

DEMOCRATIC NATIONAL COMMITTEE
1730 K STREET, N.W.
WASHINGTON, D. C. 20006

May 20, 1965

TELEPHONE
FEDERAL 3-8750

The Honorable C. Albert
House of Representatives
Washington, D. C.

Dear Congressman:

Enclosed is background information on
the President's proposal for a Department of Housing
and Urban Affairs.

In the House of Representatives HR 6927
is awaiting action by the Rules Committee. In the
Senate S 1599 is pending in the Executive Reorganization
Subcommittee of the Government Operations Committee.

There has been a great deal of misinforma-
tion about these proposals circulated by their opponents.
I thought you would like the enclosed both for your own
information and for assistance in handling inquiries.

If there is anything you need beyond the
enclosed please let me know.

Sincerely,

Wayne Phillips
Wayne Phillips, Director
News and Information

encl.

5/17/65

H. R. 6927 -- ESTABLISHING A
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

A. What the Bill Does

The bill establishes a Department of Housing and Urban Development and vests in its Secretary all the housing and urban development functions now in the Housing and Home Finance Agency. These include:

FHA mortgage insurance for sales, rental and cooperative housing, and for special purpose housing -- urban renewal housing, military housing and housing for the elderly;

FNMA secondary mortgage market programs;

PHA low-rent housing programs;

URA urban renewal, urban planning and open space programs; and

CFA public facility planning and loan programs and programs of loans for college housing and the elderly.

The Congress has also recently vested an urban mass transportation program in the Housing and Home Finance Agency.

B. The Department's Major Purpose

The bill would place at the Cabinet level the major Federal-aid programs for coping with the problems arising from rapid urban growth. All the programs primarily relate to physical development of our urban areas, both large and small.

C. What the Bill Does Not Do

It does not place in the new Department every program relating to what happens in cities. The Department will not and should not administer health and education functions now in the HEW or civil defense functions now in the Department of Defense or highway aid functions now in the Department of Commerce or labor and manpower functions now in the Department of Labor, merely because the activities take place in cities.

This is so because the Department will be concerned primarily with physical development involving the provision of good homes in good neighborhoods served by necessary community facilities. It will not, cannot, and should not be the only Department which looks after the interests of people in cities.

The Secretary of the new Department will help the President coordinate all Federal programs affecting urban physical development -- just as the Secretary of HEW helps the President coordinate all Federal programs affecting health and education. Only the President (assisted by the Vice President, the Cabinet, the Bureau of the Budget, and the Council of Economic Advisers) can coordinate all government programs which have an impact on the 70 percent of our people who live in urban areas. Indeed, all Federal programs, including those of the Department of Agriculture, have such an impact.

D. Why the New Department Now?

1. Importance of Cabinet Status. Obviously Cabinet status for Federal housing and urban development aids will not make the underlying problems go away

nor automatically solve them. But obviously it will help much to give these important programs the advantages of

- a. readier access to the President for purpose of advice and consultation, and
- b. readier access to other department heads and White House offices concerned with related programs and with over-all Federal economic and fiscal policy.

2. Need for Internal and External Coordination. The programs are (a) numerous; (b) extremely complex; (c) closely interrelated with each other; and (d) closely related to programs of other departments such as Treasury, Commerce, HEW, Interior and Defense.

3. Importance of Programs and Timeliness of Cabinet Status

- (a) Our population is now 70 percent urban; will be 80 percent before century ends.
- (b) In next 40 years we will need to build as many urban homes and related facilities as now exist in all our cities.
- (c) The programs of the new Department are already of the highest importance in terms of their effect on the welfare of our people, on the national economy, on the Federal budget, on the operations of State and local governments.

E. Permanence of the Federal Role in Housing and Urban Development

1. FHA Expiration Dates. Opponents of the Department have pointed out that FHA programs have expiration dates or dollar limits. This is true. Their purpose is to give the Congress a chance to re-examine the exact scope and details of the several programs. Can a single, responsible opponent of the Department be found who will argue that the FHA's basic mortgage insurance programs which have been extended regularly since 1934 are not as permanent as any other Federal program?
2. FNMA Program Fluctuations. It is true that FNMA programs fluctuate as the agency buys or sells mortgages and as greater or lesser support is given to special purpose housing. But this is exactly the function of the FNMA -- namely to backstop the primary private mortgage market as its needs change.
3. Other Program Changes. It is true that low rent housing programs, urban renewal programs and community facility programs are constantly changing their emphasis. But will any one honestly contend that Federal programs for dealing with housing for low income families and the elderly; with urban slums and blight; and with rapid urban development are about to disappear entirely as our Nation continues to become increasingly urban and as our cities continue to grow across municipal, county and State lines?

