


MINUTES OF THE House COMMITTEE ON Federal and State Affairs

Held in Room 510, at the Statehouse at 2:45 ~~xxx~~ a.m./p.m., on March 25, 1975.

All members were present ~~except~~

The next meeting of the Committee will be held at 2:45 a.m./p.m., on March 26, 1975.

These minutes of the meeting held on _____, 19____ were considered, corrected and approved.



Chairman

The conferees appearing before the Committee were:

Richard Cunningham, League of Kansas Municipalities
Jim Turner, Kansas Savings and Loan League
Doug Patterson, Kansas City Home Builders Ass'n.
Rev. Dale Emery

The meeting was called to order by the Chairman, who displayed a bill which he explained had been referred to the House Judiciary Committee where time ran out and hearings could not be held. He asked that the bill be introduced and referred back, explaining the bill is requested by the Department of Corrections and clarifies language concerning contraband into correctional institutions. It was moved by Mr. Ward and seconded by Mr. Cooper that the bill be introduced and referred back. Motion carried.

With regard to HB 2502 and 2612, the Chairman stated that he had appointed a sub-committee of Representatives Buzzi, Anderson and Sellers, but that they had not had sufficient time to make a report. He introduced Mr. Richard Cunningham who testified that the League has adopted some statements about housing in Kansas; that money is the main problem. He explained that they had held meetings with almost 400 people in attendance and while they did not endorse any specific suggestions they did share ideas and concerns. He expressed the opinion that a "housing authority" is not the only way to address the problem, and suggested this bill does not flow very smoothly in places. He stated that the implications of the Housing and Community Development Act of 1974 are not yet known. He stated that most people believe there is little commitment on the part of the state in these matters and explained that KDED had a housing department but a very small budget. He suggested that on page 6, line 9 of the bill where the authority is described, it might not be wise to specify certain interests. He pointed out some inconsistencies in regard to "secretary" and sometimes other things. He stated these bonds would be "moral obligation bonds" even though "general obligation bonds" are referred to in the bill.

The Chairman announced he was also appointing Representatives Reeves and Feleciano to the sub-committee; and that they would be looking at all suggestions which are made by conferees.

Mr. Jim Turner testified that he feels 2612 does not speak to the needs; that it might be of some benefit to home builders and a boon to bond people; that that the bill does not speak to the low-income people. He stated that he does not want to oppose the concept or the commitment on the part of the state, but there is a sector of the people who cannot qualify; that he would urge an interim study in an effort to provide relief and assistance to these people. He offered exhibits in regard to monthly payments. (see exhibit)

Mr. Doug Patterson, testified that he works both in Missouri and Kansas, and that they have had some experience with this type of structure in Missouri. He stated he believed the real need is in multi-family housing because HUD has stopped all subsidies. He stated he sees the real key as tax exempt bonds which the authority sells at below interest rate; that the bonds are tax free and the amount of money the agency receives comes from the sale of bonds which makes it possible for them to lend for less. He explained they lend to developers, not to buyers and this makes it possible to rent multi-family dwellings at 10% to 20% less. With Section 8, he stated an individual could probably rent for 40% less than the market value and this bill speaks directly to that issue. He stated that the New York agency doing this sort of thing was having trouble but that was because they didn't stay in the low income housing business but branched out into other types of building.

The Chairman stated that Senator Crofoot was unable to leave the floor of the Senate but that SB 408 had been scheduled and the Committee would hear the Rev. Dale Emery in opposition. Mr. Emery offered a printed statement for the record. (See exhibit)

Mr. D. Miller inquired if this is a local bill, and it was explained that it was until Senator Gaar's amendment on page 2, line 7. It was discussed that this is a case where industrial revenue bonds were used to build a structure, and if it is leased to a group for a special occasion, it would simply allow them to bring in alcoholic liquor on an individual basis for a private party.

The Chairman asked Mr. Hayes to discuss HB 2608, and he stated that he had visited with Mr. Ensley in the Revisor's office and felt that he had done an excellent job in drafting the proposal. He stated they made every effort to avoid making the application too broad. Concern was expressed that this language might apply to some basic rights in this country such as people who opposed the Vietnam war. The Chairman stated he didn't think so and that he was indeed serious about the bill. Mr. Marshall inquired if this would take in the Black Muslims and the Chairman stated he didn't know what they advocate.

The Chairman asked for discussion on SB 544, and it was moved by Mr. Ungerer that the bill be reported favorably. Motion was seconded by Mr. T. Slattery, and then withdrawn.

The meeting was adjourned.



JAMES R. TURNER
EXECUTIVE VICE PRESIDENT

612 CAPITOL FEDERAL BLDG. • TOPEKA, KANSAS 66603 • PHONE (913) 232-8215

3-25-75

March 25, 1975

TO: HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS
FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE
RE: H. B. 2612 (STATE HOUSING FINANCE AUTHORITY)

Mr. Chairman, Members of the Committee. We appreciate the opportunity to appear before this committee on behalf of the Kansas Savings and Loan League to share some observations with you about H.B. 2612.

It would be politically unrealistic for us to appear before this committee in opposition to H.B. 2612 since the same has the blessing of the Governor, the House Minority Leader, and many others. However, we would be remiss if we did not call to the attention of the committee that this proposal does not speak to the housing needs or problems of Kansas.

At best, H.B. 2612 is a "paper tiger" that sets in motion the creation of a state bureaucracy which may create some benefit to the homebuilder and an additional market for the bond dealer.

Section two of the bill contains the usual philosophical and noble justification for such a proposal. This language can be found in any bond dealers manual available from the major brokerage firms and is contained in practically every proposal of this type.

Yet this language does not deal with the real housing problem in Kansas - of low-income families who cannot meet either conventional loan repayment schedules or bond repayment schedules; of expanding communities where annual

REPRESENTING THE SAVINGS AND LOAN BUSINESS OF KANSAS
"MEETING HOUSING NEEDS AND HUMAN NEEDS"

wage schedules of \$8,000 to \$10,000 will not allow the purchase of \$38,000 homes; or, of archaic zoning and land-use planning which exceeds the ability of the tax-base to provide municipal services and forces families further out into suburbia.

Only in Section 3(h) on page four of the bill is there reference made to people! The remainder of the bill deals with the creation of the bureaucracy and the sale of bond.

The committee needs to seriously consider who is to receive the proceeds of the bond sales in terms of the ability to repay the same. We would call the committee's attention to the following repayment schedule:

<u>Sale Price</u>	<u>Rate</u>	<u>Term</u>	<u>Monthly Payment</u>
\$40,000	6%	30yr.	\$239.83
\$30,000	6%	30yr.	\$179.87
\$40,000	7%	30yr.	\$266.13
\$30,000	7%	30yr.	\$199.60

To these figures must be added a monthly payment of \$50 to \$75 for taxes and insurance. The question the committee must ask of itself is "how many persons in Kansas, in need of housing, can meet such a repayment schedule to a state agency?"

The fact of the matter is that the only persons who can receive such assistance are middle income families who presently qualify for conventional credit. This has been true in the majority of other states where such an agency has been created.

Further, the committee needs to consider the financial obligation which the state may have in underwriting the sale of bonds. While the bonds are "revenue bonds" with no taxing division obligation, Section 10(c) on page 21,

House Committee on
Fed. and State Affairs
H.B. 2612
Page Three

poses the possibility of a "moral obligation" on the part of the state for the repayment of the bonds. We have attached for the committee's consideration several articles regarding the recent problems created by the default of the New York U.D.C. bonds.

In conclusion, while we can appreciate the concern for a state commitment to meet housing needs in Kansas we would caution against the creation of a state agency without lengthy deliberations and hearings. Accordingly, we would strongly suggest that H.B. 2612 be referred to interim study so that the housing problems may be clearly defined and a workable program established.

James R. Turner
Executive Vice President

JRT:jdm

Encl.

Agency Bond Status Perils NYS Ratings

By BRUCE NUSSBAUM

NEW YORK.—The viability of moral obligation bonds was further questioned on Tuesday when New York State's credit rating was threatened by the possibility that the legislature would fail to appropriate funds for its Urban Development Corp. bonds.

In response to a question on whether or not New York's credit worthiness would be affected if funds were not appropriated, Brenton W. Harries, president of Standard & Poor's Corp., at a meeting of the American Association of Port Authorities, said "of course it would have an effect on the state's rating. When we assigned our rating to the bonds we relied on the intent of the legislature as expressed in the make-up provision. If subsequent legislatures give no recognition to what their predecessors did, why should we give any weight to their pronouncements?"

There are \$6.3 billion of moral obligation bonds outstanding throughout the nation issued by agencies similar to the Urban Development Corporation.

Some \$100 million of New York State UDC bond anticipation notes come due February 25 and Governor Carey has

(Continued on page 25)

(Continued from page 1)

asked the legislature for a \$178 million emergency loan to cover the debt.

Political opposition from Warren M. Anderson, the Republican Senate majority leader, has imperiled passage of the bill appropriating the funds.

The Urban Development Corp. was created by the Legislature seven years ago. It is a public-benefit corporation designed to create low and moderate income housing construction.

The Urban Development Corp. is virtually without funds at this time except for a \$30 million loan arranged with several banks last week. The loan was given at 8.5% interest to tide the agency over for a 30-day period until the legislature solved the problem of financing the UDC.

Moral obligation bonds are based on the assumption that state agencies selling such securities would be self-sufficient but that the state legislature would come to their financial aid if difficulties arose. The obligation is considered "moral" and not "legal" because one legislature cannot bind another in a legal sense to actually help those agencies.

Some market observers believe that far less investor interest will be shown in Wednesday's auction of six-year notes. Only some \$200 million of noncompetitive bids are expected due to the longer maturity.

Treasury bill prices were five to 10 basis points higher on Tuesday, with the three-month bill closing at 5.68% compared to 5.60%, the six-month bill at 5.92% compared with 5.83%, and the one-year bill at 5.91%, compared with 5.84%.

Treasury notes were up 1/32-2/32 in quiet trading as dealers waited for results of the 3 1/4-year note auction, which is the beginning of the \$5.5 billion Treasury refinancing that will occur this week.

The Federal Reserve intervened to inject credit into the market by arranging overnight repurchase agreements for system account when Fed funds were at 7 1/8%. Fed funds traded between 7 1/16-7 3/16% during the day.

Corporate bond prices were 1/8-1/4 point higher on Tuesday as the giant \$600 million AT&T issue sold very well. Underwriters report that the \$300 million of 7 3/4% notes offered at par to yield 7.75% to 1982 and the \$300 million of 8% debentures also offered at par to yield 8.625% to 2007 were 90% sold.

Late in the day, underwriters priced the \$250 million of A/AA-quality Sohio-BP Trans Alaska Finance Inc. 8 3/8% notes due 1983 at par.

Underwriters postponed until next Tuesday the sale of \$75 million of 10 year A-rated PepsiCo Inc. notes originally scheduled for this week.

In the municipal bond market, prices were off 5-10 basis points as calendar pressure began to build up for high grade state bonds.

The \$90 million of Aaa-quality California bonds offered at prices scaled to yield 3.80% in 1976, 4.95% in 1985 and 5.50% in 1990 plus the \$40 million of A-1-A+-rated Alaska bonds priced to yield 4.35% in 1978 to 6.8% to 1998 were reported selling slowly due to the heavy calendar. The Alaska sale had \$27 million left in the account.

Two new state issues, \$150 million of Illinois and \$84 million of Maryland bonds were added to the calendar on Tuesday.

Bond Markets

Municipals Sector Attempts to Shake Off Effects of UDC and New York City Crises

By LINDLEY B. RICHERT

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—The municipal bond market is attempting to dispel some of the dark clouds arising from financial storms surrounding two huge New York issuers.

