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NATIONAL HOUSING ACT AMENDMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 11262

A BILL TO AMEND SECTION 220(h) OF THE NATIONAL HOUSING ACT TO PERMIT THE INSURANCE UNDER THAT SECTION OR SECTION 203(k) OF A LOAN MADE TO A HOMEOWNER FOR THE PURPOSE OF PAYING THE COST OF PUBLIC IMPROVEMENTS FOR WHICH (BY ASSESSMENT OR OTHERWISE) HE IS LEGALLY LIABLE

AUGUST 30, 1962

Printed for the use of the
Committee on Banking and Currency



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NATIONAL HOUSING ACT AMENDMENT

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SECRET

1. The purpose of this document is to provide a comprehensive overview of the current state of the project and to outline the key objectives and milestones for the next phase of development.

2. The project has made significant progress since the last report, with several key milestones being achieved. These include the completion of the initial design phase, the successful implementation of the core system architecture, and the commencement of user testing.

3. The primary objectives for the next phase are to refine the system architecture, address any outstanding issues identified during testing, and complete the integration of all system components. It is also essential to ensure that the system meets all user requirements and is ready for deployment.

4. Key milestones for the next phase include the finalization of the system architecture, the completion of integration testing, and the successful deployment of the system to the production environment. Regular communication and reporting will be maintained throughout the process to ensure transparency and accountability.

5. The project team is committed to delivering a high-quality, reliable system that meets the needs of our users. We will continue to work closely with stakeholders to ensure that the project remains on track and that any challenges are addressed promptly.



NATIONAL HOUSING ACT AMENDMENT

THURSDAY, AUGUST 30, 1962

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

The committee met, pursuant to call, at 10 a.m., in room 1301, Longworth Building, Washington, D.C., Hon. Mrs. Leonor Sullivan presiding.

Present: Representatives Sullivan, Moorhead of Pennsylvania, Finnegan, McDonough, and Fino.
(H.R. 11262 is as follows:)

[H.R. 11262, 87th Cong., 2d sess.]

A BILL To amend section 220(h) of the National Housing Act to permit the insurance under that section or section 203(k) of a loan made to a homeowner for the purpose of paying the cost of public improvements for which (by assessment or otherwise) he is legally liable

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of section 220(h)(1) of the National Housing Act is amended to read as follows: "As used in this sub-section—

"(A) the term 'home improvement loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made—

"(i) for the purpose of financing the improvement of an existing structure (or in connection with an existing structure) which was constructed not less than ten years prior to the making of such loan, advance of credit, or purchase, and which is used or will be used primarily for residential purposes: *Provided*, That a home improvement loan shall include a loan advance, or purchase with respect to the improvement of a structure which was constructed less than ten years prior to the making of such loan, advance, or purchase if the proceeds are or will be used primarily for major structural improvements, or to correct defects which were not known at the time of the completion of the structure or which were caused by fire, flood, windstorm, or other casualty; or

"(ii) for the purpose of enabling the borrower to pay that part of the cost of the construction or installation of sidewalks, curbs, gutters, street paving, street lights, sewers, or other public improvements, adjacent to or in the vicinity of property owned by him and used primarily for residential purposes, which is assessed against him or for which he is otherwise legally liable as the owner of such property;

"(B) the term 'improvement' means conservation, repair, restoration, rehabilitation, conversion, alteration, enlargement, or remodeling; and

"(C) the term 'financial institution' means a lender approved by the Commissioner as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1)."

SEC. 2. (a) Section 220(h)(2)(i) of the National Housing Act is amended by inserting before the semicolon at the end thereof the following: ", and be limited as required by paragraph (11)".

(b) Section 220(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(11) Notwithstanding any other provision of this Act, no home improvement loan made in whole or in part for the purpose specified in clause (A)(ii) of the

second sentence of paragraph (1) shall be insured under this subsection if such loan (or the portion thereof which is attributable to such purpose), when added to the aggregate principal balance of any outstanding loans insured under this subsection or section 203(k) which were made to the same borrower for the purpose so specified (or the portion of such aggregate balance which is attributable to such purpose), would exceed \$10,000."

Mrs. SULLIVAN. The Subcommittee on Housing will come to order.

I would like to offer the regrets of Chairman Rains who was unavoidably detained. He expects to be here this morning and will try to be here before the hearing ends. Mr. Rains asked me if I would take over, and I am happy to do so.

The committee has had brought to its attention a matter of great interest to one of our colleagues, Congressman Corman of Los Angeles, and we are having this hearing in order to learn more about the proposal and see what can be done on it.

Our first witness this morning will be Mr. Paul E. Ferrero, Deputy Commissioner of the Federal Housing Administration.

Mr. Ferrero, will you come up? And would you identify the gentlemen accompanying you, please?

STATEMENT OF PAUL E. FERRERO, DEPUTY COMMISSIONER, FEDERAL HOUSING ADMINISTRATION

Mr. FERRERO. Yes; I will, Madam Chairman.

I have with me Mr. Adolphus Prothro, General Counsel of the Federal Housing Administration, and one of his deputies, Mr. Fred Mowatt, who is acquainted with the problem we are discussing this morning.

Mrs. SULLIVAN. Fine. We are very happy to have the gentlemen with you.

Do you have a statement you would like to read?

Mr. FERRERO. Yes; I have a short statement and then I will be happy to try to answer any questions you may have.

Mrs. SULLIVAN. All right.

Mr. FERRERO. First, I would like to express the deep regret of Commissioner Neal J. Hardy that he is unable to appear before you this morning. My statement follows:

The amendments to sections 203(k) and 220(h) proposed by Congressman Corman in H.R. 11262 would enable the Federal Housing Administration to offer lending institutions a means for assisting the homeowner in meeting obligations in the form of municipal assessments for public improvements affecting his property. It would permit the use by a homeowner of one of the FHA's long-term 20-year home improvement programs to pay his family's share of the cost of constructing or installing water or sewer facilities, sidewalks, adjacent streets, street lights, or other similar types of public improvements affecting his property. The loans could be used to pay any assessments made by the municipality against the homeowner or charges imposed by the municipality which he is legally liable to pay. The maximum obtainable loan would be \$10,000, with the interest rate limited to a maximum of 6 percent per annum and a maximum term of 20 years.

The present sections 203(k) and 220(h) programs which were added by the Housing Act of 1961 provide financing for improvements made to homes for the purpose of conservation, repair, or restoration.

The section 220(h) program is especially designed to assist homeowners located in urban renewal areas in meeting the requirements established by the local public agencies under an urban renewal plan for upgrading the community. Section 203(k) loans are available to homeowners located outside of urban renewal areas and afford a means for repairing or enlarging a home so that it can better serve the needs of its occupants. These programs are limited, however, to the financing of repairs and improvements which are made directly to the homeowner's property. There is no provision for the financing of the offsite improvements contemplated by Congressman Corman's amendment.

