

M I N U T E S

SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS

July 15 and 16, 1975

Members Present

Senator Neil Arasmith, Chairman  
Representative Lloyd Buzzi, Vice-Chairman  
Senator Arden Booth  
Senator Charles Wilson  
Representative Tom Slattery  
Representative James Ungerer  
Representative Eugene Anderson  
Representative Paul Feleciano, Jr.  
Representative Eugene Gastl  
Representative Bill Morris  
Representative Joseph Mikesic

Staff Present

J. Russell Mills, Jr., Legislative Research Department  
Donald L. Jacka, Jr., Legislative Research Department  
Mary Torrence, Revisor of Statutes Office

Conferees

Nancy Hambleton, Lawrence  
Doug Patterson, Kansas Home Builders Association  
Dennis Stewart, President, Kansas Home Builders Association  
Paul Klotz, League of Kansas Municipalities  
Paul Stach, Smith-Barney and Company, New York  
Miguel Madrigal, Deputy Director, Urban Renewal Agency,  
Kansas City  
Jim Turner, Kansas Savings and Loan League  
Everett Tomlin, Kansas Office of Economic Opportunity  
Tom Caine, Paine Webber Jackson and Curtis, New York  
Representative Pete Loux  
Gary Rousch, Urban Renewal Agency, Wichita

July 15, 1975  
Morning Session

Chairman Arasmith called the meeting to order at 9:30 a.m. in Room 519-S of the State House. The minutes of the June 24 and 25 meeting were approved. Staff distributed the following materials to the Committee members:

1. An article entitled "America's Housing Crisis: Victim of Nonpolicy" from the May, 1975 edition of Nation's Cities (Attachment No. I);
2. A letter from Ms. Barbara L. Sall, Executive Director, Idaho Housing Agency, supporting the establishment of a housing finance agency in Kansas (Attachment No. II); and
3. An article from C Q Weekly Report summarizing the new housing bill signed by the President on July 2, 1975 (Attachment No. III).

The Chairman asked Vice-Chairman Buzzi to chair the meeting as he had been involved with the housing draft (H.B. 2612) since its introduction during the 1975 Session. Representative Buzzi opened the discussion of "Version 3" of H.B. 2612 (Attachment No. IV).

A member questioned the deletion of "bond anticipation notes" on p. 3, line 11. Representative Buzzi stated that bond anticipation notes and construction loan notes are both types of interim financing to allow a project to get started.

Chairman Arasmith stated that the term "decent dwelling accommodations" on p. 6, line 11, was quite vague and should perhaps be worded differently.

A member questioned the Authority's power on p. 10, line 11, to acquire real or personal property and wondered in what instances they would acquire personal property. It was stated that this might occur during a foreclosure action.

Chairman Arasmith asked why "eligible" had been stricken on p. 13, line 19. Staff explained that this corresponded to a change in the definition section, p. 4, line 25, where the term "eligible" had been changed to "low or moderate income". The Chairman suggested that stronger criteria for eligibility are needed.

Representative Buzzi suggested that "for low or moderate income families" be inserted after "residential housing" on p. 16,

line 22. Chairman Arasmith inquired of the need for the word "accountability" on p. 19, line 16. Staff will check on this point.

Representative Anderson referred to p. 16, line 19 concerning the 25% earmarking for rehabilitation. He stated that, under some programs, rehabilitation money had been used to finance projects for middle-income families and that H.B. 2612 should be worded to preclude such practices.

Representative Feleciano stated that the Committee should try to determine what "low and moderate income" means. Representative Morris stated that the intent of the bill should not be to make loans to people who cannot make payments, but to assist those with a reasonable expectancy of repaying the loan but who cannot get money from other sources. Representative Anderson said he didn't want the bill to subsidize people who can't repay the loan. Senator Booth stated that the present housing situation may require the use of grants or loans with the state subsidizing the interest rate. Representative Buzzi stated that it is not economically feasible for the state to provide subsidies. Senator Booth stressed that some means should be found to permit people on fixed incomes to retain their homes and that subsidies may be the only answer.

Representative Morris stated that perhaps the 25% rehabilitation requirement is too low. Representative Anderson stated that rehabilitation is necessary and can be done if a loan is made, but that some families cannot afford to do it out of their incomes without help. Senator Booth asked if these houses are off the tax rolls, and Representative Anderson stated that many are. The Chairman asked if many are beyond rehabilitation. Representative Anderson noted that some are and others are not. The Chairman noted that increasing the 25% might have an adverse effect on the ability to sell bonds. Representative Anderson stated he wouldn't think new housing is the answer when talking about low income people. A member asked what if not enough people are found in rural areas who want the help. The Chairman pointed out that the 25% applies to the total, not just to one community. Vice-Chairman Buzzi stated that the 25% refers to statewide total on outstanding bonds.

Representative Feleciano inquired how can the legislation be worded so that all funds do not get into urban rather than rural areas and how can the bill prevent contractors from only serving the urban areas and neglecting rural areas where most of the problem exists. A member pointed out that most of the people on the Board will be from urban areas. Representative Buzzi pointed out that expertise will be needed to determine the market in rural areas. Representative Feleciano stated that the profit orientation poses a problem. Representative Anderson noted that FmHA serves communities of 20,000 and another member pointed out that not everyone can qualify for FmHA loans. Senator

Booth stated he believes that an Authority may be established which will work through local authorities, but the Authority will have ultimate control. He also noted that a person making less than \$10,000 can't buy a new home in Kansas. Representative Feleciano noted the attitude of bankers in Wichita is that they don't want to talk about a home of less than \$25,000.

The first conferee was Nancy Hambleton who read a prepared statement (Attachment No. V). In response to questions, Mrs. Hambleton stated that the Authority should emphasize rehabilitation of existing housing. Committee discussion centered on the problems of low income housing and the cost of rehabilitation. Mrs. Hambleton stated that the high cost of housing in Lawrence had caused some families to double up in single family dwellings. Mrs. Hambleton also stressed the need for a statewide building code.

Dennis Stewart, President of the Kansas Home Builders Association, read a prepared statement (Attachment No. VI). It was noted that several of Mr. Stewart's proposed amendments were already included in "Version 3" of the draft. In response to questions, Doug Patterson, attorney for the Kansas Home Builders Association, stated that the Missouri housing agency is emphasizing new construction in urban areas, most of which are multi-family dwellings. The Chairman asked if there had been any problem in selling the bonds. Mr. Patterson stated there had been none whatsoever. Mr. Stewart stated that the moral obligation of the state should be strengthened. Representative Morris raised a question of what happens if we take homeowner routes and the man does not have enough money to get a loan from a savings and loan. Mr. Patterson stated there would be no problem if a small city made an application but that this has been mostly done by builders who have obtained loans through lender savings and loan. Representative Feleciano asked how low and moderate income is defined by the Missouri agency. Mr. Patterson stated moderate is considered to be 80% of median income of area; low is 50% of median income. Representative Anderson asked if multi-family projects would exclude rural areas. Mr. Stewart noted not necessarily; that \$38,000 is now considered to be a medium house; that the movement of this act will probably be toward multifamily units. Representative Anderson asked what happens to a person who is slightly above the income limit but can't get credit. Mr. Patterson stated the director might be able to use discretion to judge repayment ability of applicant. Representative Buzzi stated he believes this is taken care of in the bill at the bottom of page 4 and the top of page 5. Representative Feleciano stated he believes it is not possible for every family to own a home and asked whether high-rise buildings for elderly people are included in the draft.

Senator Wilson asked if there would be any problems of rehabilitating existing homes due to the high cost of construction. Mr. Patterson noted that some old houses can be economically remodeled but that remodeling and building new are each unique

and that if current building codes must be met, it is a problem for old houses. Senator Wilson commented that the Authority will be channeled to the most economical way to go. Mr. Patterson stated that a statewide building code would be good as it would insure some type of minimum standard of construction. Mr. Patterson stated that, if the public can afford to upgrade the house, this can be considered but the condition of the house and type of neighborhood must be considered. Mrs. Hambleton referred to the Lawrence situation where a uniform building code is in effect. This code accepts a part of a house built under another code which is functional. She stated all old homes cannot be rehabilitated to new standards and that minimum standards are needed for rehabilitation. Representative Feleciano agreed this is needed to save valuable resources.

The Chairman introduced Paul Klotz, League of Kansas Municipalities, who distributed copies of his testimony to the Committee (Attachment No. VII). Mr. Klotz stated that he feels there are two basic needs: financial aid and technical assistance. He called attention to Section 802 of the federal legislation. Representative Feleciano noted that urban areas will take advantage of programs and asked how this bill will serve rural America. Mr. Klotz noted the FmHA programs provide part and stated that the State Housing Authority should provide technical assistance. Representative Feleciano asked if Mr. Klotz envisions a state agency to go into rural areas making availability known. Mr. Klotz stated this type of outreach may be what is needed. Mr. Klotz stated that most local units of government see housing as a critical problem confronting Kansas.

#### Afternoon Session

Vice-Chairman Buzzi introduced Mr. Paul Stach, Smith-Barney and Company, New York. Mr. Stach reviewed the New York housing agencies and discussed the moral obligation clause. He felt that the actual selling of bonds is more dependent on the programs devised than on the moral obligation of the state. He stated that there is room in the market today for good agencies. He noted that the real change came in 1971-72 when the mortgage concept became necessary in addition to a moral obligation security.

Mr. Stach stated that the most important factor determining the marketability of the bonds will be the feasibility and attractiveness of the proposed housing project. He also stated that "bond anticipation notes" and "construction loan notes" are types of interim financing and that the latter are usually sold with a federal mortgage take-out at maturity. He noted that the New York housing finance agency concentrates on the construction of new multifamily housing. Mr. Stach stated that a housing agency can 1) supply money when private sources

are not available, 2) decide where the money will be spent, and 3) bring money into the state from the sale of bonds. He felt the bill should spell out how the money is to be divided between new construction and rehabilitation, urban or rural, and leased housing or homeownership. He also noted that the New York FmHA has a staff of six.

The next conferee was Miguel Madrigal, Deputy Director, Urban Renewal Agency, Kansas City, Kansas. Mr. Madrigal stated that the federal government is getting out of the housing construction business and giving the responsibility to the states and local units on a revenue sharing basis. He noted that the management aspect of public housing has been neglected and that this has caused many problems. He urged that management be stressed in the bill and that periodic performance reports be required of the Authority. He stated that the Authority will be a vehicle to provide housing for low and moderate income families and that qualified people will be needed to manage the projects. Mr. Madrigal felt that the energy crisis will require the construction of compact, multifamily units.

Representative Anderson agreed with Mr. Madrigal's statement that the deterioration and problems of public housing are a result of the lack of qualified management and supervision. Mr. Madrigal called the Committee's attention to a proposed HUD regulation regarding the professional certification of housing managers (Attachment No. VIII). He also distributed several articles and newsletters to Committee members, copies of which are on file in the Legislative Research Department.

July 16, 1975

Morning Session

At 9:30 a.m., July 16, 1975, the Chairman called the meeting back to order and introduced Jim Turner, Kansas Savings and Loan League, who distributed copies of his testimony to Committee members (Attachment No. IX). Mr. Turner stated that the aggregate housing problem needs to be spoken to, priorities need to be established, and conclusions drawn. He pointed out that housing costs are increasing and that this bill is designed to help "moderate" income.

Mr. Turner made the following observations regarding "Version 3" of H.B. 2612:

1. Section 2, "Legislative Findings", should be eliminated because it adds nothing to the bill;
2. p. 6, line 25, "low or moderate income families", a new section setting "maximum adjusted income" should be added;

3. p. 6, lines 13-21, supported deletion of broad language defining residential housing;
4. p. 9, line 5, expressed concern over the personnel authorized to be employed by the Authority;
5. p. 10, line 27, expressed concern over the Authority's power to employ certain personnel;
6. p. 12, line 3, agreed with the insertion of "lenders";
7. p. 16, line 11, expressed concern that the \$100 million limit may be too high;
8. p. 17, line 13, agreed with the denomination limit of \$5,000;
9. p. 23, line 3, stated that the obligation, whether moral or general, will ultimately be paid by the state; and
10. p. 29, line 21, stated that the conflict of interest section should be written so as to prevent abuses but permit qualified people to serve on the Authority.

Mr. Turner suggested that the KDED Division of Housing be adequately funded and expressed the opinion that assistance to low income families can only be accomplished through some form of subsidy. He also noted that Kansas savings and loan institutions will probably not support H.B. 2612 as it is presently drafted.

Representative Morris inquired whether loans are being made on homes of less than \$20,000. Mr. Turner said that loans were made on \$12,000 to \$14,000 homes in prior years, but that the average home purchase price in the U.S. is now about \$40,000. Mr. Turner also stated that H.B. 2612 will benefit several special interest groups but he doubted it would really help the low income person.

Senator Booth asked for a comment on how savings and loans function as an economic unit. Mr. Turner stated they solicit savings, then put the money out on long-term mortgage loans which depend on a fluctuating money market. Representative Feleciano stated every individual involved with this bill might have a special interest because of the gain they could receive from it and that the disposition of funds appears to rest with the legislature. Senator Booth asked if Mr. Turner believes it is essential to have a local authority. Mr. Turner stated that is where it all starts; that you have to decide what problems exist and how to solve them; that it will be difficult to solve all problem areas with one broad brush.

The Chairman introduced Everett Tomlin, Housing Specialist, State Economic Opportunity Office. Mr. Tomlin expressed the opinion that H.B. 2612, as it is presently drafted, addressed itself exclusively to moderate income families. He urged the Committee to realize that not everyone will be able to own a new home and that low income families cannot be helped unless subsidy money is available. He noted that a state housing agency will be able to channel money into urban and rural areas and also utilize federal funds available under Section 8 of the 1974 Housing and Community Development Act. Mr. Tomlin stressed the need for rehabilitation of existing houses in many areas. He stated that the community should have a housing assistance plan in effect before funds are made available. He noted that a state agency could provide technical assistance to rural areas which do not have expertise in the area of housing. He also stated that the HUD definition of income should be utilized and mentioned the taxable bond program under Section 802.

Chairman Arasmith asked why many public housing projects experience difficulties. Mr. Tomlin stated that much of the problem arises when the government subsidizes a family's total expenses. In these cases, there are no motivating factors. Senator Booth mentioned rural loans and loans to small communities. Mr. Tomlin stated that loans should not be made to small towns having no life expectancy, the town's ability to expand should be assessed. Senator Booth asked what effect a vacant house would have on the rest of the block. Mr. Tomlin stated this will probably cause additional vacant units. Senator Booth asked if it will build up the block to rehabilitate the house, and Mr. Tomlin agreed. Mr. Tomlin stated that the interest rate will be too high for low income families and subsidies will be necessary. Representative Feleciano pointed out that the bill appears not to address itself to low income problems and that it is his belief that this Committee knows there is a problem and wants to solve it. Mr. Tomlin stated that the two groups in the state with critical housing needs are the elderly and the working poor.

The Chairman introduced Tom Caine, Pain Webber Jackson and Curtis, New York, who discussed the bond market and H.B. 2612. Mr. Caine recommended that that authorization to issue "construction loan notes" be included in the bill as this is a useful source of interim financing. He also noted that a state agency could provide a source of funds in times of tight money and has proven to be successful vehicles for federal housing funds. Mr. Caine stated that the moral obligation clause was not as important as the quality of the proposed housing project in determining the demand for the bonds. He indicated that the fact that the project is intended to house low income families usually has little effect on the agency's ability to sell bonds. He also agreed that this bill is not geared to reach the low income family. Mr. Caine stated that the sale of these bonds is related to the availability of money and the current interest rates, at present 7½-8%. He also commented on the New York UDC defaults and noted that the municipal market is very tight at present.



The Chairman introduced Representative Pete Loux, who read a prepared statement (Attachment No. X). Representative Loux stated that he did not envision this as a subsidy program, and that repayment ability must be considered. Senator Booth asked for Representative Loux's feelings re the housing shortage and economic wellbeing of the state. Representative Loux stated that in a survey taken last year, adequate housing was the biggest single problem. Representative Feleciano asked if the agency might operate more effectively under KDED or as an independent agency. Representative Loux stated that if they are under KDED they are under Civil Service; whereas if independent, there is little accountability. He felt that a small staff in KDED is probably the best way to go. Representative Loux noted that some people are apparently in for years and that they should be responsible to the electorate.

#### Afternoon Session

The Chairman called the meeting back to order at 1:30 p.m. He introduced Gary Rousch, Urban Renewal Agency, Wichita. Mr. Rousch advised the Committee that Mr. Brent Berry, who had also been scheduled to appear, would not be present due to illness. Mr. Rousch stated that, although he doesn't have a lot of background on the bill, he has felt that in the past eight years there has been a commitment to housing and that he would support the state getting in the housing business if they are willing to put the kind of emphasis on it that it should have. He stated that he feels the \$100 million limit is a step in the right direction.

Mr. Rousch stated that he would like to see a program that has durability with an ongoing financial commitment regarding the size and quality of the staff to carry out a program. He would like to see the agency stand alone in terms of financing but still be flexible enough to take advantage of federal money as available. Mr. Rousch stated that rehabilitation can be a small grant program -- to install a furnace -- to the extreme of assisting in meeting any kind of family and neighborhood turnaround to stop decay. Vice-Chairman Buzzi stated he believes the Committee would prefer to stick to low income areas and asked how that problem might be approached. Mr. Rousch stated that working in terribly deteriorated areas is at best a stop gap measure and that you can come to the point where it is not economically feasible to put money into blighted areas. Vice-Chairman Buzzi stated the Committee is talking about habitable residences, to make safe homes out of existing houses that could be rehabilitated and provide some type of maintenance. Mr. Rousch asked if minimum housing codes of that locality wouldn't have to be met; that it sometimes isn't economically feasible to do. Mr. Rousch stated that if the agency starts working with moderately deteriorated neighborhoods, you can get lenders interested. He feels the need for as much private participation as you can get.

He discussed the options of whether to work citywide or work on target areas. He personally would lean toward impact area work because of resulting spin-off. He noted that it takes participation by local governing bodies to make rehabilitation work and that a strong code enforcement program is necessary for success. Vice-Chairman Buzzi stated that a new building code or a minimum code could be used to help meet fire safety requirements. He stated that counseling service is needed. Representative Feleciano asked if Mr. Rousch is familiar with Wichita's project AMY, a federally financed code enforcement program for the City of Wichita, which appears to be working. He noted there has been a lot of deterioration, although it has worked. Mr. Rousch stated it sometimes helps to get all the neighbors together so that pride can be developed; that absentee landlords don't get involved. He noted another approach to rehabilitation is tax abatement. Representative Ungerer asked if Mr. Rousch is working for the federal government, City of Wichita, or both; and Mr. Rousch advised he is a go between for the City of Wichita and the federal government with the Urban Renewal Agency. Vice-Chairman Buzzi asked if there had been any blending done of new housing and rehabilitation. Mr. Rousch advised this is in the process of being done and is feasible if not too far out of balance; that they will be glad to assist and share any information they have.

The Chairman brought the attention of the Committee to H.B. 2612, Version 3, and called for discussion of various questions raised the previous day. He noted "securities" is not defined. He called attention to p. 5, lines 19-20, re credit unions and federal credit unions and asked if it should be left in.

Chairman Arasmith asked whether the Authority should be able to maintain offices throughout the state, p.9, line 29.

Representative Morris stated that perhaps the Committee should discard H.B. 2612 and start with a new draft. Representative Buzzi urged the Committee to keep an open mind and stated that H.B. 2612 can be reworded to accomplish the desired goals. Representative Morris stated that he would like to see low income housing and rehabilitation emphasized in the bill.

Representative Feleciano stated he doesn't believe a bill can be presented without first defining the exact problem; that this bill does not speak to low income; that if low income families are to be helped, then subsidy is the only way. The Chairman stated that he understands this bill will act as a vehicle to obtain federal funds. Representative Slattery inquired if the Committee could know by the next meeting what would prevent using the Division of Housing of KDED. Representative Morris pointed out that "rural" is a vague term, meaning different things to people located in towns and cities of varying sizes. Senator Booth stated he believes it would be helpful to have statistics on what constitutes "low income".

The Chairman stated that the next Committee meeting will be held on August 12 and 13.

The meeting was adjourned.

Prepared by J. Russell Mills, Jr.

Approved by Committee on:

8-12-75

(Date)

Housing's vital role in overall community development policy must be recognized by all levels of government to overcome the impact of historic misguided programs



Attachment I

## America's Housing Crisis: Victim of Nonpolicy

FLOYD H. HYDE and ESTHER STENZLER MEEKER



FLOYD H. HYDE is Senior Vice President of McManis Associates, a former Under Secretary of the U.S. Department of Housing and Urban Development. He was a principal architect of the Housing and Community Development Act of 1974. While mayor of Fresno, Calif., he was active in the National League of Cities, having been elected as NLC First Vice President in 1968, shortly before he assumed his HUD post in 1969. ESTHER STENZLER MEEKER, formerly a member of Hyde's staff, is an Urban Anthropologist with experience in land use and housing and community development programs and legislation. This article is excerpted from a forthcoming book by the authors.

■ WHERE ARE WE HEADED now that the 1974 Housing and Community Development Act is being implemented? Clearly, the act itself is a victory of historic proportions for local government. But, such a victory can be hollow, indeed, *unless* all levels of government and the private sector have a common understanding of its true significance, of the increased opportunity this legislation provides for improvement of our nation's communities, and of the broader responsibilities it now places upon local officials.

The community development portion of the act seems to be moving forward with a reasonable degree of promise. But the present crisis in housing and the federal response thereto pose serious threats to the entire legislative program and generate cause for alarm as to the probable impact upon our cities. For this reason, this article is addressed to current housing concerns and proposed legislative directions.

Unfortunately, new initiatives in community development are being launched at a time of extreme economic adversity. Thus, solid, positive

progress is threatened by a rash of knee-jerk, "emergency" housing measures from the Congress and an absence of coherent policy by HUD in response to the immediate economic crisis. The sum total of these suggested solutions could be further devastation of our nation's cities.

Have we learned nothing from past FHA policies which hastened (if not caused), the well-documented flight to the suburbs and abandonment of our cities during the 1950s and '60s? Have we learned nothing from the hasty plunge back into the cities with federally-assisted, low-income housing in the late '60s and early '70s that ultimately resulted in massive abandonment of dwelling units, further deterioration of existing neighborhoods, and widespread human tragedy?