Part of the gloom lifted Friday when New York City avoided a financing crisis by accepting an astronomical interest cost of 8.69% to sell \$537 million of bond-anticipation notes.

That's the highest rate ever paid by the city for this type of borrowing, and will produce an interest cost of about \$44.6 million over the life of the notes.

A Chemical Bank group bought the notes for public reoffering following 26 hours of intense negotiations with city officials. The various securities are priced to yield up to 8% in one year.

Acceptance of the rate was announced by Harrison J. Goldin, comptroller, who told a securities analysts' meeting that efforts to straighten out the city's haphazard financing practices should permit New York City to eliminate within six years "loading the capital budget with current expense items."

Mr. Goldin's appearance before the New York Society of Security Analysts drew a standing-room-only crowd of 228 listeners, more than double the society's average attendance of about 113.

"Anybody who says New Yorkers aren't concerned individuals should come here today," Bennett S. Kopp, a pension consultant, said in introducing the comptroller. "There are certainly a lot of concerned New Yorkers here in this room."

The question of whether the city would be able to sell its notes was prompted by efforts to salvage New York State's Urban Development Corp. The recent default by UDC "has created a most unfortunate and unwarranted climate of suspicion in the marketplace," said Mr. Goldin, "and New York City's taxpayers are being forced to pay for the mistakes of another jurisdiction."

But hardly had the comptroller reported the resolution of the latest note sale when he announced that the city will sell \$375 million of new three-month revenue-anticipation notes Thursday.

"So widespread is the present 'crisis of confidence' that few municipal bond dealers are unaffected," observes John Nuveen & Co. "When the state with the largest outstanding tax-exempt debt has a major agency in trouble and as yet hasn't a successful remedy, the vent must be psychologically devastating to the marketplace."

"No amount of reasoned explanation can change the erroneous, but nevertheless general association of many other creditworthy issues, both in and out of New York, with UDC," adds Nuveen. The market's worst enemy, "lack of confidence," is currently widespread and "until the UDC problem is resolved, market performance should re-

Prices of Recent Issues

Current quotations are indicated below for recent issues of corporate senior securities that aren't listed on a principal exchange.

Issue	Moody's Rating	Bid	Asked	Chg.	Yield %
UTILITIES					
ArizPS	9½s '82	Baa	100½	101	9.32
CommEd	8¾s '05	Aaa	97¾	98	8.94
DallasP&L	8¾s '05	Aaa	100½	100¾	8.80
HoustonL&P	8¾s '05	Aa	97¾	98	8.93
INDUSTRIALS					
FMC	9½s '00	A	102¾	103¼	9.16
FordCr	8¾s '83	Aa	101¾	102	8.26
FordCr	9½s '95	Aa	103	103½	9.10
I-A DevBk	8s '85	Aaa	98¾	99	8.15
MobAlaskaP	8.45s '05	Aaa	99¼	99½	8.49
FOREIGN					
Mexico	10s '80	NR	99¼	99¾	10.11
Ontario	8¾s '05	Aaa	99½	99¾	8.90

main irregular."

The city's latest sale certainly reflects a rate penalty imposed by the adverse climate surrounding New York debt. The 8% rate is a startling one-percentage-point rise from the 7% set in a similar city note sale just over two weeks ago. At the same time, prime government-backed housing notes, also due in one year, have risen in yield to only about 3.5% from 3.45%.

New high-grade municipals were generally well received last week, helping boost the price of a typical 20-year tax-exempt by \$6.25 for every \$1,000 face amount, as measured by a move in the Dow Jones municipal bond yield index to 6.6% from 6.65% a week earlier.

Municipal borrowers will seek bids this week on \$438.7 million of new obligations. The largest offering, set for Wednesday, involves \$60 million Chicago School District bonds, due serially in 1977-90. Those bonds are rated A-1 by Moody's and single-A by Standard & Poor's. Another \$107 million of bonds will be offered on a negotiated basis.

Corporate debt offerings are expected to exceed slightly the \$1 billion mark this week, in a dozen separate sales. Indeed, new public sales by corporations may hit \$11.1 billion during the first quarter of 1975, surpassing any previous first quarter by nearly \$3 billion. March alone is expected to account for a record \$4.3 billion, according to one source, up from the previous \$4.1 billion monthly high established in March 1971.

Major offerings will include \$100 million each of notes and debentures by New York Telephone Co., a subsidiary of American Telephone & Telegraph Co., \$125 million each by Upjohn Co. and Florida Power & Light Co., twin sales of \$75 million notes and debentures by Allied Chemical Corp., and \$100 million Ashland Oil Inc. debentures.

Hard on the heels of bullish reports of the Fed's cut in the discount rate was a new estimate from the White House that the federal budget deficit for fiscal 1976 could be closer to \$80 billion than the administration's first estimate of \$52 billion. "The one may cancel out the other," said one trader.

Seasoned Treasury notes and bonds lost about 6-32 point in trading Friday.

New York Savings Banks Are Lukewarm About Saving Urban Development Corp.

By BYRON KLAPPER

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — Reports that New York savings banks would rescue the Urban Development Corp. may reflect more "wishful thinking" than fact.

Several major savings banks said that although they are studying the possibility of making a \$275 million loan to UDC, they haven't made a commitment to save the financially strapped state agency.

In a recent statement, Gov. Hugh Carey said the savings banks would "undertake a serious effort to meet at least \$275 million of the build-out (construction) costs facing UDC." The governor said he received assurances that "in the days ahead they will work closely with Richard Ravitch (UDC chairman) to successfully conclude negotiations."

The assurance was given by Joseph C. Brennan, president of the Savings Banks Association of New York State, and by other bankers, Gov. Carey said.

Position of Bankers

A statement issued by Mr. Brennan was less enthusiastic.

He confirmed that 80 banks had expressed interest in making a UDC loan. But the interest was based "on a brief review of financial data furnished us, which must be confirmed." Only a "broad outline" of terms of the proposed bonds was given. Details would have to be approved by directors of each bank. And "investigations of fact and law" for such a transaction would be needed, Mr. Brennan said.

Dime Savings Bank of New York, the nation's third largest, said one depositor was concerned that it might make "an imprudent decision" on a loan to UDC.

"We haven't shown interest or disinterest; we're just waiting for all the facts," Charles H. Miller, Dime's president said.

Needs \$370 Million

UDC needs commitments of \$370 million in long-term bond financing to complete projects under construction. The nation's largest public housing developer defaulted on \$135 million of loans, including \$30 million owed to New York commercial banks. The agency, with \$1.1 billion of bonds outstanding, has said it faces bankruptcy within the

New York State Notes Disrupted by UDC Woes

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—The New York State Housing Finance Agency's planned \$94.9 million sale of new notes was seriously disrupted because of the financial ills of a sister agency, the Urban Development Corp.

—Bids were received for only about \$54 million of the \$94.9 million total.

—Interest costs on the reduced loan soared to 7.41%, more than three percentage points over the 4.288% the agency paid to sell \$111 million of similar notes just last Feb. 5.

—The agency was forced to shorten dramatically the average maturity of the notes it offered.

First National City Bank and associates bought about \$50 million of the various short-term notes, reoffering about \$34 million of three-month obligations at a 6% yield and \$16 million of one-year notes at 7%, terms which left some \$40 million of the notes undistributed late yesterday, sources said.

The housing finance agency said its reduced loan will enable it to meet current money needs.

next 60 days if the loans aren't repaid. State officials have tied repayment of the loans to a plan for long-term bond financing through a new Project Finance Agency.

The new agency didn't win support of the commercial banks. Meanwhile, state officials had granted UDC \$90 million to keep construction going while other long-term financing was sought.

Meetings were held last weekend and Monday between Mr. Ravitch and savings bankers. Alfred S. Mills, New York Bank for Savings president, said the banks are trying to develop a "sound proposal" for financing that they could recommend to their boards. But certain securities would be needed. Among them, Mr. Mills said, are mortgages backed by revenue from specific projects and a clarification of the state's role in backing the bonds.

A key element, says Mr. Mills, is federal interest rate subsidies that guarantee all but one percentage point of the interest payments due on public housing bonds.

"With such a subsidy UDC bonds could be a gilt-edged investment," Mr. Mills said.

Robert I. Weingarten
Publisher

Alfred H. Kingon
Editor-in-Chief

John H. W. Rhein
Associate Publisher

Neil Melmed
Executive Editor—Research Director

C. John McLaughlin
Art Director

Editorial Staff

Managing Editor
Leo Berton

Senior Editors
John F. Lyons, Ronald Nevans,
Jeannette M. Reddish, Richard J. Stinson

Associate Editors
Carol A. Kurtis, Marilyn Much

Assistant Editor
Robert J. Kolkmann

Assistant Art Director
Rosalie Richards

Contributing Editors
Alan R. Ackerman, Robert B. Feduniak,
Gerald A. Gullid, James P. Roscow,
Alan R. Shaw, Craig S. Sim

Washington Correspondent
Edward Konstant

Editorial Assistants
Basil Shanahan

Production Manager
Howard L. Sherman

Copy Editor
J.H. Karibian

Publishing Staff/Advertising Department

Jay S. Botwen
Advertising Director

Joel Kessler

Humphrey Bowling
Nassau House
122 Shaftesbury Ave.
London W1V 8HA, England
Phone 01 734 3052

Verlags Media Service
Manfred Kircher
6 Frankfurt-Main
Westendplatz 34, West Germany
phone 72 8735

Jeanne M. Okolevitch
Assistant to the Publisher

Barry Strauss, Circulation Manager
Sidney Charach, Reprint Manager
Florence J. Davis, Comptroller
Chuck Smith, Consultant to Publisher
Rose Winokur, Executive Administrator

FINANCIAL WORLD is published weekly
(except for combined issues the first two weeks in July
and the last two weeks in December) by
Butler Publishing Corporation
919 Third Avenue, New York, N.Y. 10022
(212) 826-4360

Abbey J. Butler, Chairman of the Board
Robert I. Weingarten, President
Alfred H. Kingon, Executive Vice-President

Subscription prices:

United States, \$33 a year
Canada, Mexico and Postal Union of the Americas, \$38 a
year. All others, \$45 a year.

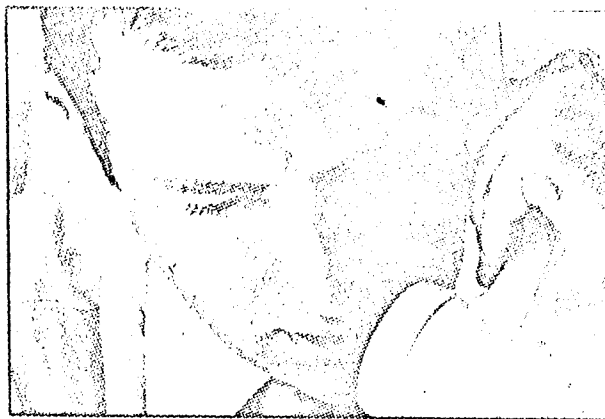
FINANCIAL WORLD is copyrighted 1975 by Butler
Publishing Corp. Reproduction in whole or in part
prohibited except by permission. All rights reserved.
Second-class postage paid at New York, N.Y. and additional
mailing offices. Printed in the United States of
America.

Member: Audit Bureau of Circulations



Change of address:

Subscribers ordering a change of address must give five
weeks notice and provide their old and new addresses
and a mailing label from a current copy. Send change to
Financial World, 590 Exchange Street, Marion, Ohio
43302.



Robert I. Weingarten,
Publisher

PERSPECTIVE

At 2:45 p.m. on Tuesday, February 25, another impossible event occurred. Urban Development Corporation, with outstanding bonds of over \$1 billion, went into default for failure to pay \$104.5 million in short-term notes that were due.

