

ADEQUACY OF FEDERAL RESPONSE TO HOUSING NEEDS OF OLDER AMERICANS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
HOUSING FOR THE ELDERLY
OF THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-SECOND CONGRESS
FIRST SESSION

PART 2—WASHINGTON, D.C.

AUGUST 3, 1971



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ADEQUACY OF FEDERAL RESPONSE TO HOUSING NEEDS OF OLDER AMERICANS

TUESDAY, AUGUST 3, 1971

U.S. SENATE,
SUBCOMMITTEE ON HOUSING OF THE ELDERLY
OF THE SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room 4232, New Senate Office Building, Senator Harrison A. Williams, Jr., (chairman of the subcommittee) presiding.

Present: Senator Williams.

Committee staff members present: William E. Oriol, staff director, Val Halamandaris, professional staff member; John Guy Miller, minority staff director; and Phyllis Balan, clerk.

OPENING STATEMENT BY SENATOR HARRISON A. WILLIAMS, JR., CHAIRMAN

Senator WILLIAMS. We will convene this subcommittee hearing on the housing programs for the elderly and we will begin with a statement by Dr. Henry Fernandez, who is accompanied by Reverend Navas.

Dr. Fernandez comes from Tampa, Fla.

You gentlemen were with us yesterday. We are pleased to have you make a statement this morning.

STATEMENT OF DR. HENRY FERNANDEZ, PRESIDENT, HACIENDAS de YBOR, INC., TAMPA, FLA.; ACCOMPANIED BY REVEREND NAVAS, PASTOR, ST. PAUL UNITED METHODIST CHURCH

Dr. FERNANDEZ. My name is Henry J. Fernandez. I practice optometry in the city of Tampa, Fla., and have for the last 20 years. I am president of the Haciendas de Ybor, a nonprofit corporation of Tampa, Fla.

Senator Williams and distinguished gentlemen of the subcommittee:

I want to thank you for this privilege of appearing before you to express my concern as well as the concern of members of my board of directors with the problems that nonprofit corporations face when, as a public service, they undertake to build housing for the elderly under Section 236 of the Housing Act.

Gentlemen, I think you should understand the background and tradition that led to our efforts in behalf of our senior citizens. I will try to be brief.

I was born in Tampa, Fla., and raised in the Latin section of that city. This section is called "Ybor City." My ancestry is Spanish. Twelve out of fourteen members of the board of directors of Haciendas de Ybor are either Spanish-American or Italian-American. Our architect is Spanish-American, and our attorney is Italian-American.

Ybor City is not really a city. It has always been a part of the city of Tampa, dependent on the city for police, fire and other city services. Some say it is just a "state of mind" and some call it a "city within a city." This has been so because though it was always a part of Tampa, in Ybor City, Spanish was the primary language for many years, and it is still in common usage in our stores, restaurants, clinics and commercial and professional places.

Since it was established in 1886, Ybor City has been a keeper not only of the Spanish language, but of the traditions of close family ties which made it a privilege and an honor to take care of their own.

Brotherly love, courtesy and respect were not just phrases, but daily practice. Respect for the elderly was lovingly given. This is the atmosphere in which the members of our board of directors and I grew up.

Unfortunate circumstances destroyed much of the physical aspects of Ybor City and in the post World War II years it began to deteriorate to such an extent that we asked for and received help from our Government in the form of Urban Renewal.

URBAN RENEWAL DISPLACES ELDERLY

Urban renewal became to us both a blessing and a curse. It cleared the slums, but displaced more than 600 families, most of them elderly citizens, to whom it was imperative that they be located near services where the personnel was bilingual. For almost 10 years we waited, with the thought uppermost in our minds at all times to bring these people back home.

Most of the people had been cigarmakers and having lived all their lives in Ybor City it has never been necessary for them to learn English either for economic or social reasons.

We wanted to bring them back to the environment in which they could function so they could spend the last years of their lives in relative comfort, joyful and tranquil among their own. In a way we wanted to repay them for the good days and fond memories they gave us.

A ray of hope came to us early in 1967. We heard about Section 202 of the Housing Act of 1959, direct loans to nonprofit organizations from the U.S. Government to build housing for the elderly.

We said, surely this is a blessing, and it would have been, except we were converted to Section 236 and it turned out to be a nightmare.

In September 1967, we were chartered by the State of Florida as a nonprofit corporation. The sponsors were the Ybor City Chamber of Commerce and St. Paul United Methodist Church.

The Urban Renewal Agency of the city of Tampa was eager to cooperate because of its great desire to return to the area some of the people they had displaced. They sold us four square blocks of land for 15 cents a square foot or a total of \$45,500.

We borrowed \$5,000 each from the bank. This was the down payment on the land. We signed another note for the balance of the land payment.

In October of 1967, we made preliminary application under Section 202. We hired an architect and proceeded with what we considered to be a noble and vital project. In April of 1968, the official application was made and the plans delivered to the office in Atlanta.

From April 1968 to April 1969 we made such changes as were required by HUD and on April 11, 1969, we opened our bids and found the long delay had resulted in a \$225,000 overrun in the bid.

APPLICATION REJECTED BY HUD

On May 9, 1969, the regional office of HUD advised us by mail that our application had been rejected because of the overrun of \$225,000.

On June 9, 1969, representatives of our builder, our architect, the Urban Renewal Agency, the city of Tampa, Congressman Sam Gibbons, Congressman William Cramer, our sponsors and I met in Washington with Mr. Lawrence Cox, assistant secretary of Renewal and Urban Assistance, and Mr. Walter Hughes.

We were informed that there were no more funds available under Section 202 and that unless we converted to Section 236, that our project was dead.

Gentlemen, we were desperate. We couldn't face our people back home who had more than 150 applications accompanied by \$25 deposits, most of it eked out of Social Security checks, their only source of income.

On August 19, 1969, we officially made our application under 236. We contacted a mortgage broker and found that we would be required to pay in cash, \$28,648 at 2-percent discount to the bank for the construction loan: \$1,856 to FNMA for a 90-day commitment, \$28,648 as 2-percent financing fee for the broker, for a total of more than \$59,000.

Gentlemen, this to a nonprofit corporation already indebted for the land. Again, I repeat, we were desperate. We found that our immediate need was for \$28,648 to pay the bank its 2-point discount for the construction loan at 7½ percent.

BOARD MEMBERS SIGN PERSONAL NOTES

Our board members felt they had made a commitment to build these apartments for the elderly. Each one of the 14 members of the board signed an individual, personal note of more than \$2,000 at our local bank and paid the 2-percent discount to the lending institution.

On December 15, 1969, 2 years and 10 months after our original eager and hopeful meeting, construction began. Construction took approximately 10 months and on November 30, 1970, we received our certificate of completion.

As we waited for the final closing we received various letters from our mortgage broker, an excellent firm, by the way, advising us of what to expect at closing. I will quote you some pertinent excerpts:

December 4, 1970.

I would like to remind you as I did on a number of occasions that the reimbursement of the construction loan fee—\$28,640—to Haciendas de Ybor is a very contingent question and addresses itself directly to FHA policy and regulations—we could not receive any definite answer other than a negative one.

February 9, 1971.

I have attempted to estimate the total interest which will be due on this loan through February 28, 1971, assuming a loan closing date of approximately February 17. If we, in fact, closed on that date, the total interest due through the end of the month would be \$30,468 of which \$15,895 is in the loan and is included in indebtedness.

Thus, in order to bring the loan current through the end of the month, it will be necessary for the corporation to pay an additional \$14,572 for the accrued interest.

I would also like to refer your attention to two requirements itemized on the bottom of FHA Form 2580. You will note that FHA is requiring that the letter of credit which has been issued by the First National Bank, be converted to cash and deposited in your operating expense account.

I think that you should discuss this matter with your banker as soon as possible since it is something that we were not anticipating.

The second requirement, requires itemized receipts supporting the purchase of movable equipment which totals some \$5,000.

In one letter an unanticipated cash outlay of \$14,572 and \$11,000 was required of our corporation.

Another letter dated March 3, 1971:

Haciendas de Ybor must give us checks for accrued interest in the amount of \$30,487.92 (\$15,895 included in loan \$14,572 from Haciendas) \$1,000.50 for the insurance escrow, and \$7,162 for the FHA-MIP reimbursement.

A letter dated April 6, 1971:

The payment due April 1, 1971, totals \$5,062.40. This payment is a little higher than originally estimated, but the increase is required because FNMA did not purchase the loan last month and are requiring me to treat the escrow deposit somewhat differently.

In addition to this payment, FNMA is requiring that you escrow with them sufficient money for the mortgage insurance premium. We are requesting that you furnish us a check in the amount of \$2,337.52, which is the mortgage insurance premium for four months. The total amount now due is \$7,399.92.

The original amount due in April was \$3,425.74 or an additional unanticipated cash outlay of \$3,974.18.

Gentlemen, I am expecting another letter any minute. In the four letters that I have quoted, we were required to pay out in cash \$37,708.18. Our records indicate that we paid over \$55,000 in cash during the course of this project.

We have been able to do this only because of the deep feeling that we have for this project. We will succeed only because we did not allow ourselves to be defeated. I do not fault the mortgage brokers or the banks. Acquiring and lending money after all, is their business. But I do fault the law.

We are operating our project at 85-percent capacity with 105 applicants waiting anxiously to see if we can acquire more rent subsidy and constantly asking us to build more units.

This list that I have here is 105 applicants and their incomes and their ages: We have a man 96 years old. We have an income as low as \$55 a month. The highest income that we have on here is \$242. These are the people who we have waiting for more housing.

BOARD MEMBERS DONATE SERVICES

We have not hired an administrator. The pastor of St. Paul United Methodist Church, Mr. Navas, is a member of our board, and is serving in this capacity without pay. Our accountant, also a member of our board, donates his services.

All the furniture in the offices and the community room, including a piano, has been donated. We operate with a part-time janitor who also mows the lawn. In short, we have cut operational expenses to the bone.

We have met all our payments promptly and what is more important the elderly tenants love the project, the Spanish architecture, the conveniences and friendly atmosphere that we have been able to give them.

They are happy, and so we are happy. We have built this project not because of Section 236—but in spite of Section 236.

We need 100 more units desperately. We have the land, which we acquired originally for 200 units. We have the complete architect working plans, and as I said, we have the applicants, but if we have to build them under Section 236, we will not build them. We can't afford to.

Mr. Chairman, and members of this subcommittee, I thank you most sincerely for this opportunity to appear before you. For a small organization, such as ours, to be able to bring their problems to the highest legislative body in our country is truly to me democracy at work.

I know of your great interest in the problems of our elderly citizens and I hope that my testimony here today may in some small way guide you in your future deliberations.

I have with me Pastor Navas, of the St. Paul United Methodist Church, who, as I said, is our administrator, and we are at your service if you would like to ask any questions.

Senator WILLIAMS. That is a full description and detail of what we were advised of yesterday, the long and arduous journey you take in getting 236 housing units to your people.

As I look at the listing of the tenants and their income*, it appears to me that all of these people are at income levels that would make them eligible for conventional public housing. I am sure this community thought of that.

Could you tell us why you didn't go in that direction?

Dr. FERNANDEZ. Sir, it is my belief that if we put these people in public housing that would just be killing them. Actually, they can't live in public housing. The atmosphere and surroundings are just not what you can give them, and what we give them and what can be given to them under elderly housing.

They live together. They are of one age. They have the same interests. We believe more can be done in housing for the elderly. We believe in total care for them.

I would like Pastor Navas to give you, partly in answer to your question and partly our thinking on what we can do and what we will try to do if we build any more housing for the elderly.

*Retained in committee files.

**STATEMENT OF REVEREND NAVAS, PASTOR, ST. PAUL UNITED
METHODIST CHURCH**

Mr. NAVAS. I think one of the dramatic things that inspired the church to get involved in housing, as well as the chamber of commerce, is specifically because of the fact that in public housing we had been working with senior citizens in the community, taking our bus, picking them up in order to take them downtown to get commodities in order to give them a little more food so they can stretch their Social Security dollar.