Indeed, the nation is besieged by a housing crisis of unparalleled proportions. This crisis is perceived, as it has been traditionally, in terms of the number of housing starts, the unavailability and cost of mortgage money, increased unemployment, and so forth.

To illustrate, actual housing starts for all 1974 fell 35 per cent to 1,-

,000 units from 2,050,000 in 1973. was the steepest year-to-year percentage drop since 1943, when production fell 39 per cent from 1942. Last year's total was the lowest since 1967. Housing starts for last December were at a seasonally-adjusted annual rate of 868,000 units, down 12 per cent from November's 990,000 units. This is the lowest rate for any month since October 1966. Unemployment in the homebuilding and construction industries is approaching a national figure of 25 per cent, and in some areas of the country may be significantly higher. Permits for new construction in the first quarter of 1975 are at an all time low.

But the *ultimate* housing crisis is the negative impact of all this on human needs and community well-being. If these aspects of our housing policies are not dealt with adequately, then actual provision of shelter will be relatively unimportant. The *greatest* potential danger of the current housing crisis is deterioration of this nation's social fabric and the continued decline of our cities. Not only will current inequities persist and fester if people are unable to achieve and maintain decent housing, but a further sense of alienation will divide them from their government when a sense of confidence is most essential to our nation's health.

Increased housing starts through emergency assistance without giving adequate attention to location of that housing in relation to existing urban centers, and a new spate of "hurry-up" construction activity, may well be a cure worse than the disease, further draining remaining vitality from our existing cities. Potential tragedy looms, not only in the deepening of the current crisis, but even in suggested solutions.

### **Current housing policy is nonpolicy**

Our national commitment to easing this crisis is an *ad hoc* compilation of unrelated, separately mandated, and individually administered policies and programs.

Currently, there is no single policy which implements national commitment to equitably housing the nation's people. For the most part, those policies which develop the community in a beneficial way are accidental. Their effective formulation and implementation are initiated, primarily, in response to other concerns: to control inflation, to stimulate the economy, to cool the economy, to ease tight money, to increase employment, to tighten money availability, etc. Consequently, hous-

ing and urban policy is a byproduct of other federal policies.

### **The Systemic Flaws**

As long as housing policy continues on this *ad hoc* basis, the underlying, systemic flaws will remain unattended. The intensity of the current crisis and the panic generated by it can only be offset temporarily by special interest legislation addressed to the ailing housing and construction industries. While we need decisive action to remedy, or, at least, to mitigate, immediate disastrous effects of this crisis, the danger of another knee-jerk reaction is very great. Such reaction is a luxury we cannot afford. Quite simply, *our current housing policy is really nonpolicy.*

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*Lack of national commitment to a comprehensive housing goal as part of the development or revitalization of a total community system perpetuates unsupportable economic and social costs for our cities.*

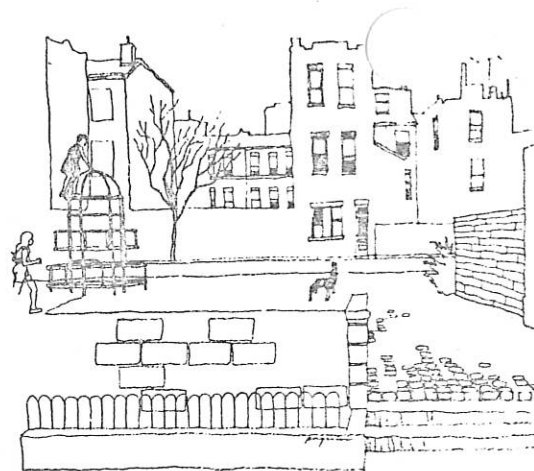
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Much has been written on the subject of housing goals established by the Housing Act of 1968: 26 million newly constructed or rehabilitated units to be made available within the succeeding decade, 6 million of which were designated for low- and moderate-income families.

This goal was essentially a production target which afforded little recognition to the need and cost benefits of preserving existing housing stock. Primarily for economic reasons, emphasis was on new construction. Yet currently, out of 69 million dwelling units in the U.S., 30 million are over 25 years old. Clearly, this vast resource cannot be fully utilized with a national goal whose principal interest is production.

Irrational placement of federally-assisted or insured housing—failure to locate that housing within access to vital elements of the total urban area—has destroyed urban vitality and cultural fabric in the past. Lack of a coherent housing policy as integral to a national urban development policy has devastated our cities, crippled the housing industry, and almost put the goal of home ownership and decent housing out of reach of a majority of families and individuals.

If they are to survive as viable cen-



ters of human life, cities must relinquish some of their territorial imperative. Whether we rebuild existing structures or construct new dwellings, housing must be provided within the context of a total community system which cannot be developed by consideration of bricks and mortar alone. We *must* simultaneously address the socio-economic, cultural, political, and physical fabric of those institutions serving urban residents. A community system is not a place. Its parameters transcend immediate political boundaries. It is an aggregation of interrelated activities of common interest to people located in proximity to each other: housing, social services, job opportunities, transportation, education, recreation, and cultural activities.

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*We can neither articulate nor develop a housing policy without placing it within the context of a national urban development policy.*

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We cannot articulate for the nation a housing policy that is isolated from other concerns. What is first needed is a national urban development policy that encompasses the basic concepts of preservation of land and its functional—economic as well as socially beneficial—utilization. In essence, we are suggesting an urban development policy formulated through a rational planning process that takes into account interrelationships of our varied institutions; the economic, social, and political inequities that permeate our society; and the sense of community we must preserve if our cities are to survive as viable centers of human life. Such policy must ter-

uncontrolled urban growth as consumption of our natural resources at the expense of our existing cities. It must weave together the mutually impacting elements of a community system, of which housing is but one integral part. These elements must be developed singularly, and yet together, as components of a broader urban strategy.

Housing policy cannot be framed without consideration of how, or whether, our cities will survive, function, and grow. Survival of the community system—of its institutions, its cultural fabric, its social structures, its economic base, its physical morphology, and most importantly, of its people—must be given the highest national priority.

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*Lack of long-range planning, monitoring, and assessment mechanisms has resulted in disastrous governmental actions.*

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Private enterprise long has recognized the need for long-range planning in order to establish clear, understandable goals and objectives. It has also acknowledged the need for methods by which progress towards these stated objectives can be measured.

Unfortunately, government has lagged far behind in its handling of the public's business. While differences do exist, there are enough common denominators in business and government to warrant government's emulation of those management practices which prove successful.

Our failure to adequately plan, monitor, and assess existing and contemplated governmental action has been disastrous.

For the past 25 years, federal housing legislation has stressed new housing production over other objectives. FHA insurance allowed middle-income families to purchase homes in the suburbs far away from urban congestion and aging cities. Little concomitant action was taken to insure viable urban centers as well. FHA stated policy not to insure mortgages in the central city—"red-lining"—resulted in the flight of the middle class from the city and concentration with the urban core of primarily low-income minority, or elderly population. Inadequate long-range planning for location of new or rehabilitated federally-assisted units in relation to existing cities, and insufficient attention to the human aspects

of housing and home ownership resulted in neighborhood deterioration and massive abandonment of dwelling units. Significantly, these actions caused a sense of failure on the part of thousands of low-income persons—the ultimate victims of "successful" housing policy.

In 1968, reacting to tensions and inequities generated by this policy, Congress and the Administration ended "red-lining" and hastily launched a well-intended, but untested home ownership program for low-income families living within central cities. The long-range consequences of this action were neither planned, monitored, nor assessed.

The result was near disaster for many communities and thousands of families, several hundred thousand abandoned dwellings, family disruption, neighborhood decline, and untold human misery.

The cost of both these policies has been the clear division of most of our cities—the white, more affluent suburbs and the ever-increasing black and poor urban core. The agony of busing students to schools in order to achieve integration is perhaps the most expensive byproduct of all. Not only does this impose a severe financial burden on the community, but it generates an even higher human cost in terms of neighborhood strife, personal animosities, and family disruption.

These results could have been avoided or greatly lessened if long-range comprehensive planning had first been undertaken. Proper monitoring and assessment would have disclosed negative consequences at an early stage. The moratorium on all federally-assisted housing imposed by the Nixon Administration in January 1973, was an inadequate and injudicious response to the problem.

This type of action, reaction, and overaction *must* be replaced by a national long-range planning, monitoring, and assessment process.



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*Horizontal and vertical fragmentation of federal, state, and general purpose local government severely hinders our ability to deal with housing issues in a comprehensive manner.*

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Lack of coordination of actions and goals among and within the Executive Branch, the Congress, state government, and general purpose local government cripples even immediate remedies to the current housing crisis. The vast number of individual special interest programs created by the legislation of the 1950s and 1960s generated an equal number of special mandates and priorities at all levels of government. Such diverse programs as elderly housing, Indian housing, rural housing, veterans housing, and public housing are administered by different federal agencies. There has been little attempt to bind them together with a common thrust or to coordinate their diverse policies.

At the Executive level, federal housing programs are directly administered by the Department of Agriculture, Housing and Urban Development, and the Veteran's Administration. There are several hundred different housing elements within existing housing laws. Responsibility for these elements is scattered throughout various agencies and bureaus of the federal government. Such fragmentation cripples service to, or even proper identification of, the rightful client.

At the state level, numerous states have adopted assisted housing programs, few of which are consistent or coordinated with the federal effort. No two state programs are alike. Such vertical fragmentation impossibly complicates any efforts to institutionalize coordination of federal-state housing policy.

Fragmentation of governmental functions at the local level is even more pronounced than at the federal or state levels. The proliferation of special interest federal programs has generated a myriad of semi-autonomous agencies and quasi-public bodies. Public housing authorities, urban renewal agencies, community action groups, and special municipal service districts are but a few examples. More than 80,000 such special purpose units perform some governmental functions, and exercise some taxing authority.

Resulting tensions and competition for scarce resources among these bod-

allows little time for them to deal effectively with major urban problems. Unless, and until, fragmentation at the local level is minimized, real accountability to citizens by their local government will not occur. Coordinated, comprehensive solutions to the real housing crisis will be impossible.

### Existing and proposed antidotes are inadequate

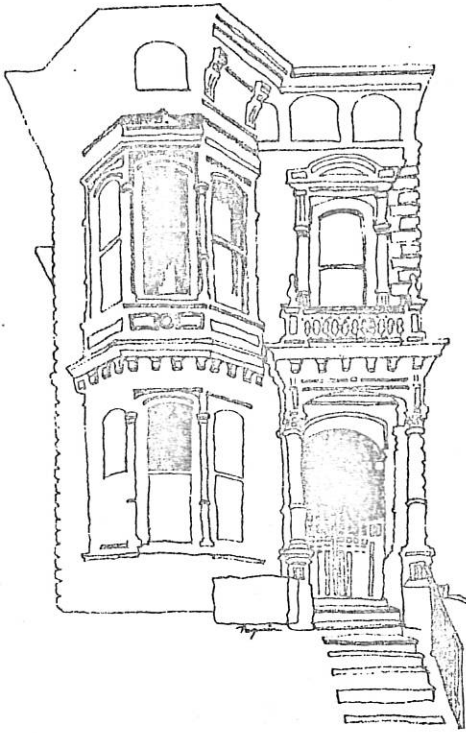
Current programs and suggested stimulants for the housing industry are not a real solution. They deal only with immediate problems. With the possible exception of the potential of the housing assistance provided under the Housing and Community Development Act of 1974, existing and proposed policy action is cosmetic, dealing with the blemish but not the disease.

As commendable and necessary as these actions may be, they are "stop-gap" solutions. Most have been used previously, in same or similar form, without producing long-term solutions. Although better alternatives might be argued, we do not quarrel with the sincerity of these proposals. Each deals with but one aspect of the housing crisis. Furthermore, no legislative or administrative mechanism for coordination of these efforts is provided. In addition, the sum of these proposals, even if properly coordinated, deals inadequately with the systemic flaws which caused the present crisis.

Whether the proposed action is a federal subsidy reducing interest rates to 6 per cent (with a goal of generating construction of 400,000 units of middle-income housing) or a one-time rebate to stimulate the homebuilding and construction industries, little or no consideration is being given to the possible impact of such actions upon our existing cities:

- Where will such housing be constructed?
- What are the trade-offs between those actions generating new development and a greater commitment of resources for preservation of existing housing?
- What burdens will hastily-planned housing construction impose upon cities' effective delivery of other community services?
- Will such actions result in further economic and/or racial segregation of our cities?

Clearly, the private sector must become able to recoup the severe financial loss sustained this past year. The federal government must now act decisively to help remedy this loss. But, well-intentioned hasty action will only mitigate surface concerns, further



aggravate their underlying cause, and might, again, propel our housing efforts into a destructive force: housing construction and rehabilitation goals and site location would be determined primarily by economic factors, without full consideration of total human and community needs.

We make a clarion call for decisive leadership at all levels of government and in the private sector. If the current housing crisis is to abate, we must initiate comprehensive assessment and debate of the systemic flaws, and seek ways to mitigate their disastrous impact on our nation's people.

To adequately address these questions, we *must* begin to tackle the following agenda:

- Promulgation of a coherent national urban development policy that takes into account the need to revitalize our existing cities in addition to other planned growth.
- Definition of, and national commitment to, a comprehensive housing goal in the context of the development or revitalization of a total community system.
- Resolution of the problems caused by horizontal and vertical fragmentation of federal, state, and local government.
- The fragmentation and inefficiency of the private sector of the housing industry.
- The lack of ongoing mechanisms for continued long-range planning, monitoring, and assessment of federal housing and urban development policies to permit rational policy change as needed.
- The unstable nature of the nation's credit system, particularly as it relates

to the availability and cost of mortgage money.

- The continued existence of social and economic inequities within the community system.
- Commitment of sufficient resources at all levels of government and by the private sector to insure attainment of these national goals.

### What can we do now?

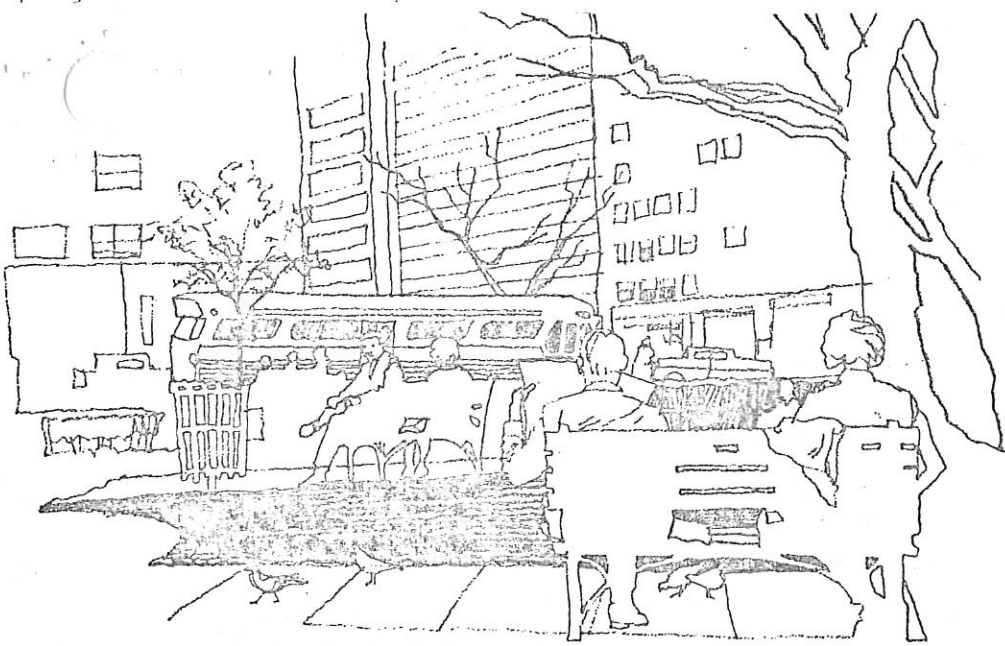
We must act now to clarify the proper roles and responsibilities of federal, state, and local government, and the private sector.

Each government tries to do all things for all people, frequently in direct conflict as to goals, objectives, and means. Clearly, the financial resources available to each for housing provision cannot respond to all aspects of need. If this need is to be met, we must assign aspects of the vast responsibility of housing provision to different levels of government. No one of these can, or should, sustain the major financial burden. We must enable them to *jointly* meet the challenge for governmental oversight and assurance of equitable housing opportunities for all who utilize the community system. The private developer must no longer determine site selection of new or substantially rehabilitated units according to his profit margin. We must eliminate polarization of our communities because of developer-imposed residential segregation. This cannot be achieved until there is affirmative action by all levels of government and the private sector.

HUD's primary responsibility must be to define its mission and role more clearly. HUD must become what its parent legislation intended it to be—an *advocate* for urban concerns within the federal family.

HUD should become a horizontal and vertical catalyst among and between all levels of government and the private sector whose policies impact housing and urban concerns. It must both monitor and evaluate policy action to insure their consistency. It should be a catalyst to the development of viable policy alternatives and a monitor for assessment of the nation's changing housing needs.

Using information gleaned from these activities, HUD should recommend the most expeditious policies and actions for dealing with the underlying causes of the housing crisis to appropriate federal, state, local, and private bodies. At the same time, HUD must commit itself to a role of technical assistance to general purpose local government as defined by the Housing and Community Develop-



ment Act of 1974. It must aid local government in its compliance with the intent, as well as with the regulations, of the new law. The act cannot succeed without strong HUD commitment, chief executive signoff authority on housing location, and construction or rehabilitation of housing units.

More importantly, HUD cannot define its role under the new act as a passive one that simply avoids "inconsistency," as the act implies. Rather, it must act affirmatively to deliver its housing resources in a way that assists cities' achievement of their housing assistance plan objectives. HUD would make a good start in this direction if it considered its own housing inventory—over 200,000 existing units—as an available resource for cities' housing development strategy.

HUD must also recognize that the Section 8 assisted housing program is not a singular answer to the housing needs of low-income persons. The concerns of many critics of this new program should not, and cannot, be so lightly dismissed, for their fears may return to haunt us. In light of its tardiness in implementing Section 8, we challenge HUD's true level of commitment to this concept and to serving our cities and our people.

Cities, on the other hand, must assume far greater responsibilities in the housing field than traditionally has been the case. The "caretaker" role of public housing or the "bystander" role of the 235 and 236 programs will no longer suffice.

Housing needs assessment, particularly for low-income families, must be more than a "windshield" survey, more than reliance on already outdated 1970 census data. It must result from a comprehensive assessment of the total community system, and of

the process by which its goals, objectives, and priorities are established. Local government must commit itself to provision of supportive mechanisms necessary to make housing a meaningful part of the total community system. If we are to attain some measure of social equity, local government must strengthen its provision of amenities, of competent inspection procedures, and of oversight of landlord-tenant relations. It must commit resources to provision of outreach services that give counseling and guidance to low-income families in homeownership skills: how to manage and care for a home with very limited income and how to avoid victimization by unscrupulous landlords and realtors.

State roles and responsibilities must also be more clearly defined and broadened in scope. State government must accept its role and responsibility as an equal partner in our intergovernmental system. In the area of housing, particularly, the rural-dominated legislatures of the past and the suburban-dominated legislatures of today have given too little attention to our cities.

The 1974 act makes it possible for states to become involved. The states have been a source of enormous, untapped potential in the past. Now, states must act with a positive sense of responsibility to meeting the human needs of the individuals and communities which they serve.

The private sector also must recognize its share of responsibility to enhancing the total community system. Its commitment to housing must not simply generate increased financial profits to a few. Housing construction or rehabilitation must also include consideration of social and physical amenities, job opportunities, transpor-

tation routes, public facilities, social and economic opportunities, and, ultimately, the cost of development in the total community system. The private sector must weigh potentially lower short-range profits against long-term gain and the obvious, positive benefits for the community residents. It must reassess traditional housing priorities and assumptions in light of current economic and social pressures.

### Cities: The Victims of Federal Policies

And yet, present federal policies render it *impossible* for our nation's cities to survive as viable centers of human life and as prospering economic entities!

Urban America has *no* advocate at the federal level. The Department of Housing and Urban Development, composed of competing and often conflicting program objectives, has yet to articulate its true mission or role as spokesman for the nation's cities. In most instances, it views state and local government and private institutions as adversaries, rather than as partners with common goals in a single intergovernmental system.

Congress does little better. In a panic knee-jerk reaction to the effects of recession on the housing and construction industries, hasty proposals are passed to facilitate middle America's purchase of homes. The lag in our efforts to provide housing for low-income persons is apparently forgotten.

Not surprisingly, HUD has resisted this legislation, but for the wrong reasons. The department has never questioned how such proposals might impact our cities. Instead, it has resisted on the grounds of high budget cost and the assumption that the private sector is on the "brink of a recovery."

Our cities and our nation cannot hope to survive until a national urban policy is established. This policy must be supported by adequate federal funding and commitment that clearly recognizes the need for, and maximizes implementation of, the preservation and revitalization of total community systems.

We must build communities, not just houses. The "housing market" is *not* the number of units to be sold, rented, or rehabilitated. Rather, it is what happens to the people who live within, contribute to, and are served by, the community system.

As a nation, we must fully commit ourselves to the human aspects of housing assistance. If these aspects remain unattended, then actual delivery of dwelling units and revitalization of the housing and construction industries may well be insignificant. ■



Attachment I

# IDAHO HOUSING AGENCY

P.O. BOX 894 / BOISE, IDAHO 83701 / (208) 336-0161

Barbara L. Sall  
Executive Director

July 9, 1975

Mr. J. Russell Mills, Jr.  
Research Analyst  
Legislative Research Department  
Room 551-N. Statehouse  
Topeka, Kansas 66612

Dear Mr. Mills:

I am sorry to report that I will be unable to appear before your Committee concerned with the creation of a Kansas Housing Finance Authority. I would like to enter the following statements as testimony to those hearings, however, if that procedure is acceptable.

Having attended the 1974 Kansas Housing Conference, I became somewhat familiar with the housing concerns presented to the Conference attendees. They were very similar in nature to the problems faced by Idaho, a predominantly agricultural state with some areas experiencing rapid industrial growth as well. Housing shortages are compounding themselves as we attempt to decipher the new Federal housing programs offered to our communities. Although family income is rising above national averages due to recent increases in prices paid for farm commodities, homebuyers are still faced with high interest costs that jeopardize their ability to acquire a home.

