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THE WHITE HOUSE
WASHINGTON

June 21, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: PAUL H. O'NEILL
FROM: JAMES E. CONNOR *JEB*
SUBJECT: Housing for the Elderly Rescission

The President reviewed your memorandum of June 15th on the above subject and has approved release of the entire \$750 million for elderly housing loans.

Please follow-up with the appropriate action.

cc: Dick Cheney

THE WHITE HOUSE

WASHINGTON

June 18, 1976

MR PRESIDENT:

Housing for the Elderly
Rescission

The attached memorandum prepared by Paul O'Neill was staffed to Messrs. Buchen, Cannon, Friedersdorf, Greenspan, Marsh and Seidman.

The following recommendations were received:

Release Funds:

Supported by: Jim Cannon, Max Friedersdorf,
Jack Marsh and Bill Seidman

Jim Cannon further commented: "I concur with Secretary Hills. Rescission would antagonize a very powerful and highly vocal constituency."

Propose Rescission:

Supported by: OMB, Alan Greenspan and
Phil Buchen.

Jim Connor



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 15 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: Paul H. O'Neill *O'Neill*
SUBJECT: Housing for the Elderly Rescission

I. BACKGROUND

The Second Supplemental Appropriations Act increases the volume of loans that may be approved under HUD's Housing for the Elderly or Handicapped ("section 202") Program during 1976 and the transition quarter. The \$750 million loan level provided for in the Act is twice the level you approved for 1976, and 3.5 times the level you originally proposed.

II. OPTIONS

1. Release the entire \$750 million for elderly housing loans.
2. Release the \$375 million provided for in the budget and propose rescission of the \$375 million add-on. (Unfortunately, deferral is not an option.)

Two factors have an important bearing on the need for section 202 loans. First, they are only being made to finance projects approved for rental subsidies under the section 8 program. Second, the section 8 new construction program itself is heavily oriented toward the elderly. To date, two-thirds of all new units approved for section 8 subsidies are earmarked for elderly persons.

Two programmatic arguments have been advanced in favor of the section 202 program. Supporters of the program claim that:

- . It makes it easier for elderly housing sponsors to arrange permanent financing.

- . The implicit subsidy (equal to the difference between the Treasury borrowing rate and market rates) brings down the cost of housing to elderly persons.

OMB finds neither argument to be persuasive.

On the one hand, elderly housing sponsors have little problem securing FHA-insured financing. On the other hand, the section 202 subsidy makes little or no difference as far as the rents elderly tenants must pay. For upper income tenants--those receiving little or no section 8 assistance--the section 202 subsidy would reduce rents by no more than \$15 per month. (Using a .25 rent/income ratio, this would reduce the annual income required to rent a newly built unit without benefit of a section 8 subsidy by only \$700.) The rent paid by all other tenants would not be reduced at all. The section 202 subsidy, at best, would merely reduce the section 8 subsidy; at worst, it would add to the Federal subsidy. The impact of the subsidy is highlighted in the attached charts.

Of course, elderly programs such as the section 202 program are especially popular with the Congress. Nonprofit sponsors, elderly groups and builders are strong, organized supporters of elderly housing projects.

Budget Impact

An increase of \$375 million in 1976 would have no direct impact on budget outlays if the program remains off-budget. It would, however, raise Treasury borrowing costs. More importantly, legislation passed by the House would put this account back on-budget in 1978--a move the Administration should strongly support. In that case, outlays resulting from the \$375 million add-on would be as follows:

off-budget	-----on-budget-----			
<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	(Millions of Dollars)			
(100)	200	75	-10	-10

Since your budget also provides for a \$375 million program level in 1977, acceptance of the congressional add-on in 1976 would all but guarantee at least another \$375 million add-on in the 1977 appropriation bill. This would further

increase 1978 and 1979 outlays by \$100 million and \$200 million, respectively. (The House Appropriations Committee has reported out a bill providing for \$750 million in elderly housing loans. Secretary Hills has appealed back to the budget request of \$375 million.)

