be turned over to these local authorities now and get the Government out of the business.

Mr. MYER. I have already stated that as far as the incompleting ones are concerned we are going to try to do that because we would prefer it. I think most of the communities will object to it because most of them feel that they do not have the facilities for planning and providing for the contractual procedure and the supervision that we had because of the experience we have had in FPHA. But where they will do it we would be delighted to arrive at a figure and turn the money over and let them produce the house.

Mr. BUFFETT. Let me see if I have that straight. Suppose we had a project out in Omaha on which you, up to date, have spent \$200,000. And suppose it is going to cost another \$200,000 to finish it. Do you mean that if you went to the city of Omaha and said: "Here, you can have this project free tomorrow morning. You complete it and take the rentals, and it is your baby from now on," that you would be turned down?

Mr. MYER. I doubt very much whether they would want to assume that contract. But if they did, and if it is possible to work it out on any feasible basis, I would be delighted to do so. I was thinking particularly of those that had not been started, where no construction contracts are now in existence and where we would try to work out for them to take over and start from scratch. In some of these projects; however, we are already under way and it would be a more difficult thing, in that case, to work it out.

Mr. BUFFETT. Does the \$50,000,000 provide for some projects that have not even been started yet?

Mr. MYER. That is right. They are under contract with the cities and colleges but were not started or, rather, were stopped before they got under way.

Mr. BUFFETT. I think the committee ought to have a chance to have a look at some of those contracts.

Mr. MYER. We will be glad to supply you with anything you want, Mr. Buffett.

The CHAIRMAN. How many units are there under contract that have not yet been started?

Mr. MYER. I think there are 1,622, Mr. Chairman, on which no work at all has been done. The other units, the 3,730 figure which we gave you yesterday, are the additional units on which panels have not been erected above the foundation.

The CHAIRMAN. How many units have not had anything done to them?

Mr. MYER. One thousand six hundred and twenty-two.

The CHAIRMAN. How much would that come to, in the figure you are asking for?

Mr. MYER. I would have to recheck it because I do not have that particular figure in mind. But I will provide it for you.

(The information referred to appears at p. 18.)

The CHAIRMAN. What would be the next category?

Mr. MYER. The rest of that 3,730 mentioned yesterday that really had not gotten above ground, or where some work has been done in the way of foundation work—perhaps some site work. They may even have the panels on the ground, but they have not been erected. We will give you a break-down for the record, giving you those on which no work has been done, those in this category, and then the other categories which were requested yesterday. That information is in process of preparation now.

The CHAIRMAN. How long will it take you to get that to us?

Mr. MYER. We will try to get it to you tomorrow, or today, if possible. It is now in process.

The CHAIRMAN. According to your statement, first you were authorized, under the Lanham Act, to the extent of \$410,000,000. According to your statement, on page 1, there has already been appropriated \$445,000,000.

Mr. MYER. Mr. Chairman, I indicated yesterday that in addition to the two resolutions which provided for the appropriation of \$410,000,000 we were authorized the use of any funds that might be made available by the administrator under title I, funds that had not otherwise been used.

The CHAIRMAN. That is only about \$6,000,000.

Mr. MYER. No, there have been additional funds other than that.

The CHAIRMAN. Well, how much, in additional funds, was made available?

Mr. MYER. I beg your pardon? You were talking about the authorization of \$410,000,000. That was true, as far as title V was concerned, and we had the authorization carried over from title I funds because it did allow the use of some of those funds. The total appropriated, all told, was \$445,627,000, some of which has been used by the Administrator and the Office of the Expediter for other purposes provided for.

The CHAIRMAN. You say \$432,715,000?

Mr. MYER. Yes. We have been provided with a total of \$438,462,000 to date out of all funds available for use in the title V program by the FPHA. That has been allocated by the Administrator's office.

The CHAIRMAN. Where do you get the authority to allocate funds to other than administrative costs, in addition to the \$410,000,000?

Mr. MYER. As I remember it, that is provided for in the resolutions that were passed in December and in April by the Congress, laying the basis for the two appropriations.

The CHAIRMAN. Public Law 336?

Mr. MYER. It is in the basic Lanham Act, I am told.

The CHAIRMAN. Public Law 336, approved March 28, 1946, increased the amount from \$160,000,000 to \$410,000,000. It is very apparent that at the time any additional funds which were made available over \$410,000,000 would be for administration expenses, and apparently, from the wording of the act, it would be with respect to the Expediter's office.

Mr. MYER. I think you will find, Mr. Chairman, that they did authorize carrying forward the authorities under the Lanham Act generally for use of veterans' housing. I am sorry I cannot lay my finger on the particular reference at the moment.

The CHAIRMAN. The additional appropriation which you refer to, is \$253,000,000?

Mr. MYER. That is right.

The CHAIRMAN. Under Public Law 341?

Mr. MYER. That is right.

The CHAIRMAN. That appropriation was made subject to the provisions of Public Law 336, which I just referred to?

Mr. MYER. The first appropriation was provided under Public Law 269, the second one under Public Law 341, which authorized the use of funds and authorities under the Lanham Act originally, as outlined in section 3 of the Lanham Act, and that is where the authority was carried. Now, the total appropriated at that time was \$445,627,000; \$12,032,000 was transferred from title I in addition to that, making a total available for the National Housing Agency, the Expediter's office, \$457,659,000. Now, the amount made available to the Federal Public Housing Authority out of that total was \$438,462,814.

The CHAIRMAN. You used the terms "dwelling units" and "accommodations."

Mr. MYER. Family dwelling units are so indicated to indicate the difference between that and dormitories. Quota units are either a family dwelling unit or two dormitory units. At the time the hearings were held on this program originally, they developed the idea of quota units, and accommodation units would mean accommodations regardless of whether they were dormitory units or family units. In other words, accommodations would mean one dormitory unit or one family unit.

On the basis of this program as now established, if the \$50,000,000 is provided, it would provide for 164,000 quota units or 186,000 accommodation units—

The CHAIRMAN. And a quota unit is what?

Mr. MYER. A family dwelling unit or two dormitory units. That is the way it was set up at the beginning of the program. On the basis of the program as now presented, if the \$50,000,000 is provided it would provide 164,000 quota units or 186,000 accommodation units, the difference being the extra dormitory units, because they were counted as two, and the 164,000 would be counted as one.

The CHAIRMAN. That is out of your total of \$438,000,000? You say you had allocated already \$438,000,000.

Mr. MYER. Yes.

The CHAIRMAN. And you want \$50,000,000 more?

Mr. MYER. Yes.

The CHAIRMAN. That would be a total authorization of \$488,000,000?

Mr. MYER. Yes.

The CHAIRMAN. How much more money is there available other than this \$410,000,000, or \$460,000,000, if we pass this bill, that you could use for this program?

Mr. MYER. The only money we have in sight at the moment, Mr. Chairman, is the \$4,000,000, or slightly over, which I mentioned yesterday, which we still have in our general reserve fund.

The CHAIRMAN. What is that out of? Is that out of the \$410,000,000?

Mr. MYER. That is out of the total \$438,000,000 that I mentioned, which has been maintained in reserve. That fund fluctuates from time to time depending upon conditions, and we are maintaining that for unforeseen contingencies which may arise, and as indicated yesterday.

day, we have asked, in this bill, for \$2,950,000 additional for contingencies.

The CHAIRMAN. On page 5 of your statement, there is a break-down of your estimate. You say:

The bulk of the \$50,000,000 will be required for direct construction expenses on the suspended and canceled units. For 3,730 quota units (4,307 accommodations) canceled prior to December 14, 1946, \$15,900,000 is requested.

Is that the units on which no work has been done?

Mr. MYER. Either units on which no work has been done or where a comparatively small amount of work has been done, Mr. Chairman. There are some cases, as I have already indicated, where there has been some work done, but the panels have not been actually erected, although there may have been some foundation work.

The CHAIRMAN. You have included those two categories we have just discussed in that?

Mr. MYER. Yes, we will give you a break-down of that for the record.

The CHAIRMAN (reading):

For 8,300 quota units (8,897 accommodations) suspended on or after December 14, 1946, \$21,400,000 will be required.

Mr. MYER. Those are units that are well under way, and vary anywhere from having the panels up with no roof on to fully roofed structures, but which in no case have, as I remember it, partitions, and have not had the finish job done—I mean the plumbing and other equipment jobs.

The CHAIRMAN. What expenses do the municipalities pay for which they are not reimbursed for under the contract?

Mr. MYER. They provided, first of all, sites, in all cases. Always they have provided the trunk utilities that need to be brought to the site, if they were not already in existence. They have provided the lay-out of streets and sidewalks, and the basic planning and development of the site.

We have provided the cost for the construction of the buildings, the utilities within the buildings, the basic equipment, and certain other site work that was not provided by the city, such as I have already mentioned.

The CHAIRMAN. On the question of leases, primarily it is the obligation of the locality or municipality?

Mr. MYER. On the question of what, Mr. Chairman?

The CHAIRMAN. On the question of leases, or whether you take fee to the property instead of continuing the lease.

Mr. MYER. As far as this program is concerned, it has no connection with the provision we were talking about in connection with section 301. That is entirely a separate matter, excepting that it would continue authority for us to carry on. In the title I program the sites are sites owned by the cities, or leased by the cities, or by the colleges, and it is their responsibility generally. I think there may be three or four cases where, because of inability to work it out, it was done on Government land, military installations, in two or three cases, where it was not feasible and where there were a number of colleges involved.

The CHAIRMAN. Then, you do not contemplate the use of any part of this \$50,000,000 to acquire the fee of any property which is under lease now from a municipality?

Mr. MYER. None whatever; no, sir.

The CHAIRMAN. Well, the break-down on this 3,730 units figures out at about \$4,163 as against your average up to the present time of approximately \$2,800?

Mr. MYER. No, I am afraid there is a little mix-up there. What I indicated yesterday was that we anticipate including the funds already expended, that the average cost of completion of this whole 12,000 units, including the 3,730 and the 8,300 units, would be \$4,109. The ones that have not been started would cost a little higher than the average, because there has been some work done on the 8,300, and a very small amount of work done on the others. The average of the total that I gave you yesterday, if they are completed, I think was \$2,987, if we complete the whole program. The average of the 152,000 units either completed or still under way, which have not been held up, was \$2,888.

The CHAIRMAN. You have averaged those that you have got to complete on which some work has been done with those on which no work has been done, to get your \$4,109?

Mr. MYER. That is right.

The CHAIRMAN. The average on the 8,300 units is \$2,578, according to your figures. Those do not mean too much unless we have some figures on the amount that has already been expended.

Mr. MYER. I might say, Mr. Chairman, that we have supplied a figure somewhere here that on those that are under way, about \$11,000,000 has been expended. Most of that \$11,000,000 has been expended on this particular group in process. Of the 8,300 units, that is.

The CHAIRMAN. In the next paragraph:

The \$50,000,000 appropriation will also be used to reimburse local bodies for certain items of expense incurred by them, largely in connection with the active construction program. The sum of \$6,500,000 is included to reimburse local bodies which have contributed their own funds beyond their contractual obligations to complete units on which the Federal Public Housing Authority was obliged to suspend work because of shortage of funds. One educational institution, the University of Connecticut, and 8 other local bodies have contributed funds for the completion of 1,373 family dwelling units and 157 dormitory accommodations.

Is that an example or is that project, together with the other local bodies which you mentioned there, is that eight other local bodies used in there an example, or is that the total?

Mr. MYER. No; that is the total. I think there are nine all told, including the University of Connecticut, that are involved in the expenditures that have been made, which we propose to reimburse if these funds are made available.

The CHAIRMAN. That figure calls for the completion of 1,373 family dwelling units and some accommodations?

Mr. MYER. That is right.

The CHAIRMAN. That figures out 1,402 units the way you explain it, an average of \$4,477.

Mr. MYER. Those are all in high-cost areas. That is one of the reasons why they were stopped. I could give you a break-down for the record, if you wish.

The CHAIRMAN. Adding the \$6,500,000 to the amount previously spent on these units by the Federal Public Housing Authority, would bring that per unit cost up pretty high, would it not?

Mr. MYER. I presume it would. I do not have the figure offhand as to what the expenditure has been on that particular group of units. As I indicated yesterday, some of those units are running very high, much higher than we ever anticipated, and much higher than we would like. But there are many of these on which very little work had been done, because we stopped, on these individual projects. We went ahead and tried to complete with the funds that we already had available, those that were nearest completion, in order to provide homes as quickly as possible for veterans. So that, under our suspension or cut-back, we stopped those where the least amount of work had been done, so that the majority of cost is involved in this reimbursement, in these cases, on the individual units.

The CHAIRMAN. Are there any of those which you mention included in these nine projects on which there has been no work done? Are they partially completed?

Mr. MYER. I think in all cases there has been some work done on the site, in the way of providing foundations. They are all going ahead to completion, but at the time when they were stopped, as far as we were concerned—as I understood your question, you were asking if these were any of those on which no work was done?

The CHAIRMAN. Yes.

Mr. MYER. I think all of these, the projects were started. Now, there may have been units involved in the project on which no work had been done other than the site work.

The CHAIRMAN. Are you going ahead with those projects now?

Mr. MYER. Yes; because the cities did provide the money to use to go ahead with completion, on the basis that if funds were made available they would be reimbursed for the contractual cost which we had entered into, but which we did not have the money to complete. Rather than to let them stand, they have been able to put up the money in some cases.

The CHAIRMAN. Are any of the eight other local bodies which you mentioned here, Mr. Myer, providing housing in connection with the educational institutions?

Mr. MYER. Just the one in connection with the educational institution. The others are municipalities.

The CHAIRMAN. So you do not want that money for the purpose for providing housing accommodations for GI students?

Mr. MYER. Except for the University of Connecticut, it would not provide housing for students. It would provide housing for GIs in all cases, of course.

The CHAIRMAN. As I understand it you had already stopped construction on them.

Mr. MYER. We stopped construction on those.

The CHAIRMAN. And the municipalities came in to finish them up themselves?

Mr. MYER. They turned the funds over to us to complete the job in these particular cases, because they felt the housing—

The CHAIRMAN. Did they have any assurance that they were going to be repaid?

Mr. MYER. The only assurance they had was that if money was available when the job was completed, from any source, that they would be reimbursed. But there was no definite commitment made to them that we would provide the money, because we did not know

whether we were going to have it. We simply said to them, "If you will put up the money, and money does become available ultimately, we will reimburse you. But if it does not, we cannot do it."

The CHAIRMAN. If Congress makes available the money, you will reimburse them?

Mr. MYER. That is right.

Mr. COLE. Mr. Chairman, did not the witness say yesterday that we had a moral obligation?

The CHAIRMAN. That is why I asked if there was any assurance given.