A state housing finance agency can be structured to have an effect on all of the concerns mentioned above. I would like to discuss them individually.

The problem of growing housing shortages is nationwide, but is particularly hard felt in rural areas. Statistics have shown that rural America accounts for over 60% of the substandard housing existing in the country today. As the production of new homes continues to lag behind the need, the rural areas continue to worsen. Because these areas lack the coerciveness of metropolitan areas, they have trouble competing for State and Federal attention. A state housing finance agency would be one area for focus on rural housing problems and would have the financial tools to provide relief to problems. The Council of State Housing Agencies, the association of existing housing finance and development agencies, has recognized the particular role of such agencies in rural areas and has become very active in encouraging members (even Michigan and Massachusetts) to emphasize rural needs. Resources are readily available to state agencies for identifying rural housing problems and resources for having positive effects on those problems.

Mr. J. Russell Mills, Jr.

July 9, 1975

Page 2

One of those resources is the Farmers Home Administration. Of course, this resource is currently available to private developers and local non-profit sponsors, but a state agency can be very effective in providing technical assistance to developers and potential non-profits so that resources can be fully utilized. The agency can also fill the need for locating interim construction financing for FmHA rural rental projects through the sale of tax-exempt notes which are short-term. The Idaho Housing Agency has recently completed such financing to a non-profit sponsor and was able to offer that sponsor 6% construction financing, as opposed to the going rate at the time of construction of 12-14%. The notes were sold to local banking institutions who were able to benefit from the tax-exempt status of the notes. The overall result is a lower cost to the contractor, which is reflected in a lower rent structure to the tenant.

In order to have a strong effect on a housing shortage, a state housing finance agency would like to use its ability to obtain tax-exempt financing to lower the mortgage rate to homebuyers. This can be done through offering to purchase existing mortgages held by lenders, requiring them to use the proceeds to make new, lower interest rate loans. More directly, it can be used through forward commitments from lenders. In that instance the state housing finance agency operates like the Federal GNMA tandem programs, "taking out" new mortgages made by lenders at lower rates. Currently, the state's ability to finance these types of mortgage programs has been hampered by the municipal bond market's reaction to New York's fiscal difficulties, but we are all hoping for improved conditions. The forward commitment mortgage program has been well received by Idaho lenders as they have not been able to compete too successfully with larger areas for the lower-cost tandem funds coming out of the Federal Government.

The final area of state housing finance agency participation that I would like to discuss has to do with the only true low-income housing assistance program available, Section 8. That section of the Housing and Community Development Act of 1974 was written with a lot of input by the Council of State Housing Agencies. A special provision was built in to allow states with housing finance agencies to allocate, process and administer a Section 8 program separate from the Federal process. The "fast track" method, as it is referred to, allows much more local control and input in projects the states will finance. All indications from around Idaho, and the West, are that conventional lenders will not be interested in financing Section 8 projects, and that state housing agencies may be the only resource available. This would certainly encourage the creation of agencies in states not having one, if only to be able to provide new housing units with housing assistance payments to state residents who really need that assistance, where they need it.

The states of Montana, Wyoming, Utah and Nevada passed housing agency legislation in this area during 1974. They have the decided advantage of learning from existing state's mistakes and blind alleys and will be developing new

Mr. J. Russell Mills, Jr.  
July 9, 1975  
Page 3

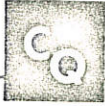
and exciting programs aimed at meeting the particular housing needs of their particular states. I would hope that the same can be said of Kansas in the near future and will offer any assistance I can give to help make that a reality.

Sincerely,

A handwritten signature in cursive script that reads "Barbara L. Sall".

Barbara L. Sall  
Executive Director

BLS:sjg



## FORD SIGNS COMPROMISE HOUSING LEGISLATION

Deciding against any renewed fight for a broader program, Congress June 27 sent the President an emergency housing bill (HR 5398) much like one he had proposed June 24 after vetoing a more extensive housing aid measure (HR 4485) backed by the Democratic leadership. Rushing to complete action before the July 4 recess, Congress cleared the bill just two days after the House was unable to override the veto. (*Weekly Report p. 1353*)

President Ford signed the bill July 2, praising Congress for its cooperation. He said the administration was "committed to a prompt recovery of the housing industry and getting construction workers back on the job."

Democrats had insisted that the federal government needed to stimulate the housing industry to help bring the country out of the recession. The unemployment rate in the construction industry stood at almost 22 per cent in May, while new housing starts remained at their lowest levels in 28 years.

The President, encouraged by May figures showing an increase in the rate of housing starts, maintained that the health of the housing industry was improving. But he agreed that some new assistance would help speed its recovery.

Major provisions of the new bill would allow, but not require, the Department of Housing and Urban Development (HUD) to buy up another \$10-billion in mortgages carrying 7.5 per cent interest rates under a 1974 mortgage assistance program. The purchases encourage lenders to make mortgage money available at below-market interest rates. The President had asked for additional mortgage purchase authority of \$7.75-billion. (*1974 act, 1974 Weekly Report p. 2915*)

The second major section of the bill would allow HUD to make loans of up to \$250 a month for two years to jobless homeowners unable to meet mortgage payments. Alternately, HUD could insure lenders against losses if they made the same kind of assistance available directly to unemployed homeowners facing foreclosure.

The new bill eliminated two major subsidy programs included in HR 4485. These programs would have offered middle-income homebuyers cash grants of \$1,000 for housing down payment costs or temporary subsidies reducing mortgage interest rates to 6 per cent. (*Weekly Report p. 1227*)

### Move to New Bill

Chief sponsors of the vetoed bill speeded HR 5398 through Congress after the House sustained the veto. While not satisfied with the President's proposal, they felt it was important to get some legislation aiding the housing industry on the books as soon as possible.

"I think we're tired of working on this housing legislation," remarked an aide to William Proxmire (D Wis.), chairman of the Senate Banking, Housing and Urban Affairs Committee.

Several hours after the House sustained the veto June 25, Proxmire proposed the new bill as a substitute for a related House-passed measure (HR 5398). Earlier in the afternoon, House Banking, Currency and Housing Committee Chairman Henry S. Reuss (D Wis.) had introduced another compromise proposal (HR 8196), which was set aside.

### Legislative History

The Senate adopted Proxmire's amendments to HR 5398 by voice vote on June 25, and then passed the bill the following day after little debate. The vote was 94-0. (*Vote 255, Weekly Report p. 1405*)

The House agreed to Proxmire's amendments later June 26 by voice vote after making two changes in the measure.

A controversial change killed Senate-passed provisions limiting the fees or "points" lenders could charge to "originate" a 7.5 per cent mortgage eligible for purchase by HUD under the 1974 program. The Senate provisions would have limited loan origination fees charged buyers or sellers to 1 per cent of the amount of the loan and limited other fees charged under the program to another 1 per cent. The administration wanted these provisions dropped.

The second change, which also had been included in the final version of HR 4485, delayed until Jan. 1, 1976, the effective date of requirements under a 1973 flood insurance act that would make it difficult for owners to sell their homes in flood-prone areas that had not adopted HUD land use standards.

Proxmire initially refused to give up the limit on fees. But he agreed to drop his objections June 27 after HUD officials assured him that all fees under the mortgage purchase program would be limited to 4 per cent of the loan, or ½ per cent less than the existing maximum. Proxmire said the limit would put the effective interest rate on mortgages eligible for purchase at 7.92 per cent, or roughly 1 per cent below market rates.

The Senate then cleared the bill June 27 by agreeing to the House-passed changes by voice vote.

### Final Provisions

As cleared for the President, HR 5398:

#### Mortgage Aid to Jobless

- Authorized HUD to make loans of up to \$250 a month to help cover payment of mortgage loan principal, interest, taxes and mortgage or hazard insurance; limited eligibility for the loans to homeowners who had "incurred a substantial reduction in income as the result of involuntary unemployment or underemployment due to adverse economic conditions" and who were "financially unable to make the full mortgage payment."

- Authorized HUD to make loans to an individual homeowner for up to 12 months; allowed HUD to extend

the loan period for an additional year if necessary; required those assisted to report any increase in income affecting their ability to meet mortgage payments.

- Barred HUD from approving loans unless 1) the lender had notified the homeowner of his intention to foreclose, 2) the lender had notified HUD in writing that foreclosure was probable (HUD could waive this requirement), 3) the homeowner had missed mortgage payments for at least three months, 4) the homeowner had a "reasonable prospect" of regaining the income needed to resume full payment of the mortgage and 5) the mortgaged property was the principal residence of the homeowner.

- Required homeowners to repay the amount of the loans under terms and conditions set by HUD at interest rates no higher than those on mortgages insured by the Federal Housing Administration; allowed HUD to defer any repayment until one year or longer after the date of the last loan payment; required HUD to obtain adequate security for repayment of loans, which could include liens (claims) on the mortgaged property.

- Authorized \$500-million, without fiscal year limitation, for the program; barred HUD from making any new loan commitments after June 30, 1976.

- Under the same eligibility and repayment requirements, authorized HUD to insure mortgage lenders against losses if they provided similar loan assistance to jobless homeowners directly; stipulated that the HUD insurance would cover no more than 90 per cent of the loss on any individual loan.

- Allowed HUD to charge lenders premiums for the insurance of no more than 0.5 per cent of the outstanding principal of such loans.

- Limited the total value of insured loans to \$1.5-billion; barred new commitments under the insurance program after June 30, 1976.

- Required HUD and federal agencies supervising financial institutions to take steps for one year after enactment to encourage lenders to forebear (hold off) in residential mortgage loan foreclosures; required the agencies to ask lenders to notify HUD, the supervisory agency and the homeowner at least 30 days before beginning foreclosure proceedings.

- Required HUD, within 60 days of enactment and at 60-day intervals thereafter until June 30, 1976, to report to Congress on foreclosure and mortgage delinquency rates and actions being taken to encourage forbearance.

- Authorized the Federal Deposit Insurance Corporation to make loan advances to lenders participating in programs for jobless homeowners.

### Mortgage Credit Assistance

- Extended a 1974 act (PL 93-449) authorizing HUD to buy up mortgage loans at below-market interest rates to July 1, 1976, from Oct. 18, 1975; gave HUD authority to purchase an additional \$10-billion in mortgage loans under the 1974 program. (The 1974 act limited the total value of mortgage purchases to \$7.75-billion.)

- Limited the maximum interest rate on mortgages eligible for purchase by HUD to 7.5 per cent.

- Made mortgages on multi-family residences and condominiums, as well as those on one- to four-family homes, eligible for purchase under the 1974 act.

## Housing for Elderly

Groups representing the elderly are protesting proposed federal regulations that they maintain would gut a housing program for the elderly authorized by the 1974 omnibus housing act (PL 93-383). The 1974 act reactivated a program (Section 202) making direct federal loans available to developers of housing for the elderly and handicapped. (1974 Weekly Report p. 2319)

The regulations, proposed May 15 by the Department of Housing and Urban Development (HUD), would limit the assistance to construction loans. Developers would have to shop elsewhere for permanent mortgage financing.

The National Council of Senior Citizens maintained that the regulations would freeze non-profit developers out of the program because church groups, for instance, did not have the assets needed to obtain permanent financing. Nelson H. Cruikshank, head of the senior citizens' group, accused HUD June 27 of violating the intent of the 1974 law.

Non-profit groups would have trouble getting conventional mortgage loans not insured by the federal government, an aide on the Senate Special Committee on Aging argued, because they did not have the cash to pay the required down payment on a multi-million-dollar housing project. Nor could they afford to pay the fees or "points" lenders charge to make federally insured loans at below-market interest rates, he maintained.

At an oversight hearing held June 26 by the committee's Subcommittee on Housing for the Elderly, HUD Secretary Carla A. Hills had argued that major non-profit sponsors would be able to arrange permanent financing. But Subcommittee Chairman Harrison A. Williams Jr. (D N.J.) said that non-profit groups had told him that they would not be able to participate in the program without permanent financing.

Congressional and outside sources familiar with the regulations believed that major resistance to permanent loans under the Section 202 program came from within the Office of Management and Budget (OMB), rather than HUD. Those objecting to the regulations remained hopeful that they would be modified before they were issued in final form.

In a related development, the head of the General Accounting Office said in a letter released June 25 by Sen. Edward M. Kennedy (D Mass.) that OMB's delay in releasing fiscal 1975 funds for the program constituted an impoundment that should have been reported to Congress under the 1974 budget reform act.

The official added that he did not believe that the 1974 act barred HUD from limiting the Section 202 program to construction loans.

### Miscellaneous

- Extended an urban rehabilitation loan program (Section 312) through Aug. 22, 1976; authorized \$100-million for the program in fiscal 1976.

- Extended to Jan. 1, 1976, from July 1, 1975, the effective date of provisions of a 1973 flood insurance act (PL 93-234) barring lenders from making mortgage loans on existing housing in areas that had not adopted HUD land use standards for flood-prone areas.

HOUSE BILL No. 2612

By Committee on Federal and State Affairs

3-14

Version 3  
June 25, 1975

Attachment IV

AN ACT establishing a state housing finance authority; prescribing the powers, duties and authority of such authority; providing for the administration and operation of such authority and the financing of its operation and programs.

*Be it enacted by the Legislature of the State of Kansas:*

1 Section 1. *Short title.* This act shall be known and may be cited  
2 as the "Kansas housing finance authority act."

3 Sec. 2. *Legislative findings.* It is hereby found and declared  
4 that: (a) There exists a serious shortage of safe and sanitary resi-  
5 dential housing available to persons or families of low and moderate  
6 income, which is conducive to disease, crime and environmental  
7 decline and impairs economic value by reason of depreciated values,  
8 impaired investments, and reduced capacity to pay taxes causing a  
9 menace to the health, safety, morals and welfare of the citizens of  
10 the state, resulting in population loss and requiring creation of new  
11 public facilities and services; and

12 (b) A major cause of the foregoing condition has been recurrent  
13 shortages of funds to finance private housing; such shortages have  
14 contributed to reductions in construction of new residential units,  
15 and have made the sale and purchase of existing residential units  
16 a virtual impossibility for low and moderate income persons in  
17 many parts of the state; and

(c) Such reduction in residential construction has caused sub-  
stantial unemployment and under-employment in the construction

1 industry which results in hardships, wastes human resources, in-  
2 creases the public assistance burdens of the state, impairs the se-  
3 curity of family life, impedes the economic and physical develop-  
4 ment of the state and adversely affects the welfare and prosperity of  
5 all the people of the state; and

6 (d) A stable supply of adequate funds for residential financing  
7 is required to encourage the construction of additional low and  
8 moderate income family housing in an orderly and sustaining  
9 manner and to facilitate the purchase and sale of existing housing  
10 thereby reducing the aforesaid results; it is accordingly deter-  
11 mined necessary to create a state housing finance authority  
12 to encourage the investment of private capital in and stimu-  
13 late the construction, rehabilitation and financing of resi-  
14 dential housing through the use of public financing in the  
15 manner provided in this act;

16 (e) The legislature further finds and declares that it is in the  
17 public interest of citizens of the state of Kansas to assist private  
18 enterprise and investment in the financing of construction or re-  
19 habilitation of residential housing at low prices or rentals which  
20 persons and families of low and moderate income can afford; and  
21 it is imperative that private enterprise and investment be encour-  
22 aged to sponsor, build and rehabilitate residential housing, to help  
23 prevent the recurrence of slum conditions and blight and assist in  
24 their permanent elimination throughout Kansas; and

25 (f) The legislature hereby finds and declares further that the  
26 purposes of this act are to provide financing for development costs,  
27 land development and residential housing construction, new or  
28 rehabilitated, for sale or rental to persons and families of low and  
29 moderate income; and

30 (e g) All of the foregoing are public purposes and uses for which  
31

1 public moneys may be borrowed, expended, advanced, loaned or  
2 granted.

3 Sec. 3. *Definitions.* The following words and terms shall have  
4 the meaning indicated unless the context shall clearly indicate a  
5 different meaning: (a) The term "state" means the state of Kansas;

6 (b) The term "legislature" means the house of representatives and  
7 the senate of the state;

8 (c) The term "governor" means the governor of the state;

9 (d) "Authority" shall mean the Kansas housing finance authority  
10 created by this act;

11 (e) "Bonds," ~~"notes,"~~ ~~"bond anticipation notes,"~~ and other  
12 ~~"obligations"~~ mean any bonds, notes, debentures, interim cer-  
13 tificates or other evidence of financial indebtedness issued  
14 by the authority under and pursuant to this act;

15 (f) ~~"Development costs"~~ shall mean the total of all costs  
16 incurred in connection with residential housing approved  
17 by the authority as reasonable and necessary, which costs  
18 shall include, but not limited to the following: Costs of land  
19 and improvements thereon, including payment for options,  
20 deposits, or contracts to purchase properties on the pro-  
21 posed housing site or payments for the purpose of acquir-  
22 ing such properties; costs of site preparation, demolition  
23 and development; fees for architectural, engineering, legal,  
24 accounting, and other services paid or payable in connec-  
25 tion with the planning, execution and financing of residen-  
26 tial housing; costs of necessary studies, surveys, plans and  
27 permits; costs of insurance, interest, financing, tax, assess-  
28 ments and other operating and carrying costs during con-  
29 struction; costs of construction, rehabilitation, reconstruc-  
30 tion, fixtures, furnishings, equipment, machinery and  
31 apparatus related to the real property; costs of land in-



1 improvement including, without being limited to, landscaping  
2 and off-site improvements (whether any such cost has been  
3 paid in cash or in a form other than cash); necessary ex-  
4 penses in connection with initial occupancy of residential  
5 housing; reasonable builder's and developer's profit and  
6 risk fee in addition to job overhead; an allowance estab-  
7 lished by the authority for working capital, contingency  
8 reserves; and reserves for any anticipated operating  
9 deficits; and the cost of such other items, including tenant  
10 relocation, as the authority shall determine to be reason-  
11 able and necessary for the development of the residential  
12 housing;

13 (y) "Eligible developer" means any individual, joint  
14 venture, partnership, limited partnership, trust, firm, asso-  
15 ciation, corporation, cooperative, condominium, local public  
16 housing authority, other governmental agency, or other  
17 legal entity, or any combination thereof approved by the  
18 authority as qualified either to own, construct, acquire,  
19 rehabilitate, operate, manage or maintain residential hous-  
20 ing whether for profit, nonprofit or organized for limited  
21 profit subject to the regulatory powers of the authority and  
22 other terms and conditions set forth in this act; (f) "Notes"  
23 means any bond anticipation notes or ~~construction loan notes~~ is-  
24 sued by the authority under and pursuant to this act;

25 (h) ~~Eligible~~ (g) "Low or moderate income families" means  
26 families of one or more persons, irrespective of race, creed, national  
27 origin or sex, determined by the authority to require such assistance  
28 as is made available pursuant to this act on account of insufficient  
29 personal or family income taking into consideration among other  
30 factors: (1) The amount of the total income of such family avail-  
31 able for housing needs; (2) the size of the family; (3) the cost and

age, marital status,

1 condition of housing facilities available; (4) the ability of such per-  
2 sons and families to compete successfully in the normal private  
3 housing market and to pay the amounts at which private enterprise  
4 provides sanitary, and safe housing; and (5) standards established  
5 for various federal programs determining eligibility based on in-  
6 come of such person and families;

7 (i) "Federally insured mortgage" means a mortgage loan for  
8 residential housing insured or guaranteed by the United States of  
9 America or a governmental agency or instrumentality thereof, or a  
10 commitment by the United States of America or a governmental  
11 agency or instrumentality thereof to insure such a mortgage;

12 (j) "Governmental agency" means the United States of America,  
13 the state, any other state and any department, division, public  
14 corporation, public agency, political subdivision or other public  
15 instrumentality of any of the foregoing or of any two or more  
16 thereof;

17 (k) "Lending institution" means any bank or trust company, fed-  
18 eral national mortgage association approved mortgage banker, sav-  
19 ings bank, credit union, national banking association, federal or  
20 state savings and loan association or federal credit union or other  
21 financial institution or governmental agency which customarily pro-  
22 vides service or otherwise aids in the financing of mortgages located  
23 in the state;

24 (l) "Mortgage" means a mortgage deed, deed of trust, or other  
25 instrument which shall constitute a lien on real property in fee  
26 simple or on a leasehold under a lease having a remaining term, at  
27 any time such mortgage is acquired, which does not expire for at  
28 least that number of years beyond the maturity date of the obliga-  
29 tion secured by such mortgage as is established by the authority as  
30 necessary to protect its interest as mortgage;

1 (# l) "Mortgage loan" means an interest bearing obligation se-  
2 cured by a mortgage on land and improvements in the state;

3 (# m) "Real property" means all lands, including improvements  
4 and fixtures thereon, and property of any nature appurtenant  
5 thereto, or used in connection therewith, and every estate, interest  
6 and right, legal or equitable, therein including terms of years and  
7 liens by way of judgment, mortgage or otherwise and the indebted-  
8 ness secured by such liens; and

9 (# n) "Residential housing" means one or more new or existing  
10 residential dwelling units financed pursuant to the provisions of  
11 this act for the primary purpose of providing sanitary, decent and  
12 safe dwelling accommodations for eligible low or moderate in-  
13 come families in need of housing, ~~including any buildings, land,~~  
14 ~~improvements, equipment, facilities or other real or personal prop-~~  
15 ~~erties which are necessary, convenient, or desirable in connection~~  
16 ~~therewith, and including but not limited to street, sewers, utilities,~~  
17 ~~parks, site preparation, landscaping, and such other nonhousing~~  
18 ~~facilities such as administrative, community, transportation, health,~~  
19 ~~recreational, educational, commercial, retail, welfare and public~~  
20 ~~facilities as the authority determines improve the quality of the~~  
21 ~~residential living for eligible low or moderate income families.~~

22 Sec. 4. *Creation of the Kansas housing finance authority.* There  
23 is hereby created a body politic and corporate to be known as the  
24 "Kansas housing finance authority." The authority is hereby con-  
25 stituted a public instrumentality and the exercise by the authority  
26 of the powers conferred by this act in the financing of residential  
27 housing shall be deemed and held to be the performance of an  
28 essential governmental function.