III. RECOMMENDATION

HUD Secretary Hills recommends that you release the entire appropriation. In her judgment, a rescission request would:

- . Have almost no chance of being accepted by both Houses.
- . Damage her credibility with the elderly and their friends in Congress.
- . Hinder the effort to get this account back on-budget.
- . Make the Administration look foolish, since it requested part of the add-on and did not appeal the remainder. See memo from Secretary Hills TAB A.

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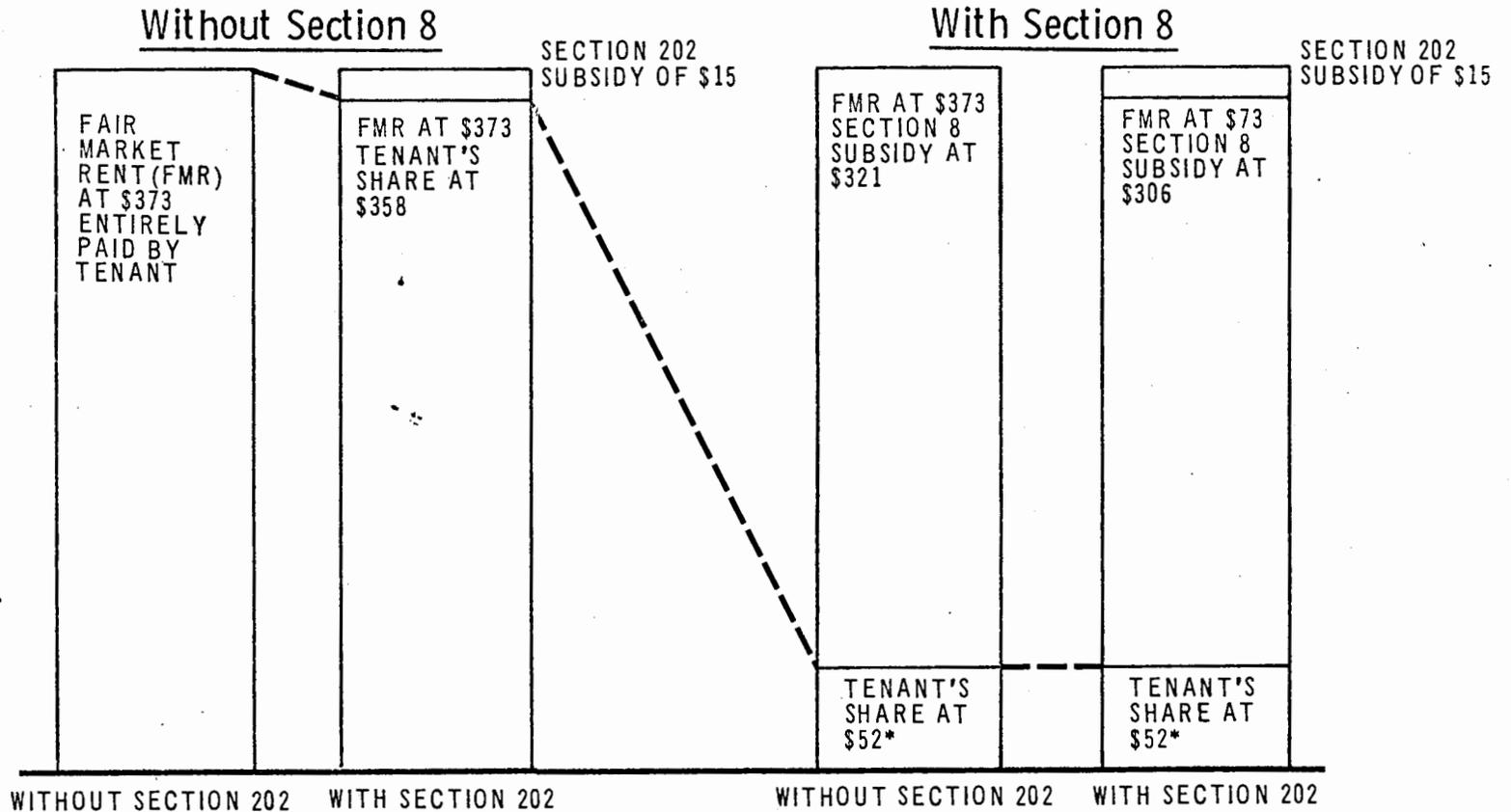
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DECISION