In one case, which is quite dramatic, but true, and I think representative in many cities, one senior citizen was found dead after 4 days in our apartments in the public housing in the city of about 2,000 units. They are all occupied by young families with four and five children, and squeezed in between these families are just dribbles of senior citizens dying to get out.

PUBLIC HOUSING LACKS PERSONAL TOUCH

The executive director of the authority there, of public housing, has encouraged us more and more to get senior citizen housing for these folks because the treatment and care they need really at this time is special.

Public housing is not personal. It does not meet the total care for which we are concerned for our citizens.

Senator WILLIAMS. Your Haciendas de Ybor is in downtown Tampa?

Dr. FERNANDEZ. It is in Ybor City, which is a 5-minute ride from downtown Tampa, but in the middle of a community.

Senator WILLIAMS. That is what I meant. It is not even part of Tampa, is it?

Dr. FERNANDEZ. It has always been identified as a part of Tampa, but it is a community unto itself. It has clinics and stores.

Senator WILLIAMS. That is what I was coming to. How close are you to the services that the people need?

Dr. FERNANDEZ. Senator, our building is located approximately two blocks from the Council on Aging, furnished by Model Cities, which has a complete staff and our people can walk there. They are within a block and a half of anything they would require, drug stores, and so forth.

We have, in Ybor City, and have had for many years, clinics that the members very much like, and Mutual Aid Benefit Society, and these people have been paying into these societies for 30 or 40 years or more. They pay \$1.50 a week and are entitled to free medical care. They are within a block or two blocks at most, of those facilities.

They are also within two blocks of Spanish movie theaters, which to them is something. They can walk from their apartment and see a Spanish movie which is not easy to find, for recreational purposes.

They can do just about anything they want to within an area of three or four blocks from their home and, they can walk.

Mr. NAVAS. More important is that the major clinics, Spanish and Italian, are within walking distance of the Hacienda de Ybor.

Senator WILLIAMS. These monthly incomes all are under \$200 a month. This is basically Social Security with very little supplementary, I would gather.

Dr. FERNANDEZ. I would say most of the tenants that we have now are on Social Security, the majority of them.

Senator WILLIAMS. What are the rents?

Dr. FERNANDEZ. \$80 for an efficiency, with all utilities furnished, and \$100 for a one-bedroom.

Mr. NAVAS. You are looking at a potential list of people wanting to get in.

Dr. FERNANDEZ. Those are not our present tenants. They have made application and are waiting to get in, waiting for us to get more units.

Senator WILLIAMS. Are they typical of those who are now residents?

Dr. FERNANDEZ. Yes.

Senator WILLIAMS. Then the rents run well over 50 percent of their income?

Dr. FERNANDEZ. Absolutely. We are operating now with 40-percent rent subsidy.

Senator WILLIAMS. Your introduction to the Federal programs was in 1967?

Dr. FERNANDEZ. Yes, sir.

Senator WILLIAMS. And it was 202 that got you moving, created the hope that this would be a program that could be useful?

SCATTERED SENIORS ANXIOUS TO RETURN HOME

Dr. FERNANDEZ. Yes, sir; we knew we needed this because these people had been displaced, as I mentioned, by urban renewal, and were anxious to get back. They were all throughout the city. Some went to live with their children. They were in all different parts of the city but were anxious to get back to where most of them were born and had worked for many, many years.

As I mentioned, all the facilities they were used to were there. So this was something that we had planned on, not something that just came up. We wanted to bring them back, but we didn't know how to do it. We couldn't afford it.

When we found out there was a 202, we immediately set to work and formed a committee of the chamber of commerce and the church and started the ball rolling.

Senator WILLIAMS. Is that when the corporation was formed?

Dr. FERNANDEZ. Yes, sir.

Senator WILLIAMS. At the beginning, did you put any money into the corporation at that point getting ready for 202 housing?

Dr. FERNANDEZ. No, not per se, but we investigated the 202 and thought that under that program we could do what was needed.

Mr. NAVAS. It should be stated—I was thinking of your comment about public housing before—that under 202 the interesting feature was that this was a complete package. This was not just a building for senior citizens. They could go find their own housing.

We were told that the concern from HUD was that this would represent a place where people can spend the rest of their years and that the sponsors would have to take responsibility of, you know, providing various types of care. That is why we went into it.

If it was just to provide housing, I don't think the church would have gotten involved. We would have said then they can go some-

where else. Knowing the special needs the senior citizens had under the 202 program, I think it was ideal for the church morally to get involved to help these people through the remainder of their days.

Recalling the fact that our Spanish people eat different foods, they have a low income, they are displaced all over the city because of urban renewal, they have a language barrier because of the young generation learning to speak English, they can't communicate—all of these factors led us to a moral commitment to get behind 202.

Senator WILLIAMS. How far had you progressed when you were told that, as you say, there were no more 202 funds, which is not quite accurate?

Dr. FERNANDEZ. We found that out later.

Senator WILLIAMS. That is what you were told?

Dr. FERNANDEZ. We were told because of the \$225,000 overrun, that we could not build the project, that we would have to abandon the project if we did not convert to 236.

Senator WILLIAMS. When was that?

Dr. FERNANDEZ. That was in a meeting in Washington, D.C., with Mr. Lawrence Cox, and the date was June 9, 1969.

Senator WILLIAMS. You had been developing your project for 2 years and then with the delay there was the overrun and then you were told you had to go to 236.

At that point had you estimated how much 202 housing was going to cost?

Dr. FERNANDEZ. Yes, sir.

Senator WILLIAMS. Could you give us a comparison of cost, the 202, and then these expenses that you have gone through under 236?

Dr. FERNANDEZ. Well, the 202 required the \$5,000 movable equipment, which we were familiar with, and it also required a certain letter of credit in the bank, which we also were familiar with, and we expected that, but it did not require the letter of credit to be converted to cash.

As I mentioned in one of the letters I received from the broker, this was not anticipated. We had not expected that throughout the planning for the program.

ACQUIRE OWN MONEY

The biggest thing we didn't anticipate was what hit us when we left Washington. They told us that we had to convert to 236, and we had to acquire our own money. We had to find a private institution that would lend it to us.

We found it in Tampa and they had a meeting of the members of our board with the bankers, and they told us that the interest rate that the Government was willing to pay was not quite enough—it was 7½ percent, by the way—but they would go ahead and do it. We had to pay them the discount points in cash before they made a commitment to give us the money.

That was \$28,648, and we went ahead and borrowed that, as I said.

Senator WILLIAMS. That wasn't the only fee you had to pay?

Dr. FERNANDEZ. No.

Senator WILLIAMS. What do all these fees add up to under the 236 route, which I would call startup money, that you wouldn't have had to pay with 202?

You had the discount and you had a fee and it comes to about \$70,000, doesn't it?

Dr. FERNANDEZ. Yes, over \$55,000. It comes to \$75,000, but we received back—as I mentioned here, on December 4, 1970, they sent us a letter telling us, "I would like to remind you as I did on a number of occasions that the reimbursement of the construction loan fee"—that was the \$29,640 we paid the bank to acquire the loan.

That fee is "a very contingent question and addresses itself directly to FHA policy and regulations. We could not receive any definite answer other than a negative one."

And all along they kept telling us we couldn't get that money back. That \$28,000 was lost that we had paid in. Now we continually sought to get this money back, by writing letters where we could, by contacting Congressmen, everything we possibly could do.

And up until the end of the construction we didn't know whether we were going to get it back or not. We did get it back. We got it back because our project came in at \$73,727 under the loan. Our loan was \$1,432,500 and our project cost \$1,358,773, or a total of \$73,000 less than the loan.

Senator WILLIAMS. I see. When you say you got the money back, that money came out of the total loan amount?

Dr. FERNANDEZ. Yes, right.

Senator WILLIAMS. Then you got it back but you paid it back?

Dr. FERNANDEZ. Oh, yes.

Senator WILLIAMS. It was an advance?

Dr. FERNANDEZ. Right.

Senator WILLIAMS. How much of the total—and we are using that \$75,000 as the get-started cash outlay from you, the get-started money—how much of that was paid back out of the loan?

Dr. FERNANDEZ. I would say that we ended up with a debt—which, by the way, we still have. We still owe our bank—

Senator WILLIAMS. No, no. The cash outlay. How much did you get when the loan was made? How much money did you get?

Dr. FERNANDEZ. The only thing that was reimbursed to us that became part of the loan was \$28,648.

Senator WILLIAMS. So the balance is out-of-pocket to the people who incorporated Haciendas?

Dr. FERNANDEZ. Correct; it ended up about \$38,000, and it was much more than that to start with.

Senator WILLIAMS. Yes. Now, would any of that \$75,000 get-started money have been out of your pockets under 202?

Dr. FERNANDEZ. No.

Senator WILLIAMS. None of it?

Dr. FERNANDEZ. None of it.

Mr. NAVAS. We were also hit—because of the fact that FNMA could not accept the loan in time—with another \$14,000 that we never knew about. We just had to pay it. And because of the fact that we were 1 day late on our payment, we were hit with another \$70, and this just continues to be, you know, a pattern.

CHURCH PROVIDES RESOURCES

Like Dr. Fernandez says, we always just wait for another letter in which we just have to pay out.

It should be stressed, Senator, I think we would be closed today if it were not for the fact that the church has provided all of the resources to manage the place. We have cut operations down to a nil, and it is because of the United Methodist Centers operating community centers in the community and using our personnel and dovetailing them and moonlighting them, that we are able to operate the place.

But I don't know how much longer the church can continue to subsidize the place. We realize as sponsors that we have that responsibility, but it is becoming, financially, a burden.

Senator WILLIAMS. How about the taxes on this Haciendas?

Dr. FERNANDEZ. We were able to secure ad valorem tax release because the application originally was 202, and it went through our tax assessor as such. We have an attorney's opinion from the tax assessor that our property is ad valorem tax free.

To be truthful, we didn't want to make waves. We didn't want to find out if there had been a change under 236, which I understand there can be. But the opinion was that under 202 we were tax exempt.

Senator WILLIAMS. We won't make any waves, either.

Dr. FERNANDEZ. I appreciate that very much. We couldn't stand too many waves.

I feel that if we had to start all over again, that we would not go through with the project.

Senator WILLIAMS. What if it were 202, what would you do?

Dr. FERNANDEZ. We would make application tomorrow.

Senator WILLIAMS. That is good.

Mr. ORIOL. Pastor Navas, I wonder how many hours a week you spend in part-time management of the Haciendas?

Mr. NAVAS. As administrator, of course, it is a full-time job, and the thing is, I have 76 people working under me, so I am able to actually have at least three full-time people at the Haciendas, one as manager and two custodians.

Of course I have to get their salaries from other areas. We didn't realize just how demanding the work was going to be because of the fact that the senior citizens living there need a lot of care. So specifically, I don't put that much time in, but through my representatives, it is just three full-time people totalling about \$12,000 salaries.

Mr. ORIOL. You are making a substantial in-kind contribution to this project out of necessity?

Mr. NAVAS. Very definitely.

Mr. ORIOL. You mentioned before you don't know how much longer you could do this. What do you mean by that?

Mr. NAVAS. Because of the fact that our board is going to have to set new priorities. We are involved in day-care programs and retarded programs, and we are going to have to make a switch in our budget if this is going to be a prolonged thing, which may mean cutting something out.

I don't know which way the board is going to go. There are so many social needs in the city, and we are involved in so many. But if they are willing to spend \$12,000, which they don't really have, I say we can continue, but it all depends on the priorities that our board sets up, which is a different board than the board of Haciendas.

Mr. ORIOL. What would you have done for an administrator under 202?

Dr. FERNANDEZ. The problem that we have now, of course, is paying expenses. We could have paid expenses under 202, because of the fact that we wouldn't have a debt to pay back that we do have now. We still owe our friendly bank.

The president of the bank is a member of the Haciendas board, and we are paying back the money that we had to put out that was not anticipated. And if we didn't have this debt we could handle the management of the project all right. There would be no problem. We will soon be 100-percent ready and we will have no problem that way.

