

Mr. President, earlier this fall, the distinguished Senator from Minnesota, Mr. Mondale, and I announced our intention to introduce legislation designed to expand and simplify existing housing assistance programs. At that time I placed in the Record a summary of the intent of this proposed legislation so that it could be reviewed and could be discussed during the hearings then being conducted by the Housing Subcommittee of the Committee on Banking, Housing and Urban Affairs. Today, along with Senator Mondale, I am introducing the actual legislation in the form of two measures to be known collectively as the Housing Reform Amendments Act of 1971. By so doing we hope to build on the much-needed consolidation and simplification efforts already undertaken by the Administration in S. 2049. Our overriding interest as we seek to effectively merge the present array of housing assistance programs must continue to center around the alternatives that make these programs more responsive to the needs of families who cannot afford housing within the private market. Moreover, and equally important, we must realistically come to grips with the problems facing developers and sponsors of such housing.

During the past 35 years, we have seen an emerging recognition of nation-wide need for safe and decent housing designed to serve those who have been priced out of the private market. In response, Congress has adopted a number of important and far-reaching programs over these years in an effort to address this need. However, these programs were enacted on an ad hoc basis with the predictable

development of fragmented, complicated and too-often confused national housing assistance "policy."

Many of these impediments can be traced to the formulation of special programs to meet specific needs and to the adoption of a variety of approaches, each with its own eligibility requirements, definitions, restrictions and regulations. The resulting situation of near chaos remains chiefly characterized by a lack of uniformity or requirements and gaps to coverage while confusing and often conflicting guidelines continue to unnecessarily hamper developers and sponsors who are attempting to produce sufficient housing to adequately accommodate the needs to low and moderate income families.

More important, we cannot ignore the impact that this patchwork of programs has had on the families that have attempted to find adequate and safe housing. Who can explain to a family in need of shelter why, under the current law, they may be eligible to rent an apartment in one building built under one federal program but ineligible to rent a nearly identical unit in another building constructed under a different federal program. An even greater exasperation is needed for those needy families who must be told that they will be denied the benefits of all federally-assisted housing because they do not fall within the specific eligibility criteria of any program. We cannot continue to allow varying rent requirements, definitions of income limits and family eligibility to frustrate our efforts to provide effective federal housing assistance for all people of clearly demonstrated need.

Another set of problems, generated in part by this leg
fragmentation of programs, centers around the isolation and
segregation of families on the basis of their incomes. Public
housing has become poor peoples' housing while other programs have
excluded the lowest income families and served only a narrow range of moderate
income families. An even more unfortunate ramification of this approach
is found in those areas where one race or another makes up the lowest
income group. In these areas, a federally-assisted housing program
can become a unwitting, albeit de jure, accomplice to the perpetuation
of de facto racial segregation. Only recently has this issue been raised
in our federal courts. The judicial response to date has amplified the
need for us to deal with the impact of federally-sponsored income
segregation on existing housing patterns.

Another undesirable ramification of income segregation lies
in the endangered economic and social viability of the project.
How much longer can we ignore the compilation of evidence coming
from projects that continue to isolate the lowest income and problem
families needing the heaviest support services. How many more Pruitt-
Igoes will it take before we decide to strike at the heart of the problem?
Even in moderate income projects, narrow ranges of eligibility, coupled
with increasing construction costs, are bound to jeopardize their
economic feasibility.

be producing nearly identical products -- safe, decent housing of a
reasonable cost but maintaining standards consistent with community
standards and of a high architectural quality. The same income groups
would be served by each program from those of lowest income to those

The Administration's proposal, S. 2049, the Housing Consolidation and Simplification Act of 1971 is, in my estimate, a step in the right direction. It proposes to rewrite the National Housing Act and thereby reduce the number of programs administered by the Federal Housing Administration. However, its focus is on non-assisted programs. If passed as introduced, S. 2049 would maintain the differences now existing between public housing and FHA-assisted low and moderate income programs.

Mr. President, Senator Mondale and I believe that the Housing Reform Amendments Act, building on the initiatives of S. 2049, will do much to alleviate the problems that I cited above. We believe that by establishing a unified housing policy, standardizing program requirements, eliminating segregation of projects by income and by offering incentives to encourage the production of assisted housing, we will effectively broaden the scope of existing programs to cover families and areas where real housing needs exist.

The key elements of this program are standardization of requirements and a flexible subsidy formula based on need. As to the first element, two separate programs, in public agency housing and FHA insured assisted housing, would continue but would serve the same range of families. Both programs would have maximum development costs geared to a flexible formula using prototype construction cost figures. Thus they would be producing nearly identical products -- safe, decent housing of a reasonable cost but containing amenities consistent with community standards and of a high architectural quality. The same income groups would be served by each program from those of lowest income to those

of median income in the area. This eliminating the gaps in coverage in existing programs. At the same time, however, each project would be required to reserve at least 20% of its units for those of very low income requiring a subsidy of 60% of the market rent or more. With this approach, I believe we can enrich the economic mix of our housing assistance programs, increase their economic viability, yet insure that those families with the greatest need will not be harmed in the progress.

There would be one standard national definition of income applicable to all families. Further, rent requirements (the same for each program) would be tied to income with a national requirement that no family be obligated to pay more than 25% of its income for rent. Locally, lower ratios could be established, with the Secretary's approval, to reflect differences in family size, income and local rent income patterns. However, each project of program would be required to maintain an average rent income ratio of at least 20%.

