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Meet
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ARIZONA STATE ADVISORY COMMITTEE
TO THE
UNITED STATES COMMISSION ON CIVIL RIGHTS

CONSULTATION ON HOUSING OPPORTUNITIES
FOR MINORITIES AND WOMEN

September 26, 1979

TRANSCRIPT OF PROCEEDINGS
Phoenix, Arizona

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Meet.
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3 UNITED STATES COMMISSION ON CIVIL RIGHTS
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11 THOSE PRESENT:

12 DR. MORRISON F. WARREN, Chairperson

13 Ms. Ruth L. Bean

Mr. Philip Montez (WRQ)

14 Mr. Manuel Pena

Mr. Arthur Palacios (WRQ)

15 Ms. Melinda S. Watkins
16
17

18 THE ABOVE ENTITLED consultation was held in the
19 Maricopa Room, Adams Hotel, 111 North Central Avenue,
20 Phoenix, Arizona, commencing at the hour of 9:00 a.m. and
21 the following proceedings were had, to wit:
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PROCEEDINGS

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3 THE CHAIR: May I have your attention? We shall
4 begin this consultation on housing opportunities for minori-
5 ties and women in the State of Arizona.

6 All of you have agendas and there have been two
7 changes I would like to call your attention to. At 11:00
8 o'clock, Ms. Opal Ellis, who is the Assistant Director of
9 the Department of Housing and Urban Redevelopment for the
10 City of Phoenix, Opal Ellis will fill in for Mr. Mike J.
11 Moloney, who's out of the city.

12 And at 11:45, Mr. Clark Cederlof, C-e-d-e-r-l-o-f,
13 who is an executive vice president with Western Savings
14 and Loan Association, will fill in for Mr. John D. Driggs,
15 who is also out of the city on business.

16 Other than those two changes, ostensibly the agenda
17 will remain the same.

18 I'm Morrison Warren and I'm the Chair of the Arizona
19 Advisory Committee to the U.S. Commission on Civil Rights.
20 And the function of this state advisory committee is to
21 advise and make recommendations to the United States
22 Commission on Civil Rights upon matters which the committee
23 or any of its subcommittees have studied.

24 The other members in attendance at this advisory
25 committee are first Ms. Ruth L. Bean, Ms. Melinda S. Watkins,

1 Mr. Manuel Pena, Sr., and we expect Mr. Theodore Williams.

2 Also with us from the western regional office of
3 the commission are Mr. Art Palacios and our Western
4 Regional Director, Mr. Philip Montez.

5 This consultation is being held pursuant to rules
6 applicable to state advisory committees and other require-
7 ments promulgated by the U.S. Commission on Civil Rights.
8 The commission on civil rights is an independent agency of
9 the United States Government, established by Congress in
10 1957, and authorized by the Civil Rights Acts of 1957,
11 1960, 1964 and 1973, first of all to investigate complaints
12 alleging that citizens are being deprived of the right to
13 vote by reason of their race, color, religion, national
14 origin or sex.

15 Secondly, study and collect information concerning
16 legal developments which constitute a denial of equal
17 protection of the laws under the Constitution.

18 Thirdly, to appraise federal laws and policies with
19 respect to equal protection of the laws.

20 And fourthly, to serve as a national clearing house
21 for civil rights information and fifthly, to investigate
22 allegations of voter fraud.

23 I wish to emphasize at this time that this is a
24 consultation and not an adversary type of proceeding.
25 Individuals have been invited to come and share with the

1 committee information relating to the subject of today's
2 inquiry. Each person who will participate has voluntarily
3 agreed to meet with the committee.

4 This consultation being held today is part of the
5 on-going concern and interest on the part of the commission
6 toward housing issues in the United States. In March of
7 this year the national office of the U.S. Commission on
8 Civil Rights released a report entitled a federal fair
9 housing enforcement effort, which details the enforcement
10 effort of the federal government. It's short comments, and
11 made specific recommendations to them.

12 In our attempt to get a well balanced picture of the
13 housing situation in Arizona, we have invited individuals
14 involved in housing issues on a day to day basis as well
15 as those involved in housing programs. Since this is a
16 consultation, the press, radio, television stations as
17 well as individuals are welcome. Any person discussing
18 a matter with the committee, however, may specifically
19 request that they not be televised, in this case it will
20 be necessary for me to comply with their wishes.

21 We're very concerned that we get all of the informa-
22 tion relating to the matter under investigation. We are,
23 however, concerned that no individual be the victim of
24 slander or libelous statements. As a precaution against
25 such a happening, persons making a statement here or answering

1 questions have been interviewed prior to this meeting.

2 However, in the unlikely event that such a situation
3 should develop, it will be necessary for me to call this
4 to the attention of the persons making the statement and
5 request that they desist in their action. If the testimony
6 a person is offering, however, is of such importance, it
7 may be necessary for the committee to hear the information
8 at a closed meeting.

9 The person against whom the allegations are being
10 made will have ample opportunity to make a statement in
11 closed session before the committee if he or she so desires.

12 In any event, prior to the time that the committee
13 submits its report to the commission, every effort will
14 be extended to get a complete picture of the situation as it
15 exists. We are concerned that no individual be the victim
16 of retaliation for any statements made at this consul-
17 tation. Witnesses are protected by the provisions of
18 18 US Code 1505, which provide, and I quote, whoever by
19 threats or force or by any threatening letter of communi-
20 cation endeavors to intimidate, to influence or impede any
21 witness in any proceeding pending before any department or
22 agency of the United States, or in connection with any
23 inquiry or investigation being held by either house, or
24 any committee of either house, or whoever injures any party
25 or witness in his or her person or property on account of

1 his or her attending or having attended such proceedings,
2 inquiry or investigation, or on account of his or her
3 testifying to a matter pending therein, shall be fined not
4 more than \$5,000.00 or imprisoned not more than five years
5 or both.

6 In the event that any person testifying before this
7 committee considers any adverse action taken against him or
8 her to be the result of having testified, he or she should
9 immediately contact the Western Regional Office of the
10 United States Commission on Civil Rights.

11 May we have our first scheduled expert, please, Mr.
12 Robert -- Honorable, I'm sorry, Robert Usdane, of the
13 Arizona Senate.

14 For the benefit of the audience, State Senator Robert
15 Usdane has served in the senate since 1976, he is chairman
16 of the health, welfare and aging committee and a member of
17 the finance committee, the government committee, the education
18 committee and the joint select committee on tax reform
19 and school finance.

20 Senator Usdane is a member of the Scottsdale
21 School Board and has been a member of the Scottsdale
22 Chamber of Commerce. He is a selfemployed financial
23 consultant in marketing and sales, and Senator Usdane will
24 provide an overview of House Bill 2304. Senator Usdane.

25 Senator Usdane.

SENATOR ROBERT USDANE

1
2
3 A (By Sen. Usdane) Thank you, Mr. Chairman.

4 Having never participated in a consultation, I'm not
5 sure you want me to say anything after that opening
6 statement. Further, I will apologize to the committee by
7 having to read a fairly concise report of what the bill
8 does only because of time constraints in terms of assessing
9 the background information.

10 In addition to having participated at the senate, I
11 have been in the bonding business and so have some acquaint-
12 tance with the information as it relates to revenue bonds
13 and industrial development authorities. Although as far
14 as expertise go I'm not sure that the information that I
15 can give you is any more expert than anything else.

16 I would like to, in addition to the testimony on the
17 overview, of 2304, give you some background as to a couple
18 of personal impressions as to the problems as they relate
19 to this type of financing, and also to the Ullman, proposed
20 proposed Ullman legislation in the federal congress.

21 By way of background, the states and local govern-
22 ments have used tax exempt revenue bonds to finance housing
23 for low and moderate income groups for a significant
24 period of time. The process works as follows: In a typical
25 housing bond program, the state or local government will

1 issue a revenue bond for purposes of making low interest
2 mortgage loans for single family housing. The lower tax
3 exempt interest rate allows the state or local government
4 to relend the bond proceeds to individuals at approximately
5 one or two percentage points below the conventional housing
6 mortgage rate.

7 As an example, on a 40 or \$50,000.00 home the
8 amount may be as high as a \$80.00 a month in lower house
9 payment, and with this reduced interest rate, low or
10 moderate income groups can qualify for home ownership.

11 The bond proceeds are normally funneled through banks
12 which make the loans and service the mortgages, and the
13 bonds are paid off from the mortgage payments which are
14 made by individual homeowners. The state housing agency
15 bill, which was introduced in 1975, originally in the
16 legislature had never succeeded in passing. However, two
17 bills have passed, one in 1978 and Hous Bill 2304 in 1979
18 which have allowed local governments, cities and counties
19 to use the authority to issue bonds through the industrial
20 development authority basis.

21 Arizona has approximately 41 industrial development
22 authorities. Under these mortgage programs, the IDA sets up
23 guidelines for the establishment of low and moderate
24 income housing programs.

25 An issue is put together by a group of people or a

1 developer and the developer applies the local IDA --
2 applies to the local IDA board for permission to go ahead
3 with the bond sale. Upon approval by the board, the bonds
4 are sold to the public and the proceeds from the bond sale
5 are deposited in a custodial financial institution or
6 any other local financing institution.

7 The originating financing institution under the
8 mortgage purchase program would then sell existing mortgages
9 to the custodial institution but continue to service the
10 mortgages that were sold remitting the principal and
11 the interest payments to the custodial company on a pre-
12 scribed date through the years of participation.

13 The custodial institution then makes the principal
14 and interest payments to the bond holders.

15 The money generated from the sale of the mortgages
16 by originating -- by the originating institution is then
17 used for low and moderate income mortgages within the
18 guidelines of the state legislation. Only seven states
19 are now legally able to establish this type of tax exempt
20 mortgage bond and they are Arizona, Colorado, Delaware,
21 Florida, Illinois, Kentucky and Nevada.

22 The tax exempt mortgage revenue bond issued by the
23 local industrial development authority provides local
24 involvement in a loan process and once these bonds have
25 been issued and there is created a partnership actually

1 with the private lender to provide funds for the financing
2 of the housing.

3 Using the backing of the city or the town to achieve
4 the tax exempt status.

5 The primary risk, however, is a default and that's
6 borne by the bond holder. These are revenue bonds. And
7 these issues and the institutions which originate and
8 service the mortgage do not bear any of the risk.

9 Part of the controversy that develops in this type
10 of bond as I believe is that there is a moral obligation
11 which sometimes moves back to either the state or the city
12 or the county or wherever the authority exists, and the
13 holder of the bond may feel that there is a moral obligation.

14 In some cases those moral obligations have actually
15 resulted in some payments, the Coliseum being one where
16 financing was given by the legislature as it got into
17 problems, even though it was a revenue bond originally
18 that was sold.

19 The risk that the political subdivision bears is
20 that an adverse impact on its bond rating if a larger
21 number of mortgages are foreclosed and hence the revenue
22 bond issue goes into default, or if the quantity of the
23 bond issue is not justified by the local economy.

24 The principal benefactors of this scheme or mortgage
25 financing are the low and moderate income groups that receive

1 additional funds that would not have been available through
2 the private or public sector. The program is designed to
3 meet the needs of a select group of people who have been
4 forced out of the private market due to the downpayment
5 requirements, and do not qualify for federal subsidies
6 under the low income requirements.

7 Just to explain, briefly, what House Bill 2304
8 specifically did, here's a summary: Number 1, the income
9 limits. The Arizona bill states, now law, states that
10 families of low and moderate income can not have an annual
11 income exceeding 1.15 times the state median family income
12 which is determined by DES, department of economic security.
13 The 1978 median family income is approximately \$17,000.00 .
14 for a family of four, 1.15 on this basis would allow a
15 family of four with an income of less than \$20,000.00 a year
16 to qualify for the program.

17 Two, the legislation also includes a special pro-
18 vision for the Cities of Tucson and Phoenix which was
19 designed to entice moderate to high income families to return
20 to the blighted area of the inner city. The income limi-
21 tation for this program is two and one-half times the
22 state median income. Therefore, we're talking about
23 families with an income of \$42,000.00 a year or less, which
24 would qualify for low interest mortgages under House Bill
25 2304.

1 The higher income limitation in the slum or blighted
2 areas designed to induce the higher income person to
3 move back into the inner city and provide a mix of economic
4 levels and many times the racial mix within that area.

5 The establishment of these income limits within
6 House Bill 2304 does not eliminate the existing authority
7 of the IDA to establish their own maximum limitation which
8 may be lower than the statutory maximum. That was the
9 second major controversy in terms of this bill and that is
10 that it's questionable whether those dollars really help
11 the individuals in an economic base where they need the
12 low to moderate income financing, and without getting into
13 the personal concerns, being a legislator who did vote
14 for the bill, which is now law, I would only explain to
15 you that that was part of the problem that we were dealing
16 with.

17 Number 3 is the calculation of the net income. The
18 calculation of the net income of those people desiring to
19 partake in the program is determined by taking into account
20 gross earnings from the employment, net earnings from
21 businesses, professional practices or partnerships and
22 farms, and other income such as social security payments,
23 interest, dividend, pensions, welfare, or assistance pay-
24 ments.

25 Individuals seeking a loan must apply at the financial

1 institution and it's up to that institution to make the
2 determination within the guidelines of the statute.

3 Four, the types of programs. There are three basic
4 types. Loans to lenders, where the bank receives the money
5 generated from the bond sale and makes loans to the various
6 applicants based upon their income limitation, mortgage
7 purchase program.

8 What this means is that participating financial
9 institution sells the mortgages to the custodial bank which
10 has been set up by the IDA and the proceeds from these
11 sales are used to finance low and moderate income loans to
12 the applicants. And again within those income guidelines.

13 Then they have direct loans, which under House Bill
14 2304 can occur only in cities over 250,000 people. In cities
15 of this population, areas will be considered to be slum
16 or blighted areas and the single family dwellings may be
17 financed on a direct loan basis to persons within this
18 area.

19 The industrial development authority, however, is
20 required to utilize the services of a mortgage lender as the
21 contracting agent in making the direct loans.

22 Number 5, the bond issue to finance a single family
23 dwelling on a direct loan basis need not be rated double A,
24 and the income limitations above do not apply. The direct
25 loan authorization does not preclude the financing of single

1 family dwellings in slum or blighted areas as a part of
2 a general mortgage purchase or loans to the lenders program
3 under the existing county or city IDA program.

4 On April 27, 1979, Representative Ullman, who is the
5 chairman of the House Ways and Means Committee, introduced
6 the Mortgage Subsidy Bond Tax Act of 1979. The reason for
7 the introduction of this bill was to control the
8 amount of money that the states and local entities were
9 issuing in tax exempt bond for owner occupied housing.

10 For example, in 1978, state and local government
11 issued 3.4 billion dollars of tax exempt bonds for owner
12 occupied housing. During the first four months of 1979,
13 state and local governments have issued 3.3 billion alone
14 for tax exempt bonds for owner occupied housing.

15 Mr. Ullman stated that the tax exempt bonds tend to
16 offset the impact of the budgetary and monetary policies
17 on housing and shift the burden to other sectors of the
18 economy. Therefore, the committee believed it was necessary
19 to reexamine the relevant taxes and those provisions that
20 permit the use of these tax exempt bonds.

21 The Ullman bill itself is very short. It just deletes
22 industrial development authority revenue bonds from the
23 list of bonds that are allowed on a tax exempt basis.
24 Which directly affects the bill that we're talking about.

25 The effect of the Ullman bill since April 27th has

1 been to throw the single family tax exempt revenue bond
2 market into utter chaos. Presently several firms in
3 Phoenix and Tucson are continuing to issue revenue bonds
4 which are approved prior to the April 27th date, however,
5 the interest rates in the sales for these revenue bonds have
6 been more difficult due to the uncertainty of the passage or
7 defeat of the Ullman bill.

8 The committee report on the Ullman bill was approved
9 on August 31, 1979, however more recently information is that
10 the bill has been returned to the committee for further
11 work.

12 The main reason that Representative Ullman introduced
13 his bill was that the revenue loss from tax exempt bond
14 amounted to approximately 23 million dollars per year for
15 each one million dollars of outstanding bonds. Thus the
16 annual revenue loss from 6.7 billion of the outstanding
17 housing bond issued in '78-'79, amounted to approximately
18 155 million dollars a year.

19 In addition, the House Ways and Means Committee
20 believes that tax exempt bonds may not be the efficient
21 method of providing a subsidy to housing.

22 As the supply of tax exempt bonds grows, the issuers
23 must offer higher and higher interest rates to attract the
24 investor and thus the final interest rate offered to the low
25 and moderate income groups for mortgages is very often close

1 to the conventional interest rate and does not provide
2 interest rate subsidy that was intended.

3 The Ullman committee also believed that the indi-
4 viduals who had the greatest need for subsidy are the low
5 and moderate income people who have difficulty obtaining
6 a mortgage and who are purchasing their first home.
7 Accordingly, the Ullman bill tries to limit the groups of
8 people who partake in these programs by the following
9 restrictions: One is the income limitation, the bill
10 requires recipients of the subsidy have income levels below
11 certain designated percentages of the median area income.