The agency, which was the brainchild of former-governor Rockefeller (who's since moved on to bigger things), has undertaken massive housing programs in the public good. At its launching it was heralded as a unique partnership between government and the private-housing industry to fill the gap left by the absence of the more traditional funding groups such as insurance companies and real estate professionals.

Now, with well over \$500 million in residential projects still currently under construction, it's all falling apart. Evidently something went wrong on the way to Utopia. What? For one thing, the two-year freeze on housing aid ordered by former-President Nixon, which eliminated UDC support. For another, some critics accuse the management of UDC with blithely building more projects than they could reasonably finance. Lastly, the blame, according to some, lies in the capricious way the banks lent enormous support without full knowledge of what they were financing and then, with equal whim, withdrew that support.

Whatever the reason or combination of factors that led us here, there are certain inescapable facts: after over \$1 billion in funding, it's one hell of a time to wake up to the problems; and perhaps even more important, the UDC fiasco points up the absurdity of "moral obligation" bonds.

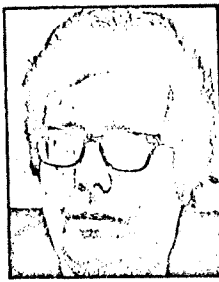
At present there are over \$9 billion in moral-obligation bonds outstanding in fifteen states. This form of financing was

popularized by former-attorney general John Mitchell (and you thought he was famous only for Watergate) and has been used extensively during the last sixteen years. The UDC problem suggests, at least to me, that such financing is a fraud—a potential fraud on the taxpayers of the state and an actual fraud on the bondholders.

Governor Carey of New York has indicated that he doesn't consider the UDC bonds his obligation. That's incredible! What he's telling all such bondholders is that the obligation is not the state's but belongs rather to the governor who originally made the commitment.

If that's the case, I don't know why we call them New York State obligations. We should call them Rockefeller obligations. And the new plan that Governor Carey signed last week should be called Carey obligations. Or better yet, they should be called frauds. The obligations are there only until there's a crisis. Then no one's home. The bonds are long-term and governors' tenures normally shorter. And if a new governor should decide to honor an obligation of a predecessor, could he without perpetrating a fraud on the taxpayers, who never voted to agree to back those bonds? No.

Now the state governments have only one clearly defined moral obligation: to cease and desist from engaging in any further use of this immoral financing instrument.



BOND INTEREST

by Gerald A. Guild

The bond markets rallied briefly the week before last, then quickly faltered in the face of three negative developments.

First, FRB chairman Arthur F. Burns, speaking before the House Banking Committee a week ago Wednesday, commented, "If we took steps to lower interest rates further than we have—and we have brought them down very sharply—we would have an explosive expansion of money and credit."

Second, Mr. Burns noted, "The volume of long-term-debt issues coming to market is now enormous. . . . This volume could increase many times over if the cost of long-term financing were reduced relative to the cost of short-term funds." As evidence, the Treasury announced last Monday their financing plans for the coming months. Between mid-March and mid-April, \$8.2 billion will be brought to market through five issues. Only \$1.2 billion will be refinancing, so \$7 billion will be new financing. For the rest of the fiscal year (ending June 30) the total Treasury financing could vary all the way from a low of \$11 billion to a staggering \$21 billion. This would bring the total for the first half of 1975 to between an estimated \$28 billion and an astronomical \$38 billion.

Third and finally, the crisis of the Urban Development Corporation undermined the concept of moral-obligation municipal bonds and disrupted the municipal market.

Moral-obligation municipal bonds are really a hybrid concept. They may be defined as a security wherein a governmental unit, usually a state, is permitted to appropriate funds for debt service if project revenues are insufficient but is not legally

required to do so. At least fifteen states now have moral-obligation bonds outstanding. The other two major types of municipal bonds are general-obligation and revenue. General-obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of the bond. Revenue bonds are payable from revenue derived from tolls, charges or rents paid by those who use the facilities constructed with the proceeds from the bonds or other facilities owned by the issuer of the bonds.

UDC is only one of a number of state agencies set up during Nelson A. Rockefeller's terms of office as Governor of New York. Created in 1968, there are about \$1.1 billion in bonds issued by that agency currently outstanding, of which \$100 million are 4.74% bond-anticipation notes maturing 2-26-75. This issue precipitated the crisis, as the agency could not pay off the obligation. Governor Hugh Carey offered to set up a new agency—the New York State Project Finance Agency—which would buy mortgages on the UDC projects. These funds would give UDC enough cash to finish its projects and pay its debts. If this plan should fail, either because the enabling legislation is not enacted or the banks refuse to underwrite the new agency's bonds, Governor Carey threatens to allow UDC to collapse. No matter what happens, the concept of moral-obligation municipal bonds is irreparably harmed.

Mr. Guild is associated with the firm of Dominick & Dominick Incorporated.

Recent offerings

Offering Date	S&P Rating	Size (Mils.)	Issuer	Coupon	Maturity	Call Years	Features Price	Sinking Fund	Approx. Mkt. Price 2-25-75	Yield to Maturity
2/19	BBB	\$100	*Arizona Public Service	9½%	2-15-82	5	100	No	100	9.50%
2/13	NR	150	BankAmerica Corp.	8%	2-15-05	10	105.33	47	100 S	8.88
2/18	AA	125	*Commonwealth Edison	8%	3-01-05	5	107.68	No	100.53S	8.70
2/13	A	75	Dana Corp.	9	2-15-00	10	104	84	100	9.00
2/11	A	100	Duke Power	9½	2-01-05	10	105.90	No	99%	9.58
2/20	NR	100	*First Nat'l Boston Corp.	8	7-15-82	7	100	No	99% S	8.09
2/20	A-	50	*General Tel. of Florida	9%	3-01-05	10	105.98	Opt	99%	9.43
2/19	AAA	300	*Mobil Alaska Pipeline	8.45	3-01-05	10	105.07	80	99%	8.50
2/19	A	60	*Montreal Urban Comm.	10	2-15-00	15	103.75	72	99%	10.05

*New on list. Opt.-Optional. S-Syndicate bid.

DIVIDENDS DECLARED

Company	Payable	Record Date
Ala. Bancorp.	Q33c	4-1 3-14
Amer. Express	XQ20c	4-1 3-7
Amer. Tel. & Tel.	Q85c	4-1 2-27
Amstar	XQ60c	4-2 3-13
Anchor Hock.	XQ30c	3-21 3-7
Apache Corp.	Q12½c	4-30 3-31
Assoc. Spr.	Q35c	3-10 3-3
Atlantic Stl.	Q17½c	4-1 3-10
Barnett Bk. Fla.	Q18c	4-1 3-11
Boise Cascade	Q12½c	4-13 3-14
Boston Co.	Q26c	4-25 4-11
Briggs & Stra.	Q40c	3-15 2-28
Brockway Glass	Q25c	3-31 3-7
Brunswick	Q10c	5-12 4-3
Carnation	XQ30c	3-15 3-3
Champion Int'l.	Q25c	4-16 3-21
Charter N.Y.	Q50c	3-31 3-3
Chicago Pneu. T.	Q50c	3-31 3-19
Cinn. Milac.	Q35c	3-15 3-3
Coca-Cola B. N.Y.	Q10c	3-31 3-13
Combus. Engin.	Q45c	4-30 3-17
Conn. Gen. Ins.	XQ24c	4-10 3-14
Contl. Ill.	Q55c	5-1 3-31
Cooper T. & R.	Q15c	3-31 3-7
Crocker Nat'l.	Q41½	4-15 3-21
Dictaphone	Q15c	3-31 2-27
Dresser Ind.	Q35c	3-17 3-3
Du Pont	ZQ1.25	3-14 2-20
Duquesne Lt.	Q43c	4-1 2-28
Eastman Kod.	Q39c	4-1 3-3
Emhart	Q32½c	3-31 3-7
Esmark	Q35c	4-1 3-6
First Bk. Sys.	Q36½c	3-17 3-5
Fla. Pwr. Corp.	Q48½c	3-20 3-5
Gen. Am. Oil Tex.	Q20c	4-1 3-14
Gen. Signal	Q19c	4-1 3-10
Girard Co.	Q81c	4-1 3-3
Goodrich, B. F.	Q28c	3-24 3-7
Greyhound	Q26c	4-1 3-14
Halliburton	XQ33c	3-25 3-7
Honeywell	Q35c	3-17 2-23
Ill. Cent. Ind.	Q32½c	4-1 3-7
Int'l. Harvest.	Q42½c	4-15 3-14
Interstate Br.	R5c	3-28 3-14
Kan. P. & L.	Q38c	4-1 3-7
Kaysen-Roth	Q15c	4-3 3-14
Kennecott Copper	Q65c	3-24 3-3
Levi Strauss	Q12c	4-1 3-10
Marcor	Q25c	4-15 3-10
Marine Mid. Bk.	Q45c	4-1 3-7
Mid. Am. Ind.	Q4c	3-15 3-5
Munsingwear	Q27c	3-14 2-28
Murray Oh. Mfg.	Q25c	4-1 3-14
NCR Corp.	Q18c	4-25 3-14
Pac. G. & E.	Q47c	4-15 3-21
Penn-Dixie Ind.	Q6c	3-29 3-14
Perkins-Elmer	Q7c	4-2 3-7
Polaroid	Q8c	3-25 3-3
Porter, H. K.	Q50c	3-31 3-10
Pratt & Lambert	Q25c	4-1 3-14
Republic Steel	Q40c	3-20 2-23
Reynolds Met.	Q25c	4-1 2-28
Rochester Tel.	Q19c	4-1 3-14
Rosario Res.	Q10c	3-21 3-7
Safeway St.	Q45c	3-28 2-28
Sorg Paper	Q10c	3-28 3-12
Southern Pac.	Q56c	3-24 3-4
Sunbeam Corp.	Q25c	3-20 3-7
Sunstrand	Q20c	3-20 3-6
Texas Util.	XQ31c	4-1 3-11
Time Inc.	Q50c	3-18 3-3
Va. Elec. Pwr.	Q29½c	3-20 3-3
VF Corp.	Q25c	3-20 3-10
Wells Fargo	Q24c	4-18 3-28

Q-Quarterly. R-Resumed. X-Increased. Z-Reduced.

To receive a dividend, stock must be purchased before ex-dividend date, which normally is four full business days before the record date.

House Unit Clears Mortgage-Subsidy Bill To Aid 400,000 Middle-Income Families

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—House Banking Committee Democrats put their two-to-one majority to use and approved a bill to stimulate home building by subsidizing 400,000 mortgages for middle-income families.

The vote was 25 to 11, with only one Republican, Rep. Stewart McKinney of Connecticut, joining the Democratic majority. The nearly solid GOP opposition could portend a presidential veto, should the bill clear Congress.

But, eager to do something for the depressed home building industry and its workers, Democrats will press forward. Rep. Henry Reuss (D., Wis.), the Banking Committee chairman, said he hopes to bring the bill to the House floor late next week.

The bill, approved yesterday by the full committee, is much the same as one approved last week by the housing subcommittee. But a coalition of Republicans and northern Democrats succeeded, by a vote of 18 to 16, in amending the measure to allow up to 20% of the subsidized mortgages to go to buy used housing. Another 25% could finance purchases from the inventory of new but unsold houses, which currently stands at about 400,000 units, under the amendment. And the rest of the mortgages would have to be for new construction.

This amendment succeeded over the strong opposition of Rep. Thomas Ashley (D., Ohio), chief author of the bill that had emerged from the subcommittee. Rep. Ashley argued that the bill was intended as "antirecession" legislation "to get the home building industry going again." The purchase of existing housing generates less economic stimulus than new construction, he said.

Home Builders' Lobby

But Republicans argue that the sale of an old house often stimulates the construction and sale of a new one, as most people can't buy a new house until they sell the old one they are living in. And Rep. Thomas Rees (D., Calif.), author of the amendment, said

the inventory of new but unsold housing is largely in the South. To help families in other regions where a housing surplus doesn't exist, there must be some provision for purchasing used houses, Rep. Rees said.

