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THE NEW LOOK IN PUBLIC HOUSING

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

HUD

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"Home" is just a four-letter word for millions of Americans. In both urban and rural areas there are people who simply do not earn enough to pay for proper housing and still afford other basic necessities.

The Department of Housing and Urban Development administers the nation's Public Housing Program to help local governments work toward the goal of a decent home in a decent neighborhood for every American.

Since establishment of the low-rent public housing program in 1937, there has been progress toward realizing this goal. Today, more than 4,400 cities and towns in every State as well as the District of Columbia, Puerto Rico, Guam and the Virgin Islands have federally assisted public housing programs. In the Spring of 1971 they had provided more than 950,000 houses and apartments with an additional 315,000 under development.

A New Look for Public Housing

Important changes have taken place in the types of public housing now available. Once, projects looked much alike. Now, it is often difficult to distinguish public from private housing. The law authorizes communities to buy or lease existing homes and apartments and to contract with private builders to design and construct new ones. Projects may be the modern community type—a complex of high rise or garden apartments with interior streets and walkways, playgrounds and community centers. Or they may be several blocks of stately row houses along a tree-shaded street. They may even include homes in neighborhoods where most homes are privately owned.

There are projects especially designed to make life easier and safer for elderly and handicapped people. These homes have such features as hot water temperature controls at sinks, lavatories and showers, and grab bars installed in bathrooms. Wide doors, ramps, lower counters, adjustable shelves and special bath and kitchen equipment are provided for wheel chair users.

Public housing is furnishing more than dignity, comfort and safety to its tenants. Today, it is even putting the responsibility of homeownership within easy reach of people who, just a few years ago, never could have realized that dream.

Four Groups Contribute

There are four groups operating in every community that has a public housing program. They are the local housing authority (LHA), the local government, private industry, and the U.S. Department of Housing and Urban Development (HUD).

The LHA is a local public body authorized by State law to plan, develop and operate public housing projects in a community. Its jurisdiction may cover a city, county or an entire State and its Board of Commissioners is usually appointed by the locality's chief executive.

Private industry provides architects and construction companies which actually build the projects, banks and financial institutions which help finance them and, in some instances, the organizations and individuals who manage the property.

HUD provides financial and technical aid, ranging from assistance with building design to reviewing rent schedules, and conducts surveys, reviews, and audits of LHA-operated projects.

Production aspects of public housing are under jurisdiction of the Assistant Secretary for Housing Production and Mortgage Credit, who is also FHA Commissioner. When public housing is completed and under the management of the LHA, the HUD Assistant Secretary for Housing Management has responsibility.

How Public Housing Works

There are several different systems in use to help solve the housing shortage for low-income families.

The first is the *conventional method*. Under this system, the LHA acts as its own developer, employ-



ing its own architects and taking competitive bids on the construction contract. The project is financed by direct HUD loans, the sale of tax-exempt, short-term notes and the sale of long-term LHA serial bonds which mature in 40 years. HUD backs up these bonds with annual contributions to the LHA. These guarantee that funding will be available to meet serial payments.

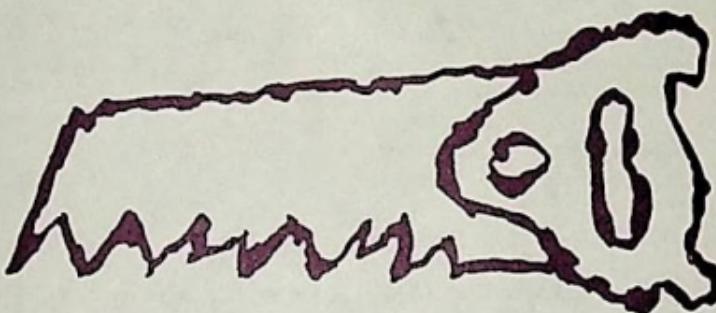
A newer program, growing in popularity, is the *Turnkey method*. The term is building industry slang; it means that a prospective purchaser contracts to buy a house and has only to turn the door key and move in. Unlike the conventional method, Turnkey allows a builder to deal with an LHA as he would with a private customer. Not only does he build the project, but designs it and chooses the location, subject to approval of both HUD and the LHA. The private developer obtains his own financing, based on a written commitment that the LHA will buy the project upon completion.

As in the conventional method, an LHA raises its money through the sale of long-term bonds guaranteed by HUD annual contributions.

The popularity of the Turnkey method is growing. For fiscal year 1972, 95,000 public housing units are targeted to start construction. Of these, 48,000 or 51 percent will be Turnkey units. Two reasons for Turnkey's popularity are:

- It attracts private developers whose methods are not geared to the conventional approach.
- Participation by many private developers makes possible greater variety in project design.

A third method is the *purchase of existing houses and apartments* that were built for private owner-



ship. Under this system, as in others, the LHA raises money for purchase through long-term, HUD-guaranteed bonds. Necessary rehabilitation can be done by LHA employees or by a contractor. Turn-key agreements also can be arranged so that a housing authority can purchase used homes after their rehabilitation by private developers. The purchase and rehabilitation method often has distinct advantages over a new construction program.

- It can be done both faster and cheaper.
- It can make existing large homes available for the use of large families.
- It can distribute low-rent dwellings in a number of locations rather than concentrate them in single neighborhoods.
- It can make use of any overabundance of vacant housing resulting from population movements out of an area.

