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UNITED STATES COMMISSION ON CIVIL RIGHTS

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District of Columbia Advisory Committee

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PUBLIC HEARING

To receive testimony on impact of revitalization in selected District of Columbia neighborhoods.

Room 500, Council Chambers
District Building
14th and E Street, N. W.
Washington, D. C.
April 15, 1977

The Advisory Committee met, pursuant to notice at 2:05 p.m., Honorary Roy Littlejohn, Chairperson, presiding.

AFTERNOON SESSION

IN ATTENDANCE:

Roy Littlejohn
Nellie Brooks
Howard A. Glickstein
Roy J. Jones
Deborah L. Matory
Josefina M. Bustos
J. Larry Owens
John C. Topping, Jr.
Pauline W. Tsui

PRESENT:

Iver Stridiron
Edward Darden

Neal R. Gross: COURT REPORTERS AND TRANSCRIBERS
261-4445

I N D E X

AFTERNOON SESSION

2:05 p.m.

MR. LITTLEJOHN: I think we can begin our session now. Counsel, call the first witness.

MR. STRIDIRON: Councilman David Clarke.

STATEMENT OF COUNCILMAN DAVID CLARKE

MR. STRIDIRON: State your name for the record.

MR. CLARKE: My name is David Clarke and I am a member of the District of Columbia City Council and I represent Ward 1.

MR. STRIDIRON: Thank you. You may proceed.

MR. CLARKE: Thank you. I want to thank you for the invitation to present a statement to you today regarding the matter of real estate speculation and its impact upon the citizens of Washington, D.C., particularly the low and moderate income persons.

I am sorry that the time of the hearing coincided with our spring recess so that my coming here was in question up until yesterday, but I'm glad that I'm able to be with you today.

The real estate speculation I define, basically, as the buying and selling with a small period of time in between for a high profit of homes in residential areas.

The process has a history dating back to the renovation of Georgetown in the Northwest area of Washington, but it sort of accelerated recently with the redevelopment of Capitol Hill, Adams-Morgan, and now what's happening is that these areas are getting to the ceiling of what even well-to-do, middle-class people can afford, and speculations beginning to spread out as well as up so we're seeing areas like Le Droit Park, I'm beginning to see some speculation in the 14th Street area, and other areas of the city are beginning to find that people are coming in and buying properties, holding them for short periods of time and quickly turning them over, sometimes with what I call a cosmetic face lift and sometimes not.

The Committee on Finance and Revenue in the consideration of a bill that Council member Winter and I introduced last year and I'll discuss the anti-speculation bill in a moment.

I did a study and I know that Jon Rowe's going to testify and I don't think I'm going to cut too much out of his testimony if I simply cite a little bit of the excellent work of that staff.

The staff has been pretty good. I hope the Committee soon comes along and passes the bill. But the staff has done a good piece of work and it examined the records between October 1972 and September 1974, and found that 21% of all recorded sales of row and semi-detached homes between that time, involved two or more sales of the same property. And that 80% of these came within 10 months of each other.

Sixty nine per cent of these multi-sales were in five neighborhoods which then involved parts of Wards 1, 2, 4, 5 and 6, with some multiple sales occurring in eleven other neighborhoods.

In terms of the gains over the original purchase price, the study revealed that 43% of the second sales in five neighborhoods involved gains of 80% or more, and 11% of such second sales involved gains of 20% or more.

Now, some question might be raised as to whether this was a great acceleration in price was indicated rehabilitation of the property, and the Committee did go into the building permits and related the building permits to these properties and they found that no repair was estimated to cost more than $4,000. So apparently, the properties were either being turned over at that increase without major rehabilitation, or as is more likely the case, the properties were being turned over -- were being rehabilitated to some extent -- but an unmeasurable extent because the people were failing to get the building permits.

The effect of speculation is, to some extent, improving the property that has to be conceded. To what extent it is, we're not able to determine because of the factors that I just indicated, that the people either aren't rehabilitating the properties that they're flipping, or they are rehabilitating them but not getting all the permits to reflect the rehabilitation.

High cost of home ownership is obviously one problem. That is a major problem but I don't think it is the most major problem.

The most major problem that I see coming from this process is displacement of people who are living in the homes that are the subject of this rapid turn over, and this displacement occurs in three fashions, as I see it.

One, rental properties are turned over to persons put into this process. The end result, sometimes three, four, five, six owners down the line, being that that house becomes a home owner occupied place, possibly selling it many times over the price that it was sold by the landlord who evicts the person. But, in any case, the person is evicted from their own property.

The second way of displacement, which I think is on the decline now, because I think people are wising up, is the unscrupulous realtor who goes in and sort of scares the people out or entices them out with false bait. The green grasses of suburbia are now available to you. Don't you want to move out to this place in Prince George's County? I think the Prince George's County Police Department has probably stopped that more than anything else, but enough things have begun to happen in Prince George's County, etc. The people are beginning to wise up and not selling. They're also seeing the houses go around them at high prices and they're holding on out of their own desire to make a buck and I have no problem with that, from the home owner's point of view.

The third way that the speculation displaces people is one in which we're all here at the City Council, quite sensitive right now, and that is the rising tax assessments.

Under the current system of assessment, the value of a price of a piece of property, does take into account the condition to the property but it also takes into account the selling prices in the neighborhood. So you have a neighborhood that's undergoing throws of change, and you have some people in it who are remaining, who are basically low and moderate income or on fixed income and not too much of it at that. They are then affected by the values of the property going up to the extent that they are unable to continue to pay those prices.

That is a particular problem in my ward. I have probably the most speculation impacted ward of all of them in the city and I see Council member Winter is here and she may want to dispute me on that, and I'm not here with the statistics to do battle with her. But, I have in my ward, Adams-Morgan which is one of the prime examples. Mount Pleasant, just recently, had a 37% average increase assessment. However, if you look at the residential factor in that, the average residential increase of residential property is 83%.

Le Droit Park, which is also being heavily speculated now, and it is just in the beginning of those processes a very historic area of the city, which is going to add another dimension to the effects of this process.

That area would have been reassessed an average of 34% but the court determined that we could not go into the annual reassessment at this point in the cycle and we don't know what the residential average was there. That information wasn't put into the court record so it's not a matter of public knowledge as to what the average residential assessment would have been there.

But had that had area A which includes Le Droit Park been reassessed this year, had it only been reassessed last year, it would have gone up an average of 34% and would have been the highest in the city.

The third effect of displacement -- the negative effect of speculation -- as I say, it does have a positive effect of improving some property is the destruction of heterogeneity of some neighborhoods and this becomes sort of an ironic process. This is the case, I think, in Adams-Morgan and, I think, it's the case to some extent in Mount Pleasant, that areas that have gone through a long history of struggling -- numbers of different types of people -- struggling to live with each other and creating what, some people in Adams-Morgan call the area, multi-university, that that diversity then becomes a selling attraction to the end that that diversity is destroyed.

I understand you may have some questions about the future of Adams-Morgan and I'll try to respond more about what's happening there in the context of that. But that is one of the ironic processes that speculation has is the destruction of heterogenerity as people are displaced.

I think that that brings up another factor which I don't really have listed here as one I want to talk about, but one I think we have to think about in the future.

The United States, basically, has been different from a number of European and Latin American countries, and I'm no great world traveler so I'm no expert on this and I hope nobody hits me with a question about Timbuktu or something.

But,basically, as I understand European and Latin American countries, the poor are basically populated on the fringe of the city -- on the exterior of the city. And in America, as we've gone through our history, or at least the last 40 years, the poor have been in urban areas populated in the center of the city. And I think that this has been a benefit to poor people because they could not be forgotten. They had to be dealt with, sometimes it was rather oppressively but, nevertheless, they could not be forgotten. They had to be dealt with and if this process ends in such a fashion that poor are completely excluded from the city because of the selling price of the cities and our poor are put on the outside of the cities then, I think, we're going to have -- the future poor and moderate income people in the country is not going to be as bright as it once was and nobody, of course, ever thought it was very bright, but hope will be diminished if that counts.

I don't think we're in danger of that now. I think that's a ways off. But I think that the processes we now have and let's check to some extent will end up in that.

The responses -- what can be done about it?

I have introduced what some have characterized as a rather negative bill and I suspect that I'd have to concede that its approach is in the nature of prohibition, but I don't know what else, really, there is to do and yet I don't want to not do anything. And I think that something does need to be done in terms of regulation so the bill that Council Member Winter and I introduced last year, which I've reintroduced this year, basically is in the concept of an excess profits tax.

It sets up a tax based on two inter-relating variables. One, the length of period the property is owned, and two, the amount of profit which is gleaned from it.

The longer the period the property is held, and the smaller the profit, of course the lower the tax. The shorter the period the property is held, and the larger the profits, the larger the tax.

Last year's bill, negligently, did not have in it, a provision -- the negligence is mine, I account for member Winter -- did not have in it a provision deducting the cost of rehabilitation. The opponents of the bill, with good advocates, jumped right upon that. This year's bill does have it. The costs of rehabilitation go into the base from which you determine the profit. In other words, it's in the nature of a tax deduction.

The bill is also a matter of controversy because it is considered by some to be anti-profit. I don't consider it to be so. I consider it to be an excess profits tax.

In the nature of what this country's used, or at least considered using, on a number of occasions when a particular part of the economy began to accelerate at such a level that it began to disrupt other parts of the economy, and, essentially, that's what I think is happening with real estate speculation. That that is going so fast that it's beginning to destroy other parts of the economy.

There is great talk about excess profits tax in '72 when we had the oil prices accelerating so fast. This bill that we've introduced would allow a 15% profit up to that much if the sale was within six months, and from there on it would go up higher, higher, and higher, until after three years there would be no tax whatsoever. And that's because most of the problem is the quick turn-over of property. There has been some suggestion that possibly any house that's been rehabilitated ought to be exempted from this tax. I don't agree with that.

I do believe that the cost of rehabilitation, documented in some way, now the way the bill suggests is by building permit fees, if there is a better way, I would certainly be willing to consider that. But that the cost of rehabilitation ought to be a deduction. The fact of rehabilitation ought not be an exemption because a small amount, or wherever you draw the lines to the adequate amount of rehabilitation. A person goes that far and then they're out of the tax and I think it's going to be fair. The cost of rehabilitation ought to be a deduction, and the fact of it ought not to be an exemption.

There is, of course, we are all trying to consider positive approaches to this. The persons involved in the industry have -- should be commended -- have spent some money and taken some efforts to build, to do certain projects and then to make these available to low and moderate income people. I think that's to be commended, I don't think it's the total answer. In the nature of positive government programs the problem is, of course, the dollars. We have a saturated tax base already in the city. I've indicated already with respect to the real estate tax, we have high assessment increases, people aren't able to afford them. We also have fifty per cent of our land in the city exempt from real estate taxation. Forty some per cent of it due to the government and the rest due to exempt organizations. I have a bill in to try to deal with that, too.

We've got around thirty-three per cent of our income in the city exempt from taxation because the Congress wants us not to tax people who live in Maryland and Virginia.

Every time we come up with -- not every time -- often times when we come up with a way to raise a few more dollars in revenue then the Congress looks at it and says "Ha! That's a reason to cut the federal payment," so there's really no incentive there.

We have the Community Development Block Grant Program. That provides some monies, specifically for housing. The purposes of that program were twofold. One, which is its lauded purpose, was to provide a one block grant and to end some of the administrative hassles local governments were finding with housing programs, and to allow local governments more opportunity to,more ability to, function with Government dollars. The other purpose, which isn't spoken of too much by the Federal operatives, is that it was to cut out the money, because of the declining balance over about six more years, and then its gone. There's no more Community Development Block Grant nor any of the programs that were worked into the Community Development Block Grant.

Therefore, in considering what to do with those monies a person such as myself, has to consider what expectations existed at the time those monies were originally budgeted. That presents me with the situation such as I have 14th Street in my ward and I have promised, and I intend to keep a promise, to do everything I can to see the rehabilitation of 14th Street. Therefore, I have been in the position of not wanting to let a number of other areas, sort of speculation impacted areas, be declared Community Development areas if what will result is a draining of the resources that areas such as 14th Street are looking for.

The way the CD Program works is, for instance, there's a rehabilitation loan fund,and there's "X" amount of dollars in that rehabilitation loan fund. Then, anybody who meets the criteria, and it's not only low and moderate income, it's a different rate for low and moderate income, but still, people who are not low and moderate income can borrow money from that fund and just pay the higher rate of interest.

But, anybody who lives in one of those CD areas then is eligible, given other considerations, to draw on that money. So, for instance, to declare Adams-Morgan, as some have suggested, a CD area -- a suggestion which I have resisted to date -- to declare it a CD area and then have it draw on those funds, and there's only one pot of funds, dilutes what is available to an area such as 14th Street.

Now we've been able to do some special things like on Seaton Street. We declared that Seaton Street blocks a CD area. Then we moved enough money -- and we knew how many dollars we needed there to rehab the houses -- out of administrative costs, and sometimes when we get the CD packages they're a little heavy on administration, we have to cut that down a little bit and put it into housing. So we took $250,000 in that case out of administrative costs, put it in the rehab loan fund and then declared Seaton Street, a pivotal area in Adams-Morgan, to be a CD area. That way we did not drain any monies from availability to other areas, and we did deal with a particular situation in a particular area that was pivotal.

