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HOUSING PROBLEMS OF THE ELDERLY

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING FOR THE ELDERLY

OF THE

SPECIAL COMMITTEE ON AGING UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

Part 2.—Los Angeles, Calif.

JANUARY 9, 1964

Printed for the use of the Special Committee on Aging



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NOTE.—Three hearings on housing were held and they are identified as follows:
Part 1—Washington, D.C., December 11, 1963.
Part 2—Los Angeles, Calif., January 9, 1964.
Part 3—San Francisco, Calif.—January 11, 1964.

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HOUSING PROBLEMS OF THE ELDERLY

THURSDAY, JANUARY 9, 1964

U.S. SENATE,
SUBCOMMITTEE ON HOUSING FOR THE ELDERLY
OF THE SENATE SPECIAL COMMITTEE ON AGING,
Los Angeles, Calif.

The subcommittee met at 9:30 a.m., pursuant to notice, in the police auditorium, Police Building, Los Angeles, Calif., Senator Frank E. Moss (chairman of the subcommittee), presiding.

Present: Senators Moss, Randolph, and Williams.

Staff members present: Frank C. Frantz, professional staff for the subcommittee; and John Guy Miller, minority staff director.

Senator Moss. The committee will come to order.

Ladies and gentlemen, the hearing will now come to order. I am pleased to welcome all of you to this hearing. This will be a public hearing of the Senate Special Committee on Aging. This hearing today is the first of several hearings being held in California by subcommittees of the Special Committee on Aging to gather information on problems of importance to older people.

This is the Subcommittee on Housing for the Elderly. Our subcommittee has been engaged for several months in evaluating the present Federal programs to assist in building housing for the elderly. These public hearings are the final phase of that study on which we shall report to the Senate early in February.

The two major programs that assist private nonprofit groups to provide housing for older people are based on laws passed by the Congress in 1959 and expanded in 1961. These are a direct loan program in which long-term, low-interest loans may be made to nonprofit sponsors to finance the construction of rental housing, and a program of mortgage insurance through the Federal Housing Administration to assist in the financing of this kind of housing by private lenders.

Our major reason for holding these hearings in California is that nonprofit groups in this State have made more use of these programs than in any other. So far, nonprofit sponsors in this State have built or have in process 38 apartment projects using the FHA program and 22 projects using direct loans from the Community Facilities Administration. The subcommittee wants to hear from as many of these sponsors as time will permit to learn of their experiences in working with these Federal programs. We also want to hear from others who have studied the needs of older people for housing and who can tell us what more is needed beyond what we are now doing.

My colleagues—Senator Williams of New Jersey and Senator Randolph, of West Virginia—are members of the Subcommittee on Housing for the Elderly and have been working with me in this study.

In addition, they each have their own subcommittees and are pursuing active programs of investigation. Senator Williams is chairman of the Subcommittee on Frauds and Misrepresentations Affecting the Elderly which will be conducting a hearing in San Francisco on Monday. Senator Randolph's Subcommittee on Employment Opportunities and Retirement Income will meet in this room for a public hearing tomorrow morning.

I would like to ask my colleagues if there are any comments or remarks they would like to make at this point.

Senator Randolph?

Senator RANDOLPH. Chairman Moss and Senator Williams, I think we can realize that the President of the United States, in his state of the Union message on yesterday, proved himself to be an architect of action on many, many fronts.

I particularly think it is important and significant as we begin this hearing by quoting from the President's state of the Union message in which he said:

> We must, as part of a revised housing and urban renewal program, give more help to those displaced by slum clearance, provide more housing for our poor and elderly, and seek as our ultimate goal in our free enterprise system a decent home for every American family.

I commend the President of the United States for this positive and affirmative statement.

Mr. Chairman, I am privileged to serve with you on what I know will be most productive hearings.

Senator Moss. Thank you very much, Senator Randolph. I appreciate that comment.

Senator Williams, would you like to make some remarks?

Senator WILLIAMS. Yes, thank you, Mr. Chairman.

I am very pleased that Senator Randolph did quote from the President's message. As a matter of fact, I was going to and I too hold your expressed sentiments, Senator Randolph.

I happen to sit on the committee in the Senate that developed these housing programs that we are studying. I know our committee, the Banking and Currency Committee, and its members felt great hope in these housing programs for our older citizens, and I am particularly grateful for this opportunity to come to an area that has used the programs and for all of us to determine whether there are improvements needed, whether these programs are truly useful for our common objective to see that all of the people of this country, no matter what their station in life, have a decent, good home.

So I come here with great expectations.

Senator Moss. Thank you very much, Senator Williams. We are anxious to get as much information as we can before the committee and make it a part of the record so that the committee can then make its report to the Senate.

We have asked a number of outstanding citizens to testify for us. We will have to be brief and to the point, make the record, because of the limitation of time. We will not be able to hear from everyone, but we will get as much as we can in the time we have.

The first witness who will appear before the committee is the chairman of the California League of Senior Citizens, Mr. George McLain.

I will ask Mr. McLain if he would come forward now and sit at the table here.

Senator RANDOLPH. Mr. Chairman, while the witness is approaching the table I would say that in my experience in the Congress I have never heard more brief opening statements at a hearing by Senators than we have had today. We have set a good example.

Senator Moss. We are trying to set the pattern.

Mr. McLain, we are very happy to have you. Would you introduce your companion?

Mr. MCLAIN. Yes. This is Robert Brown. Mr. Brown is the director of housing for the California League of Senior Citizens. He is a retired FHA staff member here in Los Angeles County and we have had the opportunity over all of these years of our association to pick his brains many times to advantage.

Senator Moss. We are very happy to have you, Mr. Brown.

Mr. MCLAIN. Any technical questions that the committee, after I have made my statement, would like to ask, Mr. Brown of course will assist me in the answering.

Senator Moss. Very good.

STATEMENT OF GEORGE McLAIN, CHAIRMAN, CALIFORNIA LEAGUE OF SENIOR CITIZENS; PRESIDENT, THE SENIOR CITIZENS VILLAGES; AND ROBERT BROWN, DIRECTOR OF HOUSING FOR THE CALIFORNIA LEAGUE OF SENIOR CITIZENS

Mr. MCLAIN. Mr. Chairman and members of the committee, my name is George McLain. I am chairman of the California League of Senior Citizens, with headquarters at 1031 South Grand Avenue, Los Angeles, Calif. The league is sponsor of two of the largest low-rent, quality housing for the elderly developments in the country. The Senior Citizens Village, located at 1917 South Chestnut Avenue, Fresno, Calif., and the Senior Citizens Village of Antelope Valley, located on M and 65th Streets, Quartz Hill area. Both are under the FHA mortgage insurance, section 231, housing for the elderly program.

The membership of the California League of Senior Citizens consists primarily of aged people with low incomes. The league's objective, in its 25 years of existence, has been to seek the solution of economic, health, and housing problems of these people.

There are a number of different types of housing for the elderly in California, and most are for the affluent elderly of substantial income and resources. The only type of housing the low income elderly can afford would be through construction of public housing subsidized by the community, which is prohibitive or practically made impossible by our State constitution.

Well aware of the crying and desperate need of decent housing for the elderly of low and moderate income, the California League of Senior Citizens set out to prove through means of a private enterprise nonprofit approach that quality housing at reasonable low rents could be provided for those whose incomes are in the range of World War I pensions, social security, and the State's old-age security payments.

Our Senior Citizens Village in Fresno is an outstanding example of what we have been able to accomplish in this field. Our FHA commitment for this 42½-acre development with 557 living units was $4,400,000. Permission to occupy the Fresno village was granted April 4, 1962. Our vacancy factor averages 2 percent or less, which means that our years of contention that the elderly desire this type of living has been confirmed by actual experience. We have duplicated this village in Antelope Valley to serve the greater Los Angeles County which contains 40 percent of the State's over 1,600,000 population age 62 and over. The Antelope Valley village, covering 47½ acres, consists of 81 ranch style buildings, all 1 story, and arranged in casual fashion around a 20,000-square-foot community center. Its 557 living units will accommodate almost 1,000 elderly residents and the mortgage is insured by the Federal Housing Administration for $4,660,000.

While our Fresno village is teeming with contented and happy elderly people, its counterpart in Los Angeles County has been for the past year and a half a ghost village, overrun with weeds and neglect, and only now is being readied for occupancy. Actual construction on this project started June 20, 1961. The building contractor's official completion date was September 15, 1962.

By this, gentlemen, you can see that something is wrong—seriously wrong. Where a project insured by FHA, always with ample funds for its completion, can be deliberately withheld from occupancy and completion for 2 years—and God knows how much longer, from hundreds of elderly people pleading to move in. That is one of the reasons I appreciate this chance to appear before you gentlemen to give you the benefit of our experience as nonprofit sponsors and owners of some $9,100,000 FHA insured housing for the elderly developments.

Early in my work with the elderly my attention was brought to the deplorable and unsanitary conditions they were forced to live in because of their low incomes. After thought, study, and investigation, I realized that only Congress could enact legislation which would enable these people to obtain better housing. I brought these problems to the attention of the late Senator William Langer, of North Dakota, and, after working out the details in the Senator's office, Senator Langer introduced on March 8, 1946, Senate bill S. 1914 which I believe was the first direct loan program introduced in Congress for housing for the elderly. Of course, it was not until 10 years later that the first elderly housing legislation was approved by congressional committees before whom I had the pleasure of testifying.

Immediately after the bill for housing for the elderly became law in October 1956, we started to canvass our memberships to learn if they were interested in sponsoring such housing. We asked our members' advice about the type of housing they desired, the price range, and with the tremendous encouragement received, in January 1957 we started in the housing business.

In the 7 years since then we have had the most outrageous and disappointing experiences received by any group of citizens who banded together to do a job that rightfully belonged to the Government. The job of creating quality low-rent housing for the elderly. If we had it to do all over again, I'm afraid we would have turned our backs and walked the other way.

I won't take your time to recite the frustrating series of delays and disappointments that marked our dealings with the FHA for the 4 years before they issued us a commitment to insure our loan. We were encouraged by promises to expend $250,000 for payment for land, engineering, architectural plans, travel to Washington, D.C., FHA offices, and the assembling of voluminous documents demanded by FHA. Imagine our feelings of relief when we were finally able, in December of 1960, to get a commitment from the San Francisco office of the FHA, and construction work was started immediately.

This commitment was supposed to be 100 percent financing under section 231 of the Housing for the Elderly Act—but it will interest this committee to know the sponsor, the California League of Senior Citizens, has been required to put up $442,000 of its funds for bona fide, necessary expenditures to insure the success of the Fresno village. It is an outstanding success.

As of this very moment, because of the unreasonable attitude of J. Frank Pendergast, the San Francisco FHA housing director, and one of his chief underwriters, Don Ralya, these two gentlemen are causing the Fresno village a loss of $5,000 a month, or $60,000 per year.

We point out our projects are entirely rentals. We have nothing for sale; we charge no admission fee, and our rental schedule is based on a nonprofit operation.

That, gentlemen, will give you a general idea of what we as sponsors of nonprofit housing for the elderly are faced with. What can we do about a situation like this? We appeal to Members of Congress—the FHA gives them a snow job. Then you gentlemen read in your newspapers or magazines about the mounting foreclosures under FHA-insured projects, and you wonder how this can possibly happen. The trouble, gentlemen, as we view it, is primarily from the manner in which the Housing Act is administered. Most of our problems can be traced to the FHA and CFA administrations.

As there were no funds available, we borrowed $83,440 from a Los Angeles bank for the purpose of installing cafeteria equipment in the Fresno village, making certain capital improvements and acquiring equipment in order to place the village in operation. On April 6, 1962, we were successful in an action before the California Public Utilities Commission—permitting the village to purchase the P.G. & E. gas and electric lines and install a single master meter. This would save the village from $1,500 to $1,700 a month in utility costs, which would amount to three-fourths of a million dollars during the life of the mortgage.

The village has $52,540 funds available in replacement reserves that can be used. The bank will accept reimbursement by monthly payments and we, the sponsor, have a $33,000 FNMA refund we are willing to have used to liquidate these obligations in order to place the village on a sound fiscal basis.

The past 12 months have been spent in futile efforts to resolve the financial problems of our Fresno projects. The FHA director, Mr. Pendergast, says "No"—we contend capriciously—but his word is law and what can we do about it? Just what can we do, gentlemen? A provision in the law is needed to grant the sponsor or owner the right to appeal for a fair hearing when dissatisfied with his treatment from the FHA or CFA.

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We, of course, did not believe that local FHA officials would deliberately set out to jeopardize the fiscal soundness of an otherwise most successful operation—as is our village in Fresno. This experience, coupled with our efforts with the Community Facilities Administration on a Washington, D.C., level, leads us to the realization that when it comes to Federal bureaucrats—anything could happen.

After we had begun construction on our village in Fresno, under the FHA, the direct loan program under the Community Facilities Administration received substantial funds from Congress and no longer limited their loans to 50 living units.

The House Housing Committee, well aware of our problems and anxious to help, amended section 202 of the 1961 Housing Act by putting in subsection (e) providing for a transfer of FHA insured mortgage projects under section 231 to the direct loan provisions under section 202 in order to avoid hardship for elderly persons and families who are the prospective tenants of such housing.

On June 22, 1961, we made application to the Housing and Home Finance Agency, Washington, D.C., requesting their consideration under this new section. Commissioner Sidney Spector, Commissioner Sidney Woolner, and Isadore Rafkin, assistant to Woolner, gave our organization and the entire Democratic congressional delegation from California such a ring-around-the-rosy for 14 months, it cost our league $35,000 in trips back and forth, and the preparation of reams and reams of material. The CFA refused to accept the FHA's word for anything—they treated our application as if it was but a gleam in our eyes instead of a completed project, occupied and functioning. Congressman B. F. Sisk, of Fresno, Calif., member of the House Rules Committee, requested Commissioners Spector and Woolner to activate the amendment adopted by both Houses into law—but these two Commissioners refused. Finally, their offer of a commitment was so restrictive and limited we could not accept it. This cost the occupants of the village a cool three and a half million dollars in interest.

Now back to our village in Los Angeles County. Whoever heard of a $4,660,000 project being foreclosed by the mortgagee before the completion of construction? The Senior Citizens Village in Antelope Valley carries this dubious distinction. The Great Western Savings & Loan Association is the mortgagee in question. We contend they collaborated with the B. L. Mecalf Construction Co., and his bonding company, the Royal Globe Indemnity Co., to squeeze the old folks out of the picture, foreclose and sell the village, and thereby make more money than they had originally anticipated.

Our only recourse was the Federal bankruptcy court, under chapter 11. The referee issued a temporary restraining order against foreclosure and sale of the village. A number of hearings have been held. Another one is coming up in the referee's court on January 21.

The amazing thing is, gentlemen, regardless of submission of proof of our allegations against the mortgagee, the builder, and the bonding company, the FHA advises us they have no authority and, according to Carl A. S. Coan, staff director, Senate Subcommittee on Housing, the FHA desires no authority to protect the mortgagor-owner—who pays the freight.

Careful review of the inclusions and the applicable FHA regulations, has revealed no authority for the agency to step in and act in the event of a case such as Mr. McLain's. In fact paragraph (10) of the building and loan agreement appeared to visualize the lender as the proper party to take action.

Communication dated December 26, 1963, from J. H. Killiam, legislative attorney, Library of Congress, to Hon. Thomas Kuchel.

After receiving an FHA commitment, the sponsor faces "closing" in the office of the FHA. He will have on hand for the signing of closing documents the mortgagor-owner, the building contractor, his bonding company, the mortgagee, and the title company. FHA requires the mortgagor-owner to sign three FHA forms: (1) Commitment for insurance of advances; (2) building loan agreement; and (3) construction contract.

A careful scrutiny of these three forms reveal that the mortgagor-owner has no protection. All protection has been given to the mortgagee. These documents lack any definite authority permitting the FHA to take action at the mortgagor-owner's request when the mortgagee fails to act in the best interests of the owner.

We understand that years ago there was protection for the mortgagor-owner in these documents. Since that time they have been rewritten by the FHA in favor of the mortgagee. In our case, had there been protection for the mortgagor-owner, foreclosure and bankruptcy proceedings on the Senior Citizens Village in Antelope Valley could have been averted.

While I was in Washington the first of last year, through the courtesy of Congressman Richard Hanna of California, I conferred with the legislative counsel in drafting H.R. 6433, a bill containing many features I believe from my experience would put the housing for the elderly program back on the track to do the job originally desired by Members of Congress—that of providing low rent, quality housing for the elderly.

In summarizing my experience as sponsor and mortgagor-owner, I wish to make the following recommendations:

1. The three FHA forms: (1) Commitment for insurance of advances; (2) building loan agreement; and (3) construction contract, be rewritten to afford mortgagor-owner protection and require FHA to take action at the mortgagor-owner's request when the mortgagee fails to act in the best interests of the owner.

2. The two separate housing for the elderly programs be placed under a single Federal Housing Commissioner, thus eliminating costly duplication in administration.

3. Establish a board of appeals to allow applicants for loans, et cetera, an opportunity for a "fair hearing" before such board.

4. Require a contract to set forth a specific deadline for completion of such construction, that appropriate penalties be imposed upon the builder for failure to meet such deadline, and that builder furnish a suitable completion bond in such amounts and with such sureties as the Commissioner determines to be appropriate to provide for the payment of such penalties in the event of such failure.

5. That both housing acts include in their commitment the cost of recreation, a community center or other community rooms or buildings, including necessary fixtures, furnishings, and equipment therefor, whether attached or unattached, and include necessary grounds maintenance equipment.

6. That under sections 231 and 202 provide that—

a loan under this section shall be in an amount equal to the total development cost, unless the applicant specifically requests a loan in a lesser amount.

7. That wherever the Housing for the Elderly Acts provide for the age of "62 years or over," each place it appears, strike out and insert in lieu thereof, "60 years of age or over."

8. That the Federal subsidy of $10 per person in public housing be extended to nonprofit corporations under the condition the subsidy will be used to decrease the individual's rental payments.

Gentlemen, in this statement I have tried to squeeze my 7 years of intensive activity in creating the kind of housing I believe you Members of Congress desire to see made available. Quality rental housing for the great majority of the elderly who so desperately need it at rentals they can afford to pay.

With me I have the housing director for the California League of Senior Citizens, himself a former FHA staff member in the Los Angeles office, to aid me with any questions you gentlemen may ask requiring a technical answer. Thank you.

Senator Moss. Thank you, Mr. McLain, for this very fine statement.

You are saying some things that will certainly take examination and consideration.

As I understand it, this Antelope Valley project has now been foreclosed; is that correct?

Mr. McLain. No. A temporary restraining order has been issued by the Federal referee restraining the sale and foreclosure of the village.

As we understand it now, the Great Western Savings & Loan Association is in the process of turning it back to the FHA for the FHA to assume their possession.

Senator Moss. Well now, at what point could this have been averted by the mortgagor-owner? You say he didn't have any protection. At what point did you lack the protection to do what needed to be done?

Mr. McLain. In about May of 1962 the construction of the project had completely slowed down. We learned that the contractor had failed to pay the subcontractors the money that we had given the contractor under the contract to pay the subcontractors, so they walked off the job.

So we then had our architect—we made the proper legal approach in declaring that the contractor was in defualt.

Is that right, Bob?

Mr. Brown. Correct.

Mr. McLain. We notified the Great Western Savings & Loan Association; we notified the contractor himself; we notified the bonding company; we notified the FHA that the job had closed down to a stop and that the Great Western, as our attorney in fact and as the mortgagee, should have then pulled in the bonding company and forced them to finish the job.

That is the reason we paid $30,000 for that protection. Nobody did anything and so it went along. Time and time again we were called back to Washington, D.C., to see if we couldn't have huddles to have agreements and this and that and the other thing and all that, to increase the commitment, to give the contractor more money and all that nonsense where there was more than enough money in the project to do all the things necessary but because of the failure of the Great Western Savings & Loan to demand the contractor to finish the job or to demand that the bonding company replace the contractor

or they themselves put in a new contractor, this whole thing has happened.

Senator Moss. The thing you are complaining about is that there was no power given to the mortgagor-owner to force this chain of events? All he could do was notify?

Mr. McLAIN. And hope that one of the agencies would do something.

Senator Moss. And hope that the mortgagee would do something?

Mr. McLAIN. Or the FHA.

Senator Moss. I see.

Mr. McLAIN. In other words, if the FHA had come in there and cracked some heads together they'd have got the job done, because you think these big finance companies and bond companies, most of their business is dependent upon the Federal Housing Act, and if they got off the beam it would just take a little nudge by the authorities in the administration of the FHA to say, "Now listen, if you don't go ahead and straighten these things out, the next time you apply to take over a project we are going to have a couple of marks against you as not being dependable."

Senator Moss. Senator Randolph?

Senator RANDOLPH. No, I have no questions, Mr. Chairman.

I think that Mr. McLain levels a very serious charge. I think it is the responsibility of this subcommittee, as you say, to study and attempt to determine the basis for the chain of events which have been explained here this morning.

I feel that this should be done promptly and I know under your leadership of the Subcommittee on Housing that this will be a result.

To turn for a moment to another subject, Mr. McLain mentioned that I had visited the village at Fresno, which is true. I recall being invited there by a very young woman, 79 years of age, to execute the twist. It was during the Saturday night party and a very delightful event. I of course realized her proficiency and said, "Thanks anyway."

I reluctantly accepted and then wished that I hadn't, because my version was a very modified form and it was not pleasing, I am sure, to her.

It was an experience, Mr. McLain, to see there these people, alert, active, energetic, who are living together in understanding, mutual respect, and appreciation for the purpose of the village.

I had heard many conflicting stories about what was happening there. So first hand I saw, listened, moved from one apartment to the other discussing the problems with those folk.

It is my belief, a very firm one, that what has been done there can be repeated, I hope not only in California but throughout the Nation.

Mr. Chairman, may I take just one further moment to say that in the Pacific coast edition of the Wall Street Journal of yesterday there was a very important article called "The United States Begins to Take a Closer Look at the Plight of the Nation's Poor." In this article it was pointed out that of the 4,200,000 Negro families in the United States, approximately 2 million of those families are living on less than $3,000 a year. These are not persons, these are families, and 1,200,000 of those Negroes are massed together in city slums.

I don't suggest that what's happened, for example, in a slum area in Harlem in New York is applicable to any degree in any section in an-

other city, especially here on the west coast, but I quote from this article:

Squalid housing abounds in Harlem. Hallways are dark and often smell of garbage.

Mr. McLain, you don't have to go out of Los Angeles to find that's true, do you?

Mr. McLAIN. No.

Senator RANDOLPH. That is what you are attempting to correct?

Mr. McLAIN. Yes, sir.

Senator RANDOLPH. At least to correct in part for thousands of older folk.

I continue:

Paint is peeling off the walls. It is like trying to inhabit a sore, says Joseph P. Lyford, social researcher who has spent many months around that area. Yet such apartments rent for as much as $125 a month for two rooms.

What do you charge at the Senior Citizens Village?

Mr. McLAIN. The rents start at $70.50, partially furnished; completely new, with wall-to-wall carpet; modern colors, if you please; refrigerator and stove, automatic garbage disposal, and individual heating system, panel ray heater, and individual air cooling system, and the rent of $70.50 includes about $26 worth of utilities and yard care, so that makes the rent around $44.

And then here we are having a bad time up there by the FHA costing us $5,000 a month.

Senator RANDOLPH. Mr. Chairman, I bring this contrast to the attention of the committee and your witnesses and guests because it does disclose that insofar as possible I think it is the responsibility of the Federal Government and other agencies at other political levels to have a certain flexibility. I am not endorsing the position taken by Mr. McLain; I am only saying there needs to be a certain flexibility——

Mr. McLAIN. A give and take.

Senator RANDOLPH (continuing). In the law. The intent of the law can be straitjacketed or it can be administered in a way which is helpful.

I do not go into the details of the present problems, but I do wish to point out again that when we find two rooms renting for $125 a month, that type of housing which I have indicated is substandard by any criterion, that this Subcommittee on Housing needs to be very diligent in its investigations. I know it will be diligent in attempting to aid those programs which tend to alleviate the deplorable conditions which exists in New York City and many other metropolitan areas of the country, including, I hope to a lesser degree, Los Angeles and San Francisco and other sections of California.

Senator Moss. Thank you, Senator. Do you have any questions, Senator Williams?

Senator WILLIAMS. Just one or two.

Mr. McLain, of course I am well familiar with your dedication to the creation of better living conditions and better lives for senior citizens.

How many members are there in your California League of Senior Citizens?

Mr. McLAIN. We have better than 30,000 members here in California.

Senator WILLIAMS. What is the age limit or what age group do you include?

Mr. McLAIN. Well, there is no limitation on their age. I would say that the average age of our people runs around about 72 years of age.

Senator WILLIAMS. What is the beginning age for members?

Mr. McLAIN. We have no limit at all. We don't restrict it entirely to elderly people.

We have many of the members who have their families who wish to help, members of their family who become members or contributors to our organization.

Senator WILLIAMS. Well, I see. What are the annual dues?

Mr. McLAIN. $10, which includes a membership and a subscription to our Senior Citizens Sentinel, annual subscription and which makes them eligible to have free service from our welfare department.

We have a complete welfare department with a chief welfare consultant where these people who have problems, anyone in the State of California can write to us and we can take it up with the proper authorities.

I want to say that over the years since we started we have recovered over $750,000 for these old people that the welfare authorities had improperly or by misinterpreting the law had kept from them. That is what the direct benefits are that we have been able to do for these people.

Well, the veterans have that sort of thing, only it is maintained by the State; here it is our movement where we have our own service maintained by the elderly people themselves.

Also from the experience that we have in our welfare department with the problems of the elderly people, we can then go before our State legislature every session that they meet and propose different types of legislation for their consideration and also appear back in Washington before committees like yours to tell you the problems of those who are recipients of social security, public assistance, what have you.

Senator WILLIAMS. I don't want to encroach upon the subject matter of this hearing, but I would like to ask you whether you concern yourself with some of the quackery that is practiced upon elderly people particularly?

Mr. McLAIN. Our welfare department has a great, great, great number of experiences all through the years on individuals and groups and organizations and businesses that have sought to take advantage of the elderly people on just about every form conceivable and while it will not be possible for me to testify before your committee on this most important subject, I have spoken to Mr. Oriol, your staff director, and he has permitted us to submit a paper to you from the head of our department, and also I would like to mention that we had so many reports from these elderly people that people would come and knock at their doors and they would let them into their apartment and they would—one of these two, generally one or two people would come in, and they would keep one person busy in talking to them, making believe that they were a welfare worker from the welfare

department, while the other member was going through their purses and stealing their jewelry and their money in some of the other rooms.

