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## The Emergence of Postwar Policies

IN 1943, while the war was at its height, both houses of Congress established special committees to consider economic problems expected to arise when hostilities should be ended. The Special Committee on Post-War Economic Policy and Planning of the Senate took particular interest in housing, establishing a subcommittee on Housing and Urban Redevelopment. This subcommittee was well into its studies by the time the first of the emergency measures—the Servicemen's Readjustment Act, discussed in the preceding chapter—had been passed, and its findings became the focal point for the development of the subsequent legislation affecting the building and financing of residential property.

The main lines of this development are found in the testimony of the National Housing Administrator before this subcommittee in June 1944 and January 1945.<sup>1</sup> Proposals called for the provision of market information and technological research in construction, further liberalization of the mortgage insurance device, federal aid for the assembly of land in urban slum areas, a resumption of federal loans and subsidies for public housing, and the perpetuation of the centralized control of administrative policy which had resulted from the establishment of the National Housing Agency. Implicit in the Administration's policy was the view that the housing needs of the country could not be properly satisfied by the undirected operation of the building and financing markets, and that only through conscious planning and direction could excesses be prevented, the public be protected from exploitation, and the best use of resources be assured.<sup>2</sup>

### GENERAL HOUSING BILL

Embodying Administration suggestions, a bill proposing a comprehensive federal housing policy was introduced in the Senate in the

<sup>1</sup> Testimony of John B. Blandford, Jr., U. S. Congress. Senate. *Hearings Before the Subcommittee on Housing and Urban Redevelopment of the Special Committee on Post-War Economic Policy and Planning* (Washington, 1944) 78th Congress, 2nd sess., Part 4, pp. 1015-63, and Part 6, pp. 1191-1321.

<sup>2</sup> *Ibid.*, Part 6, pp. 1296-1320.

fall of 1945.<sup>3</sup> Despite the bipartisan sponsorship of Senators Wagner, Ellender, and Taft, their General Housing Bill raised more bitter controversy than similar measures during the preceding decade and a half. Although not enacted, the bill passed the Senate early in 1946 with no registered dissent and might well have passed the House had it not been delayed by its opponents and finally buried in committee.

The outstanding—and the most controversial—features of the bill were the following:

- (1) A provision for the continuation of the National Housing Agency, thus giving to a single Administrator power to determine the operating policies of the Federal Home Loan Bank Administration, the Federal Housing Administration, and the Federal Public Housing Authority. The Administrator was also given extensive authority to engage in economic and technical research, to prepare housing "programs," and to recommend legislation.
- (2) Through extensive amendments to the National Housing Act, special formulas for insuring mortgage loans for both owner-occupied and rental properties were provided, under which credit was to be advanced not on the basis of ability to repay a debt but rather on need for a house and inability to pay for it on terms otherwise available. For some cases equity payments were reduced to 5 percent of value, the amortization period was extended to thirty-two years, and interest was set at  $3\frac{1}{2}$  and 4 percent, depending on the type of property. A welfare basis for credit was thus clearly enunciated.
- (3) A new title to the National Housing Act would have permitted the Federal Housing Administration to guarantee a minimum yield ("yield insurance") on a wholly debt-free investment in rental housing property. A somewhat similar device had been initiated by Canadian law in the previous year,<sup>4</sup> but the principle of guaranteeing venture capital investments was new in government-investor relationships in the United States.
- (4) A system was to be created for providing federal financial assistance to municipalities for the purpose of acquiring land in slum

<sup>3</sup> S. 1592, 79th Congress. This bill was brought in soon after the opening of a special fall session. An earlier version had been introduced by Senators Wagner and Ellender on the last day of the regular session.

<sup>4</sup> Dominion of Canada, National Housing Act of 1944, 8 George VI, c. 46.

and blighted districts, independently of the public housing function, thus greatly expanding the scope of federal grants to municipal agencies.

