

# HOUSING ACT OF 1949

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## SUMMARY OF PROVISIONS

OF THE

NATIONAL HOUSING ACT

OF 1949

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COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE



PRESENTED BY MR. MAYBANK

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# BRIEF SUMMARY OF THE HOUSING ACT OF 1949

## SHORT TITLE AND DECLARATION OF NATIONAL HOUSING POLICY

The short title of the act is the Housing Act of 1949.

Section 2 of the act establishes national housing objectives and the policies to be followed in attaining them. The declaration states that—

the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation.

The act provides that private housing enterprise shall be encouraged to serve as large a part of the total need as it can; that local public bodies shall be encouraged to undertake positive programs to assist the development of well-planned, residential neighborhoods, the development and redevelopment of communities, and the production, at lower costs, of housing of sound standards of design, construction, livability, and size for adequate family life; and that governmental assistance shall be given to eliminate substandard and other inadequate housing through the clearance of slums and blighted areas, to provide adequate housing needed for urban and rural nonfarm families of low incomes where such need is not being met through reliance solely upon private enterprise, and to provide decent, safe, and sanitary farm dwellings and related facilities where the farm owner demonstrates that he lacks sufficient resources and credit to provide such housing.

The act requires the Housing and Home Finance Agency, and any other departments or agencies of the Federal Government having functions with respect to housing to exercise their functions consistently with these national housing objectives and policies and in such manner as will encourage and assist (1) the production of housing of sound standards of design, construction, livability, and size for adequate family life; (2) the reduction of the costs of housing without sacrifice of such sound standards; (3) the use of new designs, materials, techniques, and methods in residential construction and the increase of efficiency in residential construction and maintenance; (4) the development of well-planned, residential neighborhoods and the development and redevelopment of communities; and (5) the stabilization of the housing industry at a high annual volume of residential construction.

### TITLE I. SLUM CLEARANCE AND COMMUNITY DEVELOPMENT AND REDEVELOPMENT

This title authorizes the Housing and Home Finance Administrator to make loans and grants to localities to assist locally initiated, locally planned, and locally managed slum-clearance and urban develop-

ment undertakings. A local public agency would, after public hearing, acquire (through purchase or condemnation) a slum or blighted or deteriorating area selected in accordance with a general city plan for the development of the locality as a whole. The local public agency would then clear the land and make it available, by sale or lease, for private or public redevelopment or development in accordance with a predetermined local redevelopment plan for the area.

The act authorizes \$1,000,000,000 in loans over a 5-year period. Advances of funds would be available to finance the planning of local projects, and temporary loans for the acquisition and clearance of land, and the preparation of the land for reuse; these loans would be repayable when the land is sold or leased for redevelopment. Long-term Federal loans would be available to refinance the portions of the sites which are leased and would be secured by the rentals from the leased land.

The act also authorizes \$500,000,000 in Federal capital grants over a 5-year period, in order to help meet the loss involved in connection with slum-clearance operations. This loss would be shared on a two-to-one basis—the Federal Government making up two-thirds of the loss and the local government making up one-third. Thus the Federal capital grants may not exceed two-thirds of the losses on all clearance projects undertaken in any one locality. The local public agencies may provide their share either in cash or through the provision of parks or schools or other public facilities necessary to serve or support the new uses of land in the project areas, the installation of streets, utilities, and other site improvements, or the use of municipal labor and equipment to clear a project area. While Federal loan assistance is available for projects involving open land, no capital grants may be made for such projects.

Federal assistance would be available to defray the costs of acquisition and clearance of slum areas and the preparation of the sites for redevelopment; none of the funds would be available for building construction on the cleared sites, except that, in connection with the development of open or predominantly open areas, provision is made for temporary loans (repayable in not to exceed 10 years) for schools or other public facilities necessary to serve or support the new uses of land in the area.

