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WASHINGTON PRESS CLUB

SEPTEMBER 12, 1975

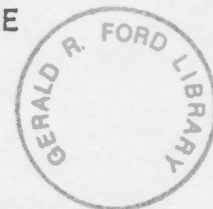
YOU ARE AWARE, I'M SURE -- SINCE MY CRITICS DURING MY SENATE CONFIRMATION HEARINGS KEPT LETTING THE BIG SECRET OUT OF THE BAG -- THAT I'M NOT WHAT IS KNOWN AS A "HOUSING EXPERT".

THAT'S FAIR ENOUGH -- BECAUSE IT RELIEVES ME OF ANY PRESSURE TO FOLLOW THE PLANS MAPPED OUT BY SOME OF THE "BIG HOUSING THINKERS" WHO HELPED GET US TO WHERE WE ARE TODAY.

BUT, IT DOESN'T TAKE MUCH OF AN "EXPERT" TO KNOW THAT HOUSING PRODUCTION IS IN THE CELLAR AND OUR CITIES ARE STRUGGLING FOR SURVIVAL.

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

DESPITE THE BILLIONS OF TAXPAYER DOLLARS POURED OVER THE PAST DECADE INTO THE IDEAL OF "PROVIDING A DECENT HOME AND LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY", 16 MILLION HOUSEHOLDS IN THIS NATION ARE OFFICIALLY CLASSED AS "THE HOUSING POOR".



WHEN YOU THINK ABOUT IT, WHO WOULD EVEN WANT TO BE AT HUD AT A TIME LIKE THIS?

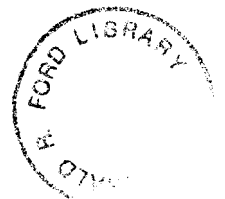
WELL, I WOULD!

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

AS A PRELUDE TO YOUR QUESTIONS, I THOUGHT YOU MIGHT WANT TO KNOW HOW THIS "NON-HOUSING EXPERT" HAS SET HUD'S PRIORITIES FOR TACKLING SOME OF THESE TOUGH PROBLEMS.

FIRST, AND HIGH ON MY LIST, IS THE JOB OF HELPING TO PRESERVE AND RECYCLE OUR CITIES. WE MUST COMBAT THE NOTION THAT THE BEST WAY TO COPE WITH A WORN-OUT CITY NEIGHBORHOOD IS TO THROW IT AWAY AND BUILD A NEW ONE A LITTLER FURTHER OUT.

DID YOU KNOW THAT BACK IN THE 50'S, THE "EXPERTS" REFUSED TO INSURE MORTGAGES IN GEORGETOWN?



THE WIZARDS OF HOUSING SAID THAT OLDE GEORGETOWN HAD TAKEN THE FINAL COUNT, AND IT WAS TIME TO MOVE ON.

GEORGETOWN WAS NOT ALONE!

FOR YEARS -- IN ALL PARTS OF THE COUNTRY -- PRIVATE AND PUBLIC MONEY LITERALLY UNDERWROTE THE SUBURBAN SPRAWL.

TODAY, THAT RING UPON RING OF SUBURBS AROUND OUR CENTER CITIES HAS CONSUMED MILLIONS OF SQUARE MILES OF OPEN SPACE -- WHILE ENCOURAGING THE WASTE OF INVALUABLE URBAN RESOURCES.

THE WASTE WAS NOT JUST IN UNCOUNTED MILLIONS OF DOLLARS -- BUT IN THE HUMANITIES AS WELL.

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

"THERE IS DARKNESS AND DECAY IN THE HOUSE" -- SAID EDWIN ARLINGTON ROBINSON -- "THEY HAVE ALL GONE AWAY. THERE IS NOTHING LEFT TO SAY."



WELL, I INTEND TO SAY SOMETHING ABOUT IT.

AN ABANDONED HOUSE ISN'T JUST AN OLD DERELICT DOWN BY THE RAILROAD IN AN EDWARD HOPPER LANDSCAPE.

ABANDONED WITH THAT HOUSE ARE A PART OF ALL OF THE THINGS THAT MADE IT LIVE.

MUNDANE THINGS -- LIKE WATER AND SEWAGE LINES, ROADS AND TRANSPORTATION SYSTEMS AND UTILITIES.

VITAL THINGS -- LIKE THEATERS, SCHOOLS AND CHURCHES.

AND PRECIOUS PIECES OF THE HISTORY AND CULTURE THAT GIVE THE CITY MAJESTY.