12 Two, the purchase price limitations. The Ullman
13 committee believes the tax exempt bonds should not be
14 used to provide a luxury home even where the income of
15 the individual is low or moderate due to the receipt of
16 money from other sources.

17 Three, there's a three-year requirement. Persons
18 who receive this subsidy should be those who are buying
19 their first home or who have not recently owned a home.
20 The committee limited the individuals that can qualify for
21 these loans to those who have not owned a home within the
22 previous three years.

23 Four, the principal residents requirement. Many
24 believe that the home should be the principal residence of
25 the individual and should not be for investment purposes.

1 Five, the new mortgage requirement. The committee
2 also believes that the proceeds of the bonds should be used
3 to provide new mortgages and not to refinance existing
4 mortgages at lower subsidized rates. Targeted portion.

5 The committee believes that at least 20% of the
6 mortgages financed from bond proceeds should be used for
7 mortgages within the target area of the authority, then
8 there's a loan to value requirement and that the largest
9 barriers to owning a home is the ability to come up with
10 a sufficient down payment, therefore the committee would
11 require that at least 75% of the mortgages financed with
12 tax exempt bond money provide a loan to value ratio of
13 at least 95%. That is on a \$50,000.00 home the down payment
14 can not be more than \$2,500.00. The Arizona bill, House
15 Bill 2304, as law, provides many of the guidelines that
16 were written into the Ullman legislation.

17 In fact, several of the local attorneys testified
18 before the Ullman committee and presented the guidelines
19 in Arizona. The only changes that may be necessary in the Arizona
20 bill would be as follows: That the 1.5 median limitation
21 for most tax exempt mortgages will fit the guidelines
22 of the Ullman bill, however the higher income limitation
23 of 2.5 times the median income, which was enacted to
24 attract higher income people to return to the blighted areas
25

1 of the inner city do not fall within the Ullman guidelines
2 and the legislature may have to enact purchase price
3 limitations on these homes in order to qualify.

4 In Arizona House Bill 2304 carried an emergency
5 clause and went into effect on May 2, '79. Due to the
6 movement of the Ullman bill in Congress very little has
7 been done as far as issuing bonds for tax exempt financing,
8 however Pima County has drafted guidelines for the issuance
9 of tax exempt revenue bonds by the Pima County Industrial
10 Development Authority.

11 I have given to Senator Pena a copy of that resolu-
12 tion.

13 Pinal County is also in the process of drafting
14 guidelines for an IDA loan.

15 I checked with the City of Phoenix and presently they
16 are using federal funds for housing developments and
17 awaiting the outcome of the Ullman bill before they
18 issue revenue bonds for the development.

19 On September 12, '79, Governor Bruce Babbitt appointed
20 five members of the housing finance review board, which is
21 required under House Bill 2304. This board will review
22 the bond prospectus and approve or disapprove the issuance
23 of bonds based upon the legislative guidelines.

24 The bill also requires that the housing finance review
25 board not approve loans to any single corporation that

1 exceeds 75 million and shall not approve the aggregate
2 amount of loans for all corporations in excess of 400
3 million.

4 Further, for the benefit of the committee, I have
5 a flow chart that shows both forms, how they work, and what
6 process it goes through. I hope I haven't taken too long.

7 THE CHAIR: Not at all. You're well within your
8 limit of time.

9 There probably are some questions that the committee
10 wants to address to you.

11 A I'll try to answer, Mr. Chairman.

12 THE CHAIR: Any member of the committee have any
13 questions they wish to address to Senator Usdane?

14 Q (By Mr. Pena) Mr. Chairman, he covered everything
15 pretty well and left very little room for questions. But
16 I'm wondering if the Ullman bill doesn't ~~become~~ law, and IDA's
17 are -- become a possibility in Arizona, what is the --
18 what is the market for the -- for IDA bonds?

19 A That's a good question, Senator. I would only be
20 able to give you a perception or a personal opinion, and I
21 want to point out to the committee that while I was in that
22 business, I left it approximately a year ago and became
23 an independent consultant. I believe that industrial
24 development bonds are controllable more by the selling in the
25 market that's established, and as more and more of these

1 bonds float into the market place, obviously with the interest
2 rates coming higher, they're less saleable. So the
3 problem will transfer from the Ullman concern to the real
4 concern of the Congress, in my opinion, which is that
5 tax exempt bonds are a problem, and they're even talking
6 about removal in host -- the host area. I think they'll
7 continue to be sold, Arizona will be able to sell the
8 bonds, there is a market place, however limited, I believe,
9 and the interest rates will just have to become higher and
10 higher levels, thereby eroding the benefit to low and
11 moderate income people.

12 Q I'm curious of the statement that you made, that
13 Pinal County is in the process of developing an IDA
14 authority by themselves? There is a population
15 restriction.

16 A Yes. I -- I'm afraid I can't give you much back-
17 ground on that but we could certainly or the committee
18 could certainly get that information easily.

19 As you probably know, the two major areas being
20 Tucson and Phoenix, and 12 county areas that are entitled
21 to go under one section of the bill. They can't make
22 the direct loan. But they can make the other types.

23 MR. PENA: I don't have any further questions.

24 THE CHAIR: Any other questions by any member of
25 the committee?

1 Q (By Ms. Watkins) Senator, the bill, as I understand
2 it, is basically limiting the loans to single family
3 dwellings. Was there any consideration given to multifamily
4 dwellings?

5 A It was discussed during the time that all of the
6 bills that have been proposed were proposed in the legis-
7 lature. However, I don't believe they ever had a chance
8 out of committee because of the major controversies that
9 developed just in going this far.

10 There is a very large concern about government
11 moving into the building of housing. This does not do that.
12 But that's where they got in originally, under multifamily,
13 apartment and such, dwellings, and the legislature, I
14 don't believe, would move in that direction.

15 Q Thank you.

16 One more question too. In the Phoenix area I'm more
17 familiar with that, perhaps, what would they consider in
18 the terms of the bill the blighted area?

19 A I don't know that. I'm really qualified to answer that.
20 I can only tell you we talked about the area in downtown
21 Phoenix surrounding the Deuce area, I don't know that there's
22 any housing land, really available in that area, but I would
23 think, having been in the building business in the sales
24 end of it years ago, not selling housing but to subcontractors,
25 that any area south of Washington that would be residential

1 probably would qualify down to as far south as Roeser
2 maybe a little below Roeser I don't know specifically,
3 however.

4 MS. WATKINS: Thank you.

5 THE CHAIR: Any other questions?

6 Q (By the Chair) Has there been any operational
7 experience?

8 A In Arizona?

9 Q Yes, with the bill effects?

10 A No, sir. Phoenix is working on it as well as Tucson,
11 Tucson's farther ahead. The previous bill that passed
12 didn't have any requirements in it, and so they didn't
13 use it at all. The savings and loans and banks were
14 fighting amongst themselves on it. I think if I might
15 expand on your question just for a second, I have two major
16 concerns about this business in terms of whether or not
17 we're really going to help individuals that need the help.

18 The first one is that I'm -- I believe having been
19 in the housing market, from a sales standpoint and
20 often consulting with individuals who are presently in it,
21 that houses are not really built at the level of income
22 even that is involved in this in terms of their availability.
23 Until there are builders who are willing to build houses
24 that individuals can afford at lower than median income,
25 I'm not sure we're helping to solve the problem.

1 The second point is the Ullman consideration, and
2 that is that I believe we're between a rock and a hard spot.
3 Nobody's going to buy those bonds as long as that Ullman
4 bill is even thought of. And so that's where I believe
5 we really are.

6 THE CHAIR: Are there any other questions?

7 Is the testimony that you gave available to us?

8 A If there's a copy machine here, yes is the answer to
9 your question. I would make the copies here. If not, I
10 will go back to the legislature, which I will be there in
11 about a half-hour or so, I'll make a number of copies and
12 get them to Senator Pena or --

13 THE CHAIR: Is there a machine available?

14 MR. PALACIOS: There's one in the hotel.

15 A This, as far as I'm concerned, is certainly allowable.
16 I need the copy back, but you're welcome to it. ---

17 THE CHAIR: We would appreciate it.

18 Staff does a good job, I'm not so sure I could have
19 done any of it without their help.

20 And that includes the schematic, the flow chart?

21 A Yes, that's what I -- I have given that, that's not
22 in there but you have that or -- it's right there.

23 THE CHAIR: Okay.

24 Q (By Mr. Montez) One more generalized question,
25 Senator. Housing generally in Arizona for the issue that

1 we are at hand here today, that is minorities and women in
2 housing, from your perception as a senator of the state,
3 how do things look for that low income and moderate group
4 as a general question, you know, not referring to 2304, but
5 from the standpoint of the civil rights commission which
6 deals with minorities and women?

7 A Okay, that's partly what I was alluding to in my
8 last statement. I -- I'm not sure that I'm qualified to
9 give you anything other than a personal perception.

10 Q Yes.

11 A Having come from Scottsdale where our problem is
12 different, and the land costs are at such a level and the
13 layout of that land is that I was on the Scottsdale School
14 Board for eight years as an example, even previously, our
15 teachers who came to work in Scottsdale couldn't live in
16 Scottsdale because they couldn't buy a home. That's
17 gotten worse, not better.

18 Even though the city council is concerned and are
19 attempting to change that, the whole plan of the McCormick
20 Ranch was moving in that direction, I hate to tell you
21 what a house sells for on McCormick Ranch.

22 Maybe I will tell you. I -- you know, we're in the
23 80 to 150 to \$250,000.00 class, that's classy. But to be
24 more specific, I do believe that there are people who build
25 houses that are certainly able to be purchased by individuals

1 who are at low and moderate income.

2 I just don't believe that that market place has --
3 has developed to the point where it's proven by any sub-
4 sidized basis that you can move somebody into them and
5 that they're going to stay there or be capable of staying
6 there even if you reduce the payment by 80 or \$100.00.
7 I don't think subsidy is the answer.

8 Again it's personal perception and I'm expanding
9 but I feel very strongly about it, I think you have to
10 change the entire environment for the individual that moves
11 into that area and allow them to make a livelihood and
12 participate in programs at the level that they choose to.
13 Subsidy doesn't do it. So what I'd like to see happen is
14 the development of builders in the market place that could
15 resolve, in some profit motive because that's the way our
16 economy is set, to allow them to build houses that those
17 individuals can earn income to afford to live in.

18 And I don't think that's happening.

19 Q Does subsidy remove the motivation for the builder,
20 would you say, because of the restrictions?

21 A It's just that the demand is such that they can make
22 more, I would believe, outside that market place. And so
23 they have to give them a better motive than we have given
24 them to this point. And I'm not sure government does a
25 very good job on anything, being a participant in it, I can

1 only tell you that the longer I participate the more skeptical
2 I become. It grows well. That's all I know.

3 Q (By Ms. Watkins) Question. In the house bill,
4 would it fit, then, the parameters of the Ullman legis-
5 lation, is my understanding correct, then, that a family
6 could only qualify for a loan under this bill one time?
7 It would be only for a first dwelling?

8 A That's -- it would have to be the first mortgage, ..
9 that's correct. I think in some form the Ullman bill will
10 go. I really do. There's a tremendous amount of pressure
11 building in the market place to stop tax exempt bonds.
12 Especially revenue. Because people don't really under-
13 stand them, unless they're an investor. Revenue bond,
14 again, does not carry any guarantee from the state or the
15 local government, just that moral obligation.

16 Q That was one of my other questions, was you had
17 mentioned a default, so where does the risk rest?

18 A It rests with the bond investor because the bank's
19 protected and the individual when he can't pay simply moves
20 from the home.

21 MS. WATKINS: Thank you.

22 MR. PENA: May I add to that, that FHA insurance is
23 also required, this is a protection for the investor. The
24 conventional loans also would be required to be insured.
25 That also is a protection for the investor.

1 THE CHAIR: Am I reading a nuance in this subtlety
2 of what you're saying, that home ownership for the poor
3 increasingly is becoming more difficult and it is not
4 likely that they can look forward to any single family
5 residences?

6 A. My personal opinion again, that's all I can give
7 you and I can tell you it's not just the poor, it's those
8 that fall at median or below and even in some cases those
9 that move above.

10 Housing is getting more and more expensive, there's
11 no secret about that. Costs are continuing to increase
12 at a rate higher than the income levels are increasing
13 and the double digit inflation, and I think unless we have
14 some really big reversal, that's exactly what will happen.

15 Less and less people are going to own houses in the
16 future.

17 And again, that's only a personal perception, and
18 I'm not a soothsayer of doom, I just -- that's my opinion.

19 Q (By the Chair) So the bottom line is in, if I'm
20 reading you correctly, this legislation then conceivably was
21 a futile effort?

22 A. I think at best this legislation was a compromise
23 to get the industry in to start doing something that would
24 help somebody and I think it accomplished that, if the
25 Ullman bill hadn't come into force some people would have

1 benefited more than they would have without the bill. And
2 while it doesn't get into the area that I'm -- that we're
3 talking about now, I do think it has an economic benefit.
4 But only to a certain level, that economic level we talked
5 about, and the availability of a house that costs that
6 amount.

7 Q Do you view any myth building on the horizon to
8 inform young people and marginally income people to that
9 fact, that home ownership probably is something that they
10 will probably never experience except by chance or luck?

11 A Myth building, was that your question? I don't
12 know. I -- I'm not -- I don't have the ability to answer
13 that question, even perceptually I'm not aware of that.
14 It's only my perception. And it may be a myth. It's
15 further possible that you'll speak to other individuals
16 who are much more qualified in terms of the market place
17 on mortgages, etcetera, at this time, who will give you
18 different information than I've just given you. I'll just
19 tell you this, I'm going to build a house in Scottsdale
20 myself and the mortgage rate I don't have to ~~tell you how~~
21 high that is right now, and the costs are going up
22 immensely and I'll be lucky to build one. And I'm not
23 at the low income level.

24 . THE CHAIR: Are there any other questions by any
25 members of the committee? If not, we certainly want to thank

1 you, Mr. Usdane, and you certainly enlightened us on the
2 ramifications of that legislation.

3 A Thank you. I appreciate being able to have been
4 here, and I hope it has been of some help, it's not an
5 easy problem.

6 MS. WATKINS: Thank you.

7 THE CHAIR: Thank you, sir.

8 A Thank you.

9 THE CHAIR: The next presenter is Mr. Arthur Portillo,
10 who is the director of the housing program for Chicanos Por
11 La Causa, Incorporated, a community based organization
12 began in 1969.

13 The housing program is primarily involved in
14 counseling and referral but they sometimes interact with
15 other agencies on behalf of their clients.

16 Mr. Portillo will make a presentation on this
17 organization's housing program and housing needs as he
18 perceives them to be.

19 Mr. Portillo?

20

21 MR. ARTHUR PORTILLO

22

23 A (By Mr. Portillo) Good morning. Thank you very much
24 for inviting me.

25 I'd like to start, first of all before we get into

1 the House Bill 2304, with some of the history of some of
2 the other low and moderate income housing programs that
3 we've seen. Basically they started in 1968 with the HUD
4 Act, and the primary program that came out of there was
5 section 235. This program was meant for the low and moderate
6 income family, a family making approximately anywhere from
7 six to \$8,000.00 could afford a house with \$200.00 down,
8 monthly payments were within their ability, except that
9 some entities began, of course, seeing the profits involved
10 in this type of program, very lucrative, and we'll all read
11 the newspapers throughout the nation which involved
12 developers, involved some real estate people, involved
13 lenders and involved HUD personnel, in the abuse and misuse
14 of this type of program.

15 Locally it started an extreme problem with concen-
16 tration of low and minority families in almost 100%
17 subdivisions being developed for this program.

18 The urban renewal, another phenomena of 1968, also
19 began some programs by demolishing the slum and blighted
20 areas, unfortunately those areas are now vacant, the housing
21 that is being developed in some of those areas is not within
22 reach of the families who are supposedly to reap the
23 benefits.

24 A lot of these low income families have been displaced,
25 only they know where they live at now. A prime example

1 within the Phoenix area is the neighborhood development
2 program which has utilized approximately 16 million
3 dollars under the old urban renewal act program and also
4 the new community development program. Community development
5 block grant funds. This is still predominantly vacant, they
6 are making some progress but again the housing within that
7 area is not for low and moderate income families.

8 Under some of these programs, there has been quite
9 an extensive misuse of funding, the people that are supposed
10 to, again, be benefited by the program have not, the -- again
11 the section 235 program, the families that did receive these
12 benefits were low and moderate income families, the law that
13 was passed was well intended, but obvious reasons, the
14 program in 1973 became, under the Nixon administration was
15 placed under moratorium along with some other subsidized
16 programs, and the reason behind that, that the government
17 stated that they would go bankrupt if they continued to
18 subsidize housing.

19 The moratorium was in effect, placed the total nation
20 in a recession. The outcome of that we saw locally as
21 well as nationally, was abandonment of housing, vacating of
22 housing, foreclosure of housing, consequently we saw housing
23 that was badly needed by poor and moderate income families
24 not being utilized.