Mr. MYER. We feel very definitely that there is, because we contracted to do the job, and were unable to do so. When we stopped the units, we went back to them and told them what the situation was, and in some cases they found the money to complete the job. We said to them that if there was any money available to reimburse them for these funds, we would do so, but we could not commit to do so because we did not see it in sight at the time. That is what it comes down to. But we did make a contract to complete that many houses.

Mr. KILBURN. Mr. Chairman, I believe in having the Government live up to their contracts, and I am wondering what the status of that is.

Mr. BROWN. They did have a contract, and they proceeded until the money gave out. It would be unfair to those who did not get as far as some others did. If it was promised under the contract originally, it should be done.

Mr. MYER. There is no question about the fact that we made a contract to do the job, and we were not able to complete the commitment.

The CHAIRMAN. The same is true on these units where you have not done any work.

Mr. MYER. That is correct. We were not able to go ahead there because they did not have the money, either.

The CHAIRMAN. In that case, it is just a question of reimbursing them for their advances?

Mr. MYER. That is right.

The CHAIRMAN. So the municipalities would have been no worse off had they not completed these nine projects, provided the Government had reimbursed them with whatever they had spent up to that point.

Mr. MYER. Except that they would not have the GI housing which they badly needed.

The CHAIRMAN. Well, that is true of these other municipalities on which you have done no work.

Mr. MYER. Our position is this: In submitting this, we are submitting it as a separate item so that you will know what the facts are. Our feeling is that these people proceeded in good faith. We were not able to complete the job, they completed it with their own funds. Now, if we provided money for other folks to complete theirs, we ought to provide money to reimburse those who completed with their own money since we are under contract.

Mr. KILBURN. If, when that contract was let, if you said, "If we run out of money," and they went ahead and took that risk, that would be one thing; if, on the other hand, you said, "The Government will

definitely furnish the money," and they went ahead on that, why, that is another thing.

Mr. MYER. We contracted generally for a certain number of units, and the expectation was that they would be constructed.

Mr. BROWN. These communities would not have started these constructions, to begin with. When your money gave out, they are the ones in the hole.

Mr. MYER. They either had to get out or drop that number of units and not produce them at all.

There is another thing I think I should make clear for the committee. In all of these communities, where we have gone ahead, we have authorized, after checking with the Comptroller General, the use of any net income that would come to the Government otherwise, up to the point when they were reimbursed. To the extent that that has been done, of course, and there has been very little of this because most of these are not finished, they might get some reimbursement out of net income, over a period of time, but no assurance that they would ever get complete reimbursement on it. We made that provision after checking it carefully because we felt it was only fair that the Government not ask for net income houses that they did not construct. If they are reimbursed, however, as proposed here, the net income would come in as it would for any other house.

Mr. FLETCHER. Was that taken into account in those figures you gave us yesterday?

Mr. MYER. No; it was not taken into account, because the net income has not been available as yet.

Mr. FLETCHER. You have just authorized the use of it?

Mr. MYER. We have authorized the use of it, but most of these are late projects and have not yet been occupied. I do not know that any of these are occupied, there may be a few, but very few. If this bill passes, of course, there will be no net income used, if they are reimbursed for the full amount. If not, they would be allowed to use that portion of it.

Mr. FLETCHER. Is there ample authorization under the Lanham Act to allow you to do that?

Mr. MYER. Yes; we checked that very carefully and asked for a ruling of the Comptroller General on it, because we were not sure enough about it to go ahead without that check.

The CHAIRMAN. I thought that at one time we might get into this question of the disposition of permanent Lanham Act properties in this bill, but the issue is so complicated now that I do not know whether we should further complicate it by introducing that subject. We will take that matter up separately later on.

Are there any further questions?

You are going to give us a break-down on the amount of the \$50,000,000 which you requested for going ahead with the construction of these units on which no work has been done.

Mr. MYER. That is right. That was requested yesterday, I think, and it is in process of preparation, and we will give you the figures on those on which no work has been done at all, those which make up the rest of the 3,730, on which very little work has been done, and the break-down by classes of the rest of the units involved in the 12,000. We will try to break these down into two or three categories.

Mr. SMITH. Just one more question, Mr. Chairman.

The CHAIRMAN. Dr. Smith.

Mr. SMITH. There is one more item I wish you would include in your statement: showing the cost to the Government for reconditioning the sites from which the houses are removed.

Mr. MYER. You are referring now to section 301 from the standpoint of restoring sites?

Mr. SMITH. That is right.

Mr. MYER. I am not sure I can get that figure within the time you want it here, but I will do my best, Mr. Chairman, with those that we have experience on to date. I do not have a figure immediately at hand on that, and it might be necessary to go to the field and get those figures, and in all cases they may not be completed as yet, but I will do my best.

Mr. SMITH. Do you have a general idea?

Mr. MYER. No, I do not, offhand. That varies so widely. In some cases we have been able to work it out so that the salvage of the materials would pay for the costs. In other cases it runs into a very costly proposition, where people insist on having everything torn out. It varies so widely that I have no basis for a judgment on it. As a matter of fact, there has been no very large amount of it done, except where we have moved some war housing just previous to this program from one site to another, and the houses were moved in connection with this program. There have been some salvaged, but not a large number. I will do my best to give you that figure.

Mr. SMITH. It seems to me to be important, and I think we ought to have that figure.

Mr. MYER. I can get it for you; it is a question of how much time it will take to get it, and whether I can get it for you within a reasonable time and get it reasonably accurate, because I think it is a figure we do not have in the Washington office. We would have to make a study in the field and make a recheck on it.

The CHAIRMAN. All right, Mr. Myer; thank you very much.

Mr. Foley is here. Yesterday Mr. Fitzpatrick presented Mr. Foley's statement, and Mr. Foley has returned for questioning.

Are there any questions of Mr. Foley on his statement, or otherwise?

I wish, Mr. Foley, you, or you and Mr. Myer together, could clear up definitely this question of the amounts. Under the report of the veterans' emergency program, there is one set of figures, and in the President's message there is another set of figures, and in your statement and Mr. Myer's statement there is still another set of figures.

Mr. FOLEY. I was not here for the discussion yesterday, Mr. Chairman.

The CHAIRMAN. Yes; let me just state an example of what I mean. Do you have the President's message before you?

Mr. FOLEY. The discrepancy that you referred to was the inclusion of the eight-thousand-odd units.

The CHAIRMAN. Well, in the third category, in the President's message, on page 2, he states he wants this money for the "reimbursement of public bodies for expenditures of their own funds for the completion of approximately 400 units," and in your statement, in the third category, you want to reimburse public bodies for expenditures on approximately 1,458 units, which otherwise would be canceled.

Now, the language is about the same, but there is a difference of a little over a thousand units.

Mr. FOLEY. The discrepancy in the figures appears to be due to the fact that the distributions differ between category 2 and category 3, and the combination of the two results in substantially the same figure, I believe. A different division appears to have been made in the two categories, in the two messages, something that I think perhaps Mr. Myer can explain better than I.

The CHAIRMAN. Mr. Myer said there was a mistake in the President's message, and I am just bringing this out as an example. Do you think perhaps that we should disregard the figures in the President's message and use the figures in your statement and in Mr. Myer's statement as being more recent?

Mr. FOLEY. More recent and more correct, I think.

Mr. MYER. That is right. Mr. Chairman, since the matter has been brought up, I would like to clarify the reason for the difference in these figures. At the time the figures were presented in the President's message, New York City had about a thousand suspended units, on which they had not provided the money, which is now involved in this \$6,500,000 program and as a consequence they were carried as suspended units under category 2, which were canceled or under previous cut-backs. At a later date they did put up the funds, and those preceded. So the figure of 4,869 under 2 was reduced to 3,730, which are the figures Mr. Foley supplied, and were added onto the 400 units down below. Now, there is a slight discrepancy there of a few units, but that is the basic reason for that difference. That also happened at Atlantic City, I understand, and that is the reason for that discrepancy.

(The following explanatory letter was later received from Mr. Myer:)

NATIONAL HOUSING AGENCY,
FEDERAL PUBLIC HOUSING AUTHORITY,
Washington, April 14, 1947.

Hon. JESSE P. WOLCOTT,
Chairman, House Banking and Currency Committee,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN WOLCOTT: In my appearance before the House Banking and Currency Committee on Wednesday, April 9, 1947, you asked me to reconcile certain figures of completion in the temporary reuse program shown in the table at the top of page 5 in the publication, Veterans Emergency Housing Program, January 1947, with figures used in the President's message of February 28, 1947, requesting an additional appropriation for the title V program (H. Doc. No. 151, 80th Cong. 1st sess.) and the figures presented in my statement before the committee.

It is my understanding that you were particularly concerned about the figure of 101,900 units shown as the number of completions in the temporary reuse program during the calendar year 1946 and the figure of 12,900 units identified as the total of family equivalent units completed in projects of other public bodies and educational institutions. The figure of 101,900 included 74,900 title V units constructed at Federal expense and 27,000 units moved and recreated bodies are in housing projects of various types, including college and university dormitories built entirely outside the title V program and having no connection with it.

Only the figure of 74,900 representing that portion of the title V program built at Federal expense should be compared with the completion figures used in the President's message and in my statement in support of our request for a \$50,000,000 supplemental appropriation. The figure of 74,900 represents title V units completed at Federal expense in the calendar year 1946. It does not include some 1,900 units built prior to 1946 by local bodies and paid for out of Federal funds

under the reimbursement provisions of the Lanham Act and hence made a part of the federally financed title V program. It does not include completions which have been achieved since January 1, 1947. The figure of 95,451 used in the President's message represented federally financed title V completions as of the end of January 1947. In my statement of April 9, 1947, the figure of 126,000 expressed in round numbers the completions in the federally financed program to the end of March 1947.

Sincerely yours,

D. S. MYER, Commissioner.

The CHAIRMAN. Has any attempt been made to determine which of those projects it would be economically feasible to continue and which projects it might not be economically feasible to continue?

Mr. FOLEY. You are using—

The CHAIRMAN. Or did you consider it economically feasible to finish all of them, and are your conclusions in that respect predicated upon the moral obligation rather than the actual need for the units? What I am getting at is: Would it be cheaper for the Federal Government to reimburse the municipalities for what they have spent, and tear down the projects, as they would have to be torn down eventually, or removed, or has any thought been given to the feasibility of demolishing them before completion and saving the Government some money?

Mr. FOLEY. Yes, Mr. Chairman; I assume that, in your expression of economical feasibility, you are including the question of continuing need.

The CHAIRMAN. Yes.

Mr. FOLEY. They have all been studied from that angle, sir.

Mr. CHAIRMAN. Then, you do not predicate the program to complete these units solely upon the moral obligation to complete them but also upon the exigencies of the situation, that they are required, as housing units, temporarily, in those localities?

Mr. FOLEY. The two things run so closely parallel, anyway, as a matter of fact, that I think probably it would be very difficult to try to decide on the one base to the exclusion of the other.

The CHAIRMAN. What would be the situation if the committee, after having determined the cost of going ahead with these units on which no work has been done, just reduced the \$50,000,000 by that figure? Why should we not do that? What is the justification for going ahead with the units on which no work has been done up to the present time and which will cost \$4,100 plus to complete?

Mr. FOLEY. It would involve the whole question of existing contracts, Mr. Chairman. Perhaps a short general statement from me on the situation as I have viewed it in the brief time I have been connected with it might be helpful to understanding the approach represented by this proposal.

As the committee probably knows, I have been National Housing Administrator only a brief time, having been appointed late in December, and have, therefore, not been in close contact with any of this program during all of the time it had been set up and carried forward to the point described, as of the 12th or 14th of December. However, the National Housing Administrator does have a general responsibility under the law, and also a general responsibility under Executive Order 9070 with respect to this operation, and with respect to the general operations of the constituent agencies, and, of course,

it became my duty to familiarize myself with the situation as quickly as I could.

It was also of importance, I think, in the situation, that Commissioner Myer himself was appointed at a time when the situation was pretty well cast, and had to work with the set of facts which existed. We got into immediate consultation and have been in close consultation ever since on the problems presented, the first task being to attempt to determine, with as much exactitude as possible, what the actual situation was with regard to the state of completions, the possible further contingent costs involved in projects under way, and the general problem confronting us. That, as it developed, indicated this division of categories that appears here.

Fundamentally, as Administrator, and with that degree of over-all responsibility that I have described, I took the position, after all of that consultation, that the Federal Government should, if possible, make good on its firm commitments—as a general proposition. That led in part at least to the further development of these categories, to determine just what was the degree of commitment, and the degree of local importance, both with respect to housing supply and with respect to disbursement and commitment by the local bodies or institutions.

The whole problem, of course, finally boils down to the problem of the rising costs of housing, and has been fully explained to you here, the impossibility of fixing the costs firmly at the beginning through firm contracts.

My own experience bears that out. In our whole private building operation, with which the Federal Housing Administration is closely connected, the same situation has prevailed throughout this period and builders have not been able to get firm contracts and have not been able, in advance, to make firm estimates of costs, with the result that we had a great deal of difficulty, during the past year, in another of our then responsibilities, the price approvals under the Patman Act, which historically illustrated the same course of events with respect to costs, uncertainty of operation, long delays, that have been experienced under this program.

Our purpose, of course, was to complete the program substantially if possible with the funds available, and the policy upon which I proceeded, and upon which I am sure previous administrators have proceeded, but upon which we have definitely proceeded since the first of this year, involved three or four main points.

One, to complete as rapidly as possible as many of these units as possible to bring them into the use for which the Congress authorized these expenditures;

Two, to limit, so far as possible, the growth of additional unexpected, contingent costs, resulting from the type of contract that we had to use;

Three, to isolate as rapidly as possible the true facts of the situation, so that as soon as possible we could come to the Congress with it.

As I stated, we had the feeling—I had the feeling—that wherever possible the Federal Government should carry out its firm commitments. Wherever the contract entered into permits of adjustment without injustice to the second party of the contract, that should be undertaken, and we have undertaken it. But final determination, of course, has to be made by the Congress, and the attempt here is

to give, as fully as possible, all of the facts of a very complicated situation to this committee of Congress with one idea only: To acquaint the Congress with the problem, first of all; secondly, to be as helpful as possible to the Congress in making what must be the final decision, which, of course must be a decision by the Congress, as to whether this or some other method shall be used in completing this undertaking.

So we are here to give you just whatever facts and information we can and, of course, feel it a duty to make our recommendations based upon experience, but also to get, finally, the guidance of the Congress as to what steps we should take.

I felt it was perhaps well that, since I am relatively new on this scene, that the committee should know just what the general approach has been.

Mr. BROWN. I would like to ask a question.

The CHAIRMAN. Mr. BROWN.

Mr. BROWN. Before you made the commitments to these municipalities, did you go into the need for housing?