A TIGHTER ECONOMY, A SCARCITY OF ENERGY, AND CHANGING DEMOGRAPHIC TRENDS NOW DEMAND US TO USE ALL THE INGENUITY WE CAN SUMMON TO PRESERVE AND RECYCLE THESE ASSETS.

OUR STUDIES CONCLUDE STATISTICALLY WHAT WE SHOULD HAVE CONCLUDED INTELLIGENTLY MORE THAN A DECADE AGO: THAT IT IS FAR LESS COSTLY TO RECYCLE A CITY THAN TO BUILD A SUBURB.

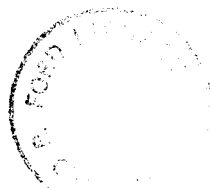


IN FACT, AN URBAN REDEVELOPMENT PROGRAM CAN CONSUME ABOUT 50 PERCENT LESS OF EVERYTHING -- LAND -- CAPITAL -- ENERGY -- AND, AT THE SAME TIME, CREATE HALF AS MUCH AIR POLLUTION.

FORTUITOUSLY, THE OLD POLICIES OF WASTE NOT ONLY COLLIDE WITH SKINNIER POCKET-BOOKS, BUT ALSO COLLIDE WITH RECENT CHANGES IN THE WAY AMERICA LIVES. THERE HAS BEEN A REMARKABLE INCREASE IN ADULT-ORIENTED HOUSEHOLDS. SINGLES, YOUNG MARRIEDS, CHILDLESS COUPLES AND ELDERLY ACCOUNT FOR 82 PERCENT OF THE NATION'S NET POPULATION GAIN BETWEEN 1970 AND 1973.

THERE IS A GROWING NEED FOR LOW AND MODERATE COST HOUSING ACCESSIBLE TO JOBS AND JOB OPPORTUNITIES, AND FOR NEARBY SHOPPING FACILITIES, ENTERTAINMENT AND CULTURAL AMENITIES.

WE CAN DO SOMETHING ABOUT THESE NEEDS, AND IN SO DOING WE CAN BREATHE LIFE INTO OUR CITIES.



WE HAVE JUST CELEBRATED THE FIRST BIRTHDAY OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974.

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

AND, IT IS.

FOR THE FIRST TIME THE FEDERAL GOVERNMENT IS PROVIDING RENTAL SUBSIDIES -- \$1.6 BILLION THIS YEAR -- TO HELP HOUSE OUR LOWER-INCOME FAMILIES IN EXISTING AND SUBSTANTIALLY REHABILITATED UNITS, AS WELL AS NEW, GIVING PREFERENCE WHERE THERE IS AN ECONOMIC MIX.

FOR THE FIRST TIME THE LOCAL COMMUNITIES DIRECT HOW, WHEN, AND WHERE FEDERAL COMMUNITY DEVELOPMENT FUNDS ARE SPENT -- MORE THAN \$8 BILLION OVER 3 YEARS -- \$2.6 BILLION OVER THE PAST FISCAL YEAR.



GONE IS THE OLD GAME OF GRANTSMANSHIP. HUD NOW DISTRIBUTES FUNDS ON THE BASIS OF OBJECTIVE DATA OF POVERTY, HOUSING OVERCROWDING AND POPULATION. IT PERMITS THE LOCAL RECIPIENTS TO CREATE THEIR OWN COMMUNITY DEVELOPMENT PLANS THAT DIRECTLY ADDRESS THEIR REALISTIC LOCAL NEEDS.

THE INVIGORATING THING ABOUT THIS NEW APPROACH IS THAT IT IS WORKING. OUR FIRST YEAR WITH COMMUNITY DEVELOPMENT FUNDS SEEMS TO SHOW UNMISTAKABLY THAT IF THE FEDERAL GOVERNMENT KEEPS ITS HEAVY HAND OUT OF LOCAL DECISION-MAKING, THE CITIES ARE UP TO THE TASK.

CLEARLY THE NEW SCHEME HAS THE BLESSING OF THE RECIPIENTS. SEVENTY-EIGHT PERCENT HAVE TOLD US THAT COMMUNITY DEVELOPMENT GRANTS SIGNIFICANTLY INCREASED THEIR ABILITY TO RESPOND TO LOCAL PROBLEMS. EIGHTY PERCENT WELCOMED THE SHARP REDUCTION IN THE RED TAPE WHICH USED TO ATTEND FEDERAL ASSISTANCE.