The addition of this provision to the sections 203(k) and 220(h) programs will assist the conservation or rehabilitation of established neighborhoods. There are a number of circumstances which necessitate various types of municipal improvements. In some areas, housing developments were permitted to be built during and following World War II without adequate provisions being made for the development of streets, curbs, sidewalks, and storm sewers. With the continued growth of these communities and the deterioration of these substandard public facilities, a hazardous condition has developed. It is also our understanding that in some areas of the country it is now becoming necessary to develop new sources of water supply and to drill deeper wells to compensate for the lowering of the water table. In many areas that have originally been developed with private septic tanks and individual water supplies, there is a real need for installing municipal water and sewer facilities.

Municipalities frequently incur considerable opposition among their homeowners to the development of these needed facilities, particularly where the homeowner is to be assessed a sizable amount to cover the cost of his share in the public facilities. In those instances where new water and sewer facilities are involved, the homeowner is subjected to additional tap-on charges and charges for the costs of connecting his water supply and sewer to the public mains. If long-term financing under one of the FHA home improvement programs is available as a means by which the homeowner can pay the amount assessed, and for the rehabilitation work on his property, the homeowner may more readily agree to having the municipality undertake such a project. The availability of this financing could also serve to facilitate the carrying out by local public agencies of urban renewal plans, particularly those in which the streets, sidewalks, sewers, or water facilities are to be rebuilt and the homeowner is held responsible for a share of the cost.

We strongly support this legislation and urge its enactment. The installation of public improvements of the types referred to in the Corman bill have a direct effect in increasing the livability and economic value of the neighborhood. They tend also to increase the value of each individual home in the community. The financing with FHA assistance of the homeowner's share of the cost of such improvements is consistent with the basic purposes of the home improvement provisions added by the Housing Act of 1961. It is also consistent with the refinancing provisions presently available to a homeowner under the FHA home mortgage programs. If the homeowner has sufficient equity in the property, he can obtain a refinancing loan for any proper purpose, including the payment of such assessments.

The provisions which would be added by Congressman Corman's bill to the sections 203(k) and 220(h) programs will serve to give the homeowner a convenient and relatively inexpensive means for financing any assessments or obligations he may incur in connection with the improvement of public facilities in his community. It will also enable him to finance with a single loan the cost of such public assessments and any costs he may incur in repairing or rehabilitating his home. Thank you.

Mrs. SULLIVAN. That is a very good and clear statement, Mr. Ferrero.

One question: How are assessments, charges for public improvements, presently financed by the homeowner?

Mr. FERRERO. It is rather hard to generalize about that. It is usually a matter of State or county law and there is nearly as much variety as there are political subdivisions in the country. Generally they are financed on a 1-, 3-, 5-, or sometimes 10-year basis through which the homeowner pays interest plus his pro rata share of the assessments over the 3-, 5-, or 10-year period. The proposal in Congressman Corman's bill would permit financing these charges over a maximum of 20 years, and considerably lessen the impact because of payment on a monthly basis.

Mrs. SULLIVAN. Is it usual for communities to be developed without making all of these improvements in the original development?

Mr. FERRERO. I think it relates to perhaps the sophistication of the community. Many communities which were geared to a rural life or a semiurban life very suddenly became engulfed with our population explosion and have just not had the standards, facilities, or organization to cope with the expansion of residential development. In many cases the public improvements are not what they should be.

Mrs. SULLIVAN. This may get off the subject a bit but do you think a Federal law could be enacted so that any developer must put in these improvements before he starts building the houses, and provide for sewerage and streets and all the other things that we know have to be put in later on if they are not put in when the site is developed?

Mr. FERRERO. I can't comment on whether or not this would be politically possible. I will say, that in developments financed with Federal Housing Administration insured mortgages where the local standards for streets and public improvements are not adequate, we enforce standards which we consider adequate for long term, low maintenance, health, and safety.

Mrs. SULLIVAN. I was recalling what I read in the newspaper 2 or 3 weeks ago, where right here in the Washington area some houses in the \$40,000 bracket had to be vacated because the sewage is seeping back into the ground, making the houses unlivable. Do you recall that?

Mr. FERRERO. Yes, ma'am.

Mrs. SULLIVAN. Here is a case where there was no provision made at all by the builder to take care of the problem.

There is no law in the county or the State that would prevent something like that?

Mr. FERRERO. Sometimes there are laws. Generally they either do not apply, or sometimes are not enforceable with respect to the individual property owner.

Mrs. SULLIVAN. I see.

Mr. FERRERO. The individual with his own well and sewage disposal system is pretty common in many parts of the country and the situation does not become a matter of public health and safety until congestion increases as it has in many areas.

Mrs. SULLIVAN. Then in this bill proposed by Congressman Corman, H.R. 11262, could you spell out some of the advantages to the homeowner of financing these home improvements under sections 203(k) and 220(h)?

Mr. FERRERO. Do you mean the public improvements or the private improvements?

Mrs. SULLIVAN. The improvements that would be possible under this bill.

Mr. FERRERO. As I understand the bill, it would permit use of a section 203(k) or a 220(h) loan either in whole or in part for the payment of assessments. These provisions were primarily enacted for rehabilitation and repair of homes; to provide a ready financing vehicle. We think it is entirely reasonable the two borrowing purposes be combined; the public improvements and the private improvements to the home, because frequently they go hand in hand. Witness the case of the installation of public water supply and sewage disposal which involves not only assessment for the public improvement but usually involves revamping of the water supply and sewage disposal system on the property itself, to connect onto the public systems. At the same time it could well be the homeowner might find occasion to add a bathroom or further improve his property. This provision would enable him to include all these expenses in one monthly payment, as contrasted to the assessment that traditionally comes due once a year, at taxpaying time. It would enable him to finance the assessments over a 20-year period instead of a 5- or 10-year period.

We don't think this is a cure-all for all situations, because, depending upon the individual homeowner's situation, he might find it more feasible to refinance his property, or to place a new mortgage on the property, if he did not have one. But we regard this as a valuable tool to fill in the situations where it would be more advantageous either from the standpoint of uniform monthly housing payments or cheaper financing costs to include assessments in a relatively long-term property improvement loan.

Mrs. SULLIVAN. Thank you. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Madam Chairman.

Mr. Ferrero, I would like to ask you what has been the experience of the FHA with respect to the existing home improvement loan program.

Mr. FERRERO. Our experience is not very great. These provisions were authorized by the Housing Act of 1961, so they are not very old, and traditionally it has taken lenders, builders, and homeowners a little while to get used to new FHA programs. So our experience is that in terms of volume of work we have committed only 706 loans, involving \$3.7 million, under section 203(k) and 381 loans involving \$2.2 million under section 220(h). So our experience is not extensive as yet.

Mr. MOORHEAD. Is it your testimony that this is merely a matter of time to get the program going, or is there any legislation needed to improve the program?

Mr. FERRERO. Well, the matter of legislation has been deferred by the agency for a while. We are still studying the workings of the program and are not quite sure of all the reasons why it has been slow.