25 The brunt of the blame was placed on the family. I

1 can assure you that the families were not in the business
2 of conspiring or trying to invest in these houses, they
3 were not in the mode of defrauding the government of
4 subsidized housing.

5 The people that did benefit from these programs were
6 the developers, real estate people, lenders.

7 We at Chicanos Por La Causa became involved in the
8 section 235 program in 1971, we did develop 20 units under
9 section 235, we did assist families to buy these units,
10 and at this point in time, I can tell you that about 16 of
11 those families still reside in these units, the other
12 four were either sold or were foreclosed on because of marital
13 problems, all of the education and counseling in the world
14 can not really take care of those problems once they've
15 made up their minds.

16 The families bought these homes under section 235
17 with the idea that it was the American dream. To far too
18 many of these families it became a disaster and it destroyed
19 the family structure. We have seen families abandoned by
20 the head of household, we have seen them have nervous
21 breakdowns, we have seen other social problems arise be-
22 cause of the pressures that are brought forth on a family
23 when they are losing their home.

24 The families that were placed in this housing with
25 all good intentions, were never educated or told about the

1 recertification process, that annually they must go back to
2 the mortgage company or the mortgage company is supposed
3 to mail out these documents to update thier income and
4 family composition. Consequently, if the families
5 did not have this kind of information, the payments at whatever
6 level they were, were increased to the maximum amount.

7 Now, the family unknowingly, and again not being
8 provided this type of information, could not understand
9 why all of a sudden from a \$100.00 payment a month they're
10 paying 180. And they can not afford it. They start investi-
11 gating and inquiring and the answers can not be heard. They
12 also didn't know that they had a three-year period after being
13 being suspended off the section 235 program to be admitted
14 again if their income went under, ~~went~~ below their average
15 income at that point in time.

16 These are the problems that I saw, personally saw
17 that were blamed on families because of their lifestyle,
18 their income, their education, other ramifications that
19 were involved in it. But yet the people that sold them
20 these houses sold them on the idea, never took the time
21 out to tell them what it took to own a home.

22 These are first time home buyers, low income
23 families, poorly educated, not really understanding when the
24 payments are due, what late charges are, when they're due,
25 what a note and deed of trust are. Now, for some reason still

1 unknown, this information was never made available to
2 the family. By any of the entities involved.

3 Under the 1974 housing and community development act
4 we saw the section 235 program revised but the revised
5 program completely wiped out the low income family. It
6 did leave some leeway for the moderate income family to
7 come in and utilize the program. They've also found
8 themselves in the same situation. They've got a little more
9 income, they've got a higher degree of education and they
10 still find themselves in this type of problem.

11 Not understanding the process of mortgage financing,
12 not understanding what a contract for purchase and receipt
13 is, far too many families are losing hard earned income
14 before they even set foot inside the door.

15 The community development block grant funds under
16 the 1974 act also provided a well intended program. We saw
17 areas designated as upgrading or blight and slum areas, the
18 families living in those areas are to reap the benefits by
19 either demolishing or rehabbing their houses, the areas
20 that I have seen designated and community development block
21 grant fund utilized have not been upgraded to the point where
22 it's made an impact in this city.

23 The intended legislation was to eliminate blight,
24 to conserve and renew older areas, urban areas, and to
25 improve the living environment of low and moderate income

1 families. I have seen some of those funds utilized not for
2 low and moderate income families but for other purposes,
3 economics, which we understand far too well. But does
4 those economics actually assist low and moderate income
5 families?

6 The revised program under section 235 at this point
7 in time, the family, a family of four can not exceed an
8 adjusted income of 16,800. The gross income figures out to
9 about 18,270. Mortgage limits for three-bedroom is 38,000
10 under FHA. We know that we can not find a new con-
11 structed home which is another requirement under this
12 program, for \$38,000.00 in this town.

13 A family that can afford to pay 38,000 or 120% above
14 that which is the sales price of these houses, which
15 puts it approximately at four -- I'm sorry, 45,600, we're
16 looking at a difference of \$7,600.00 a family has to come
17 up with in order to qualify for a \$38,000.00 mortgage.

18 Now, a family that can save \$7,600.00 does not need
19 section 235. They can go out in the conventional market
20 and buy cash to mortgage for a better rate of interest.
21 The down payment is set at 3%, in order for a family to
22 qualify under section 235 and bring that mortgage down to
23 38,000, the sales price must be approximately 39,140.

24 This well intended housing program can not, and is not
25 being utilized by low income families.

1 This now brings us up to date to House Bill 2304.
2 This house bill is a first in this state. I may be mis-
3 taken in this but it's the first time I have seen the
4 State of Arizona become involved in housing. This, the
5 intent of this legislation, and let me quote this first
6 paragraph within the act itself, is the legislature
7 finds that within the state there is a critical shortage of
8 housing and mortgage credit for housing within the financing
9 means of persons and families of low and moderate income.

10 In reviewing the act, there are several questions
11 and concerns that were brought to myself, were made
12 very apparent, and I believe the senator addressed some of
13 those earlier so I may be repetitive in some of the comments
14 that I've got to make. But the definition of low and
15 moderate income families in this act does nowhere come
16 near what I know to be a low and moderate income family.

17 The income that I personally have makes me a very
18 poor family in this town, when you are looking at income
19 of a median income of \$17,000.00 in the state, and I had
20 a figure of \$15,000.00 in Maricopa County, and I derived that
21 out of the Inside Phoenix '79, which is a publication put
22 out by the Republican Gazette in this town.

23 It comes a little bit closer to what actually Maricopa
24 County and Pinal County families are so far as the median
25 income goes. The \$17,000.00 figure that I -- that was --

1 that I was made aware of by the senator earlier, of course
2 puts that higher, I was hoping it would be lower.

3 The calculations that I came up with, and again
4 the senator also calculated the same figures, but my
5 calculations were at the \$15,000.00 level and even then it
6 placed the -- this particular legislation, this particular
7 financing program way beyond the ability of any low income
8 families to really utilize it.

9 When you're looking --

10 THE CHAIR: That's really not a significant statement,
11 when you think in terms of what the median really
12 indicates? All it is is the mid -- is the mid dollar figure,
13 has nothing to do with the norm. In fact, you can have one
14 family with 2,000 and another one with 500,000 and if the
15 mid figure is 17, it's 17, or the mid figure could be 15,
16 could be 30,000, 25, so all it's saying is that's the mid
17 figure.

18 A Right.

19 THE CHAIR: And that does not indicate where the
20 proportion of persons are concentrated. It's merely
21 a mid -- a mid figure that's selected from a whole range --

22 A Then this is where I need some clarification on the
23 definition of low and moderate income families. My
24 definition is that -- is below the median income. That's
25 low income families. Now, the moderate I'm sure comes in

1 between the 15 and wherever the other figure falls. But
2 to state that this legislation is for low income families
3 is a farce.

4 It's -- they can't use it. So maybe we're looking
5 at the moderate, higher moderate income family to the
6 middle income family. Now, I consider middle income 30
7 and above. Now, maybe the middle income family is 15 to
8 30. You know, it's all -- we can play with the figures here
9 and there. But the intent of this legislation by the defi-
10 nition of low and moderate income families does not meet
11 with my definitions and I guess that's where we differ.

12 I see as the low and moderate income families being
13 above the median income which in this state is \$17,000.00.
14 Now, when you look at the percentage of families to
15 utilize this program, in a particular designated area
16 under section 235, I believe is the 1479, is that the
17 section that's going to be designating the blight and
18 slum areas, that they can utilize 2.5 times the median
19 income, I mean a family that can earn darned near \$50,000.00,
20 what, 47, something like that, I would figure they can buy
21 a house anywhere in the State of Arizona. At the going
22 rate. At least I could.

23 Now, when you're looking at a family outside those
24 particular designated areas as being 1.15 over the
25 median income, which places them at about 18,000 to \$20,000.00

1 bracket, now they can still find housing. It is going to
2 be hard, that is granted, but what I'm saying that these
3 families are still a little better well off than the
4 low income families, and the question that arises, is, if
5 a, families that are making between 20 to \$40,000.00 that
6 this legislation is geared at, are having a hard time finding
7 housing, what's happening to the other low income families?

8 That's the big question I have. What programs are
9 being designated for those families?

10 We have a rental program, section 8, but those funds
11 do not really -- are adequately funded to take care of that
12 kind of problem, but again we're looking at rental.

13 The American dream that I understand is to own your
14 own home, your own home, so these figures alarm me. I
15 understand the dilemma that we're facing and again the
16 senator addressed it very well, the saying is if the people
17 are having a hard time finding housing within those
18 income brackets that are -- that the legislation addresses
19 themselves to. I find it very hard to see a legislation
20 or an act define low and moderate income families between
21 15 to \$40,000.00.

22 Now, I'm taking the low, that's under the median
23 income. The other concerns that brings forth the incentive
24 that is given to the families between the -- well, taking
25 the median income of 17,000 multiplying that times two and

1 half times you're looking at, again the \$40,000.00 bracket,
2 giving those families the incentive to move into the blight
3 and slum areas, brings forth a concern that is happening
4 in the eastern cities. Whereby the young professional
5 families are going into the older areas, purchasing homes,
6 rehabilitating them, at the same time they're displacing
7 low income families that lived there before.

8 Again what happens to these families? There is no
9 program to take those families out of that housing. What
10 I see happening is that low income families are moving from
11 bad house, bad housing to worse housing. Somewhere.

12 Because they can't afford anything else.

13 The other concern it brings to mind is if this
14 incentive is provided and if the moderate income family
15 begins taking advantage of it, we will soon see the inner
16 city of Phoenix doing very well and the outer city of Phoenix
17 having the slum and blight. Because you're not really
18 eliminating the slum and blight, you're just replacing it,
19 you're putting it somewhere else.

20 That's what I see happening.

21 The recommendations that I make to this committee
22 and also to the housing finance review board, is that
23 whomever utilizes this program, because I well know that we
24 need to do something about financing of purchase of housing,
25 because the going rate and even the HUD rate at 10% is way

1 above the means of a lot of families in this -- in the
2 United States. But what I see and I recommend is that
3 whoever utilizes these type of programs must be educated
4 to let them know what they're getting into, and to make
5 them understand what they are going to be signing.

6 And that goes for any education level. Any economic
7 level.

8 The program that I deal with, the Chicanos Por La
9 Causa, we have assisted families from the \$3,000.00 level
10 to the \$50,000.00 level with problems in housing. Now,
11 the difference in there is tremendous.

12 Now, we should never receive calls from a family
13 making \$50,000.00 a year for assistance. Now, it's
14 an extreme, granted, but we have received those calls.
15 And these are from top executives in one of the major
16 firms in this -- this state.

17 Now, when he needs help trying to find out what's
18 going on with his mortgage, I mean, you know, the other
19 families are having problems.

20 So, in closing I want to impress upon the committee
21 and the board that there should be some program instituted
22 to at least allow the opportunity for families to be
23 educated as to the program, as to the legislation, as
24 to the mortgage financing procedures, and as to what FHA
25 is. We still hear far too many families say that FHA lend

1 them money. Nowhere they hear that, I never know. So
2 these are the type of problems that families will have
3 encountered and these are the type of problems that we need
4 to address ourselves to, because the only way that any
5 program will ever succeed is to make sure that family
6 succeeds.

7 When the family succeeds in obtaining housing,
8 retaining it, then the program is going to succeed. So we
9 got to deal with the family first, then worry about the
10 program.

11 At this point in time, again I thank you for inviting
12 me and letting me voice my concerns, and I'm -- you know,
13 any questions that you have, I'll be more than happy to
14 answer.

15 THE CHAIR: I'm sure there will be some questions to
16 address to Mr. Portillo.

17 Q. (By Ms. Bean) What I understand you're saying is
18 that this bill does not do it, it's just another program which
19 doesn't really meet the needs. Is that what you're saying
20 in your view?

21 A. Well, from what I've read in the bill, when you're
22 looking at 1.15 above the median income, \$17,000.00, I
23 thought it was lower, when you're looking at 2.5 above
24 the median income, I mean what happens to the low families,
25 low income families?

1 Q What do you consider a low income family? Just from
2 your experience?

3 A From my experience? Anything under the median income.

4 Q Anything under 17,000?

5 A (Witness nodding head affirmatively)

6 Now, again in Maricopa County according to Inside
7 Phoenix, it's 15,000 so you place them in a much lower
8 bracket.

9 Q (By Mr. Pena) Let me point out what I think may be
10 a misconception, that the median income is the maximum,
11 it doesn't mean that only the \$17,000.00 income family will
12 be eligible for housing. Now, if it's left up to the
13 lending institutions, yes, they'll probably go that way,
14 but there has to be community pressure, I believe, to make
15 the \$10,000.00 and the \$12,000.00 income families eligible
16 for these loans.

17 Let me point out also that the 1.5 and the 2.5 was
18 foisted on the legislature by the City of Phoenix and the
19 City of Tucson. We were talking about median income,
20 maximum, that's what the legislature was talking about
21 dealing with. But they came in with the idea in mind that
22 they wanted to clear up slum and blighted areas and as you
23 say, what you said is going to occur.

24 They will clean it up in one place and move it to
25 someplace else. But that's the whole idea is that the

1 median as the bill talks about is the maximum income for
2 families and not the statutory requirement that only that
3 family can participate in IDA loans.

4 Let me ask you about -- now, I personally know that
5 you have a lot of experience in counseling and the makeup
6 of the -- what may be considered as a blighted and slum
7 area by a lot of folks, and the vacancies of 235 homes, how
8 many vacancies do you think we have right now?

9 A At this point in time? I could allude to Mr. Evans
10 a, probably a better figure but I can tell you that the dis-
11 position program of HUD has very little repossessions
12 because of the market being so tremendous right now. The
13 last public release that I saw from FHA I think had about
14 four houses on it up for sale.

15 Their inventory right now is very, very low. Most
16 of the housing that they -- that they do hold in inventory
17 is in south Phoenix.

18 Q Now, as I understand the bill, it provides for
19 acquisition of existing housing too, not just new homes.
20 It also provides for improvements, loans to improve existing
21 homes. Which do you believe would be a better program
22 for, let's say the blighted and slum area, the acquisition
23 of new properties, of new homes which is beyond the means
24 of a lot of people, or using the low interest money to
25 purchase existing homes which may not be necessarily as

1 expensive and perhaps some improvement money?

2 A Well, the latter two I think would benefit the,
3 well, at least a little closer to the low income families.
4 Of course, the construction of new housing, if it's not
5 within the airport zone, there is some vacant properties
6 in some of the blighted areas that we could build new
7 housing along with the improvements and the rehab., those
8 are very few in the City of Phoenix, our airport really
9 does us a job so far as the low income families are con-
10 cerned, the communities.

11 Because of that airport noise level, there is no
12 federal funds available within that area. Which further
13 deteriorates the area.

14 Now, I hope, and this is where I find the quirk, if
15 you're saying that these monies are available to low and
16 moderate income families but yet they need FHA insurance,
17 low income families aren't going to qualify, they're not --
18 you know, they won't qualify for those types of programs.
19 We've got them now, they don't qualify now. So it's --
20 you know, it's -- the intent is well, it's well taken,
21 but there is no low income housing programs. And this
22 bill does not meet the need.

23 Let me ask you this, there was made mention that these
24 bonds are sold at lower interest rates which then the benefit
25 is passed on to the mortgagor, the borrower, at maybe one

1 or two points below the market interest rate. Right now
2 where would that put it? In my understanding it would
3 probably put them about 8%, maybe 9%. Again with that
4 interest rate, low income families can not afford the
5 payments. You're still looking at about \$300.00 payments.
6 That's the only question again I -- you know, I have is I
7 realize that the bond will bring in cheaper interest rates
8 but it's not low enough to benefit what this legislation,
9 I assume, is intended.

10 MR. MONTEZ: And it's not high enough to benefit the
11 builder.

12 A Exactly.

13 MR. MONTEZ: From what I understand --

14 A Exactly, won't benefit the lenders, I mean they can
15 put their money elsewhere and make more money at it. So
16 these are questions that are raised within the legislation,
17 that I find the void in there. I don't know, I don't have
18 the answer. I hope we come up with it soon, otherwise
19 we're going to find \$50,000.00 income families living in
20 blighted areas.

21 Any other questions?

22 Q (By Mr. Pena) Just one more. If this thing goes
23 through, you know, IDA's begin to sell bonds and loans
24 start being made, and if some of it happens to find its way
25 down to the, you know, to the low, low income, ten, 12 to

1 15,000, would you -- do you believe that included in the
2 IDA authority program, that there should be a continuing
3 counseling service to service the -- to educate the people
4 who are using this type of funding?

5 A. Definitely. You need it. If you don't educate
6 families on what this money's for, how to pay it back, how
7 to take care of domestic problems that arise, that will
8 affect their ability to make those payments, it's going to
9 go under. I mean it's happened with every other housing
10 program that's gone before this program.

