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5:15 PM - Meeting with V.P. , Dunham
Cannon and Sec. Hills at
HUD

Wednesday, April 30, 1975

THE WHITE HOUSE

WASHINGTON

April 28, 1975

MEMORANDUM FOR THE VICE PRESIDENT
FROM JIM CANNON *JMC*
SUBJECT MEETING WITH SECRETARY CARLA HILLS
WEDNESDAY, APRIL 30, 1975
5:~~00~~¹⁵ p.m.

This memorandum is to provide background information for your meeting with Secretary Hills.

PERSONAL PROFILE

Mrs. Hills, 41, was born in California; AB from Stanford; LLB from Yale; admitted to practice before the California Bar and the U.S. Supreme Court. Prior to becoming a partner in a law firm with her husband, she was an Adjunct Professor at UCLA; Assistant U.S. Attorney in Los Angeles; and since April 1974, Assistant Attorney General, Civil Division, U.S. Department of Justice. Her husband, Roderick, serves as Deputy Counsel to the President. The Hills have four children, ranging in age from 13 to 4-1/2. She is the third woman Cabinet officer in the history of the United States. She co-authored Federal Civil Practice (1961) and Antitrust Advisor (1971). Hobbies include horseback riding and tennis.

MAJOR HUD ISSUES/PROBLEMS

Nonsubsidized Housing

The housing industry is in the midst of a depression. Housing starts in March fell to a seasonally adjusted annual rate of 980,000 units. This was off 6% from February and down 35.2% from the previous year. The issuance of building permits hit a record low annually adjusted rate of 710,000 units which is .6% below February's rate and 49.6% below March 1974. The expected recovery in the housing industry has been delayed beyond what had been anticipated even though the inflow into S&Ls has been occurring at a record pace and mortgage interest rates have dropped.

The Congress senses the depression in the housing industry and has produced several pieces of legislation which the Administration has opposed primarily because of their heavy budget impact and our belief that we have the tools needed to respond to the problem.

Secretary Hills has presented the White House with a number of proposals which she feels are necessary to stimulate the housing industry. Her proposals include seeking enactment of

- a tax credit for the purchase of a newly-constructed home;
- a cash incentive plan to encourage new home construction;
- additional GNMA stand-by tandem authority.

Her proposals are presently being analyzed by the Office of Management and Budget, the Council of Economic Advisors and the Domestic Council staff.

Release of Section 235 Funds

In January 1973, Section 235 and several other subsidized housing programs were suspended. The programs were subsequently evaluated by the Department of Housing and Urban Development and serious deficiencies identified. As a result, the programs were permanently suspended.

On April 15, 1975, the Comptroller General filed suit against the President, the Director of OMB and the Secretary of HUD to compel obligation of \$264,117,000 of impounded budget authority for the Section 235 subsidized housing program. The Comptroller seeks a declaratory judgment mandating the expenditure of these funds, on the grounds that the expenditure is required pursuant to Title X of the Budget Control Act of 1974. Secretary Hills states that the Office of General Counsel at HUD and the Department of Justice are of the opinion that GAO is quite likely to prevail in the litigation.

The Secretary has proposed that the President release the impounded funds under an administratively modified Section 235 program which would lessen the cost and inequities of the "old" 235 program and produce some political credit for the President.

The Secretary believes that the administrative release of the impounded funds would moot the lawsuit.

Community Development Block Grants

The Housing and Community Development Act of 1974, signed by the President last August, authorized for the first time a major community development block grant program and eliminated a number of categorical grant programs. This legislation is a major accomplishment for the President and is the cornerstone of his urban policy. The successful implementation of this program is a substantive and political necessity.

Subsidized Housing

The Housing and Community Development Act of 1974 also authorized a lower income housing assistance program referred to as the "Section 8 program". This program authorizes the Federal government to pay the difference between (1) the fair market rent and (2) a portion of such rent - between 15-25% of gross income - affordable by the tenant. This program applies to 200,000 units in FY 75 and 400,000 units in FY 76 of existing, substantially rehabilitated or new housing. This program is the Administration's major subsidized housing program and its successful implementation is of great importance to the President substantively and politically.

EMERGENCY HOUSING LEGISLATION

By a vote of 64-26, the Senate approved a bill (S 1483) which combines a foreclosure relief provision and an interest subsidy provision. The House has passed similar legislation in two separate bills (HR 4458 and HR 5398). A House-Senate conference is scheduled for next week. Of the two features, the foreclosure aspect of the legislation appears overwhelmingly popular as evidenced by votes of 321-21 in the House and 89-1 in the Senate.

The Senate version of the foreclosure legislation would provide for \$300 monthly payments by HUD on behalf of distressed mortgagors for as long as 36 months. The House version provides monthly payments up to \$250 for as long as 24 months. These mortgage payments are direct loans to the homeowner.

The interest subsidy provision would lower the mortgage interest rate for middle-income families to 6% for the first three years of the mortgage with declining subsidies ending in the sixth year. The Administration has testified in opposition to each of these provisions.