BUT MOST IMPORTANTLY, WE SEE THAT MORE THAN 66 PERCENT OF HUD'S GRANTS HAVE BEEN USED TO PRESERVE DECLINING AND BLIGHTED NEIGHBORHOODS AND TO PROVIDE THE PUBLIC SERVICES NECESSARY TO SUPPORT THESE EFFORTS.



I DON'T THINK YOU CAN ACHIEVE VERY MUCH UNLESS YOU TRY NEW THINGS. SO, WE ARE EXPERIMENTING WITH METHODS TO ENCOURAGE RECYCLING OF INNER-CITY RESOURCES. FOR EXAMPLE, HUD IS MOVING AHEAD WITH AN URBAN HOMESTEADING DEMONSTRATION TO SEE WHETHER A COMBINATION OF FEDERAL, LOCAL, AND PRIVATE EFFORT CAN REVERSE THE DECLINE OF AN URBAN NEIGHBORHOOD.

HUD WILL PROVIDE THIS YEAR \$5 MILLION WORTH OF SECRETARY-HELD HOUSES PLUS AN ADDITIONAL \$5 MILLION IN REHABILITATION LOANS. BUT THE COMMUNITIES WILL DEVELOP THE HOMESTEADING PLANS, AND I THINK THIS IS AN IMPORTANT POINT.

ALSO, HUD HAS PUT INTO ACTION A PROPERTY DISPOSITION PROGRAM, WHEREBY CITIES CAN RECEIVE, AT NO COST, HUD-HELD PROPERTIES. THIS IS ANOTHER EXPERIMENT IN PROVIDING A RESOURCE FOR INNOVATIVE COMMUNITY USE.

WE ARE MAKING SUBSTANTIAL EFFORTS TO COORDINATE OUR PROPERTY TECHNIQUES MORE CAREFULLY WITH THE COMMUNITY DEVELOPMENT PROGRAMS OF THE LOCALITY.



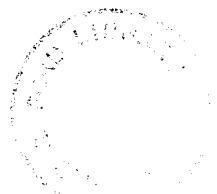
WE ARE EXPERIMENTING WITH LEASE-PURCHASE AGREEMENTS WHEREBY LOWER-INCOME FAMILIES CAN LEASE HUD-OWNED PROPERTIES WITH A SUBSEQUENT OPPORTUNITY TO ASSUME HOMEOWNERSHIP.

WE HAVE SOUGHT TO ACT AS A CLEARINGHOUSE TO ASSIST LOCAL COMMUNITIES IN THEIR PRESERVATION ACTIVITIES. IN LATE SPRING WE PUBLISHED A NEIGHBORHOOD PRESERVATION CATALOGUE. THE CATALOGUE DESCRIBES 100 OF THE MOST INNOVATIVE AND SUCCESSFUL PRESERVATION INITIATIVES WHICH CITIES HAVE DEVELOPED. I HAVE SENT EVERY MAYOR, WHO IS A MEMBER OF THE CONFERENCE OF MAYORS, A COPY.

WE HAVE SCHEDULED A SERIES OF 10 REGIONAL PRESERVATION STRATEGY WORKSHOPS TO OFFER LOCAL COMMUNITIES ADVICE ON CONSTRUCTING WORKABLE APPROACHES TO URBAN PRESERVATION.

WE ARE TRULY FOCUSING ON URBAN PRESERVATION AS NEVER BEFORE.

MY SECOND PRIORITY -- NOT IN RANK, ONLY IN PRESENTATION -- IS TO PROVIDE BETTER SHELTER FOR OUR LOWER-INCOME CITIZENS.



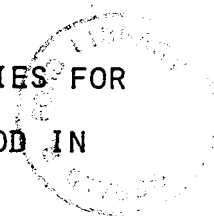
IN THE PAST WE HAVE RELIED ON THE BUILDING OF NEW PROJECTS TO HOUSE THE POOR. TOO OFTEN, THE CONCENTRATION OF POVERTY IN THE GOVERNMENT-SUBSIDIZED PROJECTS COMPOUNDED THE PROBLEMS OF THE TENANTS AND SIMPLY CREATED NEW GHETTO SLUMS FOR OLD ONES. THE TRAGEDY OF THE PRUITT-IGOE PROJECT IN ST. LOUIS ILLUSTRATES THE POINT.