Mr. FOLEY. Generally, yes; although that all took place before my incumbency and Mr. Myer can probably answer better than I.

Mr. MYER. They were based, Mr. Brown, on application from the communities, and where there was any question, joint determination of need.

Mr. BROWN. Do you feel that we should not go ahead with these constructions, where there has been a commitment made by your department?

Mr. FOLEY. In general, I think we should go ahead where commitments have been made and accepted in good faith.

Mr. BROWN. If you have made a definite promise to these people, and they have complied with their part of the obligation, I think we should go ahead. I think there should have been a need, however, as well as a promise.

Mr. FOLEY. I know of no situation, Congressman, in which there has been any suggestion that a project was undertaken where there was not pressing need.

Mr. BROWN. I do not think Government agencies should go out and build houses where there is no need. But where there is, they should carry out their promise.

Mr. KILBURN. As I understand, this money was not in the President's budget.

Mr. FOLEY. My recollection is it was not.

Mr. KILBURN. If this was a firm commitment by the Government, why was it not in the President's budget?

Mr. MYER. The President did not know at the time whether or not we were going ahead to make a request for these additional funds. We had hoped right up until the middle of December to avoid a request for a deficiency, and it was when we made those suspensions that we proceeded, over a period of about 3 weeks, to make a thorough-going study, as to what the status of each one of these projects was, as to what it was estimated as required to complete them, out of which these figures came. It was only about the end of the first week in January that we had the facts on which to base an estimate. That is the only reason why it was not presented as a supplemental in the President's budget earlier.

The particular action you are considering now is the question of providing additional authorization under law to go ahead. The next step would be to request the appropriation which would move through the normal channels, through the Appropriations Committee.

Mr. BROWN. The President's budget was prepared before you had these facts?

Mr. MYER. That is correct.

Mr. SMITH. Mr. Myer, was the matter discussed with the Budget Director?

Mr. MYER. Oh, yes, thoroughly. We had thoroughgoing hearings on it, before the budget group, in the office of the Bureau of the Budget before it was presented, and it is being presented with their approval.

Mr. SMITH. Was there any intimation given by you before the Budget Director that there might be a deficiency?

Mr. MYER. Yes; we told him as far back as October or November, I believe it was, when we had our regular budget hearings on our 1948 budget, that there was that possibility, but we were trying to avoid it and we were not sure at that time whether we could do so or not, but we hoped to do so, and we did hope to do so right up until the first or second week in December. That is why we took all of these steps to cut back projects, and to not complete the signing of contracts that were under way, and all the steps that were taken previous to December 14.

The CHAIRMAN. Let us suppose that we give you this \$50,000,000. You can make available 12,030 units; is that right?

Mr. MYER. Yes; that is the figure of the units that have been suspended or have not been completed. In addition the \$50,000,000 will provide for reimbursement of cities and municipalities.

The CHAIRMAN. I am breaking it down. \$50,000,000 represents the 12,030 units.

Mr. MYER. That is correct.

The CHAIRMAN. Of which 3,730 units have had no work done on them at all?

Mr. MYER. Well, 3,730 either had no work done on them or very little work. They did not have panelling, generally, above the ground. In some cases a part of that, about half of it, or a little over, may have had a small amount of work, but a limited amount, and the panels may have been moved to the site, but they were not up as yet. I believe the figure is 1,622 on which no work was done, and the rest of that 3,730 had a minimum amount of work done on them. But they were not up to the place where they had structures.

The CHAIRMAN. With respect to these 3,730 units, had lumber and materials been purchased and on the site?

Mr. MYER. Well, as regards a part of those, there are some panels that have been moved from other sites that are on site and which have never been erected. As to the 1,622, there has been no movement as yet. There is nothing on the site.

The CHAIRMAN. I think we should have some information in the record as to the character of these projects. What kind of projects are they; what kind of structures are they; and so forth?

Mr. MYER. We will be very glad to provide a summary of the types. I think you will find that there are about 33 different types of structures, and all its variations have been used, anywhere from trailers, which were used particularly in the beginning on the type

of project mentioned yesterday—most of those early university projects were trailers—through to the temporary housing that was used from sites where it was no longer used, which was built under the Lanham Act, and reconstructed, with all types of military structures used in between.

The CHAIRMAN. Were most of those barrack types?

Mr. MYER. A great percentage of them were barrack types or different types. Some were Quonset huts; some were Navy barracks, two stories; some were Army barracks, two stories; and some of them were Army barracks, one story; some were made of wood; and some of steel. We used all types of structures that were available and were in surplus at that time that might be utilized most effectively, and could be gotten for the cheapest cost as far as movement and that sort of thing was concerned. Some of them were converted in place on the edge of the military sites, for housing use, on a permit basis from the military.

The CHAIRMAN. I think that appeals to me as the fact that this type of house, this type of accommodation, costing something over \$4,100-plus, is a pretty large amount to pay for this type of structure.

Mr. MYER. We are not arguing about that, Mr. Chairman. I agree with you that it is a large amount to pay, and I indicated yesterday that if we were proposing to start a new program, I would not recommend such a program.

The CHAIRMAN. As I recall it, the limit you can spend on permanent housing is \$3,750.

Mr. MYER. That is the figure that was established and we stayed within those limits.

The CHAIRMAN. Those are permanent structures?

Mr. MYER. That is right. They have plastering and permanent plumbing, and so forth. The average of this construction, however, I want to recall again—those that are still under construction and have been completed—is \$2,888. That is the average. Now, these that are involved in these 12,030 units, are in the highest cost areas we have, generally speaking, they are those that have been delayed over the longest period, and they have been constructed, generally speaking, out of the highest cost type of construction we have, namely, military barracks.

Mr. BROWN. What are we going to do with all these temporary buildings in Washington? We have a great many of them.

Mr. MYER. Any temporary housing that is constructed under the Lanham Act is required to be removed by law when the emergency is over, or within 2 years after the emergency, or after it is determined that they are no longer needed.

The CHAIRMAN. Mr. Brown, do you mean the barracks for Waes, and so forth?

Mr. BROWN. Yes.

Mr. FOLEY. Those would not be under this legislation.

The CHAIRMAN. Were any of those converted?

Mr. MYER. Some of those were converted by the city. We have used, in some cases, dormitory structures, which were good structures, for family residence. I cannot tell you specifically whether any of that was done in the District or not.

Mr. BROWN. Some of them could be used and would make very good houses.

Mr. MYER. That is right.

The CHAIRMAN. Did we have a contract with municipalities on any of these projects by which there was any legal contractual obligation on the part of the Government to reimburse them?

Mr. MYER. As I explained yesterday, the provision was made in the act, the resolution was passed December 28—a year ago last December—for reimbursement of communities who had already gone ahead and provided housing for veterans, and, as I remember it, about 11,000 units, which had been under way already by the communities, were authorized for reimbursement. I promised Mr. McMillen yesterday I would provide a statement as to those and that is in the state of preparation.

The CHAIRMAN. That is a situation where we, by law, create a contractual operation?

Mr. MYER. That is right. They were authorized to construct and be reimbursed. And there were a few people who decided to construct on their own and receive reimbursement rather than go into a contract.

The CHAIRMAN. Are there any of those involved in this?

Mr. MYER. No.

The CHAIRMAN. There is no immediate contractual obligation on the part of the Federal Government with respect to the 12,000 units?

Mr. MYER. Every one of these are under contract. We contracted either with the colleges—

The CHAIRMAN. You fail to get the distinction—

Mr. MYER. Contract to build?

The CHAIRMAN. Yes.

Mr. MYER. Not to reimburse?

The CHAIRMAN. Yes.

Mr. MYER. That depends on what you consider a legal obligation.

The CHAIRMAN. Does that contract to build constitute a contractual obligation on the part of the Federal Government? Let me indicate what I mean. Under the Highway Act, when we enter into an agreement with a State to participate in the construction of a highway, when the agreement is made between the Public Roads Administration and the State, that becomes a contractual obligation. The Federal Government may be sued under that contract, and we specify under the law that it is a contractual obligation. States may go ahead and raise the money to do the engineering work, and so forth, but the Federal Government is a party to the contract, and can be sued in the Court of Claims under the contract. I do not understand that that same situation exists here, where the Government could be sued under a legal contractual obligation, as distinguished from a moral contractual obligation.

Mr. MYER. Mr. Chairman, I would not want to say positively about that.

The CHAIRMAN. Does Mr. Fitzpatrick want to speak on that? I just wanted to know what you thought about it.

Mr. MYER. There is authority under the law, of course, to sue the corporation which is set up. There is authority under which we could be sued.

The CHAIRMAN. That is on its legal obligation?

Mr. MYER. That is right. And the only question is on its legal obligation.

Mr. FITZPATRICK. There is authority, Mr. Wolcott, under the Lanham Act to contract to reimburse municipalities for certain kinds of work. I think it probable that they could sue in the Court of Claims under such a contract if they like.

The CHAIRMAN. After you have entered into a contract to reimburse them for certain advances they have made?

Mr. FITZPATRICK. That is right.

Mr. MONRONEY. In case the city had bought the lands on which the barracks would be moved, and put in the utilities, roads and sidewalks, and electric lighting and things of that kind, would that be enough of a city contribution to constitute a situation where a suit might be filed?

Mr. FITZPATRICK. You are speaking now of the expenditures which the locality under title V is required to make?

Mr. MONRONEY. Under this emergency reconversion. A lot of schools and cities have gone to a great expense to carry out their portion of the thing under a commitment from the Housing Authority.

Mr. FITZPATRICK. You are suggesting, in effect, that a suit might also lie as to expenditures made by the municipality in reliance on such a contract?

Mr. MONRONEY. Yes. In other words, they were given a commitment by the Public Housing Administration for so many units. They prepared the ground, erected the foundations, put in utilities and things of that kind.

Mr. FITZPATRICK. It is probable that in some cases they could not show actual damage or loss. In any such cases an action would not lie. Where they can show damage or loss, an action for a monetary claim for breach of contract would probably be sustained.

Mr. MONRONEY. It seems to me if they relied in good faith on a commitment made for the completion of so many housing units, if they acquire the land, utilities and sidewalks, and so forth, that they would have a claim—whether it would be a legal one or not, I do not know.

Mr. BROWN. Can you bring a suit for specific performance against the Government?

Mr. FITZPATRICK. I do not think so. In these cases I do not think these local public bodies could show irreparable damage and they could not maintain a suit for specific performance.

Mr. BROWN. I do not think so, either.

Mr. FITZPATRICK. I think the only remedy there would lie in the Court of Claims for a monetary claim for breach of contract. Under the Tucker Act the Court of Claims would have unlimited jurisdiction. For claims involving not less than \$3,000 nor more than \$10,000, I believe the district courts would have concurrent jurisdiction.

The CHAIRMAN. That would mean absence of repudiation. I presume the Congress, under the Constitution, would have the authority to repudiate that contract, and if it did so, the Court of Claims would not get jurisdiction. In the absence of a repudiation of the contract by the Congress, you think the suit might lie in the Court of Claims?

Mr. FITZPATRICK. That is right—a suit for a monetary claim for breach of contract.

The CHAIRMAN. As I understand, under the Constitution, the Congress can do that. We have done that, I understand, at times.

I think we should have some figures, if they are available, presently or within a day or so, on the average total cost of the construction of these units, which, of course, would include the cost to the municipalities, or the universities, and States, as well as to the Federal Government. That should include the expectation of continuing the program under your request here.

Mr. MYER. Are you now thinking of the 12,000-some units, Mr. Chairman, or the total program?

The CHAIRMAN. The total program.

Mr. MYER. I am not sure how soon we could furnish that. We may have to go back for estimates which we have not had, I think, in all cases, regarding the communities' cost.

The CHAIRMAN. I understand that would be quite a job. Perhaps you have not been accumulating the figures as you went along. But could you give us the figures on these 12,000 units?

Mr. MYER. Yes. We have that figure for the 12,000 units, because we made careful estimates on those, and we checked also the community expenditures on all of those.

The CHAIRMAN. I suppose we are primarily interested in the 12,000 units—more than in the others.

Mr. MYER. We can supply those very quickly I am sure.

(This data may be found on p. 18.)

The CHAIRMAN. Are there any further questions?

Mr. FOOTE. Mr. Chairman, I would like to inquire as to who has the legal title to these projects, the Government?

Mr. MYER. When the projects are completed, Mr. Foote, the title is turned over to the communities. When they accepted the units for management, they take over the responsibility for them. They, of course, have had title to the sites, to begin with.

Mr. FOOTE. In the event of the sale of these projects, where does the money go?

Mr. MYER. In the event of sale—in the first place, they could not be sold for housing, under the Lanham Act—it would go to the local community or the university which, presumably, would reimburse them for any cost of salvaging and putting the housing back in shape. That is a responsibility which they assume under the contract. In most cases we feel that it will probably not more than break even and may cost them something to dispose of them.

Mr. Chairman, there is one other thought that just occurred to me. You were talking about types awhile ago. We have two or three books of pictures put up in loose-leaf form which, if you are interested, we would be glad to leave with the committee, for you or others to look over, showing the different types and different stages of construction and some break-down by States, if that would be of interest to you.

The CHAIRMAN. If you will make them available to the clerk, I think we would appreciate it.

Mr. MYER. We will be glad to leave them with you on a loan basis, because I think it will help you to visualize the problem much better. Since you have raised the question, I think it would be helpful to you.

The CHAIRMAN. I understand that there are some veterans organizations and possibly some Members of Congress who want to make brief statements on this bill. As I said before, it seems advisable

to not go ahead with our original plan to combine in a consideration of this bill a program for guidance in the disposition of Lanham properties, so we will close the hearings tomorrow with the Members of Congress who might want to make statements, and with the statements of the veterans organizations.

It is our thought now that we might close the hearings tomorrow, and go into executive session on this bill on Monday, and then immediately following that, take up the question of the disposition of the Lanham permanent properties.

Will you be available, Mr. Myer?

Mr. MYER. Starting on Tuesday?

The CHAIRMAN. I would think so; yes.

Mr. MYER. As far as I know, I will be available.

The CHAIRMAN. Tuesday or Wednesday.

Mr. FOLEY. I will be available on Wednesday, but not on Tuesday, Mr. Chairman.

The CHAIRMAN. Very well.

The committee will stand adjourned until tomorrow morning at 10:30.

(Whereupon, at 12:30 p. m., the committee adjourned, to reconvene on Friday, April 11, 1947, at 10:30 a. m.)

LANHAM ACT AMENDMENT

FRIDAY, APRIL 11, 1947

HOUSE OF REPRESENTATIVES,
BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

The committee met at 10:30 a. m., the Honorable Jesse P. Wolcott (chairman) presiding.