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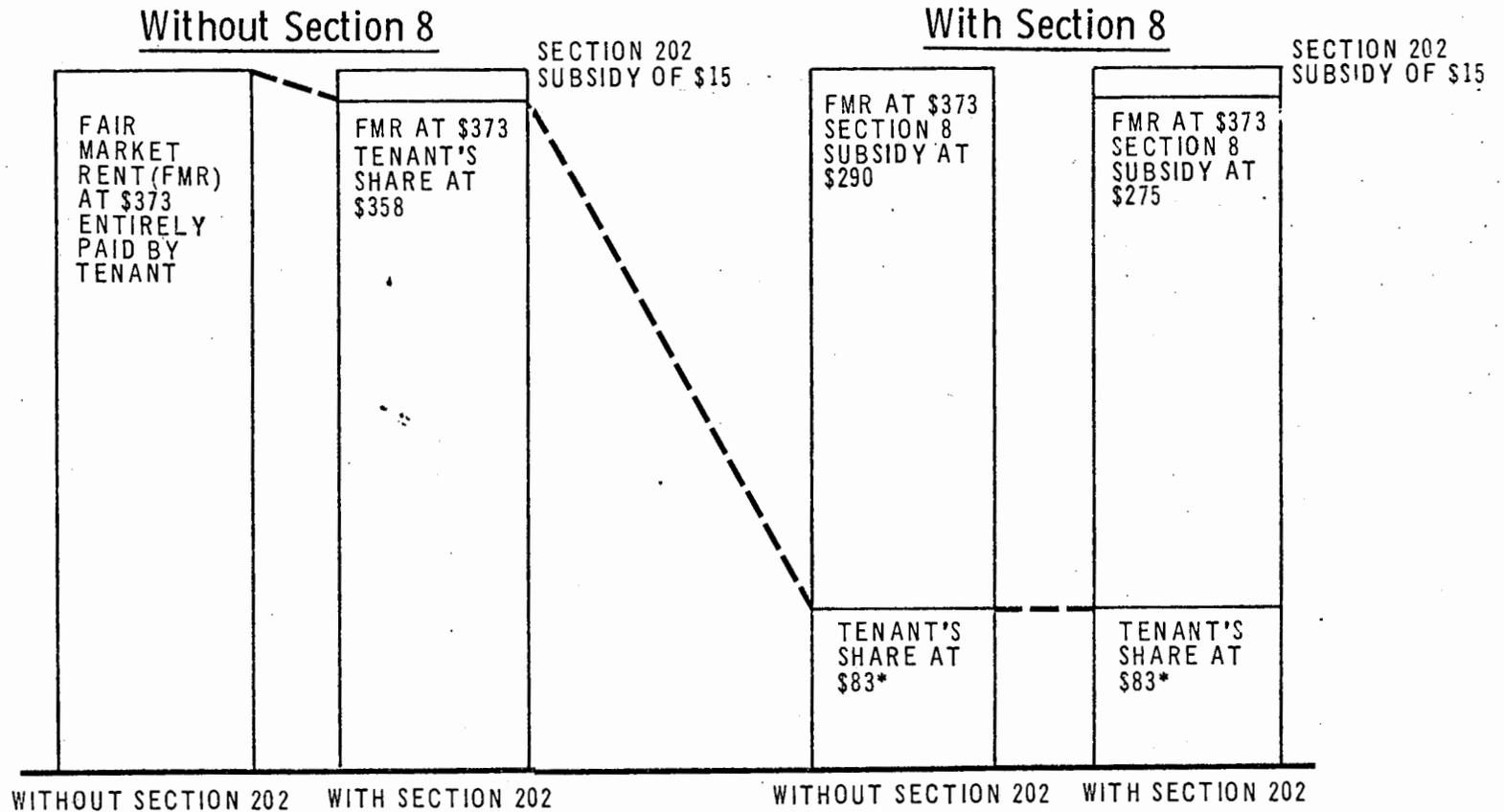
Attachments