I would hope that this Commission would recommend to the United States Commission and that the United States Commission would recommend to the Federal Government and that the Federal Government, as it seldom does, would listen to the United States Commission on Civil Rights for once and begin to provide some more resources in terms of housing. In the next four or five years that's going to be an urgent need.

Our cities are improving. They're improving to some extent through this profit motive that has caused this speculation -- and I'm not against the profit motive as much as some people would like to think I am -- but they also have to be improved through the capability to provide low and moderate income housing by cities. I would hope that the Federal Government begins, before it gets to be too late, and the CD monies begin to run out, to look at ways of providing more resources.

I would also hope that in areas other than the District -- our problem in the District is not where we are using the money so much, I think that's pretty good. One of our problems in the District is we're not using enough of it. We have too much of it backed up. I've tried to get some statistics out of the CD 3 program for you but I didn't get time to meet with my staff to get it. We just got that application last week. I can have the staff provide that for you if you want it, as to where we're at in the spending of CD 1 and CD 2 monies.

Other cities, I understand are using the CD money for elevators for office buildings, and that kind of thing. I would hope that there begin to be some strictures placed upon its expenditure in those ways but not so heavily as to bind the cities that are trying to do something creative with it such as in the District of Columbia.

That's it. I thank you for having me here, and I'll try to answer any questions.

MR. LITTLEJOHN: Dr. Jones.

DR. JONES: Thank you.

Councilman Clarke, I can appreciate the formula that you have worked out with respect for dealing with displacement, but it seems to me that you -- that the formula ultimately contributes to an erosion of the tax base.

Does it not? If over time there is -- the longer the holdings, the lower the tax -- on an initial purchase. Is that correct? Am I interpreting the formula correct?

MR. CLARKE: Well, say that again. The longer the holdings, then the lower the tax.

DR. JONES: Right.

MR. CLARKE: For a period of three years, the tax would only apply to people who are in the business of buying and selling property, not the home owners.

DR. JONES: But ultimately, if I understood you correctly, there would ultimately be no tax if it were held long enough. Is that correct?

MR. CLARKE: That's correct.

DR. JONES: Isn't that somewhat contradictory when we have a tax base that's already eroded? From the volume that we're dealing with--

MR. CLARKE: The tax base is eroded but I don't think the real property tax base is eroded. The problem with the real property tax base in this city is that 50 per cent of it is exempt. That which is not exempt has in it a natural growth rate, which in the areas that aren't being speculated might be able to be examined. For instance, across the city the average increase was 15 per cent last time. But then you get a heavily speculated area such as Mount Pleasant and you find the average increase there --

the average home owners increase is 83 per cent. I don't think -- I think with the type of bill that I propose is not going to decrease the natural revenue growth more than a percentile or two.

What it is going to affect is such heavily impacted areas as Mount Pleasant.

And secondly, I don't think it's going to stop the process of home renovation. I think what it's going to get to is the quick dealers. I've had enough of the rehabilitators come to talk to me and the ones that I can see that are doing a decent and good job aren't charging more than ten or fifteeen per cent markup after they sold the property. And if they're doing a good job of rehabilitating the property they're holding it more than six months anyway.

DR. JONES: Except that the turnover rate is sometimes seven times.

MR. CLARKE: That's the flippers. That's the people who are flipping the property and that's some of what my bill will get to, my bill will get to that (and a little bit more).

I think in the future the discussions that are in our bill are going to evolve around whether that is enough, just getting at the flippers. I think it ought to go a little bit more in terms of an adjustable orientation. But I don't think my bill is going to erode the tax base and I don't think my bill is going to really stop the rehabilitation of property in the city. I think what it will do is bring the cost of rehabilitated property and the tax assessments around rehabilitated property of unrehabilitated property still occupied by persons out of a rapid acceleration that it's now in.

DR. JONES: O.K. I've got about two other questions. One has to do with the -- you mentioned three reasons conditions under which displacement occurs and the only alternative, of course, is one that you propose in terms of the lessor holding in the reduction of taxes.

MR. CLARKE: I didn't say it was the only alternative.

DR. JONES: I know you didn't say it was the only one, but what we'd like to get -- what we were trying to get out of this -- are alternative approaches to deal with the problem of displacement to determine to what extent we can protect those persons who are in the revitalized areas who cannot afford, or who do not want to move, and yet there's an increase in the overall tax rate.

The other one has to do with the CD monies and, if you can anser the first one, then I'd like for you to talk about the second one.

MR. CLARKE: O.K. As each idea comes to me I try to examine it and either go with it or not go with it, depending upon my results. So, therefore, the ideas that I have put forward or that I have given support to other than those that I've put forward are my ideas as to what ought to be done.

I don't usually sit on an idea forever. If it's an idea that I like I'm going to respond to it and go with it. So, pretty much of what I think are positive ideas are already out there. There are other alternatives being done but they're not fully operative. For instance, in the rent control bill there is a provision that says before where a single family house is occupied by a renter and that property is to be sold by the landlord, the first offer ought to be made to the occupant. That's helping on Seaton Street.

To what extent it's helping other places, I don't know, because there's always the ability to bring out that real high offer that can't be met.

There are some other approaches being undertaken. The site value taxation is one that I've rejected at this time. I don't believe site value taxation is going to help. I think it's going to aggravate the problem, because there all the land in the block is taxed pretty much by the same rate. And, if you have five super improved properties and and two co-compliant properties, but not super improved properties occupied by low and moderate income people, then the condition of their property, is being much inferior to that which is super-improved cannot be taken into consideration. So, I've rejected that one.

But, as each idea comes forward, we sort of sit down and talk about it and then either go with it or not go with it. So I'm hoping you might come up with some ideas.

DR. JONES: O.K. Two more quick questions, Mr. Chairman. One having to do with -- we had a formal proposal this morning for redefining what is called blighted areas and the right of eminent domain by the district government. How does such a concept strike you if it is at all feasible?

MR. CLARKE: Do you mean when we take a blighted area and eminent domain it?

DR. JONES: Right.

MR. CLARKE: Well, it sounds to me as if it's going to be expensive as hell.

DR. JONES: Alright.

MR. CLARKE: That's a qualitative value judgment that I shouldn't have imposed upon you but...

DR. JONES: O.K. The other one has to do with the city monies. Just recently we heard that the mayor had taken some city monies to develop a business -- what's it called -- the Office of Economic and Business Development which is oriented toward, mainly I got the idea it was oriented toward the development of jobs, or creation of jobs and that's draining away from what could be used for increased housing development. Is that position correct or wrong?

MR. CLARKE: I suspect that if you draw a line between economic development and housing development, then that's pulled it over the line. Yes.

I supported that because I didn't think that the economic and development actions of the city are as aggressive as they ought to be. And that the creation of this office, I believe, I'd have to check all my files on it, and I'd hate to credit somebody but I believe it was Chairman Tucker's initiative and push. And that by the creation of that office and by the funding of that office, we hope to develop anoffice which can get on top of economic development and it is my hope to direct its activities in such a way as to provide an economic capability in people to be able to function in this rapidly accelerating economy. Whether it will do that, I can't sit here and assure you. I was going to keep an eye on it but I was willing to put a few bucks into it.

DR. JONES: My concern was mainly that it came out of a particular pot rather than out of a particular budgeted item. Category. O.K. As opposed to some other category which is the high priority area so far as we're concerned.

MR. CLARKE: Well, I am not the champion of the idea but I'm a supporter of the idea that increased economic development is going to increase the capability of people to cope in this rapidly accelerating economy and that that's a sufficient nexus. Legally, there's a sufficient nexus because the city program allows it. But that's a sufficient nexus in policy to permit its support.

MR. LITTLEJOHN: Thank you. I believe we are going to have to move on. We're running behind schedule. Thank you very much.

MR. CLARKE: Thank you, sir.

MR. LITTLEJOHN: We will now move on. Counsel, call your next witness.

MR. STRIDIRON: Cynthia Mathews.

STATEMENT OF CYNTHIA MATHEWS

MS. MATHEWS: Thank you.

MR. STRIDIRON: Ms. Mathews, please identify yourself for the records.

MS. MATHEWS: I am Cynthia Mathews, executive assistant to Councilmember Nadine Winter.

MR. STRIDIRON: Do you have a statement to make on her behalf?

MS. MATHEWS: I am going to speak on behalf oc Cynthia Mathews. It is a pleasure for me to appear here before you today. As a former employee of the U.S.

Commission on Civil Rights and a veteran of many hearings held by the Housing Committee of the Council, it seems very strange for me to be sitting down here.

Mrs. Winter and I have had some preliminary talks with the Commission's staff during which we discussed the housing problems in the District as they related to minorities and women. We had hoped to be able to document these problems statistically, and with case histories from our Committee files. However, much of the demographic and other research requisites to develop an accurate and useful statistics simply has not been done, and our capacity on the Committee's staff, as on all Committee staffs, for the District Council is severely limited by our staff size and budget.

We know the things that need to be studied and the data that should be collected but, unfortunately, we have not been able to do it. We wish we could because it would certainly enhance our legislative process. Everything we come out with, first, the question again is how can you justify rent control, how can you justify a particular policy designed to alleviate some of the housing problems in the city. We have residents with every conceivable problem calling our office constantly. And we take up a lot of staff time trying to get at them on an individual basis. So it's very rewarding to us to see that the Commission is looking into them on an overall basis because, obviously, the only way to deal with these issues is to attack them from a policy level and try to resolve them city-wide.

Unlike most jurisdictions, Washington is unique. Not only is it the nation's Capitol, and the international center, it is the home of some 722,000 people. The population is 71 per cent black and the medium income is about $10,800 a year. Most importantly, in terms of housing is a finite amount of land in the city and there are statutory limitations on building heights in certain parts of the city.

Therefore, the District cannot grow physically, either up or out. Furthermore, of the total land area which is 40,145 acres, 16.1 per cent is devoted to public and semi-public uses, these are government buildings, etc. 20.9 per cent is park land, 25.2 per cent is filled bv streets and highways, and that leaves only 24.2 per cent of the city's total land now being used as residental, for residential purposes. 7.1 per cent of the city's land area or 2,832 acres is vacant.

So, as you can see, there is constant tension in terms of who is going to reside in that 25 per cent of the land and this has created continual problems since the urban renewal concept began, because some government agency or officials decided that urban renewal is a way to solve the city's problems and, you know, clean up the neighborhood and put up some new housing. And, unfortunately, they did not seem to think too much at that point as to what would happen to those people, as a result of this cleanup campaign because you couldn't go out and create another little sub-division and put them in it -- put the displaced people in it.

And I'm sure that all of us are familiar with what is happening in Southwest and what happened on 14th Street Corridor. Hindsight shows us that both of these efforts had some kind of change in the city, were misled, and were disrupted to the overall health of the city.

The city's dilemma remains, however, who is going to be housed here, and how are we going to house them? The fact that the city has never adopted a comprehensive housing policy compounds the problem. To some, the apparent resistance to setting forth a formal policy implies that there is an unwritten policy, or if you will, a hidden agenda.

There are residents in this city who are convinced that there is a concerted effort to change the demographics of the District by lowering the percentage of blacks in the population. Lower and middle income black families who have annual incomes falling between the city's median income of $10,800 and roughly $25,000 feel very acutely that they are being forced out of the city by escalating costs of some housing on one hand, and by dwelling stock of decent, safe, and affordable housing on the other hand.

Home ownership opportunities are particularly limited for middle income families and lower -- what they describe I guess in one of our studies as a lower income family -- the standard, I think, in our Community Block Grant application, the lower income family is defined as beginning at, for a family composed of one person, $11,400 is a lower income. So you can see that you are really -- you are not talking about the people who are on public assistance or who are covered by some other type of Federal subsidy program, who are most often caught in the crunch. These are working people who really are having a very difficult time find adequate, decent housing, where they can live lives in quiet enjoyment as the property laws say.

Right now, in our CD application there would indicate that there are some 49,900 lower income renter households needing assistance. The peoples need of assistance is determined as to whether they're paying 25 per cent or more of their income in rent, so as you can see, there is a huge segment of the city's population that does pay not only more than 25 per cent, there are people who are paying up to 60 per cent of their income for housing.

The CD 3 housing assistance goal -- this is the program which would provide assistance to some of the families in this category is only 1,900 units, 1,500 would be section 8 housing which is the Federal subsidy program, and about 400 other units would be provided under programs such as Section 235 -- 235 is a program which, to encourage home ownership, but the problem that the city has had with 235 housing is that the cost of housing in the city is so high that you can't find, you can hardly purchase a house that meets the requirements of the program.

The maximum mortgage allowable under Section 235 is $28,000 and I don't know how many times you have seen a house advertised that would have a mortgage of $28,000 in Washington.

We also have approximately 5,000 families on the waiting list for public housing and, at this time, the city anticipates having perhaps 1,200 additional public housing units available within the next year to eighteen months, so that you have not only the -- you have several different populations competing against each other for housing, for space.

There are many other aspects to the whole question of revitalizing the city, the problems that have been generated by relocation of residents from one community to another, we have had contact with people who have been, you know everytime there has been a major relocation, they have been displaced, people who move from Southwest, to Shaw, to 14th Street, seem to always be somehow under the gun in terms of locating satisfactory housing. And, of course, the whole in terms of development in the city, the relocation question is extremely important, because in order to build almost anything you have to tear down something or you are going to have to move a business, or residential community, and the city has kind of gone about this in a rather casual way. A lot of things have been allowed to happen that more thoughtful, city planning at sometime in the past would not have permitted it and I think we are trying to come to grips with some of these problems now. We're trying to figure out how we can prevent them.