As a further condition to Federal aid there must be a feasible method for the temporary relocation of families displaced from the project area and the permanent provision of decent, safe, and sanitary dwellings at prices and rents within the financial means of such families. (First preference to such displaced families of low income is required in public housing projects provided under title III of the act.) The demolition of residential structures in connection with slum-clearance projects is prohibited until July 1, 1951, if the local governing body determines that it would create undue housing hardship in the locality.

Not more than 10 percent of the funds provided for loans or grants may be expended in any one State.

#### TITLE II. AMENDMENTS TO NATIONAL HOUSING ACT

This title (pending further action by the Congress) provides for temporary extensions (through August 31, 1949) of FIIA's title I and section 608 mortgage insurance operations; also for a \$500,000,000

increase in its title II insurance authorization. The extensions under title I relate to small loans for a teration and improvement and new construction and under section 608 to rental housing. The increase in insurance authorization applies to all types of housing under title II, owner-occupied, small and large scale rental and sale housing, including cooperative housing.

#### TITLE III. LOW-RENT PUBLIC HOUSING

This title amends the United States Housing Act of 1937 by authorizing Federal contributions and loans for local programs involving not to exceed 810,000 additional units of low-rent public housing over a 6-year period. The Public Housing Administration may authorize local authorities to commence construction of 135,000 units each year. The President, however, is authorized to accelerate the program to not more than 200,000 units per year or to retard the program to not less than 50,000 units per year, subject to the total authorization of 810,000 units, if he determines, after advice from the Council of Economic Advisers, that such action is in the public interest.

Federal annual contributions may not exceed the amounts which, with the required local tax exemption, are necessary to make up the difference between the rents which the low-income families can afford to pay and the annual costs incurred in the operation of the projects, including interest and amortization of all capital borrowings. In no event may they exceed the aggregate annual contributions authorization, reaching a maximum rate of \$308,000,000 per year after the total program is in operation.

The act reduces the maximum period for loans and annual contributions from 60 to 40 years and adjusts the basis for Federal contributions in accordance with the increased annual amortization requirements.

Provisions in this title strengthen the statutory safeguards to assure that occupancy of projects is limited to low-income families in need of adequate housing. As in the past, annual incomes of families on admission may not exceed five times the rent, including utilities, but the act recognizes the needs of larger families by exempting from income \$100 per year for each minor dependent. The title further requires local authorities (1) to establish upper rental limits for admission to projects at least 20 percent below the lowest rents at which private enterprise unaided by public subsidy is providing an adequate supply of decent housing in the respective localities, (2) to provide maximum income limits for admission and continued occupancy, (3) to require the removal of families found to be ineligible as the result of periodic reexaminations of tenant incomes, (4) not to discriminate against welfare cases, and (5), subject to specific preferences stated below, to give preference to families having the most urgent needs. In determining the eligibility of families for continued occupancy, the local housing authorities may exempt \$100 for each minor or any part of the income received by minor members of the families (since such income normally will be available to the tenant families only for a short period).

Families who are otherwise eligible and who are displaced or are about to be displaced by public slum clearance, redevelopment, or low-rent housing projects will be given a first preference for admission

to low-rent housing. Among such displaced families, veterans with service-connected disabilities have first preference, families of deceased veterans and servicemen whose death was service-connected have second preference, and other veterans or servicemen have a third preference. As among families who have not been displaced by slum clearance, preference shall be extended to veterans and servicemen, and among such families veterans with service-connected disabilities have first preference and families of deceased veterans and servicemen whose death was service-connected have second preference. These preferences are extended to veterans and servicemen of World War I and World War II.

The act fixes the limitation on the cost of construction and equipment of dwelling facilities to \$1,750 per room. An increase in this cost limitation of not more than \$750 per room is authorized in areas where it would not be feasible without such increase to construct sound housing. In no event may a project be undertaken which is of elaborate or extravagant design or materials.