Mr. ORIOL. Under 236, isn't special provision supposed to be made for displaced persons because of, let's say, urban renewal projects? Do you get special allowances?

Dr. FERNANDEZ. No, we don't. I am not familiar with that area of 236.

Mr. ORIOL. I believe one of the groups of people who that was supposed to serve was displaced.

Do I understand correctly that all of the applicants on this list and all of those who are already being housed, most or all of them were displaced because of your urban renewal?

Dr. FERNANDEZ. Yes, sir.

Mr. ORIOL. You say most of them were living with relatives. What sort of quarters were many of them living in?

Dr. FERNANDEZ. Most were living with relatives or living in public housing, which they did not like, as I said. They were away from the atmosphere in which they could function. These people can walk around there and talk to the druggists, talk to the people in the stores. This is where they belong.

UNABLE TO COMMUNICATE

They didn't want to be halfway across town. They couldn't understand anybody. This is what we wanted to bring them back to and this is why we did it.

Mr. ORIOL. You had not only the church and others, but you had the chamber of commerce in at the beginning of the development?

Dr. FERNANDEZ. Yes.

Senator WILLIAMS. So the business community started with you under 202?

Dr. FERNANDEZ. Correct.

Senator WILLIAMS. Gentlemen, thank you very much.

Dr. FERNANDEZ. Thank you very much.

Senator WILLIAMS. Our next witness is the Reverend F. Kenneth Shirk, secretary of the Trenton Lutheran Housing Corp., Trenton, N.J.

We have been looking forward to this. We were talking about you and your activity in Trenton yesterday, and have saved the details and a full description for you.

We are pleased to have you with us today, Reverend Shirk.

STATEMENT OF REV. F. KENNETH SHIRK, SECRETARY, TRENTON LUTHERAN HOUSING CORP., TRENTON, N.J.

Reverend SHIRK. I appreciate the opportunity you have given to me to bring you a report from the "grass roots."

Senator WILLIAMS. Is that what you call Trenton?

Reverend SHIRK. That is as grassy as you can get.

Senator WILLIAMS. This is something that Trenton has, a lot of small parks in the city that were created by a program we worked through this committee, the Green Thumb program. Are you familiar with those parks?

Reverend SHIRK. Yes.

Senator WILLIAMS. There was a church that was not being used as a church. It was vacant, that was the center, and it has one of these parks beside it. We have been there, this committee.

Reverend SHIRK. It is out in the Chambersburg section of Trenton. It was formerly a Methodist Church, I think.

Senator WILLIAMS. Then there are little parks down by the river and all through town. I think there are scores of them.

Reverend SHIRK. Yes, there are a number of centers and parks. It is a city of parks.

Senator WILLIAMS. So I guess "grass roots" was an apt description, even though you have probably too many politicians.

Reverend SHIRK. We have a lot of politicians. As the county seat, it is a political circus.

I would just like to tell you a little bit about myself, and offer some credentials. I am secretary of the Trenton Lutheran Housing Corp., and I come with the full blessing of the corporation that has suffered a long, arduous journey.

90 PERCENT OF CONGREGATION OVER 65

My main job, however, is pastor of a congregation composed mainly of senior citizens. Ninety percent of our people are over 65—in a congregation of about 550 people. Our church is heavily used by senior citizens 4 days a week, numbering maybe 300 or 400 senior citizens in and out the doors during the course of the day.

Our concern basically is with what their needs may be in the area of health, welfare, referral; and as we came to know them, we saw that one of their basic needs was housing. So I spent 6 years; 3 advising the Lutheran Welfare Association—which is our statewide association—they ought to take the risk and take this plunge under the 202 program.

I took responsible leaders from the Welfare Association to visit projects and talk to people, because they were reluctant. They had heard things being done under the Federal housing project, and they didn't want to get burned.

After convincing them, we placed our application as a 202 project; and during the 3 years that our corporation has been pulling, pushing and coercing, I personally have kind of developed some knowledge, and I think some expertise in the area.

I have nothing to gain by this housing. I don't get any more money by it. My business doesn't grow as a result of it. I will not get a promotion because of it. I am doing it for the senior citizens. And the only satisfaction and gain that I would get would be in the inner satisfaction of being able to serve people.

So I would first of all, like to recount to you the project's travels through the wastelands of FHA—as we refer to it on our board—and I would then like to reflect on this 3 years' experience.

On June 30, 1969, we filed an application under Section 202 for a loan to construct an elderly housing project in Trenton, N.J. The filing of this application followed almost 1 year of dedicated effort spent in organizing the sponsorship—all the Lutheran churches in New Jersey through the Lutheran Welfare Association of New Jersey—acquiring just the right site, having it rezoned, selecting the best architect, and hundreds of other details that were necessary to make our application a good one.

After filing, we were told it would be necessary to convert to a different form of financing—FHA 236. It was pointed out that this would be to our advantage, by Mr. Richard Krakow of the Philadelphia regional office, which office we were connected with. He said this would be to our advantage, because of less rent and a more efficient process. We accepted that, being rather ignorant at that time.

After 13 horrendous months of confusion and delay, we received the FHA feasibility letter. We immediately completed arrangements with a mortgagee, and he filed for a conditional commitment on August 20, 1970. We received our conditional commitment on December 22, 1970, some 4 months later.

We went out for bids in the middle of January and received four bids on February 15. The low bid was \$3 million, submitted by Superior Construction Co. in Burlington, N.J. This was above our conditional commitment.

On March 4, 1971, following an all day conference with FHA officials, we submitted our 2013, which indicated that the project could be built without any substantial changes in the drawings—ample community space, air conditioning, carpeting, and so forth.

FHA, after analysis, contended that the unit cost was too high—\$17,500—and the income would not support the mortgage. Upon questioning them on the discrepancy between their calculations and ours, we discovered that they were projecting that 75 percent of the occupants would be over the 25 percent of income limit and would be required to pay fair market rent. This increased the tax load by \$20,000 per year, and thereby, reduced the amount of money available for construction to \$3 million.

Without this 75-percent factor, the project was viable for them.

We carefully pointed out in writing and verbally that the 75-percent factor was unrealistic, that most of the elderly who we knew had incomes of less than \$5,500 to \$6,500 per year. Further, an amendment to statutory regulation as found in form 3135A allowed us, as a 202/236 conversion, to set up income limits, as would be done under 202, to solve this problem. They retorted that they knew nothing about this amendment, and we were a straight 236 in their eyes.

ELDERLY ARE GOING TO PAY DOUBLE

The FHA suggestion was to perform some kind of magic and reduce construction costs, remove carpeting, air conditioning, and so forth. When I protested that this would reduce our apartment to the level of public housing, they responded by stating that they saw no difference between Public Housing and 236.

It seems to me that if the elderly are going to pay double the rent of Public Housing, we should build in some compensating amenities.

While this haggling was going on, our 90-day bid limit expired and the contractor withdrew. With no other alternative, we began the slow process of negotiation and redesign with another contractor. The structural system was changed, the slabs lightened, air conditioning was dropped, the brick veneer was eliminated, the heating system was changed, and so forth. Then suddenly, FHA said in effect, "We will grant you your argument on taxes, get us the original bid and we will issue the firm."

On June 23, we submitted a 2013 for a construction cost of \$3.6 million, with the above-mentioned changes. Now the rumblings are that we have reduced the value of the building—which requires new studies and makes the application as troublesome as before, only this time in the area of cost.

Although Mr. Henry Bechtel, HUD New York office, knows the project is needed and feasible, he is as frustrated as I over the handling of the project. In fact, he thought we should have had a firm commitment the first time around.

So here we are today, with no further progress. We are still waiting to go through the maze of technical reviews.

As a result of the above experience, I have the following reflections:

1. In spite of the rigidity of FHA and complete lack of imagination, we will, I hope, construct an apartment for the elderly in Trenton. The building, however, will be stripped of all amenities and be as starkly institutional as Public Housing, because FHA took so long to process the initial application in March and were reluctant to give us the statutory advantages to which we were entitled as a 202/236 conversion.

2. As presently interpreted by the State of New Jersey and FHA, the tax abatement law is cumbersome, unworkable, and unfair to the elderly. The municipalities require the 15-percent abatement to apply to gross annual shelter.

If 25 percent of the tenants' income is \$150, with a base rent of \$100, the project must pay 15 percent of the \$50 difference. This means all the tenants in the project must pay a share of the extra tax of someone who could well afford to pay the levy.

Further, FHA's interpretation of the law projects an excessive amount of money in the initial budget to cover the contingency of a few elderly persons being over the limit. This reduces the amount available for construction and places hardships upon the sponsor in his attempts to produce a feasible project.

A simple amendment allowing the sponsor to withhold the taxes on the difference between the basic rent and fair market rent would solve the problem.

The impact in New Jersey of this tax problem is one of the factors that is making the feasibility of 236 projects so difficult. They want me to go to the city council and get a firm commitment. I said I can't do that. "Well, then, they said, there is nothing we can do about it." FHA is looking for the cities to solve the problem when they could quite easily solve the problem themselves.

3. No new construction has been approved by the Newark office since the inception of Section 236. Mr. Carlson, chief of production and technical services, indicates that the rent level established by law as 135 percent of Public Housing is one of the causes.

A 202 in Trenton—Trent Center—has the same rent schedule as ours now. They are going to seek an increase in the near future. In addition, the fair market rents in our area are in the range of \$150 to \$225 per month against our rent range of \$112 to \$135.

I am eager as anyone to provide low-cost housing, but not at the expense of no housing. For example, \$3 per month would enable us to add all that was deleted from the building.

I am told that the Regional Offices can go to 145 percent. The problem is that 1 day they can; the next day they can't. It seems to me that the concept of rent levels should be restudied, particularly in the high building cost areas.

Senator WILLIAMS. Let me back up there a minute. You say no new construction has been approved by the Newark office since the inception of 236?

Reverend SHIRK. That is what I was told by Mr. Carlson. They had processed some rehabs, but nothing new. Operation Breakthrough in Jersey City is, of course, what consumes all of their time up there and makes it difficult to get anything through. It has been in the mix for a year, and is way overpriced. You see, Trenton is in the New York-Philadelphia labor complex—as you well know, Senator—and it is a horrendous situation. It is complicated by high building costs and there is no way you can build with the kind of limits that FHA has. I just see no way.

Plus the black in Trenton are very active—and I am a part of the group. They are watching every Federal project. They are picketing the community college, as you well know, and the city of Trenton is passing a fair employment law which would require the quota system on jobs.

Contractors know this. They know it is going to cost them more money to build. I support, you know, basically, the black community in their efforts to do this, but the contractor is in a bind.

CONTRACTOR ADDS 10% TO COST OF FHA PROJECT

Our contractor adds 10 percent to the cost just because it is an FHA project. He says the paper work and the delays and the closing costs, when you work for the Federal Government, cost you more.

4. FHA admitted in April that "had we been a 202, a firm could be issued." Using the 202 formula, I figured it out and discovered that they were right. The principal and interest savings were only \$9,000 per year under 236 which was easily compensated for by the solving of the tax situation—which FHA projected at \$20,000. The 236 program, which was supposed to be a better "deal" for elderly, turned out to be the vehicle which threatened the whole project.

5. While I am not an expert in finances or the intricacies of mortgages, I cannot understand why the Government would have to pay lending institutions an estimated \$8.5 million in interest subsidy on the life of our building.

Or why we, as a sponsor, must borrow construction money at 7 percent, which amounts in our case to \$208,000. Finally, what services do the banks offer to deserve initial fees of \$174,800?

The last two items are, of course, passed on directly to the elderly tenant. There must be a cheaper and better way for our Government to be involved in the housing field.

I calculated very quickly, at home—comparing the two programs—and our project would cost the Government over the 40- or 50-year period \$5 million more than it would have under the 202.

Senator WILLIAMS. You put that sort of in a flat, unemotional way, with sort of a decrescendo crescendo. Would you say that with a little more meaning for Miss Copeland here. I think we can underscore that. How much more?