29 It is the intent of the legislature by the passage of this act to  
30 ant to the authority all powers, rights, privileges and titles that  
31 may be necessary to enable it to accomplish the purposes of this

1 act. This act shall be liberally construed in order to accomplish the  
2 purposes herein expressed.

3 The powers of the authority shall be vested in ~~five (5)~~ seven  
4 (7) members appointed for terms of ~~five (5)~~ four (4) years by the  
5 governor, ~~three (3)~~ four (4) of whom, as determined by the gov-  
6 ernor in his sole discretion, shall have experience in home building,  
7 real estate, mortgage lending, commercial banking or architecture.  
8 The terms of ~~two~~ four (4) of the first ~~five~~ members appointed,  
9 shall end on the thirtieth day of June, 1977, and the terms of ~~two~~  
10 three (3) of the first ~~five~~ members appointed, shall end on the  
11 thirtieth day of June, 1979, and the term of ~~one~~ of the first ~~five~~  
12 members appointed shall end on the thirtieth day of June,  
13 1980. All members shall be residents of the state of Kansas and  
14 upon the removal of the residence of any member from the state  
15 a vacancy shall occur in the position of such member. Any vacan-  
16 cies in the membership of the authority shall be filled in like man-  
17 ner as that provided for original appointments but only for the  
18 remainder of an unexpired term. Each member shall hold office  
19 for the term of his appointment and until his successor shall have  
20 been appointed and qualified. A member shall be removed from  
21 office upon conviction of a felony or upon impeachment and may  
22 be removed from office at any time by the governor upon recom-  
23 mendation of the remaining members of the authority for continued  
24 neglect of duties required by law, or for incompetency or miscon-  
25 duct. Each member of the authority before entering upon his  
26 duties shall take and subscribe an oath or affirmation as required  
27 by law.

28 The governor shall appoint the chairman from among the mem-  
29 bers for a term of one year, and the members shall annually elect  
30 from among their number a vice-chairman ~~annually~~ and such  
31 other officers as they may determine necessary. Meetings shall

1 be held at the call of the chairman, ~~executive director~~ or when-  
2 ever two members so request. ~~Three~~ Four (4) members of the  
3 authority shall constitute a quorum and any action taken by the  
4 authority under the provisions of this act ~~may be authorized by~~  
5 ~~resolution approved by~~ shall receive the approval of a majority,  
6 but not less than three of the members, present at any regular  
7 or special meeting but in no case shall such action be taken with  
8 the approval of less than four (4) members. No vacancy in the  
9 membership of the authority shall impair the right of a quorum to  
10 exercise all the rights and perform all the duties of the authority.

11 The members shall receive no compensation for the performance  
12 of their duties hereunder but each such member shall be reimbursed  
13 for his or her reasonable expenses incurred in carrying out such  
14 duties under this act in amounts provided in subsection (e) of  
15 K. S. A. 1974 Supp. 75-3223, and amendments thereto.

16 Notwithstanding the provisions of any other law, no officer or  
17 employee of this state shall be deemed to have forfeited or shall  
18 forfeit his or her office or employment by reason of his or her  
19 acceptance of membership on the authority or his service thereto.

20 The director of the division of housing of the department of  
21 economic development shall be the secretary of the authority and  
22 when acting in such capacity shall be subject to the direction and  
23 control of the members of the authority and shall administer, man-  
24 age and direct the affairs and business of the authority, subject to  
25 the policies, control and direction of the members thereof. The  
26 staff of the division of housing of the department of economic  
27 development shall serve as the staff of the authority and when  
28 acting in such capacity shall be subject to the direction and control  
29 of the members of the authority. ~~The members may, with the~~  
30 approval of the secretary of economic development and  
31 within the limitations of appropriations available for such

1 propose, employ such additional technical experts and con-  
2 sultants as they may deem necessary for the purposes of  
3 this act and fix the compensation therefor. The members  
4 may delegate to the director and members of the staff or any of its  
5 employees the technical experts, advisors or consultants employed  
6 by the authority, such administrative duties as it may deem proper.  
7 All budgeting, purchasing and related management function of the  
8 authority shall be administered under the direction and supervision  
9 of the director of housing as secretary of economic development  
10 the authority. All vouchers for expenditures and all payrolls of  
11 for operating expenses of the authority shall be approved by the  
12 chairman of the authority and the director of housing as secretary  
13 of economic development the authority.

14 The director of housing as secretary shall keep a record of the  
15 proceedings of the authority and shall be custodian of all books,  
16 documents and papers filed with the authority and of its minute  
17 books and seal. He The director shall have authority to cause to  
18 be made copies of all minutes and other records and documents of  
19 the authority and to give certificates under seal of the authority to  
20 the effect that such copies are true copies and all persons dealing  
21 with the authority may rely upon such certificates.

22 Sec. 5. *General powers.* The authority shall have all of the  
23 powers necessary or convenient to carry out and effectuate the pur-  
24 poses and provisions of this act including, but without limiting the  
25 generality of the foregoing, the power to: (a) Sue and be sued in  
26 its own name;

27 (b) Have an official seal;

28 (c) Have perpetual succession;

29 (d) Maintain offices at such place or places within the state as  
30 may designate;

31 (e) Adopt, and from time to time amend and repeal, bylaws and

1 rules and regulations, not inconsistent with this act, to carry into  
2 effect the powers and purposes of the authority and the conduct  
3 of its business;

4 (f) Make and execute contracts and all other instruments neces-  
5 sary or convenient for the exercise of its powers and functions under  
6 this act with any governmental agency, private corporation, or  
7 other entity, on individual ~~and all contracts made by the au-~~  
8 ~~thority shall be exempt from the provisions and require-~~  
9 ~~ments of all laws of the state which provide for competitive~~  
10 ~~bids in connection with contracts of any kind;~~

11 (g) Acquire or contract to acquire real or personal property, or  
12 any interest therein, on either a temporary or long term basis in its  
13 own name by gift, purchase, transfer, foreclosure, lease or other-  
14 wise, including rights or easements in property; to hold, sell, assign,  
15 lease, encumber, mortgage, or otherwise dispose of any real or per-  
16 sonal property or any interest therein; to hold, sell, assign or other-  
17 wise dispose of any mortgage interest owned by it or under its con-  
18 trol, custody or in its possession; and to release or relinquish any  
19 right, title, claim, lien, interest, easement or demand however ac-  
20 quired, including any equity or right of redemption in property  
21 foreclosed by it ~~and to do any of the foregoing by public or~~  
22 ~~private sale, with or without public bidding, notwithstand-~~  
23 ~~ing the provisions of any other law;~~

24 (h) Enter into agreements or other transactions with, and ac-  
25 cept grants and the cooperation of, any governmental agency or  
26 other sources in furtherance of the purposes of this act;

27 (i) Employ, ~~with the approval of the secretary of economic~~  
28 ~~development within the limitations of appropriations available for~~  
29 ~~such purposes, architects, engineers, attorneys, accountants, finan-~~  
30 ~~cial experts, real estate consultants, appraisers and such other ad-~~  
31 ~~visors, technical experts and consultants, as may be when neces-~~

, provided that the authority shall dispose of any property not more than eighteen (18) months following the acquisition of such property by the authority

and to provide for any of the foregoing subject to the letting of competitive public bids;

1 sary in its judgment to provide assistance or services which cannot  
2 be performed or provided by members of the staff and to fix their  
3 compensation;

4 (j) Provide advice, technical information, training and educa-  
5 tional services and conduct research and promote the development  
6 of residential housing, building technology and related fields;

7 (k) Make loans to lending institutions;

8 (l) Purchase mortgages held by lending institutions on residen-  
9 tial housing;

10 (m) Procure insurance against any loss in connection with its  
11 property and other assets, including mortgages and mortgage loans,  
12 in such amounts and from such insurers as it deems desirable;

13 (n) ~~Borrow money and~~ Issue bonds and notes ~~or other evi-~~  
14 ~~dences of indebtedness thereof~~ as hereinafter provided;

15 (o) Invest or deposit moneys of the authority, subject to any  
16 agreement with bondholders or noteholders;

17 (p) Renegotiate, refinance or foreclose, or contract for the fore-  
18 closure of, any mortgage in default; waive any default or consent to  
19 the modification of the terms of any mortgage; commence any action  
20 to protect or enforce any right conferred upon it by any law,  
21 mortgage, contract or other agreement, and bid for and purchase  
22 such property at any foreclosure or at any other sale, or acquire  
23 or take possession of any such property; operate, manage, lease,  
24 dispose of, and otherwise deal with such property, in such manner  
25 as may be necessary to protect the interest of the authority and  
26 the holders of its bonds, and notes ~~and other obligations~~; all  
27 subject to any agreement with bondholders or noteholders;

28 (q) Consent, whenever it deems it necessary or desirable in the  
29 fulfillment of its ~~corporate~~ the purposes of this act, to any modifi-  
30 on with respect to rate of interest, time and payment of any  
31 installment of principal or interest, security or any other term of

, within the limitations of appropriations available  
for such purposes,



lenders,

1 any contract, mortgage, mortgage loan, mortgage loan commitment,  
2 contract or agreement of any kind to which the authority is a  
3 party, subject to any agreement with bondholders or noteholders;

4 (r) Procure or agree to the procurement of insurance or guaran-  
5 tees from the federal government or any governmental agency or  
6 instrumentality thereof, or from any private insurance company,  
7 of the payment of any bonds or notes or any other evidences of  
8 indebtedness thereof issued by the authority or by any lending  
9 institution, including the power to pay premiums on such insurance;

10 (s) Provide insurance for long-term mortgage loans, or portions  
11 thereof, purchased by the authority in accordance with this act  
12 or made by lending institutions approved by the authority or par-  
13 ticipate with other public or private entities in the provision of  
14 such insurance. ~~The authority may establish such terms and condi-~~  
15 ~~tions as it deems necessary for the supervision of lending institutions,~~  
16 ~~holding authority insured loans, and for its insurance program,~~  
17 ~~including, without limiting the generality of the foregoing, the~~  
18 ~~maximum interest rates, down payment requirements and remedies~~  
19 ~~on default of foreclosure;~~

20 (t) Purchase and make commitments for the purchase of se-  
21 curities or other obligations issued by lending institutions to fi-  
22 nance residential housing, subject to any agreement with bond-  
23 holders or noteholders;

24 (u) Charge and collect from lending institutions such fees and  
25 charges as the authority may establish from time to time for lend-  
26 ing and mortgage purchase programs;

27 (v) Create and establish such funds or accounts as may be  
28 necessary or desirable for furtherance of the purposes of this act; and

29 (w) Do any and all things necessary or convenient to carrying  
30 out its purposes and exercise the powers given and granted in  
31 this act.

1     Sec. 6. *Purchase of mortgage loans.* (a) The authority shall  
2 have, in addition to other powers herein granted, the power to:

3     (1) Invest in, purchase or make commitments to purchase, and  
4 take assignments from lending institutions, of mortgage loans and  
5 promissory notes accompanying such mortgage loans, including  
6 federally insured mortgage loans or participations with lending  
7 institutions in such promissory notes and mortgage loans, for the  
8 construction, rehabilitation, purchase, leasing or refinancing of resi-  
9 dential housing within the state;

10    (2) Sell, ~~at public or private sale, with or without public~~  
11 ~~bidding,~~ any mortgage or other obligation held by the authority;  
12 and

, at public sale with public bidding,

13    (3) Adopt, modify or repeal rules and regulations governing the  
14 purchase and sale of mortgage loans and the application of proceeds  
15 thereof.

16    (b) At or before the time of purchase, the lending institution  
17 shall certify to the authority:

18     (1) That the mortgage loans transferred to the authority are for  
19 residential housing for ~~eligible~~ low or moderate income families  
20 within the state; or

21     (2) That the proceeds of sale or its equivalent shall be reinvested  
22 in mortgage loans for residential housing for ~~eligible~~ low or  
23 moderate income families within the state in an aggregate principal  
24 amount equal to the amount of such sale proceeds.

25     Sec. 7. *Loans to lending institutions.* The authority shall have, in  
26 addition to other powers herein granted, the power to: (a) Make  
27 loans to lending institutions under terms and conditions requiring  
28 the proceeds thereof to be used by such lending institutions for the  
making of new mortgage loans for residential housing;

for low and moderate income families

(b) Purchase securities from lending institutions under terms and

1 conditions requiring that such securities finance mortgage loans  
2 for residential housing;

3 (c) Require that loans to or securities purchased from lending  
4 institutions shall be additionally secured as to payment of both  
5 principal and interest by a pledge of and lien upon collateral security  
6 in such amounts and consisting of such obligations, securities, and  
7 mortgage loans as the authority shall by resolution determine to be  
8 necessary to assure the payment of such loans or securities purchased  
9 and the interest thereon as the same become due. The authority  
10 may require in the case of any or ~~other lending institutions~~ that any  
11 required collateral be lodged with a bank or trust company located  
12 in the state designated by the authority as custodian therefor. In the  
13 absence of such requirement a lending institution shall, if collateral  
14 is to be provided for the loan or securities purchased, upon receipt  
15 of the proceeds from the authority, enter into an agreement with  
16 the authority containing such provisions as the authority shall deem  
17 necessary to adequately identify and maintain such collateral and  
18 service the same and shall provide that such lending institution  
19 shall hold such collateral as an agent for the authority and shall be  
20 held accountable as the trustee of an express trust for the applica-  
21 tion and disposition thereof and the income therefrom solely to the  
22 uses and purposes in accordance with the provisions of such agree-  
23 ment. A copy of each such agreement and any revisions or supple-  
24 ments thereto shall be filed with the secretary of state and no further  
25 filing or other action under the provisions of chapter 84 of the  
26 Kansas Statutes Annotated or any other law of the state shall be  
27 required to perfect the security interest of the authority in such  
28 collateral or any additions thereto or substitutions therefor, and the  
29 lien and trust for the benefit of the authority so created shall be  
30 binding from and after the time made against all parties having  
31 claims of any kind in tort, contract, or otherwise against such lending

1 institution. The authority may also establish such additional require-  
 2 ments as it shall deem necessary with respect to the pledging, assign-  
 3 ing, setting aside or holding of such collateral and the making of  
 4 substitutions thereof or additions thereto and the disposition of  
 5 income and receipts therefrom;

6 (d) Collect, enforce the collection of, and foreclose on any col-  
 7 lateral securing its loan to or purchase of securities from lending  
 8 institutions and acquire or take possession of such collateral and sell  
 9 the same at public or private sale, with or without public  
 10 bidding, and otherwise deal with such collateral as may be neces-  
 11 sary to protect the interest of the authority therein, all subject to  
 12 any agreement with bondholders or noteholders and

13 (e) Adopt, modify or repeal rules and regulations governing the  
 14 making of loans to or purchasing of securities from lending institu-  
 15 tions and the application of the proceeds thereof.

16 *Sec. 8. Procedures prior to financing of residential housing.*  
 17 Notwithstanding any other provision of this act, the authority is  
 18 not empowered to finance any residential housing by the purchase  
 19 of mortgage loans or the making of loans to lending institutions  
 20 unless, prior to the financing thereof, the authority finds: (a) That  
 21 there exists a shortage of decent, safe and sanitary housing at rent-  
 22 als or prices which eligible low or moderate income families are  
 23 able to afford within the applicable housing market area as deter-  
 24 mined by the authority; and

25 (b) Either that private enterprise and investment have been un-  
 26 able, without assistance, to provide an adequately supply of decent,  
 27 safe and sanitary housing in such housing market area at rentals or  
 28 prices which persons or families of low and moderate income are  
 29 able to afford or that private enterprise and investment have been  
 30 unable, without assistance, to provide sufficient mortgage financing

for residential housing for occupancy by such persons or families;  
and

(c) That the proposed financing is designed to alleviate the effect of the conditions determined pursuant to subsection (b) of this section on persons and families of low and moderate income.

Sec. 9. Bonds and notes. (a) The authority shall have the power, and is hereby authorized, ~~within the aggregate limitation established by the authority with the approval by a two-thirds majority of the state finance council,~~ to issue from time to time its negotiable

notes and bonds in such ~~principal amount as the authority shall determine to be necessary~~ to provide sufficient funds for achieving any of its corporate purposes, including the financing of residential housing as authorized under the provisions of this act, the payment of interest on notes and bonds of the authority, establishment of reserves to secure such notes and bonds including the reserve funds created pursuant to section 10 hereof, and all other expenditures of the authority incident to and necessary or convenient to carry out its corporate purposes and powers thereto. Not less than twenty-five percent (25%) of the proceeds of all bonds issued under the provisions of this act and outstanding at any one time shall be devoted to financing the rehabilitation of existing residential housing as authorized under the provisions of this act.

(b) The authority shall have the power, from time to time to issue notes to renew notes and bonds to pay notes, including the interest thereon and, whenever it deems refunding expedient, to refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and to issue bonds partly to refund bonds then outstanding and partly for any of its corporate purposes authorized under the provisions of this act.

(c) Except as may otherwise be expressly provided by resolution

an aggregate

not exceeding one hundred million dollars (\$100,000,000)

1 of the authority, every issue of its notes and bonds shall be general  
2 obligations of the authority payable out of any revenues or moneys  
3 of the authority, subject only to any agreements with the holders  
4 of particular notes or bonds pledging any particular revenues or  
5 moneys.

solely

6 (d) The notes and bonds shall be authorized by resolution or reso-  
7 lutions of the authority, shall bear such date or dates and shall  
8 mature at such time or times as such resolution or resolutions may  
9 provide, except that no bond shall mature more than fifty (50) years  
10 from the date of its issue. The bonds may be issued as serial bonds  
11 payable in annual installments or as term bonds or as a combina-  
12 tion thereof. The notes and bonds shall bear interest at such rate  
13 or rates, be in such denominations, have such registration privileges,  
14 be executed in such manner, be payable in such medium of pay-  
15 ment, and at such terms of redemption as such resolution or resolu-  
16 tions may provide. The notes and bonds of the authority may be  
17 sold by the authority at public or private sale, at such price or  
18 prices as the authority shall determine.

of five thousand dollars (\$5,000) or more

19 (e) Any resolution or resolutions authorizing any notes, or bonds,  
20 or any issue thereof, may contain provisions, which shall be a part  
21 of the contract or contracts with the holders thereof, as to:

22 (1) Pledging all or any part of the revenues of the authority to  
23 secure the payment of the notes or bonds, or of any issue thereof,  
24 subject to such agreements with noteholders or bondholders as may  
25 then exist;

26 (2) Pledging all or any part of the assets of the authority, in-  
27 cluding mortgages and obligations securing the same, to secure the  
28 payment of the notes or bonds, or of any issue thereof, subject to  
29 such agreements with noteholders or bondholders as may then exist;

30 (3) The use and disposition of the gross income from mortgages  
31

1 owned by the authority and the payment of principal of mortgages  
2 owned by the authority;

3 (4) The setting aside of reserves or sinking funds and the regu-  
4 lation and disposition thereof;

5 (5) Limitations on the purpose to which the proceeds of sale  
6 of notes or bonds may be applied and pledging such proceeds to  
7 secure the payment of the notes or bonds or of any issue thereof;

8 (6) Limitations on the issuance of additional notes or bonds;  
9 the terms upon which additional notes or bonds may be issued and  
10 secured; and the refunding of outstanding or other notes or bonds;

11 (7) The procedure, if any, by which the terms of any contract  
12 with noteholders or bondholders may be amended or abrogated,  
13 the amount of notes or bonds the holders of which must consent  
14 thereto, and the manner in which such consent may be given;

15 (8) Limitations on the amount of moneys to be expended by  
16 the authority for operating expenses of the authority;

17 (9) Vesting in a trustee or trustees such property, rights, powers  
18 and duties in trust as the authority may determine, which may in-  
19 clude any or all of the rights, powers, duties of the trustee appointed  
20 by the bondholders pursuant to this act and limiting or abrogating  
21 the right of the bondholders to appoint a trustee under this act or  
22 limiting the rights, powers and duties of such trustee;

23 (10) Defining the acts or omissions to act which shall constitute  
24 a default in the obligations and duties of the authority to the holders  
25 of the notes or bonds and providing for the rights and remedies  
26 of the holders of the notes or bonds in the event of such default, in-  
27 cluding as a matter of right the appointment of a receiver; *Pro-*  
28 *vided, however,* except that such rights and remedies shall not be  
inconsistent with the general laws of the state and the other provi-  
sions of this act; and

31 (11) Any other matters of like or different character, which in

1 any way affect the security or protection of the holders of the notes  
2 or bonds.

3 (f) Any pledge of revenues or assets made by the authority  
4 shall be valid and binding from the time when the pledge is made;  
5 the revenues, or assets, so pledged and thereafter received by the  
6 authority shall immediately be subject to the lien of such pledge  
7 without any physical delivery thereof or further act, and the lien  
8 of any such pledge shall be valid and binding as against all  
9 parties having claims of any kind in tort, contract or other-  
10 wise against the authority, irrespective of whether such  
11 parties have notice thereof. Neither the resolution nor any  
12 other instrument by which a pledge is created need be re-  
13 corded.

14 (g) Neither the members or the director of housing as secretary  
15 of the authority nor any other person executing such notes or bonds  
16 shall be subject to any personal liability or accountability by reason  
17 of the issuance thereof.

18 (h) Bonds or notes may be issued under the provisions of this  
19 act without obtaining the consent of any department, division,  
20 commission, board, body, bureau or agency of the state; and with-  
21 out any other proceedings or the happening of any conditions or  
22 things other than those proceedings, conditions, or things which  
23 are specifically required by this act and by the provisions of the  
24 resolution authorizing the issuance of such bonds or notes or the  
25 trust agreement securing the same.

26 (i) The authority, subject to such agreements with noteholders  
27 or bondholders as may then exist, shall have power, out of any  
28 funds available therefor, to purchase notes or bonds of the author-  
29 which shall thereupon be cancelled, at a price not exceeding;

30 1) The redemption price then applicable plus accrued inter-  
31



1 est to the next interest payment thereon, if the notes or bonds are  
2 then redeemable; or

3 (2) The redemption price applicable on the first date after such  
4 purchase upon which the notes or bonds become subject to re-  
5 demption plus accrued interest to such date, if the notes or bonds  
6 are not redeemable.