- (5) An expansion of the public housing program, which had been established by the United States Housing Act of 1937, was authorized. Provision was made for financing 500,000 dwelling units over a five-year period.
- (6) An elaborate system of subsidized rural housing was provided. In this the procedures of the United States Housing Administration were generally followed, but the proposed system offered subsidies, heretofore limited to publicly-owned rental property, to transactions where ultimate ownership by the beneficiary was intended.

#### FARMERS' HOME ADMINISTRATION

In contrast to the protracted and acrimonious debate over the Wagner-Ellender-Taft Bill, the Cooley Act,<sup>5</sup> which was equally novel in some of its provisions, passed both houses almost without objection. This Act established a Farmers' Home Administration (confusingly referred to as FHA in official literature) to take over the functions of the Farm Security Administration, along with certain special-purpose functions of the Farm Credit Administration, and to provide a system for insuring loans of the type permitted by the Bankhead-Jones Farm Tenant Act,<sup>6</sup> when made by private institutions.

This insurance plan goes much further in shifting both responsibility and risk to the government than did the Federal Housing Administration or, in some respects, either the veterans' guaranteed loan plan or even the proposed innovations of the Wagner-Ellender-Taft Bill. The scheme is as follows: the government agency handles the initial loan negotiation and transaction for the private lending institution; it collects payments due on interest and principal and transmits them to the institution; it continues such payments from its own funds in case of default; and, when the default is clearly irremediable, it pays in cash the outstanding amount of the loan.

<sup>5</sup> 60 Stat. 1072 (1946); 7 U.S.C. 1001 *et seq.*

<sup>6</sup> See Chapter 6.

At time of enactment, the plan carried a 2½ percent net interest rate to the lender, a rate justified by the proponents of the Act on the grounds that the security was in effect a government obligation guaranteed at par. It was at least true that government could hardly go further than it had in this Act to relieve the lender of responsibility, servicing cost, and risk, nor could it do much more to assure that the borrower would be guided along lines conforming to governmental policy.

Amendment of the Bankhead-Jones Act in June 1948 increased the interest charge to the borrower from 3½ to 4 percent, raising the net interest payment to the lender to 3 percent.<sup>7</sup> Since October 1947, when the first insured loan was closed, the loan insurance program has gradually expanded; but by the fall of 1949 it had not yet reached significant volume.

#### HOUSING COMMISSION BILL AND REORGANIZATION OF FEDERAL AGENCIES

Under the name of the National Housing Commission Bill, legislation similar to the General Housing Bill of 1946 was introduced in 1947.<sup>8</sup> With the new version, the authority of the Administrator would be somewhat limited by comparison with the original bill, and a National Housing Commission would take over coordinating functions of the National Housing Agency. The substantive provisions of the original bill, however, were altered in minor details only. Congress failed to act on the measure in 1947, thereby letting it be carried over to 1948.

A modified plan for reorganizing the housing agencies, submitted by the President under the terms of the Reorganization Act of 1945, was accepted by Congress in the summer of 1947 when it became apparent that action would be delayed on the National Housing Commission Bill. The plan, which established a Housing and Home Finance Agency under a single administrator, made permanent the centralized direction of the housing and related credit activities of the government, as first accomplished by the warborn National Housing Agency.<sup>9</sup>

<sup>7</sup> 62 Stat. 534 (1948); 7 U.S.C. 1003 and 1005b.

<sup>8</sup> S. 866, 80th Congress.

<sup>9</sup> This reorganization plan (No. 3, 1947) also re-established the Federal Home Loan Bank Board consisting of three members. In effect, it accomplished the purpose

## 1948 LEGISLATIVE EFFORT

The spring of 1948—the second year of the Eightieth Congress—brought renewed efforts to pass a comprehensive general housing measure. The Senate, as in the two previous years, took the initiative, and, once more against feeble opposition, passed a re-embodiment of the National Housing Commission Bill, omitting the section dealing with the administrative coordination of the several housing agencies, an objective already accomplished by the reorganization plan.<sup>10</sup>

A blend of emergency (further extension of the warborn "Title VI" insurance,<sup>11</sup> including insurance of loans to manufacturers of prefabricated houses and of loans for the purchase of houses built by the government during the war) and of the now familiar long-range measures (more generous FHA operations, "yield insurance", subsidy programs for urban redevelopment, urban public housing, houses on marginal farms, and a recreated Federal National Mortgage Association as an outright arm of government policy<sup>12</sup>), this bill was designed to draw support from all quarters. Nevertheless, the measure faced a still-reluctant House of Representatives which, after protracted hearings, hurriedly passed a substitute measure from which all subsidy features were omitted. Congress then adjourned with no agreement on the differing proposals for general legislation. However, compromise legislation entitled "The Housing Act of 1948" was at length agreed upon at a special session called by the President after the 1948 presidential nominating conventions.