Reverend SHIRK. It cost me \$5 million, more as a taxpayer—let's put it that way—and you as a taxpayer, \$5 million more to do it the 236 route than the 202 route.

And you know, I tell people I am just a poor preacher, and kind of a simple guy, but I just can't fathom how the Government can do something in such an expensive manner when they have all the power and resources to do it as cheaply as possible with as much expertise as possible. It is completely beyond my understanding.

For example, even the State of New Jersey approaches it much more intelligently where they sell bonds below the 7-percent figure, at least, through the Housing Finance Agency, and the sponsor pays 3-percent and the State picks up the balance. If the wisdom of the State of New Jersey is so great, it seems to me that the Federal Government's wisdom is even greater.

And then what the State of New Jersey does is to get 236 funds into subsidy to bring the mortgage down to 1 percent. So in talking to consultants in the New York area, their advice to nonprofit sponsors is not to go to FHA. They say the best deal is to go to the State of New Jersey through the Housing Finance Agency.

It is quicker, as I will try to demonstrate in a minute. It is cheaper. You get a better project. And Ables and Schwartz, consultants from New York, and Lucas and Edwards and Al Gershon and Associates all go to the Federal Government only as a court of last appeal. If the State won't take them, they try the Federal Government. Perhaps the biggest mistake we made as a corporation was going the Federal route.

Senator WILLIAMS. I have to go over and vote in the Senate, but Bill Oriol and John Miller will continue and I will see you in a little bit.

Reverend SHIRK. That is fine, Senator.

6. The nonprofit sponsor will have extreme difficulty in working through FHA. Preference seems to be given all the way down the line to the limited-dividend sponsor. FHA reminded me a dozen times that the Lutheran Welfare Association could "put up" the \$200,000 difference. The statutory limits and other guidelines seem to be predicted upon a 10-percent or more investment of the sponsor.

7. In fairness to the Newark office, I might add that no attempt has been made to cause us to change our room sizes or the amount of common living area. The only adverse change—from our Section 202 application—was a requirement of cash in the amount of \$49,000 as opposed to our original commitment of \$25,000. This has caused some hardship.

If good housing is to be built in America to meet the needs of the elderly, the 236 program will have to be recast completely or Section 202 revived.

During the course of this past year I was invited to visit Sobel Construction Co. in Pleasantville, N.J. They have a lawyer, consultant, construction crews, management services, and FHA-approved mortgage company, all under one roof. When I discussed with him the feasibility of building a project for the aged under limited dividend law, he said, "Fine, we will produce it in a year and a half." "But," he said, "we have one thing, and that is that we will not meet with your sponsor at any time. We will put up all the frontend money and we will buy the land and make all the applications and do the processing."

NO ARCHITECT

I said, "But we want to hire an architect to sort of keep control of the project design. Would you put money for that in the budget?" "If you want to hire an architect," he said, "You have to find somebody else to do it."

The limited dividend law in the State of New Jersey allows any three people, or group or combination of groups and people to set up a limited dividend corporation. This corporation is responsible to no one. It is responsible not to the community, the people do not need to be a part of the community. The people who serve on the limited dividend corporation are passive investors and Sobel Construction, for example, would provide all the management services with no program.

They are not interested in program, or the people who go into the project. What he wants to do is provide only shelter. He makes money on the lawyer fees, consultant fees, construction crew, the management service and all the fees which FHA picks up.

He admits this is where he makes his money. He says, "A little here and a little there." But he provides no program.

My fear for the church is that it will happen to us as is happening now in Jersey City, where the Lutheran Welfare Association, in conjunction with the Department of Planning has been asked to take a 236 turnkey, as they call it. When I went up to talk to them about it at their invitation, I said the two ingredients you should have are a consultant to help with the programing and decide what the programing is, and an architect.

They went back as good loyal brothers will do, and told the city and the developers this. The city's reply to them was, "Maybe we can find somebody else who will do it."

It seems to me that the church is in a very precarious position. They are sold now on 202, and think 236 will be the same when it will not be, They must be very careful, it seems to me, in what they do and in how they do it.

Finally, just to conclude, Governor Cahill this year appointed a housing czar, and the reason was that housing projects were not moving through the Housing Finance Agency quickly enough.

I have a picture of a project that was started and went to ground-breaking in 27 months through the Housing Finance Agency. It is the Kingsbury project which is right in back of my church.

From the time they formed the corporation until they broke ground, it was 27 months. Governor Cahill says that is too long. Speed it up. Our project is now 30-months old and still probably a long way from groundbreaking.

I wouldn't want what I had to say to be construed as meaning that FHA does not want to build our project. They do want to build and the people I talked to in the FHA office are sincere and I think truly agonized over it.

Their problem is they are incapable of seeing how to take something from here and bring it over to here. They lack knowledge. They never processed a senior citizen project before. They put all kinds of family criteria on it.

Mr. ORIOL. Excuse me. What sort of family criteria?

Reverend SHIRK. For example, the whole tax situation. They say for example, that 75 percent of the residents will have incomes of over \$6,500. I said, "Why do you say this?" "This is a criteria we get from Washington. We have to use it," they replied.

"But they are senior citizens on limited incomes" "Well, we realize that, but we have to use that criteria."

ELIMINATE AIR CONDITIONING

The architect said we could eliminate air conditioning. I said, "It is important to older people." He said, "Well, not the older people I know. They are always cold. They can do without the air conditioning."

Mr. ORIOL. Who said that?

Reverend SHIRK. The architect in the New York office. And you know, they have a maze of bureautic guidelines a Philadelphia lawyer couldn't fathom, guidelines which are one thing one day and another thing another day, and they frown heavily on nonrevenue producing space.

They say to me every time I get into a conversation, "Well, if you didn't have 22 percent of your building in nonrevenue-producing space, you would have a different kind of situation."

I said, "You know, the nonrevenue-producing space is the heart of the building. This is what makes it worth living." "Well, we understand that, but if you could get some more rentals out of there, you would be a lot better off."

It seems to me that it is important that either the 202 be revised or the 236 revised. Further, it seems to me if we have to live with 236, then all of us who are going to live with it need an advocate in Washington, someone to whom we can go and cry on their shoulders and seek to get the kind of justice which is our due as sponsors.

We need somebody. There is no one now I know of who we can go to and speak to about any of this, if you are not getting your due.

That concludes the testimony I have.

Mr. ORIOL. Thank you very much, Reverend Shirk.

Getting back to who said, what, who responded by stating that they saw no difference between Public Housing and 236?

Reverend SHIRK. Mr. Fred Reinshagen, who is the chief evaluator for the Newark FHA office.

Mr. ORIOL. Is this in writing or conversation?

NO WRITTEN RESPONSE FROM FHA

Reverend SHIRK. Nothing is ever written. The only time I get a letter out of the FHA office is when they send a form to fill in. I wrote a letter 2 months ago to Miss Ledman who is our representative, asking in what form she wanted our capital money to be credited, and she never answered the letter.

I called her a month later and said, "Lenore, I didn't get an answer." She said, "I will find out and write tomorrow." It is a month later and I have despaired of asking again. Nothing is ever written down.

Mr. ORIOL. How much time have you spent in meetings? I notice a reference to an all-day meeting with FHA. Does that happen very often?

Reverend SHIRK. No, we have only had one all-day meeting with FHA. I call them twice a week at my own personal expense and on my own time, just to keep the project moving, to keep it alive.

Mr. ORIOL. That is another thing I wanted to be absolutely clear on. What is the future of your project? You have described it as being far different in appearance and facilities than originally contemplated, but what is its status now?

Reverend SHIRK. I honestly don't know. I called on Friday before I came to Washington, and they said it is in process. I said, "Well, could you tell me what the verdict is so far?" "No; we can't tell you what the process is as revealed today." I said, "Have you accepted the architectural changes?" "I can't tell you that."

"Cost is our critical factor at this point. Did it meet the cost?" "I can't tell you that, only the regional director can tell you." You know, you don't get ahold of Mr. Longarzo, who is retiring anyway.

Mr. ORIOL. Do you have a waiting list for this project?

Reverend SHIRK. Yes. We have had no publicity except what we received in the newspaper when we went for zoning and tax abatement, and I have 100 letters in my file asking for applications.

We sent no applications to these 100 letters, but I have the letters. I sent back a letter stating that when and if we broke ground, I would be very happy to forward them an application. Some of those letters are 2 years old, but we have an accumulation of 100 with no publicity.

Mr. ORIOL. What other evidence do you have of need for this project?

Reverend SHIRK. What other evidence of need?

Mr. ORIOL. Yes.

Reverend SHIRK. We have a study which was done for us by the Planning and Development Department of the city, which shows the shortage of elderly housing in the city, and that study which was done 3 years ago now, I guess, when we made our initial application, showed a deficit of 2,000 housing units in the Trenton area.

Mr. ORIOL. Mr. Renfrow, would you mind taking a seat with Reverend Shirk?

ADDITIONAL COMMENTS OF ROBERT RENFROW, SOUTHEAST HOUSING DEVELOPMENT CORP., ST. PETERSBURG, FLA.

Mr. RENFROW. I would be pleased to.

Mr. ORIOL. Mr. Renfrow testified yesterday.*

*Mr. Renfrow's prepared statement; pt. 1, p. 17.

Reverend SHIRK. The Public Housing Authority has a waiting list of 367 as of Friday, because I took a lady over to get on the list. The 202, Trent Center, has awaiting list of 100—that is just an arbitrarily set limit. After they get 100 on the list, they stop taking names.

Mr. ORIOL. Are the public housing people looking forward to your project as a means of relieving the demand on them?

Reverend SHIRK. Yes; and Trent Center, too, which is planning to build another one.

Mr. ORIOL. You mentioned the Sobel firm before. At any time did the FHA suggest you get in touch with them?

Reverend SHIRK. No.

Mr. ORIOL. How did you hear about them?

Reverend SHIRK. Through our architect, who recommended that I go down and see them, because he was very impressed with their shop. He does some work for them.

Mr. ORIOL. Could you tell us a little more about the apparent FHA preference for limited dividend companies over nonprofit sponsors? And what did you mean—in a little more detail—from this line in your statement, “FHA reminded me a dozen times that the Luthern Welfare Association could put up the \$200,000.”

What does that mean exactly?

Reverend SHIRK. Let me begin with the last question first. As I was haggling and the consultants were haggling with Mr. Reinslagen back in March and April, the standard reply to that was, “You know, you could always find someone. Perhaps the Lutheran Welfare Association could put up the difference and make your project.”

Mr. ORIOL. What difference was that?

Reverend SHIRK. About \$200,000. The difference between what FHA will allow and what we needed to build the project. In other words, FHA would give us a mortgage of \$4.1 million back in March overnight. We needed \$4.3 million in round figures. We needed \$200,000. That was what we were short. We overran \$200,000.

Mr. RENFROW. If I may amplify. The FHA position—that the maximum mortgage supportable by the income of the project was \$200,000, less than the sum required to make the project come into being—was predicated on an analysis of allowable rent levels for people in this income category; subtracting from that the estimated cost of operation, and the payment of taxes, and the amortization of mortgage. So they took this position. When you took the allowable revenue—as it were—and their projection of the cost and debt service, it left an insufficient amount to retire the mortgage.

But the reason they arrived at this conclusion was that they insisted on putting in—as a cost to this project—each year a level of taxes which it would not, in fact, have to pay. Which they now admit would not be payable.

May I explain this tax thing?

Mr. ORIOL. Yes, that is why I asked you to sit down. I would like you to amplify whether a similar type of problem had arisen in the early days of 236; and, whether this reversal on this project is typical of reversal on other projects of that particular approach.

Mr. RENFROW. Well, in New Jersey, there is a tax abatement statute. Prior to the adoption of the Housing Act of 1968, it identified 202 alone as projects which would be eligible for tax abatement.

Instead of the normally assessed ad valorem taxes, these projects could—at the discretion of the local taxing authority—pay for Government services, in lieu of taxes, a sum equal to 15 percent of their gross rental revenue.