This happened all over California, particularly in the metropolitan districts, and these elderly people, you know, they are the most gullible people in the world; if you say "Here is a welfare worker who has come out to see you," they will drop in their tracks rather than question whether or not they are.

So we were successful, and I gave your legislative assistant a copy of the bill we were successful in getting passed at the last session of the legislature. In the future every person from the welfare department who comes to the home or interviews an elderly person must have an identification card with their picture on it. So we hope that will cut down a lot of those things.

So that is just a little scratch on the surface of the important hearings that you are conducting into the field of these frauds and quackery that is perpetrated against these old, believing people.

Senator WILLIAMS. I am sure we will be very much helped by your experience.

Back to Antelope Valley, in that situation you had a contractor who was in default; is that right?

Mr. MCLAIN. Yes.

Senator WILLIAMS. That contractor, before he was awarded or before he got his contract, had to purchase a performance bond; is that right?

Mr. MCLAIN. No; we had to pay for it.

In other words, the owner-sponsor had to pay it in their commitment. What was it, $30,000?

Mr. BROWN. No; $36,000.

Mr. MCLAIN. We had to pay in our commitment for the cost of the bond. He had to furnish the bondsman but we had to pay the freight.

Senator WILLIAMS. Now wasn't there a legal remedy that you had at the moment of default? Couldn't you go to court and sue this man on his default; and then wouldn't the bonding company come into the picture and wouldn't this job have gone to completion?

Mr. BROWN. Senator, the answer to that is this: We discussed those immediate remedies with the Federal Housing Administration and with the mortgagee and were advised that all we had was a lawsuit and that we would probably be able to bring the job to completion without resorting to legal means.

We were discouraged by all parties against taking legal action.

Senator WILLIAMS. Do you have your own counsel?

Mr. BROWN. We do.

Senator WILLIAMS. Was that his advice, too?

Mr. BROWN. Reluctantly, yes. We were getting no support. We were getting no consideration from either the mortgagee or the FHA.

The bonding company says, "Certainly we had a bond here; if you desire to sue us, why, it is your privilege."

Senator WILLIAMS. Well, it is your contention that you had a mortgagee who was looking to greener pastures?

Mr. BROWN. That is correct.

Senator WILLIAMS. Isn't that true?

Mr. BROWN. Yes, sir, that is correct.

Senator WILLIAMS. It seems to me, speaking of being a little bit gullible, Mr. McLain—Well, I think we have learned a lot. Thank you.

Senator Moss. Thank you very much, gentlemen, both Mr. McLain and Mr. Brown.

Mr. McLain did make some specific recommendations and this is the thing that we like to have before us because then we can consider the specific things that the witness would like to have done.

Now, there are, of course, some rather serious allegations here of failures that have to be looked into. We will invite others who are parties to this matter to submit any statement they would like to make to the committee, the bonding company and the mortgagee, or any of them, so that the whole story will be spread before the committee, and then we will see if we can find some remedies.

Mr. MCLAIN. I would like to say to Senator Williams and to Senator Randolph and to Senator Moss, the chairman of this committee, that the statements I have made can be documented. Everything I have said can be documented, and I wish to take this opportunity to thank you gentlemen for coming all the way out from Washington, D.C., to hold these hearings.

These elderly people don't have the money to take trips to Washington, D.C., when the committee wishes to hear, so it is a great privilege to us to have this committee here for these 2 days in southern California.

Senator Moss. We agree very much that the people ought to have the opportunity to testify, and that's the reason this committee wants to come out and meet with the people where they live and where they can come and listen and see how we go about this business of trying to find solutions.

Senator WILLIAMS. One question: Is the public housing—elderly public housing program used in California?

Mr. MCLAIN. No, sir. A number of years ago the Real Estate Association put a measure on the ballot and the measure was titled "Public Housing," and they put on quite a campaign and the people voted for it, thinking that they were voting for public housing. As it was, they were voting for a measure that prohibited public housing, and so in California we don't have public housing according to the constitution of the State of California, unless the individual community circulates petitions and qualifies for a measure on the ballot in that particular area and puts on a campaign.

Now, the legislature, a couple of years ago, in seeking to help housing for the elderly in California, put a measure on the ballot, I think it was for $200 million, and it was defeated 2 to 1.

Senator WILLIAMS. Now, this is public housing generally, not just public housing for older people?

Mr. MCLAIN. For everybody.

Senator WILLIAMS. No public housing?

Mr. MCLAIN. That is correct.

So you see, that is the reason why we certainly appeal to the Senate of the United States that California is a little different breed from other States; that to create low-rent housing here is a—on a nonprofit

basis is really an accomplishment in comparison to the subsidized public housing.

Senator WILLIAMS. That to me is shocking that the citizens of the State decided this and I am only an ex-Californian. My grandfather was a blacksmith down in La Mesa, which is outside of San Diego. So you see, we come from pretty hard working stock.

Senator RANDOLPH. Very sturdy stock.

Senator WILLIAMS. The work stopped there.

Senator RANDOLPH. Mr. Chairman, I must not delay because you wish to move along, and this is as it should be. However, I would like to discuss one point you made and I think it is an appropriate point.

Congress, through I think rather general feeling among some of its Members these days, is a little reluctant to go out and hold committee hearings because of charges leveled that when Members do hold field hearings that it is another junket that has come into being. In the past there have too often been blanket indictments of the committees that go out, but I think your colloquy with Mr. McLain has once again demonstrated the value of being at the local level, talking with the people in Los Angeles who cannot come to Washington, D.C.

I think it is very valuable and I want the record to show that where a committee does come and attempts to do a good job and assess the facts and hear what the people have to say, that this is constructive.

Senator WILLIAMS. I think that is an excellent point. Now, you have 30,000 members; the annual dues is $300,000, rounded off.

You testified that they have spent about $35,000 in travel?

Mr. MCLAIN. That is correct.

Senator WILLIAMS. Yes.

Mr. MCLAIN. On just one phase of this thing.

Senator MOSS. Did the staff members have any questions to clarify?

Mr. FRANTZ. No, thank you, Mr. Chairman.

Senator MOSS. Thank you very much, gentlemen, we appreciate it indeed.

Mr. MCLAIN. Thank you, gentlemen.

Senator MOSS. We are very happy to have you before the committee.

Our next witness this morning will be Mr. Nels Severin, president of the Palomar Mortgage Co. of San Diego, representing the Mortgage Bankers Association.

STATEMENT OF NELS SEVERIN, PRESIDENT, PALOMAR MORTGAGE CO., SAN DIEGO, CALIF., REPRESENTING THE MORTGAGE BANKERS ASSOCIATION

Senator MOSS. Mr. Severin, we are glad to have you this morning.

Mr. SEVERIN. Thank you very much, Mr. Chairman.

Gentlemen, my name is Nels Severin; I am president of the Palomar Mortgage Co., a nationwide mortgage banking firm.

I have had considerable experience in the field of housing senior citizens, both from the standpoint of financing other builders in the activity and in the development of senior citizens' projects on my own.

I have no prepared statement this morning. I was asked by Mr. Frantz to give you the benefit of my experience in the development of these projects, and I will hasten to say that I perhaps represent the other end of the spectrum for housing senior citizens because my con-

cept of such developments has been for the creation of whole communities with all recreational facilities and other activities available for the residents, and they have all been for sale, financed in the main under the FHA program.

The projects that I refer to are two in California, one in northern California, one in southern California, one in Arizona, and one in Florida. They are different in some respects but in the main contain the features that I spoke of.

Senator Moss. Are these projects for elderly people?

Mr. SEVERIN. Exclusively, yes.

As I said, they are financed under the FHA program and unlike Mr. McLain's experience, I would have to say that all of our experience with the FHA has ben very satisfactory and very workable.

Senator Moss. You haven't experienced any of these lengthy delays about which we were hearing?

Mr. SEVERIN. No. I think that we have had very fine cooperation from the FHA, but would have to also say that we have not used the section of financing which is 231 that Mr. McLain alluded to earlier. We have used in the main section 203, and this is a type of financing that is available for any citizen who qualifies; age has no bearing upon it.

I would be very happy to answer any questions.

Senator Moss. Fine. There may be some questions, Mr. Severin. My colleagues may have questions.

Senator RANDOLPH. Mr. Severin, how much money has your firm placed in housing programs in California?

Mr. SEVERIN. My firm goes back a long, long way.

Senator RANDOLPH. Regardless of how far back it goes, can you give an indication of how much money you have placed.

Mr. SEVERIN. In senior citizens' projects?

Senator RANDOLPH. Yes.

Mr. SEVERIN. I couldn't speak accurately, but it runs into many millions of dollars. I would say at least $25 million in California and Arizona.

Senator RANDOLPH. How many persons have participated then as the housing residents of those projects?

Mr. SEVERIN. I wish I had accurate information for you, Senator Randolph, but again I would have to guess that it would probably involve a mortgage on the average of about $12,500 and then this would mean that we are talking about probably 4,000 people.

Senator RANDOLPH. In those two States?

Mr. SEVERIN. Yes.

Senator RANDOLPH. Thank you very much.

Mr. SEVERIN. You are welcome.

Senator WILLIAMS. Mr. Severin, you say that you use the 203 program more than 231 or 202?

Mr. SEVERIN. That is correct.

Senator WILLIAMS. Now, 203 is the general entrepreneur housing part of the FHA program, is that right?

Mr. SEVERIN. That is correct.

Senator WILLIAMS. So where you create housing that you designate for the elderly, it is profit housing?

Mr. SEVERIN. That is correct.

Senator WILLIAMS. And I would think by definition then you deal with a higher income group of older people?

Mr. SEVERIN. In the main that is true, but this is not true in all of our projects.

We have one project in Phoenix, Ariz., where people of incomes of $250 a month would qualify for a five-room house at monthly payments of approximately $80.

Senator WILLIAMS. I've heard the name of two communities that I understand are for senior citizens, Leisure World——

Mr. SEVERIN. Leisure World is one.

Senator WILLIAMS. Sun City is another?

Mr. SEVERIN. Sun City, that is right.

Senator WILLIAMS. Are you familiar with those?

Mr. SEVERIN. Quite familiar.

Senator WILLIAMS. Do you know what financing program they were devloped under?

Mr. SEVERIN. Yes, I do. Sun City is, in the main, financed also under section 203B.

Senator WILLIAMS. Who is the owner of Sun City?

Mr. SEVERIN. Del Webb Corp.

I of course am more familiar with my own projects. One is called Palm City and the other is called Springtown in northern California.

Leisure World was financed under section 213, nonprofit section of FHA.

Senator WILLIAMS. Who were the mortgagees, do you know, in these?

Mr. SEVERIN. I don't know about the Del Webb project.

Senator WILLIAMS. Probably the New York Yankees. They could afford it.

Mr. SEVERIN. I doubt that very much. As a matter of fact, I would imagine that his experience has paralleled my own in that the money is sought from a number of investors, chiefly in the East, and in the main represent mutual savings banks around New York and New England.

The Leisure World financing was provided by the Metropolitan Life Insurance Co. under section 213.

Senator WILLIAMS. 213?

Mr. SEVERIN. Yes.

Senator WILLIAMS. Do you know how those two communities are working out? Are they well occupied, which would in my judgment be demonstrative of the fact that they are meeting a need?

Mr. SEVERIN. I would have to tell you that I think they are fabulous successes. I think they are meeting a very great need and you will be interested, Senator Williams, to know that one of the Leisure World projects will be built in your State before very long, 50 miles from New York City.

Senator WILLIAMS. I will say this to you and to our friends who are guests here today, that in my State we have no prohibition against using the public housing provisions for the older people and some of our best housing in the State of New Jersey is under the public housing for elderly citizens who are not in an economic position to pay for this profit housing.

Now there is a place, in my judgment, for the low rent public housing as well as your fine projects under 203. Would you agree?

Mr. SEVERIN. No, I will not agree.

Senator WILLIAMS. I didn't think you would.

Mr. SEVERIN. I will not agree with Mr. McLain.

Senator WILLIAMS. I will state it categorically as a fact, not as an opinion.

Mr. SEVERIN. Senator Williams, I will not agree with Senator McLain either.

Senator RANDOLPH. Senator McLain?

Mr. SEVERIN. I mean Mr. McLain.

Senator WILLIAMS. Maybe he ought to run.

Mr. SEVERIN. I do not agree that the act, as passed and voted on by the people of California, was by any subterfuge. I think that it received such wide publicity the people of California knew well what they were doing when they voted against public housing, and I think they would do it again.

Senator WILLIAMS. Well, I'm glad I don't have to go to Mr. Severin for a vote. I wouldn't get it.

I hope I am not being too light here. We can have fun as we disagree.

Mr. SEVERIN. That is right.

Senator WILLIAMS. President Johnson, I have heard him say it many times, "We can disagree without being disagreeable."

Mr. SEVERIN. That is right.

Senator MOSS. From what you say, Mr. Severin, there is still quite a demand for housing for older citizens of the type that you have been describing. If there is one to be built in Senator Williams' State and others, the demand is not nearly met, is that correct?

Mr. SEVERIN. I think that the demand is a long way from being met and grows daily because all of us are aware of the fact that more and more of our population is tending to be in the over-65 age group and will continue in that direction for a number of years to come, and housing senior citizens is one of the foremost problems confronting our country.

There is no question in my mind about it, and there is no question in the minds of the people in my industry that ways must be found to properly and decently house all of the American people, and particularly that segments called senior citizens. I was pleased, if I may make a side comment and offer a suggestion, I was pleased to hear the President make a suggestion to the Congress that consideration be given to the participation upon the part of the Federal Government in the development of whole communities. It is a thing that requires a vast amount of money to go into an undeveloped area and to create the facilities that are needed to make this a worthwhile, livable place for the people who will be there and the method of financing this great expenditure over a long term is the very necessary thing in my opinion.

I would recommend heartily to the members of the committee that they support the President in this desire.

Senator WILLIAMS. Thank you.

Senator MOSS. Thank you, Mr. Severin.

Do you have a question?

Senator RANDOLPH. Just one more.

Mr. Severin has spoken about the need to help the elderly in the country in connection with housing.

It is a fact, Mr. Severin, that over one-fourth of the persons over 65 in this country are in really dire circumstances. Do you know this to be true?

Mr. SEVERIN. I know this to be true. I served on President Eisenhower's Committee for the Aging, and I am well acquainted with the fact.

Senator RANDOLPH. Thank you very much.

Senator Moss. Thank you, Mr. Severin. We appreciate your testimony and your insight into the part you and your organization play in producing housing for the elderly. We appreciate it.

Mr. SEVERIN. Thank you very much.

Senator Moss. Our next witness will be Mr. Thomas Pyott, who is chief of the Old Age Security Bureau of the California Department of Social Welfare.

We will be interested in hearing from Mr. Pyott.

STATEMENT OF THOMAS PYOTT, CHIEF OF THE OLD AGE SECURITY BUREAU OF THE CALIFORNIA DEPARTMENT OF SOCIAL WELFARE

Senator Moss. We are glad to have you, sir, and you may go right ahead.

Mr. PYOTT. Thank you.

Mr. Chairman, members of the committee, my name is Thomas Pyott. I am chief of the Old Age Security Bureau of the California Department of Social Welfare. I am presenting testimony on behalf of the director, Mr. John Wedemeyer, who sends his regrets that he is unable to appear in person before your committee. We are grateful for this opportunity to share our experience and information with you.

The California State Department of Social Welfare is concerned about the limitation on Federal financing available to homes for the aged subject to the licensing jurisdiction of this department. The homes licensed by this department, both those sponsored by nonprofit organizations and those operated as commercial enterprises, are designed to meet the needs of aged persons who do not require professional nursing service or extensive personal care.

We would like to see the low-interest financing under the Community Facilities Administration (sec. 202 of the National Housing Act) made available to homes sponsored by church groups and other private nonprofit organizations. It is our understanding that, under the law, limited centralized services such as community dining, small infirmaries, or health centers for diagnostic and emergency care, and other essential services, are permissible.

As administered, however, this loan program is limited to rental housing units which are fully equipped for independent living. Central dining is prohibited; also prohibited are supportive services, such as health services, occasional help in meal preparation, and incidental personal care which may be needed because of a cold or similar minor illnesses of a temporary nature.

Some of the earlier publications of the HHFA recognize that while many aged persons may be capable, most of the time, of living independently, advancing age requires that they be freed from the necessity of cooking and housework, at least during periods of emergency.

We would like to see this view of the objectives of the CFA loan program restored so that nonprofit sponsored homes, licensed by this department, could qualify. These homes provide community dining and recreation service, but most of the residents do not require continual or extensive personal care.

Another gap in the Federal loan programs for the aged is the lack of availability of financing for nonmedical homes for the aged which are operated as commercial enterprises. Commercially operated nursing home are eligible for financing under section 232 of the National Housing Act. Section 231 is a resource for nonprofit homes for the aged which provide centralized services. Commercially operated nonmedical homes for the aged, however, although subject to the same licensing requirements as the nonprofit homes, do not qualify for financing under either section 231 or section 232. Under the FHA regulations, loans to commercially sponsored housing facilities are limited to projects providing rental housing units equipped for independent living. In these projects the centralized services, which FHA approves in the nonprofit sponsored homes, are prohibited. Therefore, we believe that either the Federal restrictions as to centralized services should be lifted or the provisions of section 231 extended to the commercially sponsored homes for the aged.

I might interpolate, Mr. Chairman, at this point, that in these commercially sponsored homes for the aged, which the State department of social welfare licenses under its statutory responsibility, that more than half of the residents in these homes are recipients of public assistance, that is by definition and fact of low income and requiring that the home available to them be at a low rate.

Both the CFA and FHA loan programs seem to give little recognition of the need for "in between type" services for aged persons who, while unable to maintain completely independent housing arrangements, do not need care in a facility which offers nursing service and extensive personal care.

Moving to a slightly different subject, in reference to the general subject of adequate housing for older people, we call your attention to policies which the State department of social welfare put into effect on January 1, 1964, in the determination of need allowances for housing for recipients of old age assistance. These policies are designed to encourage improved standards in housing for aged persons and to discourage their continued use of substandard housing.

The first change is one which limits to the $21 minimum, the amount which can be allowed on a continuous basis for shelter which has been determined, by the appropriate enforcement agency, to be substandard. In making this policy change, effort has been made to protect the rights of the recipient to choose where he will live, but at the same time to minimize use of public assistance moneys for the perpetuation of substandard housing. The policy emphasizes county welfare department responsibility to provide the kinds of services needed to help recipients either improve their housing to bring it up to standard or to relocate suitable housing. Effective operation of the policy will depend on adequate county welfare department planning and cooperation with local housing enforcement agencies.

The second policy change with respect to housing increases by 20 percent the maximum need allowances for rental housing, constructed

especially for the elderly, provided such housing is operated on a nonprofit basis and is publicly financed, that is, financed under a public program. The augmented shelter allowance for such housing is warranted by the costs involved in construction and financing of this specialized kind of housing. It is recognized that additional costs are also involved in the construction and financing of facilities which are profit motivated. However, because of fiscal limitations, it is possible at this time to permit the augmented need allowances only in those facilities which are operated on a nonprofit basis.

The augmented need allowance is intended as an incentive to encourage construction of additional low- to moderate-cost housing which is designed particularly for older people thus making available to these people more housing at a better standard. Allowance of the augmented amounts is appropriate for the recipient who resides in this type of housing and whose housing and utility costs in fact exceed the normal housing and utility ceilings. The recipient has a right to live in such housing if he wishes and the possible availability of other housing is not a factor in determination of the amount to be allowed.

Care of the aged as licensed by department of social welfare: Aged persons who are not able to live independently, but require some degree of care in a protected living situation other than their own home, should not be in a nursing home unless their health condition is such as to require skilled nursing care. They should receive their care in a homelike situation which adequately supplements their failing capacities for self-care and which is not organized and directed to the care of the ill.

This is the premise which underlies and directs the licensing of facilities for the care of some 30,000 of California's aged. It is a premise which, with the resultant specialized service emphases and the distinctive facility designations, is not widely recognized and understood. It differs, very significantly, from the concepts which appear to prevail and to affect thinking and planning in some other areas of the country.

This difference has taken on special significance, recently, as we have had occasion to discuss, with representatives of the Community Facilities Administration, the significance and application of section 202 of the Housing Act. Because there seemed to be an assumption that personal services and care could only be nursing care in a medically oriented facility, it has seemed to us important to describe the program of licensed nonmedical care of the aged in California. We have had other reasons, also, to believe that wider knowledge of the program may have value.

Types of facilities in California: In California there are three State licensing agencies. The department of public health licenses hospitals, nursing, and convalescent homes, which are considered medical treatment facilities. The State department of mental hygiene licenses psychiatric treatment facilities which care for the senile aged. The licensing program administered by the California Department of Social Welfare encompasses residential services and the nonmedical personal care which, in many States, is referred to as nursing care. These facilities are known as homes for the aged, boarding homes for the aged and institutions for the aged.

The history of licensing in California is significant in relation to this division of adminstrative responsibilty. California was one of the first States to require the licensing of facilities for the aged. The

licensing law enacted in 1925 vesting responsibility in the department of social welfare did not distinguish between nursing care and other services. Establishments for the mentally ill and incompetent, however, were the responsibility of the lunacy commission until that commission was superseded by another agency and eventually by the department of mental hygiene.

After 2 years of licensing facilities for undifferentiated care, the department of social welfare supported legislation transferring responsibility for the licensing of medical treatment facilities, including nursing and convalescent homes, to the department of public health.

Since this separation, the department of social welfare has emphasized the preventive and protective aspects of care of the aged. The homes licensed by this department are designed for persons needing a substitute home where services are available to support their maximum independence and to encourage their continuing participation in the activities of normal living. Those served include:

1. Socially isolated persons who need or prefer a living plan where friends and companionship are available.
2. Frail persons no longer able to carry housekeeping responsibility.
3. Persons who need or want some oversight or personal assistance of the kind normally provided by relatives to an aged member of the family.

Size of the social welfare program: Homes for the aged licensed under this program are equipped to serve about 30,000 persons. These facilities include more than 3,000 family boarding homes for no more than 15 persons each and approximately 300 larger and/or institutional type facilities with individual licensed capacities for up to 400 persons. Forty percent of the "institutions" are sponsored by private nonprofit organizations and have 76 percent of the total capacity (approximately 11,000 individual accommodations.)

The size of the program has shown a slow steady growth. During the last 4 years the number of facilities has increased by 6½ percent. On the other hand, during the same period the number of accommodations in institutions increased by more 37 percent.

Licensing requirements: The major program goal for both nonprofit sponsored and proprietary facilities is the prevention of mental and physical illness through preserving the maximum independence of residents and their capacity for self-care. To promote this preventive goal, licensing requirements undertake to protect the freedom and independence of the aged residents and to protect and assure their dignity, respect, comfort, safety, and social adjustment.

Regulations cover all aspects of the management of the home in addition to the buildings and physical setting. To protect the dignity and privacy of residents, no more than two persons may occupy the same bedroom. Meals must be nutritious, well-balanced, and attractively served in a central dining room. Opportunities for social and recreational activities in the home and the community are also required.

Personal care must be available for persons who need special services because of forgetfulness or physical limitations (e.g., blindness or tremor). These services may include:

1. Assistance with medication usually prescribed for self-administration. (May include routine injection of insulin to a stable diabetic.)

2. Assistance with personal hygiene and grooming as needed.
3. Bedside care during periods of temporary illness such as a cold.
4. Special diets of a nontechnical nature which can be prepared by the regular kitchen staff. (Technical therapeutic diets such as a very restricted sodium diet are not permitted.)

Other areas subject to regulation by the department of social welfare include organization and administrative responsibilities, financing, staffing, social and recreational programs, et cetera. Regulations cover the admission policies and procedures used by facilities as well as the services which are required, those permitted, and those which are prohibited. The admission or continued care of persons requiring skilled nursing care and related medical services is permitted only if the facility has an organized unit designated for such care and licensed by the department of public health.

Thank you.

Senator Moss. Well, thank you, Mr. Pyott, for your statement and very interesting disclosure of the new regulatory policies just put into effect by your bureau at the beignning of this year.

Do you have any questions, Senator Randolph?

Senator Randolph. Mr. Chairman, only to compliment the witness. He spelled out the problem; I think he has made definite, constructive recommendations and we congratulate him.

Senator Williams?

Senator Williams. No questions, thank you.

Senator Moss. Thank you, Mr. Pyott, we appreciate it very much.

Dr. James M. Gillies, professor of urban land economics, Graduate School of Business Administration, UCLA, will be our witness now.

STATEMENT OF DR. JAMES GILLIES, PROFESSOR OF URBAN LAND ECONOMICS, GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF CALIFORNIA, LOS ANGELES

Senator Moss. We will be very happy to hear from you, Dr. Gillies.

Dr. Gillies. Thank you very much, Mr. Chairman.

My name is James Gillies; I am a professor of urban land economics, and I also served as consultant to many private developers, housing industry trade associations, and so on and so forth.

The one generalization that may be made with some degree of certainty concerning the housing needs of the older segment of the U.S. population is that most generalizations concerning the housing needs of the American senior citizens are false. And this is not astonishing, given the fact that in 1960 there was something more than 22 million Americans over the age of 60 and 16 million over the age of 65. Given such a vast number of people, it is only natural that there is a wide variety of housing needs, a great number of different tastes and preferences, and considerable income range represented by the generic expression, "senior citizen housing problem."

The rapid increase in the proportion of the population over the age of 60—the number is expected to double by the year 2000—has intrigued members of the building industry for a number of years. Indeed, between 1958 and 1963 building for this market has probably been more widely discussed among members of the industry than any other special type of construction—and a wide range of opinion has developed among builders as to the proper type of construction for

the market. There are those who suggest that senior citizens prefer to stay in the areas where they have lived all their lives and that they have no interest in moving into outlying regions away from families and friends; others argue that there is a demand for special communities with special facilities for the elderly; and still others believe that there is no need for special communities, only special projects in the central sections of existing cities, and others. And everyone is correct. There is a need for all types of housing space represented by the vast number of senior citizens. There is no one specific answer to the housing needs of the aging.

Granted the differences in tastes and preferences for housing among American families of retirement age, one fact has become clear from analysis of the market, to private entrepreneurs; namely, that in many respects it is not as large as might first appear. The private market indeed decreases very rapidly when the characteristics of the senior citizens are analyzed in detail, and the limiting factors are low income and low mobility.