DURING THE PAST 90 DAYS WE HAVE STARTED OUR NEW RENTAL SUBSIDY PROGRAM WHICH ALLOWS OUR LOWER-INCOME FAMILIES TO FIND DECENT STRUCTURES OF THEIR CHOOSING AND AT A RENTAL THEY CAN AFFORD.

THE SUBSIDY IS THE DIFFERENCE BETWEEN APPROXIMATELY 25 PERCENT OF A RECIPIENT'S INCOME AND THE COST OF HIS HOUSING.

UNLIKE ITS PREDECESSORS, THIS RENTAL SUBSIDY IS OPEN-ENDED, AND, COVERS THE GAP BETWEEN THE POOR FAMILY'S INCOME AND THE SKYROCKETING COSTS OF HOUSING. WE HAVE SEEN TOO MANY HOUSING PROJECTS WITH FIXED GOVERNMENT-INTEREST SUBSIDIES INCAPABLE OF SURVIVING THE RECENT RAPID RISE IN OPERATING EXPENSES. THE NEW OPEN-ENDED SUBSIDY AVOIDS THIS SERIOUS PITFALL.

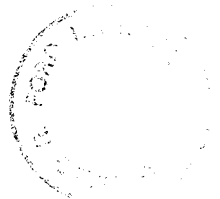
THE RENTAL SUBSIDY PROGRAM MAXIMIZES THE OPPORTUNITIES FOR A LOWER-INCOME FAMILY TO FIND THE HOME IN THE NEIGHBORHOOD IN WHICH IT WANTS TO LIVE.



AND, I AM COMMITTED TO ENSURING THAT THIS MARKET CHOICE IN REALITY EXISTS. WITH THE EXISTING HOUSING, WE REQUIRE THE LOCAL AGENCY WHICH ADMINISTERS OUR RENTAL SUBSIDY PROGRAM TO HAVE AN EQUAL OPPORTUNITY AND OUTREACH PLAN, TO ENCOURAGE THE PARTICIPATION OF LANDLORDS OUTSIDE ESSENTIALLY LOW INCOME OR MINORITY AREAS, AND TO ASSIST THE TENANT IN SECURING HOUSING IN SUCH AREAS.

WE ARE SENSITIVE TO THE PROBLEMS OF RACIAL AND ECONOMIC IMPACTION WITH RESPECT TO THE NEW CONSTRUCTION SUBSIDIZED BY OUR RENTAL SUBSIDY PROGRAM. OUR SITE-SELECTION CRITERIA ARE INTENDED TO AVOID AGGRAVATING HIGH CONCENTRATIONS OF LOW INCOME OR MINORITY FAMILIES INSIDE OUR CITIES.

IN MANY URBAN AREAS THE ISSUE OF INTEGRATION CAN BE DEALT WITH ONLY ON A METROPOLITAN-WIDE BASIS. TOO OFTEN, IN THE PAST, OUR APPROACH TO RESIDENTIAL SEGREGATION HAS BEEN TO CREATE NEW BUT SMALLER GHETTOS IN THE SUBURBS RATHER THAN TRUE ECONOMIC INTEGRATION. THE 1974 ACT GIVES US TEETH TO BITE INTO THE PROBLEM OF METROPOLITAN SEGREGATION.

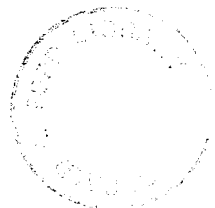


COMMUNITIES WANTING OUR COMMUNITY DEVELOPMENT FUNDS MUST SHOW HOW THEY WILL USE THOSE FUNDS TO MEET THE NEEDS OF LOWER-INCOME FAMILIES IN THEIR COMMUNITY.

ONE PARAMOUNT NEED THEY MUST ADDRESS IS THAT OF LOWER-INCOME WORKERS WHO CAN BE "EXPECTED TO RESIDE" IN THE COMMUNITY. RECENTLY, HUD ISSUED A DIRECTIVE TO ITS FIELD OFFICES INTERPRETING THIS REQUIREMENT. A LOCAL COMMUNITY MUST NOW ADDRESS A PROPORTION OF THE HOUSING NEEDS OF ITS LOWER-INCOME WORKERS WHO DO NOT LIVE IN THE COMMUNITY.