Now, 236 is not limited to nonprofit ownership and operation. Moreover, it is not limited to persons over age 62, and is not limited to persons who have a low moderate income as defined by the Secretary of HUD.

As a result, 236 projects in New Jersey are not entitled, by statute, to the same tax abatement as a 202. This project had been filed as a 202. It was supposed to be accorded the same criteria in processing as a 202; and, if and when it ever closes, one of the closing documents will be form 3234(a)—entitled “Addendum to Regulatory Agreement.” The Regulatory Agreement on a 236 project makes provision for the residency of persons who are under age-62, and for admission of persons whose incomes are in excess of limits set by the Secretary of HUD.

The addendum for 202/236 strikes those provisions of the Regulatory Agreement so that you end up with the same nonprofit residency age level and income limit as with a 202. It is that simple.

Therefore, from the position of the State of New Jersey—from their vantage point—it is, in fact, a 202. It is, therefore, entitled to the tax abatement.

BUILDING COSTS ESCALATE DUE TO DELAY

FHA refused to acknowledge the plain meaning of their own printed document—prepared by an FHA Washington attorney and used on every 202/236 conversion in the United States. Thus, because of them stubbornly refusing the plain truth for so long, they lost the contract price and now the building costs have escalated.

They can't now build the building which they could have built in March if FHA had not been stupid-stubborn.

I hope I made myself clear.

Mr. ORIOL. That is what I wanted you to bring out.

Thank you.

Mr. MILLER. How much did that cost, that delay?

Mr. RENFROW. I will have to ask Pastor Shirk, who has the figures.

The contract price you had back in March was what?

Reverend SHIRK. Perhaps the best way of putting it would be that the person who now has put in the latest bid for \$3.6 million—that is our magic figure—his bid in March was \$3.9 million.

So what he did was to peel \$300,000 off by making changes which I considered to be changes which made the building inferior.

Mr. MILLER. But those changes accounted for more than \$300,000 lost in value?

Mr. RENFROW. But, the point is: What was the low bid offered in a contract on an FHA form back in March?

Reverend SHIRK. \$3.6 million.

Mr. RENFROW. It was feasible at \$3.6 million, but they didn't acknowledge it then. Now you cannot produce that building with central air conditioning, carpeting, brick exterior, public areas and other amenities—as designed in August or September—when you could do it in March.

So they have stolen the time and you have lost the contract.

Mr. MILLER. You don't know what the additional cost would be to build the original project?

Reverend SHIRK. Our architect said \$480,000 is what it would cost us.

Mr. MILLER. Your architect estimates that it cost—

Mr. RENFROW. Escalation from March to August.

Reverend SHIRK. They put us in the very ambiguous position of having to shop this around. We had to shop it with a contractor who would be willing to bid. And you know, we are really the laughing stock of Mercer County, because we keep shopping this thing around.

I think John McShain recognized that we were in a very ambiguous position.

Mr. MILLER. If there is further delay, this will compound it additionally.

Mr. RENFROW. You bet. Let's face it, building costs are not going down.

Mr. ORIOL. Reverend Shirk, I am sure the Senator regrets he couldn't hear the conclusion of your testimony, but we appreciate your coming today and telling us and we wish you well in the future.

Reverend SHIRK. Thank you.

Mr. ORIOL. Now we will hear from Mr. Ted Dorman, the administrator of Springvale Terrace, in Silver Spring, Md., accompanied by two tenants, Miss Theresa A. Parker and Mr. Dan MacRay.

STATEMENT OF TED DORMAN, ADMINISTRATOR, SPRINGVALE TERRACE, SILVER SPRING, MD., ACCOMPANIED BY THERESA A. PARKER AND DAN MacRAY

Mr. DORMAN. We are very grateful for this opportunity of appearing before this committee whose work is extremely important.

My name is Theodore Dorman. I am the administrator of Springvale Terrace, Silver Spring, Md.*

We are completely confused as to why the 202 program has been apparently jettisoned and we are appearing here today in support of the 202 program, and to tell you a little bit of its outstanding success as far as we know it personally, which I think would be of interest to this committee.

We have been in operation approximately 7 years now, and we have a total number of 172 residents. We have, at the present time, 175 names on a waiting list.

202 PROJECT USED AS MODEL

We are used as a model for HUD in their film strip and they send their visitors to see us. We probably are one of the first 202's in the country, certainly the first in the metropolitan area of Washington. We are used as a model for the Department of Health, Education, and Welfare.

Mr. ORIOL. Excuse me, this film strip holding up Springvale Terrace as a model, when was that made?

*See app. 2, p. 113.

Mr. DORMAN. That was made approximately 9 months ago.

Mr. ORIOL. In other words, well after the conversion to 236?

Mr. DORMAN. Yes.

Mr. ORIOL. They are demonstrating the value of 202 after no longer approving it?

Mr. DORMAN. We don't want to appear immodest, but we consider it to be a great success, and the people in our establishment have a very pleasant life. They are part of the community. And this was originated at a time when HUD apparently had some people who knew the problems of the aged and wanted to deal with them in a sensible manner.

We are sponsored by the 50 churches of the United Church of Christ in the Baltimore and Washington area. We have a very, very good sponsor. They, of course, set up a corporation which is required under Section 202 and I have been working with them ever since its inception, and before it.

To give myself some credentials, I was commissioner of institutions for the State of West Virginia, where I had among other things 700 elderly people to deal with. I was also executive secretary of the Federal Council on Aged for the Department of Health, Education, and Welfare, and if I don't know something about the elderly, it is my own fault and not the lack of experience.

Now, I will tell you frankly that I would no more advise my board of trustees at this time to engage in a project under section 236 than I would advise them to dance in the moonlight on quicksand.

I went down and spent 2 days in the FHA offices when this thing began to bubble. I was firmly convinced, after very, very pleasant chats with these people, that they had no idea of what they were doing or how they would be able to effect it.

You see, we put an addition on Springvale Terrace. About a year and a half ago we started to build it, and it was completed in December. They tried to inveigle us into popping that in 236 and I was running backwards as far as possible, thank God, because they simply do not know what they are doing. They don't know the problems.

Previously it was handled from Washington directed by one of the most capable people I know of, Mr. William Hughes, and this man has a great understanding of housing for the elderly.

This is a specialized field. There is no question about it. When you say what is the difference, why doesn't public housing do as a good job, this is a good question, and I think it should be explored a little bit.

GOVERNMENT HAS CONTROL OVER 202 PROJECTS

Springvale Terrace and places like it, 202 projects, are properly run, and I don't know of one single failure in the 202 line. You know, the Government has the power to remove the management from a 202 project if it is not being run properly. They have complete control over it, and that is a good thing. It isn't going to be turned into a motel or anything like that.

We had an opportunity to take a group of people and make them a part of the community, give them a reason for living, give them interest in life.

I think this is a most important thing, because we are completely disoriented in this time of our civilization with the preponderance of

elderly people who feel superfluous through no fault of their own. They have been removed from an agricultural system to an urban system. In 70 years, our country has changed from 80 percent agriculture to 80 percent urban today.

They have no place in the city. They are upset.

I had an applicant yesterday, a man and wife. I said, "What have you been doing, sir?" He said, "I was a die and tool manufacturer." I said, "How long have you been retired?" He said, "15 years, and they have been the most miserable years of my life."

This is something to think about. This is a civilized country. What are we doing for people who are given the watch when they are 60 or 65 and told to move over. Their children cannot look after them. We are completely dislocated as far as housing is concerned.

This is why it is a vital thing to have projects such as the 202 has been, to take care of these people. Our people actually have organized a society in Silver Spring, Md., of their own, but they are also a part of the community.

They are registered to vote. The candidates come and speak to them and they have different committees of their own. Mr. MacRay here is the town father of the town meetings. They have entertainment committees and I think this would be a very telling point. In the last 12 months, there have been 286 programs that were brought into Springvale Terrace for the enjoyment of the residents, and they have been completely free of charge.

I think that the mental attitude of elderly people is terribly important. If you have people disoriented and unhappy you are going to have a much higher percent of senility.

Recently the first doctoral dissertation was done on a 202 project, and the lady who did it received her doctorate. She did scales on the people. I think there are only 42 members of our own church out of 162. We have Roman Catholics, Episcopalians, Presbyterians, Universalists and so on.

She came to me afterwards and ran scales on these people and said, "How many people are causing you a lot of trouble?" I said, "Not any of them at all." She said, "There are about 15 of them now who would be in strait jackets if they weren't in a place like Springvale Terrace."

These people are useful. They work on programs, and this has been a mode of living which has been possible through the 202 project.

Now, I would like first of all for Mr. MacRay to speak.

Mr. ORIOL. Before that, you said they would be in strait jackets if they were not there. Would you elaborate on that a little bit?

Mr. DORMAN. Yes. Everyone of us has had various times in our life when we woke up and wondered why we bothered to wake up. There was no reason for living and nothing to do. Fortunately, with most of us this is occasional. It is not chronic.

REJECTED FEELING CREATES SENILITY

But you take a person who by the necessity of civilization feels rejected by their children, who has no purpose in life, who is sitting in some cockroach-infested apartment, and talking to themselves and looking out the window and not eating properly, that sort of person is much more inclined to simply stop the supply of blood involuntarily to their brain.

This is not something I have observed, but they are proving this in the University of Florida at the present time. Senility can be involuntarily induced simply because the view from the window is so bad you pull the shade down on it.

Senility is a very expensive thing and a most unhappy thing for people to endure. It is a horrible thing, and if children are lucky, their parents die instead of losing their mind. But there is much too much of it in this country. I think it could be obviated if the 202 project were restored.

But I do not see how this 236 program can work. I don't know whether it has been developed at these hearings or not, but I understand there are several of these 236 programs which have simply been foreclosed on because they could not get their place occupied in time to meet their debt service payments. In other words, the banks own the place.

There are many people much more qualified to go into the inequities and oddities of the 236 program than I am, and we are here primarily to support the 202 program of which we are a result, and which we think is extremely successful.

Mr. ORIOL, would you like me to continue?

Mr. ORIOL. I have one more question before we turn it over to the real experts, the people who live in the housing.

In this thesis, was a comparison made between the rate of installation of tenants from Springvale and perhaps another group of elderly persons?

Mr. DORMAN. The objective of the dissertation was to establish the effect of Springvale Terrace on people, how they would have been if they were not there and how they are if they are there.

Actually, I hate to mention this, because it has almost been a miracle, but we have an average age of close to 80, and our percentage of senility is probably less than one-half of 1 percent. In the ordinary circumstances, a group of people of this age, it would be 30 percent in 1 year.

EVERYONE FEELS IMPORTANT

So it is proven if people get together and they have good will toward each other and support each other in a pleasant way and are useful—and these people are useful. Everybody serves in one way or another. Miss Parker is a registered nurse in New York State, and she helps us out if people are ill.

Everybody has something to do, something which gives that person importance, which we all must have, and we try very hard to preserve the individual dignity of the people.

Mr. ORIOL. Is it common for a person living at Springvale Terrace to go into a nursing home?

Mr. DORMAN. People become ill. There is no question about that. In the 6 years we have been operating, there has been one long term nursing home case in which the lady had a stroke and became mentally paralyzed.

They will go into a nursing home for awhile and very often come back and are rehabilitated. Or they die. There is nothing wrong with death. It is oftentimes when we don't die it is unpleasant.

I would say due to the efforts primarily of the people in this establishment we have a very good way of life, and they support each other. They look out for each other. They watch each other. They discipline each other, and this is a much stronger law and order than I could maintain. These people want to be accepted by their peers in the establishment and it is the thing to do to be pleasant and not to frown and say "Oh, my lungs and liver" all day long.

Mr. ORIOL. I am trying to get the precise number of persons who live in Springvale who go to a nursing home and perhaps do not come back to Springvale.

Mr. DORMAN. I believe in the last 12 months we had about 13 people who went to nursing homes and out of those I would say six came back. But we have a very high age group. We have 16 people over 90 and most of these people over 90 walk down into Silver Spring every day.