It is a well-documented fact that low income is the major problem of a large segment of the American senior citizen population. It is roughly estimated that in 1963 less than 2.5 percent of the total population over 65 had incomes over $10,000 per year, and only about 10 percent had incomes over $5,000 per year. Approximately 40 percent of the families with the head of the household over the age of 65 had incomes under $3,000 a year; and, while estimates may vary, the general picture is clear—a very large proportion of the older population does not have sufficient resources to enter the private housing market.

The second limiting factor in the private senior citizen housing market is the lack of mobility among senior citizens. While the post-World War II period has been characterized by increasing mobility among members of the American population—and this has been reflected among older members of the population as well—the degree of mobility among older groups is not particularly high. In spite of much discussion concerning movement to warmer climates—and there has been some such movement—the situation in Los Angeles, for example, clearly shows that migration has been higher among younger than among older groups. Between 1950 and 1960, the median age of the total population of the Los Angeles metropolitan area declined 2.6 years; a decline unmatched in any of the major metropolitan areas of the Nation. Moreover, the proportion of the population over 65 in the Los Angeles metropolitan area is very similar to that in other metropolitan areas, with the possible exception of New York, where the proportion is somewhat higher. Only 8.9 percent of the population in the Los Angeles metropolitan area is over 65, compared to 9.5 percent of the population of the New York region.

This lack of mobility and the relatively small proportion of the senior citizen population with incomes over $5,000 substantially reduces the effective demand for private housing developments catering specifically to the needs of senior citizens. This does not imply that there is no demand for such developments. Obviously, the success of such enterprises as Del E. Webb's Sun Cities and other similar programs indicate that there is. But the demand is probably more limited than might be expected on casual inspection. In spite of considerable promotion, probably not more than 30,000 of the 22

million Americans over 65—or less than three-tenths of 1 percent—are in such projects.

In an attempt to find out more about the housing preferences of a small segment of the private retirement market for housing, a study was made in California during the summer of 1963 of families with the head of the household over 55, not retired, and who would have incomes over $5,000 upon retirement. The results indicate that approximately 15 percent of this group expected to retire between the ages of 60 and 65; another 30 percent at 65; 15 percent before they are 70; a surprising 20 percent never expected to retire, and 20 percent didn't know. Of the group analyzed, 80 percent were currently living in single-family units, 5 percent in duplexes, 14 percent in garden apartments, and 1 percent in other types of dwellings. Interestingly, 80 percent of the group had no plans to move upon retirement; they wished to stay where they were. Of the group who planned to move, 46 percent intended to live in a single-family home, 8 percent in a duplex, 16 percent in an apartment (high-rise or garden type), 6 percent in a senior citizen community, an amazing 12 percent in a mobile home community, and 12 percent had no specific plans.

The preference pattern of the group in terms of amusement was as expected. Activities associated with their local community were quite important—visting family and friends, church work, et cetera, were all mentioned as important factors in making decisions concerning retirement. In addition, the traditional retirement activities—gardening, reading, following past careers, and others, were mentioned as items that would be pursued upon retirement.

The California study, while limited to a small group, is of interest in a number of ways. First, it shows that when people have freedom of choice with respect to their retirement desires because of their incomes, about 80 percent are reasonably content to stay where they are; only 20 percent want to change their living accommodations. It also indicates that living preferences among retirees, again with freedom of choice, favor single-family accommodations 2 to 1 over apartments (at least in the early years of retirement), and in California there is an amazing interest in mobile-home living—2 to 1 over senior citizen retirement communities.

One certainly cannot generalize from these results to the entire senior citizen market. Indeed, it is a specialized study of a specialized market. There is no way of knowing whether or not the preference patterns of people with retirement incomes over $5,000 are similar or widely different from those with lower incomes. In addition, the study covered retirement plans, rather than retirement actuality; and plans, of course, have a habit of rapidly changing.

In studying the needs in housing for senior citizens, it is clearly apparent that there is no one solution to the problem. There must be a combination of public and private operations if the senior citizen housing problem of the Nation is to be solved.

Certain characteristics of the problem which appear to be developing, and which might well be considered in any legislative program are:

1. The housing problem in a large majority of cases is simply an income problem. It is to be expected, therefore, that as the incomes of senior citizens increase, the housing problem will diminish, and income will increase because of the great expansion of retirement pro-

grams in the post-World War II period—programs that are beneficial to people who are just now entering retirement. In addition, the great majority of people entering into retirement in the 1950's prepared for retirement in the 1930's with 1930 price levels in mind. People preparing for retirement in the 1940's and 1950's were in a much better position to make effective plans than those in the early 1930's. The net result is that the average income of retirees will probably increase substantially during the next few years. Whether real income will also increase depends, of course, on the degree of inflation in the years ahead. In short, one of the most effective ways of improving the housing position of the retired members of society is to work toward increasing their incomes, which would then permit senior citizens to exercise freedom of choice in selecting their housing accommodation.

2. The greatest need for retirement housing is in the communities where senior citizens are currently residing. In other words, in spite of all the talk of movement to warmer climates, et cetera, the great bulk of senior citizens apparently prefer to find retirement housing in the area within which they have always lived.

3. Special retirement communities, while meeting the needs of some senior citizens, are only one very specialized type of answer to the housing needs of the older portion of the population. While there are many advantages from such type of living for certain people, their appeal is limited.

4. Some attention might well be paid, particularly in areas of warm climate, to the effectiveness of modern mobile-home parks in providing adequate and attractive housing for senior citizens. In California, there is considerable evidence to suggest that such parks have met the shelter needs of a large number of older citizens. The compact size and efficient organization of mobile homes plus the advantages of community living which modern mobile-home parks present is apparently attractive to many members of the senior citizen group. In a study conducted in 1961 of the specialized characteristics of the occupants of mobile-home parks the prevalence of retired members of society was an outstanding characteristic. It may well be that means and methods might be considered to extend this type of accommodation to a larger segment of the senior citizen population.

5. If current housing problems of the senior citizens are to be solved, there is no doubt that some type of special housing program is necessary. The FHA insurance provisions are clearly a step in this direction. The initiation of senior citizen projects by nonprofit groups is another. However, nonprofit groups are not always well organized, or indeed oriented toward such ventures. Some method of attracting the private entrepreneur who is active in the building industry into this market is essential.

This may only be possible through some capital grant program to builders to enable them to lower their costs, particularly their land costs. Indeed, a writeoff provision for some of the development and land costs might be an appropriate way to solve the dilemma of providing senior citizen housing in populous areas at costs appropriate to senior citizens' incomes.

6. A capital grant program whereby communities are given funds to the extent that they grant tax abatement to senior citizen develop-

ments with limits on rents might be an effective method of reducing operating costs.

7. Some thought might be given to the possibility of relating senior citizen programs to area development needs. Senior citizen housing developments generate a great deal of income for a region, both in terms of original construction and continuing operation. It may be feasible to write down, through capital grants, the construction of such a project in a region where it can be demonstrated that the construction of such project would have a major effect on the economy, and where there is a need for such housing.

On balance, the senior citizen housing problem is an income and cost problem. To the extent that incomes of older members of society increase, the housing problem declines. Since a massive program of raising older residents' income is impractical, the problem can best be attacked by lowering costs. Again, since construction is a highly specialized business, it would appear most useful to attempt to have construction costs lowered through operating with members of the industry. This in turn could be accomplished through a program of capital grants to builders, particularly for land acquisition, and to communities as "in lieu payments" so that communities could grant tax abatement to appropriate developments.

Senator Moss. Thank you for a very responsive paper.

Your findings that older citizens prefer to stay, in general, right where they have been spending their lives, is something that continues to recur as we study this. Whether a great many older people want to go to a place different from their normal homes to go into a village retirement or not, it seems to me, we have heard a bit on both sides. Your finding from your survey would indicate that they would not prefer that and yet Mr. Severin said some of these retirement villages and others were tremendous successes and there was more demand than they had been able to satisfy so far.

Perhaps older people's apparent preferences are really just a reflection of what is available to them.

Dr. GILLIES. That may be, but I think my major point is that with a market as huge as that represented by the senior citizens of the Nation, there is bound to be all types of demands and all types of requirements. You can build very successful retirement communities, because if you get only 1 percent of the market you have a fantastically successful development.

Senator Moss. I too am interested in that conclusion and one that certainly I would agree with, that there isn't any one single way of dealing with this problem.

It is just as diverse as people are diverse, because there are all different kinds of preferences.

Dr. GILLIES. On that point I would like to generalize. You would never say there is one solution to the Canadian housing problem, yet there are as many people in our senior citizen housing market as live in Canada; all types of things are necessary.

Senator Moss. Very interesting.

Senator RANDOLPH. Mr. Chairman, Dr. Gillies emphasizes the fact that we just must not polarize our opinions. Is that right?

Dr. GILLIES. That is right.

Senator RANDOLPH. You can't take these extremes. There are not just two sides; there are as many sides to this problem of housing and

other problems of the elderly as there are elderly persons; as there are parties that are interested, is this true?

Dr. GILLIES. You have certainly put my remarks in a very succinct and effective way.

Senator RANDOLPH. Now I would like to refer to your remarks on page 5 at the bottom. You say:

> One of the most effective ways of improving the housing position of the retired members of society is to work toward increasing their incomes.

I agree, but now I turn to page 7 and it seems that you are contradicting yourself.

You say:

> A massive program of raising older residents' income is impractical.

Now, will you discuss that for me.

Dr. GILLIES. I don't really think it is a contradiction in terms. I believe that the proper solution, or one of the solutions and one of the ways of approaching this problem is to increase incomes, but I am not optimistic that within the next few years we are going to have a substantial increase in the incomes of the senior citizens and, therefore, I think that in the short run we have to have some programs in the housing area to do something about this.

So possibly I should edit this with some time dimensions.

Senator RANDOLPH. Thank you, Doctor.

Senator Moss. Senator Williams?

Senator WILLIAMS. Yes, I would like to inquire just briefly, Doctor—isn't it?

Dr. GILLIES. Yes.

Senator WILLIAMS. Doctor, are you suggesting here a program that would be capital grants to builders, particularly on the land, a program analogous to urban renewal?

Dr. GILLIES. Somewhat, but there would be some differences.

The problem, as I see it, is that urban land, where many senior citizens want to live, has become phenomenally expensive and with this increase in urban land prices it is impossible for a builder to bring in properties that can be rented at rents that senior citizens can afford.

If there was some way of writing land costs down—if developers would agree to a limit on rents as return on his equities, direct grants might be feasible.

Senator WILLIAMS. It is a very interesting suggestion. I wonder if you could develop this further, not now, but in a more comprehensive way?

I guess I am the only one who sits on the Housing Subcommittee of Banking and Currency and also this committee. We are going to have housing legislation this year and I know I would certainly like to have your thoughts further developed to discuss this with our members of the Housing Committee.

Dr. GILLIES. I will be very pleased to do that for you.

Senator WILLIAMS. I will say that I agree with you, you have got to cooperate with the building industry and find the ways to stimulate them into the construction of the housing we are talking about.

I will say too that there are great complexities in getting a stimulant worked out, getting builders excited to do it, particularly where the tenant is to be a low-income tenant.

Dr. GILLIES. No question.

Senator WILLIAMS. And I don't think we will ever work out the financial gimmicks to stimulate builders to meet the whole housing problem in view of the figures in that Wall Street Journal article that there are so many families at such a low income that they will never be able to pay normal rents. That is why we have a public housing program in all the States but California.

I shouldn't say that; I don't know that; but isn't there a place for low-rent public housing in this whole area of a decent home for retired people?

Dr. GILLIES. I don't think there is any doubt that the housing needs of the senior citizen can only be met with some type of subsidization.

Personally, I think it is more effective to develop some type of program with income subsidization, rather than housing support.

Senator WILLIAMS. Again you think that is a long time off?

Dr. GILLIES. Some time off, there is no question.

Senator WILLIAMS. A lot of people, as Senator Randolph described, reading from yesterday's paper, are living in wretchedness right now.

Dr. GILLIES. May I develop one other point, because I notice that Senator Fong, of Hawaii, is on your committee and that is the feasibility of relating senior citizen projects to areas where improvement of the economy is desirable.

I have been looking at the Hawaii situation very closely and as most of you know, in the outer islands of Hawaii the unemployment situation is severe. One of the things that might be effective in solving this problem might be the construction of retirement housing in Hawaii—but there is no hope for this because the cost of construction is so high that if you utilize the existing Federal programs in Hawaii, you cannot compete. There might be certain areas in the Nation where an injection of capital through retirement building might solve two problems, unemployment and the problem of the senior citizen.

Senator Moss. My understanding is that the Clark bill that is before your committee, Senator Williams, does have a provision for writing down the cost of urban renewal land for housing for the elderly, which would be somewhat in accord with Dr. Gillies' suggestions.

Dr. GILLIES. There is a difference, because then it has to go through the Community Redevelopment Agency and so on and so forth.

Senator Moss. We are aware of the study that Dr. Beyer, of Cornell, made on elderly people who were below the range of $5,000 in income. I understand you were making your study of those who had $5,000 or more.

How did his findings compare with yours?

Dr. GILLIES. I can't answer that specifically.

I have read Dr. Beyer's study and it is an excellent piece of work, but I really haven't had a chance to make the comparisons.

Senator Moss. Well, thank you, Dr. Gillies. We do appreciate your coming and bringing this statement for us and answering our questions. You have been very helpful to the committee.

Dr. GILLIES. Thank you.

Senator Moss. I have been advised that Mr. Kenneth E. Lewis, who is an attorney at law and who represents the Globe Indemnity Co. that was involved somewhat in the testimony of Mr. McLain, is present and would be willing to appear briefly before the committee. So, if Mr. Lewis would like to come forward we would be glad to hear from you briefly to help get this whole picture laid out before us.

STATEMENT OF KENNETH E. LEWIS, ESQ., ATTORNEY FOR THE GLOBE INDEMNITY CO.

Mr. LEWIS. Thank you, Mr. Chairman.

My name is Kenneth E. Lewis; I am an attorney in Los Angeles; general partner in the law firm that probably handles more problems related to bonding matters than any other firm in the United States.

This matter of the senior citizens village project in Antelope Valley has been referred to our office. We have been working on it diligently for a good number of months.

I think the record should be set straight in a number of instances.

I heard a portion of the testimony this morning indicating that a temporary restraining order was in effect precluding the foreclosure of the trust deed on the Portals project; this is technically not correct.

The difference may be of greater importance to attorneys than to laymen, but the Great Western Savings & Loan Association voluntarily stipulated that it would not complete the foreclosure sale. There is at the present time no judicial order by the referee ordering that it be stayed.

The hearings are still proceeding. They started in October; they went through November, December, and the further hearings are going to be had in January.

In effect, the debtor corporation has been given until January 21, 1964, to come up with a plan of rearrangement.

Another point at which I believe the record should be made clear is this: We made a thorough investigation when this matter was referred to our office to ascertain whether or not the contractor was in default or whether or not the breach of contract lay on the other side of the controversy.

It has been our practice in our office, and we have done it for years, to let the chips fall where they may; to spend the bonding company's money if the contractor is in default and unable to complete a job and to do it expeditiously.

In this particular situation the general contractor that built the Fresno project, which I am sure Senator Randolph is familiar with, is the same general contractor that built the Portals project. The two projects being built simultaneously, although the Fresno project started sooner and finished sooner.

In the Fresno project the builder gave possession of the units as they were finished so the sponsor could go in and rent them and make them available. Speaking of naivete, this may have been naivete on his part because the sponsor corporation proceeded to collect the rents for 9 months, during which time the final FHA closing was delayed; collected the rents; paid nothing on principal; only serviced the loan as far as interest is concerned and tied up $600,000 of the contractor's money for 9 months.

Now, gentlemen, I don't know very many contractors who can have $600,000 taken out of their cash operating funds and be able to keep current on their obligations. Regardless of this, however, when the bonding company became notified of the situation it immediately investigated. It found a number of causes of delay and they have been summarized in this booklet [indicating], which I am happy to deliver to the committee and leave it.

But there were two primary causes of delay. One related to the question of the water supply.

After the water supply had initially been arranged for it was found that the water district, a local district, could not supply sufficient water. Ultimately, after months of indecision on the part of the sponsor corporation, arrangements were made to have the water tied into the Metropolitan Water District No. 4 at an increased cost of $104,000. That was one delay.

Another delay was changes in regard to the openings between the kitchen and the living area for which it was necessary to obtain a variance from the county board of supervisors to permit an unorthodox opening to be acceptable there without doors.

Probably the most serious delay, however, was that which occurred in about August and September of 1962. At that point the project at Portals had proceeded to the point where the contractor was ready to install the asphalt tile in the floors.

The sponsor corporation said, "I don't want asphalt tile. I want carpeting." A change order was written and the FHA approved it and the change order would have authorized carpeting the floors and increased the loan commitment, but that increased loan commitment would still have required the sponsor corporation to put in money, which it didn't do, whether because it did not have the money or it did not want to put in the money, I do not know.

I do know that from September 1962, until July of 1963 there was no action taken by the sponsor corporation to resolve the indecision whereby it had given the contractor the order to not put in the asphalt tile; go ahead and put in carpet.

The contractor said, "Am I going to be paid for it?" He never got an answer.

Beginning in July of 1963 the FHA, through a great deal of cooperation—and I would like to say here, I don't believe the FHA should be blackened as it has been today. The FHA has cooperated in every respect trying to get this solved. Great Western Savings & Loan Association, the lending organization, and the bonding company's representatives have made any number of trips to Washington, D.C., and have found that at all times the ready willingness on the part of FHA's chief counsel and his staff in attempting to solve this problem.

During the summer of 1963, arrangements were made to obtain additional money from the Great Western Savings & Loan Association, at which time—to be exact the date was July 22, 1963, the bonding company immediately proceeded to go in and get the job finished.

I visited this project on November 5, 1963, and I was amazed. It is a beautiful project; these are concrete block wall buildings, wall-to-wall carpeting. They have draperies made of fiberglass; very stylishly designed buildings, a community center with an auditorium and a stage; any number of medical facilities, first aid room; a barber shop; kitchen facilities, a cafeteria, and store.

All this is there, but it stands there because at this present time the sponsor corporation has gone into a chapter XI proceeding in bankruptcy to seek an arrangement in regard to its debts.

In that regard, a receiver was appointed and the receiver made a report that it would take in the neighborhood of $75,000 to $80,000 to open the doors.

The sponsor corporation acknowledged it did not have that money. At one time the Great Western Savings & Loan, although it had no legal obligation to do so, evidenced a willingness to put up that money provided the first money out was its added investment, but so far the sponsor corporation has not seen fit to get the doors open by merely accepting the offers that were given to it.

Gentleman, I think that, as is frequently the case, there are at least two sides to every story. I would not want you to leave Los Angeles thinking that our fine builders in this community are the type of people that would walk away from a project. The man that built this project finished successfully the Fresno project; he also finished within the framework of his contract the Portals project.

This man, during the time of the project, developed a serious ulcer; was in the hospital. They didn't think he was going to live. His stomach was removed, he has fought on doggedly; he is still fighting on.

A lesser man would have given up and quit. A lesser bonding company would have thrown in the sponge and said, "Well the contractor must be wrong," but we analyzed it and found the contractor was not wrong and we have been proceeding on that basis.

The bonding company I represent will not and has not retreated from that position. It has gone beyond the mere letter of its contractual obligations and will continue to do everything it can to get this project opened up for the senior citizens in California.

I feel confident that Great Western Savings, although I do not know, feels the same way because its attorneys have expressed this to me.

You might ask me what is wrong with this project; why did it get into the dire situation in which it is. I think that what is wrong with this project is probably that which is wrong with anything where the sponsor corporation has none of its own money invested.

The Scriptures tell us, "Where a man's treasure is, there his heart will be also," and he will be a good manager and steward of that which he has put some of his own money and substance into.

In that project every penny of money was borrowed from the Great Western Savings & Loan Association. The land was even not purchased by the sponsor corporation. There wasn't one penny that went into that project that the sponsor corporation put into it at all, and when it came to a point of making a decision that would involve a water right, a change of $104,000, the sponsor corporation would not or did not put up the money. When it came to a question of putting out the $175,000 for the draperies or the carpeting, the sponsor corporation was unable to make the decision or unable to put up the money.

When the receiver suggested he could get the doors open, now that the bonding company and Great Western have put in the vast sums of money that have been put in additionally for another $70,000; again the sponsor corporation indicated it did not have the money.

As I understand the housing law under section 231, there can be both profit and nonprofit corporations sponsoring these projects. I do not say that the nonprofit situation is the evil here.

I do believe, however, that where a profit type of 231 elderly housing financing, is that which is undertaken, that you will find the people who are there to make a fair return on their money are going to work diligently to get it completed.

I think in a situation where a nonprofit corporation is going to sponsor the project, that there should be some additional safeguards instituted.

I did not come here to testify, but after having heard part of it I felt compelled to volunteer.

I think perhaps the sponsor corporation should be a stock company and its stock should in turn be pledged to the FHA as a part of the loan, something of the nature of that which was done under the Military Housing Act—I hate to mention the word—Capehart Housing Act, because I know it has caused some trouble to FHA and the Government.

There at least the stock was pledged to the FHA and on default the FHA had an opportunity to go in and vote the stock.

I believe that responsible sponsors should be obtained; there should be careful screening of the sponsors, whether they be nonprofitmaking or profitmaking corporations.

I believe there should be at least a five- or a seven-man board of directors, people who are dedicated and representative and who are interested in the project in the particular community involved.

I believe there should be a certain degree of flexibility in the rental schedules. I am not suggesting that the rents should be increased, because pretty soon you reach the point where you defeat the very purpose you intend the project to serve.

I believe if there is not some flexibility of rents that the ever-increasing spiral of costs might make a private investor hesitate to go into it and might make it economically unfeasible for a nonprofit corporation.

I believe there should be larger allowances included within the FHA loan commitment, as far as its guarantee is concerned, for the organizational expenses, for the working capital account, and for the fixtures of the project as it is put together.

You heard the testimony this morning of the cost of putting in the fixtures in the kitchen and community center at the Fresno project. Now the Quartz Hill project is identical in the number of units, size of project, community facilities, so you can see it is not an unreasonable estimate that it will cost $70,000 to open the doors.

I think another thing that might be desirable, because we have witnessed what has happened in Fresno, it might be desirable that it would be possible for the FHA to permit the deferment of payments on principal for 1 year. Now we know at Fresno, because the final closing was delayed about 9 months, that they had a little period of grace there in which to get operating.

Now if there were a 1-year deferment of payments on principal, so all the sponsor corporation was paying is the interest for 1 year, we could see how the thing was going to go and could adjust rent or payments accordingly.

You gentlemen who are businessmen know that the mortality rate of a new business is extremely great. It is always in the first few months when they go under. I know in certain businesses the mortality rate, among restaurants, for example, runs as high as 90 percent in a community.

Housing is not the same, but to avoid the possibility of a higher mortality rate in these projects; to keep them from getting in trouble where they become a burden, I think the 1-year grace period would enable the sponsor corporation to get going.

Senator WILLIAMS. Doesn't the FHA have that authority now?

Mr. LEWIS. They have that authority now, I believe. Whether it is being exercised or whether it should be made mandatory, I leave that to the discretion of your committee.

I think longer term loans at lower rates of interest would help.

Senator WILLIAMS. How long and at what rate?

Mr. LEWIS. I will explain.

As far as I understand, the present loan through the FHA, of course, the FHA doesn't lend its money, it merely guarantees loans and later Fannie Mae buys the paper, I believe the going rate now is around 5¼ percent, and that is what they are getting because private investors usually want to get the most for their money, and those loans are limited to 40 years.

The Community Facilities Administration is permitted to make loans up to 50 years and at a rate which varies, but at the present time I believe it is around 3⅜ percent.

We made a study and we believe as a solution to the Quartz Hill project, for example, that if a five and a half million dollar CFA 50-year loan at 3⅜ percent were made, that this project would be open tomorrow and these people would be living there.

In my opinion, it wouldn't require the FHA to make good on any mortgage guarantee it had made; wouldn't even require the renewal of the Fannie Mae commitment, but this will give you the idea of the difference between what happens on a 40-year, 5¼ loan, and the other.

Incidentally, a CFA loan for 50 years would probably result in no rental increase, whereas to remain under the 40-year schedule, this project will not be economically feasible.

Senator WILLIAMS. Which project are you talking about?

Mr. LEWIS. Quartz Hill, Antelope Village as it is now known.

Senator WILLIAMS. Then you advocate with Mr. McLain a switch from FHA to CFA?

Mr. LEWIS. I think that would be desirable for nonprofit organizations.

I do believe on your profitmaking corporations, I see no reason why you couldn't exist under the existing structure.

If there are any questions that I haven't answered that you think might be within my framework of knowledge, for having lived with this thing for about a year and a half——

Senator MOSS. We do appreciate your willingness to come and testify, Mr. Lewis. You certainly do have a full grasp of the problem.

I marvel at the way you could discuss the matter extemporaneously as well as you can. I appreciate your offering the documents; the committee will keep it in its files and refer to it in trying to arrive at some judgment, and we are glad to have you come and testify. I don't know whether my colleagues have any questions.

Any questions?

Senator RANDOLPH. Mr. Chairman, talking about the facility with which Mr. Lewis speaks, I remember I had a public speaking instructor who said, "You can't make a good extemporaneous speech without elaborate preparation."

So this gentleman has said he has lived with this for a year and a half; therefore, he is prepared.

I think the subcommittee will want to consider very carefully what has been said. There are some points of disagreement, some serious points of disagreement between Mr. McLain and Mr. Lewis. There are some points of agreement.

Mr. LEWIS. Yes.

Senator RANDOLPH. I find that here.

Mr. LEWIS. I might say, I had never met Mr. McLain, although his activities in California are well known to any reading person in the State, until I got into this.

I was extremely favorably impressed by his manner and demeanor and dedication to the project involved.

I think his activities in Fresno, however, raise some questions in my mind as to whether this Portals project is being managed in the way it should be.

I read in the newspaper that the senior citizens in Fresno actually ended up in litigation with the corporation that sponsored it because they were having a church service in the auditorium and when they took up a collection the corporation thought it should go to them, and I think maybe there are some errors in judgment that have existed.

I would say, gentlemen, that this matter will be solved and the client that I represent and the lending institution and the sponsor corporation and the contractor are working diligently to solve it now. We may even visit you in Washington before this is over to make sure that you follow through on what you have indicated here might be a good idea.

Senator RANDOLPH. Mr. Chairman, I suggest there be no collection taken here today.

Mr. LEWIS. If a collection is taken here today and it goes to the senior citizens, I will give $5.