We just had a piece of legislation passed regarding South Capitol, the Buzzards Point area, which is being marketed as a development site and one of the provisions in that legislation is that the Council would not sign off on the development unless there is adequate provision for relocation of current residents of the area, unless there is a set aside in the new development for low and moderate income families, and some other provisions that we hope will address some of the questions of new development.

I'm sure that Mr. Clarke and some of the other people who have testified today have gotten a great deal of information on the problems of speculation, what has happened in communities that have been speculated, in fact, Capitol Hill, Adams-Morgan, the Shaw, and possibly, eventually, even reaching across the river to Anacostia.

Another type of problem that we've had reported is dealings with the redlining question. Not in the sense of an area being redlined, but of individuals who seek to move into a particular area being redlined. We sent, this was a year or two ago, Mrs. Winter had several people go to various savings and loans and banks requesting applications for a mortgage loan.

And, what happened was, that the people were not giving applications so that when you go around to poll the bank as to how many loans -- their loans-applications to loans-granted ratio looks very good because they would not accept applications from people that they were not interested in lending money to.

And, I think that I could go on with a number of other areas but I think that maybe you might have some questions.

MR. LITTLEJOHN: Thank you. We will have some questions now. Dr. Jones.

DR. JONES: I was just wondering what kind of alternatives you would suggest for us, with respect to the whole problem of displacement.

MS. MATHEWS: I am glad you asked that.

We have been working on several legislative proposals in the last six to eight months. One of them has recently been introduced by Mrs. Winter. This is the urban homesteading proposal.

There has been an urban homesteading program in the District prior to this time but it was operated on a demonstration basis, there were 13 houses in the first group, and eight or nine in the second group of houses, that were homesteaded. What we hope to do is to have some from 100 to 300 houses homesteaded per year, because there are a number of houses both owned by the city, some owned by HUD, and houses that could be acquired by the city for home-steading that are boarded up and are not providing shelter to anyone so we are really pushing to get this legislation passed so we can get families into these houses.

The homesteading program works on -- applicants are selected at a random basis and allowed to purchase homes for a dollar or for some other predetermined write down price. Then, the low market interest rate loans are made available for the rehabilitation of the houses. And this way, you can get a moderate income family into a house for around a $25,000 to a $35,000 figure and, in some instances, it may go up to that but we hope that the program would operate with a maximum cost to a purchaser of no more than $40,000, at any point. And most of the houses should come in substantially under that.

DR. JONES: Thank you.

MR. LITTLEJOHN: Thank you. Are there any other questions from members of the panel?

MR. TOPPING: Mr. Chairman.

MR. LITTLEJOHN: Mr. Topping.

MR. TOPPING: Thank you, Mr. Chairman. I have some basic constitutional problems with the Clarke-Winter Bill, well, certainly as drafted. I think probably in both versions.

I wonder -- I think that something has to be decided long in the future if that were enacted.

Perhaps a more constructive approach, that might not accomplish some of the objectives that Councilman Clarke and Councilwoman Winter, would have, might be something such as the following: Let's say, first, essentially, moving away from the property tax in the District of Columbia, perhaps, through any of à number of ways, this might involve some reduction in the city budget -- let's say a $50 million deduction in the city budget -- and commensurate $50 million reduction in property tax. And presumably at a readjustment at least in the rates, which would certainly modify some of the impact that has occurred with the rapid assessments.

But this, on one hand, or perhaps something -- a movement away from the property tax in general, with greater reliance on other forms of tax such as income tax or something of that nature. With that on one hand and, also, because I think there's no question that everybody looking at this seems to come to the conclusion that the City government itself is one of the greatest causes, perhaps unintentially, of speculation simply because the tax system itself feels this process and the individual home owner on fixed income finds himself or herself very squeezed by the process of people who might otherwise be very content to hold on to their property and then suddenly find that their taxes have doubled or tripled because of redevelopment of an area find themselves then, forced to turn it over. This is a situation that can be modified here.

In addition, the building codes in the District of Columbia, like those in many parts of the country tend to a certain extent to be antique and to have built into them some provisions which are not particularly economic, and simply reflect inertia and perhaps some prior interests that might have benefited from codes that are particularly restrictive in requiring certain types of materials for certain things.

I wonder -- it is my understanding that this inflates, very much, the cost, both of new housing in the District, and to a certain extent makes more expensive rehabilitation, and therefore, places rehabilitated housing financed by the market out of the range of people with moderate incomes. So as a practical matter, you find this rehabilitation benefiting well-to-do people.

I wonder if the City Council might not look seriously at the possibility of updating the building codes and really trying to find how you can make new housing reachable by people with moderate incomes in the District.

MS. MATHEWS: Do you want me to answer all of that?

MR. TOPPING: Could the building code or the tax system be changed to encourage a process of this for everybody here?

MS. MATHEWS: I think that the Council might consider some amendments to the tax system that might reduce taxes for certain classes of citizens or, you know, the elderly, or what have you. In fact, I talked to someone last week who called in and had the bright idea that property taxes should be eliminated, which is great, but what would you do in place of that.

The residents of the District are already heavily taxed, you know, income tax, high sales tax. There is a study available which I could give you that shows comparative tax burden for the District and some other major cities.

And, I think you really have to stop and think, what other base do you have short of getting a substantial increase in the Federal payment to operate this city. We don't have a state to channel money to the city. You know, some of the other sources you might have. It's a really complicated problem and I don't know how -- I think that the

Council is constantly looking at that and trying to figure out what can be done but I don't think that you could see it anytime soon, an elimination of property tax.

On the building code, we have -- in fact it is up for a second reading at the next legislative session -- an amendment, a second amendment to the building code which we -- we had a 1972 building code now and it's a very weighty document but from our contact with people in the building industry, the D.C. Code actually compares favorable to codes in other jurisdictions because it is quite flexible. It allows a lot of substituions as long as it meets the safety standards. But, there is one requirement in there which is probably peculiar to the District, it has something to do with fire districts, and housing seems to cost a great deal more in certain fire districts than it does in others, in non-fire districts. Because it's something that dates back to the 1800's, so we are looking at that to see whether or not that could be changed.

MR. TOPPING: Thank you.

MR. LITTLEJOHN: Thank you very much for your testimony.

MS. MATHEWS: Thank you.

MR. LITTLEJOHN: Counsel, would you please call your next witness.

MR. STRIDIRON: Jonathan Rowe.

STATEMENT OF JONATHAN ROWE

MR. ROWE: Thank you, Mr. Chairman.

MR. STRIDIRON: Mr. Rowe, please identify yourself for the record.

MR. ROWE: My name is Jonathan Rowe, and I am staff council to the Committee on Finance and Revenue of the D.C. Council.

I have been working on the speculation issue for about two years both before I came to the Council, and as a member of the Council staff.

I have a feeling that you are pretty overwhelmed with programs in facts and figures. What I'm going to try to do is to raise some of the questions that we have felt had to be addressed in the course of our work, hopefully, to help you to direct your thinking.

There is a tendency in talking about this speculation and displacement issue to think of it in terms of either/or -- either the city decays and the tax base declines or we have speculation and displacement of people who cannot protect themselves in the economic market place.

I think the first question is whether speculative price increases and the resulting displacement are really necessary to improving the housing and enabling people to live in the city and enjoy the city.

And, I think the second question and this is perhaps more important, is whether an exclusionary pricing system, which is what we're developing in the District, is any better, is any less a violation of human rights and civil rights than is an exclusionary zoning system, or discriminatory employment system, or any other of the forms of discrimination and exclusion that we've witnessed in this country.

I think that most of you know better than I do, there is a tendency to see all the same arguments to arise in different drifts on housing issues. What we hear is a justification for exclusionary zoning -- not that it is motivated by desire to exclude low income people and minority people, it's justified on the basis of the tax base. The suburban jurisdictions say that their tax base cannot support all these new people coming out there and putting the burden on the school system, on the roads and the sewers, and the like. It's a very similar argument that we are hearing in justification of the exclusionary pricing system that's developing.

But, perhaps you are thinking that there's a difference, because the pricing system, we say, is a result of the market place, it's market forces, it's not laws. But I invite you to take another look at that. Because, in reality we have a government sponsored Affirmative Action Program which is propping up the speculative housing market.

It's an Affirmative Action Program at the Federal level, it's an Affirmative Action Program at the District level. It operates in many ways. Let me just run down quickly a list of some of the components of this.

The first, of course, is the Internal Revenue Code. It's quite ironic, is it not, that the income of the speculator who speculates on somebody's houses is taxed at one-half the rate in many cases, the capital gains rate, as is the income of the tenant in that property who may be trying to save enough to buy it one day.

There are, of course, many other ways that the International Revenue Code subsidizes the turnover of property from one group to another. I would invite you to investigate those ways.

Moving beyond that, where does the money come from that is involved in the speculative cycle. Of course, the money market is complicated, but most of it is coming into the housing market as a result of specific federal policies.

On the savings, which go to savings and loans, and are disbursed to upper income people as opposed to lower income people are insured by the Federal Deposit Insurance Corporation. And so there's a subsidy for the bank lending practices right there. In many cases, of course, these are redlining practices which have precluded lower income people from being able to purchase their houses ahead of the speculative wave. Of course, once the speculative wave sets in they can't afford to purchase it.

You have the Federal Home Loan Bank Board which is establishing the regulation of the Savings and Loans and other mortgage lenders. You have the F.H.A. and you have the V.A. which is guaranteeing the mortgages. And, of course, you have the Federal Government secondary mortgage market.

At the local level, you have more components of this Affirmative Action Program, which is propping up the speculative cycle. You have housing and building inspections. There are cases in the District where realtors and speculators who wanted to break into a block, and the home owners were reluctant to sell, have called in the building inspectors, and have sicked them on those houses.

Housing and building inspections may be a good thing in some cases, it's just too bad the District doesn't have a program to help enable people to be able to fix up their houses in such cases instead of being compelled to sell.

Of course, we have the Capital Improvements Program in the District. A shining example of this is the new school in the Adams-Morgan area, which has subsidized real estate values there and undoubtedly has enhanced the attractiveness of such streets as on Seaton Street, which is very close by.

And you even see this in our policy regarding public utilities and the extension of energy lines and sewer lines. Probably not many people know, that when a rehaber takes over a house, and of course, has to boost up the electric capacity because the new owners are going to want to have air conditioning and color television and all the other things that the former occupant couldn't provide, the cost of providing the heavying-up of those utilities is not borne by the speculator, is not borne by the new home owner, it's spread out over the entire rate base.

So it is ironic, again, that the former occupants of those houses were forced to subsidize, through their utility bills, the heavying-up that they are not going to be able to enjoy.

Of course, we come again to the Urban Renewal Program. If you look at a map of the District's Urban Renewal Program, 14th Street, H Street and Shaw, you will find prime areas of speculation. We're creating magnets for speculation. I would like to pass out a map illustrating this fact if I may.

(Whereupon the witness passed out copies of a map to members of the panel)

What this map illustrates is over two years a study of houses which were bought and sold twice within the two year period without improvements being done to them. In other words, these are speculative properties. It's not a complete list, it's a list of which there are public records.

You will notice, how those properties cluster around the H Street Urban Renewal area. If the District wants to do something about speculation,it not only has to focus on revitalizing the government owned properties, it has to pay attention to the impact of that revitalization on the surrounding communities. And, it needs to make provisions for the vulnerable people in those communities to be able to retain their houses.

Two points about the impact of the speculative price increases which perhaps have not been pointed out, is that they actually decrease the ability of the District to deal with the problem. Our ability to provide housing programs decreases in proportion to the increase in housing prices. If we have $100,000 to spend on low income housing, we can buy ten houses at $10,000 a piece, we can buy two houses at $50,000 a piece. Our budget is not unlimited. It does not expand in proportion to the speculative housing market.

There has been a lot of talk today about housing programs, what the District government can do. If we're going to talk about that realistically, we have to talk about holding down the cost of the District's housing dollars. Time is moving on, so let me just try to wrap this up.

Many of you are probably familiar with the bill which our committee authored, basically building upon the Clarke-Winter Bill. I just want to make two points about that, about our thinking and then I will conclude.

Perhaps the basic question we had to face was whether we should try to do something about speculation and speculative price increases themselves. Or, whether we should focus on trying to help people who were displaced. There was discussion of perhaps a small tax on speculation to provide relocation assistance.

I'm afraid I have to put this in pretty blunt terms, but it appeared to me, and I think it appeared to others, that to go for the second solution, on the fate of people that we weren't going to help to remain in their neighborhoods, but were going to provide new locations was almost the same as saying to people, that a separate but equal school is okay as long as we pay your bus fare.

The people were in their neighborhoods, they had lived there for years, and the District had an obligation to try to do something to help them to stay there.

It was our hope in drafting this bill, not to stop the rehab process, but hopefully to redirect it. It has been noted before the District has thousands of vacant and boarded up properties. We thought that a temporary tax on rehabs, with a complete exemption for vacant and boarded up houses might help to redirect a certain amount of the rehab capital into that sector -- towards vacant and boarded up houses. It could have stimulated new construction, and I think this is most important, that to the extent that we can promote self-help to rehab, on the part of home owners and home buyers, without going through the two, and three, and four layers of intervening, speculating middlemen, who are propping up the price without contributing to the quality of the housing -- it's a healthy direction.