Mr. ORIOL. You are only about four or five blocks from the big department stores?

Mr. DORMAN. Three blocks from Hechts and one block from the medical center. We are one block from the Montgomery County Public Library. We are well centered.

Mr. ORIOL. Going back to the people who come from the nursing home, the prospect of returning to Springvale is a big reason for wanting to recover in the nursing home and coming back?

Mr. DORMAN. Yes; whereas if it were a miserable place, they would probably rather die or stay in the hospital. I think the 202 projects are an enormous saving to the taxpayer directly.

We are declared tax free by Montgomery County. But you put normal taxes on us and you are going to increase the rents about \$20 a unit right off the bat.

Now I would like to stress the fact that the people who live in Springvale Terrace paid into pension systems at a time when the dollar was worth a dollar, and it is now, of course, vastly inflated, and this makes it very difficult for elderly people who paid in with good hard money to find a decent place to live today, because of the rent structure.

So instead of taxing these places and penalizing them, I think they should be supported. After all, we borrowed \$1.5 million for 50 years, 48 years returnable at 3 percent. The Government isn't losing anything on this. We pay it back.

The churches don't have capital funds to invest the way they use to. Therefore, the churches are forced to borrow if they are going to build. And better that the churches and worthy projects sponsor these things than to have everything just turned upside down and dumped.

I would not touch the 236 program today. We have two churches who want to build housing for the elderly now. I said it is too confused, they don't know what they are doing. It is a mess.

I would like to have Mr. McRay, who has been with us now for about, golly, since we opened.

I think it would be interesting, Mr. MacRay, if you tell how you found our place.

He lives in Springvale Terrace with his wife. He is from Massachusetts.

STATEMENT OF DAN MacRAY, RESIDENT OF SPRINGVALE TERRACE

Mr. MacRAY. Right. I should have written something down.

But I worked for the telephone company for New York City and you have to get out of there when you are 65. It is compulsory retirement at 65.

I happened to read an article in the real estate section of the New York Times about 1961, and it told about these United Church of Christ places that were building up in Lorraine and they expected to build one someplace between Washington and Baltimore.

I have a girl who lives just outside of New York City, and another daughter who lives in Virginia. They told about the place between Baltimore and Washington, and I wrote to the man who was named in this article, and about 2 days later I received a letter from him saying he had put in an application for me for this place between Baltimore and Washington when it was built.

So I kept in touch with these people and kept after them until they got to the place where they told me they were getting ready to build. We moved in about 2 weeks after the place was built, and have lived there ever since, and we are both very satisfied and happy. I hope we can live there as long as we last.

NICE PLACE TO LIVE

It is a nice place. Everybody gets along with each other. It is in a nice residential section and still you can walk over to the shopping district in about 5 minutes. There is a bus that goes by the door. As far as I can see, it has everything that any reasonable person should want in retirement.

It is reasonable and it is nice.

Any questions you can think of—as I say, I should have written something down, but I didn't.

Mr. ORIOL. I think you have given us the main—

Mr. MacRAY. We have plenty of things going on. There are always people coming in to show slides and movies. We have two auditoriums, one in the annex and one in the old building. People come in and give painting lessons.

All over the place they have these small lounges for people to congregate. They don't have to stay in the room or go out into the streets like they would have to if they were in regular apartments. There are plenty of places for people to meet, play cards or anything they want.

We have a pool table. There are four pianos in the building. We have lots of good piano players, and a place where you can go in and saw wood and drive nails and make anything you want. All you have to do is buy the lumber.

I can't see how it could be improved on in any way except if they gave it to us free.

Mr. ORIOL. Do you mind bragging about your age, Mr. MacRay?

Mr. MacRAY. I will be 72 in November.

Mr. ORIOL. Do you have your own automobile?

Mr. MacRAY. Yes, I have a 1964 Rambler.

Mr. ORIOL. Do many of the other tenants have automobiles?

Mr. MacRAY. Not too many of them, no.

Mr. ORIOL. Do you feel the bus system is well used by the tenants?

Mr. MACRAY. We are only about a 5-minute walk from the bus terminal, which will take you anyplace. One bus runs by the door.

Mr. ORIOL. So you don't feel cut off?

Mr. MACRAY. No, indeed. No. And the place is landscaped, most of it by the tenants, the people living there. We have some people who are fine gardeners and they go out and do a lot of work around the place.

I can't think of anything that could be improved upon, except as I said before.

Mr. ORIOL. (To Senator Williams) Senator, we are hearing from tenants of a 202 housing project in Silver Spring, Md., and they think it is fine. But Mr. Dorman says they couldn't do it under 236; and they wouldn't advise trying.

Mr. DORMAN. I would like to have you hear a word from Miss Parker, and I think it would be germane if she told you what her salary was as a schoolteacher when she started to teach school in Howard County.

STATEMENT OF THERESA A. PARKER, RESIDENT, SPRINGVALE TERRACE

Miss PARKER. I am a Marylander. I had been teaching in West Virginia, and had been ill and couldn't attend the Teacher's Institute which was required and when I recovered it was too late to work in West Virginia.

The teacher in the school of my home, a very old man, died and they asked me to work in his stead, and I did, for 6 months at \$24 a month. I made more than that before I went to that school and I made more than that after, but really, you don't lay up very much for the future at such a rate of pay.

But I was a schoolteacher. Then I studied nursing and for some 15 years I worked at a school in Alabama, and I retired from work there and came to live in Mount Vernon, N.Y. After the death of my sister I looked around for a place to go and I was beginning to feel my years.

I had a nephew working in Washington whose wife was a friend of the Channing Phillips family. He was pastor of the Lincoln Congregational Church at the time, and she heard about the building of this home at the time, and told me about it and I applied for admission.

PLENTY OF WORK TO OCCUPY TIME

I have been there since 1967 and find it a most comfortable home.

I find the people congenial and there is as much activity as I care for, plus I have work to do. I am the first aid person in the house, and I keep as busy as I want to. I am up every morning because I do have something to do and I am up at night in case of necessity.

I think having something to do which is needed is very important and I find life there very, very comfortable and agreeable.

Senator WILLIAMS. That is a magnificently beautiful story. Your professional life as a nurse just fits right in.

Miss PARKER. Yes.

Senator WILLIAMS. As a good neighbor and professionally trained as a nurse.

Miss PARKER. Yes.

Senator WILLIAMS. How many people live at Springvale?

Mr. DORMAN. We have 172, sir, and we are very nearly the first 202 in the country.

Senator WILLIAMS. I was going to ask that. It seems that going back to 1967, you must have been one of the early ones.

Mr. DORMAN. We are up to 7 years now, and we are the first in the metropolitan area. We are, as I mentioned before, used as a model in the film strips for both HUD and HEW and if people come to see housing for the elderly in the United States from another country, they are usually sent from Washington to Springvale Terrace.

We have had visitors from France, England, Japan, and the Union of South Africa to just mention a few.

Senator WILLIAMS. But no more? They don't show it any more?

Mr. DORMAN. Yes, they are very proud of us.

Senator WILLIAMS. I thought this was the program which has been unfunded, and they still show it off?

Mr. DORMAN. I think some people have forgotten about the 202 program, or it became mislaid somewhere, shall we say, but the people who really are knowledgeable in HUD and have knowledge of housing for the elderly are very proud of Springvale Terrace.

Something happened somewhere along the line. I don't know exactly what, but the 202 program, you know, like the Forestry Service, has been one of the great leading lights in the country. It has been a success. It has never been a failure.

They had people administering it who were sympathetic and knowledgeable. Somebody pulled the trap door and it wasn't there any more. I don't know how it happened, but I do know I would no more consider building a project under 236 than I would shoot myself. It is an impossibility now.

These people in FHA simply don't know what they are doing, and of course, as a public-spirited citizen, you would hate to see money wasted in this way when it would be a perfectly satisfactory, extremely successful program, and nobody really does understand how this happened. It is most amazing.

Senator WILLIAMS. You mentioned that Springvale is shown in film strips?

Mr. DORMAN. By both HUD and HEW, as a model.

Senator WILLIAMS. Of what?

Mr. DORMAN. Housing for the elderly.

Senator WILLIAMS. And do you know whether that is still circulated?

Mr. DORMAN. It has just been made, and is just on the market in HEW and HUD.

Senator WILLIAMS. Talk about gaps of credibility, this is a giant gap of credibility. They are not funding any more projects under this program.

Mr. DORMAN. It is a very sad situation.

Mr. FULLERTON. Mr. Chairman, those filmstrips were begun—the preparation—some many months ago; and the transition to 236 came in the meanwhile. Now those filmstrips are stacked in the office here in Washington. Very few of them are out.

Of course, Mr. Dorman has seen them, because he was one of the participants. But I have seen the stack of the prepared strips with the booklet that goes with it—and they are beautiful—but they are sitting here in a Washington office.

Senator WILLIAMS. Okay. We will learn more from on top tomorrow when we have the director here.

Mr. DORMAN. There does seem to be a considerable gap somewhere along the line. The middle part of this has been wonderfully administered. As I mentioned before, Mr. William Hughes has done a marvelous job, and had a deep understanding of this. Nobody knows how this happened, but suddenly we were deep in 236, and it was most confusing and certainly against the better interest of the elderly.

Mr. ORIOL. Mr. Dorman, yesterday there was some discussion about whether a garden-type construction facility could have an elevator. Now, yours is not two-story. It is four-story?

Mr. DORMAN. Three and one-half.

Mr. ORIOL. From the road it looks almost like a garden-type apartment.

Mr. DORMAN. It is built on a 39-foot incline. It is built into a hill.

Mr. ORIOL. But you have one elevator?

Mr. DORMAN. Two.

Mr. ORIOL. Do those two elevators meet all your needs?

Mr. DORMAN. Yes, every single room is serviced by an elevator.

Mr. ORIOL. Did you find that to be a tremendous expense or did you find it to be a necessary expense?

Mr. DORMAN. It is necessary. Hydraulic elevators are relatively inexpensive. Along with air conditioning, I put it in as a must.

Mr. ORIOL. I noticed you smiling when a comment was made about the elderly not needing air conditioning. Do you find that the elderly do not need air conditioning?

AIR CONDITIONING VERY NECESSARY FOR AGED

Mr. DORMAN. Mr. MacRay works on the desk sometimes because we use our tenants to help us and we pay them a little money for it.

Let's say, Mr. MacRay, you were on the desk and the air conditioning went off. What would happen?

Mr. MACRAY. Well, I would go down and start it.

Mr. DORMAN. What complaints would you get?

Mr. MACRAY. They would complain right away that the place was getting too hot.

Mr. DORMAN. The whole switchboard would light up, wouldn't it?

Mr. MACRAY. Yes.

Mr. DORMAN. Actually, it is proven medically that extreme heat is very, very hard on the heart of an elderly person. I will not name any names, but there is a place for the elderly in the metropolitan area of Washington which doesn't have air conditioning, and this is the way they take care of their waiting list in the summer. They die like flies. This is a sad thing to say, but it is true.

It is very hard on the heart if it is too hot. I would say air conditioning is an absolute prerequisite.

Mr. ORIOL. What are the ranges of rents charged in Springvale?

MR. DORMAN. Exactly the same thing across the board, which saves a lot of bookkeeping. It is \$102 for a studio efficiency, which has its own kitchen and private bath and wall-to-wall carpeting. We do have rent supplements, which is a tremendous help to housing for the elderly.

We have a rent supplement allotment totaling \$15,000 annually for our elderly people who have limited incomes and savings of less than \$5,000, and this is one of the best things that the Congress of the United States ever put out, because it happens that this is still well administered.

The applicants are checked out thoroughly to make sure they have savings of less than \$5,000 and incomes of less than \$3,400, and then up to 70 percent of the room rental can be subsidized by this rent supplementation. This is a very good thing.

I mean, you have just no idea of the people who come to me and need help. I am getting up to four interviews a day now, and I interview everybody.

I told previously, Senator, that there are 180, approximately, to 200 on our waiting list now, people who know if they don't get into a community atmosphere where there is supportive help from their peers, they will either become peculiar or die of loneliness.

