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HEARINGS

BEFORE THE

SUBCOMMITTEE ON CONSERVATION AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

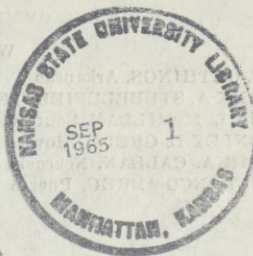
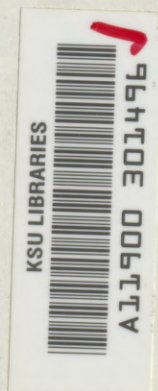
ON

H.R. 7500

JUNE 1 AND 23, 1965

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SUBURBAN LAND DEVELOPMENT CORPORATION

TUESDAY, JUNE 1, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Cooley, Gathings, Stubblefield, Greigg, Callan, Teague of California, and Dole.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and John J. Heimbürger, general counsel.

Mr. POAGE. The subcommittee will please come to order.

The committee has met this afternoon for the purpose of hearing testimony on those sections of the agricultural bill that relate to H.R. 7500, a bill introduced by the chairman of this subcommittee to provide for the establishment, ownership, operation, and regulation of the retirement of lands adjacent to large cities through the instrumentality of a private corporation organized for profit. It is the belief of the Chair that we can remove some land—possibly on the order of 4 or 5 million acres of cropland—several years earlier than it would otherwise be removed and that we can do it without any cost to the taxpayers of the United States and with a possible profit to the taxpayers and the investors in the corporation. On that basis I presented H.R. 7500 which has been discussed in a number of hearings in the past. There have been estimations of the effect of the bill and there have been expressions as to how it would be of benefit to our urban communities as well as how it would benefit agriculture by adding to the amount of retired land. It seems to the chairman of the subcommittee that everybody who has any kind of views on this matter should have an opportunity to be heard and for that purpose we are holding this meeting this afternoon. We have not been presented with any list of witnesses. I asked the clerk to notify everyone who expressed any interest in this bill. I do not know who is present this afternoon who would like to be heard, but if there is anyone here who wants to be heard we will be glad to hear you. We will make the bill a part of the record at this point.

(H.R. 7500 by Mr. Poage follows:)

[H.R. 7500, 89th Cong., 1st sess.]

A BILL To provide for the establishment, ownership, operation, and regulation of the United States Agricultural Land Development Corporation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE, DECLARATION OF POLICY AND DEFINITIONS

SHORT TITLE

SEC. 101. This Act may be cited as the United States Agricultural Land Development Corporation Act.

DECLARATION OF POLICY AND PURPOSE

SEC. 102. The Congress hereby declares that it is the policy of the United States to promote the more orderly marketing of agricultural commodities in interstate commerce by providing for the orderly changes in the use of land adjacent to large urban centers from agricultural uses to a proper urban use through the creation of a corporation which will purchase available land located within a six-mile radius of the limits of urban centers under certain conditions.

DEFINITIONS

SEC. 103. "Urban center" as used in this Act is any municipality or incorporated or unincorporated city or borough or any county organized as a municipality with a population at any given time of one hundred thousand or more persons as reflected by the latest United States Census.

SEC. 104. "Farm" as used in this Act is any agricultural operation which devotes a primary portion of its land to the cultivation of crops.

TITLE II—CREATION OF THE UNITED STATES AGRICULTURAL LAND DEVELOPMENT CORPORATION

SEC. 201. There is hereby authorized to be created a corporation for profit, to be known as the United States Agricultural Land Development Corporation, which will not be an agency or establishment of the United States Government. All corporate property shall be subject to all taxes, including local taxes. The corporation shall be subject to the provisions of this Act and, to the extent consistent with this Act, to the District of Columbia Business Corporation Act. The right to repeal, alter or amend this Act at any time is expressly reserved.

PROCESS OF ORGANIZATION

SEC. 202. The President of the United States shall designate incorporators, one of which shall be the Secretary of Agriculture, who shall arrange for an initial stock offering and take whatever other actions are necessary to establish the corporation, including the filing of articles of incorporation which shall thereafter be amended only upon the initiation by or on the approval of the President.

DIRECTORS AND OFFICERS

SEC. 203. (a) The corporation shall have a board of directors of not less than ten nor more than fourteen, with the Secretary of Agriculture with the power to vote as a board member, serving as Chairman of the Board but not included in the total board membership. One-half of the board shall be appointed by the President, and the other half shall be elected annually by the stockholders other than the United States Government.

(b) The Corporation shall have a president, and such other officers as may be named and appointed by the board, at rates of compensation fixed by the board and serving at the pleasure of the board. No officer of the Corporation shall receive any salary from any source other than the corporation during the period of his employment by the Corporation.

SEC. 204. (a) The Corporation is authorized to issue \$200,000,000 worth of capital stock, which shall carry voting rights and be eligible for dividends. Fifty per centum of the shares shall be issued to the Government of the United States, and 50 per centum shall be offered to the public. There is hereby authorized to be appropriated \$100,000,000 from any unappropriated funds in the United States Treasury which the United States shall invest in the capital stock of the Corporation in return for the issuance of 50 per centum of the initial stock offering. The United States Government shall be issued 50 per centum of any subsequent stock issue, which it shall purchase for such purpose with funds appropriated from the unappropriated funds in the Treasury of the United States. The public shares offered under this subsection may be issued to and held by any person.

(b) The Corporation is authorized to issue, in addition to the stock authorized by subsection (a) of this section, nonvoting securities, bonds, debentures and other certificates of indebtedness as it may determine.

TITLE III

SEC. 301. The Corporation is authorized to buy any farm offered for sale within an area adjacent to urban areas of not less than one hundred thousand population. This land shall be appraised as to its then market value before purchase and the Corporation shall make a standing offer to the owner of such appraised value but in no case more than the appraised value for the land.

SEC. 302. The Corporation shall purchase no land closer than one mile from the outer limits of an urban area nor shall it purchase land more than six miles from said urban area.

SEC. 303. The Corporation may devote its land to any legal use directed by the Corporation except the cultivation of crops determined to be in surplus by the Secretary of Agriculture. The Corporation shall not transfer acreage allotments, base acreages or sugar proportionate shares established under Federal law attached to land purchased by it to other land not owned by it nor shall it contract with the Secretary of Agriculture to divert its owned cropland from agricultural uses.

SEC. 304. The Corporation shall offer for sale any land, or interest therein, held by it whenever due to the movement of the limits of an urban area such land shall fall within an area no more than one mile from the limits of said urban area, excepting land required for public purposes: *Provided*, That the Corporation may sell land for private development in accordance with a designated plan. Such land, or interest therein, shall be appraised by qualified independent appraisers employed by the Corporation for such purpose as to its market value at the time it is offered for sale and such land, or interest therein, shall not be sold at a price less than its appraised market value unless it is held for as much as three years from date of the first offer without finding a buyer. Said cost of appraisal may at the discretion of the Corporation be charged to the party requesting such appraisal. In that event, said land, or interest therein, may be offered at public auction, and if held for as long as five years, it shall be so offered. In either event, such land or interest therein shall when offered be sold to the highest bidder on such terms as the Board of Directors may have previously prescribed.

SEC. 305. The Corporation shall sell land, or interests therein, to a governmental organization at any time at cost plus carrying charges if it is shown that such land, or interest therein, will be dedicated to a public purpose.

SEC. 306. The Corporation is authorized, at any time, to dedicate to a governmental organization any of its lands located in areas designated in section 302, which have low potentials for development but are valuable for open-space uses, such as steep slopes, swamps and marshes, wet lands, flood plains, and similar lands.

SEC. 307. The Corporation shall cooperate with the planning and/or zoning agencies of the proximate urban areas in order to achieve the best possible urban use of said land.

Mr. POAGE. Mr. Reuben Johnson of the National Farmers Union is present, I see, and we will be glad to hear from you now, Mr. Johnson.

STATEMENT OF REUBEN JOHNSON, LEGISLATIVE REPRESENTATIVE, THE NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman and members of the subcommittee, our interest in the program to provide for an orderly transition in the use of land around large cities dates back a number of years. I recall that around this committee there has been discussion of a proposal such as you have introduced, H.R. 7500 on a number of occasions.

We, in the National Farmers Union, because of our longtime interest in the program, and along the lines spelled out in your bill were one of the early supporters, acknowledging our support in the Farmers Union News Letter of some short time after the introduction of the bill which you presented to the Congress on April 14, 1965.

I would like to say that we view this as a very worthwhile program, especially to officials responsible for planning at the local governmental level, both in city governments as well as county governments.

The farmers in many cases have not been treated fairly in the sale of their lands. And under this program at least they have another alternative in selling their lands that they may have around the cities of 100,000 or more in population, I believe, as the bill calls for.

I hope that your bill does not escape the attention of the city representatives in Congress who, also, share the frustrating problems of long-range planning and land utilization in the areas that they represent. And in the future our cities are going to continue to expand. Modern transportation systems will provide the opportunity for people to live farther away from the heart of cities. We have already seen this development right here in the Nation's Capital.

I would like to heartily endorse the proposal in principle, and to present it as a benefit to taking farmland out of production, but, probably more importantly to enable the city and county governments in these areas which would be affected under this bill to plan a long pull program for the development of park areas and other nonprofit uses, including schoolgrounds and various other purposes that represent nonprofit use.

As I understand the terms of the bill they would provide these local governmental officials with the first call on the land held by the Corporation.

Mr. POAGE. That is right. The bill provides that the Corporation would be required to sell it to the city should the land be needed for a public use and to sell it at the actual cost for the land plus carrying costs. That means that if this Corporation had acquired a farm that seemed to be needed for a park, for a school building, or for any other municipal need, that rather than having to pay a profit for the property the city would have the opportunity to acquire title from the Corporation simply by paying the original acquisition price plus such taxes and interest as the corporation had incurred over the years. I think it would result in a rather substantial saving to the cities in securing a good deal of the land that they need and at the same time it would result in no loss to the affected Corporation, because the Corporation would be made whole for its costs, where the municipality would take the land for public purposes.

MR. JOHNSON. I understand that it provides, too, for one-half of the board of directors to be appointed by the President.

MR. POAGE. That is correct.

MR. JOHNSON. And that the other half of the board of directors would be elected by nongovernmental stockholders.

MR. POAGE. It provides that, too. One-half of the stock shall be sold to private investors, and one-half of the stocks shall be sold to the Government. The U.S. Government will have one-half of the board of directors, and it has a specific provision in the bill that the Secretary of Agriculture shall be chairman of the board of directors.

MR. JOHNSON. As I have said, Mr. Chairman, we hope that the merits of this bill in terms of the long-range planning aspect will not escape the attention of some of the city Members of the Congress who share with their city officials some of the frustrations of making the best use of the land in terms of open areas that would be needed.

I would again say that I think the bill has some merit in taking agricultural land out of production, but, again, I want to say this in terms of the worthiness of the bill you have introduced. I have checked recently with a number of the board of directors of the National Farmers Union, and I find that they like your prescribed limits within which the areas of land would be purchased. I can say to you that this might come under further review of the committee. As long as the land is adjacent to a city area and is potentially a part of a city, we feel that the program would be effective.

MR. POAGE. Thank you, Mr. Johnson. I appreciate those comments. I, too, thought that the emphasis would be placed on this aspect of the bill, on the part of people who want to retire land, that they would like to see as much of the land retired as possible. Of course, we could retire more land by putting more money on this program. We could make these limits broader. We could include smaller cities. We would then take more land out. Obviously, that would be true, but it would involve more money and it would involve a more ambitious program.

I know that some who say that we ought not to hold up a good thing because it runs into a lot of money. I have always been one of those who thought that we ought to put the horse before the cart. I envision that this program will be increased and that it will be enlarged and that if it attains my high expectations that the Congress will want to expand it. There is always opportunity to do that. I felt that we should start on a rather small scale, rather than on a larger and more ambitious type of program. That is the reason that we have the limits which we have in the bill, in trying to confine it to cities of 100,000 or over. Of course, if you had cities of 10,000 you would take in many times more land.

MR. JOHNSON. Mr. Chairman, I think that the provision that makes this applicable to cities of 100,000 and over is very appropriate as a provision.

I would like to say, also, I do not think there are many among our city friends in Congress who feel that this would in any way enhance an industry which may be moving out of one area into some other area, but in order to clear up any misunderstanding that may exist about this, I would like to ask you whether or not you feel that this

bill in any way would speed up the movement of industry out of its traditional areas into new areas?

Mr. POAGE. I cannot see how it would in any wise influence the movement of any industry, one way or the other, because this corporation is going to sell this land to the highest bidder. It is not going to be giving land away to anybody except for municipal purposes. There is no way whereby this corporation could be giving anybody anything to secure a tract for a so-called runaway industry from one of the older industrial areas into one of these areas.

I know the complaint that has been made about communities or States encouraging industry to move into their cities or States. Of course, this does not stop that practice, but neither does it give the land away. There are States right now and there are cities right now that will give a site to any industry that will come there.

Mr. JOHNSON. That means that it will not only find the land, but that it will donate the land.

Mr. POAGE. That is correct. I have cities in my district right now that if an industry wants to come there they will give them a site. That is true pretty well all over the country. There are many cities that will do that. This does not provide any means whereby they would be given the land, because the corporation is not empowered to give anybody a site. The corporation has land that it has paid for and on which it must make a profit. This is a profitmaking corporation. This is not a charitable institution. This is not a non-profit institution. This is a profitmaking corporation, and it is not giving anything to anybody. We thought that it could not be done that way, and that is the reason we put this provision in here that they would not make a profit off of the cities for municipal uses. The provision that they must sell the land at the actual cost where it is needed for municipal public purposes does not apply to private uses. This bill does not say that they can give it to the city to put some private business on—it is only for public purposes. So, as I see it under this bill, there is no way whereby anybody could get a free industrial site or get some special advantage. If the industry wants to buy one of the sites it can buy it, but they would have to pay the appraised value of the land at the time of the buying. That does not give them any advantage they do not have today. So it seems to me that any fear that this bill might encourage the movement of industry is entirely unwarranted.