Home builders, who have lobbied hard for the bill, opposed the Reuss amendment but swallowed it gracefully. Carl Coan, legislative counsel for the National Association of Home Builders, said later that "you can't sell new houses unless you sell old ones."

The committee, however, rejected, 23 to 8, a bipartisan attempt by congressmen who live in high-cost areas to increase the maximum price of a house under the program to \$45,000 from \$42,000. Outside of high-cost areas, the maximum price would be \$38,000, and 90% of the money would have to go to finance purchases of houses costing \$38,000 or less.

Rep. Ashley denounced this as "a straight home builder amendment." Keeping the limit at \$42,000 will force the industry to build less expensive houses, he declared.

Subsidies would be available only to families whose income didn't exceed 120% of the median family income in their area. Thus at current levels of income the program would be limited to families earning about \$12,700 in San Antonio, \$17,000 in Los Angeles and \$21,100 in Washington, D.C.

Two Kinds of Subsidy

The bill would provide two kinds of mortgage subsidy. Eligible home buyers could pay 6% for three years, receive a declining subsidy over the next three years and pay a market rate after that. Or they could pay 7% over the life of their mortgage. Market rates on home mortgages are 9% and 9.5% currently.

A committee source predicted that lenders would rush to make use of the 7% program but would steer clear of the 6% subsidy. The risk of foreclosure is greater under the 6% program, the source said, because a borrower's income mightn't rise enough in six years to permit him to start paying the higher market rate. Lenders don't want to run the risk of being left holding the bag.

The program, which would expire in mid-1976, would cost the government between \$500 million and \$1.5 billion, depending on the kind of subsidy used and the government's borrowing costs.

By party-line votes, Democrats defeated Republican attempts to limit the interest rate subsidy to 7.5% and to water down the bill otherwise.

Chairman Reuss was far better in command of yesterday's drafting session than of last month's session when the committee approved a resolution instructing the Federal Reserve Board to lower long-term interest rates. This was partly due to Rep. Ashley, who drafted a bill acceptable to most of the Democrats, and partly to Rep. Reuss, who was careful this time to consult fully with his Democratic troops before leading them into battle with the Republicans.

Later, in a more bipartisan spirit, the Banking Committee unanimously approved a bill to extend for four years the federal government's riot and crime insurance pro-

First, voting to authorize consumption of beverage alcohol in another location where it is not now authorized carries with it an implied approval for increased consumption of liquor. No one who has urged the passage of SB 408 has demonstrated how Kansas life will be improved by increased consumption of alcohol that will surely follow, if SB 408 becomes law.

I am not a native Kansan, but Kansas has become my adopted state. This is my home. I love it here, and I urge you to love Kansas, too, and to show your love for Kansas by refusing to be a party to an approval of increased consumption of alcohol.

However, there is a second reason that I request that you vote "No" on SB 408. Increased consumption of alcohol at fairgrounds and other public places will mean that more persons will be leaving those locations with an amount of alcohol in their system. It means that the dangers of alcohol-impaired drivers will be increased on the highways and streets of this great state of Kansas. We don't need that in Kansas. But more importantly for each of you who sit in this committee, I'm sure that you don't want to have to bear the responsibility for the tragedies that become greater potentials as a result of passage of SB 408. Those who vote for this bill must accept also the responsibility for the increased human suffering that it can bring.

When concerned persons in respected and responsible positions across the country are saying that we must work for reduced consumption of alcohol in order to reduce human suffering, why should Kansas law be relaxed in this way?

SB 408 House Federal and State Affairs Committee March 24, 1975

KANSANS FOR LIFE AT ITS BEST! Reverend Dale R. Emery

1974 PARTY PLATFORM STATEMENTS ON HOUSING

Democratic Party:

HOUSING

One of the critical problems confronting Kansas, urban and rural alike, is the need for decent, safe and sanitary housing, located in a suitable community environment. In many areas of our state, there is evidence that an insufficient supply of adequate housing is frustrating economic growth and development, limiting the attractiveness of Kansas as a good place to live and denying families adequate housing alternatives.

We recognize that housing is a matter of national concern, and that the problems of inflation and the shortage of housing loans at reasonable rates cannot be resolved by the state alone. We believe, however, that Kansas state government must play an active role in housing, both in assisting the development of new housing units and the preservation of our present housing supply.

We, therefore, pledge our efforts to study and to take action where deemed advisable to secure an effective housing program in Kansas, fully utilizing all private and public resources. We will examine the possibility of providing technical assistance and housing planning grants to local communities and regional agencies. We support building codes and inspection programs to facilitate the use of manufactured and modern housing technology. We support the establishment of a state housing corporation or other mechanism to provide credit for high risk housing construction and rehabilitation loans in areas of serious need, using private financial institutions wherever possible.

Republican Party:

HOUSING:

Kansas state government must play an active role in the development of new housing units and the preservation of our present housing supply. We pledge our effort to coordinate existing private and governmental technical assistance, financing, and research programs, as well as to develop responsible programs to accelerate solutions to the state's housing problems. We will encourage private solutions toward those ends wherever possible, applying governmental stimulus where necessary.

1974-1975 STATEMENT OF MUNICIPAL POLICY

League of Kansas Municipalities

Community Growth and Development

Housing and Building Regulations.

One of the critical problems confronting Kansas, urban and rural alike, is the need for decent, safe and sanitary housing, located in a suitable community environment. In many areas of our state, an insufficient supply of adequate housing is frustrating economic growth and development, limiting the attractiveness of Kansas as a good place to live and denying families of low or moderate income adequate housing alternatives. Resolving the housing problem will require increased intergovernmental action as well as maximum use of the private sector of our economy. The federal government should create effective housing programs which complement and are coordinated with overall community development programs. The national government has a particular responsibility to provide housing assistance for the poor.

Our state government must play a more active role in housing, including the provision of technical assistance and housing planning grants to local units and regional agencies. We generally support state establishment of a Kansas housing corporation or other mechanism to provide credit for high-risk housing in areas of serious need, using private financial institutions wherever possible. State tax laws and county assessment practices should encourage the maintenance and improvement of property, rather than reward its neglect, and should provide for the abatement of taxes resulting from the rehabilitation of owner-occupied dwellings.

Regional planning agencies should survey housing needs and promote areawide approaches, using private resources and intergovernmental agreements. County governments should also become involved, and are urged to establish housing programs, especially in smaller communities. Cities, separately or in cooperation with regional agencies, should undertake housing resources and need studies and should prepare and adopt a housing element and action plan as part of their comprehensive plans, in recognition of their responsibility to insure adequate housing for all segments of their population. Cities should use their home rule powers to seek innovative approaches to housing problems.

The state should adopt a minimum code, with building, plumbing, electrical and mechanical provisions, based on one of the three nationally accepted codes, with local units maintaining full authority over location, foundation, utility connection and related site matters. Local governments should review and modernize their housing and construction codes, and insure that their codes are fairly administered. We further urge that state laws require all state agencies working with building regulations to utilize the same code.

Counties should adopt and enforce comprehensive building and related regulations in areas adjacent to cities in order to prevent substandard developments. Where counties have failed to take such action, cities should be authorized to enforce their building regulations within their extraterritorial planning jurisdiction.

Environmental Quality

Community Health.

The state department of health and environment should be authorized to adopt minimum standards for mobile home courts located within the fringe areas of cities. Counties should adopt comprehensive sanitary codes applicable to areas not subject to municipal regulation.

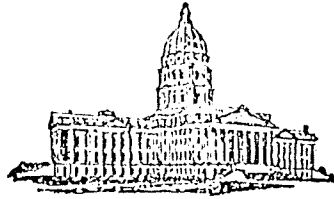
Financial Procedures

We support legislation to (a) authorize cities to bid on and obtain first option to buy tax delinquent property without payment of special assessments thereon; and (b) authorize cities to defer the payment of special assessments on owner-occupied residential property under hardship conditions.

The above cited material is from the 20-page "1974-1975 Statement of Municipal Policy" adopted at the 64th Annual City Convention on October 1, 1974.

This Statement of Municipal Policy of the League is the vehicle through which the cities of Kansas make known their common aims and purposes and move together for the improvement of local government. The Statement is adopted after a series of committee meetings, opportunity for individual local official input and opportunity for full discussion at the City Convention.

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

EUGENE ANDERSON

REPRESENTATIVE EIGHTY-THIRD DISTRICT

SEDGWICK COUNTY

1832 N. POPLAR

(316) 685-2666

WICHITA, KANSAS 67214

COMMITTEE ASSIGNMENTS

MEMBER: FEDERAL AND STATE AFFAIRS
GOVERNMENTAL ORGANIZATION

EUGENE ANDERSON
PRESS RELEASE REF. HB # 2502

THE HOUSING PROBLEM IN THE STATE IS A CONCERN OF ALL POLITICAL LEADERS AND OFFICE HOLDERS AS WELL AS THOUSANDS OF OTHER KANSANS, AND THE LEGISLATURE SHOULD TAKE A VERY SERIOUS LOOK AT THE SITUATION, AND TAKE THE NECESSARY ACTION TO CORRECT THE HOUSING PROBLEM IN KANSAS. WITH THIS IN MIND I INTRODUCED HB # 2502 WHICH IF PASSED WOULD CREATE THE KANSAS HOUSING AGENCY, PROVIDING FOR THE REHABILITATION AND DEVELOPMENT OF SLUM AREAS AND AREAS IN WHICH UNSANITARY OR UNSAFE HOUSING CONDITIONS EXIST.

57,458
OR

THE BILL WAS INTRODUCED TO GIVE ASSISTANCE TO THE ESTIMATED 70% OF THOSE KANSANS WHO CANNOT AFFORD TO BUY A HOME. PRIOR TO 1974 THERE HAD BEEN ONLY TWO MAJOR PIECES OF FEDERAL LEGISLATION ENACTED IN THE PAST 40 YEARS DEALING WITH THE NATIONAL HOUSING PROBLEMS. THE PRESIDENT SIGNED INTO LAW THE HOUSING AND COMMUNITY DEVELOPMENT ACT ON AUGUST 22ND, 1974. IN 1934 THE NATIONAL HOUSING ACT WAS ENACTED, THIS ACT CREATED THE FEDERAL HOUSING ADMINISTRATION AND THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC). IN 1937 ANOTHER HOUSING ACT CREATED PUBLIC HOUSING. WITH 10,188,824 SUBSTANDARD HOUSING UNITS IN THE UNITED STATES YOU CAN BE SURE KANSAS HAS A FAIR SHARE OF THOSE AND WE ARE LONG OVERDUE IN INITIATING POSITIVE

1

ACTION TO RECTIFY OUR HOUSING PROBLEMS. POOR PEOPLE ARE
AFFECTED MOST BY OUR HOUSING SITUATION. HOUSEHOLDS WITH LESS
THAN \$5,000 ANNUAL INCOME PAY MORE THAN 35% OF THAT FOR DWELLINGS.
MORE THAN \$1,750 OF THAT HOUSEHOLD INCOME GOES FOR THE RENT OR
HOUSEHOLD PAYMENT. THIS AVERAGES OUT TO BE \$142 A MONTH, AND
THE UNIT IS USUALLY OVER 30 YEARS OLD WITH INADEQUATE PLUMBING
AND POOR OR NO HEATING. THE SITUATION IS NOT AS SEVERE IN KANSAS
AS OTHER AREAS, BUT GIVEN TIME AND BENIGN NEGLECT KANSAS WILL BE
IN AS BAD A SHAPE AS THE REST OF THE NATION.