People become separated from the world very rapidly when their friends die, and when there is inadequate income to move to a place where they would have more compatible friends. It is one of the great difficulties in this country. You know, this country is called the cruelest civilized nation in the world to the elderly, and there is something to be said to that.

ELDERLY HAVE BEEN NEGLECTED

It isn't that we are consciously cruel, but we have neglected an enormous section of the population. You know the statistics. In the last 70 years the population has doubled, and the people over 65 has quintupled.

You have elderly people, and there is not enough thought being given to them, and when you take a situation where you have an eminently successful program like the 202 program, people are absolutely astonished, who are knowledgeable in this field, that this has happened. They can't understand how it has happened.

Senator WILLIAMS. I had to come in late on this discussion, Mr. Dorman, because we were voting in the Senate.

Have you been there since the inception?

MR. DORMAN. Yes, I was working in HEW when the churches decided to do this. This is the 50 United Churches of Christ in the Washington and Baltimore area. I resigned from HEW and became the administrator before anything was built.

And before that, I had experience in this aspect to the Federal Council on Aging, and as Commissioner of Institutions for the State of West Virginia, where I had 700 elderly people with nothing to do.

Senator WILLIAMS. So you went from Commissioner of Institutions in West Virginia to HEW?

MR. DORMAN. I had one stop as administrative assistant to the Senator from West Virginia. With that very, very educational year, I

became employed by HEW. But I have had a great deal of experience in this field.

I am vitally interested in seeing that the situation is better, particularly in the housing line, which is a tangible thing you can get to and this 236 is a great piece of nonsense.

Senator WILLIAMS. You have said something that struck me as long as I have worked with this, and that is "tangible and you can get to it." There is no mystery.

One of the essential needs of anybody, and we are talking about older people, is housing which can be simple and right and solves so many other problems, doesn't it?

Mr. DORMAN. I am enormously pleased that you and your committee are concerning yourselves with it. I can't think of anything more vital. If you don't die young, you are liable to get old, and if you get old, you had better think what is going to happen to you.

If we don't take some thought to it, we ourselves could end up somewhere which we did not find attractive.

Senator WILLIAMS. I would think with your position and background and this current activity, people in other parts of the country would come to you for advice as they get prepared to go into this type of housing program.

Mr. DORMAN. I just last week was asked by HUD to lecture to a group of people who are going to be managers of these projects, so I have not been disowned by Housing and Urban Development.

I am employed as a consultant by Montgomery County on housing for the elderly, but one can do just so much, and my responsibilities are considerable in a village, you might say, of 172 people who need a great deal of my time.

Senator WILLIAMS. Do you have any message for the Congress and also for the Executive?

REACTIVATE 202 PROGRAM

Mr. DORMAN. Yes, sir; I do have a message for the Congress, and that is to reactivate the 202 program and to find out how the 236 program, at least for housing for the elderly, ever occurred. I think it would be an extremely important thing to find out how this monstrosity occurred, 202 is not a dream world, don't get me wrong. There are certain things that could have been a little bit better, particularly in the legal department in the regional offices in Philadelphia, which is like nothing you have ever seen in this world.

But you managed it, and you got there, and you sent them 10 documents and they wrote back and said they lost four and you sent them four more, and then they lost two and you sent them two more, but you managed to get there, and we did manage to borrow \$1.5 million in two different packages and we have a good place running.

But 236 frightens me to death, Senator. I have worked for the Federal Government, but it frightens me to death. They don't know what they are doing.

Senator WILLIAMS. Your advice is to find out the reasons for the death of 202, is that right?

Mr. DORMAN. Yes, and why it became suddenly of such importance to have guaranteed loans instead of direct loans. I think this would be a very interesting thing to find out.

Senator WILLIAMS. All right. Now, Mrs. Copeland, can I get that last statement of Mr. Dorman, the last exchange here, and I am going to read that to the boss man tomorrow and get it right from him just why they killed 202.

Mr. DORMAN. That would be very germane.

Senator WILLIAMS. That is not going to embarrass you, is it?

Mr. DORMAN. Not one bit.

Senator WILLIAMS. It might appear in "Jack Anderson" or something.

Mr. DORMAN. It is a peculiar situation, but you know, they do use us as a model, and I wrote to Secretary Romney when we were going to dedicate our new building, and I said, "Wouldn't you like to come up and take a bow for this very fine project?"

It turned out it was on Sunday, and Secretary Romney, very understandably, possibly did not want to appear on Sunday, although it is a church function and not a burlesque show or anything.

I said, "Well, possibly some other representative of HUD would like to come and see what you have given birth to." And it went on and on and on and nobody wanted to come and see their nice 202 project, and finally they said, "Well, we have made a ruling that we will only have people from the regional offices come down and participate in a dedication."

LACK OF INTEREST FROM HUD

So they called the regional office and they said they didn't know, and I said forget it. We will have somebody else bless this building. But it seemed very peculiar to me that I could not get any response from the upper echelon of HUD to come and see a very nice thing they were responsible for.

I mean, if it were a bomb or something, I could see why they would want to stay away. I could not get any interest. That goes for the Office of the Secretary. Below that, there has been enormous dedication and great interest in this, and it is just too bad it got away.

Senator WILLIAMS. When was the ceremony that you speak of?

Mr. DORMAN. This would have been in May.

Senator WILLIAMS. Was this an anniversary?

Mr. DORMAN. It was the dedication of the new building.

Senator WILLIAMS. Oh, I see.

Mr. DORMAN. They made a ruling. They said nobody from the Secretary's Office could participate in the dedication. I thought this is funny. This is not a booby trap. This is something fine that a Department has done.

Mr. ORIOL. Mr. Dorman, that regional office from which somebody could come was Philadelphia?

Mr. DORMAN. Yes.

Mr. ORIOL. Nobody from Washington could come, but Philadelphia could?

Mr. DORMAN. They couldn't find out if anyone would come so Margaret Schweinhaut, who is the State chairman of the Commission on Aging, did a marvelous job and hit it in the nose and said everything that ought to be said.

I felt slightly disowned and I think the church felt there was a certain amount of neglect from the Department of Housing and Urban Development, and I couldn't understand it, frankly.

Senator WILLIAMS. Mr. Dorman, thank you for your very helpful testimony. Mr. MacRay and Mrs. Parker, thank you both, very much.

Mr. Jack Falkenberg, president of Jack Falkenberg and Associates, Pasadena, Calif., is our next witness.

Apparently Mr. Falkenberg was unable to attend the hearings.

**ADDITIONAL COMMENTS OF RICHARD L. FULLERTON,
SMYRNA, GA.***

Mr. FULLERTON. Would it be imposing if I commented on some of the things they said, especially as it involved the Department of HUD?

Senator WILLIAMS. Not at all. Will you introduce yourself for the record?

Mr. FULLERTON. I am Dick Fullerton from Smyrna, Ga. It was my privilege to work through Gunther Associates to see the project come into being, and it is a marvelous thing—especially as it involves Mr. Dorman.

DARED NOT IDENTIFY WITH 202

He expresses his total bafflement with the transition. This is what I tried to articulate all the while. There is no question but that the reason the Department of Housing and Urban Development—which is now FHA in terms of housing for the elderly—boycotted this dedication of the new addition is that they dared not identify with the program.

If FHA identified with the success that 202 represents, they are naturally going to be asked to duplicate that success. They know full well they cannot, in the insured loan program, even with the monstrous interest subsidy payments that are available to it.

This says, in effect, that the FHA has failed. It has broken down and cannot do what has been done in Section 202, and they dared not identify with the program. There is just no practical way. They are practical enough to know, that if they get involved, they are going to be asked the question: How come this thing, right here in this city—and there is not a harder place to do a housing project than in the greater Washington area—can succeed so enormously, here, so recently?

It was only last May that this addition was dedicated. How can it be done—here and now—under one program and not be done, anywhere, under another program?

Mr. Dorman hit it on the nose, and I must point out the fact that this is a policy thing in the FHA. They just do not identify with Section 202. It just doesn't exist. Dr. Fernandez proved this earlier. They had to swallow up this good project, down there, because it was doing too good a job as a Section 202 project under FHA administration. They had to corrupt it, to make it awkward and difficult.

*Mr. Fullerton's prepared statement; pt. 1, p. 47.

Tampa, Ybor City, has elevators in a two-story building project. It is a beautiful usage of the very best things that there are.

Secretary Romney said an interesting thing, yesterday, before the Housing Subcommittee of the Banking and Currency Committee as to firm policy in obliterating any identification of special programs, as the elderly, for example.

There is a 2 by 2 concept that is firm; and he strongly reiterated the administration's position on it yesterday. The project is either single family or multifamily—single up to five units, maybe—and then either subsidized or unsubsidized. So you throw the dart in one of the four squares that result. There is no notion that housing for the elderly is any different from any other crass, commercially developed, apartment unit.

PROMISE OF SUCCESS

I wanted to emphasize that because it was emphasized yesterday. Thus the very thing that is causing failure in the program is being advocated, even today, by the further witnesses in that committee—and will be strongly advocated in September at hearings in both Houses of Congress.

The very thing that is causing the failure is being held up as the panacea—the promise of success—if you will just limit it this much more, and give them enough subsidy funds. They say they can make it succeed.

I posit the FHA cannot make it succeed in any mechanical framework—however much money is put into it.

Senator WILLIAMS. That is one of the misfortunes of having these hearings at the same time the agencies are testifying before the Banking Committee on the housing programs. It is too bad that I wasn't in a position to be upstairs with all of the information we have acquired these last 2 days.

Mr. FULLERTON. Perhaps we can make disadvantage work to advantage. They have articulated for the record, and Secretary Romney's prepared statement is obvious. Perhaps some questions could be asked from that statement to the FHA.

Of course the policy directives come from the very highest level, but there is no question in anyone's mind but that Mr. Gullledge is given carte blanche in the administration of all FHA programs. So tomorrow you will have the man here whom you will be able to question.

He does have the authority to operate the program. Now whether or not he will hedge as to his administrative authority or whether he can speak for the Department, he can speak for the FHA; and he speaks to the worthy sponsoring groups—people like Mr. Dorman, Reverend Shirk and Dr. Fernandez.

The fact that he speaks with impunity and full authority to them should—by the very same credential—give him authority to speak to this committee.

Senator WILLIAMS. Mr. Gullledge has advised us that he is going to be delighted to explain, "what we are doing in the field of providing housing for the elderly; and specifically prepared to respond in the way to which we handled the pipeline of 202 applications; and,

how we anticipate further use of the Section 236 program as a vehicle for providing housing for the elderly.”

Many of you plan to be around tomorrow who will hear that explanation.

Mr. FULLERTON. But Secretary Romney says such things as, “the multiplicity of specialized programs has not only resulted in predictable red tape and delay but has made him increase his staff.” He even admits he is overstaffed. He says that the reason Section 202 succeeded is failure—you see—because it was a special program for the elderly. I remind the record—surely not the Senator—that the elderly are 10 percent of the total population, and far more than 10 percent of the housing need in America.

So for him to say that—to have a special program for the elderly complicates his work—is nonsense. It is asinine to suppose that the funding technique is the issue. It is the design of the housing and the motivation of the housing, these are the issues.

The funding technique ought to be varied. There ought to be a choice from where the money comes.

Senator WILLIAMS. I will say that I would anticipate they might even get into the sociology of the mix of people of various ages and family situations, and they will say perhaps, talking about the elderly, it is good for them to be in a community of people where there are all ages and ranges of family situations.

Now, what is the answer?

Mr. FULLERTON. Have we not proven, Senator, that this is not the case? I resent the Department of Housing and Urban Development being grossly and grotesquely involved in welfare—as they insist on being. We have a Department of Health, Education, and Welfare in the Government; and it is a travesty that—the Department of Housing and Urban Development, which again, is mostly FHA—there is very little in HUD that is not FHA, and less and less now. I resent having these people who are mortgage oriented, mortgage underwriters—going back to 1934, this was the exact wording of the legislation that created the FHA, and it has not been changed—I resent, with energy, these mortgage underwriters preaching to me; making pompous pronouncements about the sociological overtones of the various housing programs.