If we find that changes in the legislation are necessary, it is, I understand, the plan of the agency to so recommend to Congress in the near future.

Mr. MOORHEAD. What is the interest rate on the home improvement loans?

Mr. FERRERO. Six percent maximum.

Mr. MOORHEAD. Is that rate adequate to attract the lenders?

Mr. FERRERO. This is another point that is somewhat in question. There is some indication that the rate is not adequate in all parts of the country. We have, as you know, had some correspondence with the committee on the matter of permitting mortgagors to pay discounts in cases where there was not an interested third party who might pay a discount.

Mr. MOORHEAD. Are discounts permitted under the home loan improvement program?

Mr. FERRERO. We do not attempt to control the matter of discounts except insofar as the mortgagor or property owner is concerned. He is not allowed to pay a discount under the 220(h) program or the 203(k) program.

Mr. MOORHEAD. So there may be discounts involved in this program which in effect would make the actual interest rate that the borrower pays higher than the 6 percent, is that correct?

Mr. FERRERO. That is correct. If so, they are being paid by a third party.

Mr. MOORHEAD. Getting now to this bill: Am I correct in my understanding that in a city where you already have sidewalks but they have gone into disrepair and the city orders the homeowner to replace the sidewalks or replaces them and levies assessment, this bill would be applicable to replacement in addition to new construction? Is that correct?

Mr. FERRERO. That is correct.

Mr. MOORHEAD. One final question: As to the limit of \$10,000 in this bill, under the existing program, is that changed in this bill? In other words can you have a \$10,000 loan for street and sidewalk, and in addition, up to \$10,000 for private improvements such as bathrooms, plumbing facilities, and so forth?

Mr. FERRERO. No, sir. The ceiling is \$10,000.

Mr. MOORHEAD. Thank you.

Mrs. SULLIVAN. Mr. Fino?

Mr. FINO. Is that \$10,000 to each owner or to each house?

Mr. FERRERO. \$10,000 per living unit, actually, with a maximum of \$35,000 in the case of the 203(k) program, and on the 220(h) it is \$10,000 per living unit regardless of how many living units.

Mrs. SULLIVAN. Mr. Finnegan?

Mr. FINNEGAN. Mr. Ferrero, since I am from Illinois, I know something about special assessment laws in Illinois; I know nothing about California.

In Illinois special assessments when they are levied have to be paid in installments up to 10, usually 10 installments. Each installment comes due with an interest rate of about 6 percent.

Now, how would this particular legislation cover the full 10 installments that wouldn't be due for 10 years?

Mr. FERRERO. I think we are assuming in most cases that the assessment is payable in full without interest.

Mr. FINNEGAN. Well, as a matter of fact, the improvement is financed by putting out bonds, as it would be, I suppose, in California, and the bonds have maturity dates up to 10 years. And, of course, if a homeowner would obtain a loan to reduce those bonds he would be able either to buy them at a premium or at a discount. How would he be able to take care of his responsibility under a situation such as that?

In other words, he could pay 6 percent on the assessment, which would be the same thing he would be paying on a loan, under your present arrangement.

Mr. FERRERO. The only advantage would be to spread the payment over a longer period of time and to put it on a monthly basis.

Mr. FINNEGAN. With all those bonds outstanding for special assessments—and we have general revenue bonds—would he be able to get a loan to cover his percentage of a general assessment to take care of this bond indebtedness? Do you follow that? I mean, in other words, we have general revenue bonds for payment of street lighting, and so forth. Could he then obtain a loan to cover that portion of bonds already in being, assessments that already have been spread?

Mr. FERRERO. It is my understanding that it is a question of whether the assessment was legally prepayable.

Mr. FINNEGAN. If there are outstanding bonds now such as in the city of Chicago, in millions of dollars, with the assessments against the property owners, those property owners could borrow the money to pay off the bonds before the tax is levied, is that right?

Mr. FERRERO. That is right.

I might add, this is consistent with what we do in the home mortgage program now when we have a mortgage offered for insurance involving a property which bears an assessment. If that assessment is prepayable it can be included in the mortgage amount. If it is prepayable and the owner does not choose to pay it we deduct that amount from the maximum allowable mortgage. We regard it as a debt on the property and so treat it, and the mortgagor can pay it or not, whichever is to his advantage.

Mr. FINNEGAN. Thank you very much.

Mrs. SULLIVAN. You mentioned in your testimony that the maximum loan obtainable would be \$10,000 per living unit. I think the law spells out that the \$10,000 limit applies to one borrower; and that would be to prevent any developer from using this kind of loan. Do you think you might want to change your testimony on this point?

Mr. FERRERO. Under the present section 203(k) and 220(h) programs, the maximum obtainable loan is limited to an amount which when added to any outstanding indebtedness relating to the property does not exceed \$10,000 per dwelling unit. In the section 203(k) program and that portion of the 220(h) program relating to one- to four-family dwellings, there is an additional total loan limitation of \$35,000. Also, in the multifamily portion of the 220(h) program (involving five or nine dwelling units) there is an additional total

loan limitation based upon 90 percent of the estimated replacement cost of the project when the improvements have been completed. These basic limitations would not be changed by H. R. 11262. However, the bill places a limitation of \$10,000 per property owner (regardless of the number of dwelling units involved) on the amount of loan proceeds that can be used for paying public assessments. As we interpret the provision, the owner of a four-family house could conceivably obtain a 203(k) loan up to \$35,000 if not more than \$10,000 of the proceeds are to be used for paying a public assessment and the remaining \$25,000 to be used for repairs to the property.

Mrs. SULLIVAN. I think that is all the questions we have for you, Mr. Ferrero. Thank you very much.

Mr. FERRERO. Thank you.

Mrs. SULLIVAN. At this point I should like to have put in the record a letter to Congressman James C. Corman from Robert C. Weaver, Administrator for FHA, pertaining to H.R. 11262.

(The letter referred to is as follows:)

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., July 13, 1962.

Subject: H.R. 11262, 87th Congress (Representative Corman).

Hon. JAMES C. CORMAN,
House of Representatives,
Washington, D.C.

DEAR MR. CORMAN: This is in further reply to your request for the views of this Agency on H.R. 11262, a bill to amend section 220(h) of the National Housing Act to permit the insurance under that section or section 203(k) of a loan made to a homeowner for the purpose of paying the cost of public improvements for which (by assessment or otherwise) he is legally liable.

This bill would permit the Federal Housing Administration to insure a home improvement loan under section 203(k) or 220(h) of the National Housing Act, all or part of the proceeds of which are to be used by a homeowner to pay the share of the cost of the construction or installation of sidewalks, streets, street lights, sewers, or other similar types of public improvements affecting his property, which is assessed against him or for which he is otherwise legally liable. No loan, or part of a loan, to be used to pay such charges may be insured if the loan, or the part of the loan which is to be used to pay these charges will, when added to any outstanding loans insured under section 220(h) or section 203(k) for the same borrower and for the same purpose, exceed \$10,000.