TENANT'S SHARE OF FAIR MARKET RENTS WITH AND WITHOUT SECTION 8 AND SECTION 202 ASSISTANCE



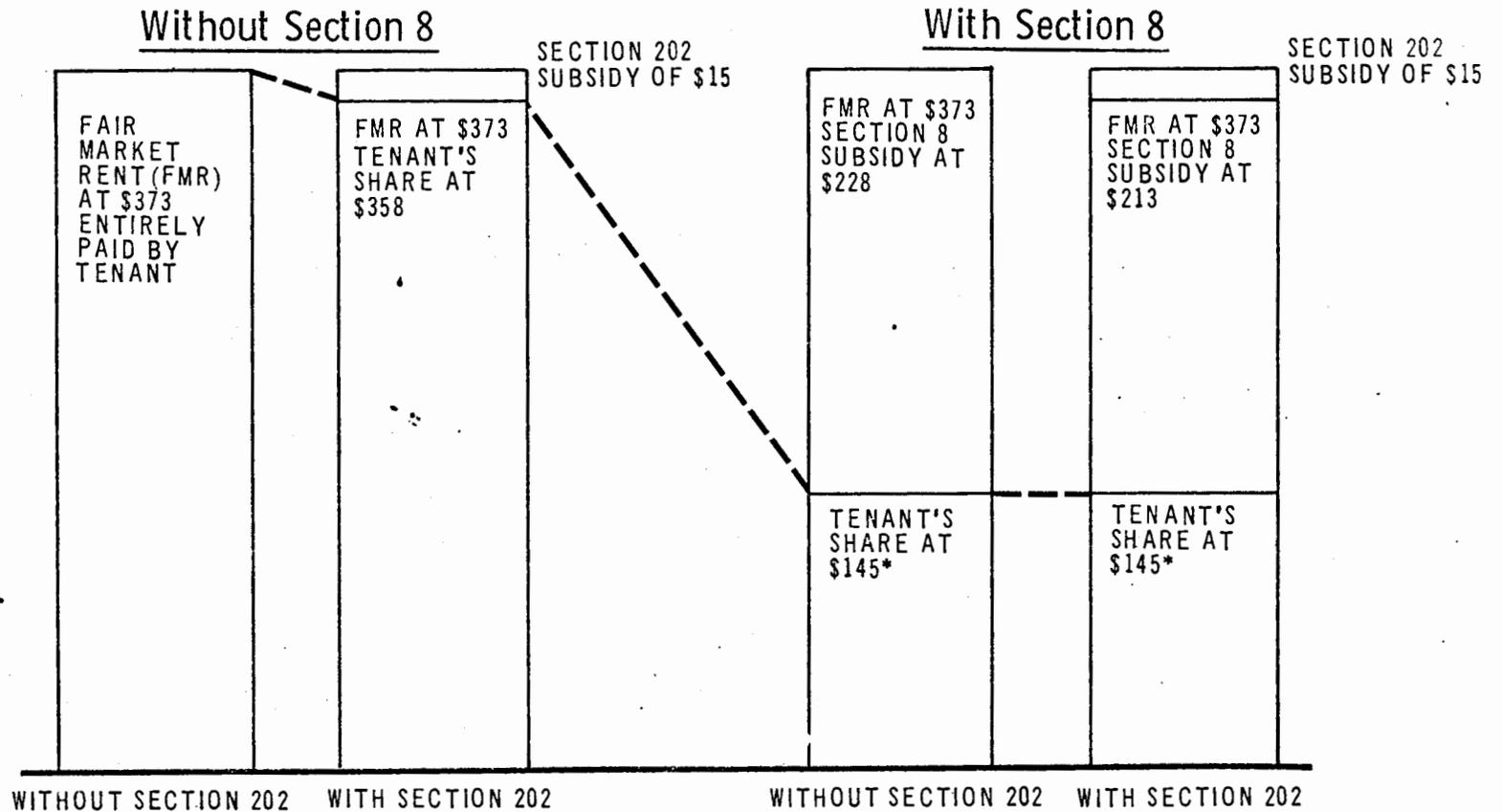
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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

June 4, 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Rescission of Section 202 Supplemental

I have just been advised by the Office of Management and Budget of their proposal to rescind the recently enacted supplemental of \$375 million for the Section 202 Housing for the Elderly Loan Program.