This Act,<sup>13</sup> which omitted the controversial subsidy programs for public housing and slum clearance, contained the following principal provisions:

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of the first part of the proposed General Housing and National Housing Commission Bills (see above) and of an earlier reorganization plan which had been rejected during 1946.

<sup>10</sup> S. 866, 80th Congress.

<sup>11</sup> See Chapter 7.

<sup>12</sup> Up to this time, the National Housing Act still offered the possibility of establishing privately capitalized national mortgage associations (see Chapter 6). The 1948 proposals eliminated this possibility, and reconstituted the then existing Federal National Mortgage Association as a government corporation operated under the jurisdiction of the Reconstruction Finance Corporation.

<sup>13</sup> 62 Stat. 1206 (1948) and 62 Stat. 1268 (1948); 12 U.S.C. 1701-1747.

- (1) The Housing and Home Finance Agency was authorized to engage in research aimed at improving building codes and correlating the dimensions of building materials and equipment.<sup>14</sup>
- (2) Title III of the National Housing Act was completely rewritten to preclude the possibility of any privately financed national mortgage association. The Federal National Mortgage Association, established as a subsidiary of the Reconstruction Finance Corporation in 1938, was thus made the sole possible national mortgage association. It was authorized to purchase not only mortgages on one- to four-family houses insured by FHA but also FHA-insured mortgages on rental property and mortgages guaranteed by the Veterans' Administration after April 30, 1948.<sup>15</sup>
- (3) The emergency program for FHA insurance of rental-housing mortgages was extended until early 1949 with a liberalization of the eligible mortgage amount to \$8,100 per unit. Among the minor amendments was a restriction which prohibited discrimination against families with children.
- (4) The authority to insure production loans for manufacturers of prefabricated houses, granted to FHA in the Housing and Rent Act of 1947, was expanded to include insurance of credit to dealers in such houses for periods intended to cover erection and sale after delivery from the manufacturer.
- (5) A new form of FHA mortgage insurance was created to provide for the insurance of construction loans for projects of twenty-five or more single family units. Insurance was limited to \$6,000 per unit and 80 percent of estimated value, and was particularly intended to assist site-fabrication techniques of construction.
- (6) The Federal Housing Administration's original type of insurance of small home mortgages was liberalized by increasing the mortgage limits for low-value homes, by allowing all mortgages on new houses to have twenty-five-year terms, and by establishing

<sup>14</sup> Interest in the latter was the result of studies in "modular coordination" initiated some years previously by the American Standards Association under the joint sponsorship of the Producers' Council (an association of manufacturers of building materials and equipment) and the American Institute of Architects and based on exploratory work by the Bemis Foundation.

<sup>15</sup> The Federal National Mortgage Association's legislative history is quite confusing. The original National Housing Act permitted national mortgage associations to purchase, but not to initiate, insured mortgage loans. In 1938 the FNMA was authorized to make initial loans on rental properties. In the Act of July 1, 1948, the power to initiate loans was eliminated, and the purchasing authority was limited to mortgages on one- to four-family houses insured by FHA, and purchases were restricted to 25 percent of the original mortgagee's holdings of eligible mortgages. The Act of August 10, 1948 again modified the authority, as stated above, restricting purchase to 50 percent of the mortgagee's holdings of eligible mortgages.

a special class of insurance permitting a 95 percent loan-to-value ratio and a thirty-year term for mortgages of \$6,000 or less on new owner-occupied houses.