The Housing and Home Finance Agency recommends the enactment of this legislation. In rehabilitating older neighborhoods, including urban renewal areas, there is frequently an urgent need for installing public improvements of the types referred to in your bill. Such improvements have a direct effect in increasing the livability and the economic value of the neighborhood as well as the value of the affected individual homes. The financing, with FHA assistance, of the homeowners' share of the cost of such improvements is consistent with the basic purpose of the home improvement provisions which were added to the National Housing Act last year.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ROBERT C. WEAVER,
Administrator.

Mrs. SULLIVAN. Our next witness will be Congressman Corman.

We are most happy to have you with us, Congressman, and we will be glad to hear from you if you care to testify yourself or from the gentlemen who are accompanying you, if you will just identify them.

STATEMENT OF HON. JAMES C. CORMAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CORMAN. Thank you very much, Madam Chairman.

I appreciate the committee allowing this hearing. It is a bill important to our community and, we believe, to others similarly situated.

Mr. Chairman, I would like to introduce Councilman James Harvey Brown from the city of Los Angeles, who appears for the city and as that city's delegate to the American Municipal Association, which has also passed a resolution which he will submit.

Also with me is Mr. Albert Zoraster, a member of the Valley-Wide Committee on Streets, Highways, and Transportation of San Fernando Valley, a citizens' group that has worked a great many years trying to improve the public facilities in our community.

If I may I would like to make my statement a part of the record, and then perhaps to summarize it very briefly, let the other gentlemen speak, and we will be very happy to answer any questions as best we can.

Mrs. SULLIVAN. That will be done, and your comments will be a part of the record.

Mr. CORMAN. Madam Chairman and members, I sincerely appreciate the opportunity of appearing before you in support of my bill, H.R. 11262. The purpose of the bill is to expand the home improvement loan section by adding certain public improvements to those already insurable under existing law. It provides for loans up to \$10,000, to be amortized in 20 years or less with a maximum interest rate of 6 percent.

Passage of this bill will substantially assist many homeowners in my district to upgrade their residences by giving them greater opportunity to install the public improvements abutting and serving their homes. There are undoubtedly a great number of areas in this Nation which are faced with the same circumstances as are those homeowners in the 22d District of California. The district is typical of many suburban areas surrounding our Nation's large cities which have accommodated much of the population explosion occurring since the end of World War II. Most of the new residents who moved into our area were veterans or others who had changed their place of residence because of the war. They were young families with little capital and in need of housing. Thanks to the foresight of this committee, the Veterans' Committee, and prior Congresses, substantial sums of long-term, low-interest mortgage money was available to them to purchase homes which they could enjoy during the period they needed them most—when they were raising their families—and which they could pay for from modest incomes. However, during the early days of this residential building boom, the city of Los Angeles, motivated by the drastic housing shortage, permitted the building of residences without complete street improvements, leaving the installation of paved streets, curbs, gutters, sidewalks, sewers, and storm drains for a later period. This condition prevailed in the city of Los Angeles from 1946 until 1954.

Since that time, Los Angeles has placed very high requirements on residential developers to install the above-mentioned public facilities. We are, however, faced with the dilemma that homes 8 years old or

over are many times without these facilities. Their installation becomes a matter of public necessity. It is this group of homeowners that would be assisted by the proposed amendment.

It is to be noted that the specific portion of the housing bill to be amended has been a great help to the homeowners who have been able to expand their homes as their needs grew. Thousands of bedrooms and baths have been added to facilitate our rapidly increasing birth rate. Kitchens have been modernized to raise the standard of housing as incomes were raised. However, the all-important public facilities needed to upgrade the residences must be financed either by cash payment or by assessment bond. In our State the assessment bond must be amortized in 5 or 10 annual installments at 6 percent interest and must be paid simultaneously with the real property tax bill. This in itself creates some hardship for homeowners of modest income. Additionally, assessment bonds are discounted in the city of Los Angeles, from 5 to 20 percent, making such improvements additionally and unnecessarily expensive.

The assessments on individual homes normally range from \$500 to \$5,000 depending on the nature of the improvement, the size of the lot, and complexity of installation. Frequently, such improvements are installed at the request of all of the homeowners. However, in most instances, some homeowners are forced to participate in an assessment district even though they have neither the desire nor the financial ability to do so. The desire of the majority and public necessity force their participation. In the latter category, the installation of sewers and of sidewalks for the safety of schoolchildren have caused particular problems to local government. In instances where the need was great but resisted by the individual homeowner because of the financial strain, city councils have been faced with a harsh decision.

I doubt that any congressional district in this Nation has made greater use of Federal mortgage insurance to provide good housing for its citizens than has my district. It has been a boon to the homeowner himself, to the lender—who needed some sharing of the risk to make substantial long-term loans to persons of modest means—and it was a boon to the builders and suppliers. This might be a good district to look at in evaluating the wisdom of those who conceived mortgage insurance, and I believe a look at my district would convince anyone of the wisdom of such a decision.

For one thing, housing built under these programs has maintained its value extremely well. Apprehensions of some that the GI and FHA tracts of the late forties would be the slums of the sixties has proven completely false. Further, this accelerated program has relieved the pressure for housing in the entire Los Angeles area so that there has been practically no need for public housing and certainly none since the early fifties. Current urban redevelopment programs in the heart of Los Angeles, which are eradicating the slums of the 19th century, have been greatly facilitated because relocation in private housing was possible. Other witnesses who will testify this morning will point out in more detail the specific problems in our community, the solution to which will be aided by adoption of this amendment.

Inclusion of public improvements as qualified insurable improvements under the Housing Act will give the homeowner a third

possibility in their financing. The choice will be entirely his; he may pay cash and avoid all loan costs, he may go to an assessment bond, if this is his desire, but under this amendment he would have the third alternative of being able to go to the bank and apply for an FHA-insured home improvement loan. If the banker is convinced that the loan is a reasonable one, he may then make the loan and have the normal Federal insurance of its repayment. Such a third alternative would be particularly useful to the homeowner of modest means who is faced with a substantial improvement cost and needs the ability to amortize it monthly over a long period of time.

Gentlemen, your favorable consideration of this bill will be consistent with the basic philosophy of the housing program and will be of assistance to city governments which have the responsibility for encouraging and sometimes forcing installation of such improvements. It will be appreciated by the homeowners who want and must pay for such improvements and who need help in financing them, and by me as their representative.

I would like to close by pointing out that the 22d District of California is typical but not unique in this particular area. Similar conditions are found any place where there was substantial residential growth following World War II.

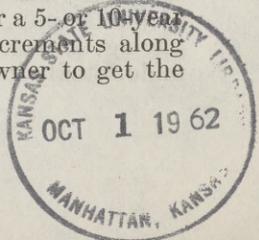
To review a little how we got where we are with our housing around metropolitan areas, at least our experience in Los Angeles, we had a tremendous residential building boom following World War II because of the tremendous housing shortage. Cities were slow to recognize the necessity for public improvements at that time and they were also anxious to get as many building units up as possible with the limited materials which they had. So they postponed until a later date in many instances the complete improvements of curbs, gutters, sidewalks, and in some instances sewers and waterlines.

