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FINAL

WHITE HOUSE CONFERENCE
ON DOMESTIC AND ECONOMIC AFFAIRS

SEATTLE, WASHINGTON

SEPTEMBER 4, 1975

HOUSING PRODUCTION IS DOWN IN THE CELLAR!

OUR CITIES ARE STRUGGLING TO STAY ALIVE!

THE COMPLAINTS ROLL IN FROM SUPPLIERS, BUILDERS,
PLANNERS, HOUSEHOLDERS AND THOSE WHO CAN'T AFFORD A HOUSE.

WHO WOULD WANT TO BE AT THE DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT AT A TIME LIKE THIS?

I WOULD!

YES, WE HAVE PROBLEMS. LOTS OF THEM, AND SOME ARE
AGONIZING. BUT WE FACE A CHALLENGE! ONE THAT IS WORTHY
OF ALL OF OUR ENERGY, INGENUITY AND HORSE SENSE.



COMING UP ON ITS 10TH BIRTHDAY, HUD'S JOB IS TO ASSIST IN THE DEVELOPMENT OF WORKABLE URBAN COMMUNITIES WHICH MEANS -- DECENT HOUSING IN A SUITABLE LIVING ENVIRONMENT AND EXPANDING ECONOMIC OPPORTUNITIES -- PARTICULARLY FOR PEOPLE WITH LOW AND MODERATE INCOMES.

AT HUD WE GET A WIDE VARIETY OF COMPLAINTS -- BUT THEY ALL HAVE A COMMON DENOMINATOR:

MONEY!

SOME OF OUR FRIENDS AND ALL OF OUR CRITICS WANT US TO GIVE MORE AT THE OFFICE.

AS A PREMISE TO OUR QUESTION AND ANSWER SESSION, LET'S TAKE A BRIEF TOUR OF HUD AND THE HOUSING SITUATION AND SEE WHAT'S GOING ON.

THE BEST THING THAT'S GOING ON IS THE FIRST ANNIVERSARY OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974.



AT THE SIGNING CEREMONY LAST AUGUST, PRESIDENT FORD CALLED IT A "LANDMARK". SENATOR JOHN SPARKMAN -- WHO THEN CHAIRED THE BANKING AND CURRENCY COMMITTEE CALLED IT THE MOST IMPORTANT COMMUNITY LEGISLATION SINCE THE HOUSING ACT OF 1949.

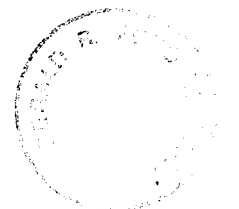
IT IS.

AND, IF THIS GIANT OMNIBUS OF A BILL HAS BEEN TOO SLOW IN MOVING TO SUIT EVERYBODY -- INCLUDING US AT HUD -- JUST REMEMBER THAT IT ENCOMPASSES AND SHAKES INTO PLACE MOST OF THE OFTEN CONFLICTING HOUSING LEGISLATION OF THE PAST QUARTER CENTURY. ITS VAST AND MULTIPLE PROVISIONS DID NOT BECOME A FAIT ACCOMPLI THE DAY IT WAS SIGNED INTO LAW.

BUT, THE IMPORTANT THING NOW IS THAT IT IS WORKING -- AND ITS SPEED IS ACCELERATING.

IT CUTS AWAY FORESTS OF RED TAPE.

IT GIVES CITY PLANNERS AND MANAGERS THE FIRST SAY -- AND CONTROL -- IN WHAT THEIR CITIES REALLY NEED.



UNDER THE ACT CONGRESS AUTHORIZED \$8.3 BILLION FOR COMMUNITY DEVELOPMENT IN THE FIRST THREE-YEAR PERIOD -- \$2.6 BILLION IN THE CURRENT YEAR ALONE.

NOW LET'S TURN TO THE PLIGHT OF THE CITIES THEMSELVES.

WHAT IS THE BIGGEST SINGLE CAUSE OF URBAN DECAY?

WASTE!

IN NEW YORK CITY ALONE, 35,000 UNITS OF HOUSING WERE ABANDONED LAST YEAR.