THE \$5,000 TO \$10,000 A YEAR HOUSEHOLD ARE HAVING PROBLEMS AS
WELL, BUT PAY BETWEEN 25% AND 35% OF ~~THEIR~~^{THEIR} INCOME FOR ~~THEIR~~
DWELLINGS. THIS BILL WILL NOT ELIMINATE THE ENTIRE PROBLEM, BUT
WOULD BE A MOVE IN THE RIGHT DIRECTION. THE BILL WOULD ALLOW
THE STATE TO SET UP ITS OWN URBAN HOMESTEADING PROGRAM. THE
URBAN HOMESTEAD CONCEPT IS A PROGRAM AIMED AT RECLAIMING DETERIOR-
ATING ABANDONED HOUSES FOR RESIDENTIAL USE BY DEEDING THEM TO
INDIVIDUALS WHO REHABILITATE THEM.

MOST HOMESTEADING PLANS OFFERS BOTH MULTI AND SINGLE TYPE UNITS
TO QUALIFIED INDIVIDUALS FOR A NOMINAL FEE OF USUALLY \$1 TO \$10.
SOME PLANS INCLUDE PROVISIONS FOR DIRECT FINANCING OF PROPERTY
REHABILITATION, OTHERS SIMPLY OFFER COUNSELING ON HOW TO OBTAIN
LOANS. A SPECIFIC PERIOD OF TIME IS ALLOTTED IN WHICH THE STRUCTURES
MUST BE BROUGHT UP TO HOUSING CODE REQUIREMENTS. FOLLOWING A
PERIOD OF RESIDENCY, USUALLY 24 MONTHS TO 5 YEARS, THE PROPERTY
IS DEEDED TO THE HOMESTEADERS.

PAGE 3

EIGHTY PERCENT OF THE HOUSING IN URBAN AREAS ARE PHYSICALLY INADEQUATE, AND 69% ARE OVER CROWDED AND I CAN SEE HOW IMPLEMENTATION OF THE CONCEPT IN HB # 2502 COULD ALLEVIATE PART OF THIS PROBLEM. ACCORDING TO THE KANSAS HOUSING CONFERENCE REPORT KANSAS HAS NO STATE POLICY ON HOUSING, NO STATE PROGRAM TO DEAL WITH THE NEEDS OF LOW AND MODERATE INCOME FAMILIES AND NO TAX INCENTATIVE TO ENCOURAGE REHABILITATION.

WE LACK FUNDS TO MAKE MINOR OR MAJOR REPAIRS TO HOMES OF THOSE NOT QUALIFYING FOR CONVENTIONAL LOANS. THE EXECUTIVE BRANCH OF STATE GOVERNMENT HAS RECOMMENDED LEGISLATION BE ENACTED TO CREATE A KANSAS HOUSING AUTHORITY AND IN DOING SO MADE THE FOLLOWING COMMENT, AND I QUOTE "IF KANSAS IS INTERESTED IN A RATIONAL ENCONOMICAL GROWTH AND IN PROVIDING ADEQUATE HOUSING FOR ITS CITIZENS THEN WE MUST COMMENCE PROGRAMS CALCULATED TO ASSIST OUR HOUSING INDUSTRY AND OUR FINANCIAL INSTITUTIONS IN PROVIDING THE NECESSITATES OF SHELTER" END OF QUOTE.

I CONCUR WITH THE EXECUTIVE BRANCH AND VERY STRONGLY ENDORSE THIS CONCEPT BECAUSE I BELIEVE THAT STATE GOVERNMENT HAS A RESPONSIBILITY TO WORK TOWARD THE SOLUTION EVEN IF IT MEANS GIVING ASSISTANCE TO THE PRIVATE SECTOR WHERE NECESSARY. THE PROBLEM OF INADEQUATE HOUSING AFFECTS THE TOTAL COMMUNITY AND HAS IMPLICATIONS AFFECTING THE ENCONOMICAL GROWTH OF KANSAS.



DEPARTMENT OF PUBLIC WORKS
CENTRAL INSPECTION DIVISION
262-0611 — AREA CODE 316
CITY BUILDING ANNEX
104 S. MAIN — WICHITA, KAN. 67202

March 6, 1975

The Honorable Eugene Anderson
House of Representatives
Topeka, Kansas

Dear Sir:


I have reviewed your House Bill No. 2502, and I agree with the stated purposes of the bill in that without doubt the supply of standard housing is not adequate to meet the demand. We constantly find ourselves against a brick wall in trying to help low income residents.

The information you requested has been taken from the June, 1974 Annual Intergovernmental Survey.

Vacancies	1 - family	4,127
	2 - family	811
	3 & 4 - family	599
	5 - family up	<u>2,032</u>
	Total	7,569 = 7.3% of total 103,126 housing units in city

If I can be of any further assistance, please contact me.

Sincerely,


Robert B. Feldner
Superintendent of Central Inspection

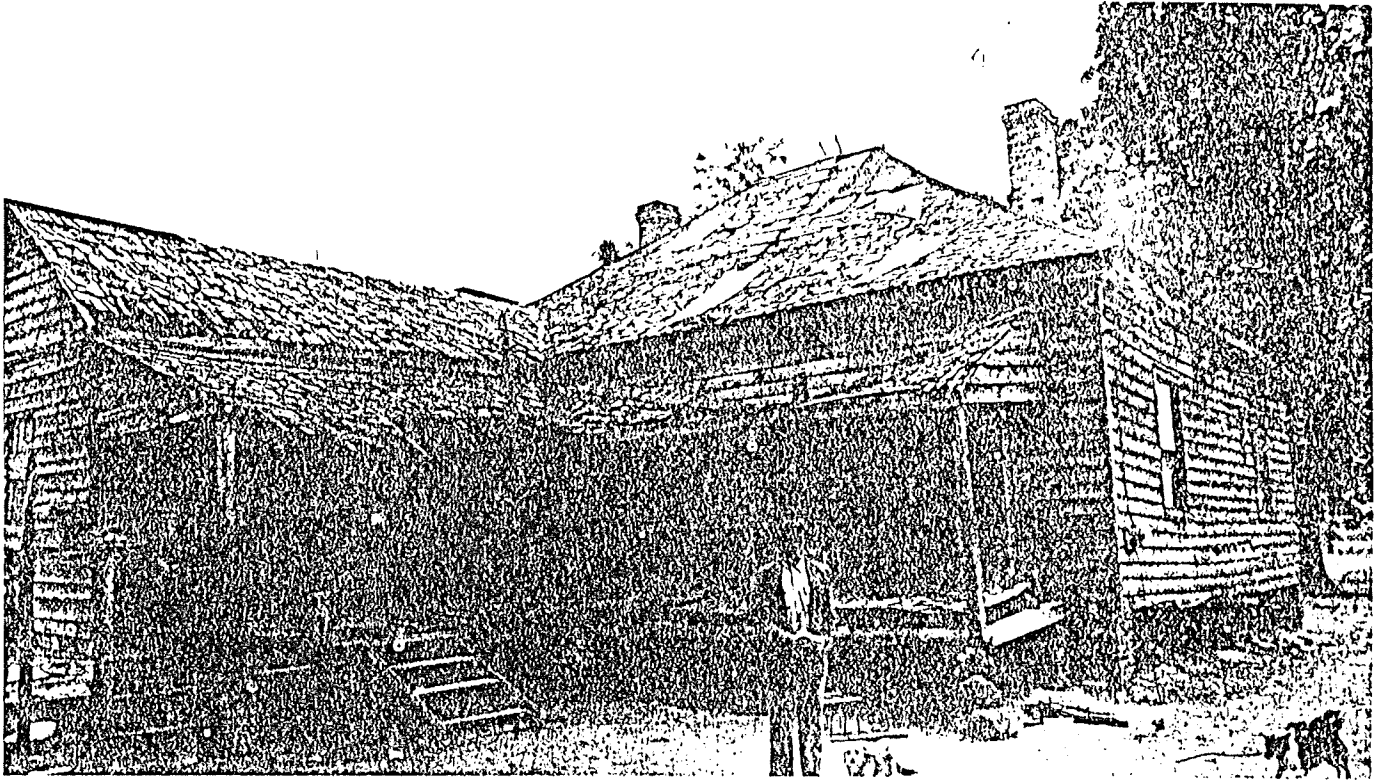
RBF:mnl



CONSUMER STRATEGY

3005 GEORGIA AVENUE, N.W. WASHINGTON, D.C. 20001 (202) 723-8090

The HOUSING DILEMMA *by Rose Hampton*



Did you know that the federal government has been discussing the "national housing problems" since the depression? The first major housing legislation was the National Housing Act of 1934 which was passed in the midst of the depression to stimulate construction and employment and to support the mortgage market.¹ This act established the Federal Housing Administration, the Federal Savings and Loan Insurance Corporation and authorized the charter of secondary mortgage purchase associations. Its goal was to increase and more equally distribute the flow of private funds into housing and to extend the possibility of homeownership to moderate income families.²

The second major piece of legislation was the Housing Act of 1937 which created public housing. This act expressed a desire to improve deplorable housing conditions and a concern over the depressed state of the economy and construction industry.³ Slum clearance was a major element of this act.

Twenty-five years ago, Congress passed the National Housing Act of 1949, declaring "the goal of a decent home

and a suitable living environment for every American family."⁴ Since this act, numerous other pieces of legislation have been passed that encompassed the same general social and economic goals of providing decent, safe, sanitary housing, alleviating present and recurring employment, stimulating house building industry, revitalize housing market, etc. See summary of major housing assistance programs prepared by Robert Taggart in *Low Income Housing: A Critique of Federal Aid*.

The question that the average citizen asks is why is there still a housing dilemma? Why is there still a significant number of American citizens living in substandard units; especially the low-income? The people must be in need.

An analysis of 1970 Census of Housing indicates there were over 68 million housing units in the United States, 63 million of which were occupied by households. A household is defined as the individual or group of individuals occupying a dwelling unit.⁵ Of the 63 million households, 37.1% were renters and 62.9% were owners.

It seems reasonable to suppose that one minimal requirement, at least, of a "decent home" is the presence of

healthy socially adjusted individual with positive self-esteem is an asset not a liability.

Adequate housing tends to instill a sense of responsibility and respect for one's own property as well as that of his neighbor.¹² In turn, this responsibility encourages job betterment, stability, hard work and thriftiness.¹³ Among other reported beneficial efforts of decent housing is the development of community organization solidarity, improvement in credit ratings, establishment of savings programs and neighborhood betterment.¹⁴

Given these social benefits to be gained by individuals, communities and society, why is the promise of "a decent home and suitable living environment for every American" still unfulfilled? For the poor, the problem is a lack of sufficient income to create an effective demand. There is a great disparity between the rent low-income families can afford and the rent the market requires for standard units. The market response of most poor households, therefore, is to meet their housing needs by living in substandard units. Some, however, choose to occupy standard units though they pay an excessive portion of their income for rent.

As the cost of land, labor, building materials, and mortgage financing (in the form of high interest rates) sharply rise, the number of families at the lower end of the economic scale that can afford decent housing diminishes, inasmuch as the incomes of such families usually rise far slower than prices in an inflationary economy.¹⁵ The government housing subsidy programs also become less effective in an inflationary market. Why? Because the cost of subsidizing units become more expensive as the cost of producing and maintaining the unit increases, the funds appropriated for these programs subsidize fewer total units.

There is a consensus that monetary forces have a powerful and pervasive affect on the housing availability. This monetary impact operates through both the cost of capital (interest rate) and credit availability channels. The federal government has sought to fight inflation with a so called tight money policy, which means encouraging a rise in interest rates and a reduction in the lendable assets of banks. The rationale is that it will slow economic activity and thus the rise in prices, by making the borrowing that finances a good deal of business activity more expensive and difficult.