That situation continued in part in Los Angeles until 1954. The city council passed additional regulations as they went along, but, of course, met some resistance from the builders, and it wasn't until 1954 that they got to the point of requiring total and complete improvement as a condition for residential developments.

So those homes built between 1946 and 1954 have only limited improvements but a commitment on the part of the homeowner to install them at a later date when the city required it, and that is the point at which we are now.

Additionally cities have had occasion to annex substantial pieces of property that have been developed under county regulation which are also much lesser in standards than cities, because counties generally speaking are designed more for rural or sparsely populated development, so when they then became a part of the city they have the problem of raising their standards to those imposed by the cities.

The situation so far as our financing is concerned in California is that the homeowners by petition, and in some instances the city without the initiation of the homeowners can create an assessment district that is in reality a tiny governmental body that has the ability to tax. They spread the cost of the improvement among the homeowners. The homeowner then has the opportunity to pay his assessment in cash or let it go to bond, and the bond must be paid over a 5- or 10-year period, interest at 6 percent, payments in annual increments along with the tax bill, which is a bad time for the homeowner to get the



additional expenses, and those bonds are discounted in Los Angeles at between 5 and 25 percent.

Now, in the neighborhoods where the properties are less valuable the discount rate goes up and the burden is greater on the homeowner.

This bill would give that homeowner the third alternative of a loan up to 20 years, assuming he can satisfy the bank, and monthly installments which he usually could couple with his other mortgage payments.

This particular remedy for the homeowner was made feasible by the 1961 change in the law that this committee carried through last year. Up to that time the home improvements portion was only for \$3,500 for 5 years, now it is \$10,000 for 20 years, and it is now possible for him to use in the instances where he finds his improvements very expensive. We have had instances where a single homeowner was assessed as much as \$5,000 because of the complexity of the public improvement.

Question comes up as to the acceptability of this program on the part of lenders and this will take some selling on the part of local communities, I suppose. However, our banks at home presently are advertising that they have available home improvement money, so they have some funds. Further, there is in addition to the benefit to the homeowner certainly a public benefit, community benefit, from installing this kind of improvement, because by their nature, they are usable by the whole public, not just the homeowner.

I will be glad to answer questions now or after these other two gentlemen speak. They might touch on things that are questions in your mind at the moment.

Mrs. SULLIVAN. I think it would be better to have them finish their testimony before we start to question.

Mr. CORMAN. Mr. Brown.

STATEMENT OF JAMES HARVEY BROWN, COUNCILMAN, LOS ANGELES, CALIF.

Mr. BROWN. Madam Chairman and members of the committee, I am James Harvey Brown, a member of the City Council of the City of Los Angeles, Calif. I am pleased to be able to appear before you today, not only because of the interest of the city of Los Angeles in H.R. 11262, but because a former fellow councilman, Congressman James C. Corman, has introduced the bill.

Additionally I appear before you to represent the American Municipal Association, an organization of 13,500 municipal governments across the Nation.

As you gentlemen probably know, the city of Los Angeles is the third largest city in the United States with a population of over 2½ million, and covers an area of over 450 square miles. You also know that it is the heart of one of the major metropolitan areas in the United States and has experienced a tremendous growth and period of development in the last few years. Because the city of Los Angeles is, in fact, both an old and new city, having been incorporated in 1850, it has some very unusual problems. Not the least of these is the financing of public improvements, particularly street improvements, such as paving, sewers, curbs, and gutters of purely a local character. As you undoubtedly know, the State of California has depended, to an extent

possibly not equaled by any other State, upon special assessment proceedings for the financing of these local improvements. This extends to a majority of individual homeowners in a selected area the decision as to whether or not they shall have local improvements.

There are many areas throughout the growing cities of the State of California, particularly in the Los Angeles metropolitan area, where street improvements are far below standard. There is simply not enough city money to provide these street improvements and neither would it be equitable to do so under our established system of financing such improvements through the special assessment procedures. In some areas, because of the inability to get a majority of affected property owners to support assessment procedures, these property owners have also been, in effect, discouraged from upgrading their property, both in value to themselves and to the tax base of the city. Because the street improvements are not in, homeowners cannot secure FHA financing for improving the property itself in terms of additions, remodeling, or modernization. This condition is more prevalent in areas of the city where the economic base may be below the average and forces these homeowners, who want and may urgently need improvements to their property, to seek secondary financing, because the primary financing will not cover the cost of the improvements.

The cost of such financing often includes a 10-percent fee, plus 10 percent interest for a period of 3 years, at which time the total principal is due and payable in what is commonly called a "balloon" payment. Unfortunately, at the end of 3 years these people are not in a position to make this lump sum or "balloon" payment, and are forced to refinance or place their property in jeopardy. They must refinance on terms that are sometimes even more undesirable than referred to above.

It should be pointed out that, under present subdivision laws, the city of Los Angeles is able to secure uniformity in standards of local street improvements along with the construction of new subdivisions, and the purchaser pays for the cost of street improvements, including sewers, paving, curbs, gutters, sidewalks, and street lights, as well as land and construction costs in one long-term loan. It seems to us that this same privilege should be extended to individual homeowners or groups of homeowners.

To summarize, a plan is needed whereby homeowners, who find participation in special assessment districts prohibitive in cost and time, can be provided a means of financing street improvements to the benefit of both the homeowner and the city. Financing under liberal FHA terms and conditions should be available to homeowners for both home improvements and street improvements, providing the encouragement and the means whereby properties can be maintained. This will avoid, in many instances, the expensive time-consuming procedures, as well as the complications, arising from urban renewal programs. Low-interest long-term financing should be made available to homeowners which (a) refinances existing street improvement bonds of 6 percent for 5 to 10 years, and/or (b) removes the necessity for individual homeowners to seek expensive primary and secondary financing which amounts to an exceedingly high effective rate of interest and may ultimately cause extreme hardship.

Attached to this presentation is a copy of a resolution passed by the Los Angeles City Council on May 28, 1962, requesting the Congress to favorably consider passage of legislation on behalf of this problem.

It should be explained that this resolution was directed to the endorsement of H.R. 10533, the original bill introduced by Mr. Corman. The council reaffirmed its position in support of this type of legislation on August 21, 1962, when it instructed me and other delegates of the city to the 39th Annual Congress of the American Municipal Association in Philadelphia to—

* * * introduce and/or support a resolution which, in their judgment, is consistent with the council's position in support of legislation permitting FHA insurance of loans to homeowners for the payment of the cost of public improvements.

The city of Los Angeles is interested in legislation which will accomplish the objectives as outlined above and I urge consideration of H.R. 11262, or such other legislation as may come before you, in the light of those objectives.

(The resolution referred to is as follows:)

CITY OF LOS ANGELES, CALIF.,
May 28, 1962.

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives,
Washington, D.C.