I am strongly opposed to the Office of Management and Budget's proposal.

Although I sympathize with the fiscal reasoning behind the OMB proposal, the Administration will look extremely foolish if this proposal is submitted.

There are two major reasons for this:

1. The Administration requested \$115 million of the total. While it is true that the rationale (a court order) for requesting those funds vanished during the appropriation process, the Administration did not withdraw the proposal.
2. After the House Appropriations Bill added \$260 million for a total level of \$375 million, the Administration did not object to the additional amount.

The various elderly housing groups are a potent political power. They are able to mobilize massive bipartisan support on the Hill. They have tremendous political influence throughout the country.

Any rescission measure on this program will be defeated. In our opinion only a small portion of Republicans would support such a measure. However in the course of seeking the rescission, we will lose the good will of these extremely powerful groups.

I respectfully, but very strongly, urge you to reject any proposal to rescind these funds.

I am happy to discuss this with you personally.

Sincerely,



Carla A. Hills

cc: James T. Lynn
Paul H. O'Neill
Dan L. McGurk
James M. Cannon
James E. Connor
Max L. Friedersdorf

THE WHITE HOUSE

WASHINGTON

June 21, 1976

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III. RECOMMENDATION

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- . Have almost no chance of being accepted by both Houses.
- . Damage her credibility with the elderly and their friends in Congress.
- . Hinder the effort to get this account back on-budget.
- . Make the Administration look foolish, since it requested part of the add-on and did not appeal the remainder. See memo from Secretary Hills TAB A.

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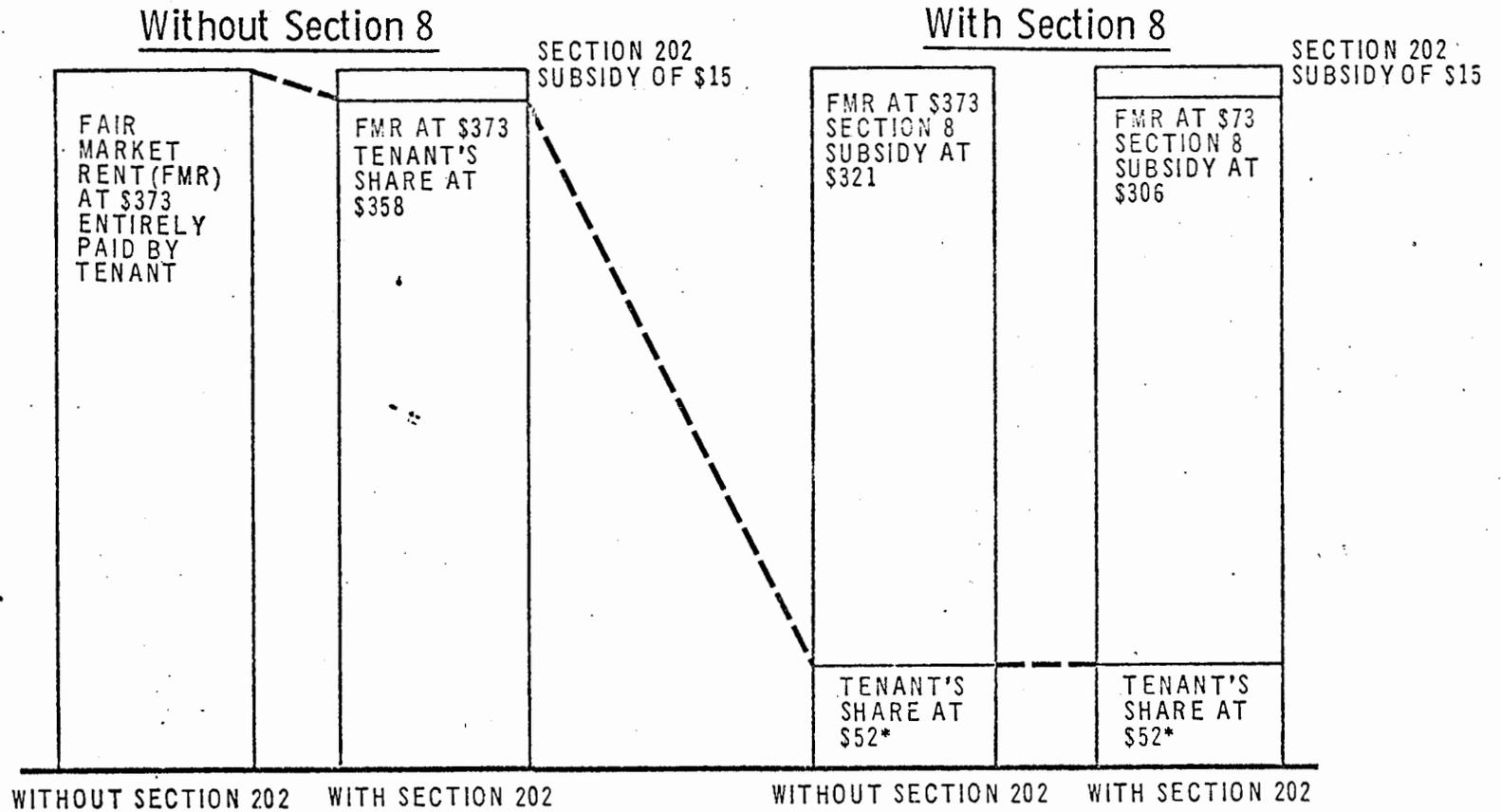
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DECISION