7 (j) In the discretion of the authority, any obligations issued  
8 under this act may be secured by a trust indenture or trust inden-  
9 tures by and between the authority and a corporate trustee, which  
10 may be any trust company or bank having the power of a trust  
11 company within or without the state. Such trust indenture may  
12 contain such provisions for protection and enforcing the rights and  
13 remedies of the holders of such obligation as may be reasonable  
14 and proper and not in violation of law, including covenants setting  
15 forth the duties of the authority in relation to the exercise of its  
16 corporate powers and the custody, safeguarding and application  
17 of all moneys. The authority may provide by such trust indenture  
18 for the payment of the proceeds of the bonds and the revenues to  
19 the trustee under such trust indenture or other depository, and for  
20 the method of disbursement thereof, with such safeguards and re-  
21 strictions as it may determine. All expenses incurred in carrying  
22 out such trust indenture may be treated as part of the operating  
23 expenses of the authority. Such trust indenture may limit or abro-  
24 gate the right of the holders of any bonds, notes or other obliga-  
25 tions of the authority to appoint a trustee under this act or limit  
26 the rights, powers and duties of such trustee.

27 (k) Whether or not the notes and bonds are of such form and  
28 character as to be negotiable instruments under the provisions of  
29 chapter S4 of the Kansas Statutes Annotated, and amendments  
30 thereto, the notes and bonds are hereby made negotiable instru-  
31 ments within the meaning of and for all the purposes of chapter

1 84 of the Kansas Statutes Annotated, and amendments thereto, sub-  
2 ject only to the provisions of the notes and bonds for registration.

3 (f) In case any of the members, ~~executive~~ director of housing  
4 as secretary or officers of the authority whose signatures appear on  
5 any notes or bonds or coupons shall cease to be such members,  
6 ~~executive~~ director or officers before the delivery of such notes or  
7 bonds, such signatures shall, nevertheless, be valid and sufficient  
8 for all purposes, the same as if such members, ~~executive~~ director  
9 or officers had remained in office until such delivery.

10 Sec. 10. *Reserve funds and appropriations.* (a) The authority  
11 may create and establish one or more special funds, herein referred  
12 to as "bond reserve funds," and shall pay into each such bond  
13 reserve fund (1) any moneys appropriated and made available by  
14 the state for the purpose of such fund, (2) any proceeds of sale of  
15 notes or bonds to the extent provided in the resolution or resolu-  
16 tions of the authority authorizing the issuance thereof, and (3) any  
17 other moneys which may be available to the authority for the pur-  
18 pose of such fund from any other source or sources. All moneys  
19 held in any bond reserve fund, except as hereinafter provided,  
20 shall be used, as required, solely for the payment of the principal  
21 of bonds secured in whole or in part by such fund or of the sinking  
22 fund payments with respect to such bonds, the purchase or redemp-  
23 tion of such bonds, the payment of interest on such bonds or the  
24 payment of any redemption premium required to be paid when  
25 such bonds are redeemed prior to maturity. Moneys in such fund  
26 shall not be withdrawn therefrom at any time in such amount as  
27 would reduce the amount of such fund to less than the bond re-  
28 serve fund requirement established for such fund, as hereinafter  
29 provided, except for the purpose of making, with respect to bonds  
30 secured in whole or in part by such fund, payment when due, of  
31 principal, interest, redemption premiums and any sinking fund

1 payments with respect to such bonds. Any income or interest  
2 earned by, or incremental to, any bond reserve fund due to the  
3 investment thereof or by reason of any excess above the bond re-  
4 serve fund requirement may be transferred by the authority to  
5 other funds or accounts of the authority to the extent such transfer  
6 does not reduce the amount of the applicable bond reserve fund  
7 below the bond reserve fund requirement for such fund.

8 (b) The authority shall not at any time issue bonds, secured in  
9 whole or in part by a bond reserve fund if upon the issuance of such  
10 bonds the amount in such bond reserve fund will be less than the  
11 bond reserve fund requirement for such fund, unless the authority  
12 at the time of issuance of such bonds, shall deposit in such fund  
13 from the proceeds of the bonds issued, or from other sources, an  
14 amount which, together with the amount then in such fund, will  
15 not be less than the bond reserve fund requirement for such fund.  
16 For the purposes of this section, the term "bond reserve fund re-  
17 quirement" shall mean, as of any particular date of computation, an  
18 amount, as determined in the resolution or resolutions of the author-  
19 ity authorizing the issuance of bonds with respect to which such  
20 fund is established, equal to not more than the greatest of the re-  
21 spective amounts, for the current or any single future fiscal year  
22 of the bonds of the authority, of annual debt service on the bonds  
23 of the authority secured in whole or in part by such fund, such  
24 annual debt service for any fiscal year being the amount of money  
25 equal to the aggregate of all interest and principal payable on such  
26 bonds during the fiscal year, calculated on the assumption that all  
27 such bonds are paid at maturity or if any amount of such bonds is  
28 required to be redeemed on any earlier date by operation of a  
29 sinking fund, then on the assumption that such amount of bonds  
is redeemed on such earlier date and that such amount is con-

1 sidered principal payable on such bonds during the year they are  
 2 to be redeemed for purposes of this calculation.

3 (c) To assure the continued operation and solvency of the author-  
 4 ity for the carrying out of its corporate purposes, provision is made  
 5 in paragraph (a) of this section for the accumulation in each bond  
 6 reserve fund provided for therein of an amount equal to the bond  
 7 reserve fund requirement for such fund. In order further to  
 8 assure such maintenance of the bond reserve funds, the chairman  
 9 of the authority shall annually, on or before ~~December 1~~ Sep-  
 10 tember 15 make and deliver to the governor and to the legislative  
 11 coordinating council his certificate stating the amount, if any, re-  
 12 quired to restore each bond reserve fund to the bond reserve fund  
 13 requirement for such fund. ~~The governor shall submit to the~~  
 14 ~~legislature in the next succeeding budget the amount, if~~  
 15 ~~any, required to restore each bond reserve fund to the bond~~  
 16 ~~reserve fund requirement for such fund.~~ Any amounts appro-  
 17 priated by the legislature and paid to the authority pursuant to this  
 18 section shall be deposited by the authority in the applicable bond  
 19 reserve fund.

20 (d) All amounts paid over to the authority by the state pursuant  
 21 to the provisions of this section shall constitute and be accounted  
 22 for as advances by the state to the authority and, subject to the  
 23 rights of the holders of any bonds or notes of the authority thereto-  
 24 fore or thereafter issued, shall be repaid to the state without in-  
 25 terest from all available operating revenues of the authority in  
 26 excess of amounts required for the payment of bonds, or notes or  
 27 obligations of the authority, the bond reserve fund and operating  
 28 expenses.

29 Sec. 11. ~~Refunding obligations~~ bonds or notes. The authority  
 30 may provide for the issuance of refunding obligations for the pur-  
 31 pose of refunding any ~~obligations~~ bonds or notes then outstand-

The governor shall submit to the legislature in the next succeeding budget the amount, if any, required to restore each bond reserve fund to the bond reserve fund requirement for such fund.

1 ing which have been issued under the provisions of this act, includ-  
2 ing the payment of any redemption premium thereon and interest  
3 accrued or to accrue to the date of redemption of such obliga-  
4 tions and for any corporate purpose of the authority; bonds  
5 or notes. The issuance of such ~~obligations~~ bonds or notes, the  
6 maturities and other details thereof, the rights of the holders  
7 thereof, and the rights, duties and obligations of the authority in  
8 respect of the same shall be governed by the provisions of this act  
9 which relate to the issuance of ~~obligations~~ bonds or notes, insofar  
10 as such provisions may be appropriate therefor. Refunding obliga-  
11 tions bonds or notes issued may be sold or exchanged for out-  
12 standing ~~obligations~~ bonds or notes issued under this act and,  
13 if sold, the proceeds thereof may be applied, in addition to any  
14 other authorized purposes, to the purchase, redemption or payment  
15 of such outstanding ~~obligations~~ bonds or notes.

16 Sec. 12. *Remedies of bondholders and noteholders.* (a) In the  
17 event that the authority shall default in the payment of principal  
18 of or interest on any bonds or notes issued under this act after the  
19 same shall become due, whether at maturity or upon call for  
20 redemption, and such default shall continue for a period of thirty  
21 (30) days, or in the event that the authority shall fail or refuse  
22 to comply with the provisions of this act, or shall default in any  
23 agreement made with the holders of twenty-five percent (25%)  
24 in aggregate principal amount of the bonds or notes of such issue  
25 then outstanding, by instrument or instruments filed in the office  
26 of the secretary of state and proved or acknowledged in the same  
27 manner as a deed to be recorded, may appoint a trustee to repre-  
28 sent the holders of such bonds or notes for the purposes herein  
29 provided.

(b) Such trustee, may and upon written request of the holders

1 of twenty-five percent (25%) in principal amount of such bonds  
2 or notes then outstanding shall, in his or its own name:

3 (1) Enforce all rights of the bondholders or noteholders, in-  
4 cluding the right to require the authority to collect interest and  
5 carry out any agreement as to, or pledge of, such interest and  
6 amortization payments on the mortgages held by it adequate to  
7 amortization payments, and to require the authority to carry out  
8 any other agreements with the holders of such bonds or notes and  
9 to perform its duties under this act;

10 (2) Enforce all rights of the bondholders or noteholders, in-  
11 cluding the right to collect and enforce the payment of principal  
12 of and interest due or becoming due on loans to lending institutions  
13 and collect and enforce any rights in respect to collateral securing  
14 such loans or sell such collateral, so as to carry out any contracts  
15 as to, or pledge of revenues, and to require the authority to carry  
16 out and perform its duties under this act;

17 (3) Bring suit upon all or any part of such bonds or notes;

18 (4) By action or suit, require the authority to account as if it  
19 were the trustee of an express trust for the holders of such bonds  
20 or notes;

21 (5) By action or suit, enjoin any acts or things which may be  
22 unlawful or in violation of the rights of the holders of such bonds  
23 or notes;

24 (6) Declare all such bonds or notes due and payable, and if  
25 all defaults shall be made good then with the consent of the  
26 holders of twenty-five percent (25%) of the principal amount of  
27 such bonds or notes then outstanding, to annul such declaration  
28 and its consequences.

29 (c) Such trustee shall, in addition to the foregoing, have and  
30 possess all the powers necessary or appropriate for the exercise of  
31 any functions specifically set forth herein or incident to the general

1 representation of bondholders or noteholders in the enforcement  
2 and protection of their rights.

3 (d) Before declaring the principal of bonds or notes due and  
4 payable, the trustee shall first give thirty (30) days' notice in  
5 writing to the governor, to the authority and to the attorney  
6 general of the state.

7 (e) The district court of Shawnee county shall have jurisdiction  
8 of any suit, action or proceeding by the trustee on behalf of bond-  
9 holders or noteholders.

10 Sec. 13. *Alteration of rights of bondholders and noteholders.*

11 The state does hereby pledge to and agree with the holders of  
12 any notes or bonds issued under this act that the state will not  
13 limit or alter the rights hereby vested in the authority to fulfill  
14 the terms of any agreements made with the said holders thereof  
15 or in any way impair the rights and remedies of such holders until  
16 such notes and bonds, together with the interest thereon, with  
17 interest on any unpaid installments of interest, and all costs and  
18 expenses in connection with any action or proceeding by or on  
19 behalf of such holders, are fully met and discharged. The au-  
20 thority is authorized to include this pledge and agreement of the  
21 state in any agreement with the holders of such notes or bonds.

22 Sec. 14. *Credit of state not pledged.* Revenue bonds issued under  
23 the provisions of this act shall not be deemed to constitute a debt  
24 of the state or of any political subdivision thereof or a pledge of the  
25 faith and credit of the state or of any such political subdivision  
26 thereof, but all such bonds shall be payable solely from the funds  
27 herein provided therefor from revenues and assets of the au-  
28 thority. All such revenue bonds shall contain on the face thereof a  
29 statement to the effect that neither the state nor the authority shall  
30 be obligated to pay the same or the interest thereon except from  
31 revenues and assets of the project or projects for which they

1 are issued authority and that neither the faith and credit nor the  
2 taxing power of the state or of any political subdivision thereof is  
3 pledged to the payment of the principal of or the interest on such  
4 bonds.

5 Sec. 15. *Notes and bonds as legal investments.* The note and  
6 bonds of the authority shall be legal investments in which all public  
7 officers and public bodies of the state, its political subdivisions, all  
8 municipalities and municipal subdivisions, all insurance companies  
9 and associations and other persons carrying on an insurance business,  
10 all banks, bankers, banking institutions including savings and loan  
11 associations, building and loan associations, trust companies, savings  
12 banks and savings associations, investment companies and other  
13 persons carrying on a banking business, all administrators, guardians,  
14 executors, trustees and other fiduciaries, and all other persons  
15 whatsoever who are now or may hereafter be authorized to invest in  
16 bonds or in other obligations of the state, may properly and legally  
17 invest funds, including capital, in their control or belonging to them.  
18 The notes and bonds are also hereby made securities which may  
19 properly and legally be deposited with and received by all public  
20 officers and public bodies of the state or any agency or political sub-  
21 division of the state and all municipalities and public corporations  
22 for any purpose for which the deposit of bonds or other obligations  
23 of the state is now or may hereafter be authorized by law and shall  
24 be eligible as collateral with respect to state moneys required to be  
25 collateralized.

26 Sec. 16. *Annual reports.* The authority shall, promptly following  
27 the close of each fiscal year, submit an annual report of its activities  
28 for the preceding year to the governor, state treasurer and the legis-  
29 lature. Each such report shall set forth a complete operating and  
30 nancing statement of the authority during such year. The authority



1 shall cause an audit of its books and accounts to be made at least  
2 once in each fiscal year by a certified public accountant.

3     Sec. 17. *Authorization to accept appropriated moneys.* The au-  
4 thority is authorized to accept such moneys as may be appropriated  
5 from time to time by the legislature for effectuating its ~~corporate~~  
6 purposes under the provisions of this act including, without limita-  
7 tion, the payment of the initial expenses of administration and  
8 operation and the establishment of reserves or contingency funds  
9 to be available for the payment of the principal of and the interest  
10 on any bonds, or notes ~~or other obligations~~ of the authority.

11     Sec. 18. *Tax exemption.* The exercise of the powers granted by  
12 this act will be in all respects for the benefit of the people of the  
13 state, for the increase of their commerce and prosperity, and for the  
14 improvement of their health and living conditions, and the authority  
15 shall not be required to pay any taxes or assessments upon any  
16 property acquired or used by the authority under the provisions of  
17 this act or upon the income therefrom, and any bonds issued under  
18 the provisions of this act, their transfer and the income therefrom  
19 (including any profit made on the sale thereof) shall at all times be  
20 free from taxation within the state.

21     Sec. 19. *Liberal construction.* Neither this act nor anything  
22 herein contained is or shall be construed as a restriction or limitation  
23 upon any powers which the ~~corporation~~ authority might other-  
24 wise have under any laws of the state, and this act is cumulative  
25 to any such powers. This act does and shall be construed to pro-  
26 vide a complete, additional, and alternative method for the doing  
27 of the things authorized thereby and shall be regarded as supple-  
28 mental and additional to powers conferred by other laws. How-  
29 ever, the issuance of bonds, notes and other obligations of  
30 the authority under the provisions of this act need not  
31 comply with the requirements of any other state law appli-

1 able to the issuance of bonds, notes and other obligations  
2 and contracts for the construction and acquisition of any  
3 residential housing undertaken pursuant to this act need  
4 not comply with the provisions of any other state law ap-  
5 plicable to contracts for the construction and acquisition of  
6 state-owned property. No proceedings, notice or approval shall  
7 be required for the issuance of any bonds, notes and other obliga-  
8 tions or any instrument or security therefor, except as is provided  
9 in this act.

10 Sec. 20. *Inconsistent provisions in other laws superseded.* Insofar  
11 as the provisions of this act are inconsistent with the provisions of  
12 any other law, ~~general or special~~, the provisions of this act shall  
13 be controlling.

14 Sec. 21. *Separability.* If any clause, sentence, paragraph, section  
15 or part of this act shall be adjudged by any court of competent  
16 jurisdiction to be invalid, such judgment shall not affect, impair, or  
17 invalidate the remainder thereof, but shall be confined in its oper-  
18 ation to the clause, sentence, paragraph, section or part thereof  
19 directly involved in the controversy in which such judgment shall  
20 have been rendered.

21 Sec. 22. *Conflict of interest.* Notwithstanding any other law to the  
22 contrary, it shall not be or constitute a conflict of interest for an  
23 officer or employee of any financial institution, investment banking  
24 firm, brokerage firm, commercial bank or trust company, architecture  
25 firm, insurance company or any other firm, person or corporation to  
26 serve as a member of the authority. If any member of the authority  
27 shall be interested either directly or indirectly, or shall be an officer  
28 or employee of or have an ownership interest in any firm or corpo-  
29 ration interested directly or indirectly in any contract with the  
30 authority, ~~including any loan to any eligible developer~~ such  
31 interest shall be disclosed to the authority and shall be set forth in

1 the minutes of the authority and the member having such interest  
2 therein shall not participate on behalf of the authority in the autho-  
3 rization of any such contract.

4 Sec. 23. *Effective date.* This act shall take effect and be in force  
5 from and after its publication in the statute book.

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Attachment # V

Proposal No. 18

Kansas Housing Finance Authority  
Comments by Nancy S. Hambleton

I am Nancy Hambleton from Lawrence, former mayor and city commissioner of that city. Because housing became a serious concern while I served on the city governing body, I became involved in efforts to deal with this in Lawrence. As a member of the Board of the League of Kansas Municipalities, I was also active in the Kansas Housing Forum from its beginning and served as its chairman until April when my term of office expired.

I would like to emphasize to this committee that the establishment of a housing authority should not be an end in itself, but a means to the end of solving housing problems in Kansas. When we started discussions of HB 2612, we were dealing with a problem of scarcity of mortgage money, regardless of income level. At present it appears that families in the middle income level and above are able to get loans. Building starts are up. As an example, in Lawrence, from January 1 to May 31 of 1974 we issued 56 single family building permits. From January 1 thru May of 1975 we issued 85.

What are the housing problems in Kansas now? Two that are most pressing are housing for low income families and methods to preserve and rehabilitate existing housing stock. Solutions to both of these can be expensive. The financial advantage gained from interest differential on tax free bonds as compared to the commercial market is not great enough to make much of an impact. Either state money will be needed for this or maximum advantage must be taken of Federal programs. HB 2612 on page 10, line 4(f) allows this but does not require it. I believe HB 2612 should spell out who is responsible to pursue these funds and how they might work with local government to implement these programs.

Among the Federal programs most promising at present are Farmers Home Administration, 1974 Housing and Community Development Act and the compromise housing bill passed this summer and signed by President Ford on July 2. Farmers Home loans are being used in a number of Kansas communities. The Housing and Community Development act allows discretion on the part of cities or counties receiving funds to use them for rehabilitation of housing. It also provides rent subsidy for low income families under Section 8. Most reports to date say that Section 8 is poorly designed and unworkable. Pressure from state and local governments plus private business should be able to get the flaws worked out of that bill.

The most recent housing bill, HR5398, has some significant provisions. It allows HUD to buy up another \$10 billion in mortgages carrying 7.5% interest rates under a 1974 mortgage assistance program. I don't really favor this authority at such a high level, but it would seem to be possible to supplement state funds. Another feature allows HUD to make loans of up to \$250 a month for two years to jobless homeowners unable to meet mortgage payments. This bill also extends for another year the urban rehabilitation loan program (section 312) which was to expire August 22, 1975. It provides another \$100 million in funds for this and could be a great help in Kansas. A few communities have used this program. Substantial use of these and other Federal programs is much more likely to occur with state leadership. A housing authority could serve an important role in this area.

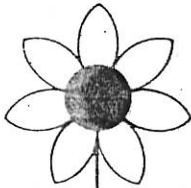
Another housing problem in Kansas is lack of minimum construction standards for new housing. Many cities have this, but a statewide

building code is needed. I do not believe this should be part of HB 2612, but this committee could recommend a separate bill for this purpose. Last year such action was initiated, but died for lack of support. An example of the need exists in Douglas County. The Chairman of the Douglas County Commission, Arthur Heck, is very much concerned about the type of structures that we will see go in around our new Clinton Reservoir.

I hope we can avoid the federal syndrome of a non-policy on housing, which has resulted in "knee-jerk", emergency housing measures which create two problems for every one they solve. Housing cannot be isolated from other aspects of community planning. It has both physical and social dimensions. Whatever we do must happen within the context of a total community. Part of a good state program will have to include leadership in identifying and solving housing problems. A Housing Finance Authority can help with that, but is a long way from the total need.

Any program should keep in mind that of 69 million housing units in the United States, 30 million are 25 years old or more. Kansas has its share and more of these older homes. A concerted effort is needed to preserve and rehabilitate this irreplaceable resource. It isn't going to happen at the local level in most cases because it is too easy to ignore, too controversial if you get into much needed code enforcement. City officials are not looking for new ways to get their citizens excited. They'll just rock along and be sorry to see what has happened when it is too late. The state should provide data on housing conditions, current inventories, occupancy figures (available on request annually from the Post Office) and projections that will assist private business and good planning at the local level.

In summary, I hope that legislation to establish a housing authority will include directions as to how this office will serve to coordinate state, federal and local programs and make maximum use of federal funding. In addition, a separate bill establishing a state building code is needed.



*Attachment I*

**HOME BUILDERS ASSOCIATION  
OF KANSAS, INC.**

**OFFICERS 1975**

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11022 Johnson Drive  
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913-357-1231

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Ken Murrow 1968  
Roger Hartner 1969  
Dick Mika 1971-72  
Terry Messing 1973-74

July 15, 1975

Special Committee on Federal and  
State Affairs  
State Capitol Building  
Topeka, Kansas 66212

Re: Kansas Housing Finance Authority

Gentlemen:

As President of the Kansas Association of Home Builders representing over 1100 home builders and associate businessmen, I wish to express my thanks for the opportunity to speak with you today in reference to your present subject of study during the 1975 Interim Committee studies, proposal 18-Kansas Housing Finance Authority.