SIR: I hereby certify that the following resolution was adopted by the Council of the City of Los Angeles at its meeting of May 28, 1962:

"Whereas new subdivisions, financed with FHA insured loans, include the cost of all street improvements, such as sewers, paving, curbs, gutters, sidewalks, and street lights, as well as land and construction costs, in one long term loan; and

"Whereas H.R. 10533, recently introduced in the Federal Congress by Congressman James C. Corman, would permit individual homeowners or groups of homeowners to use FHA financing for such neighborhood street improvements under lending procedures as simple as those currently available for walls, fencing, and other FHA insurable items, and to amortize these loans up to 20 years; and

"Whereas this would permit these individuals or groups of individuals to design and construct much-needed street improvements on their own without going through the time-consuming procedures required under the 1911 Assessment District Act, thereby greatly benefiting the property owners and the city by encouraging and expediting these improvements; and

"Whereas this would also permit may homeowners who are not presently eligible for FHA insured loans, because of the lack of street improvements and who, in most cases, are carrying an unnecessary and burdensome second mortgage, as well as a first mortgage, to refinance their homes and all necessary improvements under one long-term loan: Now, therefore be it

Resolved, That the city council endorse H.R. 10533 and request the Congress of the United States to favorably consider its passage during the 2d session of the 87th Congress; and be it further

Resolved, That copies of this council action be transmitted to the Committee on Banking and Currency of the House of Representatives and to all Congressmen representing the Los Angeles area."

Very truly yours,

WALTER C. PETERSON, *City Clerk*.

Mr. BROWN. May I add that the American Municipal Association at its American Municipal Association Congress which just completed yesterday adopted a national municipal policy supporting in principle H.R. 11262. The association unanimously adopted the following resolution:

Whereas subdividers who build a large number of homes in a given area have the advantage of FHA financing of the entire project which includes such improvements as sidewalks, curbs, gutters, and streets; and

Whereas individual homeowners in a given district must utilize other available and expensive financing for shorter periods of time; and

Whereas the extension of the privilege of FHA financing to such individual homeowners would facilitate the construction of such local improvements as

sidewalks, curbs, gutters, streets, and so forth, which are urgently needed: Therefore be it

Resolved, That this session of the American Municipal Association Congress endorse in principle H.R. 11262 which would provide for financing through FHA of such local improvements such as new sidewalks, curbs, gutters, streets, and other improvements by including them under section 228 or section 203 of the National Housing Act providing for other home improvements.

I wish to thank the committee for the courtesy of listening to my presentation and hope that what I have said may be of some assistance to you in your careful deliberation of this problem.

Mrs. SULLIVAN. Thank you, Mr. Brown.

Now, Mr. Zoraster.

STATEMENT OF ALBERT ZORASTER, SECRETARY, VALLEY-WIDE COMMITTEE ON STREETS, HIGHWAYS, AND TRANSPORTATION

Mr. ZORASTER. Madam Chairman, I also appreciate the opportunity to enter my complete report in the record; after which I might like to speak briefly. Would that be all right?

Mrs. SULLIVAN. We will be happy to have you do that.

Mr. ZORASTER. I am here to represent and speak for the Valley-Wide Committee on Streets, Highways, and Transportation, of which I am secretary. I have been in business in the San Fernando Valley for over 40 years, and concerned with traffic problems since 1926 when I started doing business throughout California from my present business location.

The Valley-Wide Committee on Streets and Highways was organized in 1954 to represent the entire San Fernando Valley, to do away with sectionalism in attempting to solve our serious traffic problems, and to expedite valley freeway construction. These problems by their nature are areawide. To do this intelligently, the Valley-Wide Committee consists of delegates interested in solving these problems from the many chambers of commerce, the San Fernando Valley Board of Realtors, and the San Fernando Valley Industrial Association. Continuous consultation with engineers from the city of Los Angeles, the county of Los Angeles, and the California State Division of Highways, and frequent meetings with public officials have, we believe, resulted in mutual respect.

Recommendations are voted by this committee only after study, and presented only with supporting facts.

Active participation by the valley organization members varies with the monotony of the problems we face, with 60 percent of the chambers consistently active. We have 26 chambers of commerce in the valley.

The Valley-Wide Committee is divided into subcommittees. The freeway subcommittee works on problems of route location, priorities, and related matters with local and State officials of the division of highways. The city street and county road subcommittee works primarily on problems of financing needed city streets and county roads. For the last year it has done this on a statewide basis, appearing before State legislative committees as well as working with local officials.

The subcommittee on highway safety has been concerned primarily with the freeway safety problems. Several of its suggestions have been adopted by the California State Division of Highways. The

subcommittee on highway signing is working with State division of highway officials on the complex problem of providing freeway community signs in the San Fernando Valley to suit our many valley communities.

The new subcommittee on transportation will devote its time to problems of bus transportation and rapid transit. We have adopted the new name of "Valley-Wide Committee on Streets, Highways, and Transportation."

Introducing this committee at a public hearing held by the subcommittee on revenue sources of the California State Assembly Interim Committee on Revenue and Taxation, on October 12, 1961, in Los Angeles, Robert Fuller, past president of the San Fernando Valley Industrial Association, said in part:

I know personally of their efforts, and would like to emphasize to your committee that these men are dedicated; they are not being remunerated in any respect, working as citizens' groups.

Our chairman, James Stanley, has been selected by California State Senator Randolph Collier, to serve as a consultant to, and meet monthly with, the State Senate Fact-Finding Committee on Transportation and Public Utilities, in its search for an equitable means of financing city streets and county roads.

At our regular monthly meeting on June 27, 1962, we unanimously passed the following resolution endorsing H.R. 11262:

Whereas the individual property owner now has only two alternatives for financing street improvements, i.e., cash contract or the 1911 assessment act; and

Whereas such street improvements are costly, and many property owners cannot pay cash; and

Whereas assessment district proceedings add to the cost, and also require a minimum of 2 years for completion in the city of Los Angeles; and

Whereas such street improvements are permanent improvements, and add much more to the value of the property than the cost of the improvement; and

Whereas FHA financing on a 10 or more year basis would permit an owner to proceed on an individual basis, on a cash contract, thus expediting and encouraging such improvements; and

Whereas, the city of Los Angeles now requires all income-zoned property to have street improvements, or such improvements provided for, prior to issuing a building permit for said property: Now, therefore, be it

Resolved, That the Valley-Wide Committee on Streets, Highways, and Transportation does hereby endorse and urge the early passage of this legislation by the Congress of the United States; and be it further

Resolved, That copy of this resolution be forwarded to the sponsor of the bill, Congressman James C. Corman, also copies to Congressman Edgar Hiestand, Mayor Samuel Yorty of the city of Los Angeles, and to the Los Angeles City Council.

We are asking you to recommend passage of H.R. 11262 for the following basic reasons:

First, the need for street improvement is great in all of California as well as in the San Fernando Valley. We understand it is a nationwide problem.