_____ Release funds
 _____ Propose rescission
 _____ Other

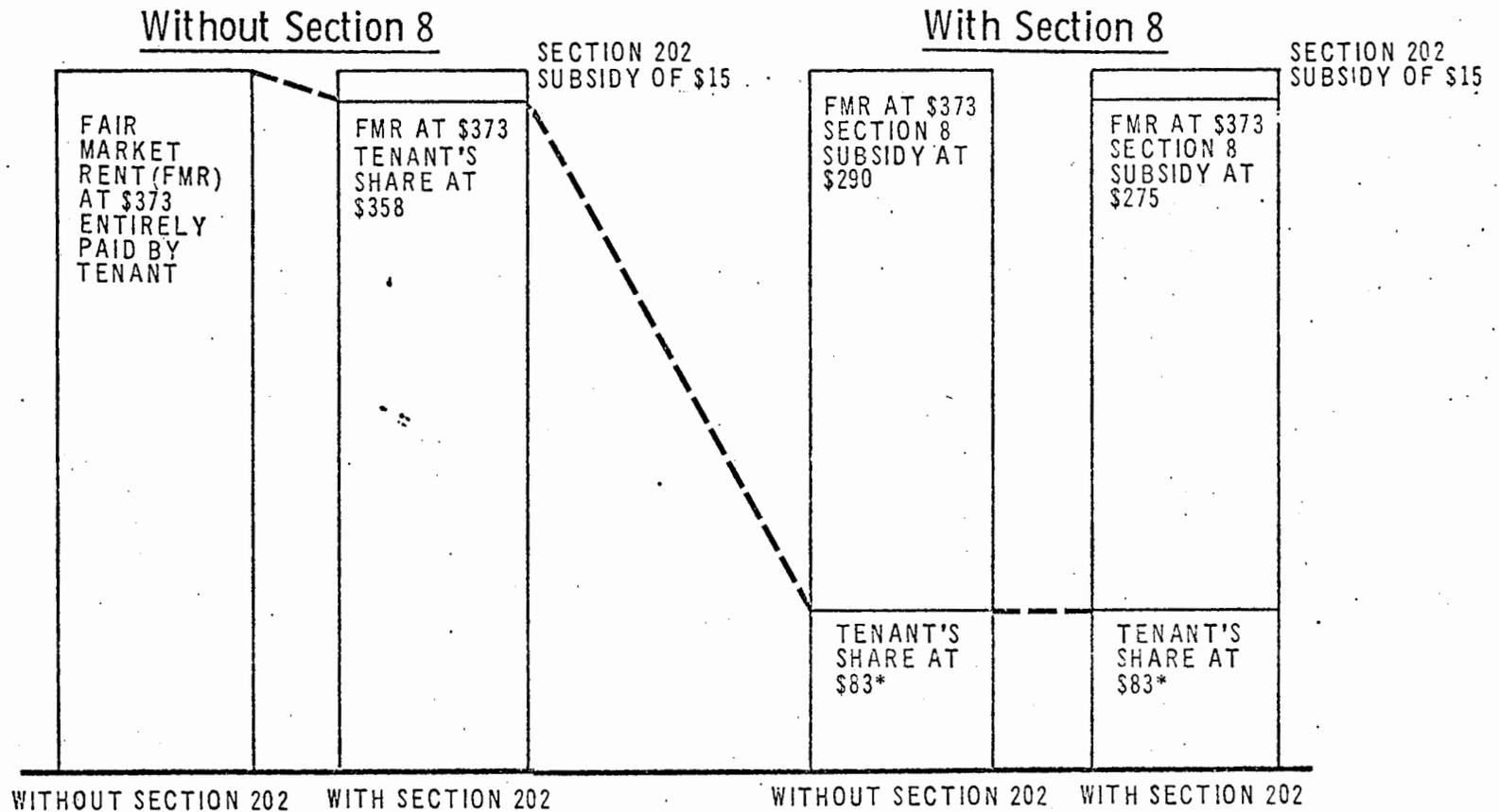
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