11 Then what happens is that the legislation is changed
12 so drastically that it's just completely wiped out. I
13 mean the pendulum just goes this way and then it goes this
14 way, it never stops in the middle.

15 The reaction of the public when that reaction happens
16 sways, you know, right and left. You never seem to find the
17 happy medium. So you need the education process, you've got
18 to have some type of affordable or allowable opportunity to
19 the family to at least go somewhere and get their answers,
20 and if they can't get them there, somebody that has the
21 knowledge of how to ask those questions technically,
22 professionally or whatever you want to call it, to get the
23 answers.

24 We're not well liked in some circles and sometimes
25 maybe rightfully so. But we do get the family the information

1 they need. Through whatever vehicle it takes. And when
2 families have the information, just as ourselves, we can
3 make better decisions. And not decisions based on pressures
4 and ignorance.

5 That's why when a head of household finds creditors
6 knocking on the door, finds bill collectors and statements
7 that we're going to be taking you to court, and all of these
8 other pressures that are brought forth, along with family
9 pressures, which can be some pretty bad pressures, they
10 sometimes just give it up.

11 They say I don't need this. I don't need the house,
12 I don't need the lender, I don't need any of this. And I
13 can't take it. And we saw it happen.

14 THE CHAIR: Would you care to typify one of the
15 success stories among the 20 homes built under section 235?
16 Characterize, just select one.

17 A Okay. The one that has gone through the major
18 problems that is still residing and they would not be there
19 if there would not have been, and I'm not -- well, I guess
20 I am patting ourselves on the back if there wouldn't be an
21 agency such as Chicanos Por La Causa, but any HUD certified
22 counsel program provides this type of information.

23 We have a family, the gentleman's making good money,
24 but he had a major medical bill. His wife had open heart
25 surgery. I mean all of a sudden he's got a bill of

1 \$20,000.00, hospital wants to collect. And you either pay
2 me or you pay them or you pay them, but you don't have
3 enough money to go around. If you do not pay the hospital,
4 they will sue you. Where does that leave you?

5 If you don't pay the mortgage company they're
6 going to repossess. If you don't pay the car bill, you
7 know, electric bill, whatever other bills you have, they're
8 going to turn them off, they're going to take this, they're
9 going to take that.

10 These kinds of pressures a family can only take so
11 much. They call us or call any of the counseling agencies,
12 we will start talking to these families, we will try to
13 identify assistance available to them, we are fortunate
14 enough in this area that when this did happen, there was
15 a new program that came into being under HUD which is the
16 assignment program, and this family was able to keep their
17 house because they were transferred, their mortgage was
18 transferred over to HUD. Their payments were suspended,
19 he then could pay off some of the hospital bill, could
20 retain his electrical and gas bill turned on, could keep
21 his vehicle to get back and forth to work, these kinds
22 of pressures were relieved.

23 The person is now doing well, he has had some set-
24 backs because the wife, from time to time, does have to be
25 placed back into the hospital. So he does get behind on his

1 payments, but the pressure of losing his house and not being
2 able to bring the wife home from the hospital to a house,
3 I mean can you imagine what that -- you know, does to
4 a family?

5 The payments are only 168 or were 168, I think
6 the payments now are about 175, if that family would have
7 lost their house their payments would have gone up to
8 \$300.00 anywhere else. So it's from bad to worse.

9 So you need this kind of information and assistance
10 and at times, strong advocacy to make some entities
11 understand what they're doing. Because they don't under-
12 stand what they're doing. They just want to collect the
13 money.

14 THE CHAIR: A very significant statement, I think
15 was made when you alluded to the fact that neither does
16 the legislation that we're discussing nor any other legis-
17 lation actually consider relevantly the reality of the
18 life of the poor. You really have to be a super poor, if
19 I'm reading you correctly, in order to be successful in
20 home ownership under the present legislation.

21 A See, what's interesting is legislation, again well
22 intended, tries to assist families. But families that have
23 never had that kind of assistance and never had that kind
24 of opportunity, you know, if you don't educate them as to
25 what the whole system is -- they don't want it, they don't

1 need it. They've done well without it. They'll survive.

2 Q (By Ms. Watkins) Does the greater percentage of
3 your counseling go into the families that have already
4 are into problems through default or do you mostly get
5 involved with families when they're actually looking for
6 something to purchase or rent?

7 A Major emphasis is default. We do have a prepurchase
8 program. And I can tell you that if you educate families
9 as to problems that may occur because we will have problems
10 in our life, and you give them alternatives of how to handle
11 those problems, and if nothing else an alternative of where
12 to call, that's all they need.

13 You know, let's say what happens if you're making
14 ten, \$15,000.00 a year, all of a sudden you're unemployed?
15 You've never been to welfare, you've never been unemployed
16 and had to collect an unemployment check, you don't even
17 know where these offices are located. You've never been
18 there. You don't even know who to call to find out where
19 these services are available.

20 Lot of time the pride is hurt, but pride can be
21 swallowed and -- for survival. So you sometimes have to
22 give these families confidence because they just seen all
23 their world crumple. I mean it's just, everything's going
24 bad.

25 All you have to do is stir them a little bit and

1 they'll find themselves, they'll find one. It's a lot of
2 red tape. I don't like to wait in lines for four to five
3 hours in welfare beginning at 4:00 o'clock in the morning.
4 To hopefully be able to get in and be interviewed to
5 receive assistance. Hopefully. I don't like to wait
6 in unemployment lines trying to collect a check, food
7 stamp lines, when a family is brought drastically into
8 reality of being poor, it's rough.

9 Q Under this program in the house bill, you had said
10 that under the prior program the annual certification was
11 required. To your understanding would that still be
12 required under this bill?

13 A Under section 235?

14 Q Yes.

15 A It's still required, yes, but I think a lot of families
16 now understand what recertification is. Before they used
17 to hear recertification they never recieved any documents.
18 If they did receive the documents they never knew what
19 they were for. If you don't get those documents within
20 30 days your payment's going to skyrocket to the maximum
21 and they don't know why.

22 And then they get a call from the mortgage company
23 saying instead of a \$100.00 you now owe me 180, pay up
24 right now, or we're going to start foreclosure. They
25 still don't understand why their payment went up.

1 We find the basic reason for that is because the
2 services didn't know what section 235 program was either.
3 The overall lending institutions didn't know about
4 section 235, all they knew was they were going to lend
5 money, they were going to make the market interest rate
6 either from HUD or from the family, they're not going to
7 lose out. 121

8 Real estate people never took the time to explain
9 these type of programs to them, ~~their, you know,~~ selfinterest
10 is -- their only job is to get a contract signed by buyer
11 and seller, they've done their job. Title and trust
12 companies, they're there to comply with the contractual
13 agreement, nothing to do with the regulations, rules and
14 regulations under section 235. HUD, they are not equipped
15 to go out there and deal with the families face to face.
16 So these are the type of problems that we saw and when we
17 brought this to HUD's attention, between the years of '71
18 to '73, they turned around and certified us to look into it.

19 We got their support, which is great. Because that
20 gave us a little more clout. And we assisted a few more
21 families.

22 MS. WATKINS: Thank you.

23 THE CHAIR: Any other questions of Mr. Portillo?

24 Q (By Mr. Pena) Let me just ask clarification, on
25 your question, was your question that the loans under this

1 bill would require certification annually?

2 A Yes, that was the question.

3 Oh, I'm sorry, I misunderstood. No, under this bill
4 I don't see any certification mentioned.

5 Q (By Ms. Bean) Two-three-five still requires it?

6 A Yes.

7 Q (By Mr. Montez) I just have one comment, Mr.
8 Chairman, in your experience, Mr. Portillo, is there any-
9 thing that comes close in the private sector, I'm talking
10 about lending institutions or anything whatsoever that
11 you've heard of in any attempts to assist medium and -- or
12 moderate and low income people in programs such as this
13 legislation calls for? Is there anything in the private
14 sector that comes --

15 A Well, it's a mixture of the private sector and public.

16 Q In this legislation?

17 A Oh, in this legislation? No. Not in this legis-
18 lation.

19 Q (By Mr. Pena) That brings up another question.
20 Red lining. Do you agree that it exists?

21 A (Witness nodding head affirmatively)

22 Q What would this bill do to red lining, in your
23 opinion?

24 A I really don't know. I didn't view the bill in that
25 sense. It may again just replace it. It's going to allow,

1 you know, the 2.5 income families into certain areas
2 because they're going to be able to afford it, but the
3 family moving out they're going to move elsewhere and
4 again you know, just moving from one area to another area.
5 You know. I really didn't read the bill to try and derive
6 any red lining from it. Maybe I'll read it again and let
7 you know.

8 THE CHAIR: Any other questions by the committee?

9 If not, we certainly want to thank you, Mr. Portillo.--

10 A. Thank you.

11 THE CHAIR: -- for coming before us and sharing
12 with us your experiences as related to housing for the poor.

13 A. Thank you very much.

14 THE CHAIR: And women.

15 We have a break scheduled now and we will convene
16 near 11:00 o'clock.

17
18 (Short recess)

19
20 THE CHAIR: We shall reconvene and we have with us
21 Ms. Opal Ellis, who is the Assistant Director of the Depart-
22 ment of Housing and Urban Redevelopment in the City of
23 Pheonix, and with her is Mr. Bob ~~Vanosky~~, who is from the firm
24 of Rauscher, Pierce and Refsnes, who is available to answer
25 certain types of questions that may be directed at Ms. Ellis.

1 I might say I've known Ms. Ellis practically all of
2 my life. We were in high school together. I was a senior
3 when she was a freshman, however. So it's certainly my
4 pleasure, if I remember correctly she appeared before this
5 group about nine years ago on another issue.

6 MS. ELLIS: Yes.

7 THE CHAIR: So welcome, Ms. Ellis and Mr. Vanosky.
8 We'd be interested in the Phoenix Department of Housing and
9 Urban Development, with particular focus on minorities and
10 women.

11
12 MS. OPAL ELLIS

13
14 A. (By Ms. Ellis) For general background you may
15 recall, those of you who are not familiar with the City of
16 Phoenix, its housing department is less than three years
17 old. We've had the conventional public housing authority
18 which was converted into a division and within the
19 last few years, several functions have been combined to
20 create the Department of Housing for the City of Phoenix.

21 That is adding the old housing services division
22 to the neighborhood development program, which was a CDBG
23 funded program, that's the community development block
24 grant fund from the department of housing, urban development,
25 into a rather massive department.

1 But the history of Phoenix public housing dates
2 back to about 1941 where the first construction of
3 conventional units occurred in principally three locations,
4 and that would be two in southwest Phoenix and one in
5 northeast Phoenix. That was a combined number of units of
6 602, and since conventional public housing generally as
7 operated in the City of Phoenix is for the purpose of low
8 and moderate income persons, and if we can all agree that
9 most low and moderate income persons are of minorities,
10 basically the kinds of housing I will be talking about will
11 be that which is provided for low and moderate income
12 persons with maybe one minor exception, which would be our
13 urban homestead program, which I will discuss with you also.

14 Currently in addition to the original three conven-
15 tional public housing projects of 620 units, in '51 and
16 '52 we constructed 485 more units, basically in low and
17 moderate income housings.

18 These were additions to units between Seventh Avenue
19 and 11th Avenue in southwest Phoenix, between Third Avenue
20 and Fifth Avenue in southwest Phoenix, between 20th Street
21 and 16th Street in the Roosevelt Street area. All now
22 low and moderate income areas.

23 In 1961, through '62, we constructed 490 more units,
24 both of, or all of these units were in central Phoenix or
25 southwest Phoenix. That's a total of 1,575 conventional units

1 being operated by the City of Phoenix.

2 Recently, within the last two or three years, rather,
3 the City of Phoenix has picked up low and moderate income
4 housing that was constructed by nonprofit agencies, one
5 of those of course is located in southwest Phoenix, south
6 of the river, some of the first units the City of Phoenix
7 has done south of Rio ~~Salada~~ and that was to pick up
8 Foothills Villa on the corner of Seventh Avenue between
9 Southern and Baseline, 200 units that are now under contract
10 for rehabilitation and will be occupied by low and moderate
11 income persons.

12 I'm not sure that the committee is aware of it, I might
13 share with them at this point as we turn our attention to not
14 only low and moderate income persons but females, that most
15 of our conventional units are occupied in most of the
16 areas by one-parent families, female heads of household.

17 We've just picked up an additional 50 units, one, 15
18 in Maryvale, 35 in south Phoenix for dispersed housing, that's
19 250 units of housing being picked up by the City of Phoenix
20 and rehabilitated for the use of low and moderate income
21 persons.

22 Additionally we have the section 23 leased housing,
23 390 units of scattered site housing, a unit in Maryvale of
24 108 units, Washington Manor in central-east Phoenix of
25 112 units, that's a total of 610 section 23 leased housing,

1 primarily for the elderly.

2 There are an additional set of units of about 96
3 in central-east Phoenix which brings a total of about 706
4 units of section 23 leased housing.

5 We operate a section 8 leased housing program, we
6 have 116 units in Sunny Slope, these units are for the
7 elderly, we have 1,137 allocations for dispersed housing under
8 section 8, subsidized leasing, we have Filmore (Phonetic) or
9 Gardens under construction, 120 units, and Sunland Villa
10 authorized but not constructed, 110 units, that's 1,493
11 units of section 8 leased housing.

12 In addition to that housing which is operated by that
13 branch of our department that operates conventional
14 housing programs we have, through the use of community
15 development block grant funds, housing rehabilitation
16 programs operating in four census tracts with major emphasis
17 on target area B which is that area which reaches from
18 Seventh Avenue, 24th Street, Broadway to Southern, and

19 The second interest point is that area between
20 Seventh -- Central Avenue and 16th Street, Alice to Hatcher,
21 it's a small target area of low and moderate income
22 persons residing in Sunny Slope.

23 The major emphasis in that program is the rehabilitation
24 of single family structures, the thrust of the program is
25 to stabilize and cease the deterioration of low and moderate

1 income neighborhoods.

2 Currently in target area B, which is that area south
3 of the Rio Salada between Broadway and Southern we are
4 operating an urban homestead program. This is a program
5 where the City of Phoenix obtains from HUD certain units
6 that have been repossessed and they are turned over to the
7 City of Phoenix, the housing units are rehabilitated and
8 turned over to applicants of low and moderate income, who,
9 after a year of -- a year's lease, are allowed to buy the
10 house for costs to the city to rehabilitate the structure.

11 We have currently 110 of those units, 60 of them
12 are occupied, the remainder are under rehabilitation.
13 Of the occupancy of these units, fully 36% of them are
14 females, female heads of household, ~~which operation is~~

15 The Urban homesteading office one of the few opportunities
16 of one-parent households, people who earn nominal monies
17 may ever hope to have any kind of home unless you -- that's
18 basically a summary of the kinds of activities being con-
19 ducted in the City of Phoenix.

20 The major thrust at this point is the stabilization
21 of structures and the provision of housing resources for
22 the elderly.

23 THE CHAIR: Can you, in a summary statement, give us
24 those figures again, Opal, totals --

25 A I'll be glad to provide them in a written form, if

1 you would prefer, unless you would just like to have me
2 repeat them.

3 THE CHAIR: Well, there may be some questions that
4 persons will have, and by a reaffirmation of them, it may
5 sharpen their focus.

6 A All right, conventional public housing, built
7 and occupied between 1940, 1941 --

8 THE CHAIR: Not the dates, just the total figures.

9 A Okay, of all of the units in that category, 1,576
10 units of conventional housing, 249 units of acquired rehab.
11 housing, 610 units of section 23 leased housing, section 8
12 leased housing, 1,493 units. That's about a total of all
13 of them of 4,178.

14 This does not include the HUD ten units of urban
15 homestead housing or any other housing activity or
16 privately owned structures of low and moderate income
17 persons.

18 THE CHAIR: And you indicated your major thrust was
19 the stabilization of structures, you indicated --

20 A Our major thrust in today's market, and at this
21 time having a tool to provide new construction for our
22 major funding for many of the housing programs are through
23 community development block grant funds, these funds are
24 not used for new construction unless it is necessary to
25 provide housing of last resort and that's usually determined

1 if you are dislocating persons and can not find existing
2 housing and must go to housing of last resort.

3 So, the thrust of the department is to try to
4 stabilize structures that are deemed feasible for rehabili-
5 tation, that is to stop deterioration in neighborhoods
6 experiencing blight.

7 This is principally done to owner occupied units.

8 THE CHAIR: Okay, are there any questions that any
9 member of the committee has?

10 MR. PENA: Yes, Mr. Chairman.

11 THE CHAIR: Sure.

12 Q (By Mr. Pena) In these homes that the city has
13 acquired from HUD, rehab'd and sold to low and moderate
14 income people, what is low income and what is moderate
15 income used in qualifying for the purchase?

16 A It's a -- it has to do with percentage of the
17 maximum income for the county. That's usually established
18 by some records that we obtain from the department of
19 economic security. When I say low, income for occupancy of
20 urban homestead, I guess I really left out some points.