OBVIOUSLY, MANY OF THOSE UNITS WERE VACATED BECAUSE THEY WERE NO LONGER HABITABLE. BUT HOW DID THEY GET THAT WAY?

THE MIX OF ONCE PROUD STRUCTURES INCLUDED IN THE ABANDONMENT STATISTICS GIVES US REASON TO PONDER.

THE WASTE IS NOT JUST IN THE HOUSE OR UNIT ITSELF -- BUT IN THE UTILITIES, STREETS, SCHOOLS AND TRANSPORTATION THAT TOOK YEARS TO DEVELOP. AN ABANDONED HOUSE ABANDONS A PART OF THOSE INDISPENSIBLE SUPPORTIVE ASSETS AS WELL.

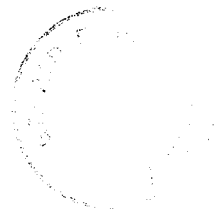
AND, IT CONSIGNS TO OBLIVION SOME PIECE OF THE INVESTED WEALTH, HISTORY AND CULTURE THAT HELPED MAKE THE CITY MAJESTIC.

IN THE RUSH OF PEOPLE TO THE OUTSKIRTS OF TOWN, WE HAVE FOSTERED THE DISASTROUS NOTION THAT CITY HOUSING CAN BE DISCARDED -- AND EASILY REPLACED OUTSIDE THE CITY BOUNDARIES.

OUR OWN GOVERNMENT'S HOUSING POLICIES ENCOURAGED THE GREAT SUBURBAN SPRAWL -- AND THE RESULTANT DISPERSAL OF PUBLIC AND PRIVATE INVESTMENT TO KEEP THE "OUTWARD" BOUNDING.

NATURALLY, THE NEW HOUSING DEVELOPMENTS NEEDED ALL THE THINGS THAT THE CITY ALREADY HAD -- IN ADDITION TO SHOPPING FACILITIES, CHURCHES, ENTERTAINMENT AND CULTURAL AMENITIES -- SO HUGE PARTS OF THE CITY'S RESOURCES AND SUPPORTIVE CAPACITY JOINED THE EXITING CROWDS.

OUR STUDIES CONCLUDE -- STATISTICALLY -- WHAT WE MIGHT HAVE CONCLUDED -- INTELLIGENTLY -- LONG AGO:



THAT IT IS FAR LESS EXPENSIVE TO RECYCLE A CITY THAN IT IS TO BUILD A SUBURB.

IN FACT, AN URBAN REDEVELOPMENT PROGRAM MAY CONSUME 50 PERCENT LESS LAND; 55 PERCENT LESS CAPITAL; 44 PERCENT LESS ENERGY AND CREATE 45 PERCENT LESS AIR POLLUTION.

CAN OUR NATION AFFORD THIS KIND OF WASTE?

THE ANSWER IS AN EMPHATIC "NO".

THE RESOURCES OF OUR CITIES ARE TOO PRECIOUS TO TOSS IN THE ASH HEAP OF CIVILIZATION.

ARE THE CITIES READY FOR REBIRTH?

OUR FIRST YEAR WITH COMMUNITY DEVELOPMENT GRANTS SHOWS, UNMISTAKENABLY, THAT IF THE FEDERAL GOVERNMENT KEEPS ITS HEAVY HAND OUT OF LOCAL DECISION-MAKING, THE CITIES ARE UP TO THE JOB AND READY TO MOVE.



MORE THAN 60 PERCENT OF THE \$2.6 BILLION COMMUNITY DEVELOPMENT FUNDS GRANTED IN THE PAST FISCAL YEAR HAS GONE INTO THE PRESERVATION AND REHABILITATION OF DECAYING NEIGHBORHOODS.

OUR EXPERIMENTS WITH URBAN HOMESTEADING AND OUR URBAN REINVESTMENT TASK FORCE PROVE THAT RECYCLING NEIGHBORHOODS WORKS.

I'M NOT GOING TO TELL YOU THAT ALL OF OUR URBAN WORRIES ARE BEHIND US -- BUT WE ARE MOVING AND I AM CAUTIOUSLY OPTIMISTIC ABOUT THE FUTURE.