The housing industry is extremely constructed when this policy is in effect. Borrowed money plays a much more significant role in construction than in most other industries. In residential construction, the party that bears the cost of an interest rate rise is the party that usually is least able to afford it — the individual family using the housing.¹⁶ In the case of the homeowner, the burden is directly felt: He pays the interest to the bank that provides his mortgages. In the case of the apartment renter, it is indirectly but similarly felt: The builders interest costs will be figured into the rent.¹⁷

When all this comes on top of the extremely high portion of the consumer's dollar that housing eats up to begin with, it is not surprising that a rise in mortgage interest can put new or improved housing beyond the reach of many families. Residential builders reduce their activity when interest rates rise, compounding whatever slowdown may result in tight money times from a decline in funds available for mortgages.

If the plight of the ill-housed is to be eased in the near future, we cannot sit back and wait for the effects of improved housing conditions to fetter down to the poor or for income improvements which will permit them to complete existing adequate units. The simple fact is that millions of families now have, and will continue for some time to have, an income too low to afford minimally standard shelter. Without direct and increased assistance in meeting their housing needs, they will continue to be ill-housed.

Presently, there is much discussion and debate concerning the program concepts of Urban Homesteading and Housing Allowance as tools of helping alleviate the "housing problem." Urban homesteading is a method of reclaiming deteriorated, abandoned central city housing for residential use by deeding them to individuals who rehabilitate them. Most homesteading plans offer properties (either multi-or-single family units) to a select number of qualified individuals for nominal fees (usually \$1-10) or no charge. Some plans include provisions for direct financing of property rehabilitation, others simply offer counseling on how to obtain loans.

Occupant owners are allotted a specific period of time in which to bring their homes up to housing code requirements. Following a period of required residency (usually 24 months to 5 years), the property is deeded to the homesteader.

Urban homesteading promises to expand ownership opportunities as a means of strengthening the central city. It aims to provide the owner-homesteader with the management skill and motivation to take over, to become a contributor to property management rather than add to the current problem. It is designed to promote economic and racial integration; convert tax liabilities into tax producing units; encourage development of minority businesses.¹⁸ It is intended as a means of low-cost reliable rehabilitation.

There have been several criticisms leveled at the Urban Homesteading program that must be examined before claims of success achieve validity.¹⁹

- 1) Homesteader's equity in properties may be jeopardized.
- 2) Without below-market rate loans or direct grants, homesteaders won't be able to afford the staggering costs of bringing dilapidated units up to code standards.
- 3) The costs of the support, counseling, tax abatement and administrative services necessary to carry on a successful program ultimately may be so large that they will not justify the benefits derived.

TABLE I:
Housing Conditions 1970

Problem Category	Households
1. Households living with "Inadequate Plumbing"	3,510,751
2. Households living in "Dilapidated units" with all plumbing	1,223,000
3. "Overcrowded Households"	5,057,468
4. Households living in housing units "more than 30 years old"	25,672,047
5. Households living with "No heating equipment"	397,605

Source: U.S. Census Metropolitan Housing Characteristics, 1970

U.S. Census of Housing, 1970

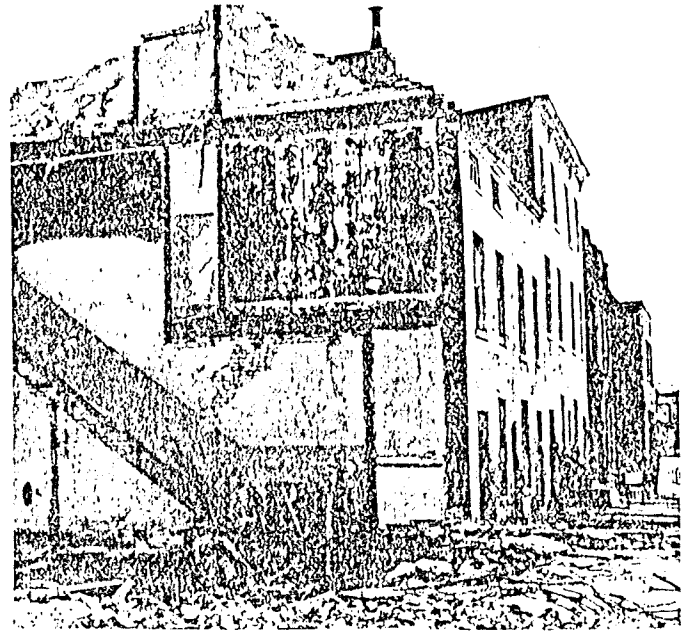
1. Inadequate plumbing - Households residing in units which lack one or more plumbing facilities. (meaning that they lacked either hot and cold running water or a flush toilet or a shower or bath inside the unit).
2. Overcrowded - 1.01 or more persons per room.
3. Dilapidated - Housing which does not provide safe and adequate shelter and endangers health, safety or well being of occupants. Defects are so critical or widespread that the structure should be extensively repaired, rebuilt or torn down.

TABLE II:
Substandard Units, 1970

	"Households"
1. Households - Inadequate plumbing	3,510,751
2. Households - Dilapidated Units	1,223,000
3. Households - No heating	397,605
TOTAL	10,188,824

One could conceivably be led to believe that there is no individual, community or societal benefit to be gained by eradicating the housing problem on a national level and that is why the problem still exists. But the scientific and sociological studies conducted up to this point contradict this argument. It is generally that housing constitutes more than a roof and walls. It is more than just another commodity, service or possession; it is a symbol of one's status, an extension of one's personality, a part of one's identity, a determinant of many of the benefits and disadvantages of a society that will come to one and his family: schooling, public protection, access (or lack of access) to a hundred possibilities of life and culture.⁸

Studies have been conducted to determine the social impact of housing on the welfare of individuals. Several investigations have found a definite positive relationship



between some person-density factor and juvenile delinquency. It is generally agreed that the better the housing, the better the health, and the fewer the social maladjustments. Frequency of illness disability for a week or longer was associated with degrees of crowding (persons per room); rates of digestive diseases were higher for persons with no private inside flush toilet than for those having such facilities; incidence of common communicable diseases of childhood occurred earlier as degrees of crowding increased.¹⁰

Observations by noted scientists have shown: 1) rooms that are not sufficiently aired or ventilated gives the occupant a feeling of being oppressed, controlled or burdened; 2) lack of exposure to sunlight leads to problems in the physiological balance of the human body and to the development of disease symptoms; 3) high noise levels within rooms contributes to disorders of the nervous system.¹¹ For these reasons, it is necessary that housing units be constructed to ensure free access of sunlight, proper ventilation and protection against noise.

Novick, in his article entitled "The Physical and Mental Health Aspects of Housing Code Enforcement" states: "...research indications are that the social relationships and health care services of the social relationships and health care services of the social environment alone cannot account for better health status, if the physical conditions of the residential environment are not attended to." He firmly believes that the many stressful aspects of poor housing and residential environments are a causative factor for many of the ills of this modern "age of anxiety."

Provisions of adequate housing also reaps public benefits. It reduces the social cost of slums, resulting in less crime, fire and communicable diseases. If one believes that every human being represents a potential natural resource, it is easy to see the necessity for society to assist in the development of all people to their fullest potential. It is this author's opinion that the cost of such assistance will not outweigh the benefits to be gained in the long run. A

The new frontier in our cities

By Joseph E. Coleman

Mr. Coleman, a member of the Philadelphia city council, initiated that city's urban homestead plan.

THE 1960 U.S. Census disclosed 4 million vacant and abandoned buildings and dwellings within the boundaries of our cities, beyond the point of rehabilitation, and another 5 million vacant, but rehabilitatable structures. From all indications, the 1970 census confirms the prediction that this condition has worsened further.

City governments, through the execution of liens, judgments, tax delinquency, gifts, abandonment, etc., are the actual or constructive owners of many of these structures. These scattered parcels of land add up to sizeable acreage and constitute a high percentage of the total land area of these cities. Not only are these areas surrounding these deteriorated structures blighted, but they are sparsely inhabited and economically unproductive. Thus in a very real sense these areas in our cities represent our nation's new frontiers.

The big question is whether or not it is economically feasible to develop our New Frontiers. Perhaps a more cogent question is whether we, as a nation and as a city, can afford not to develop our new frontiers. If we fail to develop our ever-enlarging new frontiers, causing our cities to die, then the death of our nation will surely follow.

In several large cities, attempts have been made to develop our new frontiers into low-income housing. In almost every instance, the high cost has simply priced these dwellings out of the financial reach of low-income families. Other attempts have been made to develop these frontiers into luxury apartments. The purpose here has been mainly to lure back into the city persons who, for one reason or another, have fled to the suburbs. This latter plan has also met with very limited success.

IT IS NOW clear that present profit-making oriented programs for developing our frontiers have failed. New approaches to this problem are needed. Perhaps a lesson from the pages of our history can furnish a clue.

In 1862 Congress enacted the Federal Homestead Act. Under this Act, the federal government gave land, on our then frontiers, free to citizens who would settle on the land and cultivate it. Obviously, this was not intended to be a profit-making venture. It was an effort to develop our frontiers, thereby expanding, safeguarding and protecting the heart of our nation. Our frontiers were developed and our nation was expanded. Wasted desolate land was turned into productive and revenue producing areas. The economy of the entire nation shared in the prosperity generated by these newly developed frontiers. The success of the Federal Homestead Act of 1862 is indisputable.



Under urban homesteading, citizens are given city-owned lots after vacant and unrehabilitatable structures have been cleared away. In some instances citizens are given rehabilitatable structures. In both instances, the title for the lots or for rehabilitatable structures goes to the new owners only if they build on the land or bring their rehabilitatable house up to living standards, within an agreed period of time.

IDEALLY, urban homesteading should involve all levels of government and the private sector working in concert with the new homesteader. The basic premises embodied in urban homesteading are:

1. Participation by the federal government in providing funds for clearing unrehabilitatable structures, adjusting programs to provide apprentice workers to be utilized in rehabilitation and building, and guaranteeing long-term low-interest loans.

2. Participation by the cities in conveying conditional title to city-owned lots and rehabilitatable structures, granting tax exemptions on conveyed property for a period of time, and establishing an agency to coordinate all facets of the program.

3. Participation by financial institutions in lending money to homesteaders with federal guarantees.

4. Participation by the applicant in accepting conditional title to property and contracting to build on the

acquired property or rehabilitate the conveyed structure within a specified time.

All of the proposed federal government programs are now in operation, although in different and unrelated areas. For example, the federal government does presently provide funds for demolition and clearing away of dangerous and hazardous structures; the federal government does provide funds for on-the-job-training and retraining programs; and the federal government does guarantee long-term, low-interest loans.

In effect, what urban homesteading does is to make a conditional "gift of ownership" of city-owned property to an individual, and then applies currently available federally-funded programs to the improvement and rehabilitation of these properties.

IN JUST the last two years, the urban homesteading concept has been put into action in many cities around the country. Baltimore, Philadelphia, and Wilmington, Del., were among the first large cities to adopt their own programs. Since then, with encouragement from the U.S. Department of Housing and Urban Development, several other cities have followed suit, such as Washington, D.C., Boston, and Chicago. HUD has transferred title of many houses that it acquired through defaults on home loans.

Each city has organized its program differently. According to a study published by the National Urban Coalition, titled *Urban Homesteading: Process and Potential*, here are some of the variations on the basic theme in the programs of Baltimore, Philadelphia and Wilmington:

What properties are eligible: Philadelphia and Wilmington allow both rehabilitation and new construction on vacant city-owned lots; Baltimore's program covers only rehabilitation.

Who administers the program: Special boards have been set up in Philadelphia and Wilmington; the Philadelphia board has its own staff and budget, while Wilmington's does not. In Baltimore, administration is handled by the City Owned Property Management office of the city's Department of Housing and Community Development.