This is the street problem we face in the San Fernando Valley, which has a population of more than 930,000 people, and an area about equal to that of the city of Chicago:

Our estimated needs on residential streets in the Los Angeles City portion alone, as estimated by Mr. Addison E. Wells, Los Angeles city engineer, East Valley division, will be \$339,442,000 on local residential streets, and \$219,020,000 for primary and secondary streets, for a total of \$558,462,000 to 1980. Add to this a deficiency of \$25,554,000 for the city of Burbank, and \$5,138,000 for the city of

San Fernando, both of which are within the San Fernando Valley, and we have a total valley street deficiency of \$589,154,000 for the next 18 years.

The San Fernando Valley includes $3\frac{1}{2}$ Los Angeles City councilmanic districts. At the request of the West Van Nuys Chamber of Commerce, the seventh district councilman, Ernani Bernardi, had the city engineer prepare an estimate of the cost of developing major (1 mile) and secondary (one-half mile) streets in this one district to only four lanes. The cost was \$28 million; based on present capital improvement fund flow, this would require 70 years.

This is not only San Fernando Valley and the city of Los Angeles. In California we have recently made a study, the SRC-62 study, and I will be glad to furnish to the subcommittee the one copy here, if the committee would like to have it.

Mrs. SULLIVAN. I think it would be fine to submit it to the committee for study, but not as part of the record.

Mr. ZORASTER. The extent of the street and highway problem throughout California has been measured in the official senate concurrent resolution No. 62 study, prepared for the California State Legislature. Of this study, before the subcommittee on revenue sources of the assembly interim committee on revenue and taxation, at an official hearing in Los Angeles mentioned previously, the chairman, Assemblyman Charles H. Wilson, stated:

I don't think there is any doubt in our minds that deficiencies do exist, and I think the report prepared by this advisory committee was one of the finest reports that has been accumulated. The problem we find ourselves with is how are we going to finance it.

This study shows a total county road deficiency to 1980 (after auditing) of \$7,621,943,000, of which \$753,499,000 is on existing local or residential streets. The future county residential street need is estimated at \$4,049,977,000.

This study also shows a total city street deficiency to 1980 (after auditing) of \$5,130,040,000, of which \$1,025,374,000 is for existing local or residential streets, and \$1,431,173,000 for estimated future residential streets.

This shows that \$12,751,983,000 will be needed to provide for the estimated city street and county road needs of California in the next 18 years. This does not include State of interstate freeways.

H.R. 11262 would help particularly in financing the \$7 billion of residential or local streets whose improvement is the responsibility of the property owners.

Second, the cost of inadequate streets are very great.

In our long study of traffic problems, one factor always stands out; we are paying for inadequate streets and highways in hidden costs which no one can escape.

Lack of sidewalks, curbs, and gutters were needed, means increased danger to children and other pedestrians. Inadequate streets result in increased costs for gasoline, car repairs, and insurance. When a \$2-per-hour truckdriver with his fringe benefits costs his employer at least 4 cents per minute, you can see how the costs of congested highways cause increased delivery expense to all consumers. When a major valley intersection has 360,000 cars per week pass through it, you can see how small delays per car or truck will multiply to a large total cost.

In conclusion, it is our opinion that passage of H.R. 11262 would encourage individual action to solve our street deficiencies. It would permit cooperation on the part of a small group of neighbors or a large group to solve their own problems, or make possible action by one property owner. It would provide increased business for small contractors. It would provide increased business for private engineers, and reduce the long delays now required to proceed through city departments.

It should do these things at no additional cost to the taxpayers and its implementation should result in helping to solve a serious problem.

We, therefore, urge you to recommend passage of this bill. We feel it is needed.

I wonder if I might possibly answer a question you asked. I have lived in the San Fernando Valley since 1920. When Congressman McDonough lived in the valley, in 1928, it was still very much an agricultural area—wasn't it, Congressman?

Mr. McDONOUGH. Yes, indeed.

Mr. ZORASTER. As late as 1954—my particular business is the production of poultry equipment and ranch supplies, and I had over 2,000 customers in the San Fernando Valley still in 1954.

Van Nuys was started 60 years ago. You can see that nobody at that time could have foreseen the needs of the modern automobile. Nobody at that time could have known what was required in adequate streets. Certainly when we had 5-, 10-, and 160-acre ranches throughout that valley—and some of them are still there, I believe—sidewalks were not needed.

Where I live we still have—in what is called the West Van Nuys community, there are 28,000 people, there are 14,000 employed in the factories there, yet in front of my house is dirt and a two-lane street. Go up my street, which is called a major street, one-half mile, and it is 100 feet wide. Go up the other way for about another mile and a half, two lanes past my house, it becomes 100 feet wide, and you go another mile and it is dirt, and go beyond that and it is developed, and you run into a 100-foot street, paved.

These conditions exist through the San Fernando Valley; to a great extent they exist throughout California. We may not seem old compared to the East, yet many, many of our communities are 70 or 80 or 50 or 60 years old, and the modern motorcar, its growth and expansion, certainly traces from the early twenties.

When I was a boy in Los Angeles, we still had horsedrawn fire engines, and they pastured horses adjacent to Councilman Brown's district. That may indicate to you some reason why we have all of these deficiencies and why we need some means of providing financing so that people can go ahead and take care of the problem.

Mrs. SULLIVAN. In other words, you need this mostly for financing the improvements on property that is there and has been there for years, not so much the new communities going up.

Mr. ZORASTER. Not so much the new communities. Certainly in the city of Los Angeles these gentlemen in the council now have provided ordinances which make it mandatory to put in all necessary physical improvements in the new subdivisions but the San Fernando Valley, for instance, the Los Angeles portion of it, represents 40 percent of the land area of the city of Los Angeles. We had about 20,000 to 30,000 people in 1920 when I moved there. We had

350,000 or 400,000 in 1950. We have over 930,000 now, and expect to reach 1 million in 2 years.

Mrs. SULLIVAN. I just told Congressman McDonough maybe they better not make California so interesting to people.

Have you finished?

Mr. CORMAN. I am through, Madam Chairman.

Mrs. SULLIVAN. I will be happy to pass on the questions to the other members. Mr. Moorhead.

Mr. MOORHEAD. I think the testimony has been very clear and very helpful. I merely want to say that this hearing has been brought about by the diligent efforts of Congressman Corman. In the few years I have served in Congress, I have never seen any Member work more diligently and effectively for the needs of his district than has Congressman Corman. A great deal of credit for this legislation belongs to him.

Thank you, Madam Chairman.

Mrs. SULLIVAN. Mr. McDonough.

Mr. McDONOUGH. Madam Chairman and gentlemen: I am happy to welcome Mr. J. Harvey Brown, a member of the Los Angeles City Council and active civic leader for many years in Los Angeles, and to renew my acquaintance with Mr. Zoraster. We have known each other many years.

I sometimes regret the valley has not remained in the pastoral condition it was in for many years. Some people would have preferred this.

However, I also want to compliment Mr. Corman for his diligence in urging action on this bill. He has discussed it with me many times.