Senator Moss. Thank you very much, Mr. Lewis. We do appreciate your testimony here.

Do you have any questions?

Senator WILLIAMS. No.

Mr. LEWIS. I will leave this summary.

Senator Moss. Yes, if you will, please, sir.

Mr. MCLAIN. Mr. Chairman and members of the committee, could I have just one word, please?

Senator Moss. Yes, certainly. We just want to get the facts laid out on the table.

Mr. MCLAIN. I wish to say that this was not supposed to be, as far as I understand, an investigating committee into the problem of the senior citizens village at Antelope Valley. I came here as a sponsor and an owner of two senior citizens villages and a representative of the senior citizens movement.

This gentleman here is an attorney for the contractor and for the bonding company. It is only natural that his views would be considerably different from our views, but after all, the results are what speak for themselves and these old people could not move into the project on September 15, 1962.

I came before this committee to suggest certain moves that I believe Congress could take in order to avoid such things like this happening.

Now I do believe that I think the committee should take consideration after what this gentleman has said in complete variance to what we have said. Many of the things, I am sorry to say, are not truthful.

I believe that as long as a member of your committee is a member of the Subcommittee on Housing of the Senate and you are the chairman of this committee, that you would recommend to the Senate Subcommittee on Housing that a complete investigation be made of this situation here in Antelope Valley regarding the Senior Citizens Village.

There is $4,660,000 involved; there is the welfare of the entire housing for the elderly program.

In other words, this program cannot afford to have a black eye. These elderly people desperately need low rent housing for the elderly.

Now we can't help it, of course, if we don't have money, our organization, to throw into the breach when something has been done that we are not—we feel at fault, and I do think that this committee would do a great service to the cause of the elderly if they would recommend to the Subcommittee on Housing that a complete investigation be made right here into this situation at the Senior Citizens Village in Antelope Valley.

Senator Moss. Thank you. I would think that we might very well want to call this situation and testimony to the attention of the Housing Subcommittee.

Senator Williams. Could I ask just one thing?

Have you discussed with Housing and Home Finance the recasting of this under 202?

Mr. McLain. Yes.

We made application many, many months ago.

Senator Williams. What reasons were assigned?

Who is in charge there?

Mr. McLain. Sid Woolner and Sid Spector.

Senator Williams. What did Sid Spector give as his reason for not approving this application to recast?

Mr. McLain. Well, I don't think that we have reached that stage yet.

According to—they have not denied it, our application for direct loan here on this project.

Senator Williams. Have they said anything to you?

Mr. McLain. They have it under consideration.

Now, I believe that before they could take it over it has to be completed under the FHA requirements.

That is my supposition.

Senator Williams. You have certainly given us a question that we can deal with directly, informally.

Perhaps the formal aspect might follow.

Mr. McLain. I do think that in the event the CFA does take this project eventually over in a direct loan it will accomplish a great thing for the project because it will save its future occupants $3½ million on interest during the life of the loan, just like it would have in our Fresno project, which we were unsuccessful.

Senator Williams. And you are nonprofit; you would qualify?

Mr. McLain. That is correct.

Senator Williams. And the housing, what stage of construction is the housing?

Mr. McLain. Well, right now it is ready for occupancy.

Senator Williams. We will follow through.

Senator Moss. Thank you very much, Mr. McLain. I appreciate having this laid out and we will follow through on it.

It will be possible, I think, to have one more witness before our noon recess.

We will hear now from Mr. Otto Gruber, who is the president of the Retirement Home Planners, Inc., commercial consultants.

Mr. Gruber.

STATEMENT OF OTTO GRUBER, PRESIDENT OF THE RETIREMENT HOME PLANNERS, INC., COMMERCIAL CONSULTANTS

Senator Moss. We appreciate your coming, Mr. Gruber, and we would be glad to have your testimony.

You may proceed.

Mr. GRUBER. Mr. Chairman, honorable Senators, members of the committee, and interested parties in this hearing, in the interest of time I shall refer to a few notes which I have taken as I know you have had a long session this morning.

Briefly, I should say that I formerly served as the executive director of the Southern California Presbyterian Association of Homes Corp., as past chairman of the Advisory Committee on Aging for the State of California, as a participant and delegate at the White House Conference on Aging.

It was our privilege to develop one of the first and most successful FHA projects in the country, Royal Oaks Manor in Duarte, which was sponsored by the United Presbyterian Church.

Ours has been a good experience with the FHA, however, as a national consultant organization we have been in a number of instances, engaged for consultant services by reliable, major, nonprofit sponsors who have found that in their consideration of the FHA program, the mass of regulations and requirements were such that their boards felt it expedient to seek other sources of financing. As a result, we have been working with a number of projects in which private financing is used.

From time to time changes are made by the Housing and Home Finance Agency, including FHA, in their requirements and regulations which definitely tend to impede, rather than expedite, housing development projects for senior citizens. Considerably more detail could be given at this point if time permitted. I do not believe that the obstacles are insurmountable.

I am patricularly concerned about projects which are attractive to nonprofit organizations but who find it difficult, if not virtually impossible, to use the services of the Federal Government in developing facilities for the aging because of certain requirements and regulations which in a number of instances go beyond even the requirements and the regulations of State, county, and city requirements.

And so in the interest of time, may I suggest just one specific recommendation of a number that should be considered?

Namely, that the Housing and Home Finance Agency, should at the executive, policymaking level review with a committee of qualified and thoroughly experienced developers, sponsors, and operators of successful retirement any new changes in its policies and procedures, as well as of existing policies and procedures which are particularly troublesome to prospective sponsors.

The recommendations of Mr. Thomas Pyott of the California State Department of Social Welfare a few moments ago are, in our experience, entirely relevant to greater and broader services for the aged.

I have had the pleasure of working with the California State Department of Social Welfare through the years and I know the caliber of work they do and the type of personnel they have. The existing restrictions to which he referred should be, in our judgment, lifted by the Federal agencies.

I thank you for this opportunity to present these observations and recommendations for your record.

Senator Moss. Thank you, Mr. Gruber.

We appreciate your testimony. Your long experience in this field lends authenticity to your recommendation and, therefore, we want to consider it and we appreciate your being here.

Senator RANDOLPH. Mr. Gruber, before you leave, are you a doctor, a minister, or a mister?

Mr. GRUBER. I was minister of the First Presbyterian Church of Los Angeles until 1955, at which time this denomination elected me to the position of the first executive director of the newly created Southern California Presbyterian Homes Corp. Business background, public relations and advertising experience as well as my ministerial training stood me in good stead. I have been in this field of retirement projects, programs and services since 1955.

Senator RANDOLPH. The reason, Mr. Chairman, I asked the question, I did understand Dr. Gruber was a minister, and I wanted him to add for the record what place he believes that religious organizations can properly fill in connection with housing projects.

Mr. GRUBER. Thank you, Senator.

I think it is a very important position and again in our experience across the Nation we have increasingly found that strong religious sponsors provide an over-and-above quality of service, fellowship, and security which certainly cannot be obtained in standard public housing. And the increasing volume of individuals and couples desiring to enter facilities offering such services and where there is a nonregimented, noninstitutionalized environment with a maximum of security and freedom is indicative of the kind of opportunity confronting nonprofit sponsors.

This is the kind of program which offers a real service to our aging in the country and in which the Federal Government can play a major role through FHA and FNMA.

Senator WILLIAMS. Mr. Gruber, you are a professional consultant for retirement home planners, is that it?

Mr. GRUBER. Yes; I am the president of our organization, Retirement Home Planners, Inc.

Senator WILLIAMS. Do you consult for a fee?

Mr. GRUBER. Yes; we do.

We consult for a fee but our services are considerably more extensive than merely consulting on the project. We bring together all the various facets and component parts which are a "must" for a good sound, efficient operation. This includes the financing, the planning with the architects and sponsors, as well as developing a stimulating resident program and organization.

Senator WILLIAMS. Well, at some time past, I believe it was a fact; I don't know whether it still is or not, but weren't there impediments

in the regulations or in the law that made it difficult for private, nonprofit groups to use your professional skills in the early planning of their housing projects?

Mr. GRUBER. Yes, and also by nonprofit organizations as well. Fortunately, some serious consideration has been given to removing these impediments so that experienced and qualified assistance can be obtained as part of the total financing. This past September the HHFA came out with a bulletin indicating that such professional assistance was recommended and could be included as part of the Government financing.

To get the initial planning in the right perspective and before actual commitments are made we believe is absolutely basic to the success of a project. I believe FHA has a similar feeling about the use of qualified consultants.

Senator WILLIAMS. Has this inhibition occurred?

Mr. GRUBER. Up to a certain extent.

Senator WILLIAMS. What was the prohibition, they couldn't use any of the proceeds under the loan for planning?

Mr. GRUBER. Yes.

Naturally this created a problem for the sponsors whereby they had to assume such fees. Consequently, a number of do-it-yourself projects came into being and we have been called in as troubleshooters after some serious situations developed.

Senator WILLIAMS. And without the special talents to make it as well planned as it could be?

Mr. GRUBER. There still exists this problem with many sponsors of retirement projects, particularly, with religious organizations. Their boards often include retired persons who believe that they are well able to put together all the ingredients of an efficient and economically sound operation which, as you know, is often not so.

Where problems have been created, time and again these were due to a lack of guidance and proper projects during the early planning period.

Senator WILLIAMS. This has been a fact that disturbed me years back, and I hope we can improve that.

Mr. GRUBER. So do we.

Senator MOSS. Have you been working in the 202 program?

Mr. GRUBER. Not as extensively as in the 231's and 232's.

We have had some interviews and interest expressed but the bulk of our work has been in 232's and in 231's.

Senator MOSS. As I understand it, the new regulations now do permit a consultant's fee to be repaid out of the loan. This is a new regulation now, is it?

Mr. GRUBER. Yes; that is correct.

Senator MOSS. Thank you very much, sir.

This will complete our schedule of witnesses this morning. The committee will be in recess now until 2 p.m., and we have some additional witnesses who will be heard in this hall.

(Whereupon, at 12 noon, Thursday, January 9, 1964, the committee recessed to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

Senator Moss. The subcommittee will come to order and we will resume our afternoon hearing.

We have some very interesting witnesses to hear from.

As we did this morning, we will try to move along as rapidly as possible to get the maximum amount in our record, also because the members of the subcommittee this afternoon have an appointment to go and actually see a demonstration of some of the kind of housing about which we are hearing here today. We are going to visit the Soroptimist Village in Norwalk which was built with the help of the section 202, direct-loan program. We will have to conclude the testimony in time to make that visit this afternoon.

We appreciate those who came to testify this morning; we think we have made a good record.

Senator Williams will not be able to be with us this afternoon. He has a conflicting appointment, but with that one announcement of change we are ready to go ahead.

Our first witness will be the Rev. Canon Herbert C. Lazenby, who is president of the American Association of Homes for the Aged.

STATEMENT OF REV. CANON HERBERT C. LAZENBY, PRESIDENT OF THE AMERICAN ASSOCIATION OF HOMES FOR THE AGED

Senator Moss. I have had the pleasure of having Reverend Lazenby in my office in Washington to visit with him.

Was that yesterday or the day before?

Reverend LAZENBY. I think it must have been the day before.

Senator Moss. It must have been the day before. It seems so recent that it couldn't have been as far away as that.

We had a very fine visit and we have here one of the experts in this field. We look forward to hearing from you, Dr. Lazenby.

Reverend LAZENBY. Thank you, Senator.

I have not prepared a written statement, but an outline which I hope may be somewhat expressive of our position and perhaps that position is best defined to some degree by, shall we say, my own dossier.

I speak not only as president of the American Association of Homes for the Aged, with executive offices in New York, where we represent some 4,500 nonprofit homes, scattered all through the United States, but also as executive secretary of the Episcopal Retirement Homes of Western Washington.

I also serve as president of the Washington Retirement Homes Council and speak also out of a concern and interest from service on the National Advisory Board of the Volunteers of America that does operate several homes for the aging scattered throughout the country.

I would certainly first like to thank the Senate committee for their help and their desire to better understand the problem of elderly housing, and particularly for the indication that your concern is for more than just real estate; that actually it is for people.

Representing the homes which we do, we of course feel strongly that it has been wise that there has been Federal encouragement for

housing for the elderly, at least for the last 8 years, but we are also fairly positive of the fact that many of the nonprofit groups, particularly churches, have done this same sort of thing for hundreds of years.

So, once again, I would like to appreciate the concern, the interest, and the involvement that we have had.

I would like, if I may, to make my formal statement in perhaps three sections.

One is our own concern for the intent of the law. I think this phrase was used earlier. There were several phrases used earlier, and after lunch I seriously thought I ought to pass a collection plate, but the Senator from West Virginia had already taken care of that and I couldn't.

But the intent of the law, as many of us in the field understand it—and I think this was evidenced by our President's statement of the last 2 days—is really to see the whole picture, and I am sorry that Senator Williams is not with us this afternoon because I particularly wanted to pick upon one of his phrases which I think is essentially the intent of the law.

He used the phrase that, "We are concerned with homes." Now he did not say just housing. He did not just say shelter, but he put the other ingredient in, which is homes, and so this is one of our concerns that the intent of the law is to be seen as a whole, not just real estate, but people.

There is a risk factor involved obviously when we are dealing with a nonprofit corporation, but quite frankly that risk factor had been paid and covered by the sponsors themselves. We are indeed once again not just talking in terms of standard housing procedures, as evidenced by a single- or multi-family program, but we are talking about groups who are insured.

So it would seem to me and I would hope that the committee could really define what the intent of the law is and that, second, we might move from this, which I think may be a place where we might be of assistance to the committee, which is the intent of the nonprofit voluntary sponsor, because, quite frankly, I am sure, and I speak for many of the church or denominational groups, that we feel quite strongly that our primary intent and focus is to serve people. It is not to be competitive with private industry in building housing. It is certainly not to attempt to take over the role of Government in providing public housing, but is a unique role to provide services. If all we are providing is shelter, then this is not enough.

Through the Federal Housing Act and its provisions, we can provide a creative and not a competitive function, but quite frankly, as many of the Federal programs are now being administered or being interpreted, we feel we are in the great areas in a no-man's land.

The law and the administration of the law is very definite about the private, proprietary interests on one side, the profit-motivated sponsor.

It is also very clear and very definite on the other side about what is the role of government at its assorted levels, but somewhere in between in the gray areas are the nonprofit, voluntary sponsors, essentially the church groups, who do not have a standard by which they are judged, but they are forced to be judged by the standards, on one hand, of the private, profitmaker, and on the other by the standards of what government's function is.

It would seem to me that this is an area that we need to sit down and talk about and clarify.

I think also when we are talking about the nonprofit, voluntary sponsor, particularly as it pertains to church groups, that whether we like it or not, we must use Mr. Vance Packard's statistics out of "The Status Seekers," that the broad majority is middle classed and middle aged; that essentially they are not thinking of themselves, so the programs in many respects do not pertain to this middle-aged, middle-class group, but they are concerned about those that have no income, no resources, but I would hope that we could remove this from the economic factor, because people can be deprived, certainly socially, even though they may have large bank accounts.

As we take a look at the programs we recognize that in many areas public housing takes care of many from the lower income group.

I think there is a growing concern on our part, Senators, that there be an examination in terms of this program too, because it is our understanding that public housing does intend in certain areas to go into the provision of group living, congregate facilities where really they are only going to duplicate the errors of 75 or 100 years ago in the field of homes for the aged.

By this I mean that they are going to provide the so-called living environment, but they are also going to provide common dining facilities, but no other facilities. This is exactly what was wrong with the homes for the aging of 80 years ago.

I do not think that a federally subsidized group should be going into something that has been proven to be disastrous. Certainly as we take a look at some of the programs under the Community Facilities Act we see that in many areas these facilities are only $15 or $20 a month under those programs which are financed under 231.

Let me cite some concrete examples: An efficiency under the 202 program may rent at $85 a month, which is about the low that can be reached, compares with the shelters, services, and under 231 at $105 a month.

I think once again, as it was so well said this morning, we are concerned about a variety of persons, a variety of programs. I think any of us would be very loath to see total and complete emphasis put upon any one program.

So we think about the intent of the law and the intent of the sponsor. I would also like to raise the question of the intent of the administration of the law. This is certainly not implied as criticism.

I do think that the Federal Housing Administration has received a great deal of unfair criticism today. Anything that I would say I would like to say in terms of constructive suggestions.

Much of this was said by a group of us who met with Commissioner Daniels on Tuesday in Washington, D.C.

We are very concerned about the seeming effort of the regional offices to make all projects under 231 a subsidized project; that no matter how the schedules are presented, no matter what might be said, that always when it comes back from the regional office it is not regarded as a nonsubsidized project. It is regarded as one that needs to be subsidized.

I think the question of market feasibility is one which we use very glibly. I am not sure that we have used the best tools at our disposal to really determine what is the need versus the desire versus the availability in any given area. I am sure that many in the audience, as you

are, Senators, and I know you, Senator Moss, because we have talked about this, are very concerned about the administrative ruling which came out in late August that would require the nonprofit sponsor under a 231 project to provide a flat guarantee or a subsidized differential.

In other words, this means that if a project is priced out at a million dollars, but the regional office says this is $800,000, that no longer has the moral power of the sponsor any standing, but this must be executed in legally enforcible guarantees.

I would raise the question about can we really make the law effective when we combine two immovable forces, those two forces being the ecclesiastical machinery, which varies from group to group, and government machinery? I think these are the two immovable forces.

We have had some front corporations who have applied under 231 to build homes for the aging. These have been few in number, however.

Now, under the new ruling, these homes are no longer able to be built and guaranteed by bona fide sponsors, but they must go back to the initial sponsoring group. We, will, for instance, with my responsibility for all the homes in the Episcopal Church, have to go to at least 212 differing governing units.

In this process no local group would ever want to sponsor a project.

Senator RANDOLPH. Just an interruption.

I want to be clear. You say in moving forward in a project in an area of needed housing, a sponsoring group would find overlapping of how many agencies?

Reverend LAZENBY. There would be certainly an overlap—what I am saying, Senator, in terms of getting, shall we say, the church sponsoring group, instead of the mortgagor in this case, this would of necessity involve going back, in our case in the Episcopal Church, to some 212 different governing units with yearly conventions or triennial conventions; this would delay the whole procedure another 3, 4 years before one can get off. I think this would not be guaranteed to stimulate someone whose enthusiasm was high to build a project.

Of course, one of the greatest discussions that have come out under the administration was the modification of the founder's fee principle. I am certainly not here to defend or deny the founder's fee principle. It is a way of housing the elderly. I think we have many stereotypes.

Once again, we think of those people as "they" being the poor, the destitute, who need to get out of their slum room. We also think of many of the retirement homes which particularly have been built on our beloved west coast here as only resorts, country clubs for the rich, because they have paid a founder's fee and charges, but a survey we recently did in the State of Washington indicates that 75 percent of the individuals living in homes that were financed originally by founder's fees have less than $2,000 a year income. This does not sound like resort living to me.

Here we are again concerned also in terms of the administration. Once again we are concerned with the whole question of really questioning the moral responsibility of the sponsoring church group; I would also question the intent of the administration because many of the real decisions, the real clarifications are not essentially made at the Washington office, but are made at the regional offices.

Since this latest administrative ruling, for instance, I happen to know that in three particular regions that there has not been a single new 231 project advanced or accepted, that one regional office has flatfootedly refused to accept any more 231 projects under the new ruling.

I would raise the question then once again, this overlaps with the intent of the law. Does the Federal Government really intend to be in the business of housing the elderly under this program?

I think partially this is a lack of education in the whole elderly field. Certainly many of our regional offices of FHA have done a magnificent job, as I said earlier, in the single and multifamily units, but have not had the experience, once again, in the elderly, which involves a different thing.

It is my understanding that as of October 31 there had been 120 homes or institutions built under 231 with a total of 300 in the planning stage.

This represents some 45,000 dwelling units and mortgage insurance of over half a billion dollars.

The intent of the law, the intent of the sponsor, the intent of the administration, but the last thing would be the intent of those of us who really want to stimulate housing for the elderly, not just as housing, but as services and shelter.

I will not deal with many of those things which were ably covered this morning, but I would say at the moment the 231 program is essentially dead. Whether this is by means of overcorrecting a situation which existed some months ago or not, I do not know.

But I do not think that we must raise certain questions about the recognition of the integrity of sponsoring groups and about variables and flexibility. Once again, we are not dealing just with brick and mortar, we are dealing with people.

I am pleased to report that out of our conversation which we had with Commissioner Daniels on Tuesday, that the American Association of Homes for the Aged made the offer to establish a voluntary committee with a group from the Federal Housing Administration to talk over some of our common problems.

I am interested that one of our speakers this morning made this suggestion. Well, I am happy to report there is great progress in processing because it is now underway.

We are already able to sit down with the Federal Housing people to develop, for instance, criterias for sponsorship. There has been great talk about weak and inadequate sponsors, about the great number of failures. Well, I will question this. No one will give us a straight answer on how many failures.

This committee will give us the whole answer about the motivation of a sponsor, about the continuity responsibility of membership; raise some of the questions about feasibility in the market study; raise some of the questions about why does it take so long to process; why is it one can fly from one coast to the other in 3½ hours and yet it takes 3½ years to process applications?

Certainly we would want to raise the whole question of criteria for sponsorship, the question of subsidy differential; the question of sponsor versus mortgagor. The control—is the project really to be controlled by the sponsor or the Federal Housing Administration?

This is one of the things which makes many prospective sponsors run in the other direction, to think that even though they may be doing a service out of their motivation of helping mankind, they will have no real control over its architectural design or its management or its financing.

I think part of this is illustrated by a recent example. In Buffalo, where 20 or 30 churches of a Methodist conference have been going through the FHA mill for 2 years with the recent ruling, we are told that, "This is it, fellows," and so they then turned and were fortunate in finding a conventional mortgage and were able to go ahead with the project.

I would raise a question about the FHA being more restrictive with the so-called nonprofit sponsor than profit motivator.

Certainly in terms of need I think this has already been pointed out. I would just add a few more.

I think there is a great need, which I understand is in the mill, for nonprofit skilled nursing care facilities. Once again we are not talking about just housing. We are talking housing for people that is appropriate for them.

Skilled nursing care is an appropriate kind of housing. I think certainly we ought to recognize the 201 program, but there ought to be the recognition for variance. Certainly there is the need, as was spelled out earlier today, for the lower cost of money in the terms of the interest rate, extended term of mortgage, and perhaps refinancing.

Certainly there need to be services in projects. There needs to be provision for the amenities, the common rooms, the furniture.

The question was also raised about legal and organizational expense provided, and I would like to end on a positive note with a great willingness to cooperate on the part of Commissioner Daniels and the other staff members, to establish this committee so that we might look at some of these criteria; might be able to evaluate the experience we have had in a short period of time really and might be able to move.

I would simply like to close with the statement that we would, as part of the American Association of Homes, pledge our support certainly to this committee, but also affirm our right to be constructive rebels and criticize because of our concern for the residents that we are sworn to protect and whose interest we are concerned about, because we are not concerned just with housing but with homes.

Thank you very much.

Senator Moss. Thank you very much for the statement and for coming to make it for us.

In your statement you said that you thought at the present time section 231 housing was pretty well dead.

When this committee was holding hearings in Washington and the Assistant Commissioner was before us, he said, in effect, that he didn't expect there would be any changes or diminishing of commitments under section 231.

Do you think he was unduly optimistic or are you unduly pessimistic?

Reverend LAZENBY. Perhaps the truth, in good Episcopal fashion, lies in between. I think once again this is, Senator, a lack of communication to some degree.

As I said, in terms of the regional offices, for instance, I would cite this, this is no great secret, the Denver regional office, which has

been one of the greatest points in this entire country for the 231 projects, now will refuse even to look at an application.

I know this to be true in two other offices.

As I say, the truth probably lies in between, but I think once again the 231 program has essentially been a western program, been utilized more in the West than it has elsewhere.

So whether the Assistant Commissioner was right or I am right or I am pessimistic and he is optimistic, I would hope it were not dead.

Senator Moss. I would hope so, too. I am quite concerned about the fact that in your opinion and in your experience, 231's are not even being filed and processed now.

Senator Randolph, do you have any questions or comments?

Senator RANDOLPH. Yes, Mr. Chairman; very briefly.

I think that Reverend Lazenby has said something that bears repeating; that is that there is a human side in housing; is that true?

Reverend LAZENBY. Exactly, Senator.

Senator RANDOLPH. And we must not forget it. We cannot deal in figures, statistics alone.

Those statistics represent human beings and so here is the need for the flexibility, rather than straitjacketing within the framework of the law but, more importantly, the administration of the law or laws, is that true?

Reverend LAZENBY. I would say this is what I felt when I was trying to say what the intent of the law and so-called Federal policy was toward the elderly and toward housing.

Senator RANDOLPH. Reverend, agencies oftentimes, I think, misread what Congress intended to do in the drafting of measures in the important field of housing for the elderly.

Reverend LAZENBY. This is where we feel, Senator, a national association such as ours has the right to be a constructive critic, to remind both Congress and the administrative unit that you are dealing with people.

Senator RANDOLPH. That is true.

When you speak of being constructive, my wife, Mr. Chairman, and our two sons, are Episcopalians, and so I know they would fully agree with what the reverend has said.

Coming to myself, I have, of course, a slight reservation.

Reverend LAZENBY. Now can we pass the collection plate?

Senator RANDOLPH. Thank you, you have been very helpful.

Senator Moss. It has indeed. Isn't the trend now to fewer subsidized projects in favor of projects that actually pay out, amortize the mortage?

Reverend LAZENBY. Actually this is very true, because most of these projects which are essentially church-sponsored have been nonsubsidized; they have not required a penny of public money in them.

Senator Moss. Thank you very much. We do appreciate it.

Reverend LAZENBY. Fine; thank you.

Senator Moss. Mr. Raymond A. Voigt, who is the executive secretary of the Association of Southern California Homes for the Aging, will be our next witness.

We look forward to hearing from Mr. Voigt.

STATEMENT OF RAYMOND A. VOIGT, EXECUTIVE SECRETARY OF THE ASSOCIATION OF SOUTHERN CALIFORNIA HOMES FOR THE AGING

Mr. VOIGT. Mr. Chairman, honorable members and staff of the Subcommittee on Housing for the Elderly, U.S. Senate Special Committee on Aging, my name is Raymond A. Voigt. My position is that of executive secretary of the Association of Southern California Homes for the Aging, and I am present at this hearing today representing this association.