One concluding point about the tax base and then I'll be finished. There's much talk about how this process is building up the tax base. Another way of saying that is that it's increasing people's property tax assessments and property taxes. Talking about the tax base in the abstract sounds fine. When we're talking about the 82 per cent assessment increases, in Mount Pleasant, for example, it's another thing, and I think we have an obligation when we are discussing this tax base to be fully aware of what we're really saying.

MR. LITTLEJOHN: Thank you very much.

MR. ROWE: Thank you.

MR. LITTLEJOHN: Are there questions from the panel?

MS. BROOKS: Mr. Chairman.

MR. LITTLEJOHN: Ms. Brooks.

MS. BROOKS: I would like to ask you in one of your statements you made, that we should be aware of the tax increase that RLA and HUD -- I presume that you are working with, or for, in purchasing some of these homes? Am I right?

MR. ROWE: I'm not quite sure I...

MS. BROOKS: Are you all -- are you talking about the urban homes that are bought in the urban areas for and rebuild have...

MR. ROWE: Oh, you mean renewal programs?

MS. BROOKS: Yes, urban renewal. Are you aware that some of these homes are bought for nothing, almost. I worked with that program for two and one-half years and I can assure you that a lot of those homes are purchased for almost nothing, almost a giveaway. And some of those people. ..

MR. ROWE: Are purchased by whom? Excuse me.

MS. BROOKS: I beg your pardon?

MR. ROWE: I'm sorry. Are purchased by whom?

MS. BROOKS: RLA and HUD. For almost a giveaway, I can assure you that. Because a lot of the people were not aware of the value of their homes so therefore they didn't -- they weren't able to get a lawyer so they just let them go at what they offered. Do you understand? So I think the government does owe to the minority groups a fantastic amount of money in reimbursement, if they stop and take a look at what they have done to hurt the little man in the area, who could not fight back due to the fact that he's been there so many years. A lot of them are aged, and unable to work. Some of them are on fixed income, although they're not aged.

I know a lady had three houses in Wilby Court that has been there for some 30 or 40 years and they have no education background, as though myself, so they're just taking it away from them, because I'd fight, that's the difference between me and them. You see, they wouldn't take nothing from me without a fight. You see, I wouldn't let education stop me, I'd find somebody who knew how. And see, that's where I say that...

MR. LITTLEJOHN: I think he's going to answer your question.

MS. BROOKS: Thank you so much.

MR. ROWE: One of the provisions of our bill would be to provide a cooling off period for home owners who sell their homes to speculators. To be able to go get outside counsel and to reconsider the transaction.

MR. LITTLEJOHN: Thank you.

MS. BROOKS. Thank you.

MR. LITTLEJOHN: One final question from Mr. Darden.

MR. DARDEN: This is a quick question because you may not have the information. Are you at all familiar with the bill that Councilman Clarke spoke about earlier?

MR. ROWE: Yes I am.

MR. DARDEN: Do you have any idea how much revenue might be generated by the tax which he describes on speculation?

MR. ROWE: When we costed out a similar bill last year... Of course, let me say right off that it's a very difficult question because when you have a tax which is meant to discourage a process you can't be sure exactly how much it's going to discourage it.

MR. DARDEN: Well say, limit it to one year, for instance, at existing levels if you were able to go right in, in one year how much might it...

MR. ROWE: Probably between about five and eight million dollars, I believe that was what the estimate was.

MR. DARDEN: The reason I asked that is because Mr. Jacobs guessed that his department had about eight or nine million -- I think it was seven or eight million dollars -- carryover funds, and it raises the question in my mind if the carryover funds were used, would there be any need for the speculation tax. Couldn't you use the revenues which have not been used to construct housing and, in that way, benefit people who are not being benefited now?

MR. ROWE: I think the two approaches would go together. The tax to keep down housing costs on the subsidy to enable people living there to be able to buy the houses and stay there. So, I think that it's a complementary process.

MR. LITTLEJOHN: Thank you very much sir.

MR. ROWE: Thank you.

MR. LITTLEJOHN: Counsel, would you call the next witness.

MR. STRIDIRON: James Vitarello.

STATEMENT OF JAMES VITARELLO

MR. VITARELLO: Thank you Mr. Chairman.

MR. STRIDIRON: Please identify yourself for the record.

MR. VITARELLO: My name is James Vitarello, the executive director of the Neighborhood Reinvestment Commission.

MR. STRIDIRON: Do you have a statement to make?

MR. VITARELLO: Yes, it's not written out as such, I have notes. Let me just say, for the record, that I am also the former executive director of the Commission on Residential Mortgage Investments which produced a report known as "Strategy for Change - Housing Finance in Washington, D.C.," which I've been told has been distributed to every member of the Committee. It's this orange -- right here.

I'm also the past executive director of D.C.

Public Interest Research Group, which has done some research in this field.

What I'm going to say today is partly on behalf of the Commission and partly on behalf of me, personally. I want to make that clear, and I'll let you know exactly when those two parts cross over.

First, let me very briefly, explain what the Commission is doing in this area. I think it's extraordinarily important and I think it's very practical and has the possibility of getting off the ground in perhaps five or six months. It's known as the Housing Finance Plan which is spelled out in Chapter 4 of the Mortgage Commission's report.

The Neighborhood Commission is now in the process of trying to implement this. We had a Housing Finance Committee on the Commission, which is in the process of discussing the finite points of the Housing Finance Plan. But let me first give you a very brief idea of what this plan would entail because it is fairly comprehensive.

First of all, it is restricted to home owners -- I should say potential or existing home owners -- cooperative owners or condominium owners, particularly with their priority on moderate income families or families who have been displaced or will be displaced as a result of redevelopment, private or public activities.

It includes mortgage loans, rehabilitation loans, and refinancing loans for residential units -- on one to four units.

While the Housing Finance Plan is a voluntary plan in the sense that the city cannot tell the institutions to participate. Once the institutions agree to participate and they sign the bottom line, then it's a legal contract and it's binding, and all the provisions in that agreement are legally binding on them. And I might also add, legally binding on the city, because the city has to also sign it and there are certain things the city has to do as well.

I'll very briefly explain what they are. There are ten points to the plan.

The first point would require local lenders in conjunction with the Neighborhood Commission to review, discuss and, whenever appropriate, revise all housing loan policies and procedures to conform with actual neighborhood lending risks.

Two. To establish a new joint lending mechanism through which local banks and savings and loans would provide home loans to all prospective and existing home owners traditionally unable to obtain financing from conventional sources. This could also take the form of a mortgage pool, which has been tried in several areas of the country, where no one lender makes an individual loan, but buys a part of a pool so that it's a spread risk kind of a thing. We are thinking of trying to set that up also.

Three, would establish a loan review committee composed of lender representatives and representatives of the neighborhood commission to review applicant complaints and where loan rejection is unjustified, to assure the placement of that loan by a member of the pool. The loan review board would serve as an appeals board for any rejected home loans in the District.

Four, would seek the active participation of local lenders in neighborhood based home ownership counciling programs or centers designed to provide a wide range of home purchase and maintenance services. That's a very, very key problem. Ms. Nellie Brooks mentioned the problem with people having their houses foreclosed and so on, really hit it on the head. I think if we had active advocacy centers as they have, for example, in Baltimore and Cincinnati, and San Francisco and other cities where people can come to these centers and have all kinds of housing assistance, and be their advocate before the lender, before the city government, before whoever it might be who was trying to rip them off or otherwise take their property. I think it's absolutely essential that these centers be established in every neighborhood in this city where there are low and moderate income people.

I might add that the Department of Housing has had

$125,000 under CD 2 which they've not spent a dime of, and they have another $75,000 under CD 3, I think that's inadequate, but they haven't even spent that. Now I know that they have a program in a tentative stage, they've finally drafted, but I would like to see citizen participation in the formulation of that program and I would like to see a lot more money put into that program from CD funds and also directly from HUD counciling funds, which they now have.

Number five. The housing finance plan would require lenders to develop and implement a uniform affirmative marketing program to meet the existing and potential home loan demand in the minority community. This is absolutely essential because many minorities do not go to savings and loans and banks, either because they are discouraged or because they are steered away by their own real estate brokers, many of whom are also minority, incidently. Now I cannot blame them, because years and years of conditioning, as one broker told me, led them to believe they will never have an open door. I think that's changing today. I think savings and loans and banks are ready to change, at least some of them, I can't say all of them are, but if the people don't come knocking on the door then, obviously, you're not going to have the loans. So we're saying to the lenders, "Be affirmative, start to market those loans the same way you market your savings accounts."

Six. We require local lenders to make mortgage refinancing and rehabilitation loans to all prospective or existing home owners who qualify for a loan in every area, particularly east of the Rock Creek Park.

Seven. We'd give special consideration to all moderate income home loan applicants, and particularly to those families that have been, or soon will be displaced because of private or public housing redevelopment. One idea we had along that line is that if we had a counciling center that had a curriculum, a course that people could go through and learn all the ABC's of home ownership. They would then get a certificate that they could go to a lending institution with it and that would give them special preference for a loan. Perhaps the down payment would be lower, or whatever. Maybe even the interest rates would be a little lower.

Eight. The plan would give every prospective home buyer in the District the right to complete a home loan application. Something that Mrs. Winter's person said. Right now that's not a right and we're saying that should be a right.

Nine. It would give every home loan applicant the right to receive a copy of the property appraisal report, where the applicant bears the appraisal cost which is 99 per cent of the time. Now even though you pay for that appraisal the lending institution does not normally, now there are some that do, but does not normally give you that appraisal report. Now that appraisal report could be good or bad, but we're saying that where there's a deviation of more than five per cent between the selling price and the appraisal report, that the borrower should be entitled to a copy of that report and challenge it, however he or she wishes to challenge that. Right now, they don't have a right to do that.

And finally, it would require local lenders to provide an explanation, in writing, for the rejection of a home loan application within thirty days after the lenders receipt of the application and would also guarantee the applicant the right of an appeal to the loan review committee.

Now, I would like to now cut my remarks and talk about my own personal thing, because I think the housing finance plan, while it is, I believe, a very good comprehensive plan, that could help many of the people we're talking about, it, by itself, will not do it for sure, just like a speculation tax by itself will never do it. I think we need several things. I'm going to include four or five things right now, I'm not claiming that they are it, but I think that if you've got them going, somewhat simultaneously, I think you could at least begin to turn the problem around. This ~~is~~ what I am personally advocating.

First of all, we would have housing allowance programs for the city for rent subsidies.

Secondly, a down payment, low interest loan program for potential home owners.

Third, a housing finance agency.

All three of these would be primarily funded by two kinds of taxes. One is the reciprocal commuter tax that we've been trying to get through Congress. Second, is a progressive property tax. Progressive -- This is not a land site value tax. This is not a classification tax. This works on the same principal as our income tax works, namely the higher the per square foot cost of the land and the building together, the higher the rate you pay. Now, my thought is here, that whatever funds come in by means of these two -- above and beyond what we are normally getting now for property tax -- whatever funds come in, specifically put into a housing trust fund, sort of like the Highway Trust Fund, for low and moderate income families. That would then be spent through the three programs that I mentioned and perhaps even others.

First, let me just explain to you the progressive property tax. I'm a member of the Tax Revision Commission which is a commission to study tax reform in the city. I've been trying to get the Tax Revision Commission to study the progressive property tax. To date, I've been very unsuccessful, mainly because they're too many developers and speculators already on that Commission.

I believe that, if properly studied, I believe that a progressive property tax would, number one, more equitably distribute the tax burden among home owners and renters around the city. Number two, it would also discourage speculation to a large extent. Not eliminate it, but I think it would discourage it. If someone knew that on a $70,000 house they are going to have to pay not just one and one half times what, let's say, someone with a $50,000 house might pay, but maybe three or four times the amount. I think that that house is not going to go to $70,000 so quickly. It may only go for $60,000. But at least it would begin to start putting the lid on some of the higher cost housing.

I also believe that you need a circuit breaker built into that. Wherever low and moderate income families live in these high priced houses that all of a sudden go up, I think that they should be allowed to have a tax credit from their income tax so that they are not burdened by it.

Now, let me specifically talk about the housing allowance thing. It is a very simple kind of program where you have something like a Section 8 program. However, I think that the differences are this: One, it should be given priority to families who have been or will be displaced. That's number one.

Number two. The income limits should not be 80 per cent of the region the way HUD now requires it under their Section 8 housing, but should be 80 per cent of the District, which is much, much smaller. Which means that the number of people competing for the funds will be smaller and it will be the people we are trying to help, mainly the low and moderate income families. Not people who are making, I think now you can make up to $13,000 or $14,000 and still be eligible for housing allowance. I don't believe these people are priority in this situation.

Now, as far as a down payment, low interest loan program is concerned, right now community development money cannot be spent for down payments. It cannot be spent for new construction, incidently, it cannot. There are ways it can be spent, but it cannot be spent on mortgages directly. Now, that leaves us with a dilemma. Where are we going to get the money to help people, like under the housing finance plan, who don't have enough of a down payment? Down payments are usually the major obstacle, I've found, why people cannot purchase a house. Now, if we had a revolving loan fund for down payments only, where it would be, first of all, a low interest, perhaps three or four interest points would have to be paid, and not have to be paid for until either one or the other happened. Either, one, the income of the family rises above a certain point where they are no longer considered moderate income. After four or five years they might have a better job or what have you. Then they begin to pay off the loan.