I can say from personal experience in the valley that all the things Mr. Zoraster has said are true. Sometimes you discount things people from California say, but I won't say that is so in this instance.

All he said as to the need for public improvements, streets, sidewalks, sewers, curbs, and so forth, things that were deficient in the early tract development, are needed, and this bill will provide a means whereby the property owner can pay for that obligation which would normally come under the well known 1911 act in the State of California, where it would become an obligation over 10 years. Mr. Corman proposes to provide to allow the property owner to seek an FHA-insured loan to pay off his obligation which would extend it over a period of 20 years at a reasonable FHA rate of interest. It is a very interesting approach indeed to the property owner for needed public facilities.

It is something that I hope we will find application for in other parts of the Nation so that we can get the support of other areas, because we cannot isolate it to the State of California.

Madam Chairman, I have no questions. I think I am quite familiar with the bill. I am glad to meet these gentlemen from Los Angeles who have taken the time to come here to testify, and this is evidence in itself of the need that exists there. Thank you.

Mrs. SULLIVAN. Thank you.

Mr. ZORASTER. Madam Chairman, I was requested before I left, by the head of the 31st District PTA, to present a letter from them for your files. They are supporting this bill entirely because of the fact the sidewalk need is so great, for the children. That would represent 163,000 members.

Mrs. SULLIVAN. We will be glad to have that for the record at this point.

(The letter referred to is as follows:)

THIRTY-FIRST DISTRICT,
CALIFORNIA CONGRESS OF PARENTS AND TEACHERS, INC.,
Van Nuys, Calif., July 19, 1962.

Re H.R. 11262.

Congressman BRENT SPENCE,
Chairman, Banking and Currency Committee, House of Representatives, House
Office Building, Washington, D.C.

GENTLEMEN: The Thirty-first District of the California Congress of Parents and Teachers, Inc., has a membership of about 163,000 parents and teachers, and includes geographically the San Fernando Valley section of the city of Los Angeles. We have local Parent-Teacher Associations in more than 160 public schools within this area.

For a number of years we have been very concerned about the hazardous conditions faced by many children attending these schools because of the lack of sidewalks on their main routes to school. Many of these locations without sidewalks are in areas which were built up before our State laws required sidewalk construction in subdivisions. At the present time, community improvements are carried out through assessment district procedures, and if the cost of these improvements is not paid in cash soon after completion the financing is accomplished through 10-year bonds.

We urge your favorable consideration of H.R. 11262 so that property owners could use FHA financing for these badly needed sidewalks and other improvements. We are sure that this would contribute a great deal to the safety of the children of this community, and probably those in many other communities with similar problems.

Sincerely yours,

THIRTY-FIRST DISTRICT EXECUTIVE COMMITTEE,
Mrs. ROY SLATER, *President*.

Mrs. SULLIVAN. Mr. Finnegan.

Mr. FINNEGAN. On your resolution of the American Municipal Association Congress, was anything brought out about the same situation existing in other parts of the country as distinct from California? I am interested in finding out if there are other parts of the country that would be involved.

Mr. BROWN. I don't know, Mr. Finnegan. Mr. Slater is one of the staff members of the AMA and indicates there was interest shown in other parts of the country.

Do you recall where, specifically, Mr. Slater?

Mrs. SULLIVAN. May I suggest that in the interest of further action on this bill while the study is being made if there are any other parts of the country that would be spoken for through the American Municipal Association that you send that information to the committee, so that we can make it part of the hearing and part of the record.

Mr. SLATER. Glad to, Madam Chairman.

(The information referred to above will be inserted in the subcommittee files.)

Mrs. SULLIVAN. Fine. Mr. Fino.

Mr. FINO. Sitting here and listening to the testimony of the gentlemen from Los Angeles, Calif., it would appear that this is Los Angeles Day. I am sure this bill applies to every city throughout the Nation. I was just wondering whether or not the conference of mayors is aware of this proposal, Mr. Corman?

Mr. CORMAN. I have not submitted it to them, sir. I did to the American Municipal Association.

Mr. FINO. Has the National Home Builders Association expressed interest in this?

Mr. CORMAN. No, sir. I have not submitted it to any national organization other than the American Municipal Association, in part because I used to be a delegate to that organization and was aware of their interest.

Mr. FINO. I am sure that this is a problem that exists throughout the country. I don't want to argue with my colleagues from California as to the relative greatness of California compared to New York. I think Messrs. Brown and Rockefeller are doing that job thoroughly.

Mrs. SULLIVAN. Thank you, Mr. Fino.

May I say we are happy to have had the opportunity to hear you gentlemen today on this bill. It is a new concept of insurance under FHA, and I think it is worthy of study.

I believe you know that it is impossible for us to act on this so late in the session. But I am certain that our Chairman, Mr. Rains, would want to go into this next year, and at that time I think we should have some witnesses from the American Municipal Association and the mayors conference—the U.S. Conference of Mayors—to come in and express themselves on it.

Thank you very much. The committee will be adjourned.

(The following letters from the American Automobile Association, Washington, and the United States Conference of Mayors, Washington, have been received and are inserted in the record at this point:)

AMERICAN AUTOMOBILE ASSOCIATION,
Washington, D.C., August 31, 1962.

HON. ALBERT RAINS,
Chairman, Subcommittee on Banking and Currency,
House of Representatives, Washington, D.C.

DEAR MR. RAINS: This is with reference to H.R. 11262, introduced by Congressman Corman of California. I understand that hearings were held yesterday by the Housing Subcommittee of the Committee on Banking and Currency.

As I understand H.R. 11262, it would amend section 220(h) of the National Housing Act so as to permit the insurance under that section or section 203(k) of a loan made to a homeowner for the purpose of paying the cost of public improvements such as street improvements.

Existing policy of the American Automobile Association is to the effect that the needs of strictly local roads and streets should be met from property tax assessments based on benefits and from other nonhighway user sources.

As we interpret H.R. 11262, it is intended to facilitate local street improvements by making FHA-insured loans available for such improvements throughout the entire country. Since such revenue sources for local street improvements will come from other than highway user tax revenues, we are, therefore, glad to support this legislation.

It is respectfully requested that this letter be made a part of the official printed hearings on H.R. 11262.

Sincerely,

RUSSELL E. SINGER,
Executive Vice President.

UNITED STATES CONFERENCE OF MAYORS,
Washington, D.C., September 14, 1962.

HON. ALBERT RAINS,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN RAINS: It is our understanding that the subcommittee of the House Banking and Currency Committee is considering the merits of Congressman Corman's bill, H.R. 11262, which would amend sections 220(h) and 203(k) of the National Housing Act to permit FHA insurance of loans for homeowners to pay the cost of necessary public improvements.

We believe the bill has considerable merit and would urge the committee to report it favorably.

Sincerely,

JOHN J. GUNTHER, *Executive Director.*

(Whereupon, at 11:10 a.m., the subcommittee was adjourned.)

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THE UNIVERSITY OF CHICAGO
OCT 15 1962