- (7) The prewar provisions for insuring mortgages on rental properties were modified by increasing the insurable mortgage limits to \$8,100 per unit, but the limitation of mortgages to 80 percent of value continued in effect, except that 90 percent loans were insurable where the housing was for families of "lower" income and 95 percent loans where the owner was a cooperative association comprised of World War II veterans.
- (8) Reviving a device that had been part of the "Veterans' Emergency Housing Program," the RFC was authorized, on a limited scale, to make loans to housing prefabricators for working capital and equipment.
- (9) A new Title VII of the National Housing Act authorized FHA to embark upon a new "yield insurance" activity. Individuals or corporations making wholly debt-free investments in rental housing were to be guaranteed a minimum 2 percent annual amortization of investment and  $2\frac{3}{4}$  percent annual yield on outstanding investment. Provision was made for accelerated amortization if the annual yield from the investment exceeded  $3\frac{1}{2}$  percent. Indemnification of investors would include cash reimbursement for any deficiency in the guaranteed yield or annual amortization as determined on the basis of annual operating statements, with the limitation that, if aggregate cash indemnifications exceeded 15 percent of original investment, FHA could acquire title to the project in exchange for debentures equaling 90 percent of the outstanding investment. Transfer of the project to FHA on similar terms was also provided for at the option of the investor if cumulative operating losses (not covered by FHA insurance) exceeded 5 percent of original investment. The yield insurance contract would terminate automatically when the outstanding investment was reduced to 10 percent of the original amount and might also be terminated earlier at the request of the investor upon payment of stipulated penalty premiums.

#### THE FAIR DEAL

It was clear that the Housing Act of 1948 constituted little more than a delaying action on the part of those opposed to the more drastic interventionary measures. Actually, substantial gains had been achieved by the proponents of the comprehensive plan. Cen-



tralized direction of the housing agencies (designed to bring FHA and Federal Home Loan Bank operations within the scope of planning) was firmly established. The concept of "economic soundness," originally characteristic of the FHA mortgage insurance operation, had been considerably weakened. The yield insurance scheme had been enacted. A new and more pliant sort of FNMA was created. Direct government loans were made available at least to prefabricators, and a small part of the broad research program was put in operation.

With so much gained, there was renewed pressure for the enactment of the remainder. In his 1948 election campaign, President Truman placed much emphasis on the necessity for federal intervention in economic affairs, and in the program demanded by him proposals for more direct government aid for low rental housing and the elimination of slums were prominent.

Soon after the opening of the Eighty-first Congress in 1949, the legislative battle was renewed. Strategy was modified to provide for separate consideration of the proposals dealing with outright grants and subsidies<sup>16</sup> and of the proposals that offered "aids to private enterprise."<sup>17</sup> By midyear the first set of propositions, under the name of "The Housing Act of 1949," won over spirited opposition—almost successful in the House—and became law.<sup>18</sup> This complex measure contained the following provisions:

- (1) For the first time, Congress expressed as national policy the propositions that the general welfare and security of the nation required a remedy for the housing shortage, elimination of inadequate housing, and realization of a "decent home and suitable living environment for every American family." While declaring that private enterprise should serve as large a part of the total need as possible, this declaration set forth the governmental responsibility for positive action for the redevelopment of cities, slum clearance, and low-rent housing in nonfarm areas and for improvement of housing on farms.
- (2) A new program of federal assistance to localities for redevelopment and slum clearance projects was initiated. Its execution was assigned to the Administrator of the Housing and Home Finance Agency. A fund of \$1 billion was made available for

16 S. 138 and H.R. 933, 81st Congress, later superseded by S. 1070 and H.R. 4009.

17 S. 712 and H.R. 1938, 81st Congress, later superseded by S. 2246 and H.R. 6070.

18 Public Law 171, 81st Congress.

loans through which localities might finance slum-clearance and redevelopment projects which the Administrator had approved. Loans might be made for a period of forty years at the going federal rate of interest, defined as not less than  $2\frac{1}{2}$  percent. Temporary loans were also authorized for financing preparation of redevelopment plans. The Housing and Home Finance Agency was authorized to contribute capital grants up to two-thirds of the net cost of redevelopment projects in a community, with the amount of the federal grant to be determined upon disposal of the redevelopment area to either public or private redevelopment agencies.