There would be no continuing occupancy income limits. As family income increased, the rent would also increase to the point where the family would be able to pay the full market rent for the unit.

Mr. President, the other major component in the program is the subsidy formula. In essence the single subsidy formula that we propose would cover the difference between total costs (debt service, management, maintenance, and operational costs, real estate taxes, tenant services) and total revenues (rents and other income). This flexible formula

is, in essence, the same as that which is now used in the public housing program as a result of amendments which the distinguished Chairman of the Housing Subcommittee (Mr. Sparkman) and I introduced in 1968 and 1969. What is proposed in the Housing Reform Amendments is an extension of the principle of the variable subsidy to the FHA programs. These programs now contain a minimum rent requirement that restricts FHA program sponsors from instituting adequate management and tenant services programs.

Mr. President, there are a number of other features of the "Housing Reform Amendments" that I would like to summarize briefly. First, the existing FHA homeownership assistance program would be similarly standardized and expanded to permit assistance to cover total debt service; it is now limited to the difference between a market rate mortgage and a 1% mortgage on the same property. Also the homeownership counseling program (Section 237) would be maintained.

Second, the Act would create a new program to assist in the refinancing of existing properties in conjunction with local programs aimed at neighborhood preservation. One major cause of abandonment of many structurally sound buildings has been the unavailability of private mortgage money to refinance these properties. For too long we have ignored the economic and social desirability of neighborhood preservation. Abandoned housing is rapidly reaching epidemic proportions in many of our urban areas. These provisions would strive to reverse this eroding influence. Likewise the bill increases the

authorization for the Section 312 rehabilitation loan program to 150 million dollars annually in an attempt to provide additional direct federal assistance in rehabilitating existing structures.

Third, the Act provides for special incentives to encourage communities to assist in providing low and moderate income housing. A program of public service grants would be established to help offset any increases in public services resulting from the addition of new federally-assisted housing. Thus grants could run for ten years and not exceed \$250 per unit annually except for units designed for large families where the grant could go up to 400 dollars annually.

In a selected area the measure would provide that new public agency housing pay full local real estate taxes. Under existing law, public housing projects usually make a payment in lieu of taxes, not adequate to finance the range of public services required. This requirement has proven to be a handicap to the location of public housing in many communities.

Fourth, the Act would put in motion a program to identify "housing emergency areas" and provide direct federal provision of housing in these areas. These "housing emergency Areas" would thereafter be defined as areas where a substantial number of low and moderate income families reside or work, who need housing, and where there is no sponsor willing to provide such housing.

Fifth, the Housing Reform Amendments would revise and up-date the national housing goals. The Secretary of HUD would be authorized

to encourage the establishment of state and local housing goals to provide a base for determining material housing requirements. Such State and local goals would also include actions necessary to maintain the existing housing stock. Special annual needs for subsidized housing on a five-year basis would be included.

This section would also provide for the periodic updating of the national housing goals and provide that these goals be based on national data, state and local housing goals, and community development needs (relocation and replacement housing). Likewise, this section would require the Secretary to justify all authorizations and appropriation requests for assisted housing programs in terms of the established assisted housing goals. 75 million dollars would be authorized to fund the annual goals report and to assist in preparing local and state goals.

Sixth, the demonstration housing allowance program which was adopted as part of last year's Housing and Urban Development Act would be expanded to permit a greater variety of experiments. The authorization for the program would be increased to \$25 million annually in contract authority.

While our initial suggestions of a housing allowance program met with considerable resistance, I have seen mounting evidence that the tide is changing. As we move closer to meaningful welfare reform, I am confident that we will see an increasing focus of attention on this concept. The time to prepare for this attention

is now, in order that we may move forward with the best possible program at the appropriate time.

In summary, Mr. President, the "Housing Reform Amendments" bill which I am introducing today addresses itself to strengthening federal housing assistance at five key points where experience demonstrates it now requires improvement.

In the first instance, uniformity of occupancy requirements among all programs will to a long way toward stimulating housing production by eliminating administrative burden and confusion or consternation for the federal government, the housing developers, the public agency, the non-profit sponsor and the family to be assisted.

In the second instance, unfair discrimination against those families requiring housing assistance but eneligible under the present fragmentation of assistance programs by difference income requirements would be ended.

Thirdly, the provision for a cross-section of income occupancy, tied to a flexible and dependable subsidy mechanism would insure that social and economic problems would be minimized, and that changing local conditions could be accommodated without disastrous defaults and financial crises.

Fourth, the establishment of the requirement for local and state housing goals would provide a needed input into the development of national housing goals and into the levels of federal funding for housing assistance. At the same time, local goals would become the basis for housing allocations to local areas.

Finally, Mr. President, I believe that the Housing Reform Amendments Act will move us toward the position of encouraging area-wide housing development. It is clear by now that meaningful housing development, with its interconnecting relationship to other areas of expanding community growth, must transcend the limits of local planning.

Mr. President, the measures that I am introducing will require a fundamental re-examination of past practices and procedures. Both the problems that I have outlined are stark and unremitting as they continue to restrict the most effective and efficient use of our federal resources. Commitment is no longer enough to see us through. We must move forward with confidence based on a realistic assessment of the past.