Committee members present: Mr. Wolcott, Mr. McMillen, Mr. Kilburn, Mr. Buffett, Mr. Cole, Mr. Stratton, Mr. Fletcher, Mr. Foote, Mr. Spence, Mr. Brown, Mr. Monroney, and Mr. Boggs.

The CHAIRMAN. The hearing will come to order, gentlemen.

We have for consideration this morning H. R. 2780. Congressman Albert M. Reeves, Jr., of Missouri, is present and I understand he wants to make a statement. You may proceed, Mr. Reeves.

STATEMENT OF HON. ALBERT L. REEVES, A REPRESENTATIVE FROM THE STATE OF MISSOURI

Mr. REEVES. My name is Albert L. Reeves, Jr. I represent the Fifth Congressional District of Missouri which covers a substantial portion of the western part of Kansas City, Mo., and a portion of Jackson County, contiguous to the city.

I appear in strong support of H. R. 2780 because of its effect upon a situation created in Kansas City by the cancellation of a number of the emergency temporary housing units previously scheduled for that city.

I would like to give you a brief résumé of the situation as it developed there. On December 18 of 1945 the city submitted by telegraph to the FPHA, Chicago office, an application for 200 temporary dwelling units. That application was based on a normal requirement of more than 3,000 units to fill the needs of returning veterans within 1 year from the date of the application.

On December 31, 1945, a formal application to comply with FHA procedure was filed by the city with the Chicago office, requesting 2,000 units. On January 30, 1946, the Chicago office of FPHA approved an allocation of 400 temporary units, and in March of 1946 a contract for 402 units was executed by the city and by the FPHA, and an order to proceed on those 402 units was issued by the FPHA early in May.

Later the city requested an additional allocation on housing units and the FPHA made an additional allotment of 170 units on May 1, and on May 8 another allotment of 180 units.

On August 28, 1946, the city entered into a contract with the FPHA for 348 additional units which were allocated in the authorization of May 1 and May 8. That brought the total number of units authorized and contracted for to 750.

On September 13, 1946, because costs have exceeded expectations and funds were no longer available for the entire program, the FPFA notified the city that the number of housing units had been reduced by 117, that is, from 750 to 633.

Now, the city proceeded with the preparation of sites for the reduced number of 633 units. That included the installation of utilities and all other improvements, land acquisition, sewers, water mains, sidewalks, and the like. In all, the city spent a total of \$380,000 in preparation for the installation of the 633 units.

In December 1946 the city was notified by the FPFA that a further reduction of 145 units would be made, which left the city with a total of only 488 units out of the original 750 which had been contracted for.

I might say at that point, Mr. Chairman, that the city had expended the sum of \$97,000 which is directly attributable to the units which were canceled, that is, the 145 units, in connection with the acquisition of land and the installation of utilities and the preparation of the sites.

The precise figures can be made available if they become important.

Mr. BROWN. How many units have been completed?

Mr. REEVES. The number of units completed was 488 out of the original 750 contracted for.

Mr. BROWN. Then you spent only \$100,000 on some units they did not complete?

Mr. REEVES. That is correct. In other words, there was no money expended on these units originally taken out, that is, the original 117 units which were cut out of the program, but the city thereafter proceeded and expended approximately \$100,000 for the 145 units which were taken out of the program in December.

I might say to the committee that the housing situation there, while it is substantially identical with that in other cities throughout the country, is an exceedingly critical one.

The veterans' information center has advised me there are over 8,000 applications for veterans' housing on file. At least 1,100 of those veterans are in desperate need of some kind of housing.

Applications to the veterans' information center are still coming in at the rate of more than 500 per month, which indicates that the need is still acute.

At the time this program was initiated and outlined a priority list was established and particular veterans considered by a special committee to be the most needy and deserving of consideration in connection with this program, were promised particular units and they, of course, in reliance upon those assurances, took no other steps to provide themselves with housing, so with the cancellation of the 145 units they found themselves in an exceedingly difficult position.

Mr. BROWN. How many of those 145 units would have been furnished to veterans?

Mr. REEVES. All of these units are exclusively for the use of veterans. There are no nonveterans to be housed in any of these units.

I might add that the additional \$50,000,000 provided for in H. R. 2780, will include sufficient funds for use in Kansas City to permit completion of the 145 units which were taken out of the program in December 1946.

In the broad aspects of the problem, which of course, I realize the committee is bound to consider, it seems to me that the Government has made a commitment for veterans' housing in this emergency program, and in the original appropriation which cannot actually be distinguished from other commitments which we have made to provide educational benefits, hospitalization and other things in connection with the readjustment and assistance which veterans have under the so-called GI bill and other legislation.

I feel that the Congress in this original measure made a commitment which should now be made possible of fulfillment by the supplemental appropriation which is provided for by this bill.

We have not hesitated, where required to appropriate supplemental funds to complete other similar commitments for educational benefits, to insure the completion of the veterans' readjustment program, and I think it should be done in this instance.

I say that, Mr. Chairman, as one of the strongest advocates of governmental economy.

I might point out also that for lack of housing a good many veterans may be unable to take advantage of educational opportunities provided by the Government under other legislation. What these men need is low rental housing; it is not being provided otherwise in the market. They are not able to and should not be required to undertake the purchase of any property on the inflated real estate market of today, and in view of the fact that the slack in the housing situation is not being effectively taken up at this time and no measure has been enacted which will stimulate the housing and construction industry sufficiently to take up the slack in order to take care of these men, I feel that this program becomes of critical importance.

In comparison with the great cost of administration of other benefits in the veterans' program for which programs have been appropriated, the amount which this bill involves is relatively small and, of course, virtually all of it will be of direct benefit to the veterans themselves.

So, Mr. Chairman, I urge the favorable consideration and favorable report of this committee upon H. R. 2780 because I believe there is no other action which can be taken which will do the job which must be done to complete the Government's commitments already made to veterans and to cities which, like my own city of Kansas City, Mo., have expended considerable sums of money in fulfillment of their side of the agreement to provide this type of housing.

The CHAIRMAN. Thank you, Mr. Reeves. Are there further questions?

Mr. BUFFETT. Mr. Chairman—

The CHAIRMAN. Mr. Buffett.

Mr. BUFFETT. Let me ask this question, Mr. Reeves: This project down there now has some 488 units complete, is that right?

Mr. REEVES. Four hundred and eighty-eight units have been completed and are occupied.

Mr. BUFFETT. And as far as the rest of it is concerned, you simply have the ground and the land ready, is that right?

Mr. REEVES. Well, yes. The ground has been purchased. In some instances the sites have been set up on park property which the city owns so that land acquisition was not required. I might

point out, however, that the city expended some \$25,000 on the acquisition of additional land for the particular group of 145 units with which I am concerned here today.

Now, in addition, they spent \$75,000 to lay sidewalks, to bring in sewers, to bring in water mains and that kind of thing, so that all that is required now is the actual erection and conversion of these demountable barracks.

Mr. BUFFETT. None of these barracks are on the site as yet?

Mr. REEVES. I don't think they are; I think I can safely say they are not.

Mr. BUFFETT. I see. Suppose the government, instead of erecting these buildings, would reimburse Kansas City for that additional expense, which alternative do you suppose they would prefer in Kansas City?

Mr. REEVES. They would prefer the housing to the reimbursement.

Mr. BUFFETT. They are satisfied with the kind of housing they have been getting under the circumstances?

Mr. REEVES. No, they are not satisfied with the kind of housing but—

Mr. BROWN. Will you yield, Congressman?

Mr. BUFFETT. Yes.

Mr. BROWN. I suppose if they reimburse the Kansas City authorities the veterans then would not get the houses?

Mr. REEVES. No, the city is committed to permit only veterans to occupy these houses.

Mr. BROWN. I understand, but suppose they just reimburse the city, then they probably would not go ahead and build these houses, would they?

Mr. REEVES. No, the city could not provide the additional funds for the completion of the program.

Mr. BROWN. I think that is important.

Mr. REEVES. Of course, reimbursement would leave the city with sites prepared, and they are not particularly sightly as I suspect you realize.

Mr. BUFFETT. You do not think there would be any incentive for the city to make these sites available to private contractors to build something that would amount to permanent housing which would be a credit to the city and would work out better in the long run?

Mr. REEVES. The sites are neither located nor adapted for permanent construction. These are groups of units arranged and constructed much after the fashion of improved barracks areas in a camp site. They are not particularly sightly at best, but they are better than having two families living over a garage, which is going on in a good many cases.

I might point out that because of the congestion and the conditions under which these men are being compelled to live with their families, are multiplying every day, and I think most important, of morale

Mr. BUFFETT. I have seen some of these housing projects and I think the problem continues even after the project is erected, that is, they are not homes fit for a hero by any manner of means.

When this program was started in December of 1945, the theory was that inside of a year and a half or 2 years the shortage would be pretty well relieved so that the time these houses were supposed to have served is a third or perhaps a half elapsed.

Some of us are wondering whether or not it is a lot more intelligent to encourage construction of permanent housing rather than to carry on and drag out this program where, in some cases, at least, these projects start out with the title of "Shanty town" and go down from there as they get older.

Mr. REEVES. I would like to make two points there, if I may. The first is that the time element required for completion of your multiple dwelling permanent housing units is one that must be taken into account.

A temporary housing can be set up in a relatively short time if it is pursued industriously, as it was in the case of these other units.

The second thing is that you are up against a question of this rental level. It is low for the type of housing which is being erected under this program; it can't be anything else because of the character of the program.

The city has acquired the land and is not expecting any return on that investment. There are a good many things that enter into the picture in order to make this particular kind of housing within the reach of the purse of the hard-pressed veteran who cannot afford the rentals which would have to be required for permanent construction with costs where they are today.

Mr. STRATTON. Will the gentleman yield?

Mr. BUFFETT. Yes.

Mr. STRATTON. I am very much in sympathy with your viewpoint, Mr. Reeves. For my own information, have you noticed any private rental projects being constructed to any extent in Kansas City?

Mr. REEVES. It is very limited. I know of only one which is actually under construction and making any progress toward completion.

I might say—and I am glad for the opportunity to say—that there are in the blue-print stage in Kansas City, more than 5,000 rental units which are ready for construction when the situation permits, with some assurance that they will liquidate their cost and pay a certain yield on the investment.

Mr. STRATTON. You mentioned the question of time involved here. This is a sort of a stop gap to relieve the situation until this permanent construction can be had, is not that right?

Mr. REEVES. I definitely feel that it is. I might say in further response to a question asked a few minutes ago that while I indicated these units are not sightly particularly, they do not deserve to be called shanties or anything approximating that. They are fairly well located, though not in desirable residential districts, and they are well-maintained and quite adequate for the purpose.

The men who will occupy these units are in the worst possible housing circumstances, and it will be a tremendous improvement for them.

In this one instance, as I suspect is true in most other instances, these units are so situated that the public is conscious of the fact that they are there and when private construction is able to pick up the slack in the housing line and make available permanent units at rentals which are competitive and which the men can afford, so that these temporary units are no longer required, I think you can depend on public sentiment to require their removal.

Mr. BUFFETT. That is pretty hard to do after people get in there and have a vested right by way of low rent. If they do get out of that particular financial class they will move out and somebody else will move in.

Do you know how long it takes to put up permanent housing nowadays of this general-rental type?

Mr. REEVES. Too long, is about the best answer I can give. It takes at least 6 to 8 months.

Mr. BUFFETT. The reason in some cases is—at least it was last year—that private industry in trying to complete houses found a lot of material tied up by the FPHA. FPHA had super priorities and yet it was taking the FPHA, at least it did in my town—6 to 9 months to get up these temporary shelters.

On top of that we had testimony here the other day that these temporary units are now costing around \$4,100, while a permanent unit of a presently designed class doesn't cost much more than twice that and it would be there for 50 years, instead of 5 years.

The problem in my mind and in the minds of some of the members of the committee is whether or not we are going to serve the veterans themselves and the general public by prolonging an operation that represents public ownership, competition with private industry, that represents all kinds of political conceptions that you and I as Republicans are pledged to end, in an effort to solve a situation which could much better be solved by permanent housing, if we could get it.

If you have 5,000 rental units in Kansas City on the drafting board authorized for private construction and we discourage the construction of 1,000 of those units, by that action the net gain has been very small, has it not?

Mr. REEVES. If it discouraged private construction, yes, but private construction is practically completely discouraged now with conditions as they are.

I would like to point out that I do not consider this to be an economic program by any means. I urge the Congress to take action to implement it only because I think we have already agreed to do so. We have made the commitment—perhaps our educational program is costing us more than was anticipated at the time it was authorized but we have never hesitated to make available supplemental appropriations to carry out that program.

With reference to what the gentleman said with respect to permanent construction and the fact that the units will be constructed at a cost, perhaps, not exceeding twice the cost of setting up these units, I might call attention to the fact that when you double the construction costs you are going to double the rental costs.

There is not going to be an amount of housing space automatically made available as new units costing twice as much as these units become available for rental and, of course, there will not be any priority under that situation to the veterans who, in my judgment, at this time deserve a priority.

Mr. BUFFETT. Of course, the rentals on these projects have nothing to do with economic reality. They just set a figure; I don't know how it is arrived at but it is not calculated to return the capital or amortize the investment or anything else.

Mr. REEVES. I suspect that that is generally true with respect to all the benefits that the last Congress made available to veterans by legislation.

Mr. BUFFETT. But this is 16 months later than when the program was enacted. The question is a serious question as to whether or not by prolonging this situation we do not discourage the very revival in private building of rental that is desperately needed.

You and I should strive and encourage that revival, that is our problem as I see it. I haven't found the answer to it, I will say very frankly, and I do not think this committee has found the answer.

Mr. REEVES. Oh, yes; it is a very difficult problem but the fact remains that, as of this date the need for this program is very much greater than it was 16 months ago, in my judgment.

Mr. BUFFETT. Of course, we have learned in the meantime that the program fell short of every promise made for it by the people who conceived and promoted it.

Mr. REEVES. There is no doubt about that.

Mr. BUFFETT. And it is still in the same hands, in the main, that it was then, so it is a question of giving people, who have failed all the way through, a chance to prolong a public housing program behind the shield of a very real veteran problem.

Mr. REEVES. I may say that I am not a proponent of public housing. I know it to be extremely expensive, always inefficient, and as a long-range policy I think it is a very unwise thing, but I am limiting what I have to say to a particular situation in which we have a desperate need for immediate housing units which were once promised and then taken away.

Mr. BUFFETT. I think you present your case very ably.

Mr. REEVES. Thank you, sir.

Mr. HULL. Your theory is that it is a contract obligation, and it should be completed?

Mr. REEVES. I think it can very well be justified on that basis alone.