ANOTHER IMPORTANT PART OF THE NEW ACT PROVIDES RENTAL SUBSIDIES FOR LOWER INCOME FAMILIES -- ALLOWING THEM TO FIND DECENT QUARTERS IN QUALIFIED BUILDINGS OF THEIR OWN CHOOSING, AT A RENTAL THEY CAN AFFORD TO PAY.

AND THE LOCAL COMMUNITY ITSELF HAS THE MAJOR SAY IN HOW THE RENTAL SUBSIDIES WILL BE USED, WHETHER IN NEWLY CONSTRUCTED, SUBSTANTIALLY REHABILITATED OR EXISTING HOUSING UNITS.



MORE THAN THAT -- TO QUALIFY FOR RENTAL ASSISTANCE, NEWLY CONSTRUCTED BUILDINGS MUST GUARANTEE A MIX OF RENTAL UNITS SO THAT FAMILIES ON THE LOWEST RUNG OF THE ECONOMIC LADDER DON'T JUST MOVE FROM AN OLD SLUM TO A NEW ONE.

HUD HAS COMMITTED \$1.6 BILLION TO ASSIST 400,000 RENTAL FAMILIES IN THE COMING FISCAL YEAR -- A COMMITMENT BY THIS NATION TO THE EVENTUAL ELIMINATION OF THE DESPAIR THAT ENVELOPS EVERY GHETTO.

IF THE PLEDGE TO HELP PROVIDE A SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY IS REALLY BEYOND US, AS AMERICANS, THE WORDS OF THAT DECLARATION -- WHOSE 200TH BIRTHDAY WE ARE ABOUT TO CELEBRATE -- MUST SURELY HAVE A HOLLOW RING.

BUT, IN TODAY'S ECONOMY, THE GOAL MAY SEEM NAIVE.

HOUSING IS SUFFERING A SEVERE CASE OF CONTAGIOUS INFLATION.



INDUSTRY ECONOMISTS CAN SHOW YOU THAT OUR MEDIAN INCOME FAMILY -- MAKING \$13,000 A YEAR -- CAN SUPPORT A HOME COSTING \$32,500. BUT, IN FACT, TODAY'S MEDIAN NEW HOME SELLS FOR \$39,000, AND THE MEDIAN EXISTING HOME COSTS MORE THAN \$35,000.

WELL, OF COURSE, YOU CAN DESTROY ANY DREAM WITH THE RIGHT SET OF STATISTICS. THIS SET CONCLUDES THAT LESS THAN ONE-THIRD OF ALL AMERICAN FAMILIES HAVE ENOUGH INCOME TO PURCHASE A MEDIAN HOME -- NEW OR OLD.

AND THERE'S ANOTHER SET OF NUMBERS TO BACK UP THE FIRST SET:

PRICE OF AN AVERAGE HOME -- UP 38 PERCENT IN THE PAST THREE YEARS;

LAND -- UP 62 PERCENT;

FINANCING -- UP 148 PERCENT;

LABOR -- UP 39 PERCENT.



DOES ALL THIS MEAN THAT THE AMERICAN DREAM OF HOMEOWNERSHIP HAS BECOME A NIGHTMARE?

WHAT IT SHOULD TELL US IS THAT THE TIME HAS COME TO START REORDERING OUR PRIORITIES.

YES, THE COST OF THE MEDIAN HOUSE IS UP.

BUT, SO IS THE SIZE OF THAT MEDIAN HOUSE.

IN FACT, IT IS ALMOST 50 PERCENT LARGER THAN IN 1950 -- WITH SECOND, THIRD AND SOMETIMES FOURTH BATHROOMS, GUEST ROOMS, WALK-IN CLOSETS, RECREATION OR "FAMILY" ROOMS, DARK ROOMS, LIGHT ROOMS, LAUNDRY ROOMS, PORCH ROOMS, EXTRA KITCHEN ROOMS, AND TWO ROOMS TO HOUSE THE CARS.

OF COURSE, NOT EVERY HOUSE HAS ALL THOSE ROOMS -- BUT THE MANY THAT DO INFLATE THAT STATISTICAL "MEDIAN".