F. Federal Encroachment on States and Municipalities

Opponents of the Department have expressed an honest fear that the Department will siphon away from States and municipalities some of the governmental authority they now have. The fact is that the creation of the new Department makes no changes in the substantive Federal law affecting housing and urban

development; and of course makes no changes in State or local laws relating to urban development. The fears are entirely without foundation. All the Federal programs heretofore enacted by the Congress provide aid to private, State and local programs which are carried out under State and local law. There is no reason to fear that future substantive laws enacted by the Congress will fail to follow this pattern.

The organizations representing municipal governments, county governments and local public agencies concerned with urban development do not share this baseless fear. In favor of the new Department are the National League of Cities, the United States Conference of Mayors, the National Association of Counties, and the National Association of Housing and Redevelopment Officials. Supporting it also are many governors as well as former governors and mayors now serving in the Congress.

G. The Department Will Not Downgrade Housing Functions or the FHA

Urban housing and urban development functions of the Federal Government would be assigned to the new Department. There is no competition between urban housing functions and urban development functions. Obviously, a good home cannot be located in a neighborhood which is badly planned, with inadequate shopping, sewer, water and transportation facilities.

Representatives of the National Association of Home Builders (the organization which represents the major private enterprise group concerned with housing) have stated their belief that housing functions and urban development functions are interdependent and should be administered together. They have testified as follows:

"We agree completely with the wording in the bill that says that the functions of FHA will be transferred to the Secretary. We believe that the Secretary should be a strong Secretary with the overall responsibility and authority. What we are looking for is language that would prevent in the future the role of the FHA being relegated to the background of a second-, third-, or fourth-rate position".

The NAHB prepared such language and the Committee on Government Operations has incorporated it in the bill. The bill now provides that an Assistant Secretary (who will be appointed by the President and confirmed by the Senate) shall be designated to administer, under the supervision and direction of the Secretary, departmental programs relating to the private mortgage market.

Thus, Federal functions with respect to housing and related community development are assured of greater attention within the Federal Government because the functions will be vested in a Cabinet member; and functions relating to the private mortgage market will be assured of primary attention within the Department because their administration will be vested in an Assistant Secretary appointed by the President and confirmed by the Senate. The NAHB, therefore, strongly supports the Bill.

H. VA Home Loan Guarantee Program and FHLBB Not Included in the Department

Opponents of the Department have complained that two major housing functions have not been included in the Department. The VA home loan guarantee program has not been assigned to the Department because problems of coordinating this program with FHA mortgage insurance have long ago been worked out; because the program is declining; and because it would now increase, rather than decrease, confusion if the VA and FHA programs were to be combined at this late date.

The Federal Home Loan Bank Board has not been assigned to the new Department because the Congress separated the Board from the Housing and Home Finance Agency in 1955 on the grounds that most of its functions were regulatory or quasi-judicial. Whether or not the Congress acted wisely in this respect, the present legislation is in accord with Congressional preference. Since there is much merit on both sides of this argument, the failure to assign the functions of the FHLBB to the new Department can hardly be considered a major argument against the Department -- particularly when the functions which are assigned to the new Department are clearly of such importance and magnitude as fully to justify their being granted departmental status.

Also, it is paradoxical that some of the loudest voices now criticizing the proposed new Department for the failure to include the FHLBB are among those which supported the legislation to make the FHLBB independent in 1955.

I. Proposal to Establish an Office of
Community Development in the White House

This type of office would merely establish another bureaucratic layer between the President and the various government departments and agencies which have an impact on urban areas.

- (a) The office could not help much to solve fundamental policy-coordination problems because these must be handled by the President; and he already has the assistance of the Vice President as his liaison officer with municipalities, the Budget Bureau, and the Council of Economic Advisers.
- (b) The office could not help much to solve operating-coordination problems because these can best be solved by operating officials on the firing line.
- (c) The new office would be too cumbersome to provide the kind of personal liaison and personal staff service now provided to the President by the Vice President and by individual White House staff assistants.

Finally, the organization of the White House is really a matter that should be left to the full discretion of the President, and not incorporated in legislation.

In any event, the merits or demerits of such an office concerned with all Federal programs affecting urban areas are irrelevant to the present need for a Department with responsibility for those Federal programs specifically affecting urban physical development.

May 28, 1965

BAH

Mr. Wayne Phillips
Director News and Information
Democratic National Committee
1730 K Street, N.W.
Washington, D.C.

Dear Mr. Phillips:

Thank you for your note enclosing background information on the President's proposal for a Department of Housing and Urban Affairs. This is very helpful data - I appreciated receiving it.

Sincerely,

CARL ALBERT, M.C.

CA/v