Although the law specifically states the desirability of maximum participation by private enterprise in redevelopment programs, another requirement for adequately rehousing displaced families appears to restrict the program largely to public housing projects.

- (3) The public low-rent housing program was revived and expanded by authorizing additional annual federal contributions to local housing authorities up to an aggregate of \$308 million per year for a forty-year period. A maximum of 810,000 publicly-owned units might be assisted under the program, and the contracts for federal contributions were authorized to be made over a six-year period. Interest rates on Public Housing Administration loans to local authorities were established at the going federal rate, and financing by tax-exempt local authority bonds was encouraged by permitting the federal contract for annual contributions to be pledged as security. Construction cost limitations in the original 1937 law were increased to \$1,750 per room, with permission for \$2,500 per room if necessary. The previous requirement for elimination of substandard units was significantly modified to avoid any federal responsibility for enforcement of the requirement.
- (4) The Housing and Home Finance Agency was authorized to undertake a broad program of technical and economic research in the fields of residential construction and finance. This program could deal with construction techniques, materials, or methods and with housing economics and other housing market data. Building codes, standardized dimensions, and methods of production and distribution of building materials and housing components were all specified as appropriate subjects for HHFA research. The Administrator was also required to make estimates of housing need and of "progress toward meeting the need,"

and to make recommendations for legislation to make up any assumed deficiencies.

- (5) A new program of loans and subsidies for farmhouse construction and repair was added to the responsibilities of the Secretary of Agriculture. This permitted loans for thirty-three years at 4 percent up to a total of \$250 million for constructing or repairing dwellings or other buildings on farms deemed adequate or "potentially adequate" to sustain a family. Special grants for interest payments during the first five years of the loan term were authorized in certain cases. Other grants or loans, not to exceed \$1,000 per farm, were authorized solely for repair of housing facilities on farms deemed inadequate to provide a living for a family. The Secretary of Agriculture was authorized to have special research conducted in construction techniques and plans and to provide supervision for farmers carrying out construction or repair programs with loans from the Secretary.
- (6) A decennial census of housing was authorized in conjunction with each decennial census of population.

A significant innovation of the Housing Act of 1949 was the authorization for technical and economic research. In conjunction with the large measure of control inherent in the federal government's subsidy and mortgage insurance programs, the authority for technical research may well lead, for all practical purposes, to federal determination of local building codes, standards, and practices, at least for residential construction. Similar domination of city planning functions is also conceivable in administration of the slum-clearance or urban redevelopment programs. Also significant were congressional directives to the HHFA Administrator and the Secretary of Agriculture to develop housing objectives for the nation and to recommend legislation and to make reports of progress toward these goals. The assertion of federal interest and responsibility in fields previously considered to be subject to state and local jurisdiction could hardly be more positive.

Later in the session Congress adopted a proposal under which FHA was specially authorized to insure mortgages on rental housing (at 90 percent of value, 4 percent interest, for twenty-five-year periods) located on land adjoining military establishments or actually leased from the Army, Navy, or Air Force.<sup>19</sup> Here was a

<sup>19</sup> Public Law 211, 81st Congress.

clear use of the insurance device to direct credit for a specialized purpose involving a special sort of risk.

Members of Congress also considered an elaborate bill referred to as "Housing Amendments of 1949." As introduced late in the congressional session, this measure<sup>20</sup> consolidated proposals on a variety of subjects which major bills had introduced earlier for "aids to private enterprise." The main features of this bill included:

- (1) Modifications of FHA operations to provide: (a) a new system of mortgage insurance for low-priced suburban and rural houses under Title I; (b) an increase in Title II authorization and liberalized mortgage limits for the thirty-year mortgages authorized by the Housing Act of 1948; (c) provision for the separate administration in FHA of mortgage insurance for cooperative projects; (d) authority for permitting, under certain circumstances, moratoria on mortgage payments for FHA-insured mortgages; (e) an extension of Title VI rental housing mortgage insurance operations; and (f) a revision of FHA budget controls for greater flexibility in field office operations.
- (2) Proposals for direct governmental lending as follows: (a) from the Veterans' Administration to qualified veterans, twenty-five-year loans at 4 percent interest; (b) from the HHFA to cooperatives, loans at 3 percent interest for sixty-year terms; (c) from the HHFA to educational institutions, loans at 2½ percent interest for forty-year terms; (d) loans from the RFC to distributors of prefabricated houses; and (e) FHA-insured loans from the FNMA to cooperative housing associations or rental project sponsors. The first four of these classes of loans might be without any equity investment; the last class would be governed by the pertinent FHA requirements.
- (3) An increase in the amount of the VA's guarantee for owner-occupant borrowers from the previous limit of 50 percent of loan or \$4,000, to a new limit of 60 percent of loan or \$7,500.
- (4) An increase in the aggregate authorization for purchases by the FNMA of FHA-insured and VA-guaranteed loans, with virtual elimination of the existing limitation of such purchases to 50 percent of the eligible loans originated by individual mortgagees.
- (5) Detailed provisions for disposition of federally-owned war housing and veterans' emergency housing as follows: (a) transfer of about 32,000 permanent units to local public housing authorities

<sup>20</sup> S. 2246, 81st Congress.

for low-rent housing; (b) sale of about 110,000 units in other permanent projects to private investors; (c) authorization for local governments to decide, within stipulated time periods, whether temporary housing projects should be demolished or given free to the local governments involved; and (d) instructions for later federal demolition of remaining temporary housing projects.

In the House of Representatives a substitute measure was passed after extensive hearings on the above proposals.<sup>21</sup> All proposals for direct federal lending were omitted from this bill except a provision for loans to educational institutions, at not more than 4 percent interest for forty years, to be made by the RFC; the final decision on disposition of federally-owned war housing was deferred by a six-month extension of the existing January 1, 1950 deadline.

As the end of the first session of the Eighty-first Congress approached, it was evident that Senate passage of a companion measure and conference agreement would be unlikely before adjournment. Accordingly, final decisions were deferred until 1950 by adoption of a joint resolution<sup>22</sup> which (1) extended into 1950 the various existing mortgage and loan insurance programs of FHA under Section 608 and Titles I and II, (2) adopted a new basis for FHA budget determinations, (3) increased the FNMA authority for purchase of mortgage loans, with removal of the 50 percent limitation from loans guaranteed by the VA under Section 501 and from FHA-insured loans under Title VIII for military housing, and (4) extended for one year the January 1, 1950 deadline for disposition of federally-owned war housing.

Thus, Congress rejected during 1949 proposals for direct government loans to individual veterans and to cooperatives. These proposals, which were strongly supported by labor and veterans' organizations and by certain charitable associations, had as their objective the assurance that long-term loans at submarket interest rates would be available for housing for veterans and cooperative organizations. No claim was made in either case that the proposed lending schemes were economically sound or that the proposed interest rate was adequate to cover the necessary costs. A public

<sup>21</sup> H.R. 6070, 81st Congress.

<sup>22</sup> Senate Joint Resolution 134, 81st Congress.

interest assumed to be inherent in benefits to the favored groups was the basic justification for intervention. The sixty-year terms and 3 percent interest rate requested for cooperatives in the initial versions of the "Housing Amendments of 1949" indicated the extent to which this type of governmental intervention can be demanded.

#### LONG-TERM PROGRAMS OF STATES

In addition to the actions of the federal government, a number of states initiated programs of positive governmental intervention in nonfarm real estate. These programs have dealt principally, though not exclusively, with assistance to rental housing construction and with land assembly for urban redevelopment. Additional legislation, however, pertains to building codes, to special loan facilities, and to basic studies of housing conditions.