Mr. JOHNSON. That is my view, Mr. Chairman. I do not think that it really affects this problem either one way or another. It neither encourages nor does it deter it.

Mr. POAGE. It does not prevent any city that wants to give a site from doing so. They are doing it now.

Mr. JOHNSON. Right.

Mr. POAGE. It does not prohibit it. I do not think that we have any authority to prohibit it. In taking land out of cultivation rather than imposing a burden on the taxpayers, we would provide some small profit for the United States of America and for some American citizens who want to retire their land and those who want to engage in this kind of business, and that is a pretty good thing when you can make a profit for the Government and give your citizens an opportunity to get into a profitmaking industry.

Mr. JOHNSON. Mr. Chairman, I think all of us are aware that some of the biggest fortunes being made in the country today are being made in speculating on land around these large cities. I do not see anything wrong in having a program like this to provide that the Government would be able to accrue some of these profits.

There is one other point that I would like to state here and, that is, that no farmer, as I understand the provisions of this bill, is required to sell to this corporation. There is no element of eminent domain. It is purely voluntarily on the part of the seller as to whether or not he would be willing to sell to this corporation on the basis of the appraisal made of this land, is that correct?

Mr. POAGE. That is absolutely correct. The corporation is a private corporation with no power of eminent domain whatsoever. There is no compulsion on the part of anybody to sell to the corporation. There is merely the opportunity to sell if they want to do so. They can even get an appraisal of their land and if they do not like the appraisal that the corporation has presented them with, they do not have to sell. They can try to peddle the land to somebody else at a higher price, and then they can go back to the corporation if they want to do so.

Mr. JOHNSON. It provides, though, just another alternative for a farmer and in a sense is a service to him, because of the fact that he can get an appraisal out of this quasi-governmental body as to the value of his land and in that way it may actually save him from taking a loss on the sale of the land.

Mr. POAGE. It will clearly give him that opportunity and I favor that.

Mr. JOHNSON. We hope that the subcommittee, or the committee, whichever is sitting here today—I am not sure—I guess it is the subcommittee—

Mr. POAGE. This is the Subcommittee on Conservation and Credit.

Mr. JOHNSON (continuing). Will approve this bill. And we would like to urge that it be made a part of the 1965 farm bill.

Mr. POAGE. Thank you, Mr. Johnson.

Are there any questions of Mr. Johnson?

Mr. TEAGUE of California. If I may go off the record?

Mr. POAGE. Yes.

(Discussion off the record.)

Mr. POAGE. On the record.

Mr. JOHNSON. I would like to say this, if I may. I think that Congressman Poage is the major architect of this bill. I think that he deserves credit for it. As to what you would call the proposal I really do not think that it makes a great deal of difference.

Mr. POAGE. Thank you.

Who else would like to be heard? Mr. Lynn?

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the subcommittee, we come with more questions than we do with answers in regard to this legislation. We were hoping that the administration would be the first witness, so that we could see what they had to say.

Mr. POAGE. So did I, but I do not see any signs of the administration.

Mr. LYNN. We would like to see the report on the bill.

If we understand correctly, this is to replace the title that was in the omnibus farm bill headed "Cropland Adjustment" or "Cropland Retirement."

Mr. POAGE. Not necessarily, Mr. Lynn. This is entirely a separate piece of legislation which was introduced without regard to any other legislation, but it would be my hope, at least, that the subcommittee would place it in the general bill along with whatever else they might see fit to place in the bill. I do not think that this is necessarily an excuse for everything else. It would stand by itself, it would stand with any other program that you might put it with.

Mr. LYNN. We would hope that the committee would still give consideration to our cropland retirement bill.

Mr. POAGE. You are talking about longtime retirement?

Mr. LYNN. This is right.

Mr. POAGE. Of feed grains and wheat?

Mr. LYNN. This is right, and other cropland.

Mr. POAGE. I am sure that the committee is giving consideration to that. I do not think that either one excludes the other.

Mr. LYNN. But we would hope that the consideration of H.R. 7500 would be separate from the farm bill, because this has many more implications than just agriculture. We do not have a position specifically on H.R. 7500. Our board will be in session next week. We hope to discuss this at that time, but after a brief review we have many misgivings about the U.S. Agricultural Land Development Corp. We wonder if from an agricultural standpoint as it relates to dealing with surplus whether it will amount to a great deal. It has been my observation that around the larger towns and the cities they are producing by-and-large crops that are not in surplus, but that they are devoted to vegetables and fruits and dairy farms, et cetera. And our surpluses are in cotton and wheat and feed grains. It seems to me that this would not do very much to get at surplus problems.

So let me say that we have many questions about this legislation and doubt if it is necessary—I know this is not the time to ask questions but we have many.

Mr. POAGE. Yes; this is the appropriate time to do it, because, probably, there will not be any other time to do it.

Mr. LYNN. But we would hope that you would adopt our cropland retirement program. This legislation should be considered separately.

May I ask, sir, what would be the situation with regard to operating capital for the maintenance of this land? As I see it, there is no provision in here for this. Would it be up to the board—where would they get that money until they had made a sale?

Mr. POAGE. The board will have, presumably, \$200 million from the sale of stock, \$100 million from the U.S. Government, and \$100 million otherwise. That is the capital that will be available for any lawful purpose for this corporation.

Mr. LYNN. That it could be used, for example, for reforestation, in this area?

Mr. POAGE. Although I would feel that it would not be used for that, it might be. I can conceive that it might be for that. Reforestation would be a perfectly legitimate purpose, however.

Mr. LYNN. I was thinking in terms of the beautiful parks, like Rock Creek Park.

Let me just say, Mr. Chairman, that we cannot support the bill in its present form. It is not a substitute for a true land retirement program. However, we would like to take this up with our policy-making people and if we have an opportunity we will file additional information that relates specifically to this question.

Mr. POAGE. Thank you. We will be glad to have you do so.

Are there any questions?

We next have Mr. O'Rourke.

Mr. O'ROURKE. Mr. Chairman, Mr. Patrick Healy, executive director of the National League of Cities and the National Association of Counties, will testify on our behalf.

Mr. POAGE. We will be glad to hear from you, Mr. Healy.

STATEMENT OF PATRICK HEALY, EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF CITIES ON BEHALF OF THE NATIONAL LEAGUE OF CITIES AND THE NATIONAL ASSOCIATION OF COUNTIES; ACCOMPANIED BY J. KINNEY O'ROURKE, GENERAL COUNSEL

Mr. HEALY. Mr. Chairman and members of the Subcommittee on Conservation and Credit, I am Patrick Healy, executive director of the National League of Cities (formerly the American Municipal Association), an organization representing over 13,000 cities and towns of all sizes throughout the United States. I appear here today on behalf of the National League of Cities and the National Association of Counties to comment on H.R. 7500, by Congressman Poage, which provides for the establishment, ownership, and operation of the U.S. Agricultural Land Development Corporation.

The interest of the many large and small cities we represent and the interest of the Nation's counties in this legislation is quite apparent, since its purpose is to promote more orderly changes in the use of agricultural land adjacent to large urban centers. Municipal and county officials are concerned about this transition because the Nation is only at the threshold of it. Millions of people have moved to the city from rural areas during the past 30 years, until almost 70 percent of our population now lives in urban areas. Millions more will move to the city to live and work during the next 10 years, and the urban population of tomorrow will be mushroomed by millions more as a result of the population explosion. We expect over 80 percent of the people in the United States to be living in urban areas by 1980. Many of these people will live in areas which have not been subjected to urban development as yet. As a result, H.R. 7500, providing for the creation of a corporation owned in part by the Federal Government and in part by private interests which will buy and hold land for sale to promote orderly urban development, has captured our interest.

The National League of Cities and the National Association of Counties applaud Congressman Poage for drafting this legislation and

congratulate you, as members of this subcommittee, for conducting hearings on it. Many of the mayors and county officials of this country have been concerned with what NLC and NACO have jointly termed substandard urban expansion, defined as urban growth characterized by a lack of comprehensive planning and minimal public facilities. Such urban growth typically occurs in rural areas which are close but not adjacent to urban areas. Almost all of this substandard urban expansion is now occurring in the approximately 220 standard metropolitan statistical areas, as defined by the U.S. Bureau of the Census, although it has occurred and will continue to occur adjacent to many of our country's smaller, rural cities and towns.

The causes of substandard urban expansion would take pages to relate and document fully, but the following list provides an indication:

First, States have generally failed to provide for logical urban growth by allowing the formation of single purpose units of local government with power to provide municipal services, such as water and sanitation, without requiring the installation of facilities in conformity with areawide plans and standards.

Second, similarly, the States have failed to allow municipalities to expand their boundaries to serve growth areas. Broad annexation powers would allow municipalities to prevent substandard urban expansion before it occurs by enabling them to install the facilities and provide the services to areas of new growth.

Third, the Federal Government, in an effort to bring the qualities of city life to rural areas, has provided financing for water systems which are adequate to serve isolated farmhouses, but which, inevitably, end up serving more extensive residential developments inadequately. Efforts will be made during this Congress to broaden this authority to enable the Department of Agriculture to finance more small water systems and to begin financing small sewage systems.

Fourth, finally, many municipalities and counties fail to recognize the need for sound and orderly urban growth, thereby allowing substandard urban development to arise at their doorstep.

Such municipalities and counties should plan for their growth by adopting a master plan, zoning resolutions, building codes, and the like, all of which would help insure the sound and orderly development of the whole community.

Members of this subcommittee, municipal and county officials are concerned that new development adjacent and close urban areas, large and small, is not taking place according to the highest standards of municipal service. It follows that when below standard public facilities are installed to serve the fringe areas, a municipality or county will eventually have to reinstall the same facilities according to higher standards at greatly increased costs—as compared to what high standard facilities would have cost when the initial development took place. For this reason, both the National League of Cities and the National Association of Counties appointed committees 2 years ago to study this matter and to propose solutions which would require developers to build housing which is adequately served by water and sewer facilities, is properly planned and zoned, and is developed in such a way that the residents of the area will enjoy efficient and high-quality urban services.

These committees joined to form the Joint Task Force on Substandard Urban Expansion, and this task force formulated a policy to govern the action of NLC and NACO in combating this low-quality urban growth. The policy was unanimously adopted by the representatives of the 13,000 members of the National League of Cities at our last annual congress of cities, held in July 1964, in Miami Beach, Fla. Similarly, this policy was adopted by the National Association of Counties at their 1964 annual convention. The policy appears on pages 4 and 5.

I will not take the time to read the whole of this policy statement. I might point to the definition of substandard urban expansion set forth therein in the second paragraph.

This substandard urban expansion is characterized by: a lack of comprehensive planning; minimal public facilities such as the dangerous use of private water such as septic tanks even in metropolitan situations; minimal, if any, services in such fields as fire and police protection; marginal and overloaded schools; inadequate building regulations; insufficient zoning and land use control; lack of sufficient recreational or cultural facilities; street construction at minimal rural-road standards where city-street standards are need, and with no provision for systematic drainage; and, in general, by an almost total disregard for all those requirements of public facilities and services essential to the urban way of life.

There is a whole lot more than you may like to study at your leisure, but with your permission I will skip over to 22-3:

Certain Federal programs encourage undesirable sprawl by financing partial public facilities and urban house which (1) do not take into account population trends; (2) are not required to meet adequate standards; (3) require or permit the creation of special districts that bypass general governments; or (4) are not part of a plan that takes into account how the particular program will affect the overall growth of the area.

You will note that this policy calls for action at Federal, State, and local levels of government. H.R. 7500 is a step being taken in the right direction on the part of this Congress. It constitutes a recognition that the problem of orderly changes in the use of land from agricultural to urban does exist as a result of the growth of urban areas. It indicates that such land should be planned for proper uses, and it allows land to be withheld from development until such development is proper and in the best interest of logical growth in urban areas. It provides for the installation of public facilities by allowing the Agricultural Land Development Corporation to sell or dedicate land for public uses.

However, we would suggest that you consider several amendments to the act.

First, we suggest that section 103, defining "urban center," be amended to reflect now widely used definitions of urban areas. Such definitions can be found in the Bureau of the Census reports on standard metropolitan statistical areas.

Second, we suggest that the Administrator of the Housing and Home Finance Agency be one of the incorporators of the Corporation and serve on the Board of Directors. Since rural land will be purchased by the Corporation to insure its sound transition from agricultural to urban uses, we believe that the urban areas should have at least one representative on the Board of Directors.

Third, we suggest that section 304 be amended to require that land sold by the Corporation be developed in accordance with the planning and zoning of the adjacent urban center. Furthermore, we strongly urge that you require the development of land sold by the Corporation to include the installation of water and sewer facilities designed to serve dense urban populations adequately. Such standards have been developed by local, State, and National agencies and can be implemented on an economical basis.

These suggested amendments do not destroy the salutary purposes of this legislation. Instead, they help clarify its meaning and will enable the Corporation to fulfill the policy underlying it. Again, we appreciate the fact that Congressman Poage has recognized the problems inherent in changing the uses of land from agricultural to urban, and we thank you for giving me an opportunity to testify before you this afternoon on behalf of the National League of Cities and the National Association of Counties.

Mr. POAGE. Thank you for your statement. The policy statement entitled "Substandard Urban Expansion" will be made a part of the record at this point.

SUBSTANDARD URBAN EXPANSION

22-1. Extensive substandard urban expansion in suburbs of cities of all sizes and in otherwise rural areas is creating an unwholesome environment and is causing a deficit of billions of dollars of unmet public needs because adequate public facilities are not provided. We call on municipalities, counties, States, and the Federal Government to launch a coordinated attack on substandard urban growth to insure that present and future urban residential, commercial and industrial development is properly planned and adequately supplied with community facilities and services.