FHA SHOULD STICK TO MORTGAGES

We have expert people who live daily with it—like Mr. Dorman, and others—who can tell us accurately what these considerations are. The FHA is, admittedly, only a mortgage agency, and ought to just keep its mouth shut on other subjects; and speak to the fiscal and operational, in terms of development, aspect of this thing. Get the stuff built and leave us alone with management.

Mr. Romney is pleading for enormous funding for mismanagement. He says, “enactment of a statutory framework as a means of facilitating more effective participation by builders, lenders and sponsors.” What he calls a “sponsor” we posited yesterday is “builder/sponsor.” He will not deal with nonprofit sponsors.

“As a means of improving administration of the programs by Federal personnel, as a means of enabling more effective congressional

oversight, and most important, as a big step toward meeting the great need for better housing in American families," he says.

Senator, the thing that he is asking for will further complicate the problem. It will put everything more in the hands of only the lenders, and shut out the people who are concerned with the tenants.

This document is—from cover to cover—a plea that the profit-motivated people be given full control of everything in housing in America. This answers Mr. Dorman's question as to why 202 has been pushed out of sight, and the interest subsidy gimmick is being bally-hoed so.

This is why people like myself turn away from housing. It is not worth our time at this point in our history. It is not worthy of our attention—the way it is being administered. I posit now that the FHA is the problem, not a means to the solution.

The FHA—as it is presently constituted, as it has evolved—is the crux of the housing problem in America.

Senator WILLIAMS. Thank you very much, again, Mr. Fullerton.

We will be back here tomorrow morning at 10.

(Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, August 4, 1971.)

APPENDIXES

Appendix 1

LETTERS FROM INDIVIDUALS AND ORGANIZATIONS

AMERICAN INSTITUTE OF
HOUSING CONSULTANTS, INC.,
Washington, D.C., August 27, 1971.

Hon. HARRISON A. WILLIAMS, Jr., *Chairman, Special Subcommittee on Housing for the Elderly, Special Committee on Aging, U.S. Senate, Washington, D.C.*

DEAR SENATOR WILLIAMS: I am writing this letter on behalf of the American Institute of Housing Consultants (AIHC), an organization of technical advisors to sponsors and developers of low- and moderate-income housing in 27 states and Puerto Rico. As such, we have been following with great interest your hearings on the Adequacy of Federal Response to the Housing Needs of Older Americans. We respectfully request that our views on these matters be added to the record of these hearings.

In summary, AIHC believes that Section 202 is a viable and beneficial program that should be continued and encouraged independently of the Section 236 program. On the other hand, we strongly support continued growth of Section 236.

A greater percentage of elderly live in poverty than any other age group. Because their housing needs are often of a special nature, it is the elderly who most often find themselves in unsuitable and substandard housing. The housing developed by nonprofit organizations for the elderly and handicapped under the Section 202 program has done more than provide shelter, although it has been responsive to the needs of these persons in terms of construction and design. It has also provided management, through the expertise and interest of these nonprofit groups, which has been uniquely suited to the social and psychological problems faced by aging Americans.

The Section 202 program, when it was instituted in 1959, was the sole vehicle designed specifically for the involvement of nonprofit organizations in housing. Since that time, several other programs have been added to the housing arsenal, including Section 236, enacted in 1968, which force nonprofits to compete for scarce program funds with limited dividend, profit-making entities. The social concern and community roots of the nonprofits have led them to participate wherever permitted by law. However, it is clear that many of these nonprofit groups feel uniquely qualified to be of service to the elderly and find the best vehicle for that service to be the provision of housing through the Section 202 program rather than the Section 236 program.

The American Institute of Housing Consultants strongly urges the continuance of the Section 202 program of 3 percent direct loans to nonprofit sponsors of housing for our fellow citizens of advanced age in need of housing they can afford so that:

—the record of producing quality housing specifically designed for elderly Americans can be continued;

—non-profit organizations concerned with the needs of low-income elderly have available a proven vehicle by which quality housing is produced and operated at substantially lower cost than has been possible to date with the aid of any of the other federally assisted housing programs; and

—a yardstick is retained by which the performance under other federally assisted programs producing housing for low-income elderly can more accurately be measured.

Since its inception in 1959 through June of 1970, Section 202 has enabled non-profit groups to produce 247 housing projects for the elderly, consisting of a total of 32,206 units. As of that date, commitments were outstanding from HUD for 24,093 more units. There have been no defaults under the program, indicating both the soundness and the flexibility of the program. (Because the Federal government was holding the Section 202 mortgages, amortization could be temporarily suspended if the need arose, or other financial arrangements made.) Thus, through both volume of production and stability of the units produced, the Section 202 program was achieving its housing production goals.

Although our positive position of Section 202 is unmistakable, we strongly feel that it is not in the best interest of the vast number of elderly who need housing they can afford, to bolster the Section 202 program through depreciation of Section 236, as was done by some witnesses before your Committee. Section 236 has achieved significant advances toward the goal of producing housing for thousands of low- and moderate-income Americans. If abuses have developed in the Section 236 program, they should be corrected through an investigation of their nature, and an understanding of their causes, followed by corrective measures in the administration of the program. Total elimination of a worthwhile program, whatever section, is not the answer.

Furthermore, we have objectively examined the question of whether Section 236 was meant to replace Section 202, and we find the evidence contradictory. In the 1968 legislative history, the Banking and Currency Committee of each house indicated an intent that Section 236 replace Section 202 when Section 236 became fully operational. (See generally the Senate Report of the Committee on Banking and Currency on the Housing and Urban Development Act of 1968, S. Rept. 1123, 90th Cong., 2nd Sess. 1968, at 23-27 and H. Rept. 1585, 90th Cong., 2nd Sess. 1968 at 21-25.) In making the reports, the Committees took cognizance of the fact that lower rents should be available when the owner has to pay only 1 percent instead of 3 percent interest. It is also significant to note that the Conference Committee on the HUD Act of 1969 rejected a House-passed amendment that would require HUD, to the maximum extent possible, to utilize "... the same definitions, terms and conditions and utilize the same personnel, facilities and procedures . . ." under the Section 236 elderly program as under the Section 202 program. On the other hand, Congress appropriated \$10,000,000 to Section 202 in fiscal 1971, indicating an intent to continue the program. HUD, as an administrative matter, has determined not to utilize these funds on the view that Section 202 direct loans have a very severe budgetary impact.

In view of this ambiguous history, little is gained by castigating either Congress or the administration for the demise of Section 202.

In conclusion, both Section 202 and Section 236 have laudatory, though different, goals. Section 202 was designed to produce housing for the elderly and the handicapped, and to initiate the involvement of nonprofit organizations in the production of housing. Section 236, though more flexible in theory, is basically a program geared to the production of housing for younger and larger family groups. It has also been used to encourage the participation of limited dividend, profit-making entities in housing production for low- and moderate-income Americans.

Both programs are well equipped to meet their individual goals. AIHC believes that both programs should be continued and allowed to expand to the limit of the different needs which they are designed to fill.

Sincerely yours,

PAUL GOLZ,
President.

Appendix 2

BROCHURE ON SPRINGVALE TERRACE, UNITED CHURCH OF CHRIST HOME, INC.

[Submitted by Mr. Ted T. Dorman, Administrator]

SPRINGVALE TERRACE

8505 Springvale Road, Silver Spring, Maryland

Purpose.—To provide, without regard to race, religion, sex or national origin, for persons 62 or over and or handicapped families on a non-profit basis, rental housing and related facilities and services especially designed to meet the physical, social and psychological needs of the aged and or handicapped and contribute to their health, security, happiness and usefulness in longer living.

Transportation.—The Silver Spring bus terminal is just two blocks away, and a bus runs along Wayne Avenue with a stop right at the Wayne Avenue entrance. Off street free parking is provided for residents possessing their own car.

Capacity of accommodations.—There are 156 apartments located on three floors that accommodates 173 residents. There are two basic types of apartments; an efficiency unit consisting of one room, private bath with kitchenette; also a one bedroom unit, consisting of two rooms, private bath with kitchenette. There are 139 of the former and 17 of the latter.

Special facilities.—Throughout the building special features are built-in or designed with the prospective tenants in mind, such as wall-to-wall carpeting in all corridors and units; electrical fixtures and outlets within easy reach without stooping; built-in benches halfway up each stairway at the landing; a high coefficient of sound-proofing between units; lounges with fireplace; reading or sitting rooms, library, large assembly room and ground-level entrances and exits serving three floors.

The bathrooms are equipped with skidproof shower and bathtub combination, commode lavatory, medicine chest and specially installed grab bars.

The building is equipped with two hydraulic elevators centrally located serving the apartments on all levels.

The building is heated with gas fired circulating hot water system, air-conditioned throughout with individual controls in each apartment.

There is a laundry room equipped with coin-operated washers and driers. On the ground floor locked storage space approximately (3 ft. x 6 ft. x 8 ft.) for each unit is provided for a limited amount of personal belongings.

There are rooms equipped to accommodate the usual craft or hobby needs and programmed sessions in those of interest to the residents. Rooms are available for entertaining and other recreational activities, including a pool table.

Financing.—The home was built 1965 with a direct loan from funds provided specifically by the Congress for the construction of homes for the aging under Section 202 of the Federal Housing Act. Residents who qualify are eligible for rent supplementation under a contract with the Housing and Urban Development Administration.

Additional funds are needed from the sponsoring Churches, and friends because under the loan agreements part of the salaries and administrative costs may not be paid from the rental income of Springvale Terrace. Furthermore housing is provided for those needing it, who are unable to pay the going rates. For these reasons, gifts, bequests or memorials are encouraged to assure the success and continuance of the Home. Such gifts are authorized charitable deductions for income tax purposes.

Under the general policies prescribed the Board of Trustees, the Admissions Committee acts on applications for financial assistance that are kept confidential.

Furthermore, the recipients of financial assistance receive all the privileges and services afforded all other residents.

Eligibility.—Residents must be sixty-two years of age or older or handicapped and not gainfully employed or have any condition, mental or physical which would be detrimental to other residents or staff of the Home. Applicants having physical impairments are admitted but as a minimum, they must be able to care for themselves and be of such health of body and mind that they do not require special facilities or nursing care.

Applications.—All applications for admission must be in writing on forms furnished by the Home. The application must be made on the applicant's own volition, may not be made in his behalf by another person without his full knowledge and consent. Applications will be accepted for one-bedroom apartments for not less than two residents. Applicants must submit a statement from a physician, acceptable to the Home, certifying as to their physical and mental health. Applicants must appear for a personal interview as requested by the Administrator. A husband and wife should file separate applications because admission will not be granted to a husband or wife living together, unless the other party to the marriage also applies for and is admitted to the Home.

Furniture.—Residents are encouraged to bring their own furnishings. The furniture used, however must be acceptable to the Home. All apartments can be obtained furnished at cost or effort will be made to provide furniture for prospective residents who are not able to purchase or provide acceptable furnishings.

General operating rules.—Residents have no obligations with regard to other residents and the management other than to make an honest effort to be agreeable to other residents, employees, and cooperate with the management in maintaining accord and harmony at all times.

Residents are free to come and go just as freely as in their own home. However, management is concerned for their welfare so they are requested to advise the person on the desk, that is manned twenty-four hours a day, of any emergency or prolonged absence.

Only one person may occupy an efficiency apartment.

No pets are allowed!

The evening or main meal each day must be taken in the dining room. Additional meals may be obtained upon sufficient advance notice for residents and guests. Special diets are not regularly prepared, however, on doctors orders, consideration is given to furnishing uncomplicated diet menus if feasible.

Ideal location.—The United Church of Christ Home is located in Silver Spring, Maryland, a suburb of Washington, D.C., on a 3.6 acre tract bounded by Springvale Road, Pershing Drive, Cloverfield Road and Wayne Avenue. Practically all types of stores and services are within easy walking distance.