Mr. STRATTON. Is it not true that in some of the cities everything is ready now to put these units up, that is, the utilities are all in, the land is all prepared, and it would lessen the time ordinarily to be spent in erecting a unit?

Mr. REEVES. That is correct.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Reeves. We appreciate your coming here and giving us that information. If you care to make a supplemental statement for inclusion in the record, you may do so.

Mr. REEVES. Thank you, Mr. Chairman, for the privilege of appearing.

The CHAIRMAN. We are glad to have Mr. Ketchum back with us. Mr. Ketchum is director of the national legislative service of the Veterans of Foreign Wars.

You may go ahead, Mr. Ketchum, and present your statement.

Mr. KETCHUM. Mr. Chairman, and members of the committee, I should like to present our national housing officer, Mr. Wesley D. Pearce, who will give his testimony for the Veterans of Foreign Wars with respect to the appropriation contemplated in this bill. I should like to ask Mr. Pearce to give our presentation on the matter and I can assure you he will try and make it brief.

The CHAIRMAN. We would be glad to have Mr. Pearce testify.

STATEMENT OF WESLEY D. PEARCE, NATIONAL HOUSING
OFFICER, VETERANS OF FOREIGN WARS

Mr. PEARCE. Mr. Chairman, and members of the committee, for the record I would like to present the VFW's position relative to bill H. R. 2780.

On April 7 we wrote to the chairman of this committee endorsing the President's request for a deficiency appropriation of \$50,000,000 for the completion of temporary reuse housing program.

After listening to testimony for the past 2 days we would like to qualify that endorsement and to make certain recommendations.

We were amazed and disturbed to find that the cost has risen from an estimated \$1,900 per unit to something like \$4,100 for the remaining units to be completed on the program. We were also disturbed to find that some 3,700 units out of the 12,000 for which this money would be used are not actually under way.

We would like to ask the committee to consider the advisability on those 3,700 units that are not actually under way, if we do have a commitment to the local governments or to the schools, to turn that money over to the local governments for completion of permanent-type structures.

We realize in all cases that will not be feasible but in some cases it might be possible to construct permanent structures with something slightly over the \$4,100 considering the fact that the local governments will provide the land and the installations.

Due to the delay in this program we would like to further recommend to the committee that for the balance of the program, the completion of the temporary reuse program, that the program be turned over to the office of the housing expeditor for completion.

I would like to say here for the record we mean no affront to Mr. Foley or to Mr. Myer, but we do feel that a chain is only as strong as its weakest link and in this case we consider the FPHA the weak link in the program. We would like to see it finished up now and we believe that the Housing Expediter would be able to do it in a minimum of time.

I think that just about covers it.

The CHAIRMAN. I think it should be explained at this point that when we started out with these hearings we expected to take up the question of the disposition of Lanham Act permanent housing accommodations.

The Veterans of Foreign Wars, I know, are interested in that matter and the controversy incident to that subject. We will probably get to that matter next week and we would be very glad to have the Veterans of Foreign Wars present their views on that at that time.

Mr. KETCHUM. Mr. Chairman, we certainly have some views and recommendations to make on it when the committee is ready to discuss the disposition of permanent properties under the Lanham Act.

The CHAIRMAN. We will be very glad to have your views on it at that time. Are there any questions of Mr. Pearce?

Mr. BUFFETT. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Buffett.

Mr. BUFFETT. You mentioned that the cost has increased from \$1,900 to \$4,100. At the same time we have seen part of this period go by in which these houses were going to solve the problem.

For instance, in private business, when a fellow gets into a public contract which turns out to be a sour deal he sometimes goes to the other party and says, "How much would it cost for me to get out of it?" I think it might be well for the Congress in this instance to go to the communities and say, "Here, we agreed"—as in Kansas City—"to build you 145 more units. We can go ahead and build those and it will cost us \$4,100 to do it and you are going to have some very unsightly housing compared to the rest of your town"—and I can testify to that, Mr. Reeves, as I have been there many times.

Suppose we worked out a deal that wherever we have made firm commitments and the cities have spent quite a little money, we would make a Federal contribution of \$2,500 per unit toward getting this specific housing for those veterans, and put in some requirements that, for instance, Kansas City had to go ahead and complete those units within a specified period of time.

Might that not be a better way out of this very unsatisfactory situation than simply prolonging a sour situation?

Mr. KETCHUM. I think the difficulty would be, however, that the contribution of \$2,500—

Mr. BUFFETT. That is just speculative.

Mr. KETCHUM. I understand. I doubt very much, as Mr. Reeves pointed out, whether the city would proceed and put up a permanent type or even temporary type housing with that \$2,500 contribution, unless you could find ample additional funds to put up the permanent housing.

We would recommend that if it is going to cost the Government \$4,100 to go in and complete that program where there had been no work started, that is, nothing done so far on it, that perhaps with the \$4,100 the city might be able then to do as good or better job than they would in putting up these reuse barracks, as have been described this morning.

Mr. BUFFETT. What I was thinking of, Mr. Ketchum, was from purely a business standpoint, one should never be ashamed to make a low offer.

Mr. KETCHUM. I understand.

Mr. BUFFETT. I am convinced in my own mind that even if the Congress made the \$4,100 contribution we would be better off in the long run, but I think we might be able to work out a compromise and still have a good deal for all concerned.

Mr. KETCHUM. Frankly, I think they would be better off if they made an offer or contribution to put some permanent housing in there, as they have made a commitment and have to go through with it.

As Mr. Reeves pointed out, certainly within a few years' time they are going to clean that stuff out if they can get the tenants out of it.

Mr. BUFFETT. You will, of course, find some low-income groups who will want to stay in that type of property, but when you estimate the \$4,100 reuse cost, plus the initial cost that went into these houses, which must be around \$3,500 to \$4,000, we are confronted with the picture of a 500 or 600 square-foot temporary dwelling costing the Federal Government actually approximately \$3,000.

Mr. KETCHUM. You could certainly have gotten permanent housing for that in that category.

Mr. BUFFETT. That is right, and with that fact in front of us it seems to me it might be a better way out for this program along the

lines I have just suggested, than to continue along with this reassembly and rebuilding type of housing accommodation.

Mr. KETCHUM. The point we make, however, is quite similar to the point which Mr. Reeves has stated. There is a time element involved; there is a genuine need; there is distress actually existing. It is a question as to whether the permanent-type construction, even if the additional funds are made available, could do the job quick enough, and definite commitments have been made.

That is the problem the committee is faced with, whether they are to follow through with the commitments they have made, even though they recognize what they are putting up there is not a good value in the long run, but there is a commitment. There is a definite need; it will relieve a certain amount of distress in an immediate period.

Mr. BUFFETT. You will agree with me there is an alternative there that is worth exploring?

Mr. KETCHUM. There is possibly an alternative if the time element can be licked in that way.

Mr. BUFFETT. Of course, that would be part of the deal the Government would make with the city. In other words, we would not give the contribution to Kansas City, unless they agreed to let contracts and get the houses up within a reasonable length of time. That can be done a lot easier this year than it could have been done last year.

Mr. KETCHUM. That is right.

Mr. BUFFETT. That is all.

The CHAIRMAN. Are there any more questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Ketchum and Mr. Pearce for coming here and presenting your testimony.

Mr. KETCHUM. Thank you, Mr. Chairman, and members of the committee. We appreciate the privilege of being here.

The CHAIRMAN. Our next witness will be Mr. Robert R. Poston, secretary, National Housing Committee of the American Legion. We are glad to have Mr. Poston here to present his statement. Will you proceed, Mr. Poston?

Mr. POSTON. Thank you very much, Mr. Chairman.

STATEMENT OF ROBERT R. POSTON, SECRETARY, NATIONAL HOUSING COMMITTEE OF THE AMERICAN LEGION

Mr. POSTON. Mr. Chairman and gentlemen of the committee, I will just briefly go over this testimony I have prepared and which I believe is being passed out to you now.

The American Legion is in favor of granting this additional fund for the completion of this temporary reuse dwelling program. However, in recommending that we do not wish it to be construed that we are encouraging the continuation of temporary housing. We believe temporary housing has proved a measure of relief of a stopgap nature alone; it is nothing we would want to continue.

For this reason we feel that the Congress should establish certain restrictions on the expenditure of this fund.

The first restriction that we recommend to you is:

Funds may not be used for the completion of any units except those which have been committed to writing and accepted by the various localities prior to November 15, 1943. Verbal agreements to have no effect.

The American Legion chose November 15 because at that time the FPHA started cutting the number of units allotted to each locality. We feel that if there was a need at that time and it committed itself in writing it should be continued.

The second proposition:

The total cost of any particular type or types of units not to exceed a fixed amount as may be determined by Congress.

The third is:

Establishment by Congress of a "target date" when all of this type of construction must be completed and the unexpended balance of this appropriation returned to the Treasury.

Why do we ask for these restrictions on the fund? I believe you gentlemen have heard testimony in the past 2 or 3 days that would indicate that the cost of this temporary housing is exorbitant.

I have here a newspaper clipping that really typifies the situation, from the Memphis Press-Scimitar, a newspaper issue of March 14.

The title of it is, "Costly Example of Red Tape, \$42,526 for two temporary structures."

The first one is the usual type paper shack. If any of you gentlemen happened to pass through Shanango in going overseas, you would have seen this type. That has 30 cubical units in it accommodating 30 students.

The structure was brought, from wherever it was brought, intact, the showers, toilets, and so on, and assembled at the Christian Brothers College in Tennessee.

The lower unit accommodates three families and has three small apartments. The total cost of this was \$42,526. We feel that is too much.

In addition, it took over 8 months to erect those structures. I have just heard testimony that time is of the essence. It certainly is, but this temporary reuse program has not proved that point or has not satisfied that point.

(Pictures of the above-described structure have been filed with the committee.)

Mr. BOGGS. May I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. Boggs.

Mr. BOGGS. You would not advocate abandoning these projects that are about two-thirds completed, would you?

Mr. POSTON. No, sir.

Mr. BOGGS. All this bill contemplates is finishing those uncompleted projects.

Mr. POSTON. That is right, but I recommend that Congress establish in the provisions of this bill, a time limit. In other words, I do not think they should be strung out for the next 2 or 3 years, do you?

Mr. BOGGS. I think they should be completed as soon as possible.

Mr. POSTON. That is right; within a reasonable time.

Mr. BOGGS. But if this is one answer to the veterans housing problem I think we should go ahead with it. I know in New Orleans in my own district we have a project two-thirds completed. Some of the units just lack plumbing fixtures and electrical equipment and that sort of thing, and yet there are hundreds of veterans looking for places to live.

I think it would be the worst type of extravagance not to complete those projects.

The CHAIRMAN. I understand your position to be that we should complete those projects where it is economically possible to do so and do it as quickly as possible?

Mr. POSTON. Yes, sir; that is my point.

The CHAIRMAN. But you do think we should consider in a separate category those units on which there has been no work done?

Mr. POSTON. Absolutely, sir.

The CHAIRMAN. There are some 3,700 of them, I understand.

Mr. POSTON. There are some 3,700 such units that have not even been started, there has been no work on them at all, as far as the Government is concerned. I understand utilities have been brought onto the land but where there has been no start—I understand that some units lack only 10 percent of being completed, naturally it would be a waste of money if we should not complete those buildings.

Mr. BROWN. May I inquire?

The CHAIRMAN. Go ahead.

Mr. BROWN. Suppose some of those units were just 10 percent completed; the local authorities there have a contract and they have already made arrangements for funds, don't you think they should be completed?

Mr. POSTON. I didn't quite get that point.

Mr. BROWN. Suppose a project is just 10 percent completed; the local authorities have made arrangements, they have secured funds and gone to a good deal of expense, don't you think they should be completed, too?

Mr. POSTON. Our point is that there should be a definite limitation on the total cost of any of these projects.

Mr. BROWN. But that doesn't refer to the 3,000; there are 3,000-plus that have had nothing done on them at all.

Mr. POSTON. That is right.

Mr. BROWN. I think where they have started work and they are only 5 or 10 percent completed, they ought to be completed if there is any need for them in that particular locality.

Mr. BOGGS. 3,000—what is that figure, 3,000 what?

Mr. POSTON. That figure was mentioned in Mr. Myer's testimony and I do not have the exact figure.

The CHAIRMAN. I believe it was 3,730 units.

Mr. BOGGS. What does that mean, Mr. Chairman?

The CHAIRMAN. That means 3,730 accommodations.

Mr. BOGGS. What has been done on them?

The CHAIRMAN. Nothing.

Mr. MONRONEY. Have the sponsoring units bought the land or put the utilities and other things in?

The CHAIRMAN. If they did, we have got to keep faith with them and reimburse them for whatever expense they went to.

Mr. POSTON. I believe you will find in some cases, you will find utilities and improvements haven't been made available as yet.

Mr. MONRONEY. You say have not been?

Mr. POSTON. Have not been, but in other cases they have.

Mr. MONRONEY. I was out at Ohio State University a couple of weeks ago and the president out there was very much exercised because they had spent a large sum of money to get the site and the utilities in and apparently we had run out of money up here. They felt they were holding the bag on a commitment the Government had made.

The CHAIRMAN. I would call your attention to the fact that in the President's message there was some change as to the schools.

Page 2 of the President's message gives you substantially the set-up. Mr. POSTON. I know the recommendation has been made to you that it be transferred to the Office of Housing Expediter. I am inclined to believe that difficulties in transferring those records and setting up a different establishment might delay the program even more and therefore I would suggest that the full responsibility for this program be placed in the hands of Mr. Foley, the National Housing Administrator, inasmuch as I understand the original act contemplated that the Administrator of the National Housing Agency would be responsible for the program, and when it was originally adopted it was in turn, turned over to the Federal Housing Authority.

Mr. Foley has assured me he is personally going to see to it that the program is rapidly completed, as soon as it is feasible to do so, and knowing his past operations I have the utmost confidence in him. Other than those remarks, sir, recommending the appropriation but placing certain definite restrictions on the spending of it, I believe that is all we have to say at this time.

The CHAIRMAN. Do you want your statement to go in the record?

Mr. POSTON. Yes, sir; I would appreciate that very much.

The CHAIRMAN. Without objection the statement will be put into the record at this point. You also may submit any supplemental statement you have.

(The statement referred to is as follows:)

STATEMENT OF ROBERT R. POSTON, SECRETARY, NATIONAL HOUSING COMMITTEE OF THE AMERICAN LEGION

The American Legion thanks the chairman and members of the House Banking and Currency Committee for giving us the opportunity of appearing before you during the hearings of H. R. 2780.

Last November 22-23, 1946, the national housing committee of the American Legion recommended that sufficient funds and emergency authority be made available to the Corps of Engineers to complete all the temporary FPHA reversion housing units that were committed as of November 15, 1946, and that emergency measures be instituted for these completions. This recommendation was adopted by the national executive committee of the American Legion.