22-2. This substandard urban expansion is characterized by: lack of comprehensive planning; minimal public facilities such as the dangerous use of private water sources and septic tanks even in metropolitan situations; minimal, if any, services in such fields as fire and police protection; marginal and overloaded schools; inadequate building regulation; insufficient zoning and land use control; lack of sufficient recreational or cultural facilities; street construction at minimal rural-road standards where city-street standards are needed, and with no provision for systematic drainage; and, in general, by an almost total disregard for all those requirements of public facilities and services essential to the urban way of life. The cost of providing adequate public facilities in such areas is conservatively estimated to be up to \$5,000 per house. Experience proves that "insertion" of public facilities in such unplanned, spread-out, and inadequately served subdivision, house-and-lot and commercial development will cost property owners three to five times as much in the long run as development properly planned and served from the beginning. Public sewers in planned subdivisions often cost less than septic tanks. Planned developments require less acreage and expense for individual residential and commercial lots, and insure ample parks, playgrounds, schools, streets, and other community facilities for the use of all. Spread-out, unplanned development requires excessive investments in more public and private service facilities—more sewer, gas, and water pipes; more electric and telephone lines; more streets, etc. Further, such "inserted" facilities are usually inferior in comparison with those installed as initial development occurs in vacant land allowing use of the best planning and engineering principles.

22-3. Certain Federal programs encourage undesirable sprawl by financing partial public facilities and urban housing which (1) do not take into account population trends; (2) are not required to meet adequate standards; (3) require or permit the creation of special districts that bypass general governments; or (4) are not part of a plan that takes into account how the particular program will affect the overall growth of the area. Among Federal agencies involved in these practices in the fields of public facilities and urban housing are: Farmers Home Administration, Community Facilities Administration, Federal Housing

Administration, Veterans' Administration, Area Redevelopment Administration and its accelerated public works program, the rural areas development program of the Department of Agriculture, and the General Services Administration's surplus real property disposal program. Some States have neglected the needs of urban areas through failure to give adequate powers and financial resources to general governments to deal with urban growth problems and by encouraging the establishment of utility or other special districts which frequently are undemocratic and have no comprehensive responsibility for the whole welfare of the community.

22-4. Other Federal agencies—notably the Advisory Commission on Intergovernmental Relations, the Public Health Service, and some segments of the Housing and Home Finance Agency—as well as a few non-Federal agencies such as this association, the Association of State and Territorial Health Officers, the National Association of Counties, U.S. Conference of Mayors, and the American Public Health Association have become increasingly aware of the extent and seriousness of this problem of substandard sprawl. They have concluded that the taxpayer is not getting balanced benefits in some of the 43 Federal-aid programs affecting urban development and that States and local governments of general responsibility are not meeting these problems head on.

22-5. Corrective measures proposed thus far which we commend include (1) urging a strengthened Federal administrative organization to coordinate the many activities of the Federal Government which affect urban development; (2) urging the several States to assume greater responsibility for sound urban development by instituting programs which would substantially supplement Federal financial and technical assistance to local government faced with burgeoning sprawl problems; (3) urging the States and the Federal Government to foster and facilitate metropolitanwide planning for sewer and water service and to forbid the use of private water supply sources and septic tanks in any suburban area where public water and sewer systems are feasible including the adoption of policy governing Federal loan guarantees for urban housing which are consistent with these objectives; (4) revising Federal and State laws which tend to create or favor single-purpose and other special districts so as to assign the performance of a new public service or the extension of an old one to existing general governmental units; (5) providing adequate legal authority in State laws for central cities to annex and to exercise extraterritorial powers in urbanizing fringes to permit areawide planning and long-term investments in public facilities essential to serve a growing urban community; (6) requiring all special districts to report to and submit certified audits to designated State agencies so that the public accountability of these entities may be substantially upgraded; (7) promoting functional and comprehensive planning as an integral part of any and all Federal aid programs, and (8) encouraging economical and efficient development of public facilities by removing population limitations on public facility loans of the Community Facilities Administration, on planning assistance grants, and on sewage treatment grants.

22-6. The President paid special attention to the problem of substandard sprawl in his proposed Housing and Community Development Act of 1964 when he advocated generous loan and amortization schedules to insure that suburban development will be fully planned, fully developed, and fully served, including special provision for excess capacities in utilities and for land acquisition to serve future growth. We endorse these provisions and urge their enactment.

22-7. We believe, however, that all these measures, are not enough. We believe that the crushing need of this urban hour is first, that the full impact of substandard urban sprawl be fully understood, and, second, that a comprehensive plan of action for the prevention and correction of urban sprawl problems be formulated. We recommend therefore, that the league and the National Association of Counties combine forces to produce a comprehensive plan for the abatement and prevention of substandard urban expansion embracing corrective measures suitable for application at all levels of government. Model State laws and ordinances, recommend procedures and organizational structures, and other information should be developed as guides to State and local governments. We strongly endorse the concept of standards to govern local use of Federal program funds contained in the "workable program for community improvement" of the Housing and Home Finance Agency. For 10 years, in order to qualify for Federal urban renewal and low-rent housing programs, municipalities have met the "workable program" standards for planning and regulatory codes designed to prevent spread of blight. Comparable standards are a prerequisite for State or local participation in other Federal aid programs, including assistance for plan-

ning, highways, airports, hospitals, open space, etc. It is urgent that a comparable "workable program for urban development in suburban and rural areas" be developed and adopted by the Congress as a prerequisite for use of Federal housing and public facility programs in new urban development. We recommend that this task force give high priority to efforts to accomplish this objective.

22-8. We authorize appropriate cooperation with public services foundations, the Advisory Commission on Intergovernmental Relations and other governmental agencies, and other private associations concerned with this problem.

Mr. POAGE. I want to say that I think that you have offered some good suggestions. Very frankly, I had given little thought to the idea of using the 220 standard metropolitan statistical areas instead of city boundaries. Probably, that is a good suggestion. I will also give some consideration to having the Home Finance Agency in this, that seems to be very highly desirable.

I do not know how we would implement the third, because it seems to me that the matter of State laws will enter into this, but I have no objection to doing it, if we can.

Mr. TEAGUE of California. I think that you are, probably, as good a witness as any to put this question to. Do you anticipate that we would run into serious objections from the Association of Realtors or the real estate people, many of whom are members of the local city councils, etc.

Mr. HEALY. I, frankly, cannot answer that, Mr. Teague. I have not talked to any of them. I do not know how they will react to this.

Mr. TEAGUE of California. That would be a good idea, to talk to them. This might be a problem that you might have from them.

Mr. HEALY. I think that if you point out to them that they will be involved in the real estate transactions that take place when this corporation starts buying farmland—I am sure that you will use the real estate board members—they will get their commissions, and they make sales there that they would not make for many years otherwise. I cannot see how they legitimately could object to it.

Mr. TEAGUE of California. I am not sure that you are right on your point in your statement. Would you care to comment about that, Mr. Chairman?

Mr. POAGE. This bill, frankly, requires a very substantial amount of appraisal work. All of that will be done by members of the realtors organizations and by real estate agents. I think it has a provision in it for the use of realtors. It is not in any existing law. I, frankly, feel that under this act realtors will have that opportunity.

Mr. TEAGUE of California. Do you think he is correct in his statement that there will be real estate commissions involved?

Mr. POAGE. Personally, I would not think that in most cases there would be. This does not mean that this would prohibit it. It is again within the discretion of the board of directors to handle their affairs just like any private corporation would make in sales, whether they would employ them or whether they would not. They do have to employ the appraisers. They cannot get them anywhere except from among the ranks of the realtors. So in that case they must employ realtors.

Are there any further questions? If not, we are very much obliged to you, Mr. Healy.

Are there any other witnesses here present who care to be heard at this time? The Department is here. If there are no more private

witnesses here to be heard, we will answer the rollcall, because there is a rollcall on and we will come back as quickly as we can. We will stand in recess.

(Recess.)

Mr. POAGE. The subcommittee will please come to order.

In view of the fact that there is a meeting of the Cotton subcommittee going on at the present time, and certain members of this subcommittee have to attend that subcommittee meeting, we will proceed without their being present. We have yet to hear from the Department. If we have any other public witnesses who have come in, in the meantime—if there is anyone here other than the representatives from the Department who cares to be heard, we will hear them now. If not, Mr. Jaenke, we will be delighted to hear from you.

STATEMENT OF EDWIN A. JAENKE, ASSOCIATE ADMINISTRATOR, ASCS; ACCOMPANIED BY FRED RITCHIE, DIRECTOR OF CONSERVATION POLICY STAFF, ASCS; AND HARRY STEELE, DIRECTOR OF RESOURCES DEVELOPMENT ECONOMICS, DIVISION OF ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. JAENKE. Mr. Chairman and members of the committee, I have with me Fred Ritchie, who is the Director of the Conservation Policy Staff of the ASCS, and Mr. Harry Steele, who is the Director of Resource Development Economics Division, Economic Research Service of the Department. These gentlemen are much more familiar with this whole area and I would like for them to be available to answer any questions the committee members may have.

May I say first of all, representing the Department of Agriculture, although we are honored, we feel a little out of place here today. Normally, when we testify before this subcommittee or other subcommittees with this membership on it, we are testifying on matters which are of primary concern to and directly affect agriculture. The thrust of the feed grain, wheat, and other programs is what I have in mind. Today we are testifying on a program which does have effects in agriculture, but which, probably much more importantly, has a wider spread involving the urban part of our economy—the land development around our cities and towns.

The Department of Agriculture has had an opportunity to study H.R. 7500 and we do have some analyses that have been developed of what is involved from an agricultural standpoint. Since this bill is of a broader nature and deals with more than agriculture, we are a little hesitant to comment on aspects which relate to the land development around our cities.

In this regard, the administration believes that this bill has very worthy objectives and goals. They are important. The whole question of land development around these urban areas should be given careful consideration as to what is going to happen—as to how a Government program will affect the longer term development of these lands.

The question does involve other agencies of the Government, other departments.

Therefore, we are not in a position today to comment for the entire Administration with regard to this bill.

We can say that the Administration would like to give further consideration to the question of the amount of capitalization to underwrite this proposed program, and also to the question of the best way to administer it and the best membership of the governing board.

I think one suggestion was made by an earlier witness which certainly should be given consideration by both the committee and the Administration and that is to arrive at a clear understanding of how this program fits in with the overall housing programs currently operated by other agencies, particularly Housing and Home Finance and in some cases the Interior Department. We are working with these other agencies in an effort to develop an overall Administration position. I hope this will be forthcoming in the near future.

Now, with regard to the agricultural aspects of the bill, we believe that, under this program, some 300,000 acres of land now devoted to crops would be eligible—at least for the bidding procedure and possibly for the corporation to acquire if the bids were appropriate. This is, obviously, a relatively small portion of our total acreage of cropland. This program and this amount of land could in no way serve as a substitute for the individual adjustment programs involved in the wheat and feed grain legislation, in the cotton or rice legislation, or for the longer term land use adjustment program which the President prescribed as the cropland adjustment program.

We think there may be some need for a look at the stated purpose of the bill; also, perhaps, at the suggestion made by an earlier witness that the urban area definition used in the census could be applied, and possibly the 6-mile definition currently in the bill could be revised to take in a greater area—perhaps something in the area of a greater distance when the land was sold. These might be given some consideration.

In view of the broader aspects of the bill, we also think that the membership of the Board might be modified, so that other agencies—which have a much greater stake than Agriculture—may be given an opportunity to serve on the Board in addition to or instead of the Secretary of Agriculture.

I believe, sir, that there is no point in my going through the specific provisions of the bill. The committee is completely aware of these.

Mr. POAGE. If you have any suggestions we would like to have those. Mr. Teague wants to ask a question.

Mr. TEAGUE of California. I am sure that you must have misspoken, Mr. Jaenke. You referred to the other programs as the program that the President prescribed. I hope you meant the President recommended. That is not a question, however. You stated that there might be 300,000 acres involved around these metropolitan areas. Have you any figure at all as to the 300,000 acres that might be devoted to crops in surplus, such as feed grains and wheat?

Mr. JAENKE. May I comment briefly? I was probably in error in my choice of words—I should have said “described.” I was referring to the particular title of the omnibus farm bill recommended by the President which deals with and is described as “cropland adjustment.”

Mr. TEAGUE of California. I am sure that you meant recommendation or that he recommended it and not prescribed. Congress still has some powers left in that field.

Mr. JAENKE. I agree. The 300,000-acre figure is derived as follows—and again I hope that these two experts with me will comment if I misstate it.

With the capitalization of \$200 million and borrowings of \$100 million, it is expected that the corporation could acquire approximately 300,000 acres of land now devoted to crops. This, I believe, is based on an assumption of an average value of \$500 an acre which I, personally think would perhaps be a little low. You do have to consider, however, that, in many areas of the country—which would be included in the program—the land value would be somewhere in the range of \$200 to \$300 an acre while in other areas it would be in excess of \$1,000 an acre. On the basis of an average \$500 per acre, which with the available funds would purchase 600,000 acres of land, it is assumed by the Department's technicians in analyzing this bill that about one-half of this 50 percent, would be devoted to the production of crops, some of which now have surplus supply problems and for which we have other programs in effect.

Mr. TEAGUE of California. Thank you. That is all.

Mr. CALLAN. You said under this bill that this Corporation would buy the land. Could they divert these acres into the program, into the adjustment program, and qualify for those benefits?

Mr. POAGE. They cannot use the land for that purpose at all.

Mr. STEELE. Mr. Chairman, I might add that the amount of land which could be retired in 1 year will depend a good deal on how long the Corporation held the land before it was resold. In other words, at what rate they would turn this land over. And if we assume 3 years on the average, they would, perhaps, be acquiring 100,000 acres of new cropland every year after they are in normal operation.

Mr. POAGE. Thank you. Are there any other comments or any other questions?

Mr. GREIGG. I would just like to say that as a former mayor of Sioux City, Iowa, which is a city of almost 100,000 in population, but not quite, I was particularly pleased this afternoon to hear Mr. Healy comment as to this proposed legislation. I think there is something to be said that many communities fail to have the type of comprehensive planning so necessary on the overall expansion of urban development. I want to say that I think that this measure has real possibilities. I would like to see a provision whereby we might drop the population figure just a little bit and include the cities of 75,000, instead of having the figure at 100,000.