Members of our Association have, from time to time, spoken to the State and Federal Affairs Committee regarding HB2612, a Kansas Housing Finance Authority bill introduced during your 1975 session and remanded to this committee for further consideration. During the 1975 session we supported the content of that bill for the reasons stated in our March 28, 1975 letter to members of the Kansas House of Representatives (a copy being attached hereto.)

As drafted in HB2612 the proposed Kansas Housing Finance Authority may make loans to lending institutions; purchase and insure mortgages held by lending institutions and charge fees accordingly; renegotiate or foreclose mortgages and create a bond reserve fund necessary to service bond debts without legally obligating the state in any way. The proposed Authority, by the use of tax free bond sale proceeds, will create mortgage money for low and moderate income family housing at rates up to 1.5 to 2.0 points below market rates. When used in conjunction with Section 8 of the 1974 Housing and Community Development Act the Authority becomes a medium for Federal funds for rental subsidy purposes.

We have reviewed HB2612 as a prospective Kansas Housing Finance Authority Act and have found that it substantially meets the housing needs of low and moderate families without competing in conventional housing





and money markets. After considering HB 2612 in light with other state statutes relating to housing authorities as well as the purposes and theme behind HB 2612, we would offer the following as an amendment to HB 2612.

1. The definition of "Eligible families" needs further clarification. Rather than leave this term subject to individual discretion, thus creating possible competition with conventional housing and lending markets, a definition similar to that used in the Maryland Act should be used, to wit:

"Families of limited incomes means families whose incomes do not exceed the upper income limits for moderate income as defined by the Secretary of Housing and Urban Development in establishing criteria by which families qualify for occupancy of dwellings under the moderate income rental and home ownership programs in effect from time to time under the National Housing Act or any successor legislation thereto."

As HUD often establishes and amends such definitions according to economic conditions at the time a truly objective determination can be made as to the participants in Kansas Housing Finance Authority programs.

2. Section 3 (0) of HB 2612 appears to allow the Authority jurisdiction over non-housing related construction. We would suggest that this section of the bill be amended to reserve the Authority's power only to residential housing related construction.

3. HB 2612 does not contain a bond limitation section as is found in many states' statutes. For example, Missouri's Act provides:

The (Housing) Commission should not have outstanding at any one time bond and notes for any of its purposes in an aggregate principal amount exceeding \$100,000,000 excluding bonds and notes issued to refund outstanding bonds and notes.

This limitation may avoid the Authority from overextending its credit and may provide a safeguard for this Kansas Authority in its initial stages.

4. As HB 2612 envisions the employment of staff for the implementation of the Authority, a seed money appropriation is necessary for start up costs. As found in the Minnesota statute:

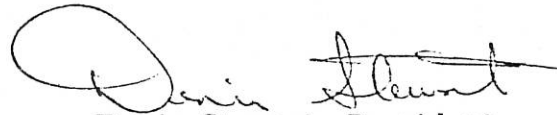
"There is hereby appropriated the sum of \$250,000 to be paid to the housing development fund of the agency for the purpose of this act."

Special Committee on Federal and  
State Affairs  
July 15, 1975  
Page 3

It is submitted that a similar appropriation would be necessary to effectuate legislation similar to HB 2612.

In light of the success our brother Missouri home builders have enjoyed with the Missouri Housing Development Commission, our Association eagerly anticipates the creation of a similar authority in Kansas to meet the housing needs of our low and moderate income families.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denis Stewart". The signature is written in dark ink and is positioned above the typed name.

Denis Stewart, President  
Kansas Home Builders Association

DS:cb

# HOME BUILDERS ASSOCIATION OF GREATER KANSAS CITY

3601 MAIN STREET • KANSAS CITY, MO. 64111

PHONE 816-753-6000

LEO D. MULLIN—executive vice president

March 28, 1975

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John H. Maffitt  
Ross B. Wyss  
James L. Young  
\*Charles E. Bleakley  
\*Melvin H. Clingan  
\*A. C. Langworthy, Sr.  
\*J. D. Spears  
\*Ralph O. Taylor, Jr.  
\*Quinton R. Wells  
\*Larry Winn, Jr.

## ALTERNATES

Glenn L. Balling  
James M. Campbell  
Richard D. Mather  
Erwin D. Rhodes  
Charles W. Stratford

## PAST PRESIDENTS

James L. Young—1974  
Charles W. Kraft—1973  
Donald D. Alpert—1972  
John H. Maffitt—1970-71  
William V. Siemens—1969  
Carson E. Cowherd—1968  
Melvin H. Clingan—1967  
Charles E. Bleakley—1966  
\*William V. Thomason—1965  
John G. Zimmerman—1964  
\*George W. Byers—1963  
Alex S. Bascom—1962  
M. David Evans—1961  
Quinton R. Wells—1960  
J. D. Spears—1959  
Reed P. Byers—1958  
Jack L. Bear—1957  
E. R. Elgin—1956  
A. C. Langworthy, Sr.—1955  
Larry Winn, Jr.—1954  
Stanley W. Cowherd—1953  
Ralph O. Taylor, Jr.—1951-52  
John Krah—1949-50  
George W. Miller—1948  
John V. Walker, Jr.—1947  
\*H. V. Smith—1945-46  
\*Emil J. Schutzel—1943-44  
\*Ralph W. White, Sr.—1941-42  
\*Margaret L. Davis—1939-40  
George M. Siemens, Jr.—1937-38  
BOB KGLARS  
Executive Secretary  
DOUGLAS J. PATTERSON  
General Counsel  
STEVEN L. FREY  
HOW Administrator  
(a) Associate Director  
\*Honorary Life Director  
\*\*Deceased

Representative Anderson ✓  
Representative Buzzi ✓  
Representative Feleciano ✓  
Representative Reeves  
Representative Sellers  
Representative Van Bebber  
Kansas House of Representatives  
State Capitol Building,  
Topeka, Kansas 66212

Re: House Bill #2612

Dear Gentlemen:

As a member of the Kansas Association of Home Builders representing 1100 home builders and associate businessmen, I wish to express my thanks for the opportunity to speak in reference to the Kansas Housing Finance Authority Act, House Bill #2612 on Tuesday, March 25, 1975.

As I stated at the hearing the state housing finance authority is capable of filling a large gap in present Federal Programs necessary to properly house Kansas low income families. Presently the experience throughout the country in some 30 state housing finance authorities has been that such agencies do not compete with conventional financial institutions in the singlefamily residential area, but rather these agencies assist in the Multifamily market - an area savings and loan institution cannot now adequately service.

As you are aware, the ability of a state housing financing agency which supplies construction loans at a reduced cost stems from the fact that these agencies are authorized to sell tax free bonds. The tax exempt nature of these bonds means that the gross rate of return may be lower than that of conventional bonds, thus making the cost of selling the same lower for the state housing authority than a conventional bond broker. As a result the state agency can loan the proceeds from these bonds to developers at a lower interest rate than conventional money markets would charge. In fact, as to financing of multifamily projects for low income families, the state finance agency as promulgated in House Bill #2612 can lend mortgage money at 1 to 1 1/2% less than the market rate with payments stretched out over a longer period of time. Hence, savings in rent of approximately 10% to 20% can result.



In addition to the ability of the state agency to lend construction money at below market rates House Bill #2612 allows the agency to: (1) make loans to lending institutions. These activities are financed through the states tax exempt borrowing power and the relatively low rate is passed to the primary lender and ultimately the borrower, (2) purchase mortgages held by lending institutions, (3) insuring mortgage loans made much the same as many Federal programs providing insurance for mortgages made by finance institutions, (4) borrow money and issue revenue bonds and notes, (5) renegotiate, refinance or foreclose mortgages in default, (6) charge and collect from lending institutions fees and most importantly, (7) to create a bond reserve fund necessary to service bond debts without legally obligating the state in any way.

At a time when the status of Federal finance and subsidy programs are in a state of flux, a state housing finance institution can offer a local and reliable source of funds with which to meet housing needs. However, the state housing finance authority can work in conjunction with various Federal programs to combine all available housing funds. For example, the only subsidized program now available (since the moratoria on Section 235 and 236) is the "Section 8" program. In particular, "Section 8" allows eligible families whose annual income is less than 80% of the area median income to receive housing rental assistance payments equal to the difference between the maximum rent established by HUD for the unit and the occupant family's required contribution to rent, also established by HUD. At least 30% of assisted families in the program must have incomes not above 50% of the area median income and these families will be required to contribute not less than 15% nor more than 25% of their total family income to rent. Although the program is new and thus without an identifiable track record, should rental assistance subsidies under Section 8 parallel assistance under the 236 program, savings near 20 to 20% would be achievable. The Kansas Housing Finance Authority under House Bill #2612, by combining the subsidies provided under Section 8 with the subsidies gained through the use of tax exempt bonds will be able to produce substantial housing for low income families.

As discussed earlier, the tax exempt bond financing alone can reduce the monthly rental of an apartment approximately 10 to 20%. When this subsidy is coupled with the Section 8 program, the rent can be reduced almost 50% from the normal market rates.

For your information, I have enclosed herein, copies of the Annual Report from the Missouri Housing Development Commission, the structure of which resembles the agency envisioned in House Bill #2612. As you will note from that report, the predominate use of the Commission authority is in the multifamily area with 1931 dwelling units being completed by June, 1974. A total of 2648 proposed units are now under review.

In the future, futher methods of implementing state housing agencies with Federal programs are planned. Of particular interest to Kansas the Council of State Housing Agencies has adopted a resolution urging the Farmers Home Administration to implement a rental supplement program similiar to Section 8 for rural areas.

as House of Representatives  
March 28, 1975  
Page III

It is for the above reasons that we believe the creation of a Kansas Housing Finance Authority would serve the best interests of low income families in Kansas. The agency as envisioned in House Bill #2612 threatens to compete with no conventional lending institution or other form of private housing enterprise. Accordingly we urge this sub-committee review and recommendation to the Committee of Federal and State Affairs that House Bill #2612 be passed from Committee "do pass" and adopted without further delay for those citizens of Kansas in need of adequate housing.

Respectfully,



Douglas J. Patterson  
General Counsel

DJP:mu  
Enclosures

Hearing on Proposal No. 18

July 15, 1975

Testimony given before: The Special Committee on Federal and State Affairs

Offered by: The League of Kansas Municipalities

Mr. Chairman, Members of the Committee. I appreciate the opportunity to appear before this special committee to comment on Proposal No. 18.

My name is Paul Klotz, HRD Director for the League of Kansas Municipalities. I am substituting for Mr. Richard Cunningham, Associate Director of the League. Mr. Cunningham has been assigned this area, but could not be here today or tomorrow because of prior commitments. Therefore, my remarks will be rather brief. We hope to make additional comments, of a more specific nature at a later time.

The League, for the past year, has been directly interested in the problem of housing our citizens (particularly the elderly and low income). Mr. Cunningham offered considerable testimony on H.B. 2612 during the 1975 Session of the Legislature.

Testimony today, is merely given to underscore what we said earlier and once again outline official League policy on the issue of housing.

The League's official position on housing is found in the Statement of Municipal Policy--1974-1975, Section I, Paragraph I-3a(1), I-3a(2) and I-3a(3). This portion of the policy statement is reproduced below.

### I-3. Housing and Building Regulations.

I-3a(1) 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, 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.

I-3a(2) 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.

I-3a(3) 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.

In late 1973, the League surveyed certain local officials and from this study discovered that local governments listed housing as a high priority. In April of this year the League surveyed 207 county, city and regional planning officials. In this survey, which had a 43 percent response, local officials were asked to rank the three highest social related problems that they faced. Housing emerged again as the highest community development issue. Sixty-nine percent of the responding officials listed "housing the low-income" as one of their major problem areas. Thus it can be seen that the problems of housing have not disappeared.

When the question was asked whether local governments should take a more active

role in providing housing for low-income persons; 54 percent of the counties surveyed agreed, 78 percent of the cities and 100 percent of the regional planning officials answered affirmatively. However, when these same local officials were asked what resources were needed to remedy the housing problem, 45 percent of the counties, 40 percent of the cities and 50 percent of the regional planning officials responded by stating that money was needed. The second largest need was for technical assistance in the areas of housing and other related social services.

It would appear that local governments are committed to participating in finding solutions to the Kansas housing problems but lack financing and technical skills to reach that goal. Of course, the single largest problem of local government is trying to secure sufficient revenues to carry out the traditional city and county services to say nothing of adding new responsibilities on already tight budgets.

In addition to the statistical data given above, it has been the observation of League staff members that housing (particularly for the low income) continues to be a very serious problem facing many elected and administrative officials at the local level. Further, it would appear that, without state assistance little will be done in solving this problem.

The League, as stated previously, welcomes further opportunities to comment on this issue at a later time. We refer this special committee's attention to League testimony given to the House Committee on Federal and State Affairs on March 25, 1975, our position has not changed since that testimony was given.

\* \* \* \*



# proposed rules

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rulemaking prior to the adoption of the final rules.

## DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

[ 7 CFR Part 1060 ]

### MILK IN THE MINNESOTA-NORTH DAKOTA MARKETING AREA

#### Proposed Suspension of Certain Provisions of the Order

Notice is hereby given that, pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601 et seq.), the suspension of certain provisions of the order regulating the handling of milk in the Minnesota-North Dakota marketing area is being considered for the months of July and August 1975.

All persons who desire to submit written data, views, or arguments in connection with the proposed suspension should file the same with the Hearing Clerk, Room 112-A, Administration Building, United States Department of Agriculture, Washington, D.C. 20250, not later than June 19, 1975. All documents filed should be in quadruplicate.

All written submissions made pursuant to this notice will be made available for public inspection at the office of the Hearing Clerk during regular business hours (7 CFR 1.27(b)).

#### § 1060.13 [Amended]

The provisions proposed to be suspended are as follows:

1. The parts of paragraph (c) (1) that read, "During March through June" and "During the months of July through February such handler may divert an aggregate quantity not exceeding 50 percent of the milk of all such producers whose milk has been received at a pool plant(s) for at least 3 days during the month."

2. The parts of paragraph (c) (2) that read, "During March through June" and "During the months of July through February such handler may divert an aggregate quantity not exceeding 50 percent of the milk of all such producers whose milk has been received at his pool plant(s) for at least 3 days during the month."

3. Paragraph (c) (3) in its entirety.

#### STATEMENT OF CONSIDERATION

The proposed suspension would permit unlimited diversion of producer milk under the Minnesota-North Dakota order during the months of July and August 1975.

The order provides that during any month of July through February a cooperative association may divert for its ac-

count a total quantity of milk not in excess of 50 percent of the milk of all member producers whose milk has been received at a pool plant(s) for at least 3 days during the month. Similarly, a handler in his capacity as the operator of a pool plant, may divert for his account the milk of producers (other than a member of a cooperative association that is a diverting handler during the same month) in a total quantity not exceeding 50 percent of the milk of all such producers whose milk has been received at his pool plant(s) for at least 3 days during the month. Provision is made for unlimited diversion during the months of March through June.

The purpose of the diversion provisions is to facilitate the orderly and efficient disposition of the market's reserves. The direct movement of milk from a producer's farm to a nonpool plant for disposition in manufacturing avoids the unnecessary expense of handling involved if the milk were required to be delivered first to the pool plant where normally received and then transferred to the nonpool plant.

This suspension action is requested by Land O'Lakes, Inc., to accommodate the handling of reserve milk on the market. The suspension would continue for 2 months the period in which unlimited diversion is permitted.

The producer association indicated that if no suspension action is taken, inefficient handling would be necessary to assure producer milk status for a large quantity of the reserve milk it handles under the order. The cooperative claims that much of the milk previously diverted directly from farms to nonpool plants for manufacture would need to move through pool supply plants to qualify as producer milk and then to nonpool plants. This would involve hauling to and from the supply plant, instead of a single haul from the farm to the nonpool plant. Also, it would involve the cost of handling the milk through the supply plant. The petitioner further states that the additional receipts at supply plants would require larger shipments from such plants to distributing plants if the supply plants are to meet the pool qualification standard. This would be a less efficient method of furnishing supplies to distributing plants where much of the receipts are normally direct from farms.

Signed at Washington, D.C., on:  
June 4, 1975.

JOHN C. BLUM,  
Associate Administrator.

[FR Doc.75-15042 Filed 6-9-75; 8:45 am]

## Rural Electrification Administration

[ 7 CFR Part 1701 ]

### CIVIL RIGHTS COMPLIANCE

#### Change in REA Requirements

Notice is hereby given that, pursuant to the Rural Electrification Act, as amended (7 USC 901 et seq.), REA proposes to amend REA Bulletin 20-19: 320-19, Nondiscrimination Among Beneficiaries of REA Programs, by revising section III. E. to read:

**Cooperative Bylaws.** The bylaws constitute a contract between the member and the cooperative. As such, a copy of the bylaws with amendments should be readily available to the members. Members should be notified that copies of the bylaws are available at the cooperative's offices. However, each new member is to be provided with a copy of the bylaws.

The provisions of the bylaws or a summary of the bylaws pertaining to membership, annual meetings, board representation, nomination and election procedures for election to the board should be published in the newsletter, provided through direct mailings, or through the use of other media prior to the district meeting or the meeting of the nominating committee. The members of the nominating committee should be identified in such releases.

Persons interested in the revised bulletin may submit written data, views or comments to the Civil Rights Coordinator on or before July 15, 1975. All written submissions made pursuant to this notice will be made available for public inspection at the Office of the Civil Rights Coordinator during regular business hours.

Dated: June 3, 1975.

DAVID L. HAMIL,  
Administrator.

[FR Doc.75-15043 Filed 6-9-75; 3:45 am]

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Low Income Housing

[ 24 CFR Part 867 ]

[Docket No. R-75-338]

### PHA-OWNED PROJECTS--PERSONNEL POLICIES AND COMPENSATION

#### Proposed Rulemaking

Notice is hereby given that the Department of Housing and Urban Development proposes to amend Title 24 of the Code of Federal Regulations by adding a new Part 867, PHA-Owned Projects--Personnel Policies and Compensation, and within it a new Subpart C, Professional Certification of Housing Managers.

These regulations are being proposed because the capabilities and skills of the

ing Manager are critical to the successful achievement of the purposes of the United States Housing Act of 1937 (Act) in providing assistance to low-income families in low-income housing projects. Daily management decisions and supervision determine to a great extent whether or not a project becomes and remains a financially and socially stable, safe and decent place to live. The quality and effectiveness of these decisions and supervision depend upon the Housing Manager. Such a role imposes obligations beyond those of the housing manager managing housing not subsidized under the Act. The quality of management of the more than one million housing units which make up the Nation's public housing agency-owned housing program will determine for many American families whether they enjoy a safe and decent home in a suitable living environment.

The proposed regulations will require that such Housing Managers be professionally certified by organizations or entities approved by HUD. The requirement will be effective on January 1, 1978, with respect to Housing Managers of 50 or more units and will become effective on January 1, 1980, with respect to Housing Managers of less than 50 units. The regulations will establish standards for obtaining HUD approval of organizations and entities which will qualify to provide Professional Certification.

The regulations are not intended as a substitute for local civil service or public housing agency (PHA) requirements with respect to the position of Housing Manager, but rather to add special requirements with respect to those persons who will be managing PHA-owned housing projects assisted under the Act. The regulations will provide that subsequent to the effective date of the requirement with respect to Professional Certification, the payment of salaries of Housing Managers who are not so certified will be considered ineligible expenditures which will not be approved for the purpose of obtaining Federal operating subsidies under the Act. Finally the subpart will provide opportunity for direct appeal to the Secretary in the case of applicants who are denied certification under a system developed by a professional organization or entity and approved by HUD.

Interested persons are invited to submit written comments or suggestions regarding the proposed regulations to the Rules Docket Clerk, Room 10245, Office of the General Counsel, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410. All communications received on or before July 11, 1975, will be considered before adoption of the final rule. Copies of comments submitted will be available for examination during regular business hours at the above address.

In consideration of the foregoing, it is proposed to amend Title 24 by adding a new Part 867 to read as follows:

**PART 867—PHA-OWNED PROJECTS—PERSONNEL POLICIES AND COMPENSATION**

**Subparts A-B [Reserved]**

**Subpart C—Professional Certification of Housing Managers**

**Sec.**

- 867.301. Purpose and scope.
- 867.302. Definitions.
- 867.303. Requirements for professional certification.
- 867.304. Salaries of housing managers and assistant housing managers.
- 867.305. Costs of training.
- 867.306. HUD approval of certifying organizations and entities.
- 867.307. Right of appeal.

**AUTHORITY:** Sec. (d) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(d)); sec. 6(c)(4) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437d); sec. 201(b) of the Housing and Community Development Act of 1974 (42 U.S.C. 1437 note).

**§ 867.301 Purpose and scope.**

(a) *Purpose.* The purpose of this subpart is to:

(1) Establish the requirement for the Professional Certification of Housing Managers and Assistant Housing Managers; and

(2) Provide for such Professional Certification by professional organizations or other entities.

(b) *Scope.* The requirements set forth in this subpart shall be applicable to all low-income housing projects assisted under the United States Housing Act of 1937 (Act) which are owned by Public Housing Agencies (PHAs) and to all PHAs administering such projects.

**§ 867.302 Definitions.**

*Assistant Housing Manager.* Any person who, under the supervision of a Housing Manager, is responsible for the day-to-day Management and operation, including supervision of employees, of a low-income housing project or projects subject to this subpart.

*Housing Manager.* The person who is responsible for the day-to-day Management and operation, including the supervision of employees, of a low-income housing project or projects subject to this subpart.

*HUD.* The Department of Housing and Urban Development or its designee.

*Professional Certification.* The process by which a professional organization or other entity approved by HUD determines and certifies that an individual has met predetermined qualifications which are deemed to constitute a level of proficiency adequate to achieve and/or maintain the essential social, fiscal, environmental, and administrative goals of the low-income housing program established under the Act, the Annual Contributions Contract and HUD regulations issued pursuant thereto for the management of low-income housing projects.

**§ 867.303 Requirements for professional certification.**

(a) *Housing Managers of Projects of 50 or More Units.* Effective January 1, 1978, any person employed as a Housing Manager of a project of 50 or more dwelling units shall be required to have Professional Certification as a Housing Manager from a professional organization or other entity approved by HUD for that purpose.

