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URBAN RENEWAL PROJECTS AND SLUM CLEARANCE

A REPORT

OF

SUBCOMMITTEE NO. 2

ON

GOVERNMENT PROCUREMENT, DISPOSAL AND LOAN ACTIVITIES

TO THE

SELECT COMMITTEE ON SMALL BUSINESS

HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH CONGRESS

SECOND SESSION

PURSUANT TO

H. Res. 114

A RESOLUTION CREATING A SELECT COMMITTEE TO CONDUCT A STUDY AND INVESTIGATION OF THE PROBLEMS OF SMALL BUSINESS

JUNE 11, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

MAY 25, 1956.

Hon. WRIGHT PATMAN,
Chairman, Select Committee on Small Business,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: Transmitted herewith is the report of Subcommittee No. 2 on Government Procurement, Disposal, and Loan Activities. This subcommittee has completed its study and investigation of the problems of small-business concerns in connection with urban renewal projects and slum clearance. The findings and conclusions of your subcommittee are embodied in this report.

Sincerely yours,

ABRAHAM J. MULTER,
Chairman, Subcommittee No. 2 on Government Procurement, Disposal, and Loan Activities.

LETTER OF TRANSMITTAL

JUNE 11, 1956.

Hon. SAM RAYBURN,
House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: Transmitted herewith is a report of Subcommittee No. 2 on Government Procurement, Disposal and Loan Activities, of the Select Committee on Small Business.

Sincerely yours,

WRIGHT PATMAN,
Chairman, Select Committee on Small Business.

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84TH CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 2303

URBAN RENEWAL PROJECTS AND SLUM CLEARANCE

JUNE 11, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MULTER, from the Select Committee on Small Business, submitted the following

REPORT

[Pursuant to H. Res. 114]

INTRODUCTION

Subcommittee No. 2 on the Small Business Administration and Problems Related to Procurement, Disposal, and Loan Activities of the House Select Committee on Small Business, composed of Hon. Abraham J. Multer, chairman, Hon. Joe L. Evins, and Hon. R. Walter Riehlman, conducted a hearing on the problems of small-business concerns in connection with urban renewal projects and slum clearance under title I of the Housing Act of 1949, as amended. This hearing took place in Washington, D. C., on May 3, 1956, to determine the effect, if any, of these projects on the dislocation and upheaval of small-business concerns. Hon. Timothy P. Sheehan, of Illinois, of the full committee and Hon. Barratt O'Hara of Illinois, a member of the House Banking and Currency Committee, sat with the committee inasmuch as one of the projects considered by the committee was the Hyde Park Project A (project No. 62), Chicago, Ill.

WITNESSES

The witnesses who testified or submitted statements at the hearings were as follows:

Leon M. Despres, alderman, fifth ward of Chicago, Ill.
Walker Sandbach, Chicago, Ill.
Ira J. Bach, executive director, Chicago Land Clearance Commission, Chicago, Ill.
Julian H. Levi, executive director, Southeast Chicago Commission, Chicago, Ill.
Bruce Sagan, publisher, Hyde Park Herald, Chicago, Ill.
Harold Nelson, Nelson Bros., landscapers, Chicago, Ill.
Marshall Korschak, State senator, Chicago, Ill.
National Association of Real Estate Boards, Washington, D. C.

Barney Rosenstein, Esq., attorney for the Washington Square Neighbors Association, New York, N. Y.

Robert Reiter, Esq., Washington, D. C.

Jules Abels, Director of the Office of Economic Adviser, Small Business Administration, Washington, D. C.

Horace Walker, executive director, Retail Gasoline Dealers' Association, Inc., Washington, D. C.

Harry S. Weidberg, Esq., Southwest Project, Washington, D. C.

Bob Larrabee, director, Baltimore Redevelopment Commission, Baltimore, Md.

James W. Follin, Commissioner, Urban Redevelopment Administration, Housing and Home Finance Agency, Washington, D. C.

Joe Guandolo, Associate General Counsel, Urban Redevelopment Administration, Washington, D. C.

Alvin C. Schottenfeld, Newark, N. J.

The committee is indebted to them for their interest and assistance.

PROBLEM

On April 19, 1955, this committee held hearings in Washington, D. C., on a similar problem involving a project in New York City known as the Washington Square Southeast slum clearance project. Upon completion of the hearings, the subcommittee submitted a unanimous report which was adopted by the full committee and filed with the House on July 29, 1955 (H. Rept. 1588).

Subsequent to the holding of the hearings on the Washington Square problem, the committee received numerous complaints from small-business concerns located in other areas confronted with the same problem. It was because of the great number of complaints received, the recognition that the problem was extremely serious and difficult and that small-business concerns were being treated inequitably in the dislocation caused by the urban renewal developments, that the subcommittee found it desirable to reconvene and hold hearings on this problem on May 3, 1956. The subcommittee heard complaints from witnesses from Chicago, Ill.; Baltimore, Md.; Washington, D. C., and New York City.