Mr. POAGE. The last census of my hometown was 97,600. [Laughter].

Mr. TEAGUE of California. I might say that I have one city in one metropolitan area in that category of 75,000 to 100,000. I am afraid that you could not buy that land for \$500 an acre.

Mr. STEELE. Mr. Chairman, according to the 1963 census there were about 60 cities between 20,000 and 100,000 population. So that you would add approximately 60 areas around which land could be purchased if you lowered it to 50,000.

Mr. POAGE. I pointed out that I personally have not the slightest objection to lowering the figure. Obviously, it might help some.

Mr. GREIGG. By lowering it to 75,000 we would include many more areas and do the kind of thing that you have set out initially to do with the 100,000 figure.

Mr. POAGE. I would like to have the committee discuss this, but we might as well do that in executive session, that is, to discuss the idea of using the metropolitan statistical area figures instead of the one suggested in the bill.

Mr. JAENKE. With regard to the present line of discussion, it is interesting to note that an additional 3.4 million acres would be involved if you included cities below 100,000 population.

Mr. POAGE. And you would get a much larger percentage of surplus cropland around the cities of that size than you would get around the extremely large cities.

Mr. JAENKE. That is for sure. And, probably your average end cost would decline.

Mr. POAGE. Yes; that would be true.

Mr. JAENKE. At the present level, I think some within the Department, at least, think that the average value would be at the high end of the \$500 to \$1,000 range—rather than at the low or \$500 range which we have used for assumption purposes here.

Mr. POAGE. Would you be in a position to give any comment on the possibility of not only lowering the size, but confining this to the purchase of farms primarily in the production of surplus of agricultural crops? I do not know whether that is wise or not. I just wondered what the feeling would be. The definition now says an agricultural operation the primary portion of which land is in cultivation of crops. If you would say the cultivation of surplus crops, or crops which are found by the Secretary to be in surplus, what about that? It would answer a lot of the questions that might be raised.

Mr. JAENKE. Again, since there are other agencies of the executive branch who perhaps would be even more closely concerned with the effects of the bill, I would not be able to comment on that. From the standpoint of the agricultural aspect, I think that we would generally feel that the areas most nearly adjacent to the metropolitan areas are probably devoted to the production of such crops as fruits and vegetables rather than to the production of field crops such as wheat and corn. There would be, at least, a larger percentage in such production. So I think you would, perhaps, eliminate considerable acreage from possible consideration under this bill. Is this approximately correct?

Mr. STEELE. Yes.

Mr. POAGE. You would eliminate a considerable acreage, but at the same time you would open up the possibility of acquiring considerably more surplus crops.

Mr. TEAGUE of California. And at a much lower rate.

Mr. POAGE. At a much lower rate; yes. I am not suggesting that.

Mr. CALLAN. Will we get into the definition of the urban area in the executive session?

Mr. POAGE. Yes; I think it would be much better to do it that way.

Is there anything further in the way of suggestions? Is there anyone here who wants to make a statement? We are trying our best to

see that all those who want to express their views have the opportunity to do so.

Mr. GREIGG. Were you asking Mr. Jaenke a few minutes ago his opinion of the first sentence in section 303 on page 5 on section 302, the first sentence?

Mr. POAGE. That was not the one that I was intending to ask him about.

Mr. JAENKE. Section 304 on page 2—the definition of “farm.”

Mr. GREIGG. I see. Thank you.

Mr. STEELE. I should like to make one more comment that might relate to some questions that have been asked. We have made some study of the 6-mile belt, and I believe there are some problems with this definition. If you do reconsider the definition of an urban area, you might want to give the corporation some authority to lay out a pattern or a zone of operation where the pattern of urban growth is most likely. We looked at some of the beltways and freeways and interchanges and what these are doing to the pattern, and I think that the corporation might need some freedom from 1 to 6 miles, if they were to operate both in retiring cropland and, also, in an orderly urban development.

Mr. JAENKE. Here, again, sir, someone from Housing and Home Financing could be of much more help to the committee, I think, than we from the Department of Agriculture.

Mr. POAGE. Well, if there are no other statements and if no one else wants to speak, we are very much obliged to all of you.

The subcommittee will now go into executive session.

(The following statement was later submitted to the subcommittee:)

STATEMENT OF PERRY E. WILLITS, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS

The National Association of Home Builders is the trade association for the homebuilding industry. It consists of more than 43,000 members, organized in 384 local and State affiliated associations in all 50 States, and in Puerto Rico and the Virgin Islands. Our members build 76 percent of the new homes and 44 percent of multifamily units built in the United States, according to a recent survey.

In order to do this, they must continually acquire and develop land within, and on the fringes of metropolitan areas, aggregating tens of thousands of acres. With the increasing urbanization of the American population (70 percent of America's population is now in metropolitan areas), this process of land acquisition and development for homebuilding will accelerate.

New residential construction is a major force in the entire American economic structure. For example, last year's 1.5 million new dwelling units generated approximately \$21 billion in construction activity alone. To this must be added expenditures directly related to the construction of new dwellings, such as schools, community facilities, service industries, and the like. It is estimated that the total of direct and directly related housing expenditures amounts to about \$35 billion. This is approximately \$1 in every \$18 of the total amount of last year's gross national product.

Last year our industry provided close to 3 million jobs since each new home provides about 2 man-years of employment, of which one-half is off-site and the balance, on-site labor. The thousands of products used in new dwellings come from every area of the country and affect virtually every industry. It has been calculated that the “multiplier effect” of construction activity, as it spreads through the economy, is about double the direct dollar expenditures.

Thus the homebuilding industry accounts for \$70 billion of construction expenditures.

A high level of homebuilding, therefore, is essential to the economy, rural, as well as urban; to the farmer and the lumberer no less than to the manufacturer and the local merchant. Only in a prosperous economy is the farmer prosperous and only then are farm problems at all susceptible to solution. It is a fundamental economic fact that the economy cannot long continue prosperous unless homebuilding continues vigorous.

This association, therefore, as the spokesman for the homebuilding industry, has a very serious interest in the provision for creation of a Suburban Land Corporation as contained in title I of H.R. 7097. Although this provision is apparently intended to deal with a farm problem, its impact (insofar as our membership is concerned) is squarely in the area of urban development.

The homebuilding industry vigorously opposes this provision. If approved, it would gravely threaten continuation of our industry as we have known it.

Insofar as our industry is concerned, the effect of this provision before you would be almost exactly the same as section 201(c) of the proposed Housing and Urban Development Act of 1965 (S. 1354-H.R. 5840), now before the Congress. That section of the Housing Act proposed a system of Federal loans to land development agencies to be created by States. We flatly and unalterably opposed that section, as we do this section in the bill before you. That provision was dropped from the housing legislation both by the Senate and House Banking and Currency Committees. The provision in the legislation before you should be similarly killed.

While the proposal before you would form a nongovernmental corporation, operating for a profit, its effect would be the same as the State land agency provision in the Housing and Urban Development Act of 1965. It would create a huge organization with similar, and perhaps greater, power to compete with our industry, and with private enterprise generally, in the normal and historic processes of land acquisition. We believe this would be unfair competition. As the corporation grows, as it inevitably would, it would increasingly affect, if not entirely control, suburban land development. Private land development would be increasingly unable to compete, would be forced increasingly into remote and outlying areas, and eventually would be eliminated.

The resources of such a corporation, half of it supplied by Treasury funds, would enable it to offer landowners payment in cash rather than the typical deferment terms which a private developer can afford and at which land presently changes hands.

Higher land prices would be inevitable. Close hard bargaining would be precluded because of the huge size and scale of operation of the proposed corporation, with its decisions centrally made.

Moreover, since the provision would require that land sold by the agency be covered by a development plan, the cost of the developed land to the builder would be further increased since its value would be that of developed, rather than "raw," land. This means the cost of housing to the consumer would rise. A full "developed land profit" would be added into the cost of the buildings on the land in addition to a building profit. In contrast, it is common builder practice under our present system to merge a profit on land development with a profit on construction into one profit—one that is considerably less than the total of both.

It is our opinion, too, that this provision could lead to the elimination of the typical small builder, used to buying land on terms.

Our industry boasts that it is one of the last strongholds of the small, but efficient, businessman. The industry cannot accept legislation, which must necessarily have the effect of replacing the tens of thousands of small builders with huge organizations, to deal with the land development corporations proposed to be established by the section of this legislation. We sincerely believe that the present composition and organization of our industry produces by far the best result in lower cost to the consumer.

Although possibly not so intended, the section of this legislation as worded would permit the Land Development Corporation to build and operate apartments, stores, and other rental facilities in direct competition with our industry.

This possible competitive effect is compounded by the vagueness of the stated limits within which the Corporation could buy land. It may do so in the area from 1 to 6 miles from the "outer boundary" of our urban areas. We believe this is vague and indefinite. How can the Corporation determine just when the movements of the limits of an urban area brings within the 1-mile limit the Corporation's purview to trigger the sale of land as required by this proposal? This provision will be the source of constant difficulty.

Finally, and basically, while the Corporation would be in the form of a non-governmental profit organization, in effect, it would be a Government agency with private industry representation. The majority voting power of its board of directors is vested in the Secretary of Agriculture and in Government appointees who would, undoubtedly, be recommended by him. But whether or not, in practice, the Corporation becomes a creature of the Government, one basic fact remains. Its board of directors, a small group of 11 to 15 men, headed by the Secretary of Agriculture, would establish policies and make decisions centrally. It would enforce them from above, rather than through, the give and take of the marketplace in innumerable transactions between small, middle-sized, and large landowners on the one hand, and small, middle-sized (and a few large) builders and land developers on the other. Thus, this proposal raises fundamental questions of the philosophy of government in relation to private business and of the size of private business groups the Government should foster and encourage to make economic decisions affecting vast numbers.

In essence, we believe the proposal would inject Government deeply, irrevocably, and inevitably on an expanding scale into the business of land development.

No serious abuses of land development now exist sufficient to require in the public interest that Government supplant private enterprise in the development of residential land.

The homebuilding industry is firmly dedicated to the proposition that Government should never do what industry should do as well or better for itself, that governmental action is needed only where there exists a private enterprise vacuum or serious abuse; and that governmental action, when determined necessary in the public interest, should be taken in the least disruptive form and should remove impediments to private action, not supplant it.

We believe application of this theory of governmental action requires rejection of this proposal.

Nor can it be justified as conducive to better land development. Better land development will not result from governmental (or from quasi-governmental) control. The proposal will do nothing to enhance the progress now being made by many land developers and community builders, whose objectives and accomplishments get better each year, and whose ideas are now filtering down to all echelons of the industry. The proposal could, in fact, impede this progress.

This association has taken active and constructive steps toward constant improvement of the American home; modernization and uncluttered development of the American city; and proper planning of entire metropolitan regions or areas—through a better informed and constantly improving industry. We have spent very fruitfully a great deal of the association's time and money. We have, for example, taken the lead in developing modern concepts of "cluster zoning" and "planned unit development."

Sound planning—like sound government—is best when broadly based, not imposed by controlling authority, no matter how motivated.

For all of these reasons, we urge that the committee reject the Suburban Land Corporation proposal contained in title I of H.R. 7097.

(At 3:25 p.m., the subcommittee went into executive session.)

SUBURBAN LAND DEVELOPMENT CORPORATION

WEDNESDAY, JUNE 23, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:20 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Olson, O'Neal, Foley, Resnick, De La Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Dague, Teague of California, Quie, Mrs. May, Latta, Dole, Burton of Utah, and Walker.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbarger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order.

The Chair recognizes Mr. Dole.

Mr. DOLE. I deem it an honor to introduce Mr. Bushart as he comes from my district, from the town of Liberal, Kans. Mr. Bushart is president of the National Institute of Farm and Land Brokers, and is here to testify this morning. I am pleased to have him appear.

The CHAIRMAN. We are very delighted to have you, sir; and will you please indicate to the reporter who the other gentlemen with you are, so that they may correctly appear in the record? We are very glad to have you with us.

(Committee Print No. 2, H.R. 7500 follows:)

[Committee Print No. 2, June 7, 1965]

[H.R. 7500, 89th Cong., 1st sess.]

A BILL To provide for the establishment, ownership, operation, and regulation of the Suburban Land Corporation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE, DECLARATION OF POLICY AND DEFINITIONS

SHORT TITLE

SEC. 101. This Act may be cited as the Suburban Land Corporation Act.

DECLARATION OF POLICY AND PURPOSE

SEC. 102. The Congress hereby declares that it is the policy of the United States to promote the more orderly marketing of agricultural commodities in interstate commerce by providing for orderly change in the use of land adjacent to urban areas from agricultural uses to a proper urban use through the creation of a corporation which shall have the power to purchase such land, own and manage it, and dispose of it in accordance with specified conditions.

DEFINITIONS

SEC. 103. "Urban area" as used in this Act is any municipality or incorporated city or borough or any county organized as a municipality with a population at any given time of fifty thousand or more persons as reflected by the latest official figures of the Bureau of the Census plus contiguous or adjacent populated areas which the corporation determines are a part of such area.

SEC. 104. "Farm" as used in this Act is a farming unit which contains a substantial proportion of cropland regularly used for the production of crops determined by the Secretary of Agriculture to be in surplus supply.

TITLE II—CREATION OF THE SUBURBAN LAND CORPORATION

SEC. 201. There is hereby authorized to be created a corporation for profit, to be known as the Suburban Land Corporation, which will not be an agency or establishment of the United States Government and which for purposes of Federal, State, and local taxation shall be a private corporation. The corporation shall be subject to the provisions of this Act and, to the extent consistent with this Act, to the District of Columbia Business Corporation Act. The right to repeal, alter, or amend this Act at any time is expressly reserved.

PROCESS OF ORGANIZATION

SEC. 202. The President of the United States shall designate incorporators, two of whom shall be the Secretary of Agriculture and the Administrator of the Housing and Home Finance Agency. The incorporators shall arrange for an initial stock offering and take whatever other actions are necessary to establish the corporation, including the filing of articles of incorporation. There is hereby authorized to be appropriated such sums as may be necessary to pay expenses incident to organizing the corporation and offering to the public its capital stock as provided in section 204. Within one year after the corporation exercises any power authorized in title III, it shall reimburse the United States for all such expenditures.