Or, if that never happens, where the house is sold or refinanced, then the city is able to recoup its principle plus the interest that is being paid. Therefore, the city, unless all the property values go down in a hurry in the city, doesn't lose any money. It's not a grant, okay, and you're recycling the money.

Finally, the housing finance agency. The housing finance agency is desperately needed in this city. Right now we don't have any way of making below market rate loans to low and moderate income families in this city. Banks, savings and loans are not going to do that on their own. By floating tax exempt bonds and then passing the savings onto the borrower, I believe a housing finance agency can make seven or eight per cent loans to low and moderate income home owners as well as low and moderate income multi-family units.

We are one of the only jurisdictions in the country that does not have it right now and Congress is now holding up our bonds. I think that if we began to put together such an agency, perhaps using the housing finance plan as a prototype, but then going beyond that, I think we can persuade Congress to allow us to have a housing finance agency.

To my knowledge, the lending associations in this city support it, the real estate brokers support it, the community groups support it, I don't know anyone who doesn't support it, and yet it's not going anywhere.

Incidently, by having a housing finance agency it will also allow up to 30 or 35 per cent additional Section 8 housing allowance funds too, which we are not getting now because we don't have such an agency.

Let me close very briefly to tell you that there is an excellent data base, someone mentioned data earlier. It's called the Housing Survey of 1974 for the Washington SMSA. It was done by the Bureau of the Census but they will not release that tape to the District Government in the way we want it, and that is by ANC's or neighborhoods. Okay, they will only give it to us on a city-wide basis or maybe on a ward basis, and I'll close my thoughts with that. Thank you.

MR. LITTLEJOHN: Thank you very much. Mr. Owens.

MR. OWENS: Do we have any experience with any local government that has in effect a depository law.

MR. VITARELLO: Excuse me. Say that again.

MR. OWENS: Do we have any experience with a local government having a depository law in effect.

MR. VITARELLO: Yes. Several.

Mr. OWENS: And what has been that experience.

MR. VITARELLO: Well, there's several states that now have it. Illinois was the vanguard, then Treasurer Adlai Stevenson, Jr., who is now Senator, was the creator of that. Colorado has had one for two or three years. The city of Chicago has one, Cleveland has one, I think Boston either has one or will soon have one, also. And as you know, there are two bills before the Council on that. And the effect is excellent.

The Illinois program was studied by the Ford Foundation study and they found that the lenders made almost a complete reversal of their lending policies in a four or five-year period, because of that. Those who participated, and that's the problem with the depository law, though, only the few that participate will change. Those that don't participate don't change, obviously. There's no way of making them change. So I think you need several other things.

I think you need tax incentives too, to lenders to make loans to low and moderate income families, as well. I think a tax is a greater incentive, too, because everybody has to pay taxes.

MR. TOPPING: Mr. Chairman.

MR. LITTLEJOHN: Go ahead, Mr. Owens.

MR. OWENS: O.K. You have made some comments about the city loan program.

MR. VITARELLO: Excuse me, the what?

MR. OWENS: The city loan program.

MR. VITARELLO: The city loan program, you mean the rehabilitation loan program.

MR. OWENS: Right.

MR. VITARELLO: Yes.

MR. OWENS: You said something about the money wasn't spent or there was a certain amount of money allocated.

MR. VITARELLO: No, I was talking specifically about the counselling program there. There is $125,000 in counselling money under CD 2 that has not been spent. There is also about eight million dollars in the rehab loan program that also has not been spent and the program in my opinion is not designed to encourage private lenders to participate at all. There is no leveraging at all, of our money. By the way, we are one of the worst cities in the country in terms of leveraging CD funds to allow the participation by private lenders and developers. In fact, I don't know one single program that we have under CD that encourages that. I don't know one.

MR. LITTLEJOHN: Mr. Topping, you may now go.

MR. TOPPING: I think you identified the problem of down payments as a really critical problem, particularly for young families and I think it is a problem for moderate income families across the board. I wonder if you may be familiar with the Young Housing Act of 1977 which Senator

Burke has introduced recently. It is my understanding that it would basically be modeled on the principle of some of these retirement accounts where families could place up to $2,500 a year of funds in an account and have that tax deductible, and this could then accumulate in amounts up to $10,000. This amount could then be used for that initial nugget for a down payment on a home purchase. Do you think that this act, assuming that it does pass, and I assume that there is some possibility that it could go into law -- would this, combined with the approach that you are suggesting for D.C. to set-up a Housing Finance Agency, and how would you see that from a combination of a Federal and D.C. approach?

MR. VITARELLO: I think that the Federal Government can do things with tax policies that the District Government either legally or economically just can't do. For example, if the District Government were to set that up, which I think, by the way that they should, it still would have a very small impact compared to the Federal because the Federal rates are much higher. But there is no reason why we should not duplicate that here, perhaps restricting it to certain income groups. I think that there are other things that the city government can do that we will never get from the Federal Government, at least I can't see it in the foreseeable future, such as a down payment loan program as the one I mentioned.

Incidentally, several cities now have that and they are using general revenue funds, but that's taboo in this city. You don't use general revenue funds other than for police and firemen and other things. So I'm not even pushing for that.

MR. LITTLEJOHN: Ms. Matory.

MS. MATORY: Mr. Vitarello, I notice here in your publication that you are commissioned by the D.C. City Council.

MR. VITARELLO: Yes.

MS. MATORY: To what extent do they utilize your recommendations?

MR. VITARELLO: Well, the depository law that Mrs. Rovark introduced is almost identical to the one that was recommended in the report and I assisted her in drafting it.

The Housing Finance Plan is going to be a voluntary plan, in which case the Council will only indirectly be involved, but they themselves are not being asked to pass any legislation at this time.

And, there are three Council members on our new Commission and they have been very helpful.

MS. MATORY: Thank you.

MR. LITTLEJOHN: Mr. Stridiron.

MR. STRIDIRON: You mentioned, a short while ago, that the District does not encourage priviate developers to become involved in rehabs. Do you know why?

MR. VITARELLO: Well, they don't do it on a problematic basis. There are individual instances where that has been done, but I just had a broker call me the other day, and I think he spoke to Mr. Darden too -- I'm sorry -- a developer who was complaining about that very point.

Do I know why? I guess you would have to ask Mr. Jacobs that. I think that it takes a certain amount of organization and a little daring maybe to do it and maybe that's not over at the Housing Department. I really don't know. I mean, several other cities have done it. In fact, nearly every major city I've ever studied has something that encourages private lenders and/or developers to get involved, non-profit groups and what have you. We just don't have that on a systematic basis in this city. I honestly don't know, I really can't tell you why. It doesn't really make any sense.

MR. STRIDIRON: Thank you.

MR. LITTLEJOHN: Our last question will be from Mr. Darden.

MR. DARDEN: I just have a quick question. First, let me thank you because I guess some of your remarks were a little daring, and we appreciate that too.

I wanted to know if your report, or at least the report of the Residential Mortgage Commission had its data collected on broad neighborhood characteristics instead of -- well, what I mean is, for instance, you have the entire inner-city as a unit for your data instead of dividing it into the other kinds of neighborhood designations like Mount Pleasant and Adams-Morgan and that sort of thing.

MR. VITARELLO: We had both.

MR. DARDEN: You had both of them? Okay, I was trying to -- I wanted to find out to what degree you were hampered in doing that by not having the information that you said HUD wouldn't release to you?

MR. VITARELLO: Well, we were able to get data by an ANC level for a pilot neighborhood study that we did, and we derived that data from the Lusk real estate tape which is all the real estate transactions in the city. We did not get that directly from the lenders. We programmed out the tape and we were able to get the one to four unit housing allowance made in every ANC for a two year period. 1973 and 1975.

In addition to that we used something called Polk, which is what RLA commissioned about four or five years ago, based on 1973 data that the Polk Company went out and surveyed in the District. Now I've heard that it was very unreliable in some areas of the city and very reliable in others. Because it was the most current neighborhood based data we had we went with it, with the caveat that you can't use it as the gospel.

The 1974 data is done by the Census Bureau and is definitely reliable. Everyone I've spoken to, who knows about the statistical sampling and so on, says it's great. But to get the Census Bureau to do anything is like knocking a stone wall over their head. They're incredible. And the implications, incidentally, for the Civil Rights Commission nationally is that this was done in approximately forty different SMSA's around the country. And, other cities are having the same problem as we are. Maybe we should all join together and take a walk over to the Census Bureau.

MR. LITTLEJOHN: Thank you very much Mr. Vitarello.

MR. VITARELLO: Thank you. I enjoyed it.

MR. LITTLEJOHN: Counsel, would you please call the next witness?

MR. STRIDIRON: James Clay and Bernice Buell.

STATEMENT OF JAMES CLAY AND BERNICE BUELL

MR. STRIDIRON: Identify yourself for the record.

MR. CLAY: I'm James Clay, Director of Washington, D.C. HUD area office, and with me is Bernice Buell, of my staff.

MR. STRIDIRON: Do you have a statement to make.

MR. CLAY: No, I don't have a formal statement. I would like to make a few comments, though.

MR. STRIDIRON: Please do.

MR. CLAY: I think the information that we provided to your staff when we were interviewed on our relationship with the revitalization program in the District of Columbia, we indicated that as a Federal Agency we have no direct input in terms of the day to day operation of programs in the District of Columbia. Our role is to provide funds for the District of Columbia under the Community Development Block Grant Program, and to insure that the activities that the District runs with those funds are in accordance with statutory and regulatory -- with regulations, in terms of the application of criteria.

There are other programs in the Department where we provide funds for the District in terms of rehabilitation and in some areas under 312 loan funds.

But basically, the primary relationship between the Department of Housing and Urban Development with the District of Columbia is as a provider of funds -- monitoring to make sure that those funds are spent in accordance with Federal regulations, all Federal regulations, including Fair Housing and Equal Opportunity regulations. And, at some point, making the determination whether or not the goals, as spelled out in the program that we have approved, have been accomplished as a basis for reviewing applications for additonal funds. I think it would be more useful if you would raise with us those questions you need clarifications on, based on those things you've heard today related to HUD, rather than my taking time.

MR. LITTLEJOHN: Thank you. Would you ask your question and then we will proceed to Professor Glickstein.

MR. STRIDIRON: One question. Recognizing that the District has perhaps only one program that deals with Housing and Community Development, does your agency, in any way, try to assist the government in developing perhaps, alternative programs, or is that outside of your mandate?

MR. CLAY: Certainly it's not outside of our mandate. I think as an aside I should say the the Department of Housing and Community Development of the District of Columbia is probably about three times as large as my area office staff. When you talk about assistance, surely we are available from the Federal level to provide technical assistance and to share with them experiences which they might or might not know about that have been successful in other places and we certainly do that.

Our role is one of a monitor and advisor and a provider of technical assistance. Once we have approved a program and it has been determined that that program is eligible, under our criteria, then we must monitor to see that the program is being operated in accordance with what the District agreed to do.

I don't see the Federal role as a day to day operator of programs. I think we must leave it to the local governments to do that, assuming that we assist them in all ways we can to insure that they have the capacity to do that and to provide the resources to assist them in getting to that point.

MR. STRIDIRON: Thank you.

MR. LITTLEJOHN: Professor Glickstein.

PROFESSOR GLICKSTEIN: Perhaps we could talk a bit about some of the various Federal programs that might be available to deal with the problem that is the subject matter of this hearing. The problem, as you know, is the revitalization of -- going on in some parts of the city. Are there any Federal programs that are available to deal with the sort of dislocation problem that is occurring in this city and other cities today that is somewhat comparable to what happened with Urban Renewal some years ago, except this time the dislocation is occurring as a result of private action rather than government action. Or what seem to be private action.

Are there any government programs that can assist people -- Federal programs that can assist people who are victims of such activities?

MR. CLAY: Yes, of course. There are subsidized housing programs and I think the District is terribly involved in our subsidized housing programs through section 8 and old 236's which are still being built in some of the areas where -- that are community development areas in this city.

The city has also designated there are areas around this city that are eligible for 312 loans. Now these are loans that people under a certain income level, and I think the highest income level is $18,000, but below that you are eligible. If you owned a house say, around the Logan Circle area, which is a 312 area, and you want to rehab your house you are eligible to apply for a loan and the District has a program which would assist the people in doing that. And that is an attempt on their part, as I see it, to enable people who are lower or lower middle income who have lived there over a period of time to bring their properties up to standard and to remain in that neighborhood as opposed to having them go to somebody who has a higher income, and we do provide funds for 312 loans to the District.

PROFESSOR GLICKSTEIN: You talked a little bit about the community development area, what about outside of such areas.

MR. CLAY: Outside of community development areas? I think from the point of view of our relationship and -- 312 loans for example, do not have to be in the same kind of area that as a community development area... But I think I should make clear that in determining, geographically, where a community development area is going to be, we do not second-guess the city.

They have the right and the primary responsibility based on their knowledge of needs of the city, across the city, to determine which of those areas they would designate as community development areas and they operate there. We don't attempt to second-guess them.

But, outside of the area, any subsidized housing programs, any special kinds of funds that might become available and through the department, under a special program, like this year, we had operation rehab, the District applied and was not accepted but for programs that become available they are certainly eligible to apply, and they can certainly use those funds outside of CD areas.