AND THE PROMOTIONAL PUSH BEHIND THOSE "EVERYTHING" HOUSES HAS BEEN ENOUGH TO MAKE THE "AVERAGE" BUYER OF THE "AVERAGE" HOME BEGIN TO BELIEVE THAT SUCH FRILLS MUST BE "NECESSITIES".



PERHAPS THEY ARE. BUT MAYBE, THEY'RE LIKE THE OVER-POWERED, SLEEKLY APPOINTED AND EXTRAVAGANTLY EXPENSIVE SUPER CARS THAT COLLIDED WITH OUR ENVIRONMENT CONCERNS AND THE GASOLINE SHORTAGE.

MODERN BUILDERS WHO HAVE ELIMINATED THE GADGETS AND LEAVE AN UNESSENTIAL ROOM OR TWO UNFINISHED HAVE FOUND THAT THEY CAN CUT THE ASKING PRICE OF A HOUSE FROM \$30,000 TO \$17,000. WITH THE COST OF MORTGAGE MONEY IN TODAY'S MARKET, THAT BECOMES A DIFFERENCE THAT CAN MAKE ALL THE DIFFERENCE AT THE BEGINNING OF EVERY MONTH.

ASIDE FROM INFLATION, THE HOME BUILDER HAS INHERITED A LOT OF EXPENSIVE ADD-ON COSTS AS A RESULT OF THE NATION'S OWN CARELESSNESS IN THE PAST.

COMMUNITIES HAVE NEW -- AND CERTAINLY NEEDED -- ENVIRONMENTAL IMPACT STATUTES, STRINGENT AND COMPLEX ZONING AND BUILDING CODES, SEWER MORATORIA, NO-GROWTH OR PLANNED GROWTH POLICIES. AND ALL OF THEM AFFECT THE EVENTUAL PRICE OF THE NEW HOME.



AS A SOCIETY, THE AMERICAN PEOPLE SEEM TO BE SAYING THAT THEY ARE WILLING TO PAY FOR ESTHETICS -- EVEN IF IT MEANS THAT THEY CAN NO LONGER AFFORD AS LARGE A HOME.

THE SIGN OF THE TIMES IS REFLECTED IN THE HOUSING INDUSTRY'S ACCEPTANCE OF THE CHALLENGE. THE SINGLE-FAMILY DETACHED HOME IS BEING REPLACED IN PART BY TOWNHOUSES, CLUSTER HOMES AND CONDOMINIUMS.

BUT, IS COST THE ONLY FACTOR?

THE TRUTH BEHIND THE INCREASING POPULARITY OF THE NATION'S NEW "CONVENIENCE" HOUSING IS THAT AMERICA ITSELF HAS BEEN UNDERGOING A DRAMATIC CHANGE IN ITS OWN LIFE STYLES AND DEMOGRAPHICS.

THE CHANGE IS UNDERScoreD BY THE REMARKABLE INCREASE IN SMALLER, ADULT-ORIENTED HOUSEHOLDS.

SINGLE PEOPLE, YOUNG MARRIEDS, CHILDLESS COUPLES AND THE ELDERLY ACCOUNT FOR 82 PERCENT OF OUR NET POPULATION GAIN BETWEEN 1970 AND 1973.



THE RESULT HAS BEEN THE DEMAND -- AND THE CONTINUING NEED -- FOR SMALLER UNITS, CLOSER TO THE CITY, ACCESSIBLE TO NEAR-BY INDUSTRY AND EMPLOYMENT OPPORTUNITIES, AND TO CULTURAL CENTERS.

ALL THIS IS FACT, BUT THE HOUSING INDUSTRY IS STILL DEPRESSED, AND YOU HAVE A RIGHT TO ASK WHAT HUD'S DOING ABOUT IT.

THE FIRST THING WE'RE DOING IS GIVING ALL-OUT SUPPORT TO PRESIDENT FORD'S ECONOMIC PROGRAM.

ALL OF OUR HOUSING ILLS, NOTWITHSTANDING, THE PRINCIPAL CAUSE OF THIS INDUSTRY'S PLIGHT IS A RAMPANT INFLATION AGGRAVATED BY A RECESSION-INSPIRED EROSION OF REAL PURCHASING POWER.