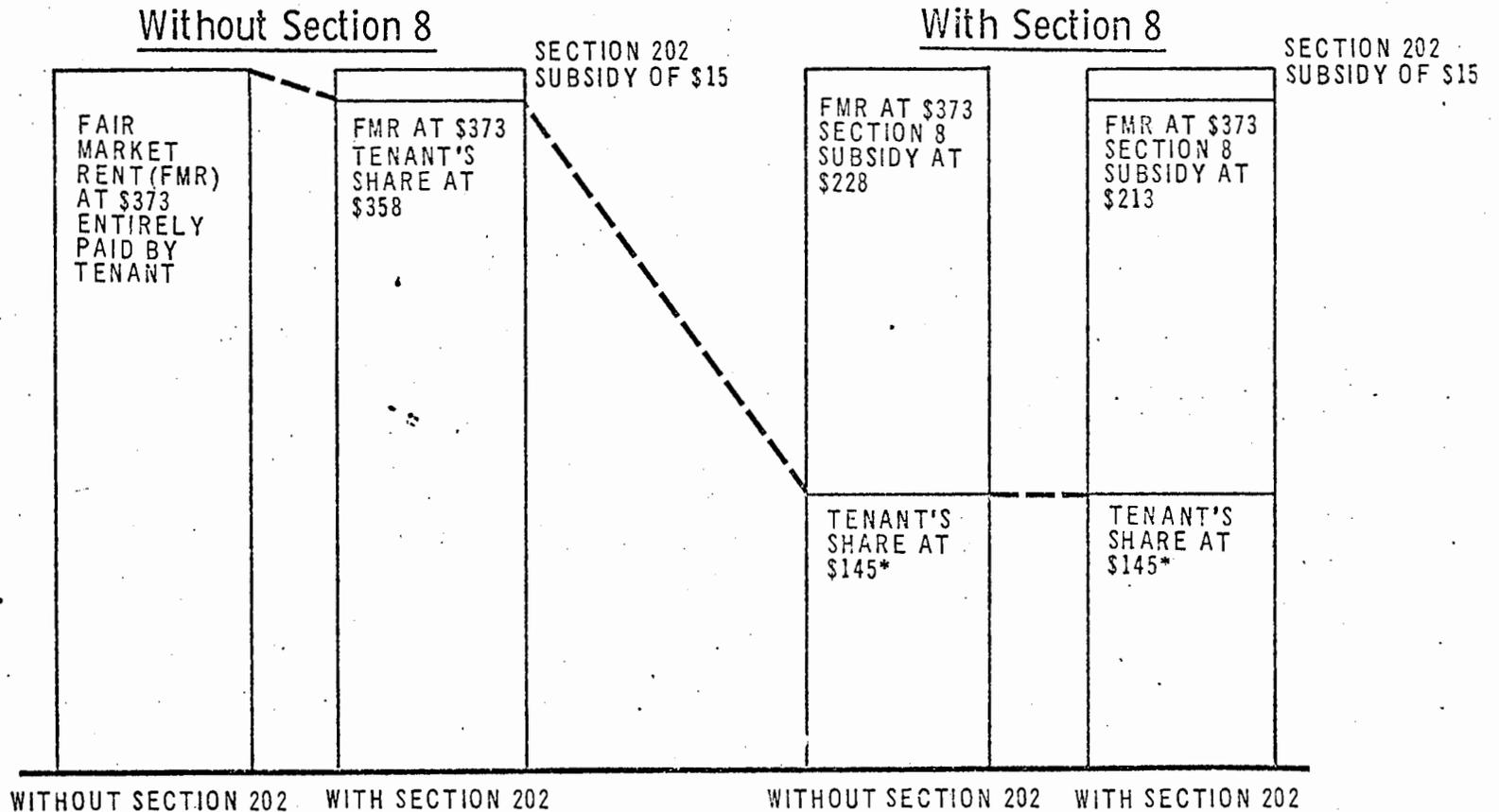
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WASHINGTON, D. C. 20410