DIRECTORS AND OFFICERS

SEC. 203. (a) The corporation shall have a board of directors of not less than ten nor more than fourteen, with the Secretary of Agriculture with the power to vote as a board member, serving as chairman of the board but not included in the total board membership. One-half of the board shall be appointed by the President, and the other half shall be elected annually by the stockholders other than the United States Government.

(b) The corporation shall have a president, and such other officers as may be named and appointed by the board, at rates of compensation fixed by the board and serving at the pleasure of the board.

SEC. 204. (a) The corporation is authorized to issue \$200,000,000 worth of capital stock which shall carry voting rights and be eligible for dividends. Fifty per centum of the shares shall be issued to the Government of the United States, and 50 per centum shall be offered to the public. There is hereby authorized to be appropriated \$100,000,000 from any unappropriated funds in the United States Treasury which the United States shall invest in the capital stock of the corporation in return for the issuance of 50 per centum of the initial stock offering. The United States Government shall be issued 50 per centum of any subsequent stock issue, which it shall purchase for such purpose with funds appropriated from the unappropriated funds in the Treasury of the United States. The public shares offered under this subsection may be issued to and held by any person.

(b) The corporation is authorized to issue, in addition to the stock authorized by subsection (a) of this section, nonvoting securities, bonds, debentures and other certificates of indebtedness as it may determine.

SEC. 205. The corporation shall not exercise any of the powers authorized in title III of this Act until and unless its capital stock shall have been fully subscribed to from private and public sources as provided in section 204.

TITLE III—POWERS AND DUTIES OF THE CORPORATION

SEC. 301. The corporation is authorized to buy any farm offered for sale which is more than one mile and at least 50 per centum of the area of which is not more than six miles from the outer boundary of an urban area, as determined

by the corporation. The authority of the corporation to purchase any such farm shall be limited to acceptance of an offer to sell at not more than the current market value thereof, as determined by the corporation in such manner as the board of directors may prescribe, or by the making of an offer to purchase, within ninety days of such offer, at such current market value.

SEC. 302. Notwithstanding any other provision of law, any acreage allotment, base acreage, or acreage history on the farm which is part of or used in connection with any Federal law in existence at the time of purchase by the corporation, other than sugar proportionate shares, shall remain with the farm when purchased by the corporation but no such allotment or base acreage shall be used by the corporation for the production of allotted or regulated crops, or transferred by the corporation in any manner except to the purchaser of such farm, and any sale of lands by the corporation shall carry a covenant running with the land that such land will not be used for the production of any agricultural commodity eligible for Federal price support for a period of fifteen years.

SEC. 303. The corporation may use its land for any legal purpose and in any manner directed by the corporation except for the production of agricultural commodities determined by the Secretary of Agriculture to be in surplus.

SEC. 304. The corporation shall dispose of, by one of the means authorized by this Act, all lands and interests therein, whenever due to the movement of the limits of an urban area, as determined by the corporation, such lands shall be less than one mile from the outer boundary of such urban area. If land owned by the corporation within one mile of the outer boundary of an urban area is not sold pursuant to the provisions of section 305 or 306 within three years after the date of such determination, it shall be offered at public auction in such parcels as the corporation may determine and sold to the highest bidder.

SEC. 305. The corporation may sell any land owned by it at not less than its current market value as determined by the corporation. In making such determination, the corporation shall take into consideration the estimates of at least two qualified appraisers who are not employees of the corporation. Such sales shall be made by sealed bids or by public auction, as the corporation may determine.

SEC. 306. The corporation shall sell its lands, and interests therein, to any Federal, State, or local government or governmental agency at any time at the cost of such lands plus acquisition, carrying, and disposal charges (including interest on all such costs and charges at 5 per centum per annum and including damages to the remaining lands due to such conveyance) if such lands are to be used for a public purpose and if the conveyance provides that title to the lands and all interests therein shall revert to the corporation or its successor or assigns if such lands are used or conveyed for any nonpublic purpose.

SEC. 307. The corporation shall cooperate with planning and zoning agencies of the proximate urban areas and shall take all practicable action to assure that its lands are used and disposed of in accordance with development plans of such areas.

STATEMENT OF L. M. BUSHART, LIBERAL, KANS., PRESIDENT, NATIONAL INSTITUTE OF FARM AND LAND BROKERS, ON BEHALF OF THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS; ACCOMPANIED BY CHARLES P. LANDT, RALEIGH, N.C., EXECUTIVE VICE PRESIDENT, AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS; DON L. TEMPLE, DON L. TEMPLE & ASSOCIATES, KENTON, OHIO; AND JOHN C. WILLIAMSON, COUNSEL AND DIRECTOR, GOVERNMENTAL RELATIONS, NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

Mr. BUSHART. Mr. Chairman and members of the committee, to my right is Mr. Don L. Temple, of Don L. Temple & Associates, of Kenton, Ohio; and on my left is Mr. Charles P. Landt, Raleigh, N.C., of Cameron-Brown Co., and next to him is Mr. John C. Williamson, our counsel here in Washington.

My name is L. M. Bushart. I am a realtor engaged in farm and ranch brokerage in Liberal, Kans., and president of the National Institute of Farm and Land Brokers of the National Association of Real Estate Boards. I also manage farmland and own my own wheat farm in eastern Colorado.

I have here with me at the witness table two additional witnesses on behalf of the National Association of Real Estate Boards. One is Charles P. Landt, Raleigh, N.C., who is an active realtor and mortgage banker. He is also vice president of the American Institute of Real Estate Appraisers. Also, I have here John C. Williamson, our counsel, who is also director of governmental relations of our association, and Don L. Temple of Kenton, Ohio, as previously stated.

I am testifying on behalf of the National Association of Real Estate Boards as well as its affiliate, the National Institute of Farm and Land Brokers. The institute consists of 2,051 realtors actively engaged in the business of farm and land brokerage. Our national Association consists of more than 80,000 realtors who are members of more than 1,500 local real estate boards in all 50 States and the District of Columbia.

I appear in opposition to the language in Committee Print No. 2 of H.R. 7500, the Suburban Land Corporation Act, which we understand is under consideration as title I of the pending omnibus farm bill, H.R. 7097.

This new title would authorize the creation of a profit-motivated Corporation to purchase farming units which contain a substantial proportion of surplus crops and which lie within 6 miles but more than 1 mile from the boundaries of "urban areas" with a population of 50,000 or more. The Corporation would be empowered to develop the land for any purpose except the production of surplus crops.

The Corporation would be administered by a Board of Directors of 10 to 14 persons, plus the Secretary of Agriculture as Chairman. Half of the Board members in addition to the Secretary, and including the Housing and Home Finance Administrator, would be appointed by the President; the other half would be elected annually by the private shareholders of the Corporation. Thus a Government majority is assured on the Board.

Mr. POAGE. Will you yield right there?

The CHAIRMAN. Mr. Poage wants to ask you a question.

Mr. BUSHART. May I continue with my statement? Maybe the questions will be explained later on in the statement. We can answer them after I am through.

Mr. POAGE. I do not want to ask you a question. I want to keep the record straight. I think you have inadvertently misstated the contents of the bill, and I would like the opportunity to point out what the bill does provide, but if you do not want to be interrupted, that is all right.

Mr. BUSHART. Mr. Chairman, I would prefer to continue, and then to answer questions at the end, if you would consider that.

The CHAIRMAN. All right; go ahead.

Mr. BUSHART. The bill would authorize the issuances of \$200 million worth of capital stock, half to be purchased by the Treasury and half by the public. There is no limitation in the bill on the corporation's borrowing authority.

The corporation could purchase or offer to purchase at fair market value any farm which contains a "substantial" proportion of cropland regularly used for the production of surplus crops, and which lies—or at least 50 percent of which lies—within 6 miles of the "outer boundary" of an urban area with 50,000 or more population, and which farmland is more than 1 mile from the boundary of such urban area.

Of course, the land could be contiguous to a community having a population less than 50,000—indeed it could even surround it—so long as at least 50 percent of the farming unit is within 6 miles of the urban area having a population of 50,000 or more.

Land held by the corporation would have to be sold only to the extent that the land falls within 1 mile of such outer boundary. The bill provides that such land shall be sold to any Federal, State, or local governmental agency if the land will be used for a public purpose, at a price which could and very likely would be below market value. The land would not be sold to a private buyer, presumably, until all such agencies had an opportunity to buy it for public use. If the land were not sold within 3 years of the time it falls within the 1-mile zone it must then be sold at public auction to the highest bidder. We repeat, however, that under the provisions of the bill, the corporation could retain lands indefinitely so long as they not fall within 1 mile of the urban boundary as such boundary is determined by the corporation.

While we are sympathetic with the attempt to retire surplus croplands from production, we strongly object to the scheme embodied in H.R. 7500 as an unwarranted intrusion of the Federal Government in the private land market. It is significant that the House Banking and Currency Committee, in its consideration of the administration's housing bill, H.R. 7984, rejected three provisions which would have vested comparable control over the acquisition and future use of land in the Housing and Home Finance Agency. These provisions were for Federal financial assistance for (1) acquisition and improvements of land for "new towns," (2) State land development agencies to purchase and hold lands for future disposition, and (3) local redevelopment agencies to acquire land for future public works development. H.R. 7500 provides the mechanism to accomplish that which a House committee having jurisdiction over urban and suburban development has repeatedly rejected.

Although the proposed Suburban Land Corporation contains many objectionable features in common with these rejected proposals, it has the added and more objectional feature of authorizing a federally controlled but profit-motivated entity to own and develop acquired land in direct competition with private land developers. The language "any legal purpose and in any manner directed by the Corporation," appearing in section 303 of the bill, gives the Corporation the power to develop its land for residential, commercial, or industrial purposes consistent with local development plans. It is one thing to attempt to retire surplus cropland, but quite another to create a mammoth public-private entity to actively engage in the business of real estate brokerage and real estate development.

In any area where there is a substantial amount of Corporation activity we predict that it will be virtually impossible for private

buyers of land to negotiate for the purchase of farmland until the owner has had a chance to see what the going price is from the Corporation. This \$200 million Corporation, with the ability to borrow several times that amount, will be able to make, in effect, a standing offer for all eligible properties surrounding a particular urban area.

I might add that the \$200 million capitalization is the minimum amount necessary to start business. Subsequent stock issues are permitted without limit so long as half of any new issue is tendered the United States. With a borrowing power limited only by the state of the financial market, it is reasonable to assume that ultimately the Corporation could be in the real estate market on a billion-dollar scale. With ready cash and wide scope of operation, the Corporation would be a formidable competitor and, because of its backing by the Federal Government, an unfair competitor. Small homebuilders and land developers will have to pay premium to meet this competition and the results will be an increase in land prices.

We submit that this use of Federal funds violates any reasonable definition of the public interest.

Public agencies would have a priority in purchasing this land and at a price which could and very likely would be below market value. As we stated earlier, in 1964 and again last month, the House Banking and Currency Committee rejected proposals in housing bills designed to vest control of the future use of land to instrumentalities of Government. Yet here in a bill, ostensibly designed as a surplus crop reduction measure, we find comparable power to turn over land to instrumentalities of Government for the construction of Government-owned housing as well as other public facilities.

The requirement that the land conveyed to public agencies be for a public purpose would not prevent a requirement by this Government-controlled Corporation that a successful bidder be one whose plans for the development of the land meet the criteria established by the Housing and Home Finance Administrator. We note, too, that this official will be on the Board of Directors. There is no question but that he, not the Secretary of Agriculture, would call the tune on how the land is to be developed and who would do the developing. This is self-evident as the interest of the Secretary of Agriculture would have been met by the retirement of the land from the so-called surplus crop production.

H.R. 7500 is also undesirable because of its vague and indefinite language. What standards, for example, determine the movement of a boundary of an urban area? Does this require formal annexation by the urban political entity, or can it mean the construction of a single residence or commercial building on a lot outside the original "boundary"? The date of the movement of the boundary to within 1 mile of the land owned by the Corporation fixes the time at which the 3-year period for mandatory public auction starts to run. A strict construction of the phrase "movement of the limits of an urban area" could result in the Corporation holding the land for an inordinate length of time, thereby exerting even more upward pressure on the price of other land adjacent to the urban area. If the Corporation is to exercise its own judgment as to the meaning of this vague statutory language, then surely the Congress is granting authority to a profit-motivated corporation without historical precedent.

The Corporation would have complete discretion to determine the eligibility of farms for purchase under the vague language of section 104. Before it could purchase a farm it would have to find that a "substantial portion" of the production of the farm is in surplus crops. Would a 3,000-acre farm producing 1,000 acres of surplus crops be eligible? Would 1,000 acres of surplus crop production be "substantial" even if the farm were several times larger than 3,000 acres?

The "public use" limitation in section 306 with its reversion of title is particularly troublesome. Who is to decide whether or not a governmental agency which purchases the property is putting it to a public use, the agency or the Corporation? The concept of "public use" as developed in the courts includes such activities as urban renewal wherein land is purchased or acquired through condemnation, cleared, and sold to a private redeveloper at fair market value. In our opinion this would qualify as a "public use" under section 306. The U.S. Supreme Court has held that the acquisition of land and its conveyance to a private developer to improve the esthetics of the community satisfies the "public use" condition of the fifth amendment of the Federal Constitution.

Section 307 provides that the Corporation shall "take all practicable action to assure that its lands are used and disposed of in accordance with development plans of such areas"—meaning urban areas having a population of 50,000 or more. Suppose the land in question were 6 miles from the 50,000-or-more community but contiguous to a community of 30,000. Under the bill the small community's development plans would be subordinated to the plans of the more distant community. Yet the land in question is contiguous to the smaller community. The Corporation could conceivably develop the land contiguous to the smaller community for industrial purposes, with the concurrence of the more distant larger community, thus determining the character of development of the smaller community without regard to the latter's own urban plans.