(b) *Housing Managers of Public Housing of Less than 50 Units.* Effective January 1, 1980, any person employed as a Housing Manager of a project of less than 50 dwelling units shall be required to have Professional Certifications as a Housing Manager from a professional organization or other entity approved by HUD for that purpose.

(c) *Assistant Housing Managers.* The requirements for Professional Certification shall apply to a person employed as an Assistant Housing Manager effective January 1, 1978, if such employment is with respect to a project of 50 or more dwelling units, or effective January 1, 1980, if such employment is with respect to a project of less than 50 dwelling units; *Provided, however,* That said requirements shall not apply if on the applicable effective date such person is in the process of qualifying for Professional Certification and is working under the supervision of a Housing Manager who has Professional Certification.

**§ 867.304 Salaries of housing managers and assistant housing managers.**

The salary of a Housing Manager or Assistant Housing Manager who has not received Professional Certification as required in § 867.303 shall be considered an ineligible operating expenditure and shall not be approved as a budget item for the purpose of operating subsidy eligibility in budgets submitted by PHAs to HUD for fiscal years commencing subsequent to the applicable effective date in § 867.303.

**§ 867.305 Costs of training.**

Costs of specialized training directly related to qualifying for Professional Certification shall be eligible expenditures includable as approvable budget items of expense in the PHA budgets submitted to HUD. Such training must be approved by a HUD-approved organization or entity or by HUD and be designed to enhance the skills of the Housing Manager or Assistant Housing Manager for the purpose of enabling him to qualify for certification. Costs of general education courses shall not be considered an eligible expenditure.

**§ 867.306 HUD approval of certifying organizations or entities.**

(a) *Approval Procedure.* A professional organization or other entity seeking HUD approval for the purpose of providing Professional Certification of Housing Managers shall submit to HUD appropriate evidence that such organization or entity:

As the experience and capacity with housing and housing management processes with significant emphasis on low-income housing projects assisted under the Act or assisted under other Federally or State-assisted programs;

(2) Has developed a certification system which includes specific criteria and standards for qualifying for certification; and which includes a right of appeal as set forth in § 867.307 of this subpart C; and

(3) Has developed a program which will enable a person to qualify for certification. The standards and criteria shall include those based on experience, performance, and accomplishments in the field of housing management as well as those based on education, training, aptitude, etc. The standards, criteria, procedures and program for enabling persons to qualify for certification shall be approved by HUD and shall be subject to periodic review and reapproval or disapproval not less often than annually. Such periodic review by HUD shall include the procedures and methods by which the organization or entity incorporates in its training evaluation and certification system the current regulations, policies, and procedures of HUD.

(b) *Publication of Names of Approved Organizations and Entities.* As organizations and entities are approved by HUD for the purpose of Professional Certification of Housing Managers, the names of such approved organizations and entities shall be published in the FEDERAL REGISTER and shall be sent to all PHAs in the form of a notice.

§ 867.307 Right of appeal.

(a) Any person required to hold Professional Certification as a Housing Manager or Assistant Housing Manager under § 867.303 of this subpart, and who fails to qualify for certification under a system adopted by a professional organization or other entity and approved by HUD in accordance with § 867.306 of this subpart, may, notwithstanding any provision of that certification system to the contrary, directly petition the Secretary, or a designee of the Secretary for this purpose, for a reconsideration of the action which denied the petitioner certification.

(b) The petition shall set forth in full all supporting facts and arguments and shall be certified by the petitioner to be true and complete to the best of his knowledge. The petition may be amended by the petitioner at any time prior to decision thereon by the Secretary or may be amended by the petitioner at the direction of the Secretary.

(c) The Secretary shall consider the petition upon its merits together with relevant written information from other persons including, but not limited to, employees and agents of the professional organization or entity and references for the petitioner, and within a reasonable time after the filing date of the petition, the Secretary shall render a decision thereon setting forth the reasons therefor. A copy of the decision shall be fur-

nished to the petitioner and the professional organization or entity.

(d) All materials filed or submitted in regard to a petition under this section shall be maintained for a reasonable period of time following the Secretary's decision thereon and shall be available for public inspection to the full extent of law.

Issued at Washington, D.C., June 2, 1975.

H. R. CRAWFORD,  
Assistant Secretary  
for Housing Management.

[FR Doc. 75-15080 Filed 6-9-75; 8:45 am]

CIVIL AERONAUTICS BOARD

[Docket No. 27769; EDR-285]

[14 CFR Part 221]

CONSTRUCTION, PUBLICATION, FILING AND POSTING OF TARIFFS OF AIR CARRIERS AND FOREIGN AIR CARRIERS

Dissemination to the Public of Simplified Information Describing Available Air Fares

JUNE 5, 1975.

Notice is hereby given that the Civil Aeronautics Board has under consideration rule-making action to amend Part 221 of the regulations of the Board (14 CFR Part 221) that would require carriers to publish and disseminate to the traveling public simplified information relating to their various available fares and their applicable restrictions.

This Advance Notice of Proposed Rule Making is being issued to invite participation by the industry (including air carriers, foreign air carriers and travel agents), interested governmental agencies, and organizations representing consumer interests, as well as the general public, in the Board's efforts to determine the scope of the problem, to decide whether the promulgation of rules would be appropriate, and, if so, the nature and content of those rules.

Although we shall consider any reasonable rule suggested, we look forward with particular interest to comments addressing the relative benefits and detriments of rules that would:

(1) require each carrier to publish and disseminate simplified statements describing all fares, and their attendant conditions, for service between each city-pair market which the carrier serves, or at least in the most heavily traveled markets; or

(2) require each carrier to publish and disseminate a summary description of all of its discount fares and their respective conditions, possibly along with a tabular presentation of sample comparisons with normal fares; or

(3) require each carrier to compile and disseminate copies of tariff pages showing the entire list of fares in designated markets, along with pertinent excerpts of the actual text of its tariff rules describing available discount fares; or

(4) require that specified information be included in carrier advertising; or

(5) combine two or more of the foregoing requirements.

The purpose of this proceeding is explained in the attached Explanatory

Statement, and it is being instituted to consider the possible issuance of rules under the authority of sections 204(a), 403 and 411 of the Federal Aviation Act, as amended, 72 Stat. 743, 758 (as amended) and 769; 49 U.S.C. 1324, 1373 and 1381.

Interested persons may participate in this rule-making proceeding by submitting twelve (12) copies of written data, views or arguments pertaining thereto addressed to the docket section, Civil Aeronautics Board, Washington, D.C. 20428. All relevant material received on or before July 10, 1975, will be considered by the Board before taking further action in this proceeding. Copies of such communications will be available for examination by interested persons in the Docket Section, Room 710, Universal Building, 1825 Connecticut Avenue NW., Washington, D.C. upon receipt thereof.

Individual members of the general public who wish to express their interest as consumers by participating informally in this proceeding may do so through submission of comments in letter form to the Docket Section at the above indicated address, without the necessity of filing additional copies thereof.

By the Civil Aeronautics Board.

[SEAL] EDWIN Z. HOLLAND,  
Secretary.

EXPLANATORY STATEMENT

Inherent in the Federal Aviation Act is the obligation, imposed on us as well as the industry we regulate, to ensure that the public has available to it the information travelers need to make reasoned choices from among the various available air fares. For example, Section 403(a) of the Act provides, in part:

(a) Every air carrier and every foreign air carrier shall file with the Board, and print, and keep open to public inspection, tariffs showing all rates, fares, and charges for air transportation between points served by it, and between points served by it and points served by any other air carrier or foreign air carrier . . . and showing to the extent required by regulations of the Board, all classifications, rules, regulations, practices, and services in connection with such air transportation.

Thus, as we read the Act, practical ways must be found to inform the public of alternative air fares and of the terms governing their availability.

The recent proliferation of discount fares, offering a wide range of prices for individually ticketed air transportation between the same two points, has heightened the Board's concern that consumers should have information readily available as to the alternative fares that are lawfully offered and which, if selected wisely by the traveler, could result in savings. We believe, therefore, that in addition to permitting lawful discount fares to be available, it is incumbent upon us to secure the traveling public a meaningful opportunity to know the nature of the fares available. In this spirit, for example, we issued a letter, dated February 26, 1975, from our then-Acting Chairman to all major air carriers, expressing the Board's concern with "the complexities and ambiguities that have crept into carrier tariffs over the years" and urging the industry to give top priority to the goal of attaining "tariff clarification and simplification."



JAMES R. TURNER  
EXECUTIVE VICE PRESIDENT

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

Attachment IX

July 16, 1975

TO: SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS  
FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE  
RE: PROPOSAL NO. 18 - CREATION OF A STATE HOUSING  
FINANCE AGENCY

Mr. Chairman, Members of the Committee. We appreciate the opportunity to appear before this special committee on behalf of the Kansas Savings and Loan League to share some observations with you regarding Proposal No. 18, the creation of a State housing finance agency as embodied in the revised version of H.B. 2612 now being considered by this committee

At the outset we would like to express to the committee our concern that, to date, the housing problem in Kansas has not been clearly defined. There is generalized reference to a shortage of funds, but at no time has the total aggregate housing problems been presented to this committee. We plan to attempt to do this today.

Secondly, there has been no determined effort to pinpoint who, specifically, is to be "helped". Thirdly, there has been no discussion of establishing priorities. A fourth concern is that there has been limited presentation as to the effectiveness of existing state agency program and only at the recent meeting of this committee (June 26) was there a careful review, for the first time, of the provisions of H.B. 2612. In the time allotted to us this morning we plan to speak to these concerns.

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

THE HOUSING PROBLEM

We would submit to this committee that the housing problem in Kansas is a multi-faceted dilemma, which, while impacted by the availability and cost of money, is comprised of many disturbing factors. Indeed, we would submit that the current housing problem is more directly related to the "cost of the product" than it is to the "cost of money".

What are the problems and what should this committee be considering:

1. Cost of Money - Between 1965 and 1974 the average contract interest rate on a conventional home has increased from 5.74% to 8.71%. Obviously, this has resulted in a financial strain upon low-income families.

This increase has resulted from the "cost of money" increase to the financial institutions dealing in the competitive market place. This also reflects the periodic shortage of funds as a result of the adverse impact of deficit federal spending.

2. Cost of the Product - Probably the most destructive impact upon the American dream of "home ownership" has been the increase in the cost of the product. The average home purchase price has increased between 1965 to 1975 from \$25,000 to \$40,000, with the average monthly payment, excluding ad valorem taxes and hazard insurance, from \$116.69 to \$241.11.

The cost of the product has been severely impacted by the substantially increased cost of land, inflated cost of building materials, increased labor costs, builder profits, and the expense of dealing with local units of government.

According to Commerce Department figures (November 22, 1974) the price index increase of new family houses sold increased by 61.4% in the period 1967 to 1974.

3. Other Related Problem Areas

- A. Increases in taxation.
- B. Availability of builders - particularly in rural and small communities.
- C. Increased cost of municipal services
- D. Lack of comprehensive land use planning.
- E. The multiplicity of varied building codes and zoning regulations and the attendant archaic nature of many of these.
- F. Lack of organized efforts to identify and meet housing shortages.
- G. Impact of economic growth upon the local tax base.
- H. Overemphasis upon multi-family construction versus home construction and rehabilitation of neighborhoods.
- I. Too great a dependence upon federal assistance and the counter-productive impact of federal deficit spending.

WHO IS TO BE HELPED?

Probably the greatest concern to us, and, we hope, to this committee is the determination of "who is to be helped"? There is always discussion about helping the "poor and low-income" families. This is tremendous political rhetoric - particularly in election years. However, the truth of the matter is that only a limited amount of the funds available through state funding for housing has gone to the "poor or low-income" groups in serious need of decent housing.

The reason is very obvious - the bonds must be repaid. The existing state housing vehicles have the same concerns about mortgage foreclosures as does the conventional lender. As we mentioned to the House committee this past spring - there needs to be serious consideration given to who is to receive the proceeds of the bond sales in terms of their ability to repay the same. In this regard 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> |
|-------------------|-------------|-------------|------------------------|
| \$30,000          | 6%          | 30 Yr.      | \$179.87               |
| \$40,000          | 6%          | 30 Yr.      | \$239.83               |
| \$30,000          | 7%          | 30 Yr.      | \$199.60               |
| \$40,000          | 7%          | 30 Yr.      | \$266.13               |

To these figures must be added a monthly payment of \$50 to \$100 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?"

If, indeed, this committee intends to speak to the needs of the poor and low-income families then the question of "who is to be helped?" must be answered first.

According to "Kansas Housing Needs Projection - 1975-1990" (KDED-Report No. 40), there will be projected need of 461,261 new housing units in Kansas by the year 2000. Included in this figure must be the fact that 190,000 households in Kansas presently earn \$10,000 or less yearly - 62% of those occupying the projected housing.

According to a 1972 HUD study completed in Topeka: 4,355 households (8.5% of population) had an income of less than \$6,000. Of this group, 2,562 households (5% of population) had an income of less than \$4,000.

The question remains - "who is to be helped?"

#### ESTABLISHING PRIORITIES

We sincerely believe that before this committee proceeds with the creation of a new bureacracy at the state level that priorities must be established. In arriving at these priorities the following questions must be answered:

1. Is the program designed to assist the housing needs of the poor and low-income or the moderate income?
2. What income levels will be established to insure that low-income households will benefit from such a program?
3. What type of in-depth study will be made of existing state housing agencies to determine to what extent they are meeting the needs of low-income families?
4. To what extent is the State willing to subsidize the housing needs of low income families?



5. What is the motivation behind those special interest groups who are promoting a state housing agency?
6. How much emphasis will be placed on the rehabilitation of existing neighborhoods?
7. What effort will be made to accumulate meaningful data on community housing needs within the State of Kansas - particularly of low income families.
8. What effort will be made to deal with the total housing problems as outlined in this presentation?
9. What effort will be made to restrict the growth of a state housing bureacracy?
10. Who is the prime beneficiary of the creation of a state housing agency - the politician, the builder, the lender, the moderate income household, the outside groups and organizations receiving state contracts, or the promoters of such legislation?

#### REVIEW OF H. B. 2612

We would like to very briefly review H.B. 2612 which is now before this committee to point out areas of concern. (Refer to proposal)

#### CONCLUSIONS

The savings and loan business in Kansas shares the concerns of this committee that an effort should be made to meet the housing needs of the poor and low-income families in Kansas - those who do not qualify for conventional credit.

We feel that serious consideration should be given to a program that would provide state subsidization to low-income families in the area of down-payment, rehabilitation, and rate differential.

We feel that H.B. 2612, now under consideration, will not meet the housing needs of the low-income families and that the end result will be the creation of a \$100 million dollar state-owned savings and loan association competing with the private sector in the middle-income housing market.

Nor do we abide the suggestion that such a "vehicle" needs to be created to meet the still "undefined" need. Such a vehicle already exists with the creation of the division of housing of the Kansas Department of Economic Development.

Accordingly, we would make the following suggestions and recommendations to this committee:

1. That the division of housing of the KDED be adequately funded so as to:
  - A. Serve as a vehicle and distribution of federal programs;
  - B. Serve as a sponsor of federal programs;
  - C. Develop recommendations for pilot projects for low-income families;
  - D. Compile meaningful data as to housing needs with the attendant recommendation for the coordination of both the public and private sector.
2. That adequate funding be provided to employ a competent director of the division of housing.

Special Committee on Federal and State Affairs

Testimony

July 16, 1975

Page 8

3. That adequate restraint be placed on the growth of state bureacracy within the division of housing to insure that money appropriated for housing does, indeed, impact housing.
4. That a sub-committee on housing, comprised jointly of Senate and House members of the respective Federal and State Affairs Committee, continue an in-depth study of housing as well as monitoring the activities and expenditures of the division of housing.

Finally, we would again emphasize our concern and desire to continue to work with this committee in seeking a resolution to the housing problems of low-income families. We feel that this can only be accomplished through some type of subsidy program. While we could participate in a program as envisioned by H.B. 2612, we would only be providing credit to those already served by the private sector. We have no desire to be a participant in a political effort which will provide only false hopes and unfulfilled needs of low-income families. Accordingly, we seriously doubt that the savings and loan business in Kansas will support H.B. 2612 as it is presently being considered.

James R. Turner  
Executive Vice President

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## COMMENTARY

### The Banks And The State

by ALICE WIDENER

Publisher, U.S.A. Magazine  
NEW YORK CITY — We  
Americans deposit most of our  
earnings and savings in commer-



cial and savings banks, not in State-owned banks as in the Soviet Union where the banks are owned by the government. All our banks have a moral duty to protect depositors through honest, prudent operations. They have no moral right to engage in gambling-type speculation with their depositors' money, and certainly no right to risk it in unsound operations forced on them by profligate, arrogant politicians. Yet more and more State officials are "strong-arming" our banks for huge sums of money to finance political and social schemes. These politicians are forcing many banks to purchase State and Municipal bonds and to enter into other financial transactions purposes far removed from principles of sound banking.

It was convicted Watergate felon John N. Mitchell who devised for New York Governor Nelson Rockefeller the scheme of peddling to banks State "moral obligation" bonds to finance the now insolvent Urban Development Corporation (UDC). It has already defaulted on \$104.5 million notes held by New York commercial banks. There are \$1 billion of other UDC notes and longterm bonds outstanding. Early this month, the New York Times reported that the UDC default "sent tremors throughout the investment world."

And well it might! Following New York's wrong-way lead, thirty other States in our nation have peddled more than \$9 billion "moral obligation" notes and bonds to the banks. These pieces of paper are not backed by the "full faith and credit" of the State but merely by a meaningless assertion of the State's "moral obligation." They were devised by Mr. Mitchell as adviser to Gov. Rockefeller after the people of New York State had twice refused to vote for appropriations for an Urban Development Corp. The "moral obligation" notes and bonds are a slick by-pass of the people's will in 31 States of the United States.

Their issuance was a near crime in the opinion of many responsible financial experts. In

the long run, it is those very people who rejected appropriation of monies for State "moral obligation" financed impractical projects who will have to bear the brunt of any default.

To try to rescue UDC, Governor Hugh Carey induced the New York Legislature to appropriate a stop-gap \$90 million for UDC "to buy time." Meantime, the Governor has requested the New York savings banks to come to the rescue. The New York Times reported, March 7, that Joseph C. Brennan, president of the Savings Bank Association, said that if his group's membership indicated interest, it would name legal counsel to study the situation and report on it within 60 days. Mr. Brennan said such an operation could not be put together "overnight."

It shouldn't be put into operation at all. Savings banks have a sacred obligation to protect the deposits of hardworking people. Savings banks have absolutely no right to make an imprudent investment in an effort to rescue an already-proved incompetent, insolvent operation. The Times reports that senior commercial bank officials see little hope for a quick UDC solution and quotes one of them as saying, "The situation is very emotional." You bet it is and probably will be so in every state that imitated New York's bad example.

Before it is too late, all depositors in all banks ought to inquire whether they hold as so-called investment assets any State "moral obligation" notes and bonds. Depositors ought to put their banks on notice that they will not tolerate banks' meek acquiescence to political officials' strong-armed pressure to buy Rockefeller-Mitchell type hanky panky notes and bonds.

New York State and City furnish perfect examples of how not to run a railroad. The saying is, "The bigger they are, the harder they fall," especially the political emperors of the Empire State.

NOV 29 1974

## Has Michigan Housing Authority Encroached Into Private Business?

By Barbara L. Peterson

**I**n the beginning, the Michigan State Housing Development Authority could do no wrong.

The Authority was created to provide loans on new or rehabilitated homes for families in the \$8000-\$9000 income range. The Authority has the power to make loans for housing development grants to local communities; to make mortgage commitments to nonprofit, limited dividend and cooperative sponsors; and to acquire land or other property for future development. These loans, however, are limited by legislated programs.

Since March 1970, the Authority has sold \$432.6 million in tax-exempt securities. As of June 30, 1973, the Authority retired \$203.3 million in securities, leaving an

outstanding balance of \$229.3 million. The full faith and credit of the Authority is pledged for payment of principal and interest, as these securities are direct and general obligations of the Authority, although not a debt of the State of Michigan. The Authority must certify to the Governor any deficiencies in the capital reserve fund underlying the bonds, for inclusion in his budget. Proceeds from the sale of bonds, equal to one year's debt service on bonds issued, must be deposited in the capital reserve fund. As additional security to bondholders, the Legislature appropriated \$2 million for deposit in the fund. On June 30, 1973, this fund contained \$11.2 million, an excess over requirements of \$3.4 million. This bonding power does not place a burden on the taxpayers, as the funds are obtained through the sale of bonds at no cost to the State general fund, and those bonds are retired by federal subsidies, along with rents and house payments which the housing generates. Operating funds for the Authority come from fees and charges on low in-

terest loans.

An annual interest rate of 1/2 of 1 percent above the net interest cost the Authority pays on its tax exempt notes and bonds, which is well below conventional rates, is the rate for the combined construction and permanent mortgage loans.

Since June 30, 1971, the Authority has supported its own operations in full by fees and charges on loans and by investing note and bond proceeds on a short-term basis before their use as mortgage loans. In July 1972, the Authority paid back the State treasury \$191,000 the Legislature appropriated for fiscal 1972 staff salaries, even though legally it was not required to do so. After an operation of only 28 months, the Authority had become self-sufficient.

A combination of federally subsidized and nonsubsidized units in the building and development of projects is encouraged by the Authority and has been quite successful in the rehabilitation of units in inner-city Detroit. In these rehabilitation pro-

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Ms. Peterson is an FHA multi-family representative for Fort Wayne Mortgage Co., Bingham Farms, Mich. She is a member of the Michigan Young Mortgage Bankers Committee and her article is part of a continuing series of reports and comments from YMBC chapters.

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grams, Authority provides an interrelation among community groups, minority workers, State officials, contractors and investors to blend community need, construction and financing. An operating assurance program which underwrites much of the financial risk is the single most important accomplishment of the Authority. Bonding authorization was increased from \$300 million to \$450 million in 1973 and to \$600 million in 1974, while Authority programs continued mostly undiminished despite the moratorium on subsidy funds. The Authority, prior to the moratorium, received approximately 30 percent of all subsidy funds allocated to the State of Michigan. Under the moratorium, subsidies for 10,900 Authority units were impounded, but with assistance from the Governor's office, the Authority secured the release of 8,508 subsidy units, thus allowing production goals to be met through July 1974.