The American Legion does not wish it to be construed that we wish to encourage temporary housing for veterans; however, we believe temporary housing has proved a measure of relief of a purely stopgap nature. In recommending the granting of this fund (\$50,000,000) and without consideration as to the Federal agency which will be named to complete this work, we believe it advisable that Congress establish rigid standards on the spending of this additional money, namely:

1. Funds may not be used for the completion of any units except those which have been committed to writing and accepted by the various localities prior to November 15, 1946. Verbal agreements to have no effect.
2. The total cost of any particular type or types of units not to exceed a fixed amount as may be determined by Congress.

3. Establishment by Congress of a "target date" when all of this type of construction must be completed and the unexpended balance of this appropriation returned to the Treasury.

The first standard listed above need not be commented upon since I am certain that the members of this committee have no desire to continue this temporary reuse program.

We believe it necessary to include the second standard listed above since the testimony of Mr. Dillon S. Myer, Commissioner of FPFA on Wednesday, April 9, indicated there was no assurance that the present estimate of cost for the completion of these units would not change upward. We are of the opinion that \$4,100 is too high for the completion of these types of units, although Mr. Myer would have you believe it compares favorably with private construction costs.

Mr. Myer failed to point out that the costs he was citing did not include improvements to the land, such as sewerage, water mains, streets, and sidewalks, general clearing of the area, all of which were paid for by the colleges or municipalities concerned. Nor did he point out his costs did not include the cost for purchase of the land upon which the units were built. I doubt whether the costs cited by Mr. Myer would compare very favorably with private construction costs were he required to include such costs in his statistics.

The third standard we have suggested is for the purpose of assurance that this additional appropriation will not be dissipated as have all former appropriations. You will recall Mr. Myer blamed the high cost of building materials in addition to supply shortages, for the failure of completion of the veterans' reuse dwelling program. You will recall that FPHA suspended most of this type of construction in late November 1946.

You will also recall the President did not abolish price controls on building materials until late December 1946. Because of this I find it difficult to understand his charge.

In regard to his charge that supply shortages contributed heavily to the advance in costs of this type of construction, I would like to call your attention to the fact that FPHA was empowered with the first priority on all building materials declared surplus and had the necessary authority to freeze all such surplus material for 3 months, until this agency could determine whether they would have use for it.

I would like to also point out FPHA had a so-called HH certified priority, which allowed it to go back to the manufacturers and obtain 20 percent of the manufacturers' total output. This Agency had authority, almost unlimited authority, to obtain materials to have been able to complete this program with dispatch had it wanted to do the job.

Because this program has been handled so poorly, the American Legion has lost confidence in this Agency (FPHA) even though the final stages of the program are at hand.

You may determine that this Agency should continue the administration of this program; if you do, we earnestly suggest the standards listed above be incorporated in this legislation and, in addition, fix the responsibility for the administration of this program, without power of delegation, in the office of the Administrator of the National Housing Agency, which was the office Congress originally intended to be responsible for this program in the first place.

The CHAIRMAN. All right.

Mr. POSTON. I believe in this statement you will also find I have taken up the disposal of the Lanham Act property.

The CHAIRMAN. The Lanham Act permanent properties?

Mr. POSTON. Yes, sir.

The CHAIRMAN. That is, the permanent?

Mr. POSTON. The permanent war housing—the Lanham Act property.

The CHAIRMAN. You heard my statement in that respect a few minutes ago?

Mr. POSTON. Yes, sir.

The CHAIRMAN. We will take this matter up next week.

Mr. POSTON. I understand, sir.

The CHAIRMAN. If you care to come back at that time when we are discussing this matter, we shall be very glad to hear from you.

Mr. POSTON. Thank you, sir.

The CHAIRMAN. Are there any further questions in regard to this statement?

Mr. McMILLEN. Yes; I have a matter to clear up.

The CHAIRMAN. Very well, Mr. McMillen.

Mr. McMILLEN. I observe, Mr. Poston, you fix the date of November 15, 1946, as the stop date for any help to these schools.

Mr. POSTON. Yes, sir.

Mr. McMILLEN. How do you fix that date: Is it just an arbitrary date or have you some reason for fixing it at that time?

Mr. POSTON. The fixing of it at that time was established for this reason, Mr. McMillen: They were not taking any more contracts in FPHA for further temporary housing. The National Housing Committee of the American Legion was in meeting at that time, and in their travels throughout the country they considered that any university or college that needed accommodations would have already placed its request in the hands of the FPHA and therefore determined that since funds were being depleted and it looked like the high cost factor was entering into the picture, it would be best to cut off at that time and allow private industry to come in and build permanent units.

I believe you will recall we wanted a rental housing program established at once, and by the establishment of this program I think the situation will clarify itself.

Mr. McMILLEN. Do you think the schools or the municipalities that have put up funds for this program should be refunded what they have spent?

Mr. POSTON. I definitely think there is an obligation on the part of the Government to refund any expenditures they have made; that is, in case they still do not want to build the temporaries. However, if they want the temporaries I think they should get them, if it is feasible to build them at practical costs.

Mr. McMILLEN. Have you any further suggestion to make on your observation under No. 2 there—about the fixed amount to be allowed by Congress? Have you any idea how much that amount should be?

Mr. POSTON. Well, for 500 square feet of floor space, the general private construction industry, I believe, is now setting the figure at \$1,500 per room.

Mr. McMILLEN. Do I understand that you think the Government should not spend more than \$1,500 on any unit?

Mr. POSTON. No; the type of unit they are building today consists of around 500 square feet.

Mr. McMILLEN. I see.

Mr. POSTON. And on the basis of 1,000 feet for a dwelling at \$1,500 per room, private industry now assumes they can build a permanent structure for around \$1,500 per room, as I understand it.

Mr. McMILLEN. Do you have a suggestion to make as to when that target date should be met, which you speak of in paragraph 3?

Mr. POSTON. I certainly have on that point. I am speaking now of those units that have not been started as of this date. I certainly think they should be completed within 4 months' time.

The CHAIRMAN. Well, what would you say as to those which have been started?

Mr. POSTON. Those that are partially completed they should be able to finish in less than 4 months, but the maximum time would be 4 months to complete these structures.

I believe in a number of cases your FPHA records will disclose that a good many of them were completed within 4 months; that is, at colleges and universities.

Mr. McMILLEN. From the present outlook doesn't it appear to you this is about the only practical manner for purchasing houses for GI's in these cities and schools, when you take into consideration what the cost is of new structures outside of this program?

My observation is that the houses which are provided and are going to be built are beyond the resources of the GI and as far as I know this is about the only thing that really will give us immediate or early accommodations.

Mr. POSTON. Well, Mr. McMillen, I believe if you go to the FPFA records you will find there are a considerable number of rental units contemplated. The last figure I had was 20,000 units. Now, of course, some of those are going to be at a rate per month which is way beyond the average GI's ability to pay, but they also say that a large proportion of them are within the \$45 or \$55 monthly range. That is still pretty high; we admit that.

At the same time you can go to some of these universities—for instance, the FPFA is renting trailers to married students on the campus at Indiana for \$45 a month.

Mr. MONRONEY. Is that the FPFA or is that the University of Indiana?

Mr. POSTON. It is the University of Indiana, but as I understand it the FPFA established the rental rate.

Mr. MONRONEY. I think they are renting two- or three-room apartments out in the Will Rogers Barracks for \$30 or \$35 a month—very modern and with a good kitchen. The rents are fixed by the city.

The CHAIRMAN. The testimony here is that the rents on those units were set by the FPFA in consultation with the OPA.

Mr. BOGGS. In consultation with the local housing authority?

The CHAIRMAN. With the OPA.

Mr. MONRONEY. A lot of those trailer units were purchased by the universities and are the property, solely, of the university, without any Federal help. These schools bought a scad of them and the rents are terribly high, but it is because the university has been on its own in that type of housing.

Mr. POSTON. I happen to know that the Indiana University trailers are the product of the efforts of FPFA. They are happy to have them, mind you—very happy to have them even at that price.

Mr. BUFFETT. Mr. Poston, your committee of the American Legion made quite a survey of housing, didn't they?

Mr. POSTON. They did, sir.

Mr. BUFFETT. They spent some weeks going over the country?

Mr. POSTON. They spent approximately 49 days, I believe, prior to coming to Washington, D. C., where they heard numerous governmental representatives from the various agencies. You understand, there were seven members of that committee and the United States was divided up into seven territories or areas; each committee member was supposed to have visited, and did visit, every State within his assigned area, meeting with the various larger cities, and also held one general State meeting, where they heard of conditions from over the entire State.

Mr. BUFFETT. It was really the equivalent of one man spending a whole year investigating this housing situation. Seven men spending 49 days apiece, that is 350 days, approximately, counting Sundays and all.

I note from your report you say the American Legion has lost confidence in the FPFA?

Mr. POSTON. That is true.

Mr. BUFFETT. Is that the result of your investigation of these projects? I also note here that this program was carried out last

year when OPA was operating and building costs were supposed to have been held down and there was no inflation in building costs.

Mr. POSTON. There was some inflation.

Mr. BUFFETT. I know there was some.

Mr. POSTON. But I think it was held down fairly reasonably.

Mr. BUFFETT. And the FPFA had very much the inside track; didn't they?

Mr. POSTON. Oh, absolutely. FPFA had the right to come into any War Assets supply house and obtain building supplies that were declared surplus by any other Government agency, and they could freeze that material for 3 months until they could determine whether or not they would be able to use it on any of these so-called temporary reuse housing projects.

Mr. BOGGS. Isn't it a fact that these projects were contracted out like all other projects—the actual construction was done by local contractors?

Mr. POSTON. They also expedited material, Congressman.

Mr. BOGGS. It's a good thing they did; they would have been in bad shape if they hadn't.

Mr. POSTON. They still had the right to go in and determine what surplus building materials were needed.

Mr. BOGGS. Without that power they wouldn't have been able to do anything because they were using surplus materials to build these projects.

Mr. POSTON. I am speaking about the nails, the plaster, cement, and so on.

Mr. BOGGS. Of course, they couldn't have built the buildings without nails, cement, and plaster. You are not complaining about that authority, are you?

Mr. POSTON. Absolutely not. I am complaining about the way it was used. They were in here saying that supply shortages and material costs had handicapped them throughout the program, yet I don't know of any other agency that had such broad powers to obtain materials as the FPFA did.

Mr. BUFFETT. They had a super priority.

Mr. MONRONEY. Will you yield?

Mr. BOGGS. Yes.

Mr. MONRONEY. We had a pretty good project in Oklahoma City with about 750 units, but if they ever got anything that was very helpful, other than raw lumber, under surplus, I don't know what it was. We were held up for months because of steel receptacle boxes. I tried to get the Army to declare them as surplus, but they wouldn't do it. It was a case of "for want of a nail the kingdom was lost."

The private builders were in the same fix. We have to realize there were many excessive costs in this. They were forced to set up a little mill plant to convert raw lumber and salvage lumber into door frames, and things of that kind, but they used the reuse and reconditioned stuff that no normal builder would possibly use, and that is why they were able to complete their work.

Mr. POSTON. Congressman, you overlook one fact: that the FPFA had a certified HH priority which permitted them to go to the manufacturer and take 20 percent of his output at any time.

Mr. MONRONEY. But every time they moved in, sir, they found that industry would scream too loudly, so they only exercised the 20-percent priority on about 3 out of 20 stone manufacturers, for example.

I don't think you can just call this whole program black or bad because they were trying to divvy up with private builders and other outfits in an effort not to hold up the whole situation.

There were examples of abnormal inventories being frozen for FPFA and mistakes were made, but it was the same mistake that was being made by private builders; they were hoarding stuff, in some cases. We were working in a difficult time.

Mr. POSTON. I will agree with you on that; it was a difficult time, but they certainly had a better advantage than anyone else.

Mr. BUFFETT. On all Government material they had top priority, didn't they? I had some veterans in my town that had houses in various states of completion and they went so far as to buy surplus material and pay for it and in 30 or 60 days the Government would write them—and maybe send the check back—but they wrote these veterans who were in the home-building business and said, "We are sorry but we are setting this material aside for FPFA," and it would set there month after month and the FPFA neither took it nor would they release it for private houses being built by veterans.

That is the way my attention was called to this thing—by veterans who were trying to build houses and were finding that the FPFA had the whole field pretty much to themselves on all critical items.

Mr. POSTON. That was exactly the same condition found by the National Housing Committee investigators.

Mr. McMILLEN. I am interested in your observations here—these subsections 1, 2, and 3. Do you know what the attitude toward those observations or the attitude generally toward this bill is by other GI organizations, aside from the American Legion?

Mr. POSTON. Only the VFW, who presented their testimony just prior to myself. They, of course, are in favor of this appropriation but they definitely want a change in the supervision of the spending of the appropriation.

They recommended also, I believe, the fact that they wanted permanent units established wherever possible if the city governments would go ahead and erect them.

Mr. McMILLEN. Do they want a target date set, such as you have mentioned?

Mr. POSTON. They did not mention one. They said it had to be expedited as quickly as possible.

Mr. McMILLEN. You don't know the attitude of the other organizations?

Mr. POSTON. No, sir; I don't.

Mr. McMILLEN. That is all.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. Thank you, Mr. Poston, we appreciate your coming here.

Mr. POSTON. Thank you very much, sir.

The CHAIRMAN. Mr. Chat Patterson, national legislative representative of the American Veterans Committee is our next witness. We are very glad to have him with us.

Will you proceed?

Mr. PATTERSON. Thank you, Mr. Chairman.

STATEMENT OF CHAT PATTERSON, NATIONAL LEGISLATIVE REPRESENTATIVE OF THE AMERICAN VETERANS COMMITTEE

Mr. PATTERSON. My prepared statement is only about a page and a half. It would only take a few minutes to read it. I think I would rather do that than go ahead and describe it, so I will read it, if I may.

The CHAIRMAN. All right, proceed.

Mr. PATTERSON. I have some supplementary material which I would like to present afterward.

I desire to inform the committee of my organization's support of House Resolution 2780, a bill to make an additional \$50,000,000 of Federal funds available for completion of the veterans temporary reuse housing program.

This program is a notable contribution toward meeting the most urgent cases of housing need among the veterans. Under its provisions, the Federal Government furnishes surplus Government-owned temporary structures to municipalities, educational institutions, and other local public bodies and converts the buildings into family dwellings and dormitory accommodations.

The housing so provided is exclusively for veterans. All of it is rental housing. Monthly rentals for family dwelling units average about \$30 a month, a rental payment which is within the financial reach of the majority of veterans.

Its attention to the housing needs of student veterans is particularly important. Without the housing provided at colleges under this program thousands of veterans would have been forced to forego the opportunity to complete their educations promised to them by the GI bill of rights.