In conclusion, Mr. Chairman, I would urge the committee to examine closely the statistics available on surplus crop acreage and the extent to which they are located near urban centers. It would be well for the committee to have an estimate as to just how much acreage would be affected by the bill. The Census Bureau's standard metropolitan statistical areas could be utilized. As you know, these SMSA's are cities or communities having a population of 50,000 or more. There are 219 of them in the 50 States, over half of which, 114, are concentrated in 11 States. On the other hand, only 14 SMSA's are found in the 5 largest wheat-producing States. In addition, according to the 1963 Yearbook of Agriculture, rural land is being converted to urban or special purpose use at the rate of 2 million acres per year. Forty percent of this total, or 800,000 acres, is cropland or grassland. It is our contention that the remote location of much of the surplus cropland coupled with the rapid consumption of farmland which is adjacent to urban areas indicates that the proposed Corporation would be competing in an already active market. To say that because its scope of operation is small as measured on the scale of national acreage figures is not to say, however, that its impact will therefore be minimal on local markets.

This impact, measured on a local scale in terms of the local real estate market, with a corporation of the size proposed, will be quite severe. In other words, we would have a giant corporation making a very small dent in the overall surplus crop situation, but capable of making a very large and unfavorable impact on local real estate markets.

I respectfully urge the committee to reject H.R. 7500.

Mr. Charles Landt has a statement on the appraisal aspects of the bill that he would like to present to you at this same time.

The CHAIRMAN. Mr. Poage started to interrupt you to interrogate you, to point out to you that you had some incorrect statement in the paper that you just presented. I will have to yield to Mr. Poage on that point, to point that out to you, before we hear from Mr. Landt.

Mr. Poage, I recognize you for that purpose.

Mr. POAGE. Mr. Chairman, it is not of very great importance, but I had thought that the witness would be interested in keeping the statement factual. It does not make any difference to me whether his statement is factual or not, but I would point out that on page 2 of your statement you said "half of the Board members in addition to the Secretary, and including the Housing and Home Finance Administrator, would be appointed by the President; the other half would be elected annually by the private shareholders of the Corporation. Thus a Government majority is assured on the Board."

Now, the Housing and Home Finance Administrator is not necessarily a member of the Board. The terms of the bill do make the Secretary of Agriculture a member of the Board, but they do not make the Administrator of the Housing and Home Finance Agency a member. They make him one of the incorporators of the Corporation, but they do not make him a member of the Board. Now, maybe he will become a member of the Board—maybe the Vice President will become a member of the Board—maybe the Attorney General will become a member of the Board.

All I wanted to point out was the fact that these gentlemen simply had misread the bill. I do not know that it makes a great deal of difference, but I would hope that he would recognize that we are all trying to keep this discussion factual. I thought that we would follow the procedure that is usually followed in testimony before this committee—when someone makes an error—I make them myself—and that he would want to correct it at this time.

The CHAIRMAN. You have not had an opportunity as yet to correct the record.

Do you agree with Mr. Poage's statement that the Administrator of the Housing and Home Finance Agency is not, by this bill, made a member of the Board?

Mr. BUSHART. He is one of the incorporators.

The CHAIRMAN. I know that.

Mr. BUSHART. And more or less we assumed that he would be one of the directors.

Mr. GATHINGS. If you would yield?

Mr. POAGE. Yes.

Mr. GATHINGS. As you presented it to the committee, as I understood, the point was in the very last sentence of the paragraph, the

first paragraph on page 2, where you say: "Thus a Government majority is assured on the Board."

Mr. BUSHART. That is definite.

Mr. GATHINGS. And no one can deny that that is true.

Mr. BUSHART. That is definite.

The CHAIRMAN. We thank you for your statement. We will now hear from Mr. Landt of Raleigh, N.C., a friend and a constituent.

**STATEMENT OF CHARLES P. LANDT, RALEIGH, N.C., ON BEHALF OF
THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS**

Mr. LANDT. Mr. Chairman and members of the committee, I am Charles Landt, Raleigh, N.C., executive vice president of Cameron-Brown Co., a mortgage banking firm servicing \$475 million of real estate loans in North and South Carolina and Virginia.

I am also active as a real estate appraiser, both for the purpose of making real estate loans as well as making independent appraisals for others, including condemning authorities. As such I am a member of the American Institute of Real Estate Appraisers and am the southeast regional vice president of that organization.

I see several reasons why this bill is objectionable but am primarily concerned from an appraiser's point of view.

What would happen to land prices? They would undoubtedly skyrocket.

True, the bill says that the corporation must buy at no more than current market value. But, with such a wealthy buyer in the market paying cash, each sale will be higher than the last. Current market value is generally based on past prices of sales of comparable land. Market value, then, would be in a continuous upward spiral.

What would happen to the private builder and developer? To the entrepreneur? To the private land speculator? Such a person could not afford to compete with a federally controlled operation with unlimited capital and ready to pay cash.

The proposed corporation could use its land for any legal purpose. We see industrial parks, shopping centers, office buildings, even apartments outside city limits. What would prevent this quasi-public corporation from engaging in this type of development? We have many private developers in this field and the competition is tough now. We are realistic enough to appreciate that private developers can't compete with the Federal Government.

I sometimes appraise real estate for a condemnor or condemnee. The Federal Constitution says that when private land is taken for public use, the owner will be paid the fair market value. The proposed bill is discriminatory in that it guarantees this Corporation more than the Constitution guarantees a private citizen in the event some of this land is taken by a Federal, State, or local government.

It has been my experience in buying, selling, and appraising this suburban land that it does not produce much in the way of agricultural products. As a matter of fact, the production is not enough in most cases to pay the taxes. This bill would bail out a lot of suburban property owners who are hoping for a profit that is 10 to 15 years in the future.

This land is not needed for the orderly development of a community. Look at Indianapolis. They thought at one time that they had a big shortage of land in that city, and the planning commission made a very careful survey and found 79,000 acres ripe for subdivision within 8 miles of the center of town, and they estimate that this was enough to provide the housing needs of Indianapolis for the rest of the century.

The area of a circle is πr^2 which means area increases many times faster than distance, so a typical million-population city could house nearly half a million more people at single-family densities by extending the city limits only 1 mile.

Los Angeles could house another million people at single-family densities by expanding its driving distance just over a mile.

If Raleigh, N.C., extended its city limits by 1 mile, we could easily house double our present population. For example, in 1960 the city limits of Raleigh encompassed 21,00 acres and held 94,000 people. The master plan for the city shows that if the city limits were extended 1 mile it would then contain 46,000 acres, or more than twice the present area. After allowing for land nonusable for residential purposes, it can be expected that we would then have enough area to house over 200,000 people.

I am in opposition to this bill.

Thank you.

The CHAIRMAN. I want first to make this observation: This bill was considered by the subcommittee at great length. Everybody was given an opportunity to be heard who was able to be present to be heard, and after the subcommittee had approved it, the chairman of the subcommittee reported the bill. I was of the opinion that neither you nor any other of my constituents from North Carolina knew anything at all about this bill. It occurred to me that you and all of the other persons similarly situated might not have been advised of the existence of the bill, and I requested a continuance so that we could give you all an opportunity to present your views.

I appreciate your presence here today. I appreciate the statements that you have made, and your views will be considered by the members of the full committee. This is a full committee meeting today. Hereafter, we will go into executive session.

The Chair recognizes Mr. Gathings.

Mr. GATHINGS. Mr. Chairman, I see from your statement, Mr. Landt, that you are a member of the American Institute of Real Estate Appraisers.

Mr. LANDT. Yes, sir.

Mr. GATHINGS. How long have you been engaged in appraising real estate?

Mr. LANDT. Nineteen years. Since the end of World War II, 1946.

Mr. GATHINGS. According to your statement—and I believe it is also incorporated in Mr. Bushart's statement—it is your view that this legislation would result in an increased value of land around these various cities of 50,000 and more in population?

Mr. LANDT. Yes, sir; that is correct.

Mr. GATHINGS. And so someone who wanted to develop an area, wanted to build a house within 1 to 6 miles outside the limits of a city of 50,000 population, thereby the value of that land would increase; is that right?

Mr. LANDT. Yes, sir.

Mr. GATHINGS. Why do you say that?

Mr. LANDT. Well, the market value of any piece of real estate is not what a piece of real estate sold for yesterday, but your value would be anticipated future benefits. For example, if I owned a piece of land and the land around it had been selling for \$500 an acre and I knew that the Government was out with all of this money and would buy more land and they were interested in this particular area, I would not sell my land for \$500 an acre. I just wait and see how badly they wanted it.

Mr. GATHINGS. That makes sense.

Mr. RESNICK. Will you yield?

Mr. GATHINGS. I will yield on this point.

Mr. RESNICK. I would like to ask a question on that same point.

The reason that these lands are artificially depressed is because of the lack of capital in these areas; is that not a fact? Even if you wanted to use them, to develop them for something else, that very often the developers are stymied because the money is not available to them?

Mr. LANDT. I can only speak for North and South Carolina and Virginia, where we have actually five developers who are purchasing this type of land and who are developing this type of land, and there is plenty of capital available in our area.

Mr. RESNICK. I must say that in New York there is a very severe shortage of capital. It is the lack of capital which holds up the development of these areas. I wish that this bill applied to New York State. Unfortunately, it does not.

Mr. WILLIAMSON. The housing bill contains a provision which was approved by both the House Banking Committee and the Senate Housing Subcommittee that provides a new type of FHA insurance of \$12,500,000 for mortgages for the assembly of land and site improvement and that will provide the capital for subdivisions all over the country.

Mr. RESNICK. That \$12,500,000 will not do that for all areas.

Mr. WILLIAMSON. That is for one subdivision—for one subdivision—that is the maximum mortgage per subdivision.

Mr. RESNICK. The point is that as of now, this land very often could be put to fruitful use and not produce surplus commodities, and is being hampered because the capital is not available.

Mr. LANDT. If I may comment on that, just a little further. It has been my experience that most of these people who own this land and who are selling it are perfectly willing to take only a nominal amount in cash and—

Mr. RESNICK. They are not willing; they are forced to do so.

Mr. LANDT. Well, in many States they insist on it, because of the income tax implications.

The CHAIRMAN. May I interrupt at this point?

Mr. RESNICK. Yes.

The CHAIRMAN. The fact is that your own company has financed rural homes in rural sections, has it not?

Mr. LANDT. Yes, sir.

The CHAIRMAN. For millions of dollars worth.

Mr. LANDT. Yes.

The CHAIRMAN. Do you know of anybody who has a valuable piece of property near the city of Raleigh who cannot be financed?

Mr. LANDT. No, sir.

The CHAIRMAN. For industrial development and commercial uses as well as other uses, such as housing?

Mr. LANDT. No.

The CHAIRMAN. Practically any insurance company, such as Metropolitan, Prudential, will make loans all through the area, do they not and will they not?

Mr. LANDT. Yes, sir.

The CHAIRMAN. The banks, of course, are not permitted to make 20- and 30-year loans, is that not right?

Mr. LANDT. Yes.

The CHAIRMAN. My question is: Did you all know anything about this bill until just recently?

Mr. LANDT. I did not know about it until last week when I received word from Mr. Williamson and when I wrote you the letter which was sometime last week.

The CHAIRMAN. Mr. Williamson appeared here before the committee representing the organization and presented a statement, did you not?

Mr. WILLIAMSON. No, sir; we did not. We were aware of the bill the day that it was introduced. On the first bill, H.R. 7500, I prepared a memorandum which was considered by our Washington committee and the board of directors at their May meeting, and then we asked to be heard, and we were advised by the subcommittee staff, I believe it was on the eve of the Memorial Day weekend, that we could testify the following Tuesday. We did not have the time to get our witness, but we felt sure that a bill of this magnitude would have a longer hearing than 1 day, and when I was advised that the Department of Agriculture was not scheduled to testify, I was certain that the hearings would last more than the 1 day. When the subcommittee took action, we then submitted a letter to the committee expressing some of our views.

The CHAIRMAN. And the views that you expressed were in opposition to the bill?

Mr. WILLIAMSON. Yes, sir; the letter that we sent to the committee.

The CHAIRMAN. And from the time when we first considered the bill, changes have been made in the bill since, is that not right?

Mr. WILLIAMSON. That is correct.

The CHAIRMAN. And you have not expressed your views on the bill in which the changes were made, except the views that you have expressed this morning. I assume that you concur in the statements that have already been made?

Mr. WILLIAMSON. Yes, sir. Our statement reflects the language in the committee print, and the changes which I understand reduced the urban area to a community of 50,000 and more in population and provides that the Housing and Home Finance Administrator will be an incorporator of the organization.

The CHAIRMAN. It does include that.

Mr. LANDT. Yes, sir.

Mr. GATHINGS. This corporation, Mr. Bushart, would have the authority to sell to Federal agencies at less than the market value, would it not?

Mr. BUSHART. That is right.

Mr. GATHINGS. The urban renewal group, could they, in turn, resell that land under the terms of this legislation?

Mr. BUSHART. Probably.

Mr. GATHINGS. Could that happen?

Mr. BUSHART. It could. What would keep them from it, at a higher price?

Mr. WILLIAMSON. On that point, Mr. Gathings, the bill provides that the title would revert to the corporation if this instrumentality of the Government would convey the land for a nonpublic purpose; however, the U.S. Supreme Court has handed down a very broad concept of "public purpose." The weight of judicial opinion is to the effect that if an instrumentality of Government has the power to acquire the land for, let us say, for a new community, that that satisfies the "public purpose," and that the "public purpose" will not be negated if the instrumentality of Government then conveys the land to a developer to develop the community. So, you could still have private development, and the power to revert to the corporation would not be affected, because you could still develop and have private development with private ownership and still satisfy the concept of a "public purpose."

Mr. GATHINGS. What you are saying is that someone who wanted to buy for a subdivision a piece of land upon which to build, would then be in a position to have to buy at a higher price; that would be the result, would it not?