21 First, the applicant is screened to insure that they
22 have sufficient income to maintain the properties after
23 ownership. It isn't a matter of just establishing that the
24 person needs a home and then they are sort of put into a
25 rehab'd structure. They go through a rather nominal screening

1 process to ascertain their stability with employment.
2 Credit is not generally looked at very strongly because we
3 know most lower income persons have experienced some credit
4 problems. So a family of four making about \$8,000.00 a
5 year could qualify for an urban homestead unit.

6 The nationally operated program is a little different
7 from the way Phoenix has run it's program in that they have
8 allowed persons of considerably higher income, as high as
9 \$28,000.00, but that is when you turn the structure over
10 to a family immediately and they use their own resources
11 to rehabilitate the program.

12 It was thought initially in Phoenix that the thought
13 of sweat equity sounded good and was sort of great
14 rhetoric but we had found that lending institutions in
15 south Phoenix had not been that ready to provide the
16 resources for the average family to rehabilitate the
17 structure.

18 So Phoenix wrote into its program that the city
19 would assume the responsibility for the rehabilitation
20 of the structure and then turn it over and assist a family
21 in finding a mortgager that would then assume the mortgage
22 for them.

23 Q Does the city have any subsidies, you know, utilities,
24 taxes --

25 A For that --

1 Q -- to assist --

2 A -- that program --

3 Q -- that family, yes.

4 A No. During the year that they're in the structure
5 which is a prescreening process to decide whether or not the
6 family can indeed maintain the single family structure
7 or home ownership, the family is expected to assume the
8 responsibility for the utilities and for the maintenance
9 of the property. Obviously no tax problems because the
10 house at that time is still in the ownership of the City
11 of Phoenix and is off the tax roles.

12 At the time we dispose of the property to the
13 potential homeowner he, of course, assumes a tax liability,
14 but they are provided with counseling and they are made
15 very much aware, since most of these structures are in
16 the Roosevelt School District area, that there is -- the
17 taxes in Roosevelt are rather high and a part of the
18 program is letting many of the applicants know that, con-
19 cerned as we are, they are not quite ready for ownership
20 because of the amount of income and on account of the
21 responsibility for maintaining a home.

22 Q Has Phoenix begun to develop an IDA authority for
23 housing?

24 A No.

25 Q No?

1 A No.

2 Q No plans at all to do it?

3 A Well, I can't say that there aren't any plans
4 ahead, although there's some state legislation, there has
5 not been sufficient national legislation for the City of
6 Phoenix to assume the position of what direction it wants
7 it to be.

8 The only outside kind of funding mechanism that the
9 City of Phoenix has ever used is in the construction of the
10 Washington Manor in which we developed a nonprofit agency
11 which was a financing mechanism for that unit.

12 Q I really don't understand quite --

13 THE CHAIR: Could he address himself to the state
14 legislation?

15

16 MR. ROBERT VANOSKY

17

18 A (By Mr. Vanosky) Would you like to hear us on that?

19 THE CHAIR: And the City of Phoenix plan?

20

21 A Surely. Let me add a little bit to what Opal's
22 just said also. The City of Phoenix is in communication with
23 our firm quite often on a lot of things, including the
24 state legislation. They have discussed a number of things
25 including the creation of an IDA should it be beneficial
to do that, so I think as Opal pointed out, they have not done

1 it as of yet nor probably made the decision to do it as of
2 yet but they certainly have talked about doing that sort
3 of a thing. The state legislation actually was passed a
4 couple years ago, which will allow for the financing or
5 outside financing, ~~tax exempt~~ financing of, or the providing
6 of tax exempt dollars for single family mortgages. For low
7 and moderate income individuals.

8 The legislation as it was originally enacted, had
9 some problems. And I think the problems primarily stemmed
10 from the fact that many people felt that there was too
11 broad a discretion left at the hands of the industrial
12 development authorities to allow it to carry forward.

13 It was a rather felt that the legislature should
14 give some sort of ~~guidelines~~ to the industrial development
15 authorities so they would know better what the state wanted
16 to do with the legislation.

17 They went back to the next session of the legislature
18 and the City of Phoenix was very active with that legislative
19 session in cleaning up, let's say, or providing a little
20 bit better legislation than what was originally enacted.
21 And the legislation, in our opinion and I think in every-
22 body's opinion who was involved in the final legislation, was
23 very good legislation. It allowed for an individual or a
24 family which would qualify under the income limits set in
25 that legislation which was 115 times median income as set

1 by the department of economic security, to qualify for these
2 types of loans. It also set the type of entity which could
3 issue these bonds or originate these programs and it
4 limited to only 14. All the counties including the City
5 of Phoenix and the City of Tucson. The City of Tucson
6 had an industrial development authority, the City of
7 Phoenix was just talking about one at that time.

8 As I mentioned, the program or the legislation was
9 passed, it was signed by the governor and it became law.
10 One of the things that happened during the interim period
11 or while the legislation was in process, was the United
12 States Congress took up the question of single family
13 mortgage subsidy bonds and that's what they're typically
14 called, and they felt that since all the states were going
15 their own way as far as setting what type of income limits
16 could be available to eligible mortgagors, and how much
17 a house would cost and how much money a state could issue,
18 that this conceivably could be disruptive to the programs,
19 the cities were trying to enact, and also to the tax
20 exempt mortgage bond market, the tax exempt market in the
21 country, so they decided to undertake a study and really
22 try to set the rules for everybody in the country.

23 So as of, I believe the date was April 25, 1979, they
24 said that any program which was not in the process, single
25 family mortgage program which was not in the process as

1 of that date could no longer proceed under their own
2 guidelines, that they would have to come under whatever the
3 federal legislation ~~said~~ said.

4 And the federal legislation didn't say anything at
5 that time. Because there wasn't any. It was a bill that
6 was meant to be retroactive back to April 25, 1979. The
7 bill is now on the house floor and it's in the senate, it's
8 -- it's been, and similar bill has been in the senate also.
9 It's being talked about now, it's still proposed, it hasn't
10 been passed, it's still got the provision in it which makes
11 it retroactive if passed back to April 25th, so for all
12 practical purposes it pretty much ties the hands of any
13 issuer who has not had a program on line prior to April 25th.

14 That's one of the reasons I think the City of Phoenix
15 has not chugged forward and just created an industrial de-
16 ~~velopment~~ development authority and undertaken a program, because
17 there really is, there are no guidelines as of right now.
18 They didn't have a program in the mill prior to April 25th,
19 and there's nothing they can do until they find out what the
20 federal ground rules are going to be for these types of
21 programs.

22 THE CHAIR: Anyone have any other questions they
23 want to direct to Ms. Ellis?

24 Q (By Ms. Watkins) The federal guidelines, is that
25 what we were discussing earlier as the Ullman legislation?

1 A That is what it is.

2 Q So then, if that is passed, then this House Bill 2304
3 would be subject to the guidelines, the exact parameters
4 of the Ullman legislation?

5 A Right. Whatever we have passed in our legislature
6 will be overridden and we'll have to not only live with
7 our state legislation, but if the federal legislation is
8 more restrictive, which I can assure you it is, we'll have
9 to live with those lesser provisions.

10 So what we're trying to do now is determine what
11 the federal government is going to end up with on their
12 program and then find out whether that program's workable
13 when they're done with it. Our program was very workable,
14 as a matter of fact there are a couple of programs pro-
15 ceeding, two or three programs proceeding in the state
16 right now, not in Maricopa County, which will provide
17 low interest rate mortgage money to people in other
18 counties, but Maricopa does not have a program, to my
19 knowledge.

20 Those other programs will proceed under the state
21 law which was passed in this last legislative session,
22 any future subsequent programs are going to have to come
23 under what the Ullman legislation determines to be the
24 guidelines.

25 MS. WATKINS: Thank you.

1 Q (By Ms. Bean) Ms. Ellis, with what the City of
2 Phoenix is doing now, the total figures you gave us and
3 the kinds of opportunities and programs which you're pro-
4 viding, what kind of an impact is that having on needs and
5 problems as they exist now? Is this a relatively minimal
6 effort, is it -- does it meet half the need? What would
7 be your personal assessment?

8 A (By Ms. Ellis) We certainly don't begin to meet the
9 needs. I think staff estimates say that there are over
10 10,000 elderly who need housing that we have no plans,
11 no funds to house, in the areas in which we are carrying
12 on stabilization activities we find that, in most of the
13 areas, fully 30 to 40% of the structures are substandard,
14 there are not sufficient funds to impact on those houses
15 and of course the only positive impact on the structures
16 which is substandard beyond rehabilitation is to acquire it
17 and relocate the family in the standard house.

18 No, I don't believe that anyone from the City of
19 Phoenix could say that we're doing anything than making
20 almost a -- maybe maximum effort with minimal impact,
21 because the seriousness of the problem.

22 MS. BEAN: Thank you.

23 Q (By the Chair) Would you care to, Opal Ellis, to
24 articulate what the policy stance of the city is as it
25 relates to this domain?. Do they feel that it's their

1 responsibility to do so, do they aggressively feel a responsi-
2 bility to pursue sources of funds or -- what is the stance,
3 generally?

4 A I would think that my assessment of the official
5 stance of the City of Phoenix is to pursue all funds out-
6 side of the City of Phoenix's general funds to participate
7 in any kind of program that would impact on our need for
8 housing units in Phoenix.

9 Q (By Ms. Watkins) As you perceive it at this time,
10 what do you feel the house bill will do for minorities
11 and women as it's written at the current time?

12 A How do I perceive it helping minorities and women?

13 Q Yes.

14 A If we were to reconcile any differences with
15 federal legislation, well, if we were ready to run?

16 Q Yes.

17 A I would think one of the first impacts it would
18 have would be to allow this mechanism to turn over even
19 our urban homestead units faster, because it would remove
20 fear or whatever it is that keeps lending institutions
21 from readily wanting to pick up even small mortgages that
22 are anticipated as being mortgages for females, particularly
23 of child bearing ages. And low and moderate income persons.

24 It would also allow us to work out programs of new
25 construction on the housing of last resort because we could

1 get the funding mechanism. It certainly would make an impact
2 on the number of people who are ill-housed who could then be
3 in decent and sanitary structures to the degree, of course,
4 as I, always contingent upon the attitude of whatever council
5 is in power, as opposed to staff desire.

6 MS. WATKINS: Thank you.

7 THE CHAIR: Are there any other questions by any
8 member of the panel of Ms. Ellis?

9 Q (By Mr. Pena) Just one for my own information, does
10 the Phoenix Department of Housing and Urban Development
11 have a citizens advisory committee?

12 A Yes, as a matter of fact I think there are seven,
13 we have, of course, the Phoenix Housing Commission, we have
14 the tenant advisory bodies that operate in the conventional
15 housing areas, we have an advisory body in the Sunny Slope
16 area for programs funded in that area and an advisory body
17 in the target area B.

18 I happen to know it's seven because somebody just
19 shared that with me this week, those are the only ones I can
20 recall of this week but someone shared with me that there
21 were seven.

22 Oh, and of course it's the downtown advisory committee
23 for the target area A, which is a part of the old Washington
24 NDP. Which the city started in 1972.

25 Q (By the Chair) Ms. Ellis, am I correct in thinking

1 that perhaps a quarter of the available housing was actually
2 constructed in the early '50's?

3 A I would say that --

4 Q Or early '60's?

5 A -- between -- the greatest impact of new housing I
6 think was in the '50's.

7 Q In the '50's. And since that time, then, there's
8 been relatively little new construction?

9 A Yes. Of the conventional housing. The thrust in
10 much of HUD's funding now is to move away from what we've
11 known as these massive, multifamily buildings that
12 created such a disaster such as Poriago (Phonetic)
13 in St. Louis and to move people into neighborhoods with
14 other members of the community with this, with a feeling
15 that it's a better atmosphere, living environment for the
16 family, if they've just absorbed in the community, and that
17 was the thrust of scattered site housing.

18 You notice we talk about, I think over a 1,000 of
19 those and they are absorbed and you might be interested in
20 knowing that being assigned to one of our local neighborhoods
21 and having to get the property ownership of certain structures
22 and the occupancy, I was startled to find that there were
23 ten units of scattered site housing that housed persons who
24 would generally have been in conventional public housing
25 and you could tell no difference between their structure and

1 the rest of the neighborhood's, and that's the thrust nowadays
2 to absorb low and moderate income housing into traditional
3 neighborhoods as opposed to isolating them on large sites
4 and putting people with the same social and economic
5 problems within small areas.

6 Q Is there legislation on the horizon or legislation
7 that your department is pursuing that potentially has
8 implications for a possibility for expanding your thrust?

9 A Our thrust does not necessarily require all legis-
10 lation, it simply requires the availability of funds.
11 Many of the housing -- the federally funded programs require
12 the involvement of the private market in terms of assisting
13 in the development of housing. And I must say until within
14 the last three years, there just hasn't been a run to pro-
15 vide housing for low and moderate income since the rape of
16 the 235, which in the opinion of many staff people was
17 certainly a ripoff of the low and moderate income persons
18 and the federal government.

19 And those of you who had the opportunity to tour
20 some of the 235 housing and the disasters that happened to
21 many of the families could probably attest to that also.

22 The quality of the building was, left something to be
23 desired.

24 Q Is there any selfcorrect or correcting legislation
25 that's on the horizon or that has been passed since then?

1 I take it if I can read you correctly, that it does
2 not appear that there will be private investment in low
3 income housing without some type of federal support to
4 compensate for the margin of potential profit?

5 A Right, and that mechanism now exists, it just
6 doesn't seem to be, and perhaps it's because we're in a
7 new growth area where there's money to be made in new
8 development, new construction, without the use of subsidy.

9 We are not at the bottom of the barrel, there are
10 activities going on which, of private persons acquiring
11 existing buildings because, of course, the cost of new
12 construction in Phoenix, an example would be the Westward
13 Ho, which is now proposed to be a subsidized, program that
14 would be subsidized housing for the elderly.

15 The problem we're having now with the subsidies is that
16 our local community market rent has become so insane that
17 the amount of subsidy that is allowed by the federal
18 government will not allow anyone to construct any housing,
19 and make it available for low and moderate income persons and
20 when the subsidy level is raised, and that's usually a
21 minute increase, meanwhile locally the market goes crazy
22 again and then there's that gap and we continue to have
23 problems finding such persons who are being able to provide
24 this kind of housing.

25 And an additional problem we have is that some of the

1 federal legislation that comes down, wants the private
2 developer to enter into a 15-year lease with an agreement
3 that the rents won't do thus and so and in a market like
4 Phoenix it's going to be very difficult to get a property
5 owner to agree to any kind of 15-year lease with ceiling
6 rents when he has the opportunity on the open market
7 to, frankly, make a killing. It's just that kind of market
8 in Phoenix right now.

9 Makes it very difficult to provide housing for low
10 and moderate income person, even through a subsidy.

11 Q Is that going to get worse in your judgment?

12 A Probably quite a while before it gets better, until
13 Phoenix levels out in terms of its new construction
14 and influx of new people, and all the planning figures
15 I've seen says this isn't going to happen, I think until
16 about 2000 or we're supposed to have a million people
17 within the City of Phoenix or two million, so it looks
18 bleak, frankly, for low and moderate income persons, and
19 those people who are just a tad above moderate income are
20 finding it most difficult for them to have home ownership.

21 They simply can not afford houses on today's
22 market. It's not unusual for those of us who have to
23 deal with comparables to find houses that were acquired
24 less than five years ago for eight to ten, \$15,000.00, now
25 on the market at \$32,000.00. Totally out of the reach

1 of the average low and moderate income, employed couple.

2 In many cases both members of the family working,
3 simply can not get financing for it.

4 Q Does the City of Phoenix have advanced planning:
5 groups that develop alternatives scenarios and implications?

6 A We, I think the closest to that you'd say that
7 Phoenix has is a combination of members of the housing
8 department, the planning staff and the CDBG staff, we've
9 formed a team to talk about not only the impact of housing
10 for low and moderate income but the housing needs for the
11 entire City of Phoenix.

12 Q (By Mr. Vanosky) I might be able to add something
13 to that also. As I mentioned earlier, the department
14 meets with our firm fairly regularly to discuss alternatives
15 to these types of problems, what can be done and what
16 can't be done any more, and we have been over the proposed
17 legislation, the Ullman legislation, with them, and we
18 believe that if it stands as it -- as we're reading it now,
19 that there are probably a couple of areas we can pursue.

20 And I know they are looking at these areas very
21 seriously now, both the multifamily side and the single
22 family side, single family mortgages and multifamily
23 complexes and they think that there's -- there are possi-
24 bilities in this area, if the legislation isn't changed
25 detrimentally.