Financial assistance to homesteaders: In Baltimore, the city makes loans of up to \$15,350 per unit at 6 percent interest rate, and allows up to 20 years to repay. Baltimore also cuts taxes on homestead properties to practically nothing during the period when the homesteader has conditional title, and to a rate discounted to reflect market values in the neighborhood after a house has been rehabilitated and full title has gone to the homesteader. Philadelphia and Wilmington have no direct loan programs, but do offer tax relief.

Support: All three cities offer advice on rehabilitation techniques, and Philadelphia and Wilmington give advice on obtaining financing.

Baltimore's program, which began first, had 125 active homesteaders as of July 1. Wilmington had 23 and Philadelphia 20, according to the National Urban Coalition.

Most homesteaders are middle-income families, although both lower- and upper-income people participate as well. In Baltimore, for example, family incomes of homesteaders range from \$6,000 to \$40,000, but most are clustered in the \$9-\$11,000 range. In Philadelphia, the average homesteader family income is \$7,000, with four out of the 20 families earning less than the average.

OTHER VARIATIONS on the concept are possible. The Urban Coalition recommends two options that expand on the basic homesteading concept.

In a neighborhood with many run-down or abandoned houses, the Coalition suggests, residents themselves and representatives of local action groups could form a nonprofit corporation to acquire properties and turn them over to homesteaders. It would offer counseling and financial help, similar to some of the existing city programs. Such corporations could acquire not only HUD-owned and city-owned properties, but also those owned by private landlords who might in many cases be willing to dispose of unprofitable buildings.

In some public housing projects, especially the older low-rise "garden apartment" developments, tenants could form a corporation to take over the project and obtain financing for rehabilitation, the Coalition suggests.

THE HOMESTEADING movement will receive an important boost if Congress appropriates funds to implement a section of the Community Development Act of 1974, which goes into effect this January. Section 810 of the law authorizes HUD to convey properties it owns, most of which are houses whose former owners defaulted on FHA loans, to cities with "approved" homesteading programs. However, the defaulted loans must be paid back to FHA before the transfers can take place. The law authorizes up to \$5 million in tax money to repay the loans, but Congress has failed so far to appropriate money for that purpose. HUD officials are reportedly confident that funds will be voted, however.

The benefits that will accrue from urban homesteading will be no less spectacular than those that followed the Federal Homestead Act of 1862. Conceivably, thousands of people will resettle on the frontiers and thousands of properties will be eventually returned to the tax roll. In addition, our cities will become stable. But perhaps most important of all would be the new sense of pride and dignity that would come from owning a part of and having a stake in one's own city and nation.

Further information: *Urban Homesteading: Process and Potential*, published by the National Urban Coalition. Available for \$2.50 from that organization at 2100 M Street N.W., Washington, D.C. 20037.

Philadelphia
Wilmington
Give MR

KMRC

TABLE 19
MEDIAN GROSS RENT, NEW YORK
1943-1968

	Controlled Units	Units Not Controlled
1943	\$42	\$42
1950	49	80
1960	72	111
1968	88	145
Percent Increase 1943-68	110	245

Source: New York City, Rent and Rehabilitation Administration (1969).

33 metropolitan areas Block surveyed, mobility was lower in cities with a longer history of rent controls.

Rent controls keep rents lower than they would otherwise be, so that rents often rise dramatically when controls are first removed. Tenants testifying before the Montgomery, Maryland, County Council in February, 1973 claimed rents rose as much as 40% after the brief federal rent controls of Phase II were lifted. Nathan Leventhal, Commissioner of Rent and Housing Maintenance of New York City, reported in August, 1972, that during a 14-month period of decontrol of rents for vacant units, an average 90% increase was being charged new tenants in 80,000 apartments.

Rents in decontrolled units rose more between 1943 and 1968 than rents in controlled units, as we would expect (see Table 19). However rent controls did not prevent rent increases, only limited them. Also, uncontrolled units would almost certainly not have increased as rapidly if there were no controlled units.

One reason for the rise in rents in controlled units is that if rent controlled apartments are not profitable, the owners will allow them to deteriorate. Such apartments will tend to be abandoned. The lower the rent levels, the higher the probability of abandonment. These abandoned apartments are not counted in calculating average rents in the controlled apartments, and so the lowest priced rental units drop out of the statistics. Another reason is that rent controls were lifted somewhat (up to 33% increase) for professionals who use their apartments as offices, and that a 15% rent increase has been permitted for new leases prior to the Maximum Base Rent Act.

Rent controls have caused a decline in the number of housing starts, and in services by landlords. So long as controls are in effect, a shortage of supply can be expected. While decontrolling rents would mean many tenants would pay more, it could eventually also be expected to mean better services, and in due course more housing units. The

alternatives to controlling rents are to subsidize the supply of housing or to subsidize tenants directly, in both cases letting the market determine the price.

Subsidies

In the absence of rent control, subsidies of some kind must be provided if the government is to intervene in the housing market. These subsidies could be initiated or administered at the city or state level as well as the federal level. It is clear from Table 20 that most cities attribute their housing problems to inadequate federal support of housing — i.e., to insufficient or misplaced subsidies or to high and erratic interest rates.

TABLE 20
CITIES' VIEW OF HOUSING OBSTACLES

Major Obstacle to Better Housing	Number of Cities Citing	Cities
Inappropriate or Inadequate Federal Assistance	11	Baltimore, Boston, Buffalo, Cincinnati, Cleveland, Detroit, Los Angeles, Miami, Phila- delphia, Portland, St. Louis
High Interest Rates or Shortage of Loanable Funds	4	Denver, Newark, Phoenix, San Jose
High Labor Costs or Union Monopolies	3	Pittsburgh, St. Louis, San Diego
Inadequate advances in construction technology	2	Dallas, Milwaukee,
High Initial Property Cost	2	New Orleans, Seattle
Residents' Inadequate Income	1	Indianapolis
Federal court deci- sions regarding con- ditions of new housing	1	Chicago
Zoning Ordinances	1	Washington, D.C.
Small Profit for Developers and Builders	1	Atlanta
Multiple answers	1	Kansas City
City failed to respond to this portion of questionnaire	4	Houston, Minneapolis New York, San Francisco
Total, all cities (St. Louis cited twice)	31	

Source: COMP Questionnaire to Mayors, May, 1973.

3-25-75

SECTION V. PROBLEMS, ACTIONS AND OBSERVATIONS

"The housing picture in America is bleak, the bleakest it has been in years. Every government statistic indicates gloom: housing-starts down anywhere from 40 to 55 percent; 60 percent of the people unable to afford a home; 90 percent of current construction designed for people in the top 36 percent of income levels.

Worst of all is the housing picture in rural areas, a subject seldom discussed. The sad truth is that 11 1/2 million rural Americans live in substandard housing.

One family in four in Appalachia must walk through the cold to an outdoor privy. Almost 45 percent of the nation's poor families reside in rural areas. Most severely affected by substandard rural housing are blacks in the Deep South, Indians, migrant farmers, senior citizens, and of course, the Appalachian poor.

Most people think the worst housing in America is located in city ghettos. Not true. The incidence of inadequate housing outside metropolitan areas is roughly 3.5 times what it is within the cities.

The statistics of substandard housing in rural America are so staggering they defy the mind's limits to picture them. Gordon Cavanaugh, executive director of the Housing Assistance Council, recently testified before the U. S. Senate Committee on Housing and Urban Affairs. 'The approximately 11 1/2 million rural citizens living in substandard housing in this country is equivalent to the total population of the state of Pennsylvania. . . . I spent six years directing the housing and code programs of one of the country's largest cities and, along with many, I would not have believed that the dreadful conditions in many urban areas did not represent the bulk of our nation's shelter problems.'*

This excerpt probably offers a good summary of the housing situation as it exists in the nation and in some aspects reflects the overall housing market and conditions in Kansas.

Of course, not all housing problems are found in rural areas, but Kansas is primarily a state of small towns and rural oriented communities.

* Parade Magazine, January 5, 1975

The one and one-half day Housing Conference held in Topeka in December, 1974 did not provide, to any great extent specific plans of action to solve the various problems that surround housing. Conference participants were, however, able to identify diverse and sometimes conflicting opinions about the nature of the problem and some basic ideas of what needs to be done to improve the situation. The problems and possible solutions described in this section are taken from the notes of Conference reporters and transcriptions made of various portions of the proceedings. Generally, it would be appropriate to say that the problems and possible solutions described below would be supported by a substantial number of Conference participants. However, no "votes" were taken at the Conference. The contents of this section should be read in the context of the complete Report to more fully understand the Kansas housing situation and the primary concerns and views of major elements affecting housing in Kansas.

Problems Identified

1. There is a housing problem in Kansas. All elements present at the Conference agreed that the housing situation in Kansas is a most difficult one, and its impact on individuals, businesses and the quality of life is significant.
2. There is no state government policy or leadership in housing. No state agency sees housing as its responsibility. Only two persons are assigned to housing by state government. One of these is assigned on a parttime basis, and one is federally funded. This total seems even smaller when compared to the more than 24,000 classified state employees and more than 9,800 unclassified (nonstudent) state employees.
3. The Federal government housing role is becoming more restrictive and limited-- an obvious retreat from the legislative goal of "a decent safe sanitary home in a suitable environment for every American."

4. Local governments have not viewed housing as their responsibility and consequently have exercised only limited community leadership. Additionally, local policies in relation to public facilities supporting housing are inadequate or nonexistent.
5. There is a general lack of understanding of the complexity of the housing process. Many believe only the "Feds" have a role.
6. There is little technical capability in most areas to deal with complex housing problems.
7. The entire housing process is complex. Therefore, various parties with differing perspectives frequently view the same situation and arrive at substantially different opinions and conclusions.
8. Supply of capital for housing construction is inadequate.
9. Capital for housing construction is too expensive.
10. Total cost of housing prices many families out of the "private" market.
11. Skilled trades people are not available in adequate numbers in rural Kansas.
12. Qualified and experienced contractors are not attracted to many areas because of inadequate construction volume required to support overhead of such contractors.
13. Municipal building codes are either too restrictive or too lenient or in conflict with one another or are inadequately enforced by undertrained local personnel.
14. Cities have inadequate control over fringe areas and consequently sub-standard housing is frequently built in these areas. Additionally, when housing is built in fringe areas it usually demands a high level of expenditure for installation of utility services--public and private, further complicating scattered housing development problems.

15. There is inadequate communication between the private and public sectors resulting in inefficient use of available resources.

16. Certain state laws controlling activities of municipal government (e.g., tax deferrals) to undertake innovative programs such as urban homesteading or public rehabilitation loans are inadequate.

17. Community prejudices frequently prohibit equal opportunities for low income or minority families to purchase, rehabilitate or rent private housing or subsidized housing in all parts of the community.

18. Federal regulations to end discrimination and to promote fair housing are often in conflict as program boundaries between departments and agencies are crossed.

19. The movement of poor families into new houses is not in itself adequate. Such movement must be supported by special cultural service programs to assist such families in making an adequate transition. For example, public facilities such as neighborhood recreation areas are sometimes not adequate.

20. FmHA has an inadequate advertising program and limited personnel (many poorly trained to deal with low income families) which result in a high volume of middle income home loans, and very few low income loans to families who qualify for 1 to 3 percent loans.

21. Much of the Kansas housing is old or becoming old and therefore subject to removal from the market or is in need of major rehabilitation.

22. Little help is available for low income or poorly educated individuals in understanding and applying for subsidized housing.