The chairman, Hon. Abraham J. Multer, in opening the hearings pinpointed the problem.

The evidence adduced at these hearings clearly indicates that small-business concerns are suffering severe injury because of the failure of the law to recognize the hardship caused by these projects. The subcommittee unanimously reaffirms its recommendations and conclusions incorporated in its report on the Washington Square Southeast slum clearance project (H. Rept. 1588, 84th Cong., 1st sess.).

It was the unanimous opinion of this committee that the Washington Square Southeast slum clearance project was valid under title I of Public Law 171, 81st Congress. It was apparent, however, from the evidence received in the hearings on this project that certain changes should be made in the Urban Redevelopment Act to alleviate undue hardship to small-business concerns.

HYDE PARK AREA, CHICAGO, ILL.

Witnesses testified that many of the small-business men and service establishments in the Hyde Park area who are lessees of their places

of business would have their businesses destroyed by virtue of this redevelopment project.

In the Hyde Park area more than 100 small-business enterprises are being forced to give up their present locations. There are no manufacturing establishments in the area since it has been predominantly a residential section. The law makes provision for the payment of moving expenses for residential tenants affected by redevelopment. This means that a tenant who has only recently moved into an area will receive moving expenses, but the small-business men who have been in the area for years will receive no compensation unless it is specifically provided in the landlord-tenant contract.

Under the condemnation laws generally, a business establishment receives no compensation for losses incurred through condemnation proceedings. Moreover, there is no allowance made for good will. In fact it would appear that condemnation laws operate in favor of the landlord for the increased value which the business tenant has developed. Thus, it would appear that while the landlords receive a fair market value for their real estate, the tenants whose businesses are utterly destroyed receive nothing—not even moving expenses.

The evidence adduced at the hearings further established that the hardships resulting from the clearance of slum and blighted areas would be materially reduced if assistance was readily available to business establishments which are to be displaced in the initial phases of construction of the project.

In the relocation of business concerns in other public-works projects, such as highways, provisions are usually made for moving expenses and for the irremovable items of the business tenants. This is a matter of law and contract. No such provision is made in the Urban Renewal Development Act.

The small-business man who finds himself in a site which is being taken over for an urban redevelopment project is in double jeopardy. He is faced with the closing of his business, and relocation at best is extremely difficult. As previously pointed out, under condemnation proceedings for urban redevelopment he is not reimbursed for moving costs, nor for any loss other than unremovable items attached to the premises and for which reimbursement is only a small fraction of replacement costs. This means financial disaster to the small-business man even though he may be fortunate enough to find a new location for his business. However, the good will painstakingly built up over the years is left behind in the ruins and debris of his once hospitable business establishment.

A second unsolved financial problem of the displaced small-business concern is that of weathering the long period of transition; whether to a new place of business in another area or a place of business in the old area when reconstruction has been completed.

A program is urgently needed to provide long-term credit in such situations—through a Federal agency such as the Small Business Administration—as well as reasonable reimbursement to small-business concerns for good will and certain costs incurred by the redevelopment project.

As previously indicated, the subcommittee in its report on the Washington Square project (H. Rept. 1588) strongly recommended changes in existing law to correct the obvious inequities which have been working an unjustifiable hardship on small-business tenants,

who, through no fault of their own, become involved in redevelopment projects. The subcommittee concluded that—

> Such changes in the law which would neither restrict local agencies in their development plans nor unreasonably harm those people who must feel the greatest impact of such projects must be submitted to and passed upon by the House Banking and Currency Committee which has jurisdiction over that legislation. That phase of such legislation is distinctly not within the jurisdiction of this committee.

It has been almost a year since the foregoing report was issued, and despite great activity in the fields of public housing and redevelopment by the Congress and by the agencies charged with the administration of housing laws and of aiding small business, no recommendation has emanated from any source with the sole exception of this committee. As pointed out above, the Select Committee on Small Business is not a legislative committee. This committee may only investigate the problems of small business and make suitable recommendations based on its findings. It is hoped that some action will be taken to eliminate these very obvious injustices by the appropriate standing committees and the Congress before adjournment of the 2d session of the 84th Congress.

It is manifest that unless some expeditious action is taken, many more of the hundreds of small-business concerns involved in urban redevelopment projects will be forced out of business or bankrupted; the innocent victims of progress under the label of humanitarianism.

We repeat, these small-business concerns are innocent victims. They rarely, if ever, are the cause for the necessity of the urban renewal developments. Generally, even in a blighted or deteriorated area, the small-business concerns in these areas keep up with the times and operate modern and efficient establishments. Nevertheless, they are the ones who are penalized in the name of progress.