At the end of March, the temporary housing program was about three-fourths complete. A total of 126,000 units were finished, enough to house 148,000 veterans. Completion of the additional units now under construction and those which the Federal Government has committed itself to provide will house an additional 38,000 veterans.

Because the Federal funds to be spent on this program were limited, the Federal Public Housing Authority has been obliged to reduce the number of units provided under the program on four occasions as conversion costs rose. These costs, which are directly related to general construction costs, have risen so much that it now requires 37 percent more money to provide a unit of temporary housing than it did when the program was established a little more than a year ago.

In spite of the successive reductions in the program, it is apparent that costs will consume available funds before the present program is completed. Unless the additional authorization of \$50,000,000 is made, as the President has requested, the Federal Government will be forced to default on its commitments in some 165 communities throughout the Nation.

We do not ask that an appropriation be made for more temporary housing than originally programmed. Temporary housing is an emergency measure. We think the time has come to concentrate on construction of new permanent housing, particularly rental housing. Other legislation is proposed to encourage private and public enterprise in this field. AVC intends to support these measures.

At the same time, we feel the Government should not break faith with local public bodies by failing to make good on obligations undertaken in good faith. Furthermore, both the Federal Government and the local groups concerned have an investment in the temporary units already started, which cannot be finished without this authorization. Their investment should be protected.

Finally, there is still an urgent, emergency need among veterans for the housing to be provided by completing this program.

As citizens, and as veterans, we respectfully urge your approval of H. R. 2780.

I have one clipping here which came into my office just the other day from the March 28 issue of the Syracuse Daily Orange at Syracuse University, in which it discusses a problem with which I am sure you gentlemen are familiar, Mr. Monroney from the University of Oklahoma and Mr. McMillen from the University of Illinois, as well as the other members.

It states they had originally made plans for 301 units. Last fall that was cut back to 426 units, then down to 246, and now all work has been suspended for lack of funds.

They estimate that \$2,000,000 would be needed in Federal aid to complete these units. This is particularly important for their married students, although the article goes on to explain there are a lot of dormitories involved which would house the single students.

I would like to have this put into the record as one substantial point showing the need at the present time at colleges and universities for adequate housing.

The CHAIRMAN. How long is it?

Mr. PATTERSON. It is very short, sir.

The CHAIRMAN. Without objection it will be put in the record.

HOUSING POSES PROBLEM FOR MARRIED STUDENTS, SAYS CALENDER REPORT

Married students who entered the university last fall or this January have only a slim chance of obtaining university housing, a report recently submitted by Housing Chairman Gregor Calender to the American Veterans' Committee shows.

Unless more Federal aid is soon forthcoming several hundred housing units in varying stages of construction will remain useless skeletons.

Originally 631 units were planned for University Heights, a project for married students on what used to be the university farm. Last fall the schedule was cut back to 426 units; then the figure went down to 246. Now all work has been suspended for lack of funds.

About 300 family units have been started, at an estimated cost of between one and two million dollars. Some of these units were near completion when funds ran out. Another \$2,000,000 in Federal aid will probably be needed to complete the 426 units.

Of the 215 apartments planned for Slocum Heights, 200 are already in use and the remaining 15 will be ready for occupancy early in April.

Single students are also affected by the cut in Federal construction. Five of the two-story federally built barracks in Collendale are now occupied, each housing about 62 men. A sixth will be ready shortly, while the seventh, which only lacks some inside partitions, can not be finished for lack of funds.

Meanwhile the State of New York is continuing to erect metal prefabs for single men. Of the 49 prefabs scheduled for construction in the Collendale area, 29 have been completed and are occupied.

However, the State budget does not allow for extra frills. Though occupants of the prefabs complain about ankle-deep mud around their homes, housing authorities point out that the State could provide money for temporary walks only by taking it from the appropriation for permanent construction.

About 550 married student veterans, 91 of whom have or shortly expect to have children, are still waiting for university housing. Many of these students are now forced to live in inadequate quarters, and to pay rents so high that they need considerably more than twice their monthly subsistence allowance.

Congress is now being asked to appropriate \$50,000,000 to complete the emergency housing program begun last year. If this sum is cut from the budget, many millions already expended for construction will be wasted.

The 426 discontinued family units were a joint Federal-State enterprise, the State government being responsible for utilities. University housing authorities point out that early completion of the State's work would speed completion of the apartments when additional Federal funds are received.

Gil Cranberg, vice chairman of the university chapter of the AVC, has announced that a report on the housing situation here has been sent to Chat Patterson, legislative representative of the AVC in Washington.

"We have asked him to see that the money which has gone into these units here and in other parts of the country is not just going down the drain," Cranberg said.

That completes my prepared statement. I did have some substantiating material on the rise in the cost of producing rental units at the present time, which I would be glad to discuss. It comes from the Wall Street Journal of Monday, February 17, 1947, and is an over-all national survey of what has happened to costs at the present time. I think it is particularly pertinent in view of the questions which have come up regarding the increase from \$1,900 to \$4,400.

The CHAIRMAN. Do you want to put that into the record?

Mr. PATTERSON. It is pretty long. I would be glad to leave it for the record.

The CHAIRMAN. Can you summarize it?

Mr. PATTERSON. Yes. The Wall Street Journal went to 11 key cities across the country asking questions of builders. I will quote only briefly from some of the cities in which they quizzed these builders and talked with all the major builders in those areas.

One Philadelphia builder said, "I've just pocketed plans for 500 homes. I won't do anything about them for at least another year—or until some measure of saneness returns to the labor and material markets."

The over-all material price increase was 86 percent over 1939 figures.

A Pittsburgh builder planned to construct 50 houses. He said, "I've already started 10 of them but I'm going to hold off on the rest until the price picture clears up."

A Cleveland mentions he had planned to build 120, but he was abandoning his plans for construction; and so on.

Out on the west coast Mr. Milton W. Morris of the Associated Home Builders of San Francisco believes there will be no real building boom in 1947, and the chief reason is high costs.

This simply reduces the various areas or markets which they interviewed in their survey to a brief statement, and at the same time it has a very valuable chart on what has happened to the general price structure in certain major fields of building materials such as brick and tile, cement, lumber, paint, and paint materials, plumbing and heating and structural steel.

I think that the over-all effect of the article is to show that they do not expect any building boom and that they are going to hold their homes off the market until the price goes down.

They make reference to the period between 1920 and 1922 when building material prices dropped over 40 percent, and I think they

are afraid if they put this money in now they may lose that much again.

The CHAIRMAN. On the theory they would not have a market? Mr. PATTERSON. Exactly. I think that is particularly true under the rental units that are being built. If you are building a million dollar project at the present time for which you have to put up \$100,000 cash, you can write that \$100,000 off if you have a price drop of 10 percent during the next 4 or 5 years, which is to be expected, I understand.

The CHAIRMAN. Any questions?

Mr. McMILLEN. I have a question, Mr. Chairman.

The CHAIRMAN. Mr. McMillen.

Mr. McMILLEN. You state on page 2, paragraph 2, "The Federal Government will be forced to default on its commitments in some 165 communities throughout the Nation." Where did you get that 165?

Mr. PATTERSON. I asked the FPFA how many communities they had made commitments in. I have no reason to doubt their figures in terms of the communities in which they have entered into commitments, and subsequent to being here this morning I did check with the gentleman who had a list of those communities.

Mr. BUFFETT. Can you ascertain when, approximately, the last commitments were made by the authorities included within these 165 communities?

Mr. PATTERSON. No, sir, I cannot. It is my understanding there are still over 10,000 units which have been committed for but on which no actual construction work has begun.

The CHAIRMAN. On page 2 of Mr. Myer's testimony he says:

It is to complete this latter group of units involving 215 projects in 165 communities that the 50 million supplemental appropriation is requested.

Mr. COLE. Does your organization believe the FPFA has done a good job or the best job possible under the circumstances?

Mr. PATTERSON. I can only speak as someone who has worked with Mr. Myer and with the members of his staff. We have always found him very helpful and cooperative. We were working very closely with him on the Kansas City project. Our own feeling is, it is not Mr. Myer, it is the FPFA that is responsible for the high costs.

Mr. COLE. That was not my question. I wondered whether, under the conditions which they had to deal with in this program, they had performed the job as efficiently as possible.

Mr. PATTERSON. I would say offhand they have, if they have performed other jobs the way they have performed in the few cases we have had with them. I am not proposing to talk for 165 communities in this case.

Mr. COLE. You haven't made any study of the over-all accomplishment, have you?

Mr. PATTERSON. No, but we have had to work with them on specific projects and in all cases we found them helpful and cooperative.

Mr. COLE. Have you found there has been any particular delay in projects at universities and colleges on projects in which the cities have gone ahead more speedily?

Mr. PATTERSON. I don't know.

Mr. COLE. I seem to have more complaints from colleges and universities than from cities, and I want to know what the reason is for it.

Mr. PATTERSON. This Syracuse article made no mention of FPFA other than the fact that they had gone ahead as far as they could and there were no more funds available. They did not criticize the FPFA. They said they were broke and couldn't proceed without additional funds.

Mr. MONRONEY. Will the gentleman yield?

Mr. COLE. Yes.

Mr. MONRONEY. Let me give you one illustration of what happens. We needed 12 plumbers to install the plumbing which was on hand, in order to open these units up in Oklahoma City at a much earlier date. We found that because of commercial construction which was under way at the time there was a limitation on the plumbers we could get because they were making more money on the commercial construction and they had work for all the plumbers in town they could get.

Therefore, the only way you could get these plumbers to this veterans construction was to increase the hours of work and pay them overtime, in order to get them to go out to the edge of the city, where most of these things are built. You had that thing working all the way through this program and I don't think you can crucify the FPFA for the high costs. I think you have to consider the guerilla warfare that was going on for materials and labor and everything else that was going on at the time these projects were up.

600 or 700 veterans had three or four children apiece, the most urgent cases in the whole town, waiting to get into these houses and you couldn't get them completed unless you could get some relief.

I can tell you how tight the FPFA was from having to make about a dozen telephone calls in order to get them to pay for 6 days' work a week, instead of 5, which would require overtime, in order to get the necessary workmen on the job. That was a hard job to get them to allow pay for overtime on that 1 day's work.

Mr. PATTERSON. Mr. Monroney, may I make an additional point? The Wall Street Journal points out the 10 items which builders say are their chief bottlenecks, together with the percentage of builders who report the items as scarce. They are: Gypsum lath, hardwood flooring, millwork, plumbing, doors, labor, warm-air furnaces, plaster, electrical material, nails and all those supplies. Obviously, in a situation such as you describe these things are going into the high cost of construction within the cities, and what is left over will probably go into the educational institutions themselves.

Mr. BOGGS. As I understand it, the FPFA has built these units through the local housing authorities; is that correct?

Mr. PATTERSON. That is my understanding.

Mr. BOGGS. That is, through the universities. I don't know of any other agency in the Government that would be equipped to do that.

For instance, each city of any size has set up a housing authority and their laws are so established as to work into the Federal statutes under FPFA, so if we transfer these functions to some other Federal agency the whole scheme of things on the local level would be upset.

Mr. PATTERSON. Also, this FPFA is permanent legislation.

Mr. MONRONEY. If for the completion of these 2,500 or some such units you have to break in a whole new set of employees only to wind

up the program, we will have to go through the same procedure that we went through with FPFA.

Mr. PATTERSON. It is my understanding this bill is principally a wind-up proposal and to change administrative machinery at this point would not be wise. If you were just beginning a program there might be some reason for debate on it, but to wind up a job I should think you would use the machinery already there.

Mr. MONRONEY. Wouldn't it cost more to transfer it and also cause more delay if we have to shift gears right here in the home stretch of this program?

Mr. PATTERSON. I suspect it would.

Mr. MONRONEY. If we place a fixed limit of so much per square foot or something in there won't we work a great hardship against the universities or the towns who happen, because of geographical location, to be rather distant from where the barracks now stand?

In other words, I don't think you can place a construction cost on it because the cost of movement of material from its present site to where it is to be erected is included in that figure.

Mr. PATTERSON. Of course, your costs vary from region to region.

Mr. MONRONEY. Lots of schools are perhaps 60 or 100 miles away from the barracks and it would be a hardship on them to say because you are a long way away from them you get no housing, but another adjacent to the barracks may get them, when perhaps they are not as urgently needed for housing as the first school, but the first school would be denied the right to move them because of a limitation on the cost?

Mr. PATTERSON. Yes, I agree.

Mr. MONRONEY. That is all.

The CHAIRMAN. Thank you, Mr. Patterson.

Mr. PATTERSON. Mr. Chairman, did you want this article from the Wall Street Journal copied into the record?

The CHAIRMAN. Well, you have summarized it for us. Perhaps if you would leave it we might familiarize ourselves with it.

Mr. PATTERSON. It is not very long and I think it is extremely valuable.

The CHAIRMAN. Very well, without objection it may be inserted in the record at this point. Thank you, Mr. Patterson.

Mr. PATTERSON. Thank you, sir.

(The above-mentioned article is as follows:)

BUILDING BOOM?—IT'S ONLY A PIPE DREAM UNTIL COSTS COME DOWN, WARN CONSTRUCTION MEN.—CLEVELANDER PLANS 5 HOMES INSTEAD OF 120 THIS YEAR; MANY GI HOUSES UNSOLD.—MATERIALS PRICES UP 86 PERCENT

The high cost of building threatens to make the "great housing boom of 1947" just a might-have-been.

The phrase "A million homes this year" is talked about glibly by people in high places. It's counted on as a sturdy prop for roaring business activity this year. It's sort of taken for granted. But ask a builder about these million houses. The chances are he'll just grin. And, queried on the reason for his smiling skepticism, he'll probably say: "High costs."

The Wall Street Journal has asked many builders about the boom in blueprint. It's questioned them in 11 key cities across the Nation. And the consensus among the men who have to put their cash on the barrel head before dream homes take substance is just this: There won't be a building "boom" until construction costs come off the high horse they now ride.

Building deferred until later this year pending cost contraction may whittle total new home units finished in 1947 to a level far below the hoped-for million.

Vertically climbing prices of building materials have reached a level 86 percent above 1939. Ominously or not, in the week ended February 1 they topped the pinnacle (Bureau of Labor Statistics Wholesale Index) from which the great ski slide started in 1920. And here, in the words of the builders themselves, is what this means to building plans.

WAITING FOR SANE MARKETS

"I've just pocketed plans for 500 homes," one big Philadelphia builder says: "I won't do anything about them for at least another year—or until some measure of saneness returns to the labor and material markets."

And this from a Pittsburgh builder with plans to construct 50 houses this year: "I've already started 10 of them but I'm going to hold off on the rest until the price picture clears up. After all, I have to sell these houses. People won't pay just anything."