1 Q (By the Chair) Let me ask the lady a question.

2 Ms. Ellis, I've noticed the area between Central
3 Avenue and 16th Street, Van Buren to Thomas Road, in and
4 around Samaritan Health Services, and the depreciating
5 character of that. Can you force a relationship between that
6 area and your programs? Is there anything striking about --

7 A (By Ms. Ellis) Only that it is an area that our
8 planning department provided us some information on prior
9 to the council selection of the target areas that I
10 mentioned to you earlier. There were so many factors there
11 and the only funds available at this time to impact on the
12 area were the CDBG funds, and since they require us to be
13 able to make a visible impact within three years, and
14 because the council's present policy is to avoid the massive
15 acquisition of property and dislocation of people, when
16 viewed against the areas that also needed services we
17 declined to go into that.

18 So that's shown in our whole planning thrust as a
19 sort of a portion of target area C, one the apparent wishy-
20 washiness in terms of what was going to ultimately happen
21 to that land that had been acquired by the state, much of
22 the property in there was found to be tenant occupied
23 and still belonging to the state, the stability of that
24 neighborhood had been seriously impacted.

25 Additionally, we did think in terms of some provision

1 of multifamily housing for elderly and I think most of you
2 who have been keeping up with it found that we either
3 found another grave of the Hohokam.....or some other
4 group and that's been halted until we find out what
5 historical significance that area has.

6 But near that general area we do have some community
7 development block grant funds and that's in an area be-
8 tween Seventh Street and 16th Street, McDowell Road to
9 Virginia. There is a housing program operated in there
10 called the Neighborhood Housing Services where local
11 lenders in the City of Phoenix and a nonprofit group joined
12 forces to provide high risk loans to persons who reside
13 in that area.

14 But that sort of skips over the area you delineated,
15 and the Booker T. Washington Neighborhood Development
16 Program only goes to the alley south of Van Buren, so that's
17 sort of a limbo area that has not been addressed by us at
18 this time.

19 THE CHAIR: Any other questions that any member of
20 the panel wish to address to Ms. Ellis?

21 If not, thank you very kindly.

22 Is Mr. Cederlof in the audience?

23 Will you come forward, sir, please?

24 MR. CEDERLOF: Dr. Warren, I have some things that
25 I would like to stick up, can I stick those behind you there?

1 THE CHAIR: Sure, and then we can move.

2 MR. CEDERLOF: You can deduct my preparation from
3 my time, Dr. Warren.

4 THE CHAIR: No problem.

5 MR. CEDERLOF: Because I think our purposes are
6 better served if we can see things.

7 THE CHAIR: Okay, for the record, we have with us,
8 and he'll be the next presenter, Mr. Clark Cederlof, who
9 is Executive Vice President for Western Savings and Loan
10 Association, and he will be filling in for Mr. John D.
11 Driggs, Vice Chairman of the Board of Western Savings and
12 Loan Association.

13 And Mr. Cederlof will make a presentation on some of
14 the housing programs which he's been associated with.

15

16

17 MR. CLARK CEDERLOF

18

19 A. (By Mr. Cederlof) Very good, thank you very much.

20 I'm delighted to be here, and visit with the commission
21 this morning.

22

23 By way of where we're headed I'd like to begin with
24 a few introductory remarks and then talk about some indi-
25 vidual programs, refer to the maps that outline those
programs, and sort of discuss them as we go, and then show

1 some slides of things that we've been involved in and that
2 have been happening in the community.

3 And I think that will give us a little broader
4 understanding, and then, of course, I'm open to any questions
5 which the panel may wish to address.

6 Let me start by saying our early involvement, I
7 suppose, in the housing question in Phoenix with respect to
8 urban and inner city areas and so forth, came about several
9 years ago when I was a part of a panel who decided to work
10 with the home loan bank in putting together the neighborhood
11 housing services. And I note that the lady just prior
12 talked a little bit about that.

13 I was part of a steering committee which put that
14 together. We got the financial institutions in the community
15 to contribute money to pay for a full time director, also
16 to agree to take on, in their portfolio, certain loans
17 that didn't otherwise qualify, and so on.

18 After that was put together, then there was a permanent
19 board of directors elected and the steering committee was
20 disbanded. That group has been operating for some time
21 now, they have a designated area within which they are
22 operating, and it's largely a result of a working relation-
23 ship between the financial institutions, private enter-
24 prise, if you will, contractors, and the City of Phoenix.

25 This area is basically outlined on this map up here,

1 it will be easiest for us to understand where we are and
2 to those of you in the back, it's a long ways away, but in
3 all events, this is the area which was outlined earlier,
4 this is North Phoenix High School and so we're at Seventh
5 Street and 16th Street, and just south of North Phoenix
6 High School and Good Samaritan Hospital and McDowell
7 Road here.

8 This is called the NHS area and it's an area which is
9 sort of designated as being transitional, that is to say
10 there are many homes that are well kept and well maintained
11 and there are other homes that are sort of middle of the road
12 and then there are some homes that need some attention.

13 And so this area was designated by NHS as an area
14 that they would target and do something with. Their thrust
15 was in part to get involved in rehabilitating those houses
16 that needed it, provide some financing incentives for people
17 to paint, fix up their homes and so forth.

18 Western Savings took a look at it and said, well,
19 maybe there's something else that can be done in that area.
20 In surveying the area we determined that there was in fact
21 a number of vacant lots that had been there for years and
22 had never had a home on, there were a few vacant lots that
23 had had houses on that had been torn down. So we determined
24 why don't we see what we can do by buying lots and putting
25 together some kind of a program and build new houses and

1 see if that wouldn't stimulate an area that hasn't had a
2 new dwelling built for, oh, probably 25 or 30 years? And
3 so that was the thrust of our campaign in this particular
4 area.

5 We took our best people and just went down and
6 started to knock on doors and find out who owned lots and
7 so forth, we had a, frankly, a difficult time buying lots
8 because the ownership is all over the country and we dealt
9 with marine privates in Quantico and retired people in
10 Hawaii and it was an interesting program but we managed to
11 get some lots together and have built homes in that area.

12 To date we have -- we've built them in groups, we
13 started out with six homes, we had John F. Long, who's been
14 a customer of ours and a friend of the city's for many
15 years, work with us and John agreed that his company would
16 build the houses and -- for us, Western Savings would own
17 the lots, would contract with him to build the houses
18 then Western Savings would be the sales agent and we would
19 sell them.

20 So Mr. Long came in with his crews and we started
21 out firstly with a group of six homes, there was quite a
22 bit of interest in those homes, some of you may recall that
23 we had a lottery to determine who would get those homes,
24 we had 130 interested people in buying six houses. So we
25 had a lottery down at city hall one afternoon and drew names

1 and started calling people on the basis of the lottery
2 and ultimately sold those six homes.

3 I must say that we -- that the first six people
4 didn't get the homes, it took most of the 100 names to
5 get the six homes. Now, that isn't to say that the people
6 didn't qualify, that's to say that there were a number of
7 investors and we were unwilling to sell to investors.
8 We simply said you must be going to live in the house. And
9 sometimes that's a little bit of a tough screening process
10 because we found out people who live in \$80,000.00 houses
11 would tell us they'd like to live there, and we simply
12 didn't believe them so we didn't give them an opportunity
13 to buy the house.

14 But those houses sold, then, for 28, \$29,000.00.
15 We then built another group of seven, those houses are
16 all sold with one exception, and they're occupied.

17 We have another group of seven or eight lots, depending
18 on how we can divide up a couple of lots in there, and
19 the construction on those is scheduled to start right away
20 so we have been involved in lots within that area, 20, 21
21 lots.

22 It's been, from our point of view, successful, we
23 have purchased almost all the lots that are in that desig-
24 nated area that are buyable in the sense that very often
25 we find that people just will not sell for any price or for

1 any reason, and -- but I think that it has had an impact in
2 the area, we're comfortable with it, it's -- it suggests
3 that things can be done between various segments of the
4 private system and the public. The City of Phoenix was very
5 helpful to us in working with things like sewer hookups,
6 cleaning off lots in advance, working with us on cutting
7 red tape in terms of building permits, lot setbacks, other
8 things.

9 You can imagine those lots in the area are very
10 narrow, and you can't always get a house that's being built
11 today on that lot with the setbacks that are standard. If
12 you redesign the house the price goes up five or \$6,000.00
13 and you don't want to do that, so the city worked with us
14 in these kinds of areas and were very helpful to us.

15 So we have been quite comfortable with our effort
16 there and I plan to continue so long as we can get groups
17 of lots in some number that we can efficiently go in there
18 and throw up five or six or eight houses as the case may
19 be.

20 The NHS area as such was not, I mean the NHS people
21 were not involved with us extensively in this effort.
22 It was largely ourselves, John Long and the city that put
23 the program together. The NHS has been concentrating largely
24 on rehabilitation and paintup and fixup and that sort of
25 thing but we thought this was an approach that we could

1 afford to get into, and do something for that neighborhood
2 and I think from ~~the pictures~~ you'll see that it's been
3 largely successful.

4 At the same time, we've been involved in some other
5 areas, we're involved in the NDP area, which is a very small
6 little square, south of Van Buren between Ninth Street
7 and 11th Street. This is an area that's in one of the
8 city's what was the term, the lady used, designated areas
9 of some time --

10 THE CHAIR: Neighborhood development?

11 A Yes, it's neighborhood development but it's some kind
12 of an area that the city has designated for rehabilitation.
13 In the past it was covered with slum housing. Very poor
14 dilapidated housing and they have gone in, the city went
15 in and took those houses off, bulldozed them off, cleaned
16 the land off, put a street in and a couple of cul-de-sacs,
17 and said now let's do something with it.

18 So Western Savings has agreed to buy those lots from
19 the city, there are, there's room for 23 lots. Now,
20 originally it was suggested by the city that it -- that it
21 have high density housing, by that I mean instead of
22 23 lots, maybe 30 or 32 or 35 on a rather dense program.
23 We worked with the city, feeling that first of all the con-
24 struction costs, when you start to custom design, even
25 though you get higher density, the cost per unit just go

1 out of sight so we're working with, again John Long in this
2 area, where we found it necessary to put in a private
3 street which the city has agreed to maintain, where it's --
4 we're concerned a little bit about the area, we're going
5 to have to be very careful with it there, the area in
6 terms of vandalism, crime and so forth, is -- has a higher
7 risk than the NHS area. However it is close to some very
8 good things that are going on within our community.

9 It's just east of our community, community buildings,
10 maybe I can just point this out to the committee. This
11 is a map that is older than the area. This shows what is
12 called, we call it Washington Plaza, that's our buzz word
13 around the office, these show the cul-de-sacs. The buildings
14 were still here when this photo was taken. We're developing
15 this part right here. There are some homes going in now in
16 this area which has been put in and is being developed by
17 someone else.

18 You'll recall that Washington Manor, which is -- has
19 been built here for the elderly, you've got Civic Plaza, the
20 Rawson (Phonetic) House over here, you've got Newton's
21 Prime Rib just to locate yourself, right here, Monroe
22 School, multifamily units in here, there are additional
23 dwellings in here that need to come out and I think that's
24 in the city's plan to get them taken out and also over in here
25 where they intend at some point to develop family units.

1 Washington Street here and industrial park is being
2 set aside here and there is some activity down in here.
3 So really, you're in an area where you have over at the
4 city high employment, lots of places for people to work,
5 you've got the Van Buren Street with its motels and
6 businesses, so forth, for people to work, an industrial
7 park going in for people to work, you've got all the
8 development along Washington a little further out and so
9 forth.

10 So, there are some things to really be said for that,
11 so we're going in that, going to build 23 houses there, Mr.
12 Long's going to build them. We have arranged in this
13 case, however, to be involved with the rest of our industry,
14 the savings and loan industry. Western Savings, in order
15 to make this thing work smoothly, is buying the land from the
16 city and we will finance and put up, get the houses put up.

17 Our sister institutions, First Federal, Southwest
18 Savings, Greater Arizona and so forth, are going to be
19 involved in the end loans to the buyers of the property.
20 So it's an industry effort, under what we call the urban
21 affairs committee and I'm chairman of that committee for
22 our Savings and Loan League of Arizona, and the urban
23 affairs committee is really the sponsor of this effort,
24 and so we are hopeful of having houses started right away.

25 I suppose I must say that we have been hopeful of

1 having them started earlier but working through all the
2 problems with the city has held us up some. Just because
3 we've had to change some things that were there, we felt
4 we had to change some concepts, we had to realign, in
5 order to make the -- the platting that we proposed work, we
6 have to put in the private street between the two cul-de-
7 sacs and we're working through the city in getting that done
8 and there are some hearings in fact scheduled next week.

9 So we should be in that right away, and I think that
10 will be an outstanding effort.

11 There is a wall around the project now, if you've
12 been by there for any reason, and it's been broken down in
13 a place or two and painted up a little bit, but I think
14 that -- once we get the area up.

15 The city, by the way, has some funds that contribute
16 to this project which will be very important in terms
17 of landscaping and so forth. The city has some funds set
18 aside as a result of this through their government, through
19 the government involvement in the clearing of the land and
20 so forth, which they will use to put in landscaping and so
21 it will be richly landscaped and should be a very nice
22 project.

23 So we're excited about that and proceeding along and
24 have our sales agreement pretty well ironed out with the city.

25 We got involved, thirdly, in a project down on

1 21st Street and Broadway, 22nd Street and Broadway, we went
2 down here and looked around and said here's an area that
3 maybe we can do something.

4 There are some -- does anyone have any question on
5 this particular little chart before we pull it off, any
6 member of the committee?

7 We decided to get involved in perhaps another kind of
8 area which was -- has proved interesting to us, we went
9 down and designated an area in south Phoenix, this is
10 Broadway and 21st -- 21st Street and 22nd I think here, --
11 went down and looked around this area to see what we might
12 be able to do. This is just as Western Savings now, say
13 what can we do to maybe make a contribution in this part
14 of our community?

15 We were encouraged a little bit by the fact that
16 there's a school and there's Tanner Gardens which is a new
17 elderly program, subsidized program for people to live.
18 24th Street is close to the airport and so forth, or nearby
19 and we thought maybe there was something we can do here,
20 Julian School here.

21 We went in and bought some lots with the intention
22 of building houses on the lots. However, we are currently
23 a little bit on hold, these are the designated lots we've
24 bought. We're currently on hold. There are a number of
25 homes in the area that are boarded up and abandoned and the

1 city, at the time we were working with them very closely
2 now, in order to make this situation work, we felt we had
3 to get them involved with us and of course they are most
4 anxious because it's in one of their projected areas for
5 development. And so we talked to them about things like,
6 perhaps additional police patrols and so forth to protect
7 our houses while they're getting built, we were concerned
8 about the boarded up houses and we said to ourselves,
9 what happens to us if we build new homes, yet a new home
10 here and you got a boarded up house here?

11 And so we got, we talked to them, with them in some
12 additional depth about the program for those boarded up
13 homes, and they had a plan whereby they had some monies that
14 they could use to put two and 3% mortgages, interest rates
15 on mortgages if people would buy those houses for an amount
16 that was substantially less than we could build new houses.

17 We researched the resale of homes in the area and we
18 found that the homes were reselling in the middle 20's
19 and it was going to, our houses were going to be 36,
20 \$38,000.00. To build. And so we talked with Mr. Long,
21 we didn't -- it was just really no more room, they had
22 the boarded up houses so the city and ourselves decided
23 that we'd best delay a little bit on building new houses there
24 and kind of get the boarded up houses, get the boards off
25 them and get them rehab'd and up and going and so the city

1 is involved in that program and we're sort of in a wait and
2 see situation but we have bought the land. We own the lots,
3 we contacted the owners and have that money spent on those
4 lots.

5 We're working in one additional area that's a little
6 bit interesting, we call it the Roosevelt project, that's
7 our buzz word because Roosevelt is the northern boundary
8 of the project, this is a fairly recent effort on our part.

9 ~~Just~~ let me get over here and get you pointed out.
10 This area is Central Avenue on the east and Seventh Avenue
11 on the west and Van Buren on the south and Roosevelt on the
12 north. This again is an area that's kind of interesting,
13 it's transitional right now, this has some things that
14 are of interest on it, you've got the Phoenix Union High
15 School, St. Mary's, the Civic Plaza, Good Samaritan, the
16 freeway right of way goes immediately north of it, obviously
17 up in the air a little bit right now, but you're around
18 close to the Civic Plaza, Washington Street employment,
19 Southern Pacific Railroad, and railroad yard and so forth.
20 Very interesting area.

21 If you go down there right today you find that there
22 are some new buildings being built down there, office
23 buildings and so forth, a few new apartment houses being
24 constructed there, and so we have been in contact with
25 some private contractors that have been customers of ours

1 for a long time and they have come to us and said, look,
2 we think that there's some things that need to be done down
3 here, what do you think about the area? So we spent a lot
4 of time and -- down there just walking up and driving up
5 and down the street and looking around and saying to our-
6 selves, is there a possibility of melting this kind of budding
7 commercial stuff with some housing that's down there?

8 And we think maybe there is. We have some developer
9 people who have options on a number of homes in the area.
10 Particularly the older homes that can be restored, rehabili-
11 tated, that kind of thing. There are a number of vacant
12 lots and if you look at the map there you see a lot of vacant
13 lots in the area where houses have been pushed off, where at
14 some point in time new houses could be built.