I might add that I have also more recently served as manager of development and the first administrator of Congregational Homes, Mount San Antonio Gardens, which was a five-and-a-half million dollar 231 program, and have also held other administrative positions in other Federal agencies in the past.

I am very happy, I might say, that Canon Lazenby was here today. I didn't know that he would be, because some of the things that we'll be touching on have been very ably covered by him, but for repetition of some of the things that we believe important, as does he and the American association, I believe it might be well again to stress some of these things.

In prefacing our commentary, I should like to state that the Association of Southern California Homes for the Aging is comprised of 60 nonprofit member organizations and retirement homes, including a total of approximately 9,000 residents. Our member organizations and homes all provide life care, either partial or full, and all are licensed by the California State Department of Social Welfare, and as such are under the control of this department of the State, and must meet State requirements insofar as the physical facilities are concerned, including also their controls for the operation of these undertakings.

Our member organizational relationships with the California State Department of Social Welfare have been most cooperative, effective, and helpful in all phases of our retirement home planning stages, as well as the long-term operational functions, and these relationships have significantly and effectively served the best interests of all directly concerned—our member organizations, administrators, board members, and the residents alike.

Our association's members' interests and concerns are those of providing not alone adequate and desirable housing facilities for the elderly, but such personal services and care as are required to meet the personal needs of the elderly during the long-term periods of advancing age. Our retirement homes' facilities, including physical, social and recreational, and varying provisions of medical facilities as well, and other personal services rendered, are confined not only to active retirement, but also to meeting those other important needs attendant with advancing years and the continuing life care of our residents.

The member organizations and retirement homes of our association meet the range of need of the elderly of all economic income levels, from those in the higher income brackets to those who are dependent to a considerable extent on Federal and State aids in their various forms.

For this reason our association and its member organizations are not alone interested, but are concerned in adequately and effectively meeting and needs of ever-increasing numbers of the elderly. This interest and concern in the elderly and in their well being is not confined to the proper and adequate physical or housing facilities only to meet these needs, but even more important, our emphasis and stress is placed upon fulfilling the human needs that are involved and grow more complex in individuals in their advancing years.

The provision of physical housing alone is not the answer to fulfillment of the growing need that confronts us in the United States today, for more significant is the long-term view, the life care approach of providing, making available, or taking advantage of all facilities and services that will meet every need of the elderly in their advancing years—and this with loving care and understanding.

These sincere interests and deep concerns, therefore, which we as nonprofit member organizations of the Association of Southern California Homes for the Aging hold for the retired elderly extend far beyond just housing alone, or just active retirement for the elderly, and cause us to dedicate and devote ourselves essentially to the human factors, the needs and problems, the care and attention which are inevitably involved with the elderly in their advancing years and on through to termination.

We, as an association, are very much interested in retirement housing and other facilities and care for the elderly that must yet be provided, and such as will best meet and most adequately and effectively serve the needs of the elderly of all economic income levels, but more essentially those above the income level that would be eligible for public housing only.

The Congress of the United States by enactment of the Housing Acts of 1949 and 1961, as amended, and through the several Federal governmental agencies has made provision for the housing needs for the elderly by its several housing programs with long-term and lower cost insured and direct loan financing. These have served with a reasonable degree of effectiveness, but not to the fullest extent that we believe they could with further modifications and relaxations.

We are directly concerned at this hearing with the FHA section 231 and the HHFA–CFA section 202, direct-loan programs.

At this time, I should like very much to state for the record, as former manager of development, first administrator, and presently member of the board of trustees of Congregational Homes, a nonprofit corporation of the State of California, that during the entire planning, development, and construction stages of Mount San Antonio Gardens, Congregational Homes, a 251-unit, $5½ million retirement housing development for the elderly, built under the FHA 231 mortgage insured loan program, located in the Pomona-Clarement, Calif., area, and which was opened for occupancy in September 1961, all of the heads and the entire staff of the local FHA district office here in Los Angeles were most cooperative and helpful, and rendered every possible assistance and effective service to our organization. We have only the highest commendation for the FHA in this undertaking.

The FHA section 231 program had been a comprehensive and effective program and served its intent and purpose well in several new retirement homes whose organizations are members of our association,

and elsewhere also in the Nation. With accommodation fees, founders' fees, or admission fees, the 231 program made possible partial financing of these developments, and enabled our nonprofit member organizations to provide nonresidential facilities for social and recreational activities, as also limited medical facilities for the care and treatment of sick residents. It, furthermore, with permissible founders fees and with subsequent releasing of living units as death or other terminations of residency occur, made possible for our nonprofit homes more substantial and faster amortization of the principal of these 231 loans, and consequent lower monthly charges to the residents over the period of years.

It is our understanding now that the 231 program has been curtailed by the prohibition of the further use of accommodation fees, founders fees, or admission fees, in connection with this program, as formerly permitted, except that the sponsoring organization, as distinguished from the mortgagor corporation, could itself collect such fees or funds provided that it did not represent to the contributors that they would have an absolute right to accommodations in the FHA project. In short, the representation to a contributor would have to be the sole obligation of the sponsor to take care of the contributor in the FHA project or elsewhere.

This ruling, as we understand and interpret it, in our opinion, reflects upon the moral and financial integrity and standing records of established, reputable, reliable, and financially responsible sponsoring organizations, and which, if permitted to remain unchanged and modified, can only further retard the development of much needed, nonprofit, life-care housing for the elderly under the FHA 231 program.

FHA needs to be reminded of the fact that sponsoring organizations of established outstanding record, character, and integrity, and who have committed themselves in writing to FHA to payment of any deficiencies and defaults, have a moral obligation which is as strong, if not stronger, than a legal obligation. This is especially true with nonprofit religious denominational sponsors, fraternal sponsors, and other charitable and service organization sponsors, whose past history and performance records establish them as reputable, reliable, and financially responsible organizations. To impugn these by refuting their commitments to FHA in connection with any FHA 231 program is an indictment against the moral integrity of these organizations.

FHA needs to be certain before any loan commitment is made for a 231 program that the sponsoring organization, distinguished from the mortgagor corporation, is an established organization of good record, of unquestionable character and integrity, and is financially responsible to meet and fulfill any exigency that may arise with the mortgagor corporation in default or deficiency of any debt service payments.

If such sound screening practice is perseveringly followed and carried out by FHA's district offices in the case of every FHA 231 program applicant, then certainly there should be no cause for concern that financial obligations cannot be met with any sound financial structure and operating program of the mortgagor corporation, or that FHA would be placed in the embarrassing position of having to evict elderly, life-care residents.

Furthermore, if there has been any unfavorable experience on the part of FHA in situations which has influenced in any way its present

major administrative switch and curtailment of the 231 program, then it might be well for FHA to carefully review its own regulations, policies, and procedures with the view and intent of intensifying future screening and scrutinizing of every 231 program applicant and sponsor to be certain that they are unquestionable, sound financial risks, but certainly without drastically curtailing the entire 231 program, such as it has with its present ruling on accommodation fees, founders fees, or admission fees.

Another very significant factor that we should like to stress and which it seems apparent FHA has overlooked in its prohibition of the further use of accommodation fees, as we call them in California, is the added financial security which these accommodation fees give to FHA's mortgage insured loans in the 231 programs. Has it occurred to FHA's officials that in the instances of death and terminated use of living units in a 231 development when these occur that the additional revenue in accommodation fees received from releasing such vacated living units brings in revenue which is, or should be, applied to amortization of the principal of the FHA mortgage insured loan?

Let us emphasize further that this is additional security and guarantee when such accommodation fee revenues are so applied, that will faster reduce the loan principal indebtedness and bring amortization of the loan about at an earlier date. This cannot be overlooked nor easily be brushed aside.

And in this same regard, we wish further to emphasize that in the normal life of the loan, which is 40 years, there will be at least three or four re-leasings of living units, where life expectancies will average about 13 years per resident. A computation of these significant factors, credited against the mortgage loan principal over this period of years results in a very substantial reduction of the FHA mortgage insured loan principal.

Does FHA in its ruling recognize all that this means in sound financial practice?

Without the use of the accommodation fees, the charges for debt service of any future FHA mortgage insured loan under the 231 program must necessarily be reflected and added onto the monthly charges to be paid by the residents (1) for total operating and maintenance expenses; (2) for debt service. The effect of this, therefore, can do but one thing and that is to increase the monthly charges in a given development to be paid by all incoming residents.

In effect also, by such increased resident charges, this curtails the availability of this housing for the elderly to those in lower income brackets. Certainly FHA will agree that it is not only desirable, but rather essential, to keep the monthly charges to be paid by residents down to a minimum in order to fulfill the greater market need.

Another matter in relation to the FHA 231 program, and this applies to all California nonprofit, life-care programs for the elderly, is that in the State of California we have the State department of social welfare as the licensing and control agency of our State for all such developments.

This agency has rendered an outstanding service to all of our association member retirement homes. Its many years of experience and service through the staff of its aged institutions unit have been extremely helpful and valuable, commencing with newly proposed life-care retirement homes in the early planning stages, and carrying on

through to completion, and then subsequently in the continuing operations of the retirement homes themselves. Licenses are granted from year to year, and only upon each retirement home meeting the standards and requirements of the State welfare code and regulations.

For the benefit of the record of this hearing, and FHA, the California State Department of Social Welfare periodically audits and carefully scrutinize all operational finances, as also checks on other administrative and operational functions and activities for purposes of compliance with California State requirements.

Specifically, it should be pointed out that finances and financial structures of every home for the elderly coming under the State department of social welfare's licensing jurisdiction, are closely watched. Also, the State requires that every licensed retirement home for the elderly providing lifecare have a substantial liquid asset reserve available at all times to meet any unforeseen exigencies which may arise. Without such reserves as safeguards and controls, a retirement home might well find itself in serious financial difficulties and jeopardizing the security and well being of its residents.

This, therefore, is an added guarantee of financial security for all retirement homes for the elderly providing life-care in the State of California, and coming under the licensing jurisdiction of the State department of social welfare, including, and we point out, those nonprofit, life-care retirement homes financed under the FHA 231 program.

Still another and important and significant factor that we wish to point out and make emphatic is the matter of financial control and security insofar as this relates specifically to FHA and FHA's 231 programed projects in the State of California—and this where accommodation fees are directly involved. No nonprofit organization can solicit funds from any individuals for any such projects without first obtaining a permit from the California State corporation commissioner. No such permit is issued, nor are such approved funds released, as must first necessarily be impounded in trust when solicited, without complete and comprehensive evidence that the financial structure, plans, and program of the mortgagor corporation, and the sponsoring body, are financially sound in every respect; that there is substantial evidence that the mortgagor corporation can carry on successfully; that the plan is workable and financially sound; that the character and integrity of the mortgagor corporation and the sponsoring organization are reputable, reliable, and responsible without question; that the financial interest of each contributor applicant is fully safeguarded and preserved; and that there is positive assurance that each applicant contributor will receive full value for money deposited.

With such protection and safeguards and permit also from the California State corporation commissioner, FHA's recent ruling in the matter of prohibition of the use of accommodation fees in connection with the 231 program stands incongruous.

With such factors as we have endeavored to point out in the foregoing, and relating specifically to the FHA 231 program and FHA's recent ruling prohibiting further use of accommodation fees, and in the best interests of all who seek to avail themselves of FHA's 231 program for nonprofit, life-care programs, and in behalf also of the uninterrupted, continuing construction of this particular and much-needed retirement housing together with other nonresidential facilities

for which it makes provision for the elderly, we urge and recommend to all concerned parties the reinstatement and continuing use of accommodation fees as an integral and sustaining part of the FHA 231 program, as it originally provided.

With regard to the HHFA–CFA 202, direct-loan program, it is our understanding that more recently there have been some relaxation made in the requirements of this program, which is encouraging.

However, there are still certain requirements, to the best of our up-to-date knowledge and information, in this program which are holding back its full effectiveness and a greater volume of the much-needed housing for those elderly in the more modest income brackets, which it was the intent of the U.S. Congress to provide.

While we are wholly in agreement that there must of necessity be some financial participation in the form of equity investment by the mortgagor corporation and sponsoring organization, yet the requirements of the 202 program are such that such participation could run as high as 15 to 20 percent, or even more, of the total development cost of the project, and without any possible reimbursement of any part of such equity investment from rental charges, or otherwise. I refer specifically to section VIII under the caption "Financial conditions," and subheading "Financial participation by applicants," which reads:

> Financial participation by applicants in the cost of proposed projects will be encouraged to the fullest extent possible. The applicant will be required to furnish any movable equipment and furnishings, and to provide for initial operating capital sufficient to cover: (1) Estimated preliminary expenses expected to be incurred prior to the date the project becomes revenue producing; and (2) at least 25 percent of the initial annual budget of current maintenance and operation expenses. Satisfactory evidence of such initial operating capital and the financing of movable equipment and furnishings shall be provided prior to the disbursement of any Government loan proceeds, and cannot be recovered through additions to rental charges.

These requirements themselves are such as to preclude and make it impossible for many nonprofit worthy, established, reputable, reliable, and financially responsible mortgagor corporations and sponsoring organizations to undertake much needed—and where the need today is greatest—retirement housing under the 202 program. Many of the religious denominational, fraternal, and service organization sponsors and mortgagor corporations do not have financial funds of these required proportions to contribute—and I repeat contribute—for such equity and working capital as is required in order to qualify for eligibility for a 202 direct loan.

And yet many of these religious denominations, fraternal and service organizations, have been established for many years, are outstanding in their history and performance records, are reputable and reliable beyond any question of doubt, are financially responsible with fine records of meeting their obligations, and yet these sponsoring organizations and mortgagor corporations are unable to participate in the 202 program simply because of the financial working capital and equity investment requirements.

Consequently, the doors are closed, quite obviously, on many fine organizations, established as they are to carry on in perpetuity retirement housing programs such as could be developed under the 202 program were it not for the financial requirements of this program.

Certainly, if this program is to get underway effectively and with a full impact in providing retirement housing for those elderly in the

more modest income brackets, and as was the intent of the Congress, then relaxations must necessarily be made in the present financial participation requirements.

Here, in our opinion, is the biggest barrier which is impeding the provision of more housing under this program.

Is there any sound reason why some portion of the required financial participation from the sponsoring organization and/or mortgagor corporation could not be made reimbursable over a period of several years from rental charges—this would involve only a slight increase in rental charges—perhaps any amount of funds exceeding 5 percent of the total cost of development of a project? Or, secondly, why not increase the loan proceeds made available, on approval and commitment, to include all justifiable and approved preliminary expenses in excess of a 5-percent equity investment required from the mortgagor corporation and/or sponsoring organization?

Such modification and liberalization, it would seem certain, would remove the biggest barricades to the present 202 direct loan program, and would encourage, stimulate, and make it possible for many more worthy, established, reputable, reliable, and financially responsible sponsoring organizations and mortgagor corporations to participate and provide the much-needed retirement housing under the HHFA–CFA 202, direct-loan program.

Thank you very much, gentlemen. We appreciate very much this opportunity of meeting with you to convey to you what we feel are some of the significant factors that are involved in both of these programs.

We are deeply interested to see them move ahead and that additional retirement housing for the elderly, particularly stressing the life-care program is provided.

Senator Moss. Thank you, Mr. Voigt, for the very excellent statement you have given us.

I take it from what you have said you would agree with Canon Lazenby that the 231 section is almost a dead letter now for you?

Mr. VOIGT. Practically so.

I am sure there will be no one, certainly until the air is cleared, or whatever may come, that will move in the direction of requesting or pushing an application to be approved under the present ruling.

Senator Moss. You feel there has been great curtailment under 202 also, is that right?

Mr. VOIGT. That is right, indeed.

We feel very much encouraged with what I recently learned, and this from someone from the CFA office in Washington, that there have been changes; there have been some relaxations. It was indicated that some of them will be liberalized still further, and this also is encouraging.

We are quite interested; there are several of our own organizations that are ready to move in this direction and who, by reason of their finances and all, are in a position only to carry on through a 202 program, but if these relaxations were made further insofar as the financial participation requirements are concerned, and I don't mean by any means to say a 100 percent allowance cost of the entire program, I feel like the good gentleman here this morning, the attorney, who stated that it is important to have a stake in what you are doing.

You have then an established sense of responsibility and a very sincere and conscientious interest in what you are doing.

Senator Moss. Thank you. We do appreciate your testimony.

Senator Randolph?

Senator RANDOLPH. Mr. Chairman, one comment:

Mr. Voigt, would you agree with me that the pronouncement that the President of the United States yesterday made in which he spoke affirmatively on the matter of housing for the elderly is an indication of the belief that this program needs to move forward with more flexibility and prompter action?

Mr. VOIGT. Senator, I do so, and it is very encouraging, may I say, and we look forward to the further relaxations and flexibility on the Government's part in these housing programs for the elderly in this direction to effect these goals.

Senator Moss. Thank you very much.

Senator Moss. Our next witness will be Mr. John H. Chalmers, chairman of the Subcommittee on Housing, Department of Christian Social Relations, Episcopal Diocese of Los Angeles.

STATEMENT OF JOHN H. CHALMERS, CHAIRMAN, SUBCOMMITTEE ON HOUSING, DEPARTMENT OF CHRISTIAN SOCIAL RELATIONS, EPISCOPAL DIOCESE OF LOS ANGELES

Senator Moss. We are glad to have you, Mr. Chalmers, and we look forward to your testimony.

Mr. CHALMERS. Mr. Chairman, members of the committee, ladies and gentlemen; as chairman of the Subcommittee on Housing of the Commission on Aging of the Episcopal Diocese of Los Angeles I am indeed pleased to be present here today and to have this opportunity to perhaps make some contribution of value to this important and worthwhile hearing.

Because time is at a premium I shall limit my comments to first, a general discussion of our pilot project, St. Timothy's Manor, Compton, Calif., a small parish sponsored facility. Secondly, I would like to present some of the conclusions we have drawn from this effort and more especially to set forth some of the problem aspects of the present elderly housing program under title 202 which we believe will warrant your thoughtful consideration.

The Commission on Aging, after several years of rather intensive study of the various aspects of the elderly housing problem, concluded that its purposes could best be served by establishment of an actual test facility.

It was intended that this pilot project should be typically representative of the problems facing a small parish in a relatively low-income neighborhood that desired to do something to alleviate the shelter problems of their aged citizens.

We were fortunate in being able to have volunteer sponsors, St. Timothy's Parish in Compton, Calif., for our pilot effort. This project was to consist of a 21-unit, efficiency apartment, rental project for low-income elderly persons in the area.

In the almost 3 years since this project was conceived, we have become well aware of certain problems connected with the small housing project. The most serious of these problems being the seemingly exorbitant effort, expense, and overhead involved in packaging a loan

of application for a small project of this nature, the—to us—unreasonably long time it took to negotiate the loan agreement and related documentation with the CFA, and the difficulty of getting qualified builders to bid this small size project.

The idea and purpose behind St. Timothy's Manor was to be to provide a small residential project, of a noninstitutional character, to be located within the area where the prospective occupants are now making their homes in substandard and/or overpriced housing. We have found that most people in this elderly group prefer to stay within the general area and environment in which they are now living. Also that they do not want to be transplanted to large regional urban renewal or redevelopment projects where they must acclimate themselves to new surroundings and to have the added problems of losing contact with old friends and having to make new social contacts and adjustments.

Our investigation indicated that, at least in the city of Compton, most of the elderly people had lived in the area a good many years and they were not interested in moving to a project in another part of the city, county, or the State. They had church and social ties and many of them still had families living in the city. We conclude that at least for this community the small locally sponsored residential development is more desirable socially than the large regional facilities.

Unfortunately, based on the experience that we have had in connection with the packaging of St. Timothy's Manor, we reluctantly come to the conclusion that these small projects are economically unsound from the point of view of the prospective sponsor. It appears further that the smallest project that can be considered practical is one comprising a minimum of about 50 apartment units. We rather deplore this conclusion, but we base it upon the fact that the administrative and packaging expenses appear to be about the same whether the project is designed for 25 units or 100 or more, and the smaller project simply cannot afford to make its own presentation unless packaging costs are reduced and fully reimbursed as incurred.

Another problem facing sponsors of small projects is that, due to the large amount of administrative detail and miscellaneous paperwork connected with Government bidding procedures and other requirements of an administrative nature during construction, the typical small residential builder cannot qualify. He is generally unable and/or unwilling to absorb the additional overhead and risk. The small builder is also usually unfamiliar with Government job supervision and inspection requirements, whereas the large experienced general contractors, knowing full well the problems inherent in public works construction, wisely refrain from bidding any project of this small size.

The result then is that one is very likely to obtain the services of the inexperienced and unwary bidder or be forced to accept, from a very limited number of disinterested though qualified bidders, prices that are not competitive and do not reflect the costs of similar construction awarded under private contract.

To depart momentarily from the problems besetting the small parish wishing to sponsor a project for local elderly people, we realize that there are areas where the large development is the only practical answer. One would naturally think of situations wherein major

urban renewal and slum clearance projects are being undertaken. The situation here is quite different from that of the local parish project, in that the center-city housing pattern has traditionally been that of high density apartment or hotel dwellings and the occupants have a more transient character.

The people living in these highly urbanized areas have already left the small town, the old neighborhood or the close intimate neighborhood atmosphere. The urban adjustment having been made, what is now required is to provide these people with modern apartment units designed to meet the few special requirements of the aged. And perhaps more important, to provide a social center for activities to serve the human needs of these people. It is apparent that the large high-rise urban housing project will have certain advantages. They can attract and pay for highly skilled professional management, employ a qualified director for social activity and even provide rehabilitation and vocational counseling.

The preceding comments have been of a general nature, expressing a rather personal view of the advantages and disadvantages of the small senior housing project. I think it is appropriate to include a few specific comments with respect to the problems involved in obtaining financing for St. Timothy's Manor under title 202.

As we have previously stated, this project was too small to attract qualified bidders. The project was publicly advertised and only three firms expressed interest in bidding. Only two actually submitted qualified bids and the spread was almost 25 percent between high and low. Packaging costs for the application again seem disproportionate in the case of the small project, and we recommend that in the future these costs be fully reimbursable. A recap of expenses that should have been chargeable to the application market research, site analysis, schematic planning, budgeting, and clerical-administrative overhead would have amounted to approximately 3 percent of the estimated project cost exclusive of legal of legal fees.

Preliminary studies for St. Timothy's Manor commenced approximately 3 years ago. The submission of the loan application and the intervening conferences, data submissions and subsequent reviews, procedural changes leading up to actually obtaining release of funds, took over 2 years.

We submit that the entire program for providing moderate and low cost housing for senior citizens under title 202 is being jeopardized by the excessive time involved in processing a loan application and the extraordinary complexity of administrative procedures subsequent to the submission of the application and accompanying exhibits prior to the actual release of loan funds.

We see in this situation the danger of a possible breakdown in the processing of these loans, by the fact that to date only four or five projects in this area have actually been approved and the construction funds released. An informal investigation of the average length of time required to obtain funds for construction of senior housing facilities under title 202 has indicated that a prospective sponsor should expect to wait 1½ to 2 years before being able to proceed with the construction of his project. It is our opinion that this commitment rate should be vastly accelerated if this housing program is to become effective.

Another recommendation that we would like to set forth for consideration refers to the possibility of obtaining title 202 funds to

purchase existing housing. We believe that there are a number of apartment buildings, motels, hotels, and multiple-housing projects that are suitable for rehabilitation and conversion to senior housing projects. We further believe that this could be accomplished at a cost considerably below construction of new facilities and with the added advantage of already being in an established location where zoning problems are not likely to arise.

Low interest rate financing is esential and could be used to purchase existing motels, older apartments or even unsuccessful and surplus tract houses that could be converted into multiple family units.

It is common knowledge that FHA and private lending institutions are having some problems with foreclosures, and it is most probable that a good many properties in distress could be acquired at cost well below their respective replacement value. This saving could in turn be reflected in very low rentals.

There is another problem that is presenting a serious obstacle to planning housing units for senior citizens. It is the excessive requirements for covered offstreet parking or garage structures. In the county of Los Angeles there is currently a requirement for 1½ covered offstreet parking spaces per apartment unit. This requirement is unjustified in view of the fact that national figures indicate that probably only about 5 percent of the people in the group under consideration own automobiles. This unnecessary capital expense to the sponsor is consequently reflected in what amounts to a compulsory addition to the unit rental that can run $10 or more per month. Not only do these stringent offstreet parking requirements impose a severe financial burden on the project, but these unwanted parking facilities take up a great deal of the project site that should be reserved for landscaping treatment, including gardens and recreational areas.

It is recognized that the motive behind these stringent off-street parking requirements is the ever-increasing problem of multiple dwellings being built in urban areas with a disregard for the parking problem. Furthermore, local planning officials are legitimately concerned with the fact that although today a project is planned for senior citizen occupancy, sometime in the future the occupancy might change and there would be a possible requirement for 1½ parking spaces per unit.

Therefore, we recommend that a compromise be worked out possibly on the following basis—that offstreet parking be provided on the basis of the current and predictable demand under the proposed occupancy for senior citizen requirements according to local survey figures. And that a reasonable amount of additional offstreet parking be provided for the administrative staff and visitors. The sponsor could then be permitted to landscape the balance of the site that would normally be required to be paved to meet offstreet parking code standards. Provision could be made that if the occupancy changes to other than the present purpose of senior housing, then the owner would have to comply with established offstreet parking criteria for ordinary multiple housing.

Next, I think that much time and effort could be saved if CFA policies, procedures, criteria, and standards were fully and completely documented in a single source guide or manual. Also, procedures should be established to automatically distribute any and all changes or additions immediately to those responsible for sponsoring, designing, building, or administering CFA projects.

To continue, I have informally recommended to CFA that a series of area workshop conferences be held to establish closer liaison and communication between the sponsors, planners, builders, and CFA staff. Many minor procedural problems could be resolved, new policies could be expained and discussed and all parties would gain from an exchange of experiences and specialized knowledge in the fields of operating expenses, tax rulings, proposed change in licensing, zoning, code requirements, et cetera.

The foregoing problems are respectively serious and noteworthy, but are actually subordinate to the really major problem in a program of this nature—money!

I should like to conclude this presentation with some comments pertaining to the cost of these facilities and more particularly to the problems of cash flow with respect to unendowed, nonprofit, charitable organization sponsorship.

First let us consider how much money is needed to build a typical housing project for the elderly—and this calls for recognition of a need for realistic unit costs. It is my opinion that CFA should reconsider its limitation of $10,000/unit and take into consideration the widely varying land prices locally, prevailing building costs, the important effect on cost of the mix of efficiency, one-bedroom and even two-bedroom units. Also, not to be ignored, the economy of central dining to eliminate 100 percent kitchen units.