PROFESSOR GLICKSTEIN: And those funds then could be utilized to assist people would might be dislocated as a result of the revitalization process?

MR. CLAY: Possibly, I'm not sure specifically how, and nor am I sure of a specific program that exists that does that. You know, if they've told you something today that exists, and you mention it, I might remember. I just don't think off-hand.

PROFESSOR GLICKSTEIN: One of the things that we're interested in today is not only the question of whether the District of Columbia government is adequately utilizing the programs that are available but we're also interested in whether there is a need for some additional programs -- Federal programs -- since the Civil Rights Commission does make recommendations to the Congress, and there again we're calling on your expertise to suggest if there might be the need for some programs. Are there any gaps now that aren't being filled by some present programs, for example, the bill that Senator Brooke has introduced was mentioned as a possible aid in this endeavor?

MR. CLAY: I'm sorry, I didn't hear you.

PROFESSOR GLICKSTEIN: The bill that Senator Brooke has introduced to make it possible for people to accumulate money that is needed for down payment on a house.

MR. CLAY: I would say there is a great need, but obviously, anybody who knows Washington, D.C. and the surrounding areas know that there aren't very many young people or old people who can afford to buy housing in the city, in most areas, not just west of Rock Creek Park or Capitol Hill. The housing market is tight and, I think, in connection with that I should mention, you say, other programs but I suppose that based on some of the conversation I heard while I sat here that someone had discussed earlier the urban homesteading program the District had planned to get into. And it is my understanding that they will have an urban homesteading program next year.

But I think the thing that should be clear from a HUD point-of-view, an urban homesteading program in the District of Columbia where we are expected to provide the houses, is not a viable program. It's not a viable program because our inventory is very low. In order for us to be able to turn houses over to the District of Columbia, that they can then sell at a low price to low income people, and I think it's a misconception to think that low income people are the people who benefit from urban homesteading.

If you checked with the people at Hospitality House who ran this program, you would find that the average income was in excess of $10,000. Those successful people who were able to get the loans and to work with D.C. Community Development Council to revitalize. That's a viable kind of program.

And in some cities, where the HUD office has a big inventory of houses that they can turn over to the city at a low price or for nothing, then, yes, you can turn over the houses that exist, help people get financing and build them. In D.C., it's not a viable program.

PROFESSOR GLICKSTEIN: Does the jurisdiction of your office extend to the metropolitan area?

MR. CLAY: Yes, it's the whole SMSA.

PROFESSOR GLICKSTEIN: How would you say that what's happening in housing in the suburbs has affected the revitalization process in the city?

MR. CLAY: Let me see if I can guess what you're coming from. If you're implying that the movement of people back to the center city is having some impact on those lower income people who have been able to live in areas that now they are having to move out. Based on what I read, that is the case. We have done no study in our office to see what the impact or what the effect of that is. I would say yes, I assume it has some impact, however, I don't know.

PROFESSOR GLICKSTEIN: Do you think that if the housing production was vastly increased in the suburbs that might put a stop to some of the revitalization that's going on within the city?

MR. CLAY: Well, vastly increased, you know, I could sit here and say yès, and looking at the resources that we have, as a Department, have to provide on a subsidized level. Which, I assume, you're coming at.

As you know, in this area, we have a fair share plan through COG, where all of the localities get a fair share amount of houses subsidized. And, in this case, we're talking about section 8, both new existing and rehab, and public housing, where there is a formula developed and everybody gets a share of what the area has to offer.

So yes, I would think that it's being equally distributed and all of the localities are picking up their share of subsidized housing.

PROFESSOR GLICKSTEIN: Thank you.

MR. LITTLEJOHN: Let me propound a question or two, if I may.

We heard testimony this morning to the effect that the city does not now have a comprehensive housing plan. Is that your understanding?

MR. CLAY: Well, if you're leading to whether or not in order for us to do business with them a comprehensive housing plan is required, the answer is no.

MR. LITTLEJOHN: Oh, you anticipated my question.

MR. CLAY: I would say that I think the city, based on my conversations with Lorenzo Jacobs, and everybody else, considers that a desirable end to meet and they seem to be working toward coming to that end.

MR. LITTLEJOHN: Now, let me ask the question I was going to ask.

The question is, does your office feel in spite of the fact that there is a great deal of revitalization activities going on that you should compel the city, and other cities within your jurisdiction, to have a revitalization plan that deals with this aspect of the problem as a condition of doing business with you?

MR. CLAY: It is very difficult these days to, as a federal official, to talk in terms of compelling. As you know, we deal in terms of Federal and local cooperation, with the locals being able to set their own priorities, and our being supportive and helpful.

I think that it would be desirable for us to compel them to do that. I get the impression, from talking to local officials, which we do all the time, that there certainly is a desire on their part to do something about the problem that exists. I think most people, almost everybody I've talked to, recognize that there is a problem.

One of the difficulties when you talk about displacement and relocation as a result of revitalization and our involvement, especially with the cities, since we deal with cities mostly exclusively on subsidized kinds of housing. We would have to be able to provide something as an incentive which we do not now have, because you take an individual house, unless the city owns it, I'm not sure what impact even they can have, except through zoning laws, or some other kinds of things that they wanted to come up with. But, on the face of it, our ability to intervene would be limited.

MR. LITTLEJOHN: Assuming that you have the power, at least of your good offices with the city, would you recommend then that they develop a comprehensive housing policy that would encompass some of the things that I spoke about earlier?

MR. CLAY: Using my good office, I suppose I have to respond like this.

Yes, I think it would be desirable for all cities to have a comprehensive housing plan, you know, aimed at and addressing the revitalization issue.

You know, I really can't respond specifically to that because I don't want to get involved in it.

MR. LITTLEJOHN: Mr. Stridiron.

MR. STRIDIRON: We've asked this question of a number of other people who have appeared today and it's this.

You indicated that your office has done some studies of the impact of revitalization.

MR. CLAY: No, I said we had not.

MR. STRIDIRON: Oh, you had not. Then that takes care of the question.

MR. LITTLEJOHN: Mr. Darden.

MR. DARDEN: O.K. I'd like to know whether the entitlement for a jurisdiction is reduced by the amount of the funds that are carried over from one year to the next?

MR. CLAY: Ms. Buell will respond to that question.

MS. BUELL: No,it's not. It's based on a formula per year and that's a set formula based on poverty, the amount of substandard housing and overcrowding. The formula is set by our central office and as they use updated Census data the entitlement is set. And, I think the first year the District got 33 million dollars under the formula and, last year, something like 40 million.

But, if they don't spend the money we don't reduce the amount of funds they're going to get the next year. The only time we would reduce it is if we find that they're not in compliance with the law, or we have made a determination that they do not have the capacity to handle the funds.

MR. DARDEN: Does that program money accumulate?

MS. BUELL: Up to a certain point. At some point, I imagine Congress will take action if they find that overall money is not being spent. We can only reduce funds for a limited number of reasons, and one of them is that capacity. If we feel the money is not being spent, because the locality does not have the capacity to spend it, then they would be taken away.

MR. DARDEN: I don't mean to break in but how do you determine their capacity?

MR. CLAY: Let me try another tack. If indeed, in year one there was carryover money, okay, we would require the District to submit the plan to us reprogramming that money aimed at something that was viable and durable in a certain period of time. So that money wouldn't just lie there having been meant for a program that would never get started. We would require them to do that, but it would not be correspondently reduced for the money that would be available for them in year two.

MR. DARDEN: Well, concessionly, does that mean that if the District had carryover of seven or eight million dollars and, if their succeeding entitlement was increased by seven or eight million dollars, that that increase might be a shadow increase and simply reflect was was not...

MR. CLAY: No, it's not a shadow increase because the seven or eight million dollars that was not spent was initially programmed and planned for activities that didn't get off the ground in an expeditious manner. Okay, now determination has to be made whether or not they have the capacity to still run that program, whether or not it was still needed or should those same seven or eight million dollars be reprogrammed for something else that was more needed at this time.

And there have been some problems because of reorganization and all that, things where there have been some slowdowns in programs but I think the District has reprogrammed that money for what they consider more viable programs, the second or third year, as opposed to having a carryover.

MR. DARDEN: Does the District or has the District shown to your office an increasing or a level capacity for programming its funds?

MR. CLAY: Try that again. I am sorry.

MR. DARDEN: I asked you whether from your point of view, the District is increasing it's capacity to utilize the funds that is programmed, or whether it maintains a constant capacity to do so.

In other words, should we expect to see carryover year after year?

MR. CLAY: No, I shouldn't think so. I think as they settle down and get people in place and get programs running the money will be speedily spent.

But when you talk about carryover, you talk about judging capacities, one of the criteria we look at is the draw-down rate of funds over a period of time.

If we give a locality five million dollars at one point, we look and see how much has actually been drawn down.

It is an artificial measurement simply because in most localities, draw-down rate -- that is the actual amount of money we have given them from the Federal Treasury, that is artificial simply because they allocate much more than that.

So the rate of draw-down rates which -- we see sometimes people asking questions and saying, the District's draw-down rate is only 25%, or 35% or 40%.

But, it is an artificial measure because you have to take into account those funds that have already been allocated, but not actually expended by the Federal Treasury to the District.

MR. DARDEN: And then just one final question. I understand from Mr. Jacobs that the City has established a need for 50,000 additional new units, of which they have provided about 3,600 in the past three years.

In what way have you cooperated with the local District to increase the amount of production of units?

MR. CLAY: To the extent that we have housing applications from sponsors and developers in the District of Columbia, and certainly we are processing them expeditiously.

From the point of view of subsidized housing, I think on Friday of next week we will be publishing the Fair Share Advertising for developers for all Section VIII housing in the area, and the District of Columbia area is included in that and their numbers will be their Fair Share of the Metropolitan SMSA numbers that we have in the office.

I can't respond to you in terms of how we meet a specific number figure, except to say that to the extent that we have the units available, the District qualifies, it is a feasible project, we go with it.

MR. DARDEN: Thank you.

MR. LITTLEJOHN: I believe Mr. Owens has a question.

MR. OWENS: Yes. What are some of the reasons why an application may be denied?

MR. CLAY: What kinds of applications?

MR. OWENS: CD applications.

MR. CLAY: CD applications?

MR. OWENS: Yes.

MR. CLAY: Well if the activity that is proposed is clearly inconsistent with the act, and clearly does not meet the criteria of what the CD program is supposed to accomplish, then we would disapprove the application.

But in the District of Columbia, because of the stated statutory criteria, in terms of over-crowding, in terms of poverty, and in terms of other kinds of things, I don't think that becomes a real issue.

I suppose if you chose an area in Ward 3 as a CD area, we would raise questions when you look at other areas around in other wards.

But, in the District it does not become a question given the limited amount of money we have available to give them the kinds of things that they want.

The amount of money they are entitled to under our formula is by far less than they always say that they are entitled to.

MR. OWENS: So you do question in some way the designated CD areas then?

MR. CLAY: I do not. I do not. Unless it is plainly inconsistent with the requirement. If it does not meet the criteria of the act.

MS. BUELL: Or if the activities that are programmed are plainly inappropriate to meeting the needs that have been stated in the application.

The application has to state the long term and short term needs and goals of the community, and the activities that they have programmed with our funds are supposed to be met to meet those needs.

If we feel that those activities that are programmed in no way relate to the needs that have been stated, then we would turn the application down.

MR. CLAY: We would negotiate with the locality and they would change.

MR. LITTLEJOHN: Are there any other questions?

MS. BUSTOS: Mr. Chairman.

MR. LITTLEJOHN: Ms. Bustos.

MS. BUSTOS: Yes. I wanted to know if it was true that 20% of community development block grant funds were taken back by HUD from Washington, and if so why?

MR. CLAY: Well actually, it was not 20%, but what was it -- twenty million. Twenty million dollars. It was twenty percent. It was twenty percent to retire the Urban Renewal

One of the priority projects in the department, with block grant funds is to retire old urban renewal projects. And over a period of time when the interest accumulates on the urban renewal projects, the money begins to pile up in terms of how much you have to pay to close it out.

The department made a determination that in some of those urban renewal areas where they had been open and we wanted to speedily close them out, the one way to do it was to take off the top a percentage, which was 20% and hold it back and apply it against the urban renewal debt.

MR. STRIDIRON: Was that a one-time cost?

MR. CLAY: No. It is not a one-time cost, and it depends on how things proceed. It is subject to review of course, but it was for the last program, no question.

MR. LITTLEJOHN: Thank you very much for your testimony.

MR. CLAY: Thank you for asking us.

MR. LITTLEJOHN: Call your next witness.

MR. STRIDIRON: I Call Dewitt Hartwell, President of the Metropolitan Washington Savings and Loan League.

STATEMENT OF DEWITT HARTWELL

MR. STRIDIRON: Please identify yourself for the record.

MR. HARTWELL: I am Dewitt P. Hartwell, President of the Metropolitan Washington Savings and Loan League, and I have a prepared statement.

MR. STRIDIRON: Please proceed.

MR. HARTWELL: Mr. Chairman and members of the Committee. I appear here today as President of the Metropolitan Washington Savings and Loan League. The League appreciates this opportunity to participate in this hearing.

The sixteen savings and loan associations in the District of Columbia are all federally chartered. We are subject to strict regulatory authority of the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation.

During 1976 the sixteen associations in the District of Columbia made a total of almost 3,200 loans within the City.