15 But at this point in time it's a little bit of a
16 pioneering project.

17 By the way, there's a high rise that's being con-
18 verted to a condominium down there at Fourth and, Filmore,
19 is it? Embassy Square, you're probably familiar with that.
20 Right here. Embassy Square is going to be converted into
21 condominiums, that's being worked on right now.

22 We have got involved in right now in the rehabilitation
23 of three houses, if you go into them it makes you a little
24 bit nervous but we think that it can be done, that they
25 can be sold or rented, the people we're working with have

1 options on a number of other properties, we're working
2 carefully with the city in -- down there, we think that
3 because of its proximity to employment, to downtown, to the
4 Civic Plaza, to the courthouse and so forth, where there's
5 a lot of employment, people that decide to go back into this
6 area can live and walk to work.

7 And so we think that's kind of an exciting concept
8 and we are willing to go with the developers and give them
9 some money and if it works, fine. If it doesn't work, you
10 know, we charge it off.

11 But we think that there's some potential in this
12 particular area.

13 I'd like to just take a moment and show you some
14 slides of some of the things that we've addressed ourselves
15 to. These are the houses -- well, let's see, can you see
16 over there, Mr. Pena?

17 MR. PENA: Yes, that's fine, sure.

18 A Can you get a little view of that? These are the
19 houses that are located in the NHS area that John Long
20 built, and by and large they look pretty neat. This was
21 the very first ones that were built and you see that there
22 was provided a basic landscape package, and this particular
23 family has gone ahead and taken care of their landscaping
24 and maintained it.

25 Here's another one where the minimum landscape

1 package is hurting just a little bit, but all together, the
2 house looks fine and, ~~setting~~ there on the lot.

3 Here's another small house, we've got an additional
4 picture of that, one tree is somewhat, summer's beaten it
5 down but that's not unexpected, but you see the little
6 planter, the little walls around the plantings and so
7 forth? That's their additional effort, that's not anything
8 that went with the house in the beginning.

9 Here's one that was sold, has some existing land-
10 scaping, a big tree and a tree in the back, needs the grass
11 mowed, ~~a~~ little looking after, but it's probably okay.

12 Here's one that, you know, you begin to worry about
13 a little bit, it's a brand new house and they haven't main-
14 tained the grass. When they received it it had grass, it
15 had grass planted, it may not have been up but they needed
16 to water it to maintain the grass, you see they're storing
17 in the carport and that always worries us.

18 One of my staff when we were evaluating the system
19 in our program says, well, the thing you worry about next
20 is they park the truck where the grass had been and that's
21 sort of sometimes we worry about.

22 But nevertheless it's a very nice home.

23 There's another one, looks delightful, I think.
24 They're caring for the home, there's the lawnmower so you
25 know they're mowing the lawn and it's a neat house. ~~Just~~

1 That was the first phase, those were the first ones
2 we sold, the first six, this is the second phase and
3 these are much newer and the landscaping hasn't had a
4 chance other than grass but here's one where things look
5 sort of okay, not great, it looks to me like they're parking
6 by the side of the house, there's probably two vehicles
7 here and only a single carport.

8 Here's one that had some existing -- they're not
9 really looking after it, manicuring it but it's too early
10 to tell on that one.

11 Here's kind of a neat little one, notice they've put
12 a refrigeration unit, they're swamp-cooled most of these
13 homes, with evaporative, this one has a little refrigeration
14 unit right by the front door, that covers the master bedroom.
15 So they're improving their home and they're taking fine
16 care of it and that's an addition to the neighborhood.

17 Here's one that was built without a carport, because
18 we couldn't get any closer to the line, they've got cooler
19 on it and some blinds.

20 Here's one that they've just recently moved in, but
21 they've let the landscaping go, so the FHA standard
22 minimum landscape package is burned out on that one. It
23 worries us a little bit.

24 Here's one that we had some of the highest demand
25 for, it sits back on a very deep, 110-foot lot, and it's

1 neat, and the trees were there existing so that really
2 adds to it, but it's being well maintained and it's a nice
3 home.

4 Here's one that they've just moved into, but they
5 haven't put a mower to that grass yet and they've got
6 reflective in the windows, but probably not being maintained.

7 Here's another one that they recently, very recently
8 been into, aren't, haven't got the spirit of it yet.

9 Another one. Okay. These are some of the lots we
10 have left on -- that we're going to build on in phase 3 down
11 at the NHS. They're just, they've been like this forever.
12 You can see some of the typical homes in the background.
13 We'll build at least one house on, and some of these we'll
14 be able to divide into two lots. Get new houses on them and
15 these are the ones that are just about to start.

16 There will be one just to the right of this home.

17 ~~Now, these are our lots down on Broadway,~~ in our
18 Broadway project at 21st and Broadway, and we're hopeful
19 of something working out. But that's a little longer
20 run program as I mentioned to you.

21 But we own the lots and at the appropriate time we're
22 going to go down there and see what we can do.

23 A very nice street here, by the way. The streets are,
24 it's an interesting thing in that particular area you'll
25 find a street that is absolutely lovely, everybody's

1 maintaining their yard and their home and so forth, and the
2 next block you'll find three or four or five houses that
3 are in deplorable condition and then the next street you'll
4 find it's nice.

5 This is a lot we have on probably the best street
6 in this particular neighborhood. This is a shot of the
7 NDP area, now this is the one just east of the Civic
8 Center and where we're going to build the 23 houses. The
9 building in the background is -- belongs to the motel that's
10 upon Van Buren, you can see the wall that has been built
11 by the City of Phoenix down there and Monroe Street right in
12 front of us, and I think Ninth Street, are we not? So
13 that's where we're going to build the 23 houses.

14 Here's looking at it from a little different angle,
15 you see down, up into it and they'll be built right up
16 against the wall that goes around the base of the motel.
17 This is one of the houses that we're starting down, to
18 rehabilitate down on Fourth Street south of -- Second
19 Street south of Roosevelt, and this is an area where we
20 think there's some real ups, and this house is kind of
21 rough looking now, but it's got some of the neat old wood in-
22 side and so forth and we think that ~~rehabilitated this will~~
23 be a duplex and it will be a very interesting home.

24 We're not planning to restore them, like the
25 Roosevelt house, I mean, you know, the money involved, you

1 know, nobody can afford to live in them if you do that.

2 But we do think that we can put them back in the
3 kind of condition that will help revitalize the neighborhood
4 and with the brand new commercial that is nearby, in
5 fact the people can work within a block of their home,
6 we think there's some possibilities and this is typical
7 of the house that we're involved in down in that area.

8 This is sort of what we're doing because we think
9 we can make some impact and we think that we need to do
10 something besides attend meetings and sign posters and whatever
11 else that sometimes happens in these things, and so we're
12 digging around out there trying to do something in a way
13 that maybe others haven't done.

14 We also loan, of course, in these areas and we have
15 lending operations and people who work those particular
16 areas just to get mortgage loans, and we have an FHA depart-
17 ment, Western Savings has not had an FHA department for many
18 years but our FHA department is now operational and it will
19 be engineered to provide FHA financing throughout the valley
20 and to the extent that there are programs within the
21 inner city that have FHA programs and sponsorship, we're
22 geared up, prepared to be involved with that.

23 So that's kind of where we are with respect to what
24 we're doing.

25 Now, there was a comment or two in the letter which

1 out that the -- that's more efficient, we can't have a
2 lottery, that was a good way to handle it coming out of the
3 gun first time, but I think that's too difficult to deal
4 with.

5 Q Did I understand you to say that your firm is
6 rehabbing the homes on Broadway?

7 A No, sir.

8 Q Or the city?

9 A The city, that's a -- that's a designated area B kind
10 of thing for the city. And those, the homes that are
11 boarded up down there are owned by the city or FHA, and
12 there is a joint effort to go working to get those houses
13 rehabilitated.

14 For instance, they're willing to sell them to people
15 as-is and provide matching city funds to get them rehabili-
16 tated at which point they put a permanent kind of loan back
17 on. That program is involved -- is working now and really
18 needs to be successful before you can build new homes down
19 there.

20 Q (By Ms. Bean) So when you come right down to it,
21 your programs have relatively little impact on minorities
22 and women?

23 A No, I don't think that. I suppose you have to decide
24 what impact is. Are we putting a 1,000 minorities and women
25 a year in homes? No, we're not doing that, see? What is

1 our impact? Well, we view the battle, if I can use that
2 word, or our mission as one that not only provides a home
3 for whoever buys that home, but stabilizes the neighborhood.
4 And we have, in these homes that I have showed pictures
5 to you of, there are some that are owned by a woman, a
6 single woman, some that are owned by minorities. That's
7 fine, but our hope is that the impact goes substantially
8 beyond that house. If you just do that house, if you do
9 a house someplace, that's no impact at all. You've got to
10 do something with the neighborhoods, that's the whole problem.
11 And that has been our philosophical view of the question.

12 That's why we're dealing over here on Roosevelt and
13 so on. You view that and you say if people get excited
14 about refurbishing homes over there, good things can happen.
15 You must view the neighborhood problem, you can't just go
16 after the individual people, because we -- now we finance
17 on a financing basis, we do homes, you know, all over the
18 valley. Where women, single women are involved, divorced
19 women, widowed women, minorities of all races and creeds,
20 that's -- that's an aside from this effort, you see. That's
21 just the lending program.

22 This is, use our talent and our energy and some
23 money and try to save neighborhood energy, that's a
24 different kind of a challenge for us.

25 Q (By Mr. Pena) Are any of those areas where you're

1 working, where you're building, previously red lined areas?

2 A No.

3 Q No?

4 A You mean had we red lined them? No, no. I think
5 that they're just areas, when you go down into the NHS
6 area for instance, you find an interesting array of people,
7 you find a lot of those homes are owned by older people
8 who have lived down there for 25 years. They own their
9 homes. They don't want to leave. They like it there,
10 that's -- they bought those homes when Indian School was
11 out in the country, see, and so -- and then there's a newer
12 group of people who are coming in there, some of whom
13 grew up there, who say gee, you know, I can work in the
14 hospital, you're right close to Good Samaritan and so
15 forth, I'd like to live in this area.

16 I can walk to work. I can afford a \$30,000.00 home
17 or whatever it is they're selling at any one period of
18 time and so they want to be there. These have not been
19 red lined.

20 Q (By Ms. Watkins) What was the income level of the
21 persons, for instance buying the homes in the NHS area?

22 A Well, they're people whose combined incomes are
23 1,200, \$1,300.00 a month.

24 MS. WATKINS: Thank you.

25 A Sometimes you'll get a husband, sometimes a wife,

1 sometimes both.

2 Q (By the Chair) Does your program work?

3 A It has worked, Dr. Warren.

4 Q It has worked.

5 A We're -- we're comfortable with it, we think it
6 works well. Mr. Long is happy to work with us on it.

7 Q Are there some factors that make your program
8 work that would make it rather difficult for a combined
9 group to follow you?

10 A Yes, there are some factors that make it difficult.
11 What you have to do to make things like this work is you
12 have to find somebody who is energized to do the job, and
13 who has to understand that he does the job or doesn't get
14 paid.

15 And that's why it works. We have a very bright,
16 aggressive, energetic man that works -- that I work with
17 who I said look, we'd like you to do this. I mean he
18 was down there night and day, he went through the area on
19 his motorcycle, he made long distance telephone calls, I
20 mean it was a ~~terrific~~ job just to get the thing started.

21 And it takes that, Dr. Warren, you see, committees
22 don't make these kind of things work, I'm not disrespecting
23 any committees in the city or the community or whatever.
24 Somebody -- ultimately somebody has to do the job. Some
25 body. And we just figure that's the way -- we figure we can

1 do that to some extent and so we have done it. Now, if
2 you take a consortium of lenders or a consortium of
3 builders, it's going to be really slow.

4 Q Well, that was my question, whether or not your
5 experience was exportable? It seems such a creative kind
6 of an enterprise and whether or not it could be expanded
7 with a con -- a consortium.

8 Was there anything unique in the builders' experience
9 or behavior that --

10 A His unique experience was that -- of working with
11 the city. We have a continual challenge to keep the city
12 as interested now as they were a year ago. And we're
13 working at that. Because you do need help. You can't --
14 you got -- the city has to bend around a little bit, other-
15 wise you know, everything that you go through at the city
16 just simply takes too long.

17 We're fortunate in having an ex mayor who's involved
18 with Western Savings, he knows his way around there a little
19 bit so that's helpful to us. But somebody has to under-
20 stand that that's their job.

21 Now, if you get a larger consortium that doesn't
22 mean to say that won't work, Dr. Morrison, but you've got
23 to get somebody out of that consortium that understands
24 that's his job, that's his responsibility to get that job
25 done. And you've got to get past, as my guy told me, you

1 got to get past the slogans and the sign painting. You
2 got to get down to getting it done. You got to get down
3 to buying the lots, you got to get down to getting them
4 cleaned off, I mean -- and that's, I think, sometimes the
5 problem, that we have.

6 Q Do you intend to institutionalize this experience
7 and let it be a continuing effort?

8 A Oh, sure, we're at it full time. We're looking at
9 all kinds of areas of Phoenix, not designated here. We're
10 looking at areas where we can have some impact and where
11 we can go in and remake our experience because we think we
12 know how to do it at this point of time.

13 THE CHAIR: Are there any questions of Mr. Cederlof?

14 We certainly appreciate your willingness to come, Mr.
15 Cederlof.

16 A Thank you, delightful to be here.

17 THE CHAIR: The next presenter is Ms. Marie Lilyquist,
18 who is the Deputy Director of Single Family Development,
19 Los Angeles Area Office, of the United States Department of
20 Housing and Urban Development.

21 Ms. Lilyquist is an architect and has served in
22 several departments and in several positions in the depart-
23 ment of housing and urban development. And she will make
24 a presentation on programs funded by the department of
25 housing and urban development in the Phoenix and the Tucson

1 area. And with her is Mr. Evans, who is associated with the
2 Phoenix office of HUD.

3 With that as background, Ms. Lilyquest?

4
5
6 MS. MARIE LILYQUIST

7
8 Q (By Ms. Lilyquist) Thank you, we're very happy to be
9 here.

10 I have another person joining us, Mr. Colin Montgomery,
11 who is a multifamily representative from the Los Angeles
12 office. We had to bring three people because our programs
13 are too complex and we're just going to be covering a small
14 portion of our programs.

15 HUD has a number of major emphases, one of course is
16 that we're involved in providing shelter, decent shelter
17 for people.

18 Two, we're involved in revitalizing urban areas.
19 Three, we're involved in providing a choice of living places.
20 Which goes beyond just providing living places.

21 And four, we're involved in enhancing the capability
22 of local government to rejuvenate their communities.

23 We do this through a number of tools, through
24 grants, through loans, through mortgage insurance programs,
25 through subsidies and through technical assistance to local

1 localities. I think to understand our programs you first
2 have to understand a little bit about how we're set up
3 because the delivery of our programs is very important.

4 We went through a major reorganization last year, which
5 resulted in shifts of staff from various offices. We're
6 structured now so that we have a regional office in San
7 Francisco and we have three area offices in our region,
8 Los Angeles area office is responsible for five other
9 offices, the Phoenix office, Tucson office, the Los
10 Angeles office, San Diego and Santa Ana. Those programs
11 are all administered out of the Los Angeles office.

12 In LA itself we handle all of our community development
13 programs, equal opportunity programs and all of our multi-
14 family housing programs, even for the Arizona area. Mr.
15 Evans here is a service office supervisor for Phoenix
16 and they are responsible for all single family home ownership
17 programs in the Phoenix area.

18 We'll be covering today some details on the single
19 family home ownership programs, John Evans will share with
20 you some of the local experiences here in Phoenix in
21 relationship to the single family programs, and Mr.
22 Montgomery will talk about our multifamily housing programs.
23 We will not be going into any detail on the community
24 development programs as they are a whole series of programs
25 in and of themselves which do have impact on housing, but

1 they're very varied and they're very, because of the number
2 of communities that are involved in the programs, as I'm
3 sure you've already heard this morning from the Phoenix
4 city, how they're implementing their programs.

5 We will not be talking about our fair housing
6 programs, other than to mention that what we are involved
7 in in fair housing and equal opportunity is the insuring of
8 housing choice and taking steps against discrimination in
9 housing and marketing our units in an affirmative way to
10 get good distribution of units in localities.

11 I'll talk a little bit first on the single family
12 programs. Our single family efforts are geared toward
13 providing housing insurance for home ownership, and to
14 facilitate construction and finance of those units. By
15 insuring commercial lenders against loss, we hope to
16 encourage them to invest the capital into the home
17 mortgage market.

18 I think it's helpful to go back a little bit to when
19 FHA was first started and what the original emphasis was
20 at that time, because it has changed substantially over
21 the years. When it was set up it had a couple of purposes,
22 one it was there to stimulate the economy, we were coming
23 out of a depression, it was trying to provide a lot of jobs.
24 It was also for the first time trying to provide the
25 American dream of home ownership, and it was geared to building

1 lots of houses, they ended up being mostly suburban housing,
2 our clients were primarily White middle income families,
3 we were involved in providing for the first time, long term
4 mortgages, and good quality construction instead of many of
5 the construction standards which are now used widespread,
6 whether they're FHA or not.

