

National Leased Housing Managers Conference  
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Remarks by Congressman Les AuCoin, First District, Oregon

I don't have to tell you who work in the leased housing field that the situation at times in recent years has looked grim. There have been loads of problems -- soaring building costs, escalating operating costs, explosive utility costs, skyrocketing land costs, rising taxes, complicated federal regulations and -- perhaps most devastating of all -- high interest rates.

On top of all that, some areas of the country have chosen to impose simplistic solutions to cope with higher costs -- such as rent controls. As you know all too well, rent controls have added to the problems and made existing ones worse.

And there have been near misses, as when tax incentives for housing construction were examined to see if they might qualify as a "loophole" in the Tax Reform Act of 1976 that required closing. More realistic voices prevailed and that wasn't done. But the threat itself produced further uncertainty for an already uncertain housing industry.

However, while the situation looks grim, I believe some optimism is in order.

First, I want to touch on two developments with which I have had some direct contact in my role as a member of the House Banking Committee's Housing Subcommittee. The Housing and Community Development Act of 1977 was debated on the House floor for the last three days after more than five weeks of intensive markup in the subcommittee and full Banking Committee. The bill, as amended, passed late last night by a wide margin.

I authored a number of amendments that I believe will be of interest to you. The first calls for the Department of Housing and Urban Development to respect the legislative intent of the Housing and Community Development Act of 1974 and take no steps to terminate existing Section 23 leased housing contracts.

My amendment added to the original language of the 1974 Act the explicit provision of rights to renewal under Section 23. The aim of my amendment, which coincides with the aim of the original provision in the 1974 Act, was to allow Section 23 housing contracts to run their course as originally permitted by law.

HUD has issued regulations to terminate the Section 23 program in June of next year. I have been told, in the course of the markup of the housing bill and as recently as Tuesday, that the new HUD Administration had planned to back off from this course. I have been assured the regulations will be altered to reflect that, and a clarifying notice will be issued in a few short days to state HUD's present intentions.

I welcome these steps by HUD. However, this is only a stopgap. The real issue is: Will Section 8 be effective in taking Section 23's place, especially with respect to low-income families, and large families? So far, the answer to that question is no.

I am not here to quarrel with the reasons for enacting the Section 8 housing program. It was passed and it's the only ballgame in town. But I refuse to adopt the attitude that -- just because the program isn't all we wish it would be -- we will give up trying to make it work, or at least work better.

For that reason, I was also pleased to introduce and steer through to passage an amendment giving HUD additional flexibility under the Section 8 program.

As it turned out, it was flexibility that HUD, by regulation, had refused to accept.

This amendment allows owners of housing to contract with public housing agencies, with the approval of the Secretary of HUD, to take over management and maintenance responsibilities of those dwelling units. There are those in HUD who say this dual role is a conflict of interest. I say their reaction is nonsense.

Arguments are continuing within HUD over this provision, but I am confident that it will be seen ultimately as a useful tool. In particular, I believe it will be useful in securing housing units under Section 8 for the so-called "problem families."

Let's be frank. Many owners of housing are reluctant to get involved with this kind of tenant. But, if an owner can contract to have a public housing agency take over management responsibilities and he still gets the cash flow he is after, that problem may be overcome. Section 8 may yet start generating housing for low-income and large families.

In short, it is a modified return to the Section 23 program. More precisely, it is an attempt -- a creative one I think -- to select from a former successful program an element that may make a current not-altogether-successful program work better.

Briefly, I would like to mention a couple of other provisions in the housing bill that passed yesterday that will be of interest.

-- There is an authorization of \$1.232 billion for assisted housing programs anticipated to be sufficient to assist families in approximately 400,000 units. Fifty-seven per cent would be new construction, much of it multi-unit structures. This stimulation is needed as production levels are relatively low and starts are lagging while there is increased availability of financing.

-- Restrictions are loosened on savings and loan associations to make financing available for multi-family housing construction.

-- The Fannie Mae-Ginny Mae "Tandem" interim mortgage purchase authority is extended one year. There appears to be little doubt that the significantly lower rates provided by these commitments, and the use of tax-exempt bonds to finance Section 8 construction, provided a large enough subsidy to boost starts of multi-family projects in 1976 despite high inflation and the recent history of overbuilding.

-- Last, the Farmers Home Administration has agreed to implement the rural rent supplement program which, when coupled with the Section 515 rural rent housing program, should produce more multi-family housing units in non-metropolitan areas where needs are severe. But to make sure, I introduced an amendment mandating the implementation of this program, as well as extending and creating other programs to revitalize the FmHA as part of the major housing bill that passed Wednesday.

Before I conclude, I would like to look down the road and consider "What is the future of multi-family housing?" from the vantage point of what Congress and the federal government can contribute. Several "musts" come to mind:

-- The federal government must retain a commitment to stimulate housing in sectors where private business cannot afford to provide it -- namely for low-income families and elderly persons.

-- The federal government must resist imposing its will to the point of eliminating program flexibility....flexibility that allows local managers the ability to tailor programs to particular needs.

-- The federal government must improve the way it targets housing assistance so those who need it most get it, and those who have need....but less need....also get help, but less help. That way the limited financial resources the government is able to inject into housing can be spread to their most effective use.

-- The federal government must stop taking actions that directly or indirectly drive up housing costs. These are actions ranging from tax code changes to national forest management. We must ensure that there is an adequate timber base to keep lumber and plywood shortages from developing, thus driving up prices.

-- The federal government must re-examine requirements it imposes on land development and structural codes to see if the results that accrue are worth the cost. I realize I am touching on sacred ground here, but I don't believe we can regard anything as sacrosanct when there is an increasing possibility the majority of Americans will not be able to afford decent, safe housing.

-- And, finally, the federal government must take the lead in seeking out new, innovative ways to construct basic housing more cheaply. I'm not suggesting resorting to "disposable housing" that looks nice when you buy but self-destructs after a few years. I am talking about new techniques, new materials, new practices that will cut costs, not quality.

I have been among those in Congress who have called for establishment of a national housing policy that stresses production and meeting real human needs, and that addresses the very real fact of the high cost of housing.

Welfare reform, energy legislation and food prices all have collected their share of headlines. They are, of course, extremely important. But nothing is more important than ensuring Americans a living environment that is sanitary, that is safe, and that is affordable. And we have to ensure that Americans won't be forced to surrender their homes because of economic downturns or higher utility bills.

Multi-family housing is playing an increasing role in a highly mobile, energy-scarce society, where more and more people are uninterested in owning, or unwilling to own, their own housing.

The federal government has discharged its duty to a degree. We have programs. But too many of them don't work well enough.

That is our great challenge -- to make housing programs work before the saying "A man's home is his castle" becomes a faint memory, not a fact.