Mr. WILLIAMSON. It could; it could. The thing is that the housing bill gives tremendous power, in our opinion, to the Housing and Home Finance Administrator for the future development of subdivisions. This power was requested for new towns, but the Congress has been reluctant to grant that broader authority; but under this power here a State could create a State land development agency which could acquire the land at less than market value, and that State land development agency could then convey the land to a private developer who would develop the subdivision, meeting the conditions of the Housing Administrator, and would still be a "public purpose." That private developer would be getting the land, or could get the land, at less than the market value, because the State land development agency would be able to purchase it at cost, plus carrying charges.

Mr. GATHINGS. Thank you.

The CHAIRMAN. The very fact that it would, within itself, enhance the value if it were purchased, is that not correct?

Mr. BUSHART. Very right.

The CHAIRMAN. The very fact that it is possible for such a purchase would give it an inflated value, would it not?

Mr. BUSHART. Yes.

The CHAIRMAN. The Chair recognizes Mr. Dague.

Mr. DAGUE. I have some tobacco land up in my district, although this question does not particularly apply to my area since we are not under quotas, but is one that gives us concern nonetheless. Let us assume that this tobacco allotment is on a unit of some 50 acres, and that the tobacco allotment is 7 acres, how would that allotment, in your opinion, affect the sale of that property?

Mr. LANDT. Well, it would make a considerable difference. We all agree that a 50-acre farm without any tobacco allotment is worth one thing and that a 50-acre farm with a 7-acre tobacco allotment is worth considerably more, so that when you appraise it for the purpose of the Corporation obtaining the land, you would have to consider this tobacco allotment if you are going to go on the basis of the market value, because that is part of the market value. Then, this tobacco allotment is taken away, then they go to resell it, it is not worth nearly as much, and the Corporation is going to take a licking on it.

Mr. DAGUE. That is what I thought.

Mr. HAGEN of California. Will you yield?

Mr. DAGUE. Yes.

Mr. HAGEN of California. I would disagree with that. We have had many acquisitions of land for a naval air station in my area, among which were many cotton allotments, and the complaint on the part of the landowners was that the Government would not pay for the value contributed by the cotton allotment. These acquisitions wound up in court, in condemnation suits, in my district, and the Government did not want to give value to these allotments, as I understand it.

The CHAIRMAN. That would come under condemnation suits. Condemnation suits would not cover that, they would have no right to do that.

Mr. HAGEN of California. If they acquire the land by condemnation, certainly.

Mr. LANDT. They would not have the right of condemnation. But according to the bill, they would have to pay the market value. So that the appraiser, in determining the market value—I do not know what happened in your particular case, but I have been on the witness stand many times and have testified as to the value, and it is the market value.

Mr. HAGEN of California. Does not this Corporation have condemnation power?

The CHAIRMAN. No; it does not have that power.

Mr. WILLIAMSON. No.

The CHAIRMAN. But under some of our laws, when land is obtained by condemnation, the farmer is permitted to transfer his crop allotment from that land to some other suitable land that he thereafter acquires.

Mr. HAGEN of California. But there are limitations on the amount he may transfer and he must have acquired an additional farm.

Mr. LANDT. Is this a cotton allotment?

Mr. HAGEN of California. Yes.

Mr. BUSHART. He retained it. That is the reason they do not give consideration to it.

Mr. HAGEN of California. In these acquisition cases, they were not assigning any value at all to the cotton allotment.

Mr. LANDT. We do not assign too much value to cotton allotments in North Carolina, but we assign something to them.

Mr. HAGEN of California. How about the tobacco allotment?

Mr. LANDT. That has some value.

The CHAIRMAN. I do not think that this is very pertinent to what we are talking about.

Mr. HAGEN of California. I did not realize that the Corporation did not have the power of condemnation; however, in these condemnation cases that I speak of, they did not allow any value on these crop allotments.

The CHAIRMAN. Because the law permits them to transfer the allotment.

Mr. HAGEN of California. That is not the reason.

The CHAIRMAN. It is written into the law.

Mr. Dague has not finished.

Mr. DAGUE. I will yield to Mr. Dole.

Mr. DOLE. I just want to ask Mr. Bushart a question.

After studying the law and preparing your statement, are there any changes that could be made to H.R. 7500 that might make it palatable?

Mr. BUSHART. That would take a lot of study by our counsel. I see no advantage to that, though.

Mr. DOLE. You do not see any reason for the Corporation at all?

Mr. BUSHART. No.

Mr. DOLE. Thank you.

Mr. DAGUE. In your statement you indicate that you think that the Corporation's activities would tend to make the land prices rise, perhaps act as a floor. Do you want to elaborate?

Mr. BUSHART. I am going to turn that over to Mr. Temple. He has not talked at all, and I think he can say something as to what has happened in Ohio. He, also, is a builder, and in an area where there is more activity than in my area. I believe he can answer that for you.

Mr. TEMPLE. What is your question, sir?

Mr. DAGUE. A statement made by Mr. Bushart indicated that the Corporation's activities might tend to put a floor under the land prices. Do you think that would be the case?

Mr. TEMPLE. By the action of this Corporation, it would put a floor under land prices, sir.

I will tell you what will happen. If this bill were to be enacted, I mean we will have another inflationary trend in the sale of farmland clear across the country. Already lands costs are so high for the American farmer, that he cannot receive a return for his labor. Let us assume that in this area that you are talking about, just as soon as this Corporation entertains the purchase of land, these farmers who have been there for one generation or two generations are going to wait out this price. Already across the country in these metropolitan areas, or in these communities of 50,000 to 100,000, the land prices, for the purpose of development and the building of residential homes, is already from \$500 an acre up to \$5,000 an acre. Let us assume that this Corporation comes in and has to pay that or more to get the land. What happens to the outside of the 6-mile area, the next 10 or 20 miles? This land jumps 10, 20, 30 percent, and already in these metropolitan areas, where these farmers are farming the land and trying to get a return for their labor, their taxes have gone up so high that they are not even making expenses, and this inflationary trend would be so terrible to the whole Federal Government, not only to the Department of Agriculture, but to the whole program, and by being a small builder and developer, I know about this. I have thousands of friends doing the same thing, and when I say "small," I mean building 10 to 15 houses a year. I have a little country development company

of my own of 15 acres, building 10 houses a year. If I have to compete with this Corporation, assuming this law is enacted, I am out of business, because I cannot compete with this sort of thing. I am through.

The CHAIRMAN. When you say that is true in your territory, is that true, also, in Raleigh, N.C., for example?

Mr. TEMPLE. It is true all over the country, not only in communities of 10,000 people but other sizes of communities. I am negotiating for 80 acres outside the corporate limits of a city or town of about 10,000 to 12,000 for a shopping area, and to develop the surrounding area. The value of that land for agricultural purposes is \$300 an acre. I am paying \$950 an acre to get it. I can finance it. I do not have to get a loan from the Government to do it.

Mr. DAGUE. And 20 years ago, the land on which my home is located might have been worth \$500 an acre, now it is worth \$5,000?

Mr. TEMPLE. And how can the Government come in and pay \$6,000 for that?

Mr. DAGUE. Thank you.

The CHAIRMAN. Mr. Resnick

Mr. RESNICK. Mr. Bushart, I find it difficult in reading your statement to note that on the one hand, you are saying that the Corporation is going to run the price of land up, and in the next paragraph you say that the public agencies would have a priority in purchasing this land at a price which could and very likely would be below the market value. Now, it seems to me that those two statements are opposite. How, on one hand, can you say that the Department of Agriculture or the Corporation is going to, by buying the land, drive the price up; and, on the other hand, that the public agencies will drive the prices down?

Mr. BUSHART. I can answer it very clearly for you, I hope.

First of all, we buy this property today at the market value—today—we will say at \$500 an acre—just to use any figure. We buy that today at that price. Assuming that our country goes on economically like it has gone on, in 3 years from now, or in 5 years from now, or in 10 years from now, we will say, we have had this incline in the economic value of that land to where the market value is \$1,000 per acre. The corporation is required to sell it to a Government agency at the price that it cost, that they put into it. So, on that hand, it is a lower value than the market value at that time. Do you follow me?

Mr. RESNICK. Right. That is for the public uses?

Mr. BUSHART. That is right. But at the same time, the private developer is having to pay \$1,000 for it where they sell it to these people for \$500 that they paid for it originally, giving you a \$500 spread.

Mr. RESNICK. I understand that there will not be any competition between the public user and the private developer.

Mr. BUSHART. Very definitely. Here is the other point, that we are driving it up.

Mr. RESNICK. If a community wants to build a school and the corporation sells this land back to it at the price that it paid for it plus the carrying charges, what possible objection could you have to that?

Mr. BUSHART. That is one case.

Mr. RESNICK. There are cases like that all over.

Mr. WILLIAMSON. It is also very possible—in our opinion, likely—that the State development agencies could acquire this land as an instrumentality of government and then convey it to a developer for a new town, and it would satisfy the Supreme Court's concept of "public purpose." So, you would have the private development with a private end use, under that situation.

Mr. RESNICK. But that land is for public use, whether it is low-cost housing or a park or a school.

Mr. WILLIAMSON. Or a community or a subdivision.

Mr. RESNICK. Or anything else, that is correct. But the net result is that many people will get houses at a lower cost than they would in any other way.

Mr. WILLIAMSON. It is also possible that the cost, plus the carrying charges, could be in excess of the market value.

Mr. RESNICK. If that is the case, it would, according to statement, be for less.

Mr. WILLIAMSON. But it would, generally, be less.

Mr. RESNICK. You want both sides of your pie, then.

Mr. HEIMBURGER. I would like to clarify the point that is under discussion right now. I am quite sure that the author of the bill and the subcommittee, when it requested the subcommittee print No. 2, discussed this and had in mind the idea of public use as it is commonly understood. They had no knowledge of the Supreme Court decision to which you have referred that says that public use is met by the purchase of land by a State agency which then sells to a private developer. I am quite sure that this is not what the subcommittee had in mind or that the author of the bill had in mind. They had in mind the idea of public use, such as parks, school buildings, and recreational areas and so on. So that this is merely a deficiency in the drafting of the bill on the part of the drafter, which is me. The intent of the subcommittee, I am sure, is that this land would be used for the general concept of public use which I have just described. This is merely a deficiency in the drafting, and it should be made quite clear that land should not be purchased by the developing agency and resold to a private developer, as you describe it.

Am I correct in that?

Mr. POAGE. That is correct.

The CHAIRMAN. Mr. Olson.

Mr. OLSON. I would like to ask Mr. Landt a question.

I am wondering if the availability of land for population expansion is quite as simple as you state on page 2 of your statement, as to the 1-mile additional radius. That would be so only if you did not have any natural barriers or other impediments. You might run into a swamp or a mountainside or a river or a lake in some of these areas. I do not think that you can reduce availability to such a simple term.

Mr. LANDT. The example in Los Angeles is worded a little bit differently. I believe it said there, by expanding the driving distance just over 1 mile rather than expanding it overall, to the circumference of the city limits, because you do in different cities run into natural boundaries and barriers.

Mr. OLSON. Has this been researched, that the 1-mile expansion of distance around Los Angeles would provide for 1 million more people?

Mr. LANDT. Yes, sir.

The CHAIRMAN. The same way at Raleigh, you would have a circle around there, would you not?

Mr. LANDT. Yes, sir, this is a part of the master planning in Raleigh. In line with what they were talking about just a minute, I would like to give you a concrete example in Raleigh. We have about 745 acres of land north of the town that we have accumulated over the last 5 or 6 years with the idea of going out there and either developing it ourselves or selling it to a developer. We gave to the school board 25 acres. They needed a high school out there. There is nothing in the world that is going to make our land look better for development purposes than to have a nice new high school out there, which they need. And this is a common thing that developers do.

The CHAIRMAN. Then, you had a motive for doing that?

Mr. LANDT. We had a motive for doing that, yes.

The CHAIRMAN. Mr. Resnick.

Mr. RESNICK. Would you say that is a common thing? I sat on the School Board for the City of New York, and that is one of the real problems that we have had, to get land, and had to take options 20, 30 years in advance—that is not a common thing, sir.

The CHAIRMAN. Are there any further questions?

Mr. Purcell.

Mr. PURCELL. I would like to address myself to this: Do you do any appraisal for urban renewal?

Mr. LANDT. No, sir, I have never. I have been requested to, but I have never done so. There is a conflict of interest situation that caused me to stay out of it, because it would prevent me from buying any urban renewal land or financing any of it.

Mr. PURCELL. Is there anything to prevent you, by the provisions of this bill, from being put in the same position there?

Mr. LANDT. I do not understand that.

Mr. PURCELL. I do not understand what you say that there would be a conflict of interest. If you cannot buy for one quasi-governmental agency, why could you for another?

Mr. WILLIAMSON. Well—

Mr. PURCELL. I am asking Mr. Landt.

Mr. WILLIAMSON. Excuse me.

The CHAIRMAN. I do not understand the question. Do you understand it?

Mr. LANDT. The contract that an appraiser has to sign with the urban renewal says that he cannot buy any of this urban renewal land when it comes up for sale or that he cannot finance it or have anything to do with it, so that is why I have never appraised an urban renewal project.

Mr. PURCELL. Has urban renewal had any effect on the price of land along where they are buying it? What about that?

Mr. LANDT. I could not comment on that, sir; I do not know about that.

Mr. PURCELL. You do not know whether the Government buying in downtown areas has had any effect on the areas around there?

Mr. LANDT. I could not give you any specific examples, because I do not have any. What I would say is that one of the purposes of urban renewal is to upgrade the value of the land around it.

Mr. PURCELL. Is that good or bad?

Mr. LANDT. Well, I think in downtown areas where they are trying to get rid of these old slum areas, it is probably good.

Mr. PURCELL. Has there been any unfair competition to the people who are trying to build in the areas surrounding such areas of urban renewal?

Mr. LANDT. Some people think so, as some communities will not buy the urban renewal program at all, for that reason.

Mr. PURCELL. Do you think so?

Mr. LANDT. No, I, personally, am in favor of urban renewal.