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I am strongly opposed to the Office of Management and Budget's proposal.

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I am happy to discuss this with you personally.

Sincerely,



Carla A. Hills

cc: James T. Lynn
Paul H. O'Neill
Dan L. McGurk
James M. Cannon
James E. Connor
Max L. Friedersdorf

June 18, 1976

MR PRESIDENT:

Housing for the Elderly
Rescission

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The following recommendations were received:

Release Funds:

Supported by: Jim Cannon, Max Friedersdorf,
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Propose Rescission:

Supported by: OMB, Alan Greenspan and
Phil Buchen.

Jim Connor

STAFFING

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 15, 1976

Time:

FOR ACTION:

cc (for information):

- ✓ Phil Buchen
- ✓ Jim Cannon
- Max Friedersdorf

- ✓ Alan Greenspan
- ✓ Jack Marsh
- ✓ Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, June 17

Time: Noon

SUBJECT:

Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Rescission

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

Seidman - Release funds
Marsh - Release funds
Greenspan (John Davis) Option 2
Cannon - see comments
Buchen - Support OMB - Rescission
Friedersdorf - Recommend release funds x

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 15, 1976

Time:

FOR ACTION:

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For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Support OMB - Rescission
[Signature] 6/18

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THE WHITE HOUSE

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Time:

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SUBJECT:

Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Rescission

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

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SUBJECT:

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Draft Reply

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Draft Remarks

REMARKS:

*Release funds
JWS*

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DECISION

- Release funds
 Propose rescission
 Other

Attachments

THE WHITE HOUSE
WASHINGTON

June 18, 1976

MEMORANDUM FOR: JIM CONNOR
FROM: MAX FRIEDERSDORF 
SUBJECT: Paul O'Neill's memorandum 6/15/76
re Housing for the Elderly Rescission

The Office of Legislative Affairs recommends release of funds.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 15, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen
Jim Cannon
Max Friedersdorf

Alan Greenspan
Jack Marsh
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date:

Thursday, June 17

Time:

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SUBJECT:

Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Rescission

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For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Recommend release of funds.

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For the President

THE WHITE HOUSE
WASHINGTON

Bob Linder -

You will recall that I have been holding the letter from Sec. Hills on this subject --- the memo from OMB is now in and I plan to staff it.

Thought you would want to review first.

Trudy Fry
6/15/76

A handwritten signature in dark ink, appearing to be 'TRUDY FRY', written in a cursive style.

MEMORANDUM
OF CALL

TO: _____

YOU WERE CALLED BY— YOU WERE VISITED BY—

Trudy
Jim Gura

OF (Organization) _____

PLEASE CALL → PHONE NO. CODE/EXT. _____

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE

*O'Neill talked
w/ Linda re: Hill
memo or recessions --
they agree you should
hold until OMB's memo
comes in*

RECEIVED BY <i>Sara</i>	DATE <i>6/7</i>	TIME <i>2:30</i>
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THE WHITE HOUSE
WASHINGTON

6/5/76

TO: JIM CONNOR

Bob Linder said OMB
would be sending
something over on this
HBT 6/7

RDL
Robert D. Linder

X4844



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
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