THUS, A FAMILY CAN APPLY FOR RENTAL HELP IN A SUBURBAN COMMUNITY IN WHICH IT WORKS BUT DOES NOT YET RESIDE. THE SUBURBAN COMMUNITIES WHICH ENJOY THE TAX BENEFITS OF EMPLOYMENT CENTERS MUST CARRY A PORTION OF SOCIAL AND FISCAL BURDENS OF PROVIDING HOUSING FOR THEIR LOWER-INCOME WORKERS.

I WANT HUD TO ASSIST 400,000 RENTAL FAMILIES THIS FISCAL YEAR.



MY THIRD PRIORITY -- AGAIN, NOT NECESSARILY IN RANK -- IS TO ENSURE A MORE REALISTIC OPPORTUNITY FOR HOMEOWNERSHIP FOR THOSE WHO WANT IT. THAT REQUIRES GREATER AVAILABILITY OF MORTGAGE MONEY TO MR. HOMEOWNER.

THE CURRENT CRISIS IN THE HOUSING INDUSTRY ILLUSTRATES THE "FEAST OR FAMINE" CYCLES WHICH PLAGUE IT.

OVER THE PAST 20 MONTHS HUD HAS OFFERED \$15.5 BILLION TO PURCHASE OVER 500,000 MORTGAGES BEARING INTEREST RATES LOWER THAN THOSE OFFERED IN THE MARKET. TODAY, WE GUARANTEE 7-1/2 PERCENT MORTGAGES WHEREAS THE MARKET IS AT 9 PERCENT.

MODEST AS THIS INTEREST SUBSIDY MAY SEEM, IT HAS COMPENSATED, TO A SIGNIFICANT DEGREE, FOR THE RAPIDLY RISING COSTS OF HOME FINANCING WHICH CLOSE THE DOOR ON HOMEOWNERSHIP. THERE HAS BEEN A 40 PERCENT IMPROVEMENT IN THE LEVEL OF HOUSING STARTS SINCE THE FIRST OF THIS YEAR.



I REALIZE THAT TEMPORARY INTEREST SUBSIDIES DO NOT SOLVE THE LONG-TERM PROBLEM OF ENSURING A SUPPLY OF MORTGAGE MONEY. SO, WE ARE TAKING STEPS TO INCREASE THE ATTRACTIVNESS OF MORTGAGE INVESTMENT.

FOR EXAMPLE, WE ARE IMPLEMENTING A CO-INSURANCE PROGRAM WITH MORTGAGE LENDERS, EXPERIMENTING WITH NEW FORMS OF DEBT INSTRUMENTS, AND SUPPORTING LEGISLATION THAT WOULD ATTRACT MONEY INTO THE MORTGAGE MARKET.

MY FOURTH PRIORITY IS TO PROVIDE GREATER CONSUMER PROTECTION FOR HOME OWNERS AND BUYERS. WE ARE SEEKING LEGISLATION THAT WOULD AUTHORIZE AN ASSISTANT SECRETARY FOR CONSUMER AND REGULATORY FUNCTIONS AT HUD.

HUD HAS BEEN GIVEN INCREASING REGULATORY RESPONSIBILITIES, AND I AM ALL FOR IT. RIGHT NOW, WE ARE RESPONSIBLE FOR PROMULGATING MOBILE HOMES SAFETY AND DURABILITY STANDARDS, AS WELL AS IMPLEMENTING THE REAL ESTATE SETTLEMENTS PROCEDURE ACT, AND THE INTERSTATE LAND SALES ACT. LEGISLATION HAS BEEN INTRODUCED TO GIVE HUD REGULATORY RESPONSIBILITIES IN THE CONDOMINIUM MARKET.



I BELIEVE WE CAN -- AND MUST -- DO MORE TO ENSURE CONSUMER CONFIDENCE IN HOUSING. I SEE OUR GREATEST CHALLENGE IN PERFORMING OUR ROLE OF CONSUMER PROTECTOR WITHOUT SO ENCUMBERING THE HOUSING INDUSTRY WITH REGULATIONS THAT THERE WILL BE NO CONSUMERS TO PROTECT.

THESE ARE JUST THE HIGHLIGHTS. THERE ARE OTHERS. HUD MUST USE ALL ITS ENERGIES TO INCREASE THE EFFICIENCY WITH WHICH WE DELIVER OUR SERVICES. AND, WE MUST HAVE BETTER DATA UPON WHICH TO DECIDE THE TOUGH POLICY QUESTIONS WE FACE.

YES, WE HAVE PROBLEMS.

YOU DON'T HAVE TIME TO HEAR HOW MANY.

BUT, I REPEAT.

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