Nonemergency state legislation for local or state assistance to publicly-owned permanent housing has been enacted by five states,<sup>23</sup> exclusive of the authorization for local participation in the federal low-rent housing program, which has been passed by forty-two states.<sup>24</sup> Local or state assistance to low-rent housing has been provided for in Illinois, New Hampshire, New York, and Rhode Island, while assistance for moderate-rental housing has been authorized in Connecticut, New York, and Rhode Island. Connecticut offers to make FHA-insured loans from a state fund at low interest rates to selected families. State assistance for publicly-owned, low-rent housing is provided in the form of capital grants in Illinois, annual subsidies in New York and New Hampshire, low-interest loans in New York, and temporary financing in New Hampshire. Additional assistance from the localities involved has been authorized in the form of annual subsidies in New York City and in Woonsocket, Rhode Island, tax exemption in New Hampshire and New York, capital grants to match state funds in Illinois, and guarantee of local housing authority bonds in New York City and in Woonsocket.

<sup>23</sup> Not included are temporary state or local programs in seven states for building permanent housing for sale or rent to veterans. The "emergency" and "permanent" aspects of the programs are not always readily distinguishable. See Chapter 7, including footnote 19, for reference material. The "temporary" or "permanent" characteristics of the state measures are not always readily distinguishable.

<sup>24</sup> Enabling legislation was in effect by mid-1949 in all states except Iowa, Kansas, Oklahoma, South Dakota, Utah, and Wyoming.

In Connecticut and New York general authorizations allow localities to provide publicly-owned housing for rentals above the low-rent level. Rhode Island has made a similar specific authorization for the benefit of Providence. All three programs involve (1) the use of tax-exempt bonds to minimize financing costs, (2) partial or complete tax exemption for the properties, and (3) effective guarantee of principal and interest payments on the bonds. The guarantee in Connecticut is provided by the state; in New York, by the city involved. In Providence, the effect of a guarantee by the city is accomplished by having the projects financed with municipal bonds.

When the Housing Act of 1949 authorized federal assistance to localities in clearing slums and redeveloping blighted areas, twenty-seven states and the District of Columbia already had statutes authorizing local activity in these fields.<sup>25</sup> Alabama became the twenty-eighth state by adopting enabling legislation in August 1949. Of the twenty-nine jurisdictions (including the District of Columbia), thirteen authorize private companies to be formed and assist in redevelopment projects; twelve permit local housing authorities to perform land assembly and clearance functions; and fourteen provide for direct municipal action or public redevelopment agencies as special agents of the localities involved. Legislation in all except five of the states permits the redevelopment programs to take advantage of federal assistance, although in some cases adjustments will be required to make the federal loans or grants authorized by the Housing Act of 1949 specifically available. A common feature of redevelopment legislation in most states is the use of eminent domain for land acquisition either by the redevelopment body or by the city on behalf of the redevelopment body. In some instances acquisition of part of a redevelopment area by negotiation is required before condemnation is permitted. Tax exemption, or restrictions for periods ranging from ten to forty years, are authorized for private redevelopers in seven states. These states, providing for clearance by public agencies, permit city bond financing of acquisition costs as a means of underwriting any losses incurred in clearance and disposition. Five states authorize special taxes for financing the net cost of clearance operations.

<sup>25</sup> *A Handbook of Information on Provisions of the Housing Act of 1949*, Housing and Home Finance Agency, July 1949, p. 6.

Frequently, state legislation requires that urban redevelopment be in accord with either officially approved general city plans or with publicly-approved specific plans for the project area. In Wisconsin and the District of Columbia, the redevelopment plans may establish maximum rentals for housing units provided by redevelopers. Stuyvesant Town in New York City was the first publicly-aided redevelopment project, though additional projects have been started in New York City and in Indianapolis. In July 1949 eight other cities were prepared to undertake projects and about seventy were considering projects.<sup>26</sup>

When public discussion of housing problems progressed, at least eleven states authorized comprehensive studies of housing problems within their states by either legislative committees or executive agencies of the government. In several instances such studies have formed the basis of new or revised legislation.

As mentioned in Chapter 6, a few states, notably California and Mississippi, have provided special funds for purchasing farms and homes to be resold to veterans, with the financing arranged by long-term debts to the state agency.

<sup>26</sup> *Ibid.*, p. 6.