A builder in Cleveland quipped: "Anyone who starts building houses today is cracked."

Another Clevelander said bluntly he will build "at the most" only 5 houses this year, compared with "120 if materials prices had remained at the 1944-45 levels." Still another specializing in higher-priced homes, said he might erect six or eight this year and added: "It could be 15 if costs were lower."

A third struggling to complete a "batch" of 50 houses already begun, says he's going to "stop, look, and listen" before he starts any more.

CUTS PLANS IN HALF

A Detroit home-building firm which originally planned to start 300 units for sale this year has slashed this figure in half under present schedules. "Common sense won't let us do otherwise" declares an official of the company.

Says another auto-capital builder: "There'd probably be two or three times more homes built this year in Detroit if it weren't for present high costs."

"A lot of people here," echoes a Chicago builder, "are just going to finish what they started in 1946—and then go mighty slow on anything else until there's a marked improvement in the availability of materials at lower prices."

On the west coast, Milton W. Morris, of the Associated Home Builders of San Francisco, believes there will be no real building boom in 1947. And the chief reason: High costs.

BUILDERS WILL MARK TIME

"I think costs have reached their peak and will have to come down," says Mr. Morris. "If they don't, public reluctance to purchasing new homes will become so strong the building industry will have to mark time until the picture changes."

One San Francisco area builder has accumulated about 40 lots suitable for apartment houses. But he hasn't started building yet—says he's not even considering a start under present conditions.

William E. Hague, manager of the Central California Chapter of the Association of General Contractors of America, tied building reluctance to public high-home-cost resistance with this meat example: "I know 1 builder who thought he had 207 customers waiting anxiously for homes. He built five—informed the waiters that their houses were complete. Only three buyers showed an interest. He has halted plans for further building."

In Portland, Ore., a builder who had hoped to erect a hundred homes this year said: "I'm not starting any right now with things the way they are. I may get 25 or 30 built this year."

Another Portlander who had earlier planned to put up 100 houses in 1947 now thinks the best he'll do will be 50.

"We've quit building houses for sale until prices come down," says one big Seattle contractor. "Putting up \$200,000 or \$300,000 worth of houses now would be like a merchant over-stocking with the most expensive merchandise he can find."

This builder said he had about 150 sites ready to build on. He put up houses on about a third of them—and then quit. He doesn't expect to be in operation again before July. "This means," says he, "that the next houses I build won't be on the market before around the first of next year."

Over and again, builders and contractors emphasize the spreading gap between what it now costs to build and what people want to pay for finished houses.

"My office is like a race track," wails a contractor in Los Angeles. "Plenty of people interested in new houses race in here, but the way they race out when I

talk of costs makes it seem that they hardly slow down on their way through. Most of them, when they hear the estimate, which is always a few thousand dollars more than they figured on, say they'll wait till things come down."

Among those "waiting" are a good many veterans—too many for builders' comfort. A lot of homes already built for the GI's aren't selling.

The mortgage department head of one of the larger banks in Detroit says there are about 3,500 new unsold homes (built on veterans' priorities and not salable to the general public for 60 days after being put on the market) in the northwest section of that city. He adds that there are about 5,000 more well along that may also be a drag on the market at present prices when finished.

The story of one New Jersey ex-soldier helps illustrate why many veterans—and nonveterans—are discouraged on the prospect of getting themselves housed under present conditions.

The Jerseyite came out of the Army last year and had a contractor start building a house, tentatively estimated to cost \$12,000. Building drags on, and everytime the buyer and the contractor met, the latter said it looked like the house would cost a little more. Finally, several months ago, the contractor said the job would come to \$20,000. And that's where the ex-soldier baled out—sold his interest in the place to another. Payoff: Latest indication is, according to the new buyer, that the place will cost \$30,000.

Builders' shrinking interest has construction contractors in many localities scouring their neighborhood for work—and offering their services for less money. Says one New Jersey builder: "Work is becoming very scarce, and apparently contractors are operating at smaller profits in an effort to keep going."

Many builders compare today's prohibitive building costs to those which put a brake on post-World War I building. Building material prices were at their peak in 1920 in that period. And in 1920 little more than 200,000 new homes were started.

New dwelling units started in 1921, rose above 400,000, and in 1922 new homes went above 700,000. But meanwhile—between April 1920 and March 1922—building material prices tumbled over 40 percent.

SHORTAGES PLAGUE BUILDERS

Building materials shortages still plague the home-construction industry, according to a survey conducted by the National Association of Home Builders.

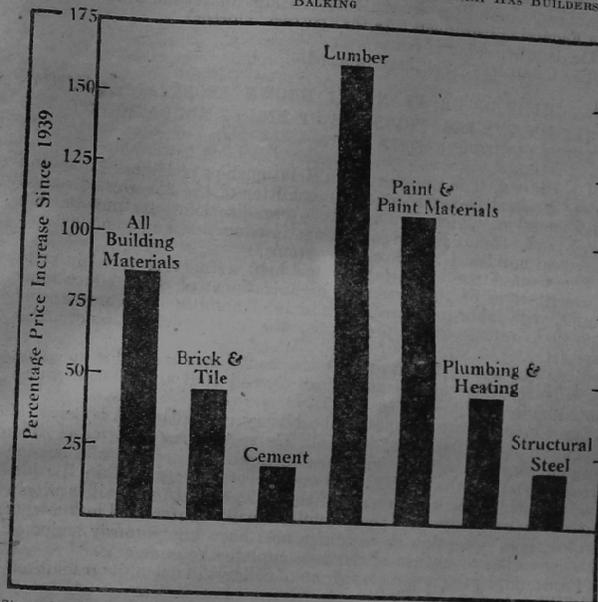
Querying its members, who comprise 80 percent of the country's home builders, the association reports that gypsum lath, used largely as a wall material, and hardwood flooring head the list of scarce items.

Labor, which has not taken a high position of previous ratings of bottleneck items, occupies sixth place on the new list. More than 2 builders out of 10 reported that a shortage of skilled labor is a threat to their building programs.

The survey revealed, too, that several other items formerly in short supply are now becoming abundant. Items which were prominently featured on previous bottleneck lists but which were mentioned by less than 2 percent of builders replying on the latest query include brick, screen wire, asphalt tile, and ready-mix concrete.

These are the 10 items which builders say are their chief bottlenecks together with the percentage of builders who report the items as scarce: Gypsum lath, 35 percent; hardwood flooring, 32 percent; millwork, 28 percent; plumbing, 27 percent; doors, 24 percent; labor 22 percent; warm air furnaces, 19 percent; plaster, 18 percent; electrical material, 18 percent; nails, 17 percent.

LUMBER LEADS HOUSING MATERIALS IN PRICE RACE THAT HAS BUILDERS BALKING



Star performer among high-flying building materials prices is that of lumber. By the first of this month, as measured by the Bureau of Labor statistics wholesale index, it had hit a level 161 percent above prewar 1939. Paint and paint materials are running in second place with a gain of 106 percent over the 1939 average. Cement and structural steel, with increases of 18 percent and 20 percent, respectively, have made the smallest gains. (Cement price boosts of 10 cents to 20 cents a barrel last week are not reflected here.) With all building materials as a group now 86 percent above 1939, builders across the Nation are balking at undertaking new construction.

The CHAIRMAN. Our next witness will be Dr. Francis J. Brown, secretary, Committee on the Relationships of Higher Education to the Federal Government. Is that correct, Doctor?

Dr. BROWN. That is correct, sir.
The CHAIRMAN. You may proceed.

STATEMENT OF DR. FRANCIS J. BROWN, SECRETARY, COMMITTEE ON THE RELATIONSHIPS OF HIGHER EDUCATION TO THE FEDERAL GOVERNMENT

Dr. BROWN. The Committee on Relationships of Higher Education to the Federal Government is a committee of the American Council on Education, which is a nonprofit organization. Its membership consists of 115 national organizations in education and some 900 colleges and universities and school systems.

The Committee on Relationships held a meeting recently with representatives of the veterans' organizations, of other educational groups, with labor organizations and the Chamber of Commerce and discussed, among other provisions, the one which is before this committee.

While the members present at the conference were not speaking officially for their organizations, all agreed that this authorization should be made.

The council also has a national advisory committee on housing, of which Arthur Adams, of Cornell University, is chairman. The national committee has regional subcommittees in each of the nine areas served by the FPHA. These subcommittees, within the last month, have called conferences of the colleges and universities within their areas and I am sure the committee will be interested in knowing that without exception these conferences have unanimously endorsed this extension of authorization to complete the contracts.

For example, the northwest group of colleges in one of its resolutions said this:

Resolved, That the American Council on Education be requested to support and sponsor H. R. 2780, being a bill to increase by \$50,000,000 the Lanham Act appropriations for student veterans.

I need not read the other resolutions as they are similar in tone and purpose.

Enrollment in the colleges is now about 2,100,000, an increase of 100,000 veterans in February, as compared with the enrollment in September. Next fall there will be a still further increase of perhaps 25 percent of veterans enrollment, bringing the increase in college enrollment to something over 2,300,000.

Several times this morning the comment has been made as to the continuance of such a temporary program. The colleges are in no way urging any continuance of the temporary program, other than that of completing contracts into which they have entered with FPHA.

For the colleges and universities it is more serious in some respect, perhaps, than for the municipalities because the institutions have allocated that space to veterans on the assurance by the Federal Government through FPHA that the space would be available. They are having to notify veterans that the space will not be available.

It is a matter, too, of shared responsibility. This is not a contribution by the Federal Government in which the institutions have not themselves also invested. The council has made a study of a number of institutions and the data would indicate very clearly they have put into these temporary structures from institutional funds, whether State or private, funds greater than the amount of the present requested additional authorization.

For example, the University of Indiana which has been referred to here this morning has spent \$1,433,000 of its own money in temporary housing, exclusive of the FPHA contracts or the preparation of a site for FPHA contracts.

A number of the members of the committee have visited the college campuses. I have had the opportunity to go to some 100 of them during the past 6 months, and I am sure you will recall not only the fact that on many of the college campuses these housing projects are complete and they are occupied by veterans, but that there are many of them in which there are half-finished shells. For example, some institutions have purchased the site and have prepared the site and in many cases, as has been pointed out, the structures are partially complete.

The bill will be of invaluable assistance to help the colleges and universities keep their contracts with the veterans. It is a three-way contract between the Federal Government, the institution and the veteran.

As I have already intimated this \$50,000,000 appropriation will only mean a very small proportion of the total need. A study made some 4 months ago in colleges and universities indicate they will require for next September, if it could be available, 131,000 units for single veterans and 41,000 units for married veterans, but their first need, and that which they are constantly emphasizing, is their obligation to the veterans for whom the institution has promised space in good faith.

I would like also to add one other sentence. That is, that colleges and universities are very deeply grateful for all the Federal Government has done to help them help the veteran. They are hoping that favorable action will be taken on H. R. 2780 in order that one more step may be taken in meeting this joint responsibility.

I should like to make one comment on the statement of costs, because some of the statements made would not seem to coincide with some of the information which we have, and that is this \$1,500, the cost for building a 500 square foot unit.

I was talking the other day to a number of folks in institutions who are responsible for building costs. Penn State states it will cost them roughly \$9,000 to build a permanent family unit; Purdue, \$7,200. One of the institutions said they could get it done with cinder blocks and other materials for \$6,000.

For single veterans the contract estimates vary from \$2,800 to \$4,500 per group.

The question was also raised as to rents. They vary a good deal in institutions. Our data would seem to indicate that they run roughly from \$22.50 to \$35, depending a good deal on the cost to the institution and depending also upon the amount of space required.

There is certainly no question in the minds of any of us as to the need. Of the number of veterans on the campus 30 percent are married. Babies are being born on one college campus at the rate of 40 a month, and the problem is getting more serious rather than less serious, so on behalf of the institutions, not only the members of the council, but others, we would certainly urge favorable consideration for this present authorization.

Mr. COLE. How rapidly do you expect a decline from the peak enrollment in the colleges?

Dr. BROWN. We have tried in various ways to get that figure. The Veterans' Administration's estimate is that the peak will be reached in 1949-50 or 1950-51.

Questionnaires submitted through the Office of Education verify that figure exactly. They estimate 3,300,000 students in 1950-51 and a gradual decline to 3,000,000 in 1954-55.

Mr. COLE. It will be rather gradual, according to your judgment, over the period of years from 1951 to 1955?

Dr. BROWN. That is right, sir. The number of veterans who have not taken up their option for education and training is now in excess of 3,000,000. Of course, they are still accumulating time.

Mr. McMILLEN. What percentage of veterans have dropped out since they entered school last fall?

Dr. BROWN. That is a very difficult figure to get. We have discussed it a good many times with the Veterans' Administration. Since the GI bill was enacted some 900,000 veterans have discontinued education and training. That includes, however, all who have entered into training. Many of them have had short courses, refresher courses, so-called—schools of the dance, or what have you. It includes the on-the-job people who have completed their training and have discontinued. It includes also the individuals who transfer from one regional office of the Veterans' Administration to another regional office, and those who drop out.

This report is unanimous from the institutions that the veterans are doing a higher quality of work than the nonveterans, or the students before the war, and that the rate of dropping out of veterans is less than half the normal mortality of college students. They are more than justifying the faith of the Congress in passing the GI bill.

Mr. McMILLEN. How long is it going to take the average veteran to finish his education, 1, 2, 3 or 4 years?

Dr. BROWN. I can answer that very definitely because over 60 percent of all the veterans in college are in the freshmen class. The large bulk now are in the freshmen group. Something like 23 percent are in the sophomore class and the rest scattered throughout the upper two classes and graduate schools. It is a 4-year job ahead of us.

Mr. FOOTE. Doctor, with further reference to the situation, I have in my hand a letter from the president of the University of Connecticut. Are you familiar with that university?

Dr. BROWN. I haven't visited that particular school, no.

Mr. FOOTE. He says:

Contrary to many predictions veterans in colleges have justified the expenditure made in their behalf. At our institution and at other colleges veterans on the average are doing better work than the nonveterans, and married veterans are doing better than the nonmarried veterans.

Dr. BROWN. He could have added one more sentence, "married veterans with children are doing better than those without children."

Mr. FOOTE. That is all.

The CHAIRMAN. Thank you, Dr. BROWN.

Dr. BROWN. Thank you, Mr. Chairman and members of the committee, for the privilege of testifying here.

The CHAIRMAN. With this, we will close the hearing on this particular subject. We will go into executive session on this bill Tuesday morning at 10 o'clock.

The committee will stand in adjournment until Tuesday morning at 10 o'clock.

(Thereupon, at 12:30 p. m., Friday, April 11, 1947, the public hearings were closed.)