Also, there must be a more realistic view of actual unit costs. Since 1954, a representative group of 24 major projects varying in cost from $400,000 to $5.5 million have cost on the average of approximately $17 square foot or $10,466 per unit exclusive of land, equipment, and financing. Current replacement costs would also be considerably greater than the preceding figures.

I believe that the CFA present limitation of $10,000 per unit including all costs and expenses is too low to realistically provide suitably located and quality constructed facilities. Such diverse factors as widely varying land costs, requirements for multistory buildings in congested areas, earthquake resistance, fireproof and long life low-maintenance high-quality workmanship and materials just are not possible in meeting the overall demand for elderly housing, under present cost limitations.

In virtually every instance when optimum conditions of quality construction, and low costs obtained, we have noted that special circumstances prevailed such as exceptionally low land costs, central dining facilities to eliminate requests for kitchens in every dwelling unit, prevailing labor cost was lower than locally in force and building sites permitted development of one-story light residential construction.

Thus, the real crux of the problem is the sponsor's need for initiating funds—capital with which to start the projected development. These funds are required to underwrite the preliminary application expenses which are—

A market summary to establish need for the facility;

A site analysis to determine that the proposed location is satisfactory;

A project development program or proposal to define the scope of the undertaking; and

Schematic plans on which to base a budget estimate for loan purposes.

These costs represent a very substantial speculation for noncommercial sponsors such as churches. This phase of the enterprise involves employing professional services for market research; site selection and analysis, investigation of zoning and other legal factors. An architect is required for schematic planning and preparation of the budget estimates. Additionally there is a considerable amount of clerical work as well as the possibility of some travel expense.

Under the present housing program most of these preliminary expenses are recognized as reimbursable, but only after the project has been fully committed for a loan. Incidentally, the sponsor can be gambling $3,000 to $5,000 in just preparation for a preloan application review by CFA.

If the site is satisfactory and the market research report will support CFA approval of the proposed facility, the sponsors must then be prepared to option or enter into escrow for purchase of the site, employ legal services to form a nonprofit corporation, employ an architect to design the project.

Additionally, the sponsor must be in a position to deal with zoning problems, obtain licenses and permits, prepare advertising and promotional materials, advertise for bidders, pay required bonds, insurance, et cetera. Furthermore, experience has shown that prior to approval of the loan and release of funds there is an extraordinary amount of correspondence, documentation, and personal liaison with CFA required to finalize these loan transactions. Naturally, all of these activities are time consuming and we estimate a minimum of 1 year will be involved under the best of circumstances from preloan conferences to final approval and disbursement of funds. Experience with our first project revealed an interval of over 2 years before construction got underway with actually about 4 months' delay after acceptance of the low bid for the general contract.

It is readily apparent that in addition to all regular and expected expenses the sponsor has an intangible expenditure of time and a real matter of interest on the money invested in the project long before he is reimbursed.

The initating capital requirement is substantial for a so-called 100-percent loan program. For example, a typical 55- to 60-unit project costing approximately $600,000 including land will require as follows:

Phase I—Feasibility study: Preliminary or preapplication expenses including market research, site selection and analysis, schematic plans and budget	$3,000
Estimated initiating capital. These expenses are presently recoverable only if the loan is finalized. If site and project feasibility are given preliminary approval, sponsor must proceed to phase II.	
Phase II—Organization and administration:	
Legal: Form nonprofit corporation; prepare formal loan application including exhibits	2,000
Land: Option or open escrow (10 percent of cost)	8,800
Design: Employ architects and engineers to design project, advertise for bids, select contractor and prepare complete documentation for CFA approval	30,000
Miscellaneous: Expense including clerical, phone, travel, etc	1,200
Estimated total	45,000

It is apparent that at this point the sponsor has some $45,000 plus interest tied up in the project before he is eligible for reimbursement

from CFA loan funds. It is fairly obvious that many highly desirable sponsors simply cannot expect to qualify.

We believe that the initiating capital funds problem is the major drawback to progress under title 202 program insofar as sponsorship by church groups is concerned.

To summarize, because of the fact that nonprofit sponsored elderly housing is frequently most needed in areas where the logical and interested sponsors are least able to afford sponsorship expenses I recommend that present procedures with respect to reimbursement of funds expended be amended to permit progress in reimbursement to the sponsor. In this manner, when the sponsor has submitted his market research survey to establish actual need for the proposed facility and has selected a site satisfactory to CFA he should be given a conditional commitment for the project and reimbursed at appropriate intervals when legal organization is accomplished, bond obtained, escrow opened, progressively as architectural and engineering services are rendered and so on until bids are approved, land purchased, and construction commenced.

We believe this procedure will open up this program to a much broader and more representative group of sponsors and will permit development of many smaller projects available only to large and well financed sponsorship. We think the success of these elderly housing projects is going to depend on locating them where there is real need and desire for the project, where sponsors are dedicated to service to the elderly in their immediate vicinity. Furthermore, we believe in "thinking small" as well as thinking in terms of large projects. The needs are based on human factors in the final analysis, and these are variable. We would like to see this program work for the benefit of all.

Before I leave I should like to add that being invited to appear as a witness at this hearing to comment on our experience under the present housing program, has an unfortunate tendency to lead one to take only the most critical point of view and particularly those matters with which we do not agree.

In fairness to the present elderly housing program as it is administered in the VI region of the HHFA by Mr. Paul Emmert, regional director of the CFA and his associate, Mr. Charles Carver, I should like to commend them for their personal attention and interest in our pilot program and especially for the considerable personal time and effort they afforded me in answering my many questions and requests for advice throughout this undertaking. Thank you.

Senator Moss. Thank you, Mr. Chalmers, it was a very good statement.

One question occurs to me. If we accepted your recommendation that there be progressive reimbursements for these preliminary fees, it would be possible that you would not have a final approval of a project, and then how would the repayment come back to CFA?

Mr. CHALMERS. Well, that is a serious problem, I will admit.

I don't know the answer offhand, except that I feel that, as was stated earlier, a reasonable amount of this expense could be logically expected to be advanced by the sponsor. The only thing I feel is that

if—unless these programs are going to be limited to very large programs, sponsored by large organizations, the $30,000 or $40,000 that is involved in these things is going to really preclude any other participation.

Senator Moss. I think you have touched on a very important point and certainly the program should not be limited in my opinion just to large organizations or large construction, that it should be available for these smaller units about which you testified, so that this point of view, this recommendation is a good one. It needs a little turning over in our minds and further examination, but it is a good suggestion. I appreciate your testifying that your experience has been good with the administrators of the program here in this region. Thanks again.

Senator Randolph?

Senator RANDOLPH. Mr. Chairman, Mr. Chalmers, you will recall that Mr. Voigt and Canon Lazenby, the three of you as our witnesses this afternoon, have, in effect, implemented what I quoted from the President of the United States earlier today, that there be a decent home for every American family, is this true?

Mr. CHALMERS. Yes, it is.

Senator RANDOLPH. Now, I direct your attention therefore to an editorial which appeared yesterday in the Wall Street Journal. It is the lead editorial in that newspaper of the date of January 8, 1964.

It quotes this idea of a decent home and attributes that thought to the Housing and Home Finance Administrator, Mr. Weaver.

Now, the editorial—I shall not quote in its entirety, but I shall ask you your opinion of these words in the editorial:

Observations—

and I quote—

are in order with regard to the slogan of "A decent home for every American." More Americans do want that more than have attained it than ever before, but it is not true that everybody wants it. Among the poor are some who prefer poverty and charity to the efforts and risks of a useful life. That is one of the facts that make the problems of poverty and unemployment often seem so impracticable. In the American tradition, a decent home is something to be worked for and an achievement to take pride in.

I stop at this point to say that I believe Mr. Voigt made the statement that there must be some responsibility of the sponsoring organization to keep the incentive factor alive; is that true, Mr. Voigt?

Mr. VOIGT. Yes, it is.

Senator RANDOLPH. I read that statement; now I read further in the editorial:

Yet here is the Federal Government proposing additional assistance of all kinds * * *

And I stop now to say that I presume that would be directed at you, wouldn't it, Mr. Chambers and Mr. Voigt and Canon Lazenby?

You are proposing, are you not, housing for more Americans, especially the elderly?

Mr. CHALMERS. Yes, and I think we are proposing something that is economically not unsound. They are self-liquidating projects.

I think what we are really talking about is the terms of financing them, rather than the philosophy as to whether financing them is morally right or even a political responsibility of this administration.

Senator RANDOLPH. The editorial goes on to say that:

In these new proposals, why we are talking about direct grants and easier purchase terms—

then the editorial says—

to make a house a handout weakens its value to the individual and his value to society.

Now, what we have been discussing here today; what you have been saying, do you agree with this viewpoint as expressed in the editorial?

Mr. CHALMERS. No, I don't agree that making a house available is a handout if people are willing to pay for the occupancy of it.

Senator RANDOLPH. Well, the editorial is headed "The Easy Life," and you are trying to discuss the realistic facts of life, is that true?

Mr. CHALMERS. I hope so, yes.

Senator RANDOLPH. You disagree with the editorial viewpoint as expressed in the quotes that I have read?

Mr. CHALMERS. Yes, I think I have reservations on that.

Senator RANDOLPH. What about you, Mr. Voigt?

Mr. VOIGT. Well, I think I would have some reservations on it also. I can't wholly agree that a handout—there is responsibility; there should be an interest in it.

We've had tracts and other housing which has been given with practically nothing to invest and take a look at the conditions of some of these today.

Why? Because the responsibility there did not exist. It was just a place to live in, not that they had a stake in it.

When there is a stake in it we all have a responsibility in what we are doing or trying to accomplish.

Senator RANDOLPH. Thank you, Mr. Voigt.

Mr. Chairman, I appreciate your indulgence as I pursue this 1 minute longer.

I remember in the administration of President Franklin D. Roosevelt that there was a charge, a hue and a cry, that when the loans were made on the program of homebuilding in America as of that period that these loans would not be repaid.

This is something that I recall very well. As I understand it, and I would wish the staff to document the record at this point if I am in error, the Federal Government lost no money on the loans which were made for housing in the period that I have mentioned.

I want the record to disclose whether I am right or wrong on the point and that can be documented by a check back in the Federal records, and so I think we must be very careful not to underestimate the ability of the American citizen to repay. He doesn't always repay, but I think by and large when he is given the instrumentality of law to help himself, not just to give him something, that the reaction of the citizenry of our country is good.

I think that housing for the elderly is a program which is not just an expenditure of dollars, but is an investment and it pays a dividend in a better America.

Mr. CHALMERS. I agree with you 100 percent.

Senator RANDOLPH. I didn't make a speech, I hope. I just wanted to bring this out.

Senator Moss. Very good; I am glad you did. And we do appreciate your coming to be with us, Mr. Chalmers, and giving us the bene-

fit of your testimony and your recommendations. You have helped us in making this record.

Now, we have a time problem. We have come to the time when we were going to terminate the oral testimony. However, there are one or two that I agreed will be heard and we will hear them.

Let me say for others who would like to make a statement for the record, if you will hand it in, if you will either hand to the staff here or mail to us in Washington any written comment you want to make on this general subject that we are talking about, we will be happy to include it in the record.

Identify yourself and your residence and your representation, if you represent any particular body or group and we will be glad to put it in because we want as complete a record as possible. So those who do not get an opportunity to testify orally may do that.

We will hear next from Mr. Max Weiner representing the Jewish Centers Association. Mr. Weiner was here with us this morning and is back this afternoon; he has a statement for us.

STATEMENT OF MAX WEINER, SECRETARY OF THE INTERCENTER COUNCIL OF THE JEWISH CENTERS ASSOCIATION OF METROPOLITAN LOS ANGELES

Mr. WEINER. Thank you, Mr. Chairman.

My name is Max Weiner; by the way, I am 76; and since my retirement about 5 years ago I devote all my time to the work among the senior citizens of the Jewish Center Association. I am secretary of the Intercenter Council of the Jewish Centers Association of Metropolitan Los Angeles and I am representing here now the Senior Adult Friendship Club of the West Side Jewish Community Center at 5870 West Olympic Boulevard, with a roster of about 1,600 senior citizens. The median age of our group is 72.

The program of the center for seniors, with more than 30 activities a week covers in general three aspects of our needs: (*a*) health, (*b*) recreation, and (*c*) education. It is hard to draw a sharp demarcation line between them as most of the first two have some elements of education in them.

The center is in a location, where within a radius of a few densely settled square miles, the population of people 65 and older is about 25 percent of the total. In consequence the center, with its physical and mental therapeutic benefits, barely scratches the surface. The crying need of our aging is adequate, low-rent, decent, safe, sanitary housing, without overcrowding, within easy access to shopping, houses of worship, and the center; close to families and friends, in the proximity of younger families, so we can hear the laughter of children, the arguments of boys playing ball and watch in the mornings the parade of youngsters on their way to school. Not isolation in the desert, but in the vicinity of Crenshaw Boulevard to Beverly Hills. We believe, that our generation, who by their labor helped bring our country to its greatness, helped create its wealth, helped build schools, universities, hospitals, and other great institutions should have the opportunity to use our great reservoir of knowledge, experience, and will with dignity, pride, self-respect, and independence in an environment of good health and peace of mind to our last days on this earth, for the benefit of all Americans.

Respectfully submitted to the chairman and Subcommittee on Housing for the Aging, of the U.S. Senate, this 9th day of January, 1964, at the hearing in Los Angeles, Calif.

I would appreciate, gentlemen, questions and if you will permit me, I would like to make a statement with regard to the editorial in the Wall Street Journal that Senator Randolph mentioned, particularly the last item.

Everybody to whom money is more important than life brings out the point of participation. They forget one thing; that at 76, being perfectly able to do a lot of things, I couldn't get a job for 2 cents an hour and so are most of the people of our generation.

Thank you.

Senator Moss. Thank you, Mr. Weiner. That was a very eloquent statement and I think you have made a major point very well. We need adequate housing for elderly people in neighborhoods, communities where they have lived and where they have access to centers, such as you have told us about, and where younger people live, too, because most of them do not want to be segregated off and live only with older people. I think that is the burden of your statement.

Mr. WEINER. That is right, sir.

Senator Moss. I tend to agree with that. I think that is right and I appreciate your coming here to give us this point of view and help us as we consider the program to make sure that that type of housing will be available in the right places.

Senator RANDOLPH. Mr. Chairman, I commend you and the witness for saying, in effect, that the housing program should be kept within the mainstream of society. It must not be shunted aside or closeted in a corner.

Those persons living there must still hear laughter and exchange contacts.

Mr. WEINER. That is right, sir.

Senator RANDOLPH. And have a lift of the spirit which comes when you nudge shoulders with someone your own age and with your problems and your own hopes.

Mr. WEINER. We don't want to be just closeted among ourselves and to be talking about the operations, the aches, and the pains.

We do want to hear laughter of children and that will help us be useful citizens again.

Thank you.

Senator Moss. Thank you, Mr. Weiner, a very good statement.

We have one more witness I want to hear, Rev. John R. Steinhaus.

STATEMENT OF REV. JOHN R. STEINHAUS, EXECUTIVE DIRECTOR OF CALIFORNIA LUTHERAN HOMES, INC.

Senator Moss. Reverend Steinhaus, we are very happy to have your statement here and let me reiterate again for the others who didn't get a chance to speak orally, that we will be glad to have your written statement to include in the record.

You may go right ahead.

Reverend STEINHAUS. Thank you, Mr. Chairman, and members of the committee.

As the day draws to an end I am well aware of the value of brevity and I am also aware of the fact that most of the good suggestions have

been covered rather well and if I do repeat some of them, I hope you will interpret that as evident that the points may be of real value and that we are quite sincere about them.

If this hearing were a meeting to hear testimony about the good work that our Federal housing program has provided, we could add our compliments, too. We were pleased very much by the good service provided by the local FHA office.

However, if we can keep all of these good features that we have experienced and correct the undesirable features that are in the basic structure of the program itself, then we might at this point serve a better purpose.

Our Federal programs of housing for the elderly can be made more acceptable and usable. In the past I believe this has only been partly true and I am referring particularly to sections 231 and 202.

California Lutheran Homes, of which I am executive director, has successfully completed a $2.5 million dollar 231 project, although with some difficulties and we seriously considered another 231 project or 202 project in San Francisco, which we determined not feasible because of unrealistic restrictions.

In our judgment the basic difficulty in the programs as they are at present comes from the apparent difference in purpose and motivation between those who designed the programs and those of us who want to use them.

Our interest in elderly housing is sincere, especially if it is designed so that we can also provide care for the residents of such housing. This has been referred to in different words by some of the previous speakers.

The care that we talk about is food service, social services, medical and rehabilitation programs, and also a spiritual ministry.

The care parts of our programs are our best contributions to the goal of a happier and better life for our aging people.

The designers of the two FHA programs in question were not, we believe, at all sensitive to our conviction that housing is only a "means to a better end," or maybe we should say, housing is a "means to a better beginning of a worthwhile life for the resident."

The house does not make the home; the care and the program offered is what counts most.

Church sponsorship, which I think has often been misunderstood, is unique in its particular ability to offer this kind of care in its housing facilities, although we do not mean to discount at all the value of housing projects which are only housing projects. We do believe that we should be allowed to make our particular contribution to some of them too.

Unfortunately, the structure of present Federal housing programs makes it a bit difficult for us to make our contributions. Now, here are some of the reasons why.

1. It is dangerous for a nonprofit sponsor to apply for a FHA commitment. The sponsor is encouraged by friendly FHA officials to obligate themselves, both fiscally and morally, one step at a time, without fair warning about the future obligations that are just around the corner.

Many times the sponsor feels that he cannot afford to continue, but neither can he afford to retreat.

Constantly changing regulations and almost hidden requirements make it difficult even for legal counsel to anticipate the full array of obligations that an unsuspecting sponsor will be forced to assume. The cost of these obligations, plus the additional costs brought up by the delays in processing applications often add up to a dangerous and costly experiment.

We believe that the FHA has an important responsibility to both the mortgagee and the mortgagor to fully and frankly inform them of all the pitfalls and obligations at the beginning of this involvement.

2. Another reason why it is difficult for us to make our contribution—and in a way I think this is one of the most important—the regulations often discourage adequate facilities for offering care to residents.

For example, when the sponsor offers life care to its residents he must be prepared with nursing care facilities for up to 15 or 20 percent of his life care occupancy.

Present regulations limit the total number of nursing care units to an unrealistic and impractical 8½ percent under section 231.

Under section 202 the sponsor was not permitted, and I believe still is not permitted, completely to provide common dining facilities in place of the individual cooking facilities in individual units.

These two examples serve as illustrations of how we feel Federal housing regulations are more interested in the housing emphasis than in the care emphasis. We believe that such programs should be better designed for care.

3. It is difficult for church, nonprofit groups to make their contributions because the commitments are too low, and although construction standards are excellent under these programs, restrictions and commitments often result in loans that are much less than anticipated.

In care programs the only way to make up these deficiencies is to use prepaid entrance fees, founder's fees, or accommodation fees. These fees are extremely valuable. We believe commitments should be more realistic and adequate and by all means should continue to use this sound fiscal program of the entrance fee.

So with those three points off our chest and before your committee, we feel that there is a good opportunity for the Federal programs of housing for the elderly to take consideration of them and then enable our type of sponsor to take advantage of the programs and provide the care and services that are really wanted by elderly people.

The programs now are not designed realistically for sponsorship by nonprofit church groups, and at the same time we acknowledge the fact that such Federal programs have been very helpful. We could not have provided the service in the ministry that we are now providing if it were not for their help, but we do believe that they can be more useful and more acceptable if some of these changes will be made, especially those changes that will take into consideration the motivation, the purpose, the program of providing care for the elderly.

Thank you.

Senator Moss. Thank you. Thank you very much, Reverend Steinhaus. We are glad to have your experience and your recommendations.

I wonder, have you noticed any evolution of these regulations toward the more realistic position that you espouse?

Reverend STEINHAUS. No; there seems to be a movement in the other direction, especially, for example, the founder's fee or the accommodation fee points.

Actually, our program had its final closing a year ago and I think that we went through it about as easily as any of the sponsors did and I consider it a huge success in every way.

If I had to do it again today, however, I wouldn't.

Senator Moss. You wouldn't?

Reverend STEINHAUS. I think we timed it rather well or we were lucky that we had such good timing starting a couple of years ago. Today's restrictions change the situation.

Senator Moss. Thank you very much. We appreciate your comments.

Do you have a comment to Reverend Steinhaus, Senator Randolph?

Senator RANDOLPH. Reverend Steinhaus, I think you are a realist and I like the way you approach this problem.

You say to come here and simply to indulge in accolades on the one hand, or criticism on the other, is not serving a good purpose. We want to check out these points, find wherein we have shortcomings, find wherein we have strengths, but you want action; is that correct?

Reverend STEINHAUS. I believe that if this is going to serve a continued purpose we will have to have some action to improve it.

Senator RANDOLPH. I think this is a challenge, Mr. Chairman, to the Congress, specifically to your subcommittee which you so ably lead.

Senator Moss. There is one more witness whom I agreed to hear. He has about a 5-minute statement; we will hear that.

Would you come forward?

STATEMENT OF EARL C. CRAIG, LOS ANGELES, CALIF.

Mr. CRAIG. Mr. Chairman and members of the committee, I want to say this as a preliminary statement:

I thank the committee and the Congress for sending men to Los Angeles and all over the country to investigate this problem. However, I see our Los Angeles newspapers didn't give you any mention. I didn't find a line.

Senator Moss. I didn't see it either.

Mr. CRAIG. Even a few days ago when they announced it they didn't tell the place to go to, so you see, our press unfortunately disregards the needs of one-fifth of the American people. I have the Los Angeles Times in my hand for this morning and I don't see a line.

Before I make any statement I would like to comment——

Senator Moss. Did you give us your name for the record?

Mr. CRAIG. My name is Earl C. Craig. I have lived in Los Angeles since 1921.

For 10 years I was the director of the public affairs forum at the embassy. We held meetings in the various halls of the embassy and a number of times in the main auditorium.

We had candidates for office and persons running for mayor and Congressman and what have you, and I have had abundant oppor-

tunity during those 10 years to evaluate the influences brought to bear on the public officials.

Also for three and a half years I was connected with the organization Mr. McLain is director of now; during that time I delivered some 600 lectures to groups of elderly people from Bakersfield and Santa Barbara on the north, to Riverside on the east, and at the present time I appear at the public hearings before the board of supervisors and the city council, so I feel qualified to talk on the subject that I am going to discuss with your briefly this morning.

We have a problem here in America that our President now concedes that one-fifth of the American people are living on an income so low that they do not have decent food to eat, decent clothes to wear, and a decent house to live in, and he says he is dedicated to the proposition of abolishing poverty in America.

The problem, of course, is how to do that. The Saturday Evening Post for the issue of December 21—perhaps you saw it—said that 36 million Americans are living in a state of pauperism in the wealthiest country on earth and in the Los Angeles Times of August 29, 1963, Mr. George Getsey, the science editor, said he estimated that probably 45 million Americans were living a substandard life.

So you see, we have a problem to meet. How are we going to fight communism if we set such an example, the richest country on earth? Of course, the reason we don't have this decent income for people—think on social security, the average income is $88 a month. How can one live a decent life on $88 a month? That can't be done.

Certainly it should not be less than $150 as a minimum; $150 and up.

We have a national income of some $600 billion a year. It is fantastic, $600 billion. Only $10 billion, that is a little over 1 percent of the national income, goes to people on social security. Think of it, one and a half percent out of $600 billion, and yet these insurance companies are opposed to even that one and a half percent and they carry on a constant campaign to stop any improvement in old-age assistance or improvement in social security.

Now, of course, housing is connected with this also. Of course it is true that we do need housing, but if people had adequate income they could own a house, or rent a place adequate for their needs.

You see the basic problem after all is the increase in income of this one-fifth of the people. Of course I realize that employers and landlords for a long time liked to have a large number of unemployed people around. It is a sort of an intimidation to their employees that they must do what they are told and must accept the conditions that exist and by having a large number of unemployed persons in the community or in the Nation at large, that is a sort of a disciplinary effect.

The landlords and the factory owners and what have you, they've always had this attitude toward human beings.

Now I am going to say something very frank to you: I realize that candidates for office receive their campaign funds not from the people. They have to receive it from very well-to-do persons, generally speaking, and these well-to-do persons who have put in thousands of dollars, millions, one campaign in this country, some 35 million was spent; it comes from well-to-do people and these prosperous, well-to-do people, they think they are the lords elite of the earth and

they control legislation. That is the reason we don't have adequate social security, adequate old-age pensions.

Of course, these people are always complaining about people receiving something from the taxpayers. They never complain about Governors' pensions, comes out of the taxpayers. They put a little in.

Federal judges, I understand, are retired at full pay and they haven't put in a dime. These people who carry on a campaign against adequate social security, they don't say anything about that.

By the way, most of the corporations of America pension off their high officials. Even Fortune magazine had a list of those a few years ago, they give them $25,000 a year, $50,000 a year. That has to come out of the consumers of the Nation.

So you see, this idea of well-to-do, prosperous people in the upper brackets, that is the reason we don't have decent old-age assistance.

I would like to say this in conclusion: If these nice, well-to-do people that owned things, owned the mines, and the farms, and the banks, and what have you, in Russia and China and Cuba had got the decent things for their own people, there wouldn't have been any Lenin or Stalin or anything else.

They haven't learned yet.

It is time to educate them. Let's have decent old-age security and pension and tax exemptions and not allow 35 to 50 million people to live in poverty in the richest country on the face of the globe.

Gentlemen, I think that covers the ground pretty well and you can see the need, and we need adequate legislation to match the need, and I thank you very much for your attention.

Senator Moss. Thank you very much Mr. Craig, and thank you, ladies and gentlemen, for being here.

I do regret that we have to terminate at this point. The record will be open for written statements from those who did not have an opportunity to speak here today.

I would point out that there will be another hearing tomorrow on a different subject under the chairmanship of Senator Randolph. It will be on the subject of employment opportunities and retirement income for elderly people, and will be in this same hall beginning at 9:30 in the morning.

(Whereupon, at 3:50 p.m., Thursday, January 9, 1964, the committee recessed to reconvene at the call of the Chair.)

(The following statements were submitted for the record as directed by the chairman:)

STATEMENT BY LLOYD W. HALVORSON, EXECUTIVE DIRECTOR, CALIFORNIA FRIENDS HOMES

Gentlemen, as the executive director of California Friends Homes, now in the process of completing arrangements for an FHA commitment in order to construct its first home for the elderly and the retired, I have been asked to state my views and those of the organization I represent, which then are to be included in the Los Angeles section of the public hearings held by your committee, on January 9, 1964. I appreciate this privilege.