This represented an increase of nearly 75% over the previous year. The dollar volume was in excess of $187,000,000, and this figure will be exceeded in 1977 if we continue to get loan applications.

There are many reasons for this revitalization in the City, as we see it. A rebound from the recession of 1974-75, ample savings flows, sewer moratoriums in the suburban areas, the energy crisis, the selling of the City as a good place to live, convenience to work locations, good transportation, proximity to the Arts Museums, Libraries, and recreation.

Problems are created when there is a lack of real estate activity in any area, and problems, it seems, are also created when this activity increases.

Scholarly dissertations have been presented regarding the principle causes of decline and urban decay. No one seems to agree on the primary cause. Perhaps the real answer will not be found. Perhaps it points out that there have been many causes.

Congressman William S. Moorehead, United States House of Representatives from Pennsylvania's Fourteenth District, spoke at a recent savings and loan seminar in Pittsburgh.

The seminar focussed on urban lending. He said he was not concerned with the chicken or the egg approach. The important issue is what can we do about urban decay and how do we respond to the affect?

I would like to focus upon the role which the District of Columbia savings and loans are playing in this revitalization process.

In 1972 the D. C. based savings and loans formed a city-wide service corporation known as SAFE -- Savings Associations Financial Enterprises.

This corporation was given a broad charter, but it's primary mission is to provide financing for inner-city residential loans.

SAFE has provided the interim financing for developments like the Golden Rule Apartments and the Golden Rule Center at New Jersey and K Streets.

We have formed joint ventures with minority builders. As of this date the service corporation has provided rehabilitation financing in the amount $1,105,000 for eighty-three units.

It has also provided funding for over 428 new units, aggregating a sum of over $10,000,000. Most of the pondered loans generated by this activity were placed by the stockholder member savings and loans.

At the present time SAFE has problems of getting loans because of increased competition with it's own stockholder members and other financial entities. It is, however, seeking additional innovative areas in which to service the housing sector of the City.

SAFE has truly helped preserve and renovate the existing housing stock and has added to the housing stock by providing the financing.

At no time has SAFE created large-scale displacement problems in any of it's activities. The savings and loans in this City have provided the bulk of budgetary support for the neighborhood housing services of Old

Anacostia. NHS is a private, non-profit organization made up of neighborhood residents, representatives of financial institutions, business, industry and government.

It's task is to stop deterioriation and improve the neighborhoods by involving the public sector, neighborhood residents and financial institutions in making a commitment to reverse neighborhood decline.

It is working in Old Anacostia, yet there is still much to do. Bankable type loans for improvement to housing are referred to financial institutions. Non-bankable high risk type loans are placed through a revolving loan fund.

NHS operates under the auspices of the Urban Reinvestment Task Force which is jointly funded by the Federal Home Loan Bank Board and the U. S. Department of Housing and Urban Affairs.

NHS is operating in thirty cities and the savings and loans in Washington, D. C. are committed to NHS in the target area of Old Anacostia.

For the nine months ending March 15, NHS had committed on forty-three requests for $651,300, both bankable and non-bankable loans. This represented 65% of all requests received.

The savings and loans participated in the first homesteading program in this city. We provided permanent loans and worked closely with officials in setting up procedures and documentation.

The program started in 1974, and nineteen homes have been delivered thus far. Now this program is designed to reduce the stock of the City's boarded-up houses. The houses will be made available to families earning under $18,000 a year. The homes cost the City $1 and are acquired from HUD which acquires them through defaults on federally insured loans.

The City is ready to deliver eighteen additional homes in the near future. The savings and loans once again stand ready to issue commitments to make the permanent loans on these dwellings.

This is a unique plan. There is no displacement problem associated with this program. Boarded-up, unoccupied houses are rehabbed and brought up to code, and added to the housing stock of the City.

The tax base improves. The neighborhood improves and the City is better off for it.

More importantly, someone who might never have the chance, becomes a home owner. Three D. C. based savings and loans provided the construction loan to rehabilitate the Fairmont Street Apartments. Two hundred and eighteen apartment units, which will provide decent shelter for many families. Washington HUD, RLA of D. C., and the 14th Street Project Area Committee worked closely to bring this development to parishion. There was no relocation problem here or no large relocation problem associated with this development.

Now other buildings are under construction in this 14th Street corridor. The D. C. Housing Industry Corporation is a coalition of builders, realtors, bankers, and savings and loans. This groups recently completed a major rehabilitation of 35 houses in the Shaw Urban Renewal area.

They were marketed for sale to low and moderate income families. This development represented an unprecedented degree of cooperation between the coalition and the D. C. government.

The permanent loans were placed by the savings and loans. Our service corporation coordinated the placement of these loans and provided technical assistance.

Former tenants were given first priority to purchase. These savings and loans have also granted permanent loans to families living in the model cities area who qualified for down payment assistance. This program known as Model Cities Home Purchase Assistance Program was funded by the D. C. Department of Housing and Community Development. One savings and loan is constructing nine townhouses from the Shaw area with private funds. They are also working with City agencies to help ten long-time tenants of Seaton Place to purchase and rehab the homes they now occupy as tenants.

The above programs I have mentioned have worked and some might argue that they have only scratched the surface. But one cannot deny that revitalization is taking place within this City.

The above programs have been successful because the City and federal government together with the private sector have come together in a genuine sense of commitment to meet the housing needs of the citizens of this City.

There is still much to do. They major problem, however, is not the lack of investment funds, but the cost of housing.

Many of our citizens are being priced out of the market, not only here but all over the nation. We are not here today to attempt to solve that problem, but it must not -- and it cannot -- be overlooked.

The health of this city is vital to the health of our industry. We are representative of the private sector and are committed to meeting the housing needs by making sound loans. The remainder must be provided by subsidy of some type.

Consideration is being given to permit our business to make lower down payment loans and offer various types of mortgage instruments to lower housing costs to the consumer.

Our local savings and loans have taken the initial steps to set up a mortgage review board. This offers any citizen, who has been rejected for a real estate loan, by a savings and loan, the right of appeal and a good chance that the loan will be placed by another savings institution, provided the ultimate loan will represent a sound investment.

There are other plans which the Metropolitan Washington Savings and Loan League has under consideration. Our industry can and is making an impact on housing in this community.

We cannot do it alone. Our activity in the marketplace will be consistent with savings flows, applications received, and the degree to which this city remains viable and alive. It must remain a good place in which to live, work and invest one's funds.

Mr. Chairman, I have outlined some of the innovative programs we have been engaged in. To the best of my knowledge, these have caused no wholesale displacement of tenants or present home owners. As activity increases this will become a factor. Many displaced persons have the financial ability to rent or purchase other houses. These we can help and will appreciate any referrals. Many more do not.

These, we suggest, need special help. This is an area where federal subsidy programs must be utilized.

One final note. We hear terms such as inner-city, East of Rock Creek Park, West of Rock Creek Park, and each of these areas belongs to the City.

What happens in one, affects the other. I think it is time we think in terms of the total City, and improve, preserve and add to the housing stock where ever the need exists.

This total City needs a total commitment from local government, federal government, the private sector, every citizen and every neighborhood.

To accomplish this, we have to remove the moratorium on our thought processes and on our energies as lenders, builders, realtors, government and community -- we have to communicate, join hands, think, and come to grips with the housing issues.

Then Washington can become the best housed City in the United States.

I appreciate this opportunity to testify and invite your questions.

MR. LITTLEJOHN: Thank you. Mr. Stridiron has some questions for you.

MR. STRIDIRON: As a preliminary question, what is the role of the Savings and Loan League with regard to the association membership, and their lending policies?

MR. HARTWELL: Membership in the League is strictly voluntary as to members. They have no control over the lending policies as a league.

MR. STRIDIRON: I see. Okay. We appreciate the statements regarding the innovative programs that your organization or the associations are running.

However, there appears to be some concern throughout the community that, in fact, not enough is being done by local lenders, and from what you have said, we would get the impression that, in fact, the local lenders are doing all they can.

How would you respond to those two, what I see as conflicting comments, on the activities in the area?

MR. HARTWELL: I think most of the recent information that came out regarding activity of the Savings and Loans in these periods, I believe 1972 and part of 1974 and 1975 -- '72 was a good housing year. '74 was a terrible housing year. Part of '75 was, I think, the worst housing year in this nation.

Some of the data was presented was dated as just that. However, I like to look ahead, and there were some positive approaches, and you heard comments regarding a housing finance plan.

Ten points -- some of them require some in depth study. Some of the recommendations there have already been taken care of. The mortgage review board or committee will soon be into operation by the savings and loan in this City.

The fact that a borrower be notified of a rejection is a federal law that went into effect on March 22, under the Equal Credit Opportunity Act.

The fact that a recommendation that a person receive an appraisal -- I am in full accord with that, and so testified before Mrs. Winters committee.

The pooling of funds can become very complicated. It requires interplay between City, private industry, and this requires in depth study.

The review of underwriting requirements, which I think comes under their heading of changing your conformity of loan policies, requires some study. Certainly I think there is possibly room that marginal type loans can be considered. I think they are being more seriously considered by savings and loan.

We have no really mathimatical or empirical base to say that 40% or 50% of income is or is not too much for a person to pay.

These things -- we have already referred this housing plan to some members of our Metropolitan League so that they can study it, and come up with some recommendations.

MR. STRIDIRON: There was some discussion earlier that lending institutions are not incouraged to participate in the housing and community development programs that are available in the District.

Can you respond to that. On the one hand, are savings and loans or lenders in general, reluctant to become involved in subsidized building programs, or are they discouraged from participating?

MR. HARTWELL: If we have the regulatory to enter into such programs naturally we will attempt to do this. Some of your -- some of these programs, as I know them, or as what I understand of them, are heavily bought with red tape. High-ratio loans are now available in the City, the 95% loans.

If we are given the green light to enter into these type of programs, but we still have the mandate to make sound loans when we get into an area of very high risk loans, as I stated in my testimony, some type of subsidy is required here.

MR. STRIDIRON: I see. You also mentioned some difficulty, you said SAFE had encountered. Could you elaborate on that?

MR. HARTWELL: Difficulty sir?

MR. STRIDIRON: Yes. I believe you said something about they encountered difficulties in getting loans, or something to that effect.

MR. HARTWELL: No, I said that -- I believe my statement was that SAFE is having trouble getting loans now, because there is so much activity and actually they are competing with their stockholder members for loans -- what loans are to go around.

MR. STRIDIRON: I see. That clarifies it.

MR. LITTLEJOHN: Mr. Darden.

MR. DARDEN: Apparently the image of savings and loan institutions in minority communities, especially, is rather tarnished right now.

I take for example the opposition, which the Perpetual Savings and Loans found when they wanted to open a branch at 18th and Columbia Road -- which is in the Mount Pleasant area.

Have you, through the association, or do you know of any special efforts on the part of your members to change the image or the -- or try to counteract the sort of negative reaction that some minority group organizations have towards S & L's.

MR. HARTWELL: Mr. Darden, that is a good question, and it is a fair question, and I think for us to improve our image, we are going to put our money where our mouth is and our doors are opened to anyone who is looking for a bankable type loan in this City, and I don't think that anyone in this City today, who can qualify and with a house can qualify, is having trouble getting a loan from a savings and loan association.

MR. LITTLEJOHN: Yes, Mr. Owens, and then Mr. Topping.

MR. OWENS: Is every applicant allowed to complete a credit application form, and does that form become a permanent part of your record?

MR. HARTWELL: I am glad you asked that question because we heard -- Mrs. Winter has stated before, and I have discussed this with her, that people have not been able to get loan applications.

I believe Mr. Vitarello referred to that. If any of you -- and I wish I had brought some applications with me. If any of you have seen the applications that we have to fill out in this day and time, even the most sophisticated have problems with them.

Certainly, when you give an application to an individual, and I understand that some teams went around -- well, our question would be for anyone wanting an application, have you bought a house?

Certainly if there is a house, or if there is a contract for a house, then they should be entitled to complete an application.

If they want to know if they qualify for a certain house, or a certain amount of a loan, we will certainly counsel with them.

But, in answer to your question, if someone has a contract on a house, they should be allowed to complete that application, and that application would remain a permanent part of our records, and I think the law says for twenty-five months.

MR. OWENS: Is that the only reason? If you didn't have a house, you mean you could not fill an application out?

MR. HARTWELL: Well he could not complete the application. Let me put it this way. He could fill in the income portion of it. But we could do nothing with it until there were a piece of real estate involved.

Because, you don't know how much money he is talking about, how much loan he is talking about.

MR. OWENS: Without the application, you never would would you?

MR. HARTWELL: Well you have got to find a house. If a person wants counselling, and we do this on the phone, we do it in person. Many times young people, older people will come in and say, how much can I afford to pay for a house. This requires questions on our part.

For your information, I have instructed my staff -- anybody that walks in the door, if they want an application, we will give it to them.

MR. OWENS: Are you saying then that there is some initial screening done? If they don't meet, or answer certain questions right in that initial screening they are not allowed to fill out an application. Is that what I understand you to say?

MR. HARTWELL: No. I am saying that anyone that has contracted for a house and they are just about ready to buy a house and they want to come in and start that application process going, we say the contract, of course, has to be ratified, you have to get the house, we have to get an appraisal, and we will complete it.

I invite any of you to come in. I will show you the whole kit.

MR. TOPPING: Mr. Chairman.