23. Property tax assessments in Kansas frequently deter home improvement.
24. Craft organization's apprenticeship or "closed" organization policies limit manpower available and consequently increase costs. "Union built" is a sensitive local code issue.
25. Communities that have experienced some industrial development are unable to provide additional housing.
26. The future of federal programs to assist families of low income is uncertain. The Section 8 program is experimental and is receiving increased skepticism by the private sector and no alternatives are ready.
27. Zoning ordinances and other municipal land use controls are inadequately administered or do not fully recognize modern land development techniques.
28. Personal and family housing expectations are higher than many people will be able to realistically achieve.
29. Life styles are changing and housing design frequently does not reflect these changing styles or community building codes do not provide adequate construction flexibility to meet these changes.
30. The current scarcity of capital funds intensifies the problems for individuals with marginal credit profiles.
31. The concept of "urban conservation" is not practiced. Throw-away cities and their unnecessary costs to the public continue to proliferate.
32. Public services and facilities are generally extended without adequate planning and at the request of uncoordinated private development.
33. The elderly population of Kansas has inadequate housing alternatives-- particularly in rural areas.

34. Few local public private housing coalitions exist, and the knowledge of how to establish such coalitions is not widespread.

35. Many recognize that housing is a problem but few communities have developed a specific housing assistance plan upon which systematic public private action may be based.

36. There has not been adequate public discussion and debate as to the point at which general housing subsidization by government is appropriate. It is obvious that the very poor should have improved housing opportunities through subsidization programs, and it is equally clear that upper income individuals should not. Definition beyond that point does not exist.

37. The cost of skilled management in the operation of rural public housing is inordinately high. Consequently such projects suffer over the long haul.

38. Deficit federal spending increases costs of money and reduces the availability of money for housing.

39. Inflation impacts adversely almost all aspects of the housing process.

40. Housing rehabilitation is not utilized sufficiently and is difficult to encourage on a large scale basis.

Possible Actions Identified

Participants at the Kansas Housing Conference not only discussed and identified real and potential housing problems, they also suggested numerous actions that could be taken to help alleviate the shortage and inadequate conditions existing in Kansas. Many of the suggestions heard at the Conference are listed below, with no priority as to their relative importance. Some possible solutions listed below will prove highly unpopular

and may never be achieved. Others will find a relatively easy road to implementation. Some suggested actions are primarily of a public (governmental) nature. These range from actions which are primarily directed to only one level of government to those which potentially involve more than one level of government or a group of local governments. Other actions are directed to various elements of the private sector, or the private and the public sectors simultaneously. Other actions suggest a community response, others a possible regional involvement and yet others a statewide action.

One fact was certain. No one solution or action would heal the housing ill which afflicts Kansans (and to greater or lesser extent, other Americans). One action was clear. Concerted effort by all parts of government and all elements of the private sector involved in housing are necessary and when taken in good faith, can and will result in improved housing for all Kansans regardless of economic status, geographic location or cultural heritage.

The following list of possible actions are by level of government and the private sector. Those actions primarily of a local nature are described in the subheading, "Community Based Actions." Some actions could well be listed in several places but are not so as to avoid undue duplication.

Possible Private Sector Actions

1. The construction industry should collectively and individually intensify efforts to utilize materials and techniques which reduce housing costs. This action should include pressure on government to modernize and to unify construction codes.
2. Lending institutions should adopt formal policies encouraging intensified efforts (or at least minimal goals) to increase loans to marginal credit risk families.

3. The private sector should seek legislative authorization to establish shared risk pools of capital for contractors desiring to expand or move into rural housing markets and/or rural high risk housing.

4. The private sector should seek legislative authority to establish shared risk pools of capital for marginal risk individuals seeking to rehabilitate basically sound housing.

5. Private sector lending institutions should investigate and utilize innovative tandem financing methods (i.e., high risk loans backed by public repayment guarantees).

6. Unions should shorten apprenticeship requirements and loosen up restrictions on number of apprenticeships available.

7. Craft organizations should politically and financially support intensified training programs in housing skills within secondary schools and vo-tech schools. Class time should be eligible toward required apprenticeships.

8. Private utilities should establish policies which significantly discourage scattered housing. Such actions should be taken to promote housing construction on sites already fully served by utilities and governmental services.

9. The private sector should not depend upon government alone to enforce fair housing practices.

10. Various interest groups within the private sector should define and adopt policy positions on selected aspects of housing (e.g. What kind of state housing agency is appropriate?).

11. Banks, which have limited long term loan ability, should emphasize the availability of shorter term loans for community housing rehabilitation programs.

Possible Federal Government Actions

1. The Federal government should be primarily responsible for major housing subsidy programs. The interrelationship between the programs of various departments should be simplified so that maximum utilization of available funds can be achieved.
2. Federal tax laws should be amended to further encourage individuals with surplus funds to place them in thrift institutions so to provide additional funds for housing.
3. Federal requirements for compliance, performance or other standards that frequently create confusion, red tape and even underutilization of certain programs by housing applicants should be eliminated.
4. The Federal government should require that housing assistance be tied to supportive social services when deemed appropriate.
5. Federal programs encouraging housing sprawl should be reduced or eliminated.
6. Federal policies limiting or denying insured loans in deteriorating areas should be reversed. If the private sector is to take risks, so must government.
7. The Federal government should adopt fiscal and monetary policies that increase available capital for housing and reduce its costs.
8. The Farmers Home Administration should intensify its efforts to communicate a clear understanding of its programs to low income families. Where available, Community Action Agencies should be involved.
9. The National Housing Service program should be expanded.

Possible State Government Actions

1. The state should establish a state housing agency to assist in the financing of housing for low and possibly moderate income families. If established, such an agency

should also develop methods for accurately measuring and forecasting housing needs and provide this planning data to all interested parties.

2. The state (both executive and legislative branches) should make concentrated efforts to become acquainted fully with the scope and impact of housing on the economy and quality of life for all of Kansas. Such effort should include active research, debate and discussion of the multitude of intertwining factors of the housing process. The objective of this action is to arrive at a state government posture on housing which is both informed as to the facts and sensitive to the needs of all Kansans.

3. The state should provide technical assistance and/or grants to regional and/or local agencies to increase technical capability needed to stimulate current efforts or to initiate or increase housing rehabilitation and construction in those parts of Kansas where technical capability is lacking.

4. The state should adopt a minimum building code and provide financial incentives for its enforcement to local units of government.

5. The state should revise those property tax assessment laws and regulations which potentially reward housing neglect and penalize housing rehabilitation.

6. State laws limiting the right of cities to acquire abandoned private property in a timely manner should be revised, but due process safeguards for citizens should be maintained.

7. The state should clearly authorize or lift possible state restrictions on local government tax abatement or incentive programs designed to aid community conservation and retard housing and community blight.

Possible Local Government Actions

1. Local governments should assume a leadership role in developing and implementing community analysis and response to local housing problems. This possible action requires an increase in governing body knowledge about housing and community development, increased staff capability and ultimately allocation of scarce tax dollars to this area.
 2. Local government should simplify various construction codes and make them harmonious with other governments in the area or region.
 3. Local governments should adopt and systematically administer housing codes which encourage and demand increased housing maintenance or rehabilitation.
 4. Local governments should discourage scattered housing development through restrictive policies toward installation of public facilities and utilities, such effort being directed toward reducing land development and government service costs for new housing and toward strengthening existing neighborhoods through use of existing vacant lots where utility and other public services already are available.
 5. Smaller local governments should utilize intergovernmental agreement to improve areawide ability to respond to housing problems (e.g. jointly employ a building inspector).
 6. Local governments should see that supportive social services are available to low income housing projects.
 7. Local governments should seek or support state legislative actions which are intended to increase local flexibility in public responses to inadequate housing.
- It is noted that cities have not fully utilized home rule powers now existing.

8. Municipal policies and practices should be established which provide greater housing mobility and opportunities for all citizens.

9. Modular housing (offsite constructed) should be authorized in various zoning districts, and codes limiting use of such units should be carefully evaluated.

10. Cities should modernize local land use controls. Special attention should be given to the establishment of planned use development zones.

Possible Community Based Actions

1. Community organizations such as chambers of commerce, leagues of women voters, rotary clubs and other community groups should establish or intensify educational efforts directed toward a better understanding of housing within the community.

2. Various public and private interests within communities (should be more than one city in many cases) should form coalitions to investigate community housing needs and develop community responses.

3. Community groups or coalitions should contribute volunteer time and financial support to various housing-related actions. For example, provide private funds to pay for technical expertise needed to package housing applications.

4. In sparsely populated areas, multicomunity or "regional" housing groups should be formed to deal with the complete housing process.

Staff Observations

The sheer number of people, with a wide diversity of interests, who attended the Housing Conference offers the best testimony that people are concerned about and are seeking solutions to housing problems in Kansas. Also, the number and type of problems

that were discussed at the conference indicate the housing situation will not be improved by simple or single solutions. In fact, one of the central problems related to housing stems from the fact that there is no detailed data to give definite shape and scope to the actual needs. Such data is particularly lacking at the local level. Without proper data, the housing problem must be interpreted very broadly, thus necessitating general solutions, or providing solutions on a piecemeal basis.

The Conference demonstrated that various interests groups must work together. If they go their separate ways and try to attack the problem from their own perspective, the housing problem most likely will not be solved. As David Meeker said there must be a "total commitment" to solving the problem.

The effects of bad housing are felt directly by the residents of the community at large. This being the case, the whole community must be involved in finding solutions. However, before any meaningful action can be taken on the housing problem two things have to occur, (1) the problems have to be clearly defined and (2) the community must be organized in a manner which will insure that the proper resources are brought to bear on the problems.

Perhaps the single greatest accomplishment of the Conference was to get, for the first time, an exchange of ideas and problems between the public and private sector. In addition, there was interchange between the various levels of government.

No doubt, the most important actor in the housing development process is the consumer and perhaps more specifically, the low and moderate income consumer. What does the consumer want? What are the income levels of the consumer? How many consumers are there and what other needs do they have in addition to housing? These

questions were not answered at the Conference. It is hoped, however, that enough interest was sparked so that answers for these and other questions and issues will be forthcoming.

It is hoped that the Conference will act as a catalyst to future action at the national, state and community levels. Further, it is hoped that actions taken at any level will be unified and cross-sectional in nature.

One major observation following the Housing Conference might be that Kansas has considerable resources within its own boundaries which can be brought to bear on the housing problem. It is a matter of coordinating these resources and making the public aware that they exist and are available. The Conference had over 30 resource people and of these only two were out-of-state. Kansans should be encouraged to take a new look at their communities and state to see what technical and financial resources are available. If such an inventory is made, it will be found that much can be done at the community and state level. One of the accomplished objectives of the Kansas Housing Forum and the Housing Conference was to demonstrate the wide interest in the problem. However, this broad interest and the numerous resources are rather meaningless unless they can be brought together in a purposeful plan of action.

Another observation of the Conference is little hope can be held for the notion that the federal government alone will provide the necessary resources in Kansas. Quite to the contrary, the smaller states and localities particularly will have to turn inward and begin to solve their own problems, or at least, unify their approach to insure that their voices are heard at the federal level.

Often at large conferences which discuss complex issues, certain problems are overlooked. The Housing Conference was no exception and many facets of the problem

were, no doubt left unexplored. One major issue that received little attention at the Conference was landlord tenant relations. This issue deserves considerable attention since a growing number of people by necessity, or by choice are moving into rental housing. Other issues related to rental housing are also emerging (e.g., tax relief for the elderly who rent rather than own and insuring that rental property is kept up to code standards). It should be stated very emphatically that the Housing Conference was not intended to be the "last word" on the subject of housing. Rather, this gathering should be considered as a starting point.

A final observation is that for over forty years, scores of organizations and special interest groups have made literally hundreds of recommendations which they sincerely believed would improve communities and the supply and quality of housing. To these are now added the suggestions of this Report for the kinds of action that will help the housing market to work more effectively in a mixed economy. But practical or theoretical suggestions are not by themselves sufficient to obtain better housing in Kansas communities. The people who can convert the suggestions into actions must persuade themselves that changes are desirable and feasible for them and for the general well-being.