I. In his address before the regional conference of the American Association on Housing for the Aging, held in late September 1963, in San Francisco, your chairman, the Honorable Frank E. Moss, declared that (quoting the famous historian, Arnold Toynbee) "a society's quality and durability can best be measured by its concern and care for its elderly."

The distinguished Senator went on to say, in his significant address, that, in his personal philosophy, the Congress of the United States should endeavor to

help meet the need for the housing of the elderly, "as a supplement to private efforts. * * * It is quite impossible to devise Federal programs to meet all the needs of elderly people * * * a variety of housing is required."

The President's Council on Aging, in its report, "The Older American," made on May 17, 1963, states that "the responsibility to help these 18 million (older Americans) rests on all of us—Government, private organizations, and individuals. What we need to keep in mind is that the same society which has given Americans longer life has not developed enough ways for making the added years useful and meaningful. It must be recognized that a citizen's desire to live a purposeful life does not end with retirement. * * * To most older Americans, a high degree of independence is almost as valuable as life itself. It is their touchstone for self-respect and dignity. It is the measure they use to decide their importance to others. It is their source of strength for helping those around them. * * * The older American asks not for the gift of independence, but the right—the right to an independent income, the right to maintain his health without the help of charity, the right to live with as much independence as his strength permits. The older American asks, in short, for the right to opportunity—the opportunity to be independent, to provide for himself, to work if he wants, to stand on his own merit and ability. * * * The older American wants to be an active part of his community, a contributing, participating, sharing partner. He will willingly accept no less. He will ask no more."

In April 1961 a White House Conference on Aging was held. A series of reports and guidelines were published by that Conference. No. 1 in that series, "Aging With a Future," states that "One of the major issues is the determination of where responsibiilty lies for taking the initiative in making adjustments, in setting up the necessary facilities and services, and in providing assistance (for the elderly) when it is required."

Arthur Larson, currently the director of the World of Law Center at Duke University, and formerly holding several highly significant national posts, outlines seven principles in determining responsibility for aging, in this first report. His No. 3 reads: "Other things being equal, if a job can be done privately rather than governmentally, it should be done privately." His No. 4: "That preformance is best which does the job with the greatest resulting freedom to the individual person." And his No. 5; "In the interests of good administration, the greater the human and discretionary content a function involves, the more local and private it should be.

Maurice E. Linden, M.D., the director of the Division of Mental Health of the Philadelphia Department of Public Health, and assistant professor in the Department of Psychiatry, University of Pennsylvania, lists five "irreducible elements" which he feels must be at the foundation of all programs for aging citizens: "(1) An atmosphere of acceptance of aging and the aged; (2) opportunities to develop the feeling of belonging; (3) opportunities for socialization; (4) measures and facilities for activation; and (5) availability of agencies for counsel, advice, or therapy."

No. 7 in the series developed by the White House Conference on Aging, "Religion and Aging," declares that "religion's concern with human dignity at every stage in the span of life derives from the fact that each individual is created in the image of God. As a consequence, religion seeks to build a living fellowship of believers in which the aging find and share the true benefits of being a part of the household of God. * * * It is this conviction which likewise demands a concern for such matters as the maintenance of social welfare institutions by religious bodies. * * * Religion, in its teaching, ritual, and organization, is uniquely equipped to guide and aid men in making the closing years of life a time of deepening fulfillment. To this end, it must remind itself and the entire community that the goal is not to keep the aging busy, but to help them find in every moment an opportunity for greatness. At the same time, it must always insist that 'the test of a people is how it behaves toward the old,' remembering with gratitude the contributions that have been made as well as the problems inherited. * * * This group (those in the section reporting) summons then, the great religious bodies of the Nation, their congregations, organizations and related agencies, and all Americans who share their concern for the aged, to join in expanded efforts toward seeing that each of our senior citizens receives the benefits, spiritual and material, he richly deserves."

II. These quotations from addresses and reports by qualified and outstanding leaders of our Nation, encourage me to remind the committee that the National Housing Act, with its extensions, and particularly section 231, was established

primarily to assist and encourage religious sponsors and their agencies to provide the very housing and allied facilities and services, the very types of assistance and fellowship, the quotations and references describe and declare essential.

For more than 100 years, religious sponsors have revealed concern for the elderly, and their ability to implement that concern, by establishing housing facilities and services. Currently, under section 231, these religious sponsors have established a very worthy history of accomplishment. To date, not one of the projects under religious sponsorship, and providing life-care programs, has failed; in fact, all of them have succeeded even beyond the highest expectations. More importantly, all of them have been able to include and provide those essential services and facilities your committee, the Federal Housing Administration, the President's Council on Aging, and the White House Conference on Aging, declared, and continue to affirm, of such importance and significance.

Mr. C. Franklin Daniels, the Assistant Commissioner, Multifamily Housing Operations, Federal Housing Administration, stated in his address before the Housing Institute at Asilomar, Calif., in September of 1963, that "as of July 31, 1963 (his department's program) had already accounted for 266 projects representing 42, 472 units and an overall mortgage amount of $506.8 million." Mr. Daniels went on to say that "thus far, approximately three-fourth of all section 231 projects have nonprofit sponsorship, with church groups in the lead."

There are several good reasons for this significant record:

First of all, concern and care for persons is a definite, historical, and current part of the ministry of the religious organizations. The recognition of opportunity and responsibility, through well-developed housing projects, to extend this "ministry" to the elder persons in the community, has been obvious for a long time, and continues to motivate these religious sponsors of retirement projects.

Second, religious sponsors provide a built-in moral and social responsibility, as well as spiritually grounded purposes, in seeing to it housing opportunities for the elderly are made available, and in seeing to it these elderly are protected, given proper and continuous care, and assured their closing years shall be the constant interest of the religious sponsor. These particular sponsors, also, if further motivation were required, are well aware this area of concern becomes a public demonstration of their professed interests. No finer collateral can be found, then, for the development and ongoing operation of housing projects for the elderly, nor for the "guarantees" of service and fiscal matters, than these religious sponsors. It is difficult to conceive of "not trusting" these sponsors, qualified by history, tradition, size, broad base of interest and membership, and by length of establishment as major denominations, to fulfill their obligations and responsibilities.

Third, the entire intent of the National Housing Act, as conceived by Congress, is to provide much more than a roof over the head. The implications of this act, well demonstrated in the obivous interest of the Federal Housing Administration, point to the highly encouraging belief this act most assuredly is intended to provide elderly persons those attributes of living beyond housing, which make it possible for a good and decent life to be the privilege of the elderly. Medical care (currently being studied by Congress), dietary programs, on-the-site medical services and facilities, fellowship and spiritual benefits, and the all-encompassing, obvious concern for these elderly persons as individuals of worth, are among these important attributes. This means here is a program which goes far beyond the institutional effort, which provides much more than physical comforts, which offers the security of the spirit as well as that of the body, and which makes all this available in a climate of love and concern all men desire and need—certainly the elderly. There is in this section 231 of the National Housing Act, therefore, a well-conceived partnership between the religious sponsor and the Federal Government, which jointly is able to develop and provide the full requirements of the elderly and the aging.

Obviously, then, we who are "in the business" are quite convinced of the intent and concern of the Congress of the United States, and of its agency, the Federal Housing Administration, to encourage and assist nonprofit, church-sponsored housing projects for the aging—not only because the Housing Act explicitly provides for such help, but also because, in the several years section 231 has been in effect, the history and experience amply demonstrates this intent and concern. For this we are most appreciative; almost without exception, even the denominations best qualified to sponsor such projects would have been unable to do so, without the help of section 231. We are grateful, too, that all of these projects, assisted under this section, and offering full life-care programs, have been and continue to be successful.

III. Exactly because of this manifested intent and concern, it seems in order to suggest to the U.S. Senate's Subcommittee on Housing for the Elderly, certain improvements to the significant, FHA 231 program:

1. A concise, detailed manual for sponsors is badly needed. Long before a denomination reaches the decision to sponsor housing for the aging, it should be well understood what are the specific requirements for such sponsorship. This manual should spell out, very clearly, that: (*a*) certain types and percentages of funds will be required of the sponsor; (*b*) specific requirements will be made of the sponsor and the mortgagor corporation set up to build and operate the project; (*c*) official decisions and resolutions will be asked of the sponsor; (*d*) such-and-such a space of time will be needed to bring the project to initial closing when construction can begin; (*e*) such-and-such staff and professional consultants will be required at such-and-such stages in the development of the project; and (*f*) such-and-such other details must be understood, accepted, and dealt with, if the project is to be completed and successfully operated. It is essential—even mandatory—that such a manual for the sponsors be developed and placed in their hands in advance of the undertaking of a project. It is a distinct hardship and very costly, for sponsors and mortgagor corporations to discover what will be required, and the costs involved, after the project is well under way and considerable funds have been borrowed and expended.

2. The limitations of the commitment, now possible under section 231 of the Housing Act, need revision. The rising costs of construction—labor and materials—make the unit allowances unrealistic, even with the extra room-count allowance for higher costs; year by year, almost month by month, new requirements are added to these projects, each of which compound the construction cost, while the allowances remain the same. More and more non-dwelling-use areas are required by FHA (and by more than 15 other agencies) in the development of these housing projects for the aging; all these areas are well within the purposes of service which the sponsors desire; but again, these areas add to the construction cost, and the costs of equipping and staffing, without concomitant increases in the commitment allowances. The intent of section 231 is "100 percent replacement cost" in the loan which, as stated, is not at all possible under present limitations and requirements. In addition to the items mentioned, the commitment ought to take into account the several legal and organizational expenses such a project requires; expenses often not even recoverable at all, much less within any realistic allowance. Also there are such items as offsite construction which, of course, must be provided, and the necessary furnishing and equipping of the dwelling and nondwelling areas; such costs are legitimate parts of the project and ought to be included in the commitment.

3. These housing projects seem to take entirely too long to reach the construction stage. Again referring to the proposed manual for sponsors, timetables should be indicated, both for the sponsors and the mortgagor corporations, and for FHA regional offices, as to within what periods of time each stage of developing the project should be completed. Many delays occur because requirements are not known in advance and because of reluctance on the part of some agencies to proceed promptly. These delays are costly! In addition to the "front money" funds which need to be borrowed in order to proceed, and which carry interest charges, it is necessary to show some presales of units, prior to initial closing, which deposits earn interest to the time the project is ready for occupancy.

4. The directive of September 1963, relative to founders fees, is unworkable in some regards. First, most major denominations, by the very nature of their organizational structure, etc., cannot comply with the requirements of this directive, to be a holding agency for the mortgagor or corporation; too many administrative elements preclude it. Second, there's a psychological block for incoming residents—if the sponsoring organization is required to state to these elderly persons that they will not "have an absolute right to accommodations in the FHA project;" it must be remembered elderly persons are depositing their savings and wanting the type of life-care housing the church-sponsored home plans to provide; to accept their funds and at the same time to tell them their deposits will not give them the very assurance of housing and care they are seeking, will seem a grave contradiction to these elderly persons. Third, the directive states it shall be the "sole obligation of the sponsor to take care of the contributor (the resident) in the FHA project or elsewhere;" if the sponsor and mortgagor corporation are engaged in building their first such housing project, in just what "elsewhere" facility can the persons be transferred? Finally, of course, there are implications in this directive which cast a serious reflection

upon the moral and financial integrity of the sponsoring organizations, the major denominations of our country, which is unacceptable. Surely it is not the purpose of this directive to imply these sponsors cannot be trusted to fulfill their obligations, to carry out their concern for those who come under their care, to function with integrity. On the other hand, there is need for a solution to the problem facing FHA. (It is understood a few defaults have occurred—but that these are rental projects without the life-care programs, which is quite another matter from the type of projects most church sponsors seek to establish under the section 231.) It is suggested these items might be given consideration in reaching a solution to FHA's problem: (*a*) that FHA exercise greater care in approving sponsors; (*b*) that, through the suggested Manual, prospective sponsors be given detailed information well in advance of the decision to become a sponsor; (*c*) that, in addition to the resolutions now required, to indicate moral responsibility and support the projects—which ought to be sufficient—a legal and fiscal arrangement be developed which the sponsor and the mortgagor corporation can enter into jointly, concerning the long-range care of the residents as well as of the property.

5. In the Los Angeles and San Francisco public hearings held by the committee during January 1964, four statements were heard and received to which reference is made for emphasis and in order to indicate agreement with these reports: these are the statements made by Raymond A. Voight, the executive secretary of the Association of Southern California Homes for the Aging; by Rev. John R. Steinhaus, the executive director of California Lutheran Homes; by Rev. Ross Hidy, the chairman of the Committee on Responsibility for Older Persons, California-Nevada Council of Churches; and by Rev. Clark J. Wood, executive director of the Seattle First Methodist Home, Inc. Among the important items in these reports are clear references to the fact projects in California benefit from an unusually fine program of assistance and oversight provided by the State's department of social welfare. It is believed FHA should find a large share of its concern over possible defaults relieved by this department's program.

IV. On January 7 of this year, several officers of the American Association of Homes for the Aging, and the National Council on Aging, as well as myself, met with officials of the Federal Housing Administration. It was a very worthwhile conference, in Washington, D.C. As Mr. Franklin Daniels has written, concerning that meeting, "the groundwork has been laid for continuing meetings between the association and FHA, to meet our common objectives—more elderly housing sponsored by responsible organizations." Those of us present at that meeting heartily concur. This, together with the excellent work and obvious interest on the part of the U.S. Senate's Subcommittee on Housing for the Elderly, and for the opportunities afforded by the hearings to discuss problems and needs, should make possible a continued and increased support and encouragement to the nonprofit, church-sponsored housing projects for the aging.

Again, my appreciation for the privilege of expressing to the subcommittee, in writing, the foregoing views, for the committee's record.

Respectfully submitted.

LLOYD W. HALVORSON,
Executive Director, California Friends Homes.

STATEMENT OF RICHARD CARTWRIGHT, INTERNATIONAL REPRESENTATIVE, RETIRED WORKERS DEPARTMENT, UAW, LOS ANGELES, CALIF.

Mr. Chairman and gentlemen, my name is Richard Cartwright, representing the UAW Retirees of California, but speaking here today as a representative of the Los Angeles County Federation of Labor, whose membership is over 700,000 in Los Angeles County.

The federation has long been interested in the subject of housing for the aged. It is our feeling that there are many drawbacks to the present FHA program as regards to low-income housing.

First of all, requirements to secure a loan are in many cases extremely complicated and also unfeasible from the standpoint of those people who are willing and anxious, to build true low-cost housing for the benefit of senior citizens.

There are many such projects in California which have been financed under FHA, but where the rental rate ranges are extremely prohibitive for the average member of our union who are on retirement income or social security. While most of these projects are good from the standpoint of construction, recreation and other facilities, they are totally meaningless to our membership because of cost.

It is the feeling of our unions, and has been for many, many years, that the only answer to this problem is a program of public housing completely financed by the Government.

We are very much heartened to notice in President Johnson's state of the Union message that he is proposing low-cost housing projects throughout the country wherein open occupancy would be a fact and where sufficient housing with low rentals for the low income groups, such as our retired citizens would be available.

Just as we feel that race discrimination in housing is frequently a matter of economics—so also are senior citizens discriminated against under FHA housing for the same reasons.

We certainly hope that the Congress will work rapidly on whatever proposal President Johnson has introduced into Congress.

I wish to thank you for this opportunity to testify, and I will be very happy to attempt to answer any questions you may have.

To Chairman Senator Frank Moss, Subcommittee on Housing, and Members of the Committee:

The Los Angeles County Senior Citizens Association, Inc., consisting of 250 clubs, with a membership of near to 75,000, has on several occasions conducted a survey, to ascertain the preference of its membership in the field of housing. Invariably the choice by the greater majority has been for housing in the community where they now reside or nearby, or in a community of a like nature. The reasons for this choice are very simple, their friends and acquaintances are here, they probably attend the church where they are known, and other organizations where they are not strangers. They also are better able to get around in the stores to shop and in other ways feel at home. These advantages are of great importance to older people.

In the city of Santa Monica where I reside, and which has a large senior citizen population, one such housing project is being built, by the First Christian Church of Santa Monica. It is open to people of all religious denominations, and the rentals will run from $65 for a one-bedroom economy apartment to a two-bedroom for $90. It will accommodate 260 people. Located within a block of Wilshire Boulevard, it is convenient to shops, restaurants, nearby churches, and buslines. Under this arrangement people of various economic levels can live under the same roof, rather than being separated into low-income groups. I believe there are other similar housing projects now under construction in Los Angeles County, and it is hoped that many more will be started in the future.

To the average senior citizen who desires to live a normal life, the idea of living in a housing project composed entirely of older people, and situated anywhere from 25 to 100 miles or more away from any community composed of people of all ages and interests, is to say the least extremely distasteful, and in addition many of these projects are designated as low-income housing, giving the occupant the idea that he is ending his days in the poorhouse, even though the houses might be quite livable. Above all things I think we should strive to have the older people retain to every degree possible their self-respect and dignity.

There are, of course, a number of senior citizens housing projects in southern California in which houses and apartments are sold for from $12,000 to $15,000, cash or a downpayment averaging $1,000 and payments from $100 to $150 a month, some located within the limits of a city and others at some distance. Among the occupants of these projects are a large number of out-of-State people who are attracted to California by our warm climate, and sometimes invest their life savings in a house. For some this is the answer to their housing problem, but for over 75 percent of the senior citizens who are long-time residents of southern California, and whose income probably averages around $200 a month, rental housing is preferred. For those people who own their own homes, we find that because of the continuous rise in the cost of living, and taxes, and up-

keep, which they are unable to take care of themselves, they are having a real difficult time retaining possession of their homes.

So I would respectfully suggest that your committee investigate the possibility of increasing building of rental housing projects, within the boundaries of established communities, at a rental that the average citizen can afford.

CLIFFORD S. LE CAIN,
Vice President and Legislative Chairman,
Los Angeles County Senior Citizens Association, Inc.

(At the request of Mr. George McLain, chairman, California League of Senior Citizens, the following letter addressed to the Globe Indemnity Co. is included in the record:)

JANUARY 9, 1964.

Re FHA 121-38003-NP, Fresno Senior Citizens Village; FHA 122-38007-NP, Antelope Valley Senior Citizens Village.

ROYAL GLOBE INDEMNITY CO.
Los Angeles, Calif.

GENTLEMEN: An attorney, Mr. Kenneth Lewis, representing your organization, appeared before the U.S. Senate subcommittee at a public hearing in Los Angeles today. The chairman of the hearing, U.S. Senator Moss, of Utah, was holding a hearing on "Housing for the Elderly." Your Mr. Lewis made numerous statements which were completely false and others that stated half-truths. This hearing, as you know, was to present broad opinions based upon experience with the existing housing laws. It was not a forum of public debate, and while in effect your Mr. Lewis was answering the presentation made by Mr. George McLain to the committee and an audience of several hundred people, it was not a proper place to answer the statements made by Mr. Lewis.

Mr. Lewis dwelt with our Fresno Senior Citizens Village, stating the village enjoyed a year's moritorium in making payments on principal and interest, inferring this was at the expense of the contractor. Not true in any detail. Mr. Lewis stated the "closing" of the Fresno project was delayed by the village owner and sponsor. Not true. The contractor, B. L. Metcalf Construction Co., delayed the closing to the extent the bonding company were forced to declare the contractor in default and close the project themselves. Mr. Lewis declared the contractor was deprived of the use of $600,000 due him on the Fresno project. Not true. The only moneys due under the contract at the closing was the 10 percent retention, and that money was required to pay the subcontractors who had filed liens.

Mr. Lewis stated the owner/mortgagor of the Antelope Valley Senior Citizens Village did not have any money in the project. Not true. The owner/sponsor at the present time has $287,000 invested in the Antelope Valley Senior Citizens Village. Mr. Lewis strongly defended the contractor, the B. L. Metcalf Construction Co. He did not note that the Title Insurance Co.'s report of October 3, 1963, showed $1,844,000 in liens filed against the project. Mr. Lewis inferred the failure to complete the project on the contract date, September 1962, was entirely the fault of the owner/mortgagor, citing circumstances and half-truths as the basis of his statement.

We suggest the Royal Globe Bonding Co. will perform a signal service to the innocent organizations who feel a bond written by them gives adequate protection against the machinations of a crafty contractor. If Royal Globe would perform with diligence the obligations implied in their bond, and not seek to become an apologist and public relations representative of the contractor, it would be more appropriate. We call your attention to the fact that we, the owner/mortgagor, paid the premium which you received for your bond.

Very truly yours,

ROBERT A. BROWN, *Director of Housing.*

FEDERAL HOUSING ADMINISTRATION,
San Francisco, Calif., January 15, 1964.

Subject: The Senior Citizens Village, FHA elderly housing project, Fresno, Calif.

Hon. FRANK E. MOSS,
Chairman, U.S. Senate Special Committee on Aging,
Subcommittee on Housing for the Elderly.

DEAR SENATOR MOSS: My name is Frank Pendergast, and I am director of the San Francisco insuring office of the FHA. I would like to make the following statement for the record in view of the criticism of FHA by George McLain at your Los Angeles hearing, and the misinformation in his statement regarding FHA processing of the senior citizens village elderly housing project in Fresno, Calif. My remarks are concerned only with the Fresno project, as the McLain senior citizens project in Antelope Valley is not within the jurisdiction of the San Francisco FHA insuring office.

First, may I state that the San Francisco FHA office has made an outstanding record with respect to elderly housing. We now have over 3,300 dwelling units of elderly housing covering 16 projects, either under construction or completed. These projects total $44,472,700. We have an additional 11,000 to 12,000 dwelling units under preliminary consideration. We have been sympathetic with the program and have been most reasonable and cooperative with sponsors and their representatives toward furthering the objectives of the Housing Act. Sponsors, of course, do not always obtain exactly what they would like, as our primary responsibility is to protect the interest of the FHA Commissioner, and, secondly, to look out for the interest of the elderly people for whom the housing is being developed. Typical of the many expressions we receive regarding our cooperation are the letter of January 10, 1964, from Mr. William J. McAvoy, assistant vice president of Wallace Realty Mortgage Co., and the telegram of December 19, 1963, from Ross W. Cortese, developer of the leisure world elderly housing projects (see attachments 1 and 2).

The FHA has experienced an unusually long series of difficulties with McLain on the Fresno project and they have been due, perhaps, to his inexperience in developing housing projects, and also due to the fact that the project was proposed as a self-supporting nonsubsidized rental housing development. Due to the nonsubsidized aspect of the proposal, it was necessary for FHA to utilize a debt service approach which requires that the project income be sufficient to amortize the mortgage loan and provide a 5 percent reserve with computations based on a vacancy factor of 7 percent. Although the section 231 statute provided for a mortgage equal to 100 percent of replacement cost, McLain has never conceded that a lesser mortgage amount was dictated by virtue of the debt service limitation.

After several years of preliminary consideration a formal FHA application was received on June 16, 1960, and the FHA commitment was issued August 19, 1960, in the amount of $4,400,000. Even though the FHA had at that time issued the formal commitment, the sponsor did not have enough cash to close the transaction in view of the difference between the contractor's bid and the FHA estimate of construction cost, and the project would not have been built except for the consideration given by FHA at both the San Francisco and Washington headquarters levels to proceed on the basis of the contractor's figures with the requirement that the contractor be bonded in the amount of 100 percent. This involved an FHA manual change which was authorized to bring this type of project in conformance with applications from nonprofit sponsors under section 213. It is quite evident that FHA made a special effort to facilitate the start of construction of the Fresno elderly housing project.

May I point out in addition that McLain's difficulties were not only with the FHA. The Fresno project has had four different mortgages, two architects, four managers, and negotiations were conducted with three different contractors.

In spite of sponsorship difficulties, the Fresno project has remained current with respect to amortization of the loan, which commenced on May 1, 1962, has accumulated a reserve account of over $52,000, and currently has less than a 4.6 percent vacancy. (See attachments 3 and 4 indicating $4,204 net revenue for the period November 1–August 31, 1962; and $9,485 net revenue as of June 30, 1963.)

The financial position of the project, however, has been jeopardized by the sponsor taking unilateral action in obligating the project for cafeteria equipment and miscellaneous items in the amount of $83,440. This obligation was incurred in June 1962, without prior consultation with FHA, and our original processing

of the project did not contemplate this additional burden (see attachment 5). The obligation of project income in this manner was a direct violation of paragraph 6(b) of the regulatory agreement signed by McLain at the time that the project was initially endorsed and construction commenced. (See Regulatory Agreement, Attachment 6.) [1] Other violations of the regulatory agreement included the failure to submit monthly statements of income and expenses promptly, and failure to submit the annual operating statement within 60 days from July 1, 1963. These are violations of paragraph 16 of the regulatory agreement. In addition, McLain furnished 202 living units without prior approval of the FHA as required in the FHA manual.

On April 11, 1963, we were advised that long-term financing would not be by FNMA, but by the State Mutual Life Assurance Co. of Worcester, Mass. This meant that a portion of the FNMA fee of $110,000 would be refunded; $66,000 of the total was never paid to FNMA, but was being held by the mortgagee, and was therefore released on May 20, 1963, to the sponsor. The balance of the fee, or $44,000, had been paid to FNMA and was included in the project cost certification; $11,000 was retained by FNMA as a processing fee, which left the remainder of $33,000. FHA considers the $33,000 as project funds, as this was part of the fee that had been paid to FNMA and was included in the cost certification.

It has been the position of the FHA that the $33,000 should be directed toward the conversion of the project's utility system to master metering, as this would effect an immediate saving of approximately $17,000 per annum. This was outlined to McLain as far back as our letter dated August 23, 1963 (see attachment 7). At that time, if the sponsor had agreed, we were ready to immediately consider the other problems of a nominal rent increase and payment for the cafeteria equipment from project income (no payment has been made to date). The delay in resolving this matter from August 23, 1963 to the present has been due to McLain's refusal to agree to direct the $33,000 toward the No. 1 priority in the best interest of the project (the immediate conversion of the utility system).

At long last McLain has finally agreed to resolve this matter in accordance with our original position (see attachments 8 and 9), and subject to completion of arrangements with the Continental Bank of Los Angeles, relative to a payment on the existing chattel for cafeteria equipment, we believe the matter to be resolved and the project can now proceed on a sound financial basis.

The above statements are factual and fully supported by FHA file records. I believe that the information outlined above clearly shows that FHA processed this project in a fair and reasonable manner, and that the castigation of FHA, including the personal criticism of myself and my chief underwriter, Don Ralya, is entirely unwarranted.