CONCLUSIONS

Three types of relief are necessary, and are recommended by this subcommittee for enactment as amendments to the Housing Act of 1949, as amended, and the Small Business Act of 1953, as amended. In order to provide adequate relief the subcommittee makes the following recommendations, that—

> (1) Direct financial grants be awarded to the small-business concerns which are dislocated by urban renewal developments pursuant to contracts hereafter entered into, and such grants shall be charged to the project cost; and
>
> (2) Direct financial grants be awarded to the small-business concerns which may have been or will be dislocated on or after May 3, 1956, by urban renewal developments and have received no compensation or relief under contracts heretofore entered into; and
>
> (3) A new loan program be created authorizing the Small Business Administration to grant long-term credit with reasonable interest rates to aid dislocated small-business concerns in the relocation and reestablishment of their businesses. This program should be under distinct and different criteria than the present business loan or the disaster loan programs.

In many instances the small-business man may have no security or insufficient security to guarantee repayment for such a loan. We believe that nevertheless the loan should be made, taking only such security as is available. At the same time, however, the lending agency should look to the past business history of the small-business concern. If it has been reasonably good and fairly competent, the agency should then assume that there is reasonable prospect of success at the new location, and on that basis make the loan. In that connection, the lending agency should at least look to the average earnings during the last 5 years at the old location, as a guide concerning future prospects.

The following amendments are recommended for inclusion in the housing bill presently under consideration by the House Banking and Currency Committee:

RECOMMENDED AMENDMENTS

1

That section 106 of the Housing Act of 1949, as amended, is amended by adding at the end thereof the following new subsection:

> (f) The Administrator is hereby authorized to make payments to small business concerns (certified as such by the Administrator of the Small Business Administration) to compensate them for business losses, including loss of goodwill and the value of fixtures, equipment, machinery, and facilities made valueless to the small-business concern by means of such displacement, not otherwise compensated for, not to exceed $50,000 for any small-business concern, where such losses result from their displacement from an urban renewal area under any contract for loans or capital grants entered into on or after the date of enactment of this subsection.

2

That section 106 of the Housing Act of 1949, as amended, is amended by adding at the end thereof the following new subsection:

> (g) The Administrator is hereby authorized to make payments to small business concerns (certified as such by the Administrator of the Small Business Administration) to compensate them for business losses, including loss of goodwill and the value of fixtures, equipment, machinery and facilities made valueless to the small-business concern by reason of such displacement, on or after May 3, 1956 and not otherwise compensated for, not to exceed $50,000 for any small-business concern, where such losses result from their displacement from an urban renewal area under any contract for loans or capital grants heretofore entered into.
>
> (h) The Administrator shall prescribe reasonable rules and regulations for the making of payments in conformity with the provisions of subsections (f) and (g). There is hereby authorized to be appropriated to the Administrator such sums as may be necessary to make such payments.

Section 104 of the Housing Act of 1949, as amended, is amended by inserting "plus relocation payments" immediately after "net project costs involved" and immediately after "gross project costs of all such projects".

Section 103 (a) of the Housing Act of 1949, as amended, is amended by inserting "plus relocation payments" immediately after "aggregate of the net project costs", and by inserting "plus two-thirds of the relocation payments" immediately after "between the net project cost."

Section 110 of the Housing Act of 1949, as amended, is amended by adding at the end thereof the following:

(k) "Relocation payments" mean the payments made under section 106 (f).

3

Section 207 of the Small Business Act of 1953, as amended, is amended by adding at the end thereof the following new subsection:

(c) The Administrator is also empowered to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis) as it may determine to be necessary or appropriate to assist small-business concerns which have been displaced from urban renewal areas as the result of urban renewal projects (as defined in sec. 110 (c) of the Housing Act of 1949) whether or not assisted under title I of such Act, to meet the expenses (including uncompensated expenses of constructing or renovating their new premises and of acquiring necessary land, equipment, facilities, machinery, supplies, materials, or working capital) arising out of or reasonably related to their relocation in new areas. Such loans may be made with such security as is available and with due regard to the average earnings of the business in the previous five years before removal. Such loans (including renewals and extensions thereof) may be made for a period or periods not exceeding twenty years. The interest rate on the Administration's share of loans made under this subsection shall not exceed the lesser of 6 per centum per annum or the rates charged for direct business loans.

Section 204 (b) of the Small Business Act of 1953 as amended, is amended—

(1) by striking out "$375,000,000" each place it appears and inserting in lieu thereof "$400,000,000";

(2) by striking out "section 207 (a), (b) (1), (b) (2), and (b) (3)" and inserting in lieu thereof "section 207 (a), (b) (1), (b) (2), (b) (3), and (c)"; and

(3) by inserting after the seventh sentence the following new sentence: "Not to exceed an aggregate of $25,000,000 shall be used for the purpose stated in section 207 (c)."

O