The act repeals existing equivalent elimination requirements, but substitutes a requirement that no financial assistance (other than preliminary loans) shall be made available for any low-rent housing project unless the governing body of the locality involved agrees that there will be eliminated within 5 years after completion of the project unsafe or insanitary dwellings substantially equal in number to the number of newly constructed dwelling units provided in the project. Under the old requirement only one unsafe or insanitary dwelling unit could be counted, even though it may have accommodated several families. But under the new formula, if more than one family is living in an unsafe or insanitary dwelling unit the elimination of such unit shall count as the elimination of units equal to the number of families accommodated. The elimination requirement does not apply to rural nonfarm housing projects or to any public housing projects located on a slum site that has been cleared for urban redevelopment under title I of the act. The Public Housing Administration may defer beyond 5 years the required elimination in any locality or metropolitan area where there is an acute shortage of decent, safe, or sanitary housing available to families of low income.

#### TITLE IV. HOUSING RESEARCH

This title authorizes the Housing and Home Finance Administrator to undertake and conduct technical research and studies which will promote reduction in housing construction and maintenance costs and stimulate the increased production of housing.

The research may also be concerned with improved building codes; standardized dimensions and methods for the assembly of home building materials and equipment; improved residential design and construction; new types of materials, equipment and construction; and may relate to appraisal, credit, housing needs, demand and supply, land costs, use and improvement, and related technical and economic research. The Administrator shall also prepare estimates of national housing needs and encourage and assist localities to make studies of their own housing needs and markets and plans for housing and community development.

The Administrator shall utilize to the fullest extent feasible the available facilities of other Federal agencies and is authorized to undertake research and studies cooperatively with industry and labor and with State or local governments, educational institutions and other nonprofit organizations.

#### TITLE V. FARM HOUSING

The Secretary of Agriculture is authorized to extend financial assistance to farm owners to enable them to construct, improve, or repair farm housing or other farm buildings as follows:

1. Loans up to 33 years at not to exceed 4-percent interest, to owners of self-sustaining farms who are otherwise unable to finance adequate housing or other needed building improvements for themselves or others working on the farms.

2. Similar loans, supplemented by annual contributions, to owners whose farms are not presently self-sustaining but which may be brought up to a self-sustaining level through a satisfactory program of enlargement, improvement, or adjusted farm practices. The subsidies, applied as a partial credit on interest and principal payments, could not be made available to an owner for more than 5 years and, in the aggregate, could not exceed \$5,000,000 annually after the third year of the program; lesser amounts would be authorized for the earlier years.

3. Loans and grants for minor improvements and minimum repairs to farm dwellings and buildings on farms which cannot be made self-sustaining. The amount available would be limited to \$1,000 for any one farm or dwelling or building owned by one individual, and the grant portion with respect to any one dwelling or building could not exceed \$500.

4. Loans to encourage adequate family size farms where a farm needs enlargement or development in order to provide income sufficient to support decent, safe, and sanitary housing and other farm buildings.

This title authorizes loans aggregating \$250,000,000, contributions for a period of 5 years not exceeding \$5,000,000 per year, and loans and grants for a period of 5 years totaling \$25,000,000 for minor improvements and land purchases.

#### TITLE VI. MISCELLANEOUS PROVISIONS—HOUSING CENSUS

Among the miscellaneous provisions in the bill, the Director of the Census is directed to take a census of housing in 1950 and decennially thereafter.

This title amends and supersedes existing provisions for the conversion of eligible State-aided low-rent or veterans' housing projects to low-rent housing assisted under the United States Housing Act of 1937.

The National Banking Act is liberalized with respect to the authority of national banks and State member banks of the Federal Reserve System to purchase or underwrite certain obligations of local public housing and slum-clearance agencies.

This title also restores the right of the National Capital Housing Authority (which is the low-rent public housing agency for the District

of Columbia) to acquire sites within the District of Columbia for low-rent public housing projects.

The District of Columbia is also authorized to participate, on the same basis as other authorized localities, in the slum-clearance and urban redevelopment benefits authorized in title I of the act, but no loans or grants under title I may be extended for the District of Columbia, with respect to any project for which Congress, after being presented with a budget estimate to make an appropriation under provisions of the District of Columbia Redevelopment Act, makes no funds available.

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