For some time, the mortgage banking industry held a running battle with the Authority. Then on January 19, 1973, some 14 days after the moratorium went into effect, the Authority announced a plan whereby the mortgage banking industry could become processing agents for the Authority, after meeting certain qualifications. Negotiations had been held between the Authority and the Mortgage Bankers Association of Michigan prior to the moratorium. Mortgage discounts charged by the Authority are 3.5 percent of the mortgage, compared to 1 percent in Massachusetts and New Jersey and 1.5 percent in Illinois. Processing agents are paid 3/4 of 1 percent for their work and whether or not a mortgagor uses a processing agent, the Authority charges the full 3.5 percent.

An article by State Representative William A. Ryan in the *Monistee News Advocate* raised controversies recognized by the mortgage banking industry. Low income is classified as being under \$6,000, moderate income under \$12,000, and middle income under \$18,000. The only help the

Authority gives is by passing along the savings to the mortgagor because they pay a lower interest rate on the tax-exempt bonds that it sells. The Michigan government could, if it wished, give greater help by using general State funds to provide direct housing subsidies, using these funds to pay a part of the mortgage contract interest cost, or permitting local communities to grant selective tax abatement, while the State would reimburse local communities. But the State Legislature has been unwilling to do this. The Authority this fiscal year has asked the Legislature for \$5 million in Better Neighborhood Program funds and \$7 million for elderly programs from the general fund.

#### Unnecessary Competition

Michigan's government should certainly be sensitive to the danger of competing unnecessarily with private enterprise and it clearly should defer in those areas where private institutions can and will do the job. Prior to entering the market in any given area, the Authority should ask itself the following questions.

- 1) Does the existence of the Authority result in a net increase of dollars flowing into the State?
- 2) Does the program duplicate other federal and State programs?
- 3) Does it make construction and mortgage loans on properties on which loans are not otherwise available through private lenders?

Lending institutions have been fearful of the Authority muscling in on their territory, while others think it does not serve the interests of poor people sufficiently. In essence, both groups make the same criticism, which is that too many middle-income people have been benefiting from the housing programs. The Authority acknowledges that 12 percent of those who profit from its guarantees qualify as moderate-income families. But they are covered for a good reason. The Authority wants to avoid creating a poor

people's ghetto, so much of the money has gone to provide housing in places such as Detroit's central city, where conventional mortgage financing is simply not available and where there are moderate-income families who need some means of meeting their housing needs. The Authority says it has been working not to supplant private financing where it is available, but to provide a substitute for it where it is not available.

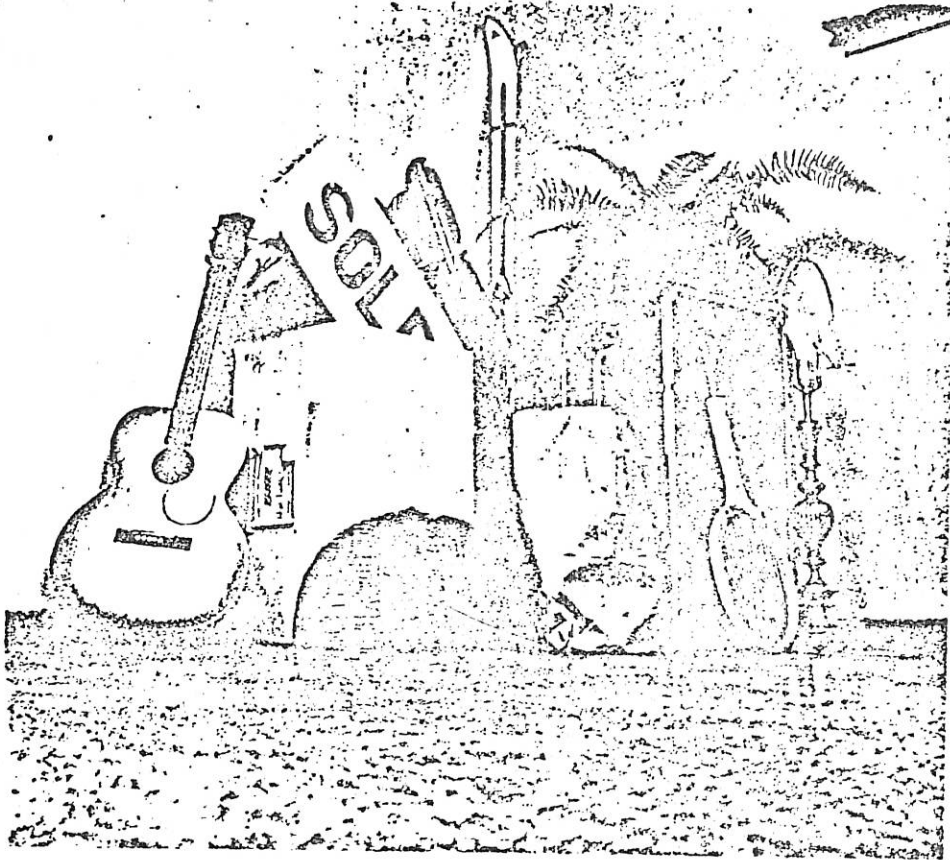
#### Guidelines

Subsidized housing can be built anywhere in the State and 100 percent moderate units inside the City of Detroit only; but in order to build moderate housing outside of Detroit, the mix must be 70 percent moderate and 30 percent subsidized. Therefore, without subsidies, the Housing Authority would be virtually unable to finance anything but 100 percent moderate units in Detroit. This makes the agreement between the Authority and the mortgage bankers quite significant. The Authority is quoted as supplying 12 percent moderate units where conventional financing is not available, which is, according to past statements, in the City of Detroit. The annual financial statement of the Authority, updated to June 30, 1974 by their statistical department, will show the following:

|                     | Detroit | Outstate |
|---------------------|---------|----------|
| Subsidized          |         |          |
| Multifamily         | 1,980   | 6,135    |
| Subsidized          |         |          |
| Elderly             | 494     | 2,974    |
| Moderate            |         |          |
| Multifamily         | 380     | 1,455    |
| Single-family Homes | 80      | 2,095    |

The Authority's goal is to provide housing where conventional financing is not available. However, conventional financing was available for the 96.3 percent elderly and 79.3 percent moderate-income housing the Authority financed through June 30, 1974 in the outstate areas. The Authority has indicated that conventional financing may be of such high

(continued)



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cost as to make it unavailable in some areas.

In a statement in the Huron (Michigan) *Daily Tribune*, Gov. William Milliken, in response to a question regarding the high cost of housing, answered: "The Michigan State Housing Development Authority was created to assist the 80 percent of all Michigan families with incomes of \$2,500 to \$14,000 who cannot afford new housing."

At the opening ceremonies for a 150-unit townhouse complex in Lansing, Mich., Gov. Milliken declared, "The Authority's production activity to date had already generated 9,000 jobs, \$2.4 million in additional local property taxes and \$3.7 million in additional State income and sales tax, besides providing badly needed housing for people in the \$9000 to \$15,000 income brackets."

The Authority is providing more dollars but it does duplicate other federal programs in some areas and—what is most damaging—it does provide loans on properties where financing could have been available through private lenders. The Authority has wrongly interpreted the reason for which it was created; instead it has become a vehicle for builders to finance their conventional projects at a lower rate of interest than through normal banking institutions.

We in the industry sincerely hope that the recent study, conducted by American City Corporation for the Authority, of three blighted inner-city Detroit neighborhoods, becomes a reality of new construction and not another study that finds oblivion in the dusty archives. This vehicle may be the means whereby the Authority returns to its original objective: emphasis on needed housing in the inner city and a socioeconomic mix which is mandatory in the fight against urban blight. □

## New York State Mulls 'Moral Obligation' Of Helping Ailing Agency Avoid Default

By BYRON KLAPPER

Staff Reporter of THE WALL STREET JOURNAL

The so-called "moral obligation" of a state to back a financially troubled public authority is facing a critical test in the New York State legislature.

The outcome is likely to have widespread repercussions for holders of public agency bonds around the country. Investors are believed to hold \$6.3 billion of such bonds, which are backed by a state's moral commitments to meet deficits in payments of principal and interest. Additional billions of dollars of indirect federal obligations could also come into question.

The test will come on Feb. 25 when New York State Urban Development Corp. is due to redeem a \$100 million note. The agency, which provides housing and community development, is also obligated to repay the state about \$50 million that was previously advanced.

Debt obligations usually are repaid by fresh borrowings in the public market. But New York banks, which have underwritten the agency's debt, have become concerned over its financial soundness and have withdrawn their support.

Faced with the threat of a catastrophic default, Gov. Hugh Carey has asked the legislature to advance \$178 million, including \$100 million to pay off the notes and \$78 million to carry on operations to March 31.

Frank P. Smeal, executive vice president of Morgan Guaranty Trust Co., said "it's absolutely essential that the state take responsibility and admit paternity, and that UDC become economically feasible," before lenders would be assured. Morgan Guaranty withdrew its underwriting support early last year.

As a member of the governor's task force to study the agency, Mr. Smeal charged that construction funds that should have gone for capital projects to generate revenue were borrowed to pay operating expenses.

"Funds must be invested productively or the ability to repay is in doubt," Mr. Smeal said.

A report issued by State Comptroller Arthur Levitt and released today shows that more than \$15 million issued to the Urban Development Corp. from the state's capital construction fund was used for "corporate staff functions," reimbursement of costs and other nonrevenue activities.

Mr. Levitt said, "There can be no doubt that the billion-dollar program of vital public construction . . . underway by the UDC must be salvaged. But there is also no doubt that the experience of the UDC demonstrates a basic fault in the way this public authority has been authorized to finance its program."

Edward J. Logue, president of the agency, couldn't be reached for comment. Robert Adelman, UDC treasurer, said that until the legislature responds to the governor's proposal, it wouldn't be appropriate for him to comment.

In testimony last Thursday before a State Senate committee on housing, Mr. Logue accused the bankers of walking away "from their obligations to the people to whom they sold (UDC) bonds with full knowledge and approval of the way we were doing our financing."

Mr. Adelman said Chase Manhattan Bank, Chemical Bank, Bankers Trust Co. and First National City Bank, all of New York and all UDC underwriters, "indicated we shouldn't attempt to sell securities until after the legislature responds to the governor's proposal."

In his message, Gov. Carey said that the UDC "is facing an imminent exhaustion of funds" and that it takes \$1 million a day to keep UDC running. "It's not only a problem of one agency. It's a challenge to the credit of the state itself," he said.

The governor called for a review of all UDC programs and for the agency to "put its house in order."

Because of its size, and the amount of funds involved, the case is the most important test of a state's "moral obligation" to date. While most observers believe New York will meet its obligation, the case raises many questions.

"There are those who wonder whether moral obligation would stand a constitutional test," Jackson Phillips, senior vice president of Moody's Investor's Service, said.

The moral commitment was created in the early 1960s for borrowings by the New York State Housing Finance Agency. It refers to debt obligations that don't have the state's full faith and credit as backing. Although it isn't legally bound, the legislature agrees to make up any deficit in a debt service reserve fund. In the past decade, the moral commitment has become widely accepted and is used by about 30 states.

"Without a legal commitment, what right does the legislature have to pay an agency's deficiency with taxpayers' funds?" asks Mr. Phillips. "A taxpayers' suit is always a possibility."

Mr. Phillips cited the Calumet Skyway, a toll road, which borrowed \$2 million from the city of Chicago about a decade ago to meet a deficit. "When threatened with a suit, the loans to Calumet for debt service ended," he said.

Failure of the legislature to meet its obligation to UDC would put ratings of all such revenue bonds in jeopardy, the Moody's official said. Moody's rates moral obligation debt Baa, or medium grade.

Gov. Carey's support perked up speculative interest in UDC's bonds in the resale market. Dealers said trading was active at prices reflecting sharp discounts. The agency's 6.60% bonds due in 2011, for example, were quoted at 65½ bid on Friday. The 7s of 2014 were trading at 70, dealers said.

UDC's shaky condition could lead to disclosures of financial inadequacies among other public authorities.

In his audit of state agencies, Mr. Levitt

said 14 agencies owed New York State more than \$275 million. "More than \$150 million of previous loans have already been written off as bad debts," the comptroller said.

"Analysis of these loans shows that many of the authorities to which the loans were made lack the capability for making timely repayment. It is likely that most of the outstanding debt won't be repaid at all," Mr. Levitt said.

He called for an end to future programs involving the "moral commitment clause" and for review of all agencies using such backing.

UDC, which claims to be the nation's largest producer of federally assisted housing for low and moderate income families, has some \$1.5 billion of projects completed or under construction. Of that total, about \$1.3 billion involves long-term UDC financing. Financing requirements for its entire program is expected to total about \$2 billion.

Among its projects is the \$375 million Roosevelt Island, a new community on an island in Manhattan's East River.



TODAY I WOULD LIKE TO GIVE YOU MY THOUGHTS ON HOUSING AND SPECIFICALLY MY ASSESSMENT OF H.B. 26L2. STARTING WITH THE BASIC QUESTION OF SHOULD THE STATE PLAY A ROLE IN HOUSING? I BELIEVE THE ANSWER IS DEFINITELY YES, FOR THREE REASONS: (1)ADEQUATE HOUSING IS BASIC TO THE PUBLIC HEALTH AND WELFARE OF THE CITIZENS OF THE STATE AND IS A PART OF WIDER SOCIOLOGICAL PATTERNS. (2)IN TIME OF ECONOMIC STRESS AND TIGHT MONEY THE STATE IS IN A POSITION TO HELP. THE STATE NOT ONLY GOVERNS AND REGULATES BUT MUST TAKE POSITIVE STEPS TO ASSIST CITIZENS. IT MUST ASSUME LEADERSHIP FOR ESTABLISHING A HOUSING POLICY. (3)OTHER STATES' EXPERIENCES IN HOUSING HAS BEEN FRUITFUL. OVER 30 STATES NOW HAVE SOME FORM OF HOUSING ASSISTANCE.

THE NEXT QUESTION: HOW EXTENSIVE SHOULD THE STATE'S PARTICIPATION IN HOUSING BE? THE STATE SHOULD NOT GET INTO THE ACTUAL BUSINESS OF BUILDING AND MANAGING HOUSING UNITS OR USURPING PRIVATE ENTERPRISE'S FUNCTIONS. THE EXPERIENCE OF PUBLIC HOUSING AUTHORITIES HAS BEEN DISASTROUS. I BELIEVE THE STATE CAN AND SHOULD FACILITATE LOW INTEREST LOANS TO PROSPECTIVE HOME OWNERS THROUGH EXISTNG PRIVATE FINANCIAL INSTITUTIONS.

I THINK THIS IS THE THRUST OF H.B. 26L2. IT IS A CONSERVATIVE AND WORKABLE BILL.

IT DOES NOT CREATE A FULL FLEDGED INDEPENDENT AGENCY. A SMALL HIGHLY QUALIFIED STAFF WITHIN KDED WOULD INSURE MINIMAL ADMINISTRATIVE COSTS AND STILL RETAIN ITS ACCOUNTABILITY.

WE ARE NOT TAKING A GIANT STEP INTO THE UNKNOWN. WE HAVE THE EXPERIENCE OF OTHER STATES AT OUR BACK AND THE ASSISTANCE OF FINANCIAL EXPERTISE AT OUR SIDE.

I AM STRONGLY IN FAVOR OF THIS BILL ASSISTING BOTH LOW AND MODERATE INCOME. PERHAPS THE DEFINITION OF LOW AND MODERATE INCOME IS A MATTER OF SEMANTICS AS GUIDELINES VARY. I WOULD DEFINE MODERATE INCOME AS BETWEEN 10 AND 15,000 DOLLARS A YEAR. I DO NOT DE-EMPHASIZE THE ENORMOUS NEEDS OF THE LOW INCOME WAGE EARNERS BUT THE ERRATIC INFLATIONARY SPIRAL HAS LEFT WHITE COLLAR WORKERS AND YOUNG PROFESSIONAL PEOPLE ONLY ONE CHOICE; THAT OF THIN-WALLED APARTMENT LIVING. PLUS THE FACT THAT FEDERAL PROGRAMS ARE GEARED MOSTLY TOWARD THE LOW INCOME RANGE. MANY OF THE PEOPLE WORKING HERE IN THE CAPITOL AND EARNING BETWEEN 10 AND 15,000 DOLLARS CANNOT BUY A HOUSE IN TOPEKA TODAY. THEY JUST CAN'T AFFORD THE HIGH INTEREST RATE.

H.B. 2612 ALSO ADDRESSES THE QUESTION OF REHABILITATION VERSUS NEW BUILDINGS. JUST AS THE WORD "RECYCLING" HAS ENTERED OUR VOCABULARY, SOME OF THE CONCEPTS OF RESTORING AND CARING FOR OUR OLDER HOMES IS BEING INGRAINED IN OUR CONSCIOUSNESS. THE CHARACTER AND INDIVIDUALITY OF OLDER HOMES SHOULD NOT BE ABANDONED IN OUR RUSH TO TRACT SUBURBAN DEVELOPMENTS. THE PROVISION THAT A MINIMUM OF 25% OF THE PROCEEDS OF ALL BONDS BE DEVOTED TO REHABILITATION CLEARLY STATES THIS INTENT WHILE GIVING A FLEXIBLE BASE LINE AND I SUPPORT THAT MINIMUM FIGURE.

ALTHOUGH THE BILL MENTIONS THE ELDERLY AND THE HANDICAPPED I BELIEVE THERE SHOULD BE FULLER ELABORATION OF AVAILABLE BENEFITS FOR THEM UNDER THIS BILL WHETHER IT BE AN EARMARKED PERCENTAGE AS FOR REHABILITATION OR MORE LENIENT CREDIT STANDARDS.

THE PROPOSED FINANCIAL STRUCTURE OF H.B. 2612 IS BASICALLY SOUND, AND AGAIN, CONSERVATIVE. AN AGGEGRATE LIMITATION OF ONE HUNDRED MILLION DOLLARS WOULD SUPPLY A CAPITAL FOR CONSTRUCTION, MORTGAGES, SECONDARY MORTGAGES, REHABILITATION, GRANTS AND TECHNICAL

ASSISTANCE. I BELIEVE THE BILL MUST STATE AN ACTUAL LIMITATION DOLLAR AMOUNT, TO BE ARRIVED AT BY EXPERT CONSENSUS.

I AGREE WITH MEMBERS OF THE COMMITTEE WHO BELIEVE THAT THE DENOMINATION OF NOTES AND BONDS SHOULD BE SMALL ENOUGH TO ATTRACT A WIDE VARIETY OF INVESTORS. I HAVE SUPPORTED THIS CONCEPT THAT ALL STATE AND LOCAL ISSUES SHOULD BE AVAILABLE TO THE SMALL INVESTOR THROUGH SMALL DENOMINATIONS. I ALSO AGREE WITH ALL PROPOSED PROVISIONS THAT WOULD REDUCE THE LONG TERM ACQUISITION OF REAL OR PERSONAL PROPERTY BY THE STATE.

I UNDERSTAND THERE ARE OTHER CONCERNS BROUGHT OUT BY YOUR COMMITTEE DISCUSSION. THE QUESTION HAS ARISEN AS TO WHAT WILL BE THE RELATIONSHIP BETWEEN A KANSAS HOUSING AUTHORITY AND LOCAL UNITS OF GOVERNMENT. THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 SPEAKS DIRECTLY TO LOCAL UNITS, BOTH METROPOLITIAN AND NON-METROPOLITAN. A STATE HOUSING AGENCY CAN ACT AS AN INTERMEDIARY AND A FACILITATOR BY PROVIDING TECHNICAL ASSISTANCE TO LOCAL UNITS. I WOULD HOPE THE AUTHORITY STAFF WOULD INCLUDE A FIELD PERSON--ONE WHO WOULD ACTIVELY GENERATE RURAL PARTICIPATION. MOREOVER, THE STATE HAS THE RESPONSIBILITY OF PLANNING FOR THE FUTURE AND WITH ITS TOTAL RESOURCES CAN ADVISE AND RECOMMEND LONG TERM GOALS TO LOCAL UNITS.

ANOTHER CONCERN CENTERS AROUND THE QUESTION OF THE MORAL OBLIGATION OF THE STATE. SECTION 14 OF H.B. 26L2 CLEARLY STATES THAT THE CREDIT AND THE TAXING POWER OF THE STATE IS NOT PLEDGED. HOWEVER, ANY DEFAULT BY SUCH AN AUTHORITY CLEARLY REFLECTS ON THE FINANCIAL CREDIABILITY OF THE STATE. THE POSSIBILITY IS ALWAYS THERE. BUT FOR A BETTER ANSWER, I THINK WE NEED TO LOOK AT THE OTHER STATES'

POSITIVE EXPERIENCE IN HOUSING. I DO NOT BELIEVE THAT THE NEW YORK STATE UDC SITUATION APPLIES AT ALL TO KANSAS AND SHOULD BE DISCOUNTED FROM YOUR DISCUSSIONS. UNFORTUNATELY THEIR EXPERIENCES EXISTS ONLY AS A HOW-NOT-TO-DO-IT LESSON. RATHER STUDY STATES WITH CORRESPONDING AGENCIES THAT ARE SUCCEEDING.

LASTLY, I WOULD POINT OUT THE NEGATIVE EXPERIENCE OF CALIFORNIA AND ARIZONA. BOTH STATES DETAILED THEIR BILLS TO SUCH AN EXTENT THAT NO ONE COULD SUPPORT THEM. I URGE THIS COMMITTEE TO ADOPT THE PREMISE OF A HOUSING FINANCE AUTHORITY AND TO SET UP A SIMPLE FRAMEWORK IN H.B. 2612 THAT WOULD ALLOW FOR ESTABLISHMENT OF A FLEXIBLE PROGRAM BY THE AUTHORITY.

THE DIVISION OF PLANNING AND RESEARCH WILL BE PRESENTING THE RESULTS OF A STUDY MADE ON THE HOUSING NEEDS IN KANSAS. THIS STUDY WILL GIVE YOU FURTHER INSIGHT AS TO THE SCOPE AND NEEDS OF HOUSING IN KANSAS.

THANK YOU FOR THE TIME YOU HAVE GIVEN ME TO SHARE MY THOUGHTS WITH YOU AND I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.