HOUSING RECOVERY IS TIED TO THE RECOVERY OF THIS COUNTRY'S OVERALL ECONOMY. UNLESS THIS NATION CAN HALT INFLATION AND REDUCE THE DISPARITY BETWEEN ACTUAL COSTS AND REAL INCOME, THE HOUSING INDUSTRY WILL STAY IN THE FORE OF THE VICE THAT'S SQUEEZING THE PEOPLE THEMSELVES.



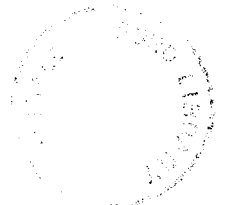
ALL OF US KNOW THE BAD NEWS. THE GOOD NEWS IS THAT THE PRESIDENT'S NATIONAL PLAN HAS ALREADY BEGUN TO TURN THE ECONOMY AROUND.

IN HOUSING, I AM PLEASED TO REPORT THAT SALES OF NEW HOMES HAVE RISEN 37 PERCENT SINCE THE FIRST OF THE YEAR. THERE HAS BEEN A 40 PERCENT IMPROVEMENT IN THE LEVEL OF ALL HOUSING STARTS AND 36 PERCENT INCREASE IN SINGLE FAMILY STARTS.

THE SECOND THING WE'RE DOING -- AND WE HAVE REASON TO BELIEVE IT'S REFLECTED IN THE HOUSING STARTS IMPROVEMENT -- IS FOLLOWING THROUGH ON THE ADMINISTRATION'S THOUGHTFUL AND FORCEFUL INITIATIVE TO SUPPORT THE MORTGAGE MARKET.

IN WASHINGTON, THEY'RE ALWAYS TALKING ABOUT "THE BOTTOM LINE".


WELL, THE HOME BUYER'S "BOTTOM LINE" IS THE MORTGAGE HE MUST HAVE -- BEFORE HE CALLS THE MOVING VAN.



IN THE PAST 18 MONTHS, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION HAS OFFERED \$13.5 BILLION TO PURCHASE ALMOST 450,000 MORTGAGES BEARING INTEREST RATES THAT ARE BELOW THE MARKET RATE. TODAY THAT IS 7-1/2 PERCENT WHILE THE MARKET IS AT ABOUT 9 PERCENT. MODEST AS THIS INTEREST SUBSIDY MAY SEEM, WE BELIEVE THAT IT IS PARTICULARLY WELL SUITED TO THE CURRENT HOUSING SITUATION BY COMPENSATING TO A SIGNIFICANT DEGREE FOR THE RAPIDLY RISING COSTS OF HOME FINANCING.

ON JUNE 26, PRESIDENT FORD RELEASED ANOTHER \$2 BILLION FOR THIS KIND OF MORTGAGE ASSISTANCE, ENOUGH FOR AN ADDITIONAL 65,000 HOMEBUYERS. AND, ON JULY 2, THE PRESIDENT SIGNED THE EMERGENCY HOUSING ACT WHICH GIVES HUD DISCRETIONARY AUTHORITY TO USE AN ADDITIONAL \$10 BILLION FOR MORTGAGE ASSISTANCE, ENOUGH MONEY TO ASSIST 300,000 MORE HOMEBUYERS.

FOR THE GOVERNMENT TO ENTER THE HOUSING MARKET IN A MORE MASSIVE WAY AS SOME HAVE SUGGESTED, WOULD NECESSARILY REQUIRE GREATER TREASURY BORROWING AND FORCE UP INTEREST RATES AND THUS THE COSTS OF HOME FINANCING. BY FURTHER WIDENING THE GAP BETWEEN REAL INCOME AND HOUSING COSTS, WE'D BE ARMING THE HYDRA-HEADED MONSTER WE ARE ALL TRYING TO CONQUER.



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YES, WE HAVE PROBLEMS.

YOU DON'T HAVE TIME TO HEAR HOW MANY.

BUT, I REPEAT.

HUD IS A GREAT PLACE TO BE IN A CHALLENGING ERA LIKE
THIS.