7 Since that time our purposes have changed sub-
8 stantially. We are involved now in providing home oppor-
9 tunities -- home ownership opportunities for lower income
10 and moderate income families. Mostly middle income families
11 do not apply for our programs, they are not within our mortgage
12 limits.

13 We are involved in urban areas, as opposed to suburbs,
14 we are involved in declining neighborhoods and areas that
15 are undergoing renewal. We are still in the business of
16 providing a good constructed unit so our construction
17 standards are still very much in operation. The very basic
18 single family program is the 203B program, under which we
19 insure loans to private institutions for up to 97% of the
20 property value. Our loans are processed in a two-phase
21 operation, first we appraise the property and determine
22 its acceptability, and second we look at the buyer's
23 credit history to see if it's acceptable to make a loan to
24 the buyer based on his ability to make the mortgage payments
25 and to provide the cash investment in the home.

1 Our current maximum mortgage on a single family home
2 is \$60,000.00. So you can see just by the mortgage amount
3 alone we are limiting the clients that we are involved
4 with.

5 The advantages under our program to the consumer are
6 first of all lower down payment, 3%, and up, depending
7 on various criteria, lower interest rate, I had on here
8 at 10% but this morning we went to ten and a half percent,
9 so it's a little bit higher range than we were yesterday,
10 and that there is some assurance that they're going to get
11 a better quality home than they would on a conventional
12 market.

13 So that's the basic program that we've been involved
14 with since 1934. We instituted a new program two years
15 ago, the graduated payment mortgage program, which is
16 quickly taking over all of our other programs, it is a
17 program whereby the payments start out lower in the first
18 year of a mortgage and increase over time. We have five
19 plans under that program, different rates of increase,
20 different lengths of time.

21 It currently, in the Los Angeles jurisdiction,
22 represents about 50% of all of our cases are now processed
23 through this mechanism. It allows families who otherwise
24 would not be able to qualify for even our traditional loans
25 to be able to qualify in the early stages of a mortgage.

1 Our primary consumers are younger families and
2 families who have never been homeowners in the past.

3 Second program that Mr. Portillo mentioned in quite
4 a bit of detail, was the revised section 235 program. I might
5 say under the 235 program it was revised in 1974, partly
6 because of some of the problems that were outlined by Mr.
7 Portillo.

8 To try to narrow down what would make the program
9 work and be successful, as opposed to creating instant
10 slums which it did in some instances. The current program
11 subsidizes the mortgage interest to as low as 4%. It has
12 a number of restrictions to the program which are a direct
13 result of the problems we had experienced with it.

14 First it's limited to new and substantially rehabili-
15 tated unit, it is no longer for existing construction
16 which the older program was. It restricted to families
17 who have an income of not more than 100% of the median
18 income.

19 Families must pay at least 20% of their adjusted
20 income, the down payment is 3% of the acquisition cost,
21 the sales price can not exceed 120% of the mortgage amount,
22 the mortgages are also restricted in amount for a three-
23 bedroom, \$38,000.00 in the Phoenix area. We require
24 counseling under the program prior to buying the house, which
25 we did not in the past, in a particular subdivision or

1 a condominium project, no more than 40% of the units may
2 be subsidized, which is a substantial change from the old
3 program.

4 I think one of the problems that we experienced
5 with the 235 in terms of changing the conditions of the
6 low and moderate income families, is that once the person
7 sells the house the subsidy is lost. So it's a -- in that
8 sense it's a subsidy that's tied to an individual family
9 and when they sell, the subsidy is lost.

10 John Evans will talk a little bit more about that
11 program later in terms of the Phoenix area and the
12 experiences we're having in Phoenix.

13 Another program is our 223E program, which is
14 housing in declining neighborhoods. Under this program
15 we insure lenders to make loans in areas which normally
16 would not meet criteria for good underwriting, and this is
17 where the red lining issue I think comes into play. Areas
18 which under normal circumstances we see are changing areas,
19 they're going commercial or industrial, but the housing
20 unit itself is still a good unit and still viable.

21 Under that program there's a special risk that's
22 involved in it, we still insure those units, but they're
23 insured under the 223 E program.

24 And I think that's partly an attempt by Congress to
25 separate that program out so we can see really what are our

1 risks in that area.

2 Currently Congress is dealing with our new housing
3 act which will hopefully be passed in the next month,
4 they're looking at increasing the mortgage limits, a very
5 minor amount, to single family, substantial amount on two,
6 three and four-unit buildings. They've already increased the
7 interest rate so that one's kind of out.

8 They're looking at changes on our 245 program to
9 lower the down payment to allow even more families to
10 qualify under that program. And they're looking at our
11 acceptance of condominium units in existing projects as
12 a tool to also get at more moderate income families.

13 I'd like to ask John Evans to talk a little bit
14 about some of the experiences they're having here, locally
15 in the single family programs.

16

17

18

MR. JOHN EVANS

19

20 A (By Mr. Evans) I would like to thank you for pro-
21 viding this opportunity, I have, much of what I've heard
22 this morning has caused me to examine our programs and to
23 think about the objectives and the degree of success with
24 which they're being accomplished. I also can't help making
25 the observation that anyone would have to conclude that

1 major structural changes are going to be necessary in the
2 concept of housing, we're going to have to decide whether
3 it's housing we're going to provide or housing ownership
4 we're going to provide.

5 We're going to have to make decisions about the way
6 people live in single family houses. But that, I, just
7 as an observation, is what I have found most interesting
8 this morning in your discussion so far.

9 Here in Phoenix on the 235 program, Marie has out-
10 lined what the program is all about. We at the present time
11 have about 3,000 units of 235 housing in the Maricopa
12 County area. With another 105 units in the area which
13 we cover, and I think it would be helpful if it was understood
14 that the Phoenix service office covers Casa Grande north in
15 Arizona. So that's a total there. We're getting in our
16 office about five requests a day for 235 housing units, and
17 we have a kit which we supply which gives the income limits.

18 I think you would be interested in knowing that
19 there are only now about five builders in the Maricopa
20 County area, in the metropolitan area, who have
21 reservations under 235 and therefore can provide new housing.

22 There is no such thing as existing 235 housing inventory
23 which you can go and buy a house, an existing house under
24 235 unless you happen to come onto one that has just come
25 on the market and you, yourself, are eligible for a 235 loan.

1 and it can be assumed under those conditions.

2 To go into several other programs very briefly, we
3 have a property disposition program where HUD acquires
4 ownership of houses under default, and at the present
5 moment, that's a bidding process, you go to your local
6 realtor and ask for a list of these houses which are avail-
7 able, then there is a bidding process on each house, there's
8 a price established and you bid to that figure. And I
9 must tell you in all honesty, that there isn't a great deal
10 of opportunity here for low and moderate income housing.

11 We've had 236 sales up to this point this year, so
12 it isn't a major vehicle for housing low and moderate
13 income, and some of those are bought by investors.

14 You've heard the urban homesteading program described
15 this morning. And here again, the -- or participation in
16 the urban homesteading is dependent upon the number of
17 houses that we get back in default and we've only had,
18 been able to provide the City of Phoenix with 87 houses
19 and we're only acquiring these houses under default at
20 the rate of about eight a month, and it takes a considerable
21 amount of time to bring those on stream, having rehabilitated
22 them, having advertised them and so on, so it again is not
23 a major opportunity.

24 We have an assignment program where, when a homeowner
25 is about to be foreclosed upon, he has defaulted, three months,

1 it is mandatory that the lenders advise us that this problem
2 exists and they advise the homeowner that he has the oppor-
3 tunity to come to us and ask us to assume the ownership
4 of that mortgage and then to deal with him rather than the
5 mortgagee.

6 There are a number of requirements for that. We have
7 to know if there is an intention to foreclose, that three
8 months are overdue and that the property is the principal
9 residence of the mortgagor. In other words, is not an
10 investor's program, that he does not own other property
11 mortgage insured by HUD and one of the primary things that
12 the default was caused by circumstances beyond his control.

13 There must be a reasonable prospect that the
14 mortgagor will be able to resume payments after a period of
15 reduced or suspended payments not to exceed 36 months but
16 under certain circumstances we do reach an agreement with
17 the person in default that he won't make any payments because
18 he has demonstrated that he will shortly, through ill
19 health or some other problem, be able to pick up where he
20 left off.

21 This has been about, just about a 100 applications
22 that we've had to assume mortgages this year and we have
23 accepted about 17% of those. And -- 13%, pardon me.

24 And we have, through our efforts in counseling with
25 the person who is threatened with foreclosure and his lender,

1 been able to bring them back together again under some plan,
2 they've gone on ahead with what they, at present, are
3 occupied with.

4 You've heard this morning reference made to section
5 245, the graduated payment mortgage, in all honesty I would
6 have to tell you that it does not appear to be a program
7 ideally suited to low and moderate income persons, if they
8 are somewhat stagnated as far as their income prospects
9 for the future, it's very good for the youngster who's
10 making a first time investment in a home who has the ability,
11 however, to come up with a down payment which is roughly
12 twice as much as the 203 program, the standard program,
13 so it's -- it's ideal for the youngster who's going out,
14 has his parents maybe can help him make that down payment,
15 the initial mortgage payments are lower but then they increase
16 over a period of time after five or ten years.

17 I will stop there. I do think there is an element
18 that should be discussed at some point, which is dis-
19 crimination in housing, and the fair housing aspects, and
20 I think it's valuable in this area to know that we assist in
21 forwarding such complaints to the Los Angeles office, but
22 we do not investigate nor make determinations in this
23 office of discrimination complaints.

24 And a great deal of the social dimension of the HUD
25 programs we largely look to Los Angeles in their block grant

1 programs to administer. We are, therefore, in the Phoenix
2 office, largely concerned with the standard insurance of
3 FHA single family loans.

4 A (By Ms. Lilyquist) Can we answer any questions on the
5 single family before we go to the multifamily or would you
6 rather wait?

7 THE CHAIR: Wait.

8 A All right, I'd like Colin to talk about the multifamily
9 families.

10
11
12 MR. COLIN MONTGOMERY

13
14 A (By Mr. Montgomery) Thank you very much, Marie.

15 My function with the department of housing and urban
16 development is that of multifamily housing representative.
17 As such, we are in effect the front office contact between
18 local housing authorities, builders, developers and sponsors.

19 I'd like to give a brief rundown, really, on what
20 we feel are the HUD or the department's housing programs
21 and the type of programs that we have brought about to try
22 and meet these needs. The broad objective, of course, is
23 to provide decent home and a suitable living environment
24 for every American.

25 The multifamily department basically makes two basic

1 approaches, one, they provide housing subsidies to lower
2 income tenants for the rental of the multifamily units,
3 and two, we provide financing vehicles to encourage and
4 to facilitate the construction of both subsidized and non-
5 subsidized rental units.

6 The federal government actually has about 42 years
7 in the provision of housing subsidies by various means, and
8 to bring us up to date I'll mention some of them.

9 Back in 1937, the subsidy to local housing authorities
10 for the construction of low rent public housing, then in
11 1951, a section called 202, this is a direct loan by the
12 government at a lower interest, 3% interest strictly for
13 elderly housing.

14 Then in 1961, a 3% loan program was introduced for
15 family housing. Following right on through, in '65
16 supplemental rental program was initiated. Then in 1968,
17 the section 236, which was a deep interest subsidy for both
18 family and elderly rental units.

19 And bringing us up to date to the present, in 1974,
20 the section 78 housing assistance payment program was
21 introduced. During this time we developed a number of non-
22 subsidized mortgage insurance programs. Through these
23 programs, the mortgagee was insured against the loss on the
24 construction of the project, and on the permanent loan.

25 These insurance programs cover family housing, elderly

1 housing, nursing home, cooperative housing, hospitals, condo-
2 miniums, group practice medical facilities, mobile home
3 parks.

4 HUD, however, does not build housing nor do they
5 design the project nor do they actually rent. What we do,
6 however, is to encourage the provision of housing by these
7 two basic approaches I previously mentioned. One of
8 subsidizing, to reduce the housing so that decent, safe and
9 sanitary housing is within the reach of low and moderate
10 income families, and secondly, the provision of financing
11 vehicles for multifamily housing.

12 Since the '74 housing community development act,
13 section 8 has been the department's primary source of housing
14 subsidies, simply put, this program assists low and
15 moderate income tenants and very low income tenants for
16 rental by their contributing 15 to 25% of their income.
17 And the government, through the section 8 housing assistance
18 payment plan, paying the balance up to the fair market
19 rent.

20 The program itself is very flexible, it can accomodate
21 a wide range of tenant incomes from a zero income tenant
22 to presently approximately about \$16,000.00 annual income
23 for the family of four.

24 It covers family, elderly occupancy, covers existing
25 units, new construction or units proposed for substantial

1 rehab. Since the department does not build housing directly,
2 we seek intermediaries to accept the subsidies and to channel
3 them into the needed units to be occupied by the qualified
4 tenants.

5 These intermediaries are basically three kinds,
6 profit motivated concern, or private, nonprofit corporations
7 and public housing agencies. These are the conduits that
8 HUD uses to subsidize and whereby the subsidy funds forward
9 to the tenant.

10 They can work separately or together, depending on
11 the program type.

12 Section 8 funds are first appropriated by Congress
13 and then channelled through the various HUD area offices
14 throughout the country and eventually find their way to
15 our particular area office jurisdiction. We cover the whole
16 State of Arizona and the southern part of California from
17 San Luis Obispo down to San Diego and including Kern
18 County.

19 We basically advertise and invite proposals for new
20 construction or substantial rehab. The existing program is
21 administered by the local housing authority and we provide
22 the rental subsidy fund there.

23 The 202 program, which I mentioned earlier on, this
24 is a direct loan program for elderly and handicapped, it
25 works in much the same manner as our section 8 except that

1 the sponsors may only be private, nonprofit organizations,
2 and the unit must be designed for the elderly and handicapped.

3 These proposals are received and they're ranked
4 against each other to obtain the best project and the
5 present cost of construct of course, not necessarily the lower
6 cost, but the better project is usually the ones that are
7 selected.

8 The applications for the existing section 8 program
9 are solicited only from public housing authorities
10 and these cover family, elderly, single qualified tenants,
11 and each housing authority have their own tenant selection
12 guidelines that are basically within the framework of those
13 set down by the federal government.

14 A certain portion of the section 8 funds are also
15 allocated to be used by the state housing finance agencies
16 and in the State of Arizona by the Farmers Home Administration.
17 We apply section 8 rental assistance to projects that they
18 finance the construction of. The categories of our funding
19 is restricted by Congress, and these others say the section
20 202, the housing finance development agencies, Farmers
21 Home Administration, and PH owned projects.

22 In distributing these funds we have to be assured
23 that there's a balanced distribution of family and elderly
24 as well as new construction rehab. and existing in accordance
25 with the approved housing assistance plans, to each community

1 puts together to qualify for community development block
2 grant funds.

3 A. (By Ms. Lilyquist) We're hoping for questions.

4 THE CHAIR: Okay, anyone from the panel have any
5 questions you wish to raise?

6 Q. (By Mr. Pena) Mr. Chairman, Ms. Lilyquist, I think
7 it was you that mentioned that FHA or HUD helps local tenants
8 with grants and you mentioned a few other things, I suspect
9 that selling or giving homes to a city is part of the
10 program, is that --

11 A. Yes.

12 Q. -- and then I think you mentioned something about the
13 same kind of a program for nonprofit, private groups?

14 Q. (By Mr. Montgomery) That is correct. HUD is only
15 involved in two, what we term direct loan program, where
16 HUD actually lends the money or gives the money in the
17 direct loan to a sponsor or organization. That is the
18 202, section 202, which is housing for the elderly and
19 handicapped by nonprofit, private, nonprofit organizations
20 and the second method is to the local housing authorities
21 and the cities for public housing.

22 These are the only two direct loan programs that
23 we're involved in the actual acquisition of land and the
24 construction of the project.

25 Our other form of subsidy is by way of section 8,

1 which is the rental subsidy to the tenants.

2 Q Is the 202 active? :

3 A Very, very active. And we've got approximately seven,
4 202's in various stages of processing and construction in
5 the Maricopa County area. And as of last week, we received
6 a selection of another four, 202's. And these are usually
7 between 100 to 150-unit projects. We have some in Phoenix,
8 Flagstaff, and down in Tucson. I have some of the actual
9 numbers with me, but it is a very active program.

10 To the extent that funding is made available to us,
11 and this is -- we're always back to that again. We can not
12 meet the need in really any community because of the
13 funding limitations.

14 Q Let me talk about, about standards. You have
15 standards and builders have to adhere to the standards.
16 Do you have a minimum standard, do you have different
17 standards for different localities? Different standards
18 for different applicants? Do you have a standard for
19 a Chicano barrio, a Black neighborhood, or do you have
20 one minimum standard for