MR. LITTLEJOHN: Mr. Topping.

MR. TOPPING: One of the points that you referred to was the cost of housing. Regardless of what the lending policies are at the particular lending institutions, there is a basic problem right now that housing costs themselves -- this is certainly true in the case of new housing and I suspect it is also true in the cases of the entire housing market because new housing tends to establish to a certain extent the price of the entire housing market.

What particular steps could you advise law makers right here in the District to take that might cut down, to a certain extent the cost of housing within the District?

MR. HARTWELL: Well, nobody seems to know how many boarded-up houses we have in the District. I just heard that HUD has very few, and therefore, the urban homesteading program, which I really believe in and I think is a great program -- it would not be viable, but if you have got fifty houses owned by HUD, to me, they should be put in the urban homesteading program, if at all possible.

The other boarded-up houses, if they are owned by the other government agencies, it would seem to me that they could be marketed at a price -- they are not producing any tax benefit to the community now -- it would seem to me that some formula could be worked out where they could be produced or rehabbed at a fair price.

Of course the overall housing, new housing, and so forth -- I think we are going to in the future have to be satisfied with possibly smaller houses, less frills, to satisfy the cost.

MR. TOPPING: Do you find right now that there are a number of provisions written into either federal or local law, a regulation which has the effect of inflating housing costs, that they are basically uneconomic and that they add substantially to the cost of production of housing?

Or, is that really a problem?

MR. HARTWELL: I couldn't put my finger on anything like that, Mr. Topping. I saw something the other day, that if you look at pure housing costs, I think that some of your biggest costs in housing are your lumber, I think, and your labor, and certainly the added paperwork that most of your lenders have to go through now is not helping their cost. But, this is minor compared to the bricks and mortar and the land cost itself.

MR. LITTLEJOHN: Thank you very much for your testimony.

MR. HARTWELL: You're welcome.

MR. LITTLEJOHN: Ladies and gentlemen, the next few witnesses will be called by Mrs. Deborah Matory and our Counsel, Mr. Iver Stridiron while I leave the podium for just a few minutes.

MR. STRIDIRON: Is Rhea Radin here?

STATEMENT OF RHEA RADIN

MR. STRIDIRON: Welcome Ms. Radin. Would you please identify yourself for the record?

MS. RADIN: I am Rhea Radin and I am President of my own real estate firm, Rhea Radin Real Estate. My main office is on Capital Hill and I have been in real estate on Capital Hill since 1959, and therefore, I am particularly interested and concerned in specializing and renovation of houses.

I have no prepared statement. I was not quite sure what you wanted to hear from me, except you know my background, maybe you want to use me as sort of a whipping boy.

(LAUGHTER)

MS. MATORY: Mr. Darden would you like to proceed with the questions?

MR. DARDEN: Yes. One of the things that we are trying to find out about is the extent to which revitalization has proceeded in neighborhoods in the City.

Could you give us some idea about the current boundaries for so-called Capital Hill area, in terms of the parameters of revitalization?

MS. RADIN: When I started on Capital Hill we bought the recreation area extending from about 1st Street or say South Capital to about 6th Street, East, and Pennsylvania Avenue to about Constitution Avenue, which is a very small area.

At this point restoration is going on all the way through 17th and 18th Streets, East, to about G or H Streets, North, and to G Street, Southeast, which is bounded by the Freeway.

MR. DARDEN: I see. We are also trying to get as much as we can about the characteristics of home buyers and the process of revitalization.

We were not able to determine what the average selling price for revitalized homes -- we have not been able to determine that so far.

Can you give us some estimate about the cost of revitalized housing -- say for instance in the Capital Hill area or in any other area that you are familiar with?

MS. RADIN: I prefer to direct my remarks primarily to Capital Hill, because that is what I really know something about.

MR. DARDEN: That is fine.

MS. RADIN: I can say, for example, we are having an advertisement in the Sunday paper -- five different houses running from $44,500 to $120,000.

I would say that there are many, many more now in the $70,000, $80,000, $90,000 and up than there are below.

MR. DARDEN: These are single family homes?

MS. RADIN: These are single family homes.

MR. DARDEN: What sorts of people come to you for revitalized housing? What are the characteristics if you can generalize?

MS. RADIN: I would say primarily fairly young, or say young professionals -- average in their early thirties, say.

We also have some people who are older. Their children have grown up. They have been in the suburbs and they are interested in coming back into town.

We have quite a few young couples with small children. I wouldn't say that the majority had children.

MR. DARDEN: Would you say that the numbers of these people is significant enough to displace thousands of residents from the areas in which they are coming into, or resettling into?

MS. RADIN: I would not say thousands. I don't know exactly how many houses there are in the restoration area.

But these are not -- at least my interest -- we don't have large developers in the Capital Hill area. Individual houses are done one at a time so that we don't have any large displacement at any one time.

Most of the houses -- or let me say a great many of the houses are sold by owner/occupiers. They make the decision they want to sell the house.

MR. DARDEN: So, they don't come through real estate brokers for the sale of the house?

MS. RADIN: Oh no. They come to a brokerage, or help the broker to help them sell the house. But I meant many of the houses that are sold for restoration are owner occupied before they are restored.

MR. DARDEN: I see.

MS. RADIN: They are not all rental. They are not all occupied by renters.

MR. DARDEN: Right. I see. These are people who are selling their homes in order to reap whatever profits they may.

MS. RADIN: Yes. Because the price of not only the restored houses has gone up tremendously, but the price of unrestored houses has gone up, and many people who have had a house and they know that they are going to have to put a lot of money into, are coming in to talk about it and discover they can get enough money out of their house as it is so that they can buy a modern house, say in some of the suburbs.

MR. DARDEN: Have you noticed any racial change in the people who are leaving and the people who are coming in to the neighborhood.

MS. RADIN: I would say the change is primarily an economic change, with the kind of prices that the restored houses -- you have to have a fairly good salary, or a fairly good income to buy them.

There are -- I don't see so much of a racial change. There are many professional blacks that are buying on the Hill, for example.

MR. DARDEN: Earlier we heard some testimony that about 14% of the people buying revitalized houses are minority folks.

Is that percentage consistent on Capital Hill, or is it greater or is it less?

MS. RADIN: I really have no statistics on that. I know that my office sells, I would think, almost 50% to minorities. I seem to have as many of one kind as another coming in. They are mostly people with higher incomes, because otherwise we cannot help them.

Certainly, I expect there are -- I really don't know.

MR. DARDEN: Well just from your own perception, would you say that Capital Hill is about 50% black?

MS. RADIN: You mean the restored houses?

MR. DARDEN: Yes.

MS. RADIN: No, I wouldn't say it was that high. I wouldn't say it was that high.

MR. DARDEN: Anywhere near 14%?

MS. RADIN: I would have thought more than 14%.

MR. DARDEN: Okay, fine. I don't have anymore questions right now.

MS. MATORY: Ms. Bustos.

MS. BUSTOS: I do have a question. You said a few minutes ago that it wasn't necessarily tenants who were being displaced, in a sense. You said a lot of the homes that are sold are sold by owners, people who now in houses and who feel they don't have to restore them, they can sell them as they are.

Then you talk about people coming in and buying revitalized houses. What is the middleman in this situation, for example -- it sounds like if I was a home owner and I decide I don't have to restore my house, I can sell it as it is and go get a new house -- who is the middle person in this? Who then redoes it?

MS. RADIN: The small builder. For example, the owner comes into the office and says they are interested in selling their house, or they might be, and how much do we think they could get for it?

I will go out and give them an appraisal and say that I think you can get, let's say $30,000, or whatever it may be. They decide that that is enough for what they want for their needs, and so they list it with us at that price.

Then we also have several small builders, renovators who come into the office, speak with me, and ask do we have any houses to restore. So that they are sold to the renovator. The renovator puts his margin of profit on his renovation and then puts the house on the market restored.

Now occasionally that is not 100% of the time. I would say about 10% of the time, young couples come in who want to renovate the houses themselves to live in. They buy an unrestored house and do it themselves and keep it.

MS. BUSTOS: That is 10% of the time, so then we are talking about 90%.

MS. RADIN: I would say 80% or 90% of the time.

MS. BUSTOS: 80% to 90% is the owner, and then the small builder and then a new owner again?

MS. RADIN: Yes.

MS. MATORY: Thank you. Mr. Larry Owens.

MR. OWENS: Does your company purchase any property directly?

MS. RADIN: No.

MR. OWENS: Do you know of any real estate companies that do?

MS. RADIN: No, I don't mean in twenty years I have never purchased property. I own one building besides my own house, that I purchased when it was condemned and restored and kept as a rental.

I think that several of the brokers occasionally purchase houses, but I don't know of any that go in for it as a main -- no.

MS. MATORY: Mr. Stridiron.

MR. STRIDIRON: Do real estate companies go out and not purchase but solicit homes for their clients? Is that a practice in the industry?

MS. RADIN: For their clients?

MR. STRIDIRON: Right. For example if someone comes into the real estate office and inquires, are there any homes which require restoring, and let's say that the real estate company indicates no we have none on our rolls.

Do they then offer to go out and solicit such homes?

MS. RADIN: We have never been in the position because we have always had some. However, I have had the situation where somebody comes in and says I say a house at 9th and K, or where ever it may be, it looks very interesting, could you find out about it? Then we will try to get in touch with the owner and ask him whether he would be interested in selling it if our client has asked us.

MR. STRIDIRON: But you would not initiate it?

MS. RADIN: No.

MR. STRIDIRON: Okay I see.

MS. MATORY: Are there any further questions?

MR. GLICKSTEIN: Ms. Matory.

MS. MATORY: Mr. Glickstein.

MR. GLICKSTEIN: Ms. Radin, you have been doing business on Capital Hill since 1959. Has the revitalization process been a steady process since that time? Or, has it picked up dramatically in the last few years?

MS. RADIN: It has picked up dramatically in the last few years. I used to think that one of the reasons it has is because of all the hard work that some of us did the eighteen years preceding that.

In the early days it was very slow. After a certain amount of it got done, people did not feel they were taking risks on living in a deterioriated street, for example, and they were the last house to be redone.

I think it is because so much has been done. It has pulled more.

MR. GLICKSTEIN: Do you think that is an important factor? What about the lesser availability of housing in the suburbs or what about the energy crisis, where some people say that people are moving into the cities because of the energy crisis -- it is too expensive?

MS. RADIN: I think that quite a few people are coming in because they are awfully tired of the traffic problems, or the transportation problems coming in from the suburbs, and are worried about the energy problems.

There are lots of older people whose children have grown up, who are very glad to not have to fight with the traffic and be in town now where they are near many things that they want to see.

I think the primary thing is that it has become an attractive area.

MS. MATORY: Ms. Radin, we have just one other question, from Mr. Owens.

MR. OWENS: Are you saying that by hard work -- do you mean that real estate companies can start a revitalization process -- by working hard?

MS. RADIN: Yes, I do.

MR. OWENS: Okay.

MS. MATORY: Thank you. Mr. Darden.

MR. DARDEN: I wanted to follow up on the theme, to find out from you to what degree you received help indirectly, if not directly, from any program sponsored by the local federal government in beginning and continuing the revitalization process in Capital Hill?

MS. RADIN: We receive no help whatever.

MR. DARDEN: Were you able -- indirectly either?

MS. RADIN: Well, the last year we have been being able to help our purchasers in obtaining government sponsored loans, if that is what you mean.

We have had no -- if that is what you are referring to -- we have had no direct help from the government.

MR. DARDEN: I guess I was thinking about the suggestion we heard earlier for the use of condemnation procedures to acquire buildings that might be then developed by private industry or the private market.

MS. RADIN: I have had no help from the District government. A building has to be in terrible shape to be condemned. If it is condemned, at least in my experience, when it is condemned -- many buildings, I think, should be condemned long before they are, because I think that they are a health hazard and a danger to the people who are living in them.

MR. DARDEN: Well I guess that goes to the other side. Are there any practices that the City government has which have proven to be hinderances to the revitalization process?

MS. RADIN: Well, I wish they would condemn houses more as a matter of fact. I don't mean trying to displace people, you understand. I just think that -- I have seen people living under conditions that are horrible, and I think that at least the owner of the building should be required either -- should be required to get the building up to code, or if he is unable to financially, I don't think that they are buildings that people should be living in.

Am I answering your question?

MR. DARDEN: I think you are getting close to it, I am not sure. Are you saying that there are some areas of authority, like condemnation and inspection and that sort of thing which the City could be doing a better job of?

MS. RADIN: Yes, I think that the housing inspectors could do a better job in many instances.

MR. DARDEN: Have you encountered any sort of evidence of that in terms of blighted properties in the Capital Hill area, that remain blighted?

MS. RADIN: Well as you know, I am not in a job situation at the present time that has many statistics.

I have certainly seen many houses that were well below code. I know that -- I don't know on what basis the housing inspectors are sent out, to check houses.

I don't think that I am -- I just don't know. I don't know what basis they are sent to. I think they should be doing it in many instances. I can't give you a figure.

MR. DARDEN: Alright.

MS. MATORY: Thank you very much Ms. Radin for your testimony.

MS. RADIN: Thank you.

MS. MATORY: At this time we will have to take a ten minute break for technical reasons.

Please come back to your seats at 5:00.

(Whereupon, at 4:50 p.m., the hearing in the above-entitled matter was recessed until 5:00 p.m.)