Substantively, there may be agreement that the foreclosure provision and the interest subsidy provision should be vetoed. However, the question is how should these issues be handled in the political arena, recognizing that the Congress may force these provisions on the Administration by overriding the President's veto.

HUD, OMB, the Domestic Council staff and the White House Congressional Relations office are trying to devise a strategy which will position the Administration to sustain a veto of this bill.

The key issue seems to be whether or not the Administration can devise an acceptable alternative to the immensely popular foreclosure provision.

OTHER CONGRESSIONAL ACTIVITY

-- FY 1976 Appropriation hearings have been completed in the House and Senate. Final action is not expected until the Fall.

-- FY 1975-76 Supplemental appropriations of \$54 million for community development block grant funds passed the House and awaits action in the Senate.

-- Section 8 - On Wednesday, April 30, prior to your meeting, Secretary Hills will have testified before the House Banking and Currency subcommittee on Housing with regard to the delayed implementation of Section 8.

-- Financial Institution Reform - On May 15, Secretary Hills will testify on financial institution reform before the Financial Institutions subcommittee of the Senate Banking, Housing and Urban Affairs Committee.

DOMESTIC COUNCIL COMMITTEE ON COMMUNITY DEVELOPMENT

Secretary Hills has inherited the Chairmanship of the Domestic Council Committee on Community Development. Membership includes the Secretaries of Agriculture, HUD, Transportation, Treasury, Commerce, Labor, HEW, Director of OMB. HUD Assistant Secretary David O. Meeker heads three separate subcommittees which are addressing:

Long Range Economic Recovery for Disaster-stricken Areas: One subcommittee is preparing a paper for the President which will review the Federal role and outline the Federal activities which provide long-range economic recovery assistance to areas hit by natural disasters. Questions being addressed include: When does the community require Federal assistance to recover their long range economic base? Which Department should have the Federal lead? When should long range recovery be started and terminated? What tools do we have available to us at the present time to provide long range economic assistance?

-- Review of Federal Planning Assistance: Another subcommittee is preparing a paper for the President in an effort to determine how best to deliver Federal planning assistance to state and local governments to better enable them to meet their responsibilities. The Federal government has well over 100 planning programs which deliver over \$500 million. The subcommittee is trying to determine if there is a better way for the Federal government to coordinate its delivery of Federal planning assistance.

-- Preparation of National Growth Report: Another subcommittee is preparing to draft the 1976 National Growth Report which the Congress requires from the Administration. The next Report is due to the Congress in February 1976.

STUDIES, EXPERIMENTS, LONG RANGE ACTIVITIES BEING CONDUCTED BY HUD

-- Direct cash housing assistance. This is a demonstration/experiment to test the concept of giving disadvantaged Americans direct cash assistance to help them meet their housing requirements.

-- Review of mortgage money availability. This is a review of the problems - past, present and future - of providing a stable flow of mortgage money repayable over long periods of time at reasonable rates of interest.

-- Review of condominium problems. This is a review of the problems created by the recent surge of condominium building, conversions and ownership.

-- Local economic analysis. This is an experiment/demonstration program testing the concept of providing locally-elected officials with the capability to provide an economic analysis of their localities.

-- Capacity building for locally-elected officials. This is an experiment/demonstration to assist locally elected officials in building their capacity to better cope with the problems of local government and the added responsibilities they face under New Federalism. Efforts are concentrated on budget/management and planning.

-- Neighborhood Preservation. This is a demonstration/experimental program in which the Federal government acts as a catalyst to bring local government, neighborhood residents and the local business community together in an effort to preserve declining residential neighborhoods.

-- Solar energy experiments. This is a joint experiment/demonstration by HUD, ERDA and NASA to test the viability of solar energy in cooling systems in residents and a residential environment.

-- Review of mobile home safety standards. This is a demonstration/experiment to test and review mobile home safety standards.

APRIL 30, 1975

5pm Hawing

10:20 a.m. Jana Hruska called to say they are going to send over new list. In case we don't get it in time, she wanted to add the following names to the Secretary Hills meeting:

Undersecretary Mitchell (possibly)

Bernie Carl, Special Assistant (definitely)

Dick McGraw, Special Assistant (definitely)

Kathy

VP - Dubois - Census
at HUD

4/30/75

Carla -

worried about state of housing

no bills - that's the problem

secret app
from " "
overruns

if don't you person a way

we have no program
to structure housing.

immediate problem - emergence of
getting state -

lack of consumer confidence

APR 30 1975

cost per sq ft
2 1/2 x income (\$20,000)

\$20,000 ~ less

50,000

300,000
50,000

15,000,000,000

1,500

15

2,000

2,000

labor
labor

20,000
10

2,000,000

Present
meeting
to Home Builders

Sat - very

(17)

week of May 5th
~~5th~~

Then Friday
would ^{the} ~~be~~ ^{the} ~~best~~
~~#~~