Mr. PURCELL. They buy at the appraised value, the current market price, do they not?

Mr. LANDT. Yes, sir.

Mr. PURCELL. That is exactly what the bill we have before us—this bill that we have now provides that; is that not true?

Mr. LANDT. That is right.

Mr. PURCELL. The market value is established by someone like yourself who does not have this conflict of interest in appraising the value of the land?

Mr. LANDT. That is right.

Mr. PURCELL. There is not anything complicated about appraising for this type of organization any more than there is for the urban renewal people, is there? Is there anything about this that is more complicated?

Mr. LANDT. From an appraisal standpoint, I would say; yes, sir. I think that undeveloped land on the periphery of a city is much more difficult to appraise than urban renewal land.

Mr. PURCELL. Is that not just as easy to appraise as farmland, these other lands?

Mr. LANDT. I think that the farmland at the edge of the city is much more difficult to appraise.

Mr. PURCELL. Than the downtown part?

Mr. LANDT. Than the downtown part; yes.

Mr. PURCELL. Where you have a modern building and with run-down old buildings around?

Mr. LANDT. Yes, sir.

Mr. PURCELL. Well, now, the person who sells to the urban renewal has to move?

Mr. LANDT. Yes.

Mr. PURCELL. Is that bad?

Mr. LANDT. No; I think that it is good that the seller has to move. He has to go buy another home or another business.

The CHAIRMAN. And they do have to pay all cash, sir, do they not?

Mr. LANDT. Sir?

The CHAIRMAN. The developer pays cash, does he not?

Mr. LANDT. Yes.

Mr. PURCELL. Not the purchaser. When the agency who is buying the land, I assume that it is for cash.

Mr. WILLIAMSON. Yes.

Mr. PURCELL. Has that been a bad situation here?

I wonder why it is bad one place, and not in another?

The CHAIRMAN. Will you yield for 1 minute?

You are not complaining about this bill, because you have to appraise it——

Mr. LANDT. That is correct.

The CHAIRMAN. In other words, you could appraise some other land for some private individual if they wanted you to do it. You devote most of your time to do that, do you not?

Mr. LANDT. I am trying to point out the effect that this bill is going to have on the values of land from an appraiser's standpoint. I probably should not even be here, because this would give us a lot of business.

The CHAIRMAN. That is what I thought. You are an officer of your company; is that right?

Mr. LANDT. Yes; I am executive vice president.

The CHAIRMAN. And Mr. Cameron is the president?

Mr. LANDT. He is also the president of the Mortgage Bank Association of America.

The CHAIRMAN. He is not at present in North Carolina, is he?

Mr. LANDT. He is down in Peru under the auspices of the State Department. Otherwise, he would be here at this hearing.

The CHAIRMAN. I just wanted to get that reference to your company, that you are the vice president of it.

Are there any further questions?

Mr. PURCELL. You say in your statement, about the middle of the first page, "True, the bill say that the corporation must buy at no more than current market value." That is what urban renewal does, is it not?

Mr. LANDT. Yes, sir.

Mr. PURCELL. All right, sir, "but with such a wealthy buyer in the market paying cash, each sale will be higher than the last." Is there any difference in this situation?

Mr. LANDT. I think that the big difference is that under urban renewal, they have the power of condemnation.

Mr. PURCELL. And there would be even less ability to be mandatory about the way they get the land?

Mr. LANDT. They have to approach them with more money, if they want the land.

Mr. PURCELL. They would own it at the appraised value. You cannot pay more than that; is that not true?

Mr. LANDT. That is right.

Mr. PURCELL. Well, then, they cannot get took on that account, can they?

Mr. LANDT. Well, there are appraisals and there are appraisers. There are high ones and there are low ones. Appraising is not an exact science—not even the best of appraisers can do that.

Mr. PURCELL. Do you have perfect appraisers in your outfit?

Mr. LANDT. Sir, I missed the adjective.

Mr. PURCELL. Do you have perfect appraisers in your company?

Mr. LANDT. No, sir.

Mr. PURCELL. Unreliable appraisers?

Mr. LANDT. No, sir.

Mr. PURCELL. All right, then, they will be good and conscientious appraisers?

Mr. LANDT. If they chose to look about they may not choose—they may want this property bad enough to get any kind of an appraiser that they could qualify in court. This is not a difficult thing to do.

Mr. PURCELL. My whole point is that urban renewal has worked and this has the same general principle, so far as appraisal is concerned, and, as I understand it, I do not understand why it is so good in one place and so bad in another place.

Mr. LANDT. Well, it is good in the urban renewal case, because it is doing away with the slum areas and all of the slums that go with slum areas.

Mr. PURCELL. It is buying up productive land that is not needed to produce surplus crops, and you could argue about whether it is better to get unneeded production of crops or unneeded property.

Mr. LANDT. I do not pretend to be familiar with the surplus crop problem. The main point that I wanted to make here is that in my opinion this would tend to increase the values, because here is Uncle Sam standing back here with a big fat pocketbook, and you can always wait for him to buy your property.

Mr. PURCELL. That is exactly what happened in urban renewal.

Mr. LANDT. I expect it has in some cases.

Mr. PURCELL. Thank you. That is all I have.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. I have one further question.

So far as urban renewal is concerned, it embraces the power to condemn. Would this bill be improved if the corporation was vested with the power to condemn?

Mr. LANDT. I think that would be the worst thing that could happen.

Mr. HAGEN of California. That is a way to keep the price down—I mean, if you have the power to condemn, you are not going to inflate the price.

Mr. LANDT. This bill says that this is needed for the orderly development of communities. My point is that it is not needed for that purpose. I think private enterprise is doing a pretty good job in developing communities.

Mr. HAGEN of California. In the case of urban renewal, inflationary pressure is reduced by the fact that you do have the power of condemnation; is that not correct?

Mr. LANDT. Yes, sir.

Mr. HAGEN of California. You, as the developer, are often frustrated because the last man is going to hold you up. You have already contemplated building that property and have bought property from other people, and the last buyer can put his price on his which makes it difficult, and that is why the power of condemnation comes in to help you.

Mr. LANDT. Here is a point that just slipped my mind which was brought to my attention: Urban renewal, also, sells their land at a loss in many cases.

Mr. RESNICK. They are supposed to.

Mr. WILLIAMSON. They buy the property and they clear it, and then they sell the cleared land at less than they paid for it, and that is how subsidy is involved. The real purpose of the Federal Government's involvement is to cover that writedown.

Mr. RESNICK. Also, you are aware of the fact that most suburban and small semiurban communities, if you want to call them communities, are totally lacking in parks, even more than the metropolitan areas.

Mr. LANDT. I well agree with you. I am a great believer in parks. I think they are fine for every community.

Mr. RESNICK. There is a real lack today in these small metropolitan areas, and this bill, if anything, is going to take the inflationary prices out of the development of land, because as of now what is happening is that everybody waits around for the farmer either to die or to starve to death, and then they are going to pick up the pieces, and pick up the land at \$10 down and the rest when we catch you at so much per lot, and like that, and the community never has the opportunity to pick up their land at a reasonable price, so that they can develop it into parks, so that they can have orderly planning, so that they can have parks. They do not have that now. What we are doing is taking this land out of production and putting it into a repository, you might say, so that it is there for the use of the community when the community needs it at a price that the community can afford. All this is going to do is to hurt the real estate speculator, but it is not going to hurt the honest broker. It will not hurt the honest developer. There is a lot of land for him. The one that it will hurt is the real estate speculator who has a little more time and money than the farmer.

The CHAIRMAN. Are there any further questions?

Mr. POAGE. I do not have a question, but I do want to make a statement.

The CHAIRMAN. Very well.

Mr. POAGE. I want to make a statement in connection with this bill. I think that it is understood—and I had hoped that the members of the committee who were not members of the subcommittee would understand—that the purpose of introducing this bill was to try to minimize governmental intervention into our land-acquisition programs. In the departments, they have been off and on for the last 6 months. One day they are for this bill and the next day they are damning it with faint praise, and the next day somebody else is opposed to it, and the next day something else—

The CHAIRMAN. When you say “they,” you are talking about whom?

Mr. POAGE. I am talking about the whole of the U.S. Government. [Laughter.]

I want to make the prediction that 5 years from now the opponents of this bill will find the U.S. Government coming out and buying these properties, with titles in the United States of America, with no taxes being paid thereon, no income taxes from anybody from that land, no ad valorem taxes to the local communities, no rights on the part of anyone to purchase—no rights whatsoever to any realtor to buy the land, which this bill specifically gives to him at the then appraised value. When they find this to be true, I do not want somebody to come up here and say, “We are sorry; we want to at least keep this land on the tax rolls and keep the local communities in a position where they are able to support their local governments, their schools.” When this happens, and it well may happen, I want you gentlemen to remember that you had an opportunity to be assured that private enterprise would be kept in the picture and that there would be an opportunity for the private investor, because our choice, gentlemen,

is not between what we think might be perfection and what we think is entirely undesirable, but between the obtainable objectives and I think that it might be stated that the tendency, both in this committee and in other committees, is to adopt measures that mean that we have been going more and more to direct Government purchases, not to private taxpayers, and I think that is the choice that faced us in the beginning of this session, whether we would develop an approach whereby we might keep some of this land under the control of private enterprise or whether we would turn it all over to the Federal Government.

I sought to provide an instrumentality that would pay taxes; I sought to provide an instrumentality that would be subject to the same type of controls that you are subjected to when you buy the land. I thought that to do so would be of local benefit, and that would stabilize the market both against unwarranted inflation and unwarranted drops.

I think it is quite noteworthy that none of the witnesses, Mr. Chairman, have suggested that there would be any hesitancy on the part of private investors to put up the necessary money. Nobody has come here suggesting that private industry, private individuals, private money, would not be glad to go into this thing, but they say: "Let us not do it." And when we do not, what will we get? We get 100 percent Government investment, and that, gentlemen, is what you have succeeded in doing.

Instead of helping us write legislation which might have corrected some of the flaws that you see in the bill—instead of suggesting any improvements at all—from the very beginning, your organization has done nothing but to suggest: "Now, we will have nothing to do with it; we will seek to destroy it; we will seek to make it so bad that nobody will want it." I do not think that attitude is giving us the best kind of legislation. We had witnesses on the cotton bill, Mr. Chairman, and yet you did not send notices to every warehouseman in the country telling them about the bill; they knew all about it, and they got here, and so has everybody else who was interested.

I recognize that from your standpoint, it was probably real wise to wait until after the legislation was adopted—no legislation can be perfect—and then point out the detail in which it could have been something else, rather than to help work out the law beforehand.

You have done a real good job now of nit picking. You have done a real good job of picking out the difficulties, and we probably should have had your help before, but we did not get your help. We have not had one bit of help from you, so that when you come back and ask me next time, if I am here, when you ask me to prevent the Federal Government from buying this land direct, you will be just wasting your breath. I will not be interested in it, gentlemen. I am interested in trying to keep the Government out of this field. You are interested seemingly in putting them in there 100 percent. I want you to come back 5 years from now and explain why the Federal Government is buying all of this land and private industry cannot.

The CHAIRMAN. Well, that is a fine statement that you have made, Mr. Poage. That is the closing statement for the defense, I suppose.

I want to thank you gentlemen for coming here. I do want to conclude by saying this: As I understand Mr. Poage's position, it is that you are taking the position that you are not for this legislation at the

moment, not to proceed with it; you do not need any of this at the moment; is that right?

Mr. GATHINGS. I might say that the very committee that has jurisdiction over such matters—we have no jurisdiction whatever over this type of legislation—the Banking and Currency Committee of the House—has denied the very authority that is sought in this legislation here. You mentioned that. I believe your statement brought that out.

Mr. BUSHART. Yes, sir.

Mr. GATHINGS. And you talked about private industry and private enterprise, and it is all right to have private industry and private enterprise. And we could get the same thing in the State of Maryland and in the State of Virginia, and in the State of North Carolina by setting up corporations, if you sought to do so.

The CHAIRMAN. Thank you, gentlemen, very much, for your appearance here. I am very sure that the committee will very carefully consider the statements you have made here.

I should like to have Mr. Heimbürger present a letter we have received from the Secretary of Agriculture. I want this in the record.

Mr. HEIMBURGER. This is a letter from the Secretary of Agriculture to the chairman of the committee, dated June 23, 1965, and follows:

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture.

DEAR MR. CHAIRMAN: We appreciate the opportunity to comment on H.R. 7500, as amended by the subcommittee, a bill to provide for the establishment, ownership, operation, and regulation of the Suburban Land Corporation, and for other purposes.

This bill would create a profit corporation under the District of Columbia Business Corporation Act with ownership shared on an equal basis between the public and the Government. The corporation would be authorized to purchase farmland around urban areas of 50,000 or more population and to make this land available for resale for urban and business uses.

We have analyzed this bill from the standpoint of its effects on agriculture, and particularly the production adjustment problems with which this Department is so vitally concerned. Departmental witnesses have testified on the basis of our analysis before the Subcommittee on Conservation and Credit of your committee. The purpose, import, and effect of H.R. 7500 embraces a broad area of public interest—the wise use of our land. It is involved in the overall development and use of this vital resource. Since the bill would deal with land around and adjacent to our urban areas, it must be considered within the broad area of urban development, as we can expect it in the decades ahead. The responsibility for programs for the best possible use of these areas rests with many departments and agencies of the Federal Government.

As such, it is appropriate and essential that all agencies who have responsibility in these areas have an opportunity to thoroughly consider the effects of H.R. 7500. A careful evaluation and analysis on the part of all concerned is underway. Therefore, it would be our suggestion and recommendation that further consideration of H.R. 7500 be deferred until such time as all agencies having responsibilities bearing on this bill have an opportunity to give it careful study and analysis and make available the results of their study to your committee and to the Congress.

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

Sincerely,

ORVILLE L. FREEMAN.

The CHAIRMAN. Thank you very much. That concludes this hearing. We will go into executive session.

(Whereupon, at 11:35 a.m., the committee retired into executive session.)