J. FRANK PENDERGAST,
Director, San Francisco Insuring Office, FHA.

ATTACHMENT 1

WALLACE REALTY MORTGAGE CO.,
Panorama City, Calif., January 10, 1964.

Mr. J. FRANK PENDERGAST,
Director, Federal Housing Administration,
San Francisco, Calif.

DEAR MR. PENDERGAST: Last evening I was subjected to a television newscast on which they ran "clips" of a hearing being held in Los Angeles relative to the various housing problems.

The remarks made by one of the participants have no basis in fact and our company heartily disagrees with the statements made.

Our company processes a very substantial number of multifamily housing projects, all FHA insured, or, in certain exceptions, are processed through the Community Facilities Agency. A number of these cases have been handled by

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[1] NOTE.—Copy of regulatory agreement submitted as attachment 6 was not reproducible. Par. (6)(b) of the regulatory agreement reads as follows:

"(6) It (the mortgagor) shall not without the prior approval of the Commissioner:

"(b Assign, transfer, dispose of, or encumber any personal property of the project, including rents, and shall not disburse or pay out any funds except for usual operating expenses and necessary repairs."

A photostatic copy of the executed regulatory agreement is retained in the files of the subcommittee.

your office. The service and attention to the projects and fair approach under all circumstances could not be better.

I am impelled to write this letter to tell you of our feeling in this matter and to assure you that, given the opportunity, we would publicly express our disagreement with the comments made on this television program.

Sincerely yours,

WM. J. MCAVOY,
Assistant Vice President.

ATTACHMENT 2

[Telegram]

LONG BEACH, CALIF., *December 19, 1963.*

J. FRANK PENDERGAST,
Director, Federal Housing Administration,
San Francisco, Calif.:

1963 marks the completion of Rossmoor Leisure World, Seal Beach, a new and exciting concept in retirement living. 1964 will witness the first occupancy of Leisure Worlds at Laguna Hills and Walnut Creek. As sponsor of these projects we wish to express our thanks and appreciation for your assistance and cooperation without which their existence and success would not be possible. Our best wishes for a joyous holiday season and a happy New Year.

LEWIS M. LETSON,
President, the National Golden Rain Foundation.

[Telegram]

LONG BEACH, CALIF., *December 19, 1963.*

J. FRANK PENDERGAST,
Director, Federal Housing Administration,
San Francisco, Calif.:

We wish to express our grateful appreciation to you for your cooperation and assistance during the past year. Your understanding of our aims, your patience, and your valuable counsel have permitted us to continue to advance the leisure world concept. To you and yours we wish a most memorable Christmas season. May the New Year bring you the success, happiness and feeling of accomplishment you have made possible for us this past year.

ROSS W. CORTESE,
M. E. WARD,
Rossmoor Corp.

ATTACHMENT 3

INTERIM STATEMENT OF REVENUE AND EXPENSES, SENIOR CITIZENS VILLAGE, INC., FRESNO, CALIF.

General rental operations for the period Nov. 1, 1961 to Aug. 31, 1962 (prepared from cash basis records)

Revenue:	
Rental income, A units	$87,748.26
Rental income, B units	39,017.74
Rental income, for furnishings	6,811.83
Rental income, market	650.00
Jitney revenue	456.37
Other revenue	104.21
Total revenue	134,788.41
Expenses:	
Advertising expense	1,372.86
Office salaries	8,868.49
Office expense	1,225.79
Managers salaries	3,396.24
Auditing and professional fees	1,358.25
Telephone and telegraph expenses	999.58
Miscellaneous expenses	83.75
Commission for rent service	1,120.00
Maintenance superintendents' salaries	3,319.92
Ground and maintenance payroll	8,331.70
Maintenance supplies	2,047.61
Repairs expense	250.15
Utilities, water, and disposal	19,561.71
Rent expense, furniture	7,157.35
Payroll tax expense	929.76
Insurance expense	588.00
Interest expense	69,565.53
Other expenses	407.47
	130,584.16
Net revenue over expenses	4,204.25

NOTE.—The above statement is subject to the comments contained in a letter attached to and made a part of this report. Y. Hiram Goya, certified public accountant, Fresno, Calif.

ATTACHMENT 4

Statement of revenue and expenses for village operations, the Senior Citizens Village (a California charitable corporation) For the fiscal year ended June 30, 1963

Revenue:	
Rental income	$458,574.49
Cleaning income	23,252.22
Recreation income	3,215.69
Service income	2,018.13
Miscellaneous and jitney income	3,210.26
Total revenue	490,270.79
Operating expenses:	
Advertising expense	12,467.31
Office salaries expense, Fresno and Los Angeles	36,096.32
Office expense	15,403.62
Professional fees expense	9,945.43
Telephone expense	4,791.92
Miscellaneous administrative expenses	1,225.19
Rental commission expense	2,270.00
Travel and promotion expense	9,718.75
Maintenance salaries and wages expense	33,717.54
Furniture rental expense	26,239.36
Repairs and maintenance expense	7,604.48
Water, lights, and heat expense	56,862.00
Taxes and insurance	35,904.38
Interest expense	247,193.25
Material and supplies	1,005.06
Depreciation expense	109,015.08
Amortization of organization	2,990.00
Other miscellaneous expense	3,590.69
Total operating expenses	616,040.38
Net excess of expenses over revenue [1]	125,769.59

[1] $9,485 net revenue without depreciation and furniture.

NOTE.—The above statement is subject to the comments contained in a letter attached to and made a part of this report. Y. Hiram Goya, certified public accountant, Fresno, Calif.

ATTACHMENT 5

BOOK 4734 PAGE 87

STATE OF CALIFORNIA, } ss.
County of ..... (ACKNOWLEDGMENT BY INDIVIDUAL)

On this ..... day of ....., in the year One Thousand Nine Hundred and ....., before me, ...
a Notary Public in and for said ..... County, residing therein, duly commissioned and sworn, personally appeared .....
known to me to be the person ..... whose name ..... subscribed to the within instrument, and acknowledged that ....he.... executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the ..... County of ....., the day and year in this certificate first above written.

.....
Notary Public in and for the ..... County of ....., State of California.

STATE OF CALIFORNIA, } ss.
County of Los Angeles (ACKNOWLEDGMENT BY CORPORATION)

On this 21 day of June, in the year One Thousand Nine Hundred and sixty two, before me, E. Reese Davis
a Notary Public in and for said Los Angeles County, residing therein, duly commissioned and sworn, personally appeared George Mc Lain
known to me to be the President
of the corporation that executed the within instrument and also known to me to be the person.... who executed it on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the ..... County of Los Angeles, the day and year in this certificate first above written.

E. REESE DAVIS, Notary Public
Residing at Los Angeles, California
My Commission Expires Sept. 27, 1965

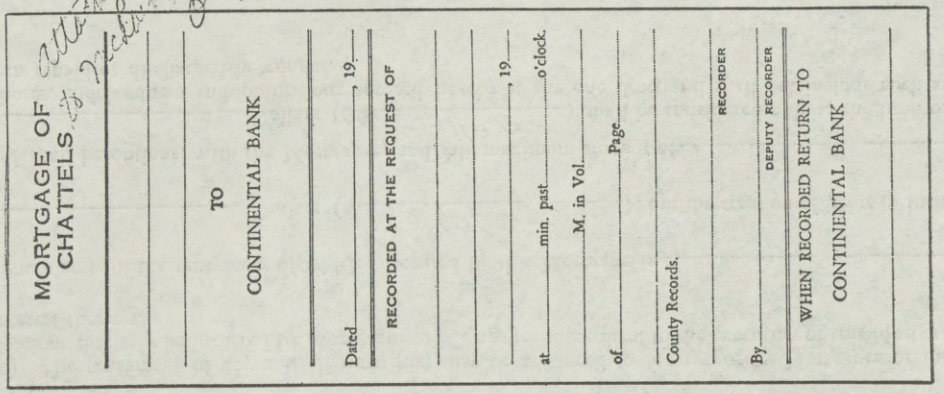
.....
Notary Public in and for the ..... County of Los Angeles, State of California.

STATE OF CALIFORNIA, } ss.
County of ..... (ACKNOWLEDGMENT BY PARTNERSHIP)

On this ..... day of ....., in the year One Thousand Nine Hundred and ....., before me, ...
a Notary Public in and for said ..... County, residing therein, duly commissioned and sworn, personally appeared .....
....., known to me to be one of the partners of the partnership that executed the within instrument, and acknowledged to me that such partnership executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the ..... County of ....., the day and year in this certificate first above written.

.....
Notary Public in and for the ..... County of ....., State of California.



DO NOT RECORD THESE INSTRUCTIONS.

Note to Banking Offices and Lending Officers.

NOTE—THIS MORTGAGE *MUST* BE PROPERLY ACKNOWLEDGED BEFORE A NOTARY PUBLIC.

RECORDATION INSTRUCTION:

1. If this Mortgage covers animate personal property, such as livestock, etc., it MUST be recorded in the County where the Mortgagor resides at the time this Mortgage is executed; if the Mortgagor is a *non-resident* of California, then in the County where the property mortgaged is located at the time this Mortgage is executed.

2. If this Mortgage covers inanimate personal property, it MUST be recorded (a) in the County where the property mortgaged is located at the time this Mortgage is executed; and also (b) in the County where the Mortgagor resides at the time this Mortgage is executed, and also (c) in the County to which the property mortgaged *is thereafter removed*. If the Mortgagor is a non-resident of California, then this Mortgage must be recorded in the County where the property mortgaged is located at the time this Mortgage is executed, and also in the County to which the property mortgaged *is thereafter removed*. (See Section 2957 Civil Code.)

3. If the Mortgagor is a corporation or a partnership, the County of the principal place of business in this State is the County of residence for recording this Mortgage. (See Section 2959a Civil Code.)

4. Within four years from the date of recording this Mortgage, it MUST be re-recorded in each County in which it has been previously recorded, or a Certificate of Rerecordation recorded. (See Section 2957 Civil Code.)

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BOOK 4734 PAGE 85

AS SECURITY FOR:

(a) The repayment of Eighty Three Thousand Four Hundred Forty and no/100-- Dollars ($83,440.00) with interest thereon, according to the terms of a promissory note of even date herewith, executed by Mortgagor, payable to Mortgagee or order, and any and all renewals thereof, and any and all renewals of any other indebtedness or obligations secured hereby, and

(b) The repayment of any and all sums and amounts that may be advanced or expenditures that may be made by Mortgagee subsequent to the execution of this Mortgage for the maintenance or preservation of the mortgaged property or any part thereof or that may be advanced or expended by Mortgagee pursuant to any of the provisions of this Mortgage subsequent to its execution, together with interest on all such advances or expenditures, and

(c) The repayment of any and all sums that may be advanced to Mortgagor by Mortgagee or indebtednesss or obligations that may be incurred by Mortgagor to Mortgagee subsequent to the execution of this Mortgage, together with interest thereon.

The maximum amount the repayment of which is secured by this Mortgage is ..... Dollars ($ 83440-), but the creation of debts in such amount or any part thereof shall be optional with the Mortgagee, and said maximum amount of ..... Dollars ($ 83,440-) shall be considered only as the limit of the debts, sums, expenditures, indebtedness and obligations secured hereby at any one time, and shall not include such as may have existed and been repaid or discharged hereunder.

MORTGAGOR AGREES to do and perform each of the following:

(a) To do all acts which may be necessary to maintain, preserve and protect said mortgaged property; to keep said mortgaged property in good condition and repair; not to commit or permit any waste of said mortgaged property, nor to commit or permit any act with regard to said property in violation of law.

(b) To pay, at least ten (10) days before delinquency, all taxes and assessments now or hereafter imposed on or affecting said mortgaged property, and to pay when due, with interest thereon, all encumbrances, charges and liens on said mortgaged property, or any part thereof, which appear to be prior or superior hereto.

(c) To insure said mortgaged property and to keep all said property insured against fire and any other hazards designated by Mortgagee in amounts satisfactory to Mortgagee, but such insurance protection shall at all times be in amounts at least equal to the amount of Mortgagor's unpaid indebtedness secured hereby. All policies of such insurance shall: (1) be in insurance carriers approved by Mortgagee, (2) at request of Mortgagee be delivered to it, and (3) provide that any loss thereunder be payable to Mortgagee. The amount collected under any fire or other insurance policy may be applied by Mortgagee upon any indebtedness or obligations secured hereby or to the restoration of any or all of said mortgaged property in such manner as Mortgagee may determine, or at option of Mortgagee the entire amount so collected or any part thereof may be released to Mortgagor. Such application or use shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(d) To keep said mortgaged property separate and always capable of identification; not to sell, contract to sell, lease, encumber, dispose of or permit the consumption of all or any part of said mortgaged property, and not to remove all or any part of said mortgaged property from the premises on which it is now located or on which it may hereafter be located, without the written consent of Mortgagee.

(e) To appear in and defend any and all actions or proceedings purporting to affect the security interest of Mortgagee in or title to all or any part of said mortgaged property; to pay all costs and expenses, including cost of evidence of title and attorneys' fees, in any such action or proceeding in which Mortgagee might appear; and Mortgagor hereby warrants that he is the sole owner and in possession of all said mortgaged property and that said mortgaged property is free and clear of all liens, encumbrances and adverse claims with the exception of the lien of this Chattel Mortgage.

(f) To give to Mortgagee further security or to make payments on account to Mortgagee in the event there shall hereafter be a decrease in the value of said mortgaged property. Such further security or payments shall be in an amount or to the extent sufficient to offset said decrease in value.

Mortgagor further agrees that a failure on the part of Mortgagor to do and perform any of the foregoing shall constitute a default under this Chattel Mortgage.

THE PARTIES HERETO MUTUALLY AGREE:

1. If Mortgagor fails to make any payment or do any act as herein agreed, then Mortgagee, but without obligation so to do and without notice to or demand upon Mortgagor, may make such payments and do such acts as Mortgagee may deem necessary to protect its security interest in said mortgaged property. Mortgagee being hereby authorized to take possession of said mortgaged property or any part thereof and to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of Mortgagee appears to be prior or superior to the lien of this Chattel Mortgage, and in exercising any such powers and authority to pay necessary expenses, employ counsel and pay them reasonable fees. Mortgagee's determination as to whether Mortgagor has failed to make any payment or do any act where herein required shall be final and conclusive. Mortgagor hereby agrees to repay immediately, and without demand, all sums so expended by Mortgagee pursuant to the provisions of this paragraph, with interest from date of expenditure at the rate of eight per cent (8%) per annum.

2. If Mortgagor shall default in the payment of any of the indebtedness, obligations or liabilities secured hereby, including interest, or shall default in the performance of any other agreement herein contained, then Mortgagee at its option, without demand upon or notice to Mortgagor, may and he is hereby empowered to do the following:

(a) Declare all indebtedness, obligations and liabilities secured hereby to be immediately due and payable; or

(b) Proceed to foreclose this Mortgage according to law, and in any action of foreclosure (1) there shall be due from Mortgagor to the plaintiff in such action, immediately upon the commencement thereof, an attorneys' fee of One Hundred Dollars ($100.00), and, if the action goes to judgment, a further attorneys' fee equal to five per cent (5%) of the amount found due, which sums Mortgagor agrees to pay and which shall be included in the judgment in such action, and (2) plaintiff in such action shall be entitled to the appointment of a Receiver, without notice, to take possession of all or any part of said mortgaged property and to exercise such powers as the Court shall confer upon him; or

(c) With or without foreclosure action, enter upon the premises where said mortgaged property or any part thereof may be and take possession thereof and remove or sell and dispose of said mortgaged property or any part thereof at public or private sale.

No power or remedy herein conferred upon the Mortgagee is exclusive of or shall prejudice any other power or remedy of the Mortgagee, and each such power and remedy may be exercised from time to time and as often as is deemed necessary.

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3. The sale described in Paragra (c) of this Chattel Mortgage may be held by Mc gee without any previous demand of performance or notice to Mortgagor of an uch sale; and notice of sale, demand of performance, d all other notices and demands are hereby expressly waived by Mortgagor. Said mortgaged property, or any part thereof, may be sold in one or more lots, and at one or more sales, which may be held on different days and which need not be held within view of the property being sold. Mortgagee may postpone the sale of all or any portion of said mortgaged property from time to time by public announcement at the time and place of sale if sold at public auction.

Mortgagee shall deduct and retain from the proceeds of such sale or sales all reasonable costs and expenses paid or incurred in the taking, removal and sale of said property, including any reasonable attorneys' fees incurred or paid by Mortgagee; the balance of the proceeds shall be applied by Mortgagee upon the indebtedness, obligations and liabilities secured hereby, in such order and manner as the Mortgagee may determine, and the surplus, if any, shall be paid to the Mortgagor or to the person or persons lawfully entitled to receive the same.

At any sale or sales made under this Mortgage or authorized herein, or at any sale or sales made upon foreclosure of this Mortgage, Mortgagee (or its representative) may bid for and purchase any property being sold, and, in the event of such purchase, shall hold such property thereafter discharged of all rights of redemption.

4. Mortgagor hereby assigns to Mortgagee all sums now or hereafter payable to Mortgagor as the proceeds of sale of said mortgaged property, or any part thereof, and any and all sums now or hereafter payable to Mortgagor under the terms of any agreement for the sale or marketing of said mortgaged property, or any part thereof; provided, however, that nothing in this paragraph contained shall be construed to waive or in any way affect the lien of this Mortgage or the limitations, hereinabove expressed, upon the Mortgagor's right to deal with said mortgaged property without Mortgagee's written consent.

5. By accepting payment of any sum secured hereby after its due date, Mortgagee does not waive or in any manner affect its right to require prompt payment when due of all other sums so secured and to declare a default for failure of Mortgagor so to pay. The waiver by Mortgagee of any default of Mortgagor under this Chattel Mortgage shall not be or be deemed to be a waiver of any other or similar default subsequently occurring.

6. If any change occurs in the title to all or any part of said mortgaged property, Mortgagee may, without any notice or demand at its discretion, from time to time, and without in any way impairing or releasing the obligations of Mortgagor hereunder do any of the following:

(a) Take, exchange or release security for any of the obligations now or hereafter secured hereby;

(b) Extend the time for payment of said obligations;

(c) Otherwise change the terms of said obligations;

(d) Declare the whole of the balance of principal of said indebtedness secured hereby and the accrued interest to be due and payable immediately.

7. Mortgagee shall be entitled to enforce any indebtedness, obligation or liability secured hereby and to exercise all rights and powers hereby conferred, although some or all of the indebtedness, obligations and liabilities secured hereby are now or shall hereafter be otherwise secured. Mortgagee's acceptance of this Mortgage shall not affect or prejudice Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee. The rights and remedies of Mortgagee hereunder and as provided by law may be enforced without reference to the time or manner of foreclosure or enforcement of any other security for the indebtedness, obligations and liabilities secured hereby. Mortgagee shall be entitled to exercise all rights of set-off and of banker's lien to the same effect and in the same manner as if this Mortgage had not been given.

8. Any Mortgagor who is a married woman and who has joined in the execution of any indebtedness or obligation secured by this Chattel Mortgage hereby expressly agrees to the liability of her separate property for the repayment of such indebtedness. Such agreement and assent, however, shall not be deemed to create a present lien or encumbrance upon any of her separate property not described herein.

9. This Mortgage is taken to secure, among other things, funds that may be advanced hereafter from the Mortgagee or assigns, at the option of either to the Mortgagor, Mortgagors or any of them, which funds to be advanced shall be for the purpose of financing the Mortgagor, Mortgagors or any of them during any regular production period or periods involving the property or any part thereof encumbered by or described in this Mortgage.

10. The provisions of this Chattel Mortgage are hereby made applicable to and shall inure to the benefit of and bind all parties hereto and their heirs, legatees, devisee, administrators, executors, successors and assigns (including a pledgee of any indebtedness secured hereby). The masculine gender includes the feminine and/or neuter, and the singular number includes the plural. Should more than one person execute this Chattel Mortgage as Mortgagor, the undertakings of the Mortgagor herein contained shall be deemed to be their joint and several undertakings.

IN WITNESS WHEREOF, Mortgagor has executed these presents the day and year first above written.

THE SENIOR CITIZENS VILLAGE

George McLain, Pres.

49481

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MORTGAGE OF CHATTELS

THIS MORTGAGE, made the 21st day of June, in the year 1962,
by THE SENIOR CITIZENS VILLAGE
of 1917 South Chestnut Avenue,
in the City of Fresno County of Fresno, State of California,
Mortgagor, to CONTINENTAL BANK, a Banking Corporation organized and existing under the laws of the State of California, having its principal place of business in the County of Los Angeles, State of California, Mortgagee,
California, Mortgagee,

WITNESSETH:

That the Mortgagor mortgages to the Mortgagee all the following described personal property, together with the natural increase and the products thereof, if any, situated at 1917 South Chestnut Avenue
in the City or Town of Fresno
County of Fresno, State of California, and described as follows, to wit:

ATTACHMENT 6

(See footnote on p. 106.)

ATTACHMENT 7

SAN FRANCISCO, CALIF., *August 23, 1963.*

Re FHA project No. 121–38003–NP, the Senior Citizens Village, Fresno, Calif.

Mr. GEORGE MCLAIN,
President, the Senior Citizens Village,
Los Angeles, Calif.

DEAR MR. MCLAIN: This is in reply to your letter of August 21 transmitting your request for increase in rentals on FHA form 2458, together with operating statements for the months of June and July 1963, and a record of cash receipts and disbursements for the project covering the months of October 1962, through July 1963.

We are willing to give further consideration to a nominal increase in project rents on the basis of your compliance in the following:

1. Submittal of your 10 months operating statement bearing the certification of a public accountant, or a certified public accountant.

2. Your agreement to accept our previous recommendation to utilize the balance of the FNMA fee in the amount of $33,000 plus a portion of the reserve for replacements account to convert the project to a master metering system, and the reimbursement to P.G. & E. for the distribution system. Any funds borrowed from the reserve account must be amortized on a monthly basis commencing immediately rather than being deferred for a period of 5 years as you have sugggested.

On May 20, 1963, we instructed Mr. Muhsfeld of the Insurance Funds Mortgage Co. that the $33,000 was not to be released without prior approval of FHA and we have confirmed this date that the $33,000 is still in the possession of the mortgagee and will be held pending our determination of the disposition of this amount.

3. Deferment of payment for the cafeteria equipment and construction of additional storage buildings and other project facilities until surplus project income is adequate to cover these costs, particularly in view of the fact that the cafeteria is not paying any rental to the project. In any event, if and when project income is used to pay for cafeteria equipment, we will expect this equipment to be deeded to the project.

4. Provide FHA with a schedule of charges for furniture. These must be acceptable to the Commissioner; prior approval must be obtained for the furnishing of any units.

5. In the past we have experienced considerable difficulty in obtaining the monthly financial statements under the terms of the regulatory agreement and we will expect prompt submittal of these monthly reports, together with the annual operating statements required.

On receiving your written concurrence with the above, this office will be pleased to give further consideration to your request for increase in rental schedules.

Very truly yours,

J. FRANK PENDERGAST, *Director.*

ATTACHMENT 8

CALIFORNIA LEAGUE OF SENIOR CITIZENS,
Los Angeles, Calif., January 13, 1964.

Re FHA Project No. 121–38003–NP, the Fresno Senior Citizens Village.

Mr. J. FRANK PENDERGAST,
Director, Federal Housing Administration,
San Francisco, Calif.

DEAR MR. PENDERGAST: Conforming to agreement of this date, January 13, 1964, this is our letter authorizing the establishment of a cash escrow with the Continental Bank, in Los Angeles, of $33,000 FNMA funds, plus $28,544 of reserve for replacement funds, a total of $61,544.

We, the California League of Senior Citizens, will immediately take the proper legal steps to withdraw the legal action against Insurance Funds Mortgage of Los Angeles for the return to us of the $33,000 FNMA fee now in their possession.

It is understood the release of our action against Insurance Funds is contingent upon the deposit of the above-mentioned amounts in the escrow with Continental Bank. The release will be available upon receipt of the funds by the bank.

Very truly yours,

GEORGE MCLAIN, *Chairman.*

ATTACHMENT 9

THE SENIOR CITIZENS VILLAGE, FRESNO, CALIF.

AGREEMENT BETWEEN SPONSOR AND FHA FOR PURPOSE OF PLACING PROJECT ON SOUND FINANCIAL BASIS

1. Sponsor will furnish letter stating that furniture is not an obligation of the senior citizens project and the use of furniture and payment therefor is completely voluntary on the part of the tenant. On this basis, FHA will make no further requirements regarding furniture.

2. The letter from the sponsor is to contain his agreement for the immediate escrow of $61,544 ($33,000 FNMA balance plus $28,544 from the reserve for replacement account) necessary for full payment for conversion to master metering of the utility system and one walk-in refrigerator in the amount of $3,500. Escrow can be established with the Continental Bank of Los Angeles, if desired, by the sponsor.

3. Sponsor to submit new rental schedule, FHA Form 2458, requesting increase of $4.50 per month on efficiency units and $6.50 on one-bedroom units. This increase will be authorized by FHA immediately on notification from the Continental Bank that the desired escrow has been established.

4. Sponsor will furnish inventory of miscellaneous items, in addition to list of cafeteria equipment previously furnished in connection with existing chattel of $83,440, now held by the Continental Bank of Los Angeles. FHA will inspect project for vertification of chattel items and will authorize monthly payments to Continental Bank from surplus income. When additional income is realized from savings in utility expenses, payments on chattel may be increased with balance of surplus repaid to reserve account.

This agreement made and signed January 13, 1964.

J. FRANK PENDERGAST,
Director, Federal Housing Administration.
GEORGE MCLAIN,
President, The Senior Citizens Village.

SANTA MONICA, *January 7, 1964.*

DEAR SENATOR: Regarding housing for the elderly permit me to bring out a point which I trust will enlighten your committee. Thousands of social security recipients and elderly with incomes as low as $75 per month have been displaced by construction of freeways. The money received by the landlords enables them to build more expensive buildings primarily for those that are employed. The elderly subsequently is forced to pay a higher rent and the consequence is these people will be ill fed, badly clothed, and without proper medical care.

Now there are some 70 million people employed, with double income families about 30 million. These people can pay higher rents but what about the 5 million unemployed and the 12 million social security people? Low housing by cities and counties brings on politics and corruption and the only remedy for a fair solution is a substantial increase in social security benefits so that those people can live in dignity. I am one of them.

Respectfully yours,

HENRY SCHUMMER.

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