In all three systems described, HUD annual contributions enable LHAs to cover capital costs of new construction or the purchase and rehabilitation of existing housing.

The operating expenses of LHAs are met for the most part out of the rents collected from tenants. However, operating subsidies in limited amounts are available to assist in situations where the rental income is not sufficient to meet all expenses.

Tenants do not pay more than 25 percent of their income for rent and, generally, the highest rents that can be charged at admission must be at least 20 percent less than the lowest rents for standard private housing in substantial supply. The average rent for families living in public housing is \$39 for elderly and \$64 for nonelderly families. In order to be admitted to public housing, the family's income, of course, must be below certain prescribed limits, which vary from locality to locality.

LHA's may also provide public housing by *leasing from private owners*. This method differs in several ways from the other three systems.

The leasing program offers several advantages. It will:

- Provide virtually instant housing;
- Encourage private property owners to help meet housing needs of low-income people;
- Provide homes for families who prefer a typical neighborhood to a project environment;
- Motivate owners of deteriorating property to repair and maintain it in a satisfactory condition. (Guaranteed rent under a lease of up to five or more years protects the owner from economic loss and can assist him in obtaining financing for the rehabilitation);
- Enable tenants whose incomes rise to enter into direct unsubsidized leasing arrangements with the owner.

In the Spring of 1971 LHAs were leasing 76,000 housing units in 250 cities and towns. Much leased housing is provided through new construction. Twenty-three percent of total targeted starts for fiscal year 1972 will be newly constructed units.

A special program, known as *Mutual Help*, is available for American Indians. Mutual Help is a method through which prospective residents provide some of



the labor involved in building their new homes. The labor becomes a contribution toward eventual ownership.

LHAs on Indian reservations finance construction through the sale of securities backed up by HUD annual contributions. The Bureau of Indian Affairs provides construction supervisors and, in many cases, the U.S. Public Health Service supplies community water and sewerage services.

By the end of calendar year 1970, approximately 29,000 public housing units had either been completed or were under development on 117 Indian reservations. About 57 percent of these were the Mutual Help variety. The remainder were provided through other public housing production methods.

Low-Income Homeowners

A new direction for federally aided public housing programs makes it possible for low-income families to own their own homes. There are several ways for public housing tenants to become homeowners.

One is through construction of special housing projects that are designed to be sold instead of rented to low-income families. Like the conventional method of constructing rental property, such projects are financed by LHAs through notes guaranteed by HUD annual payments.

Under the buyers' program or Turnkey III, each family assumes responsibility for maintenance and repairs and agrees to make a monthly payment based upon a percentage of its income to the LHA. A certain portion of this amount is set aside in individual homeownership reserve funds.

When the family reaches the point where a lending institution would consider it eligible for a loan, the family arranges the remainder of its financing through such an institution.

While ownership reserve funds are building up, the LHA uses its annual contributions from HUD to amortize the capital debt of the home. As this amount is reduced, so is the eventual sales price.

If a family does not perform the necessary maintenance and repairs, the LHA charges the cost of such work to the family's ownership reserve fund, thereby delaying the time when title to the home is obtained.

A family can obtain title faster by paying more than the established percentage of its monthly income into the reserve fund. If the family should move, it is entitled to the amount remaining in the reserve fund, minus any costs to cover needed repairs or other financial obligations to the LHA.

LHAs may also acquire structures containing leased units and sell the units to the tenants on terms that enable them to make the purchase without hardship.

Working together, HUD, local governments and the LHA are cooperating with private industry to develop new public housing systems and to expand those already operating. These systems are contributing to the supply of homes for some of the millions of citizens who desperately need them.

Equal Opportunity

Racial discrimination in housing of any size or description is a violation of the Civil Rights Act of 1866. In addition, the Civil Rights Act of 1968 contains a Federal Fair Housing Law (Title VIII) which establishes fair housing as the policy of the United States. This law prohibits discrimination on the basis of race, color, religion, and national origin. These general requirements of nondiscrimination apply to housing receiving assistance from the Department of Housing and Urban Development, including the benefits of a mortgage insured by the Federal Housing Administration.

In addition, Title VI of the Civil Rights Act of 1964 and HUD regulations prohibit discrimination on the ground of race, color, or national origin in housing and facilities provided with Federal financial assistance.

Contractors and subcontractors engaged in the construction of housing or facilities receiving Federal financial assistance, including FHA mortgage insurance, are required not to discriminate and to adopt an affirmative action program to achieve equal employment opportunity.

Persons complaining of discrimination in housing have a choice of remedies including filing a civil action in Federal court (or in some cases State courts), or complaining to HUD. Anyone who believes a construction contractor or subcontractor is practicing discrimination in employment should file a prompt complaint with HUD.

Applicants for assistance under HUD programs will be notified at the earliest possible time—usually before filing formal application—of the relevant equal opportunity provisions that apply to the housing or facilities involved in the application. At such time, any questions regarding equal opportunity can be answered specifically and in detail.

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Regional and Area Offices
of the Department of
Housing and Urban Development

Region I	Area Offices:
John F. Kennedy Federal Building Boston, Massachusetts 02203 Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Manchester, N.H.; Boston, Mass.; Hartford, Conn.
Region II	Area Offices:
26 Federal Plaza New York, New York 10007 New Jersey, New York, Puerto Rico, Virgin Islands	New York, N.Y.; Newark, N.J.; Camden, N.J.; Buffalo, N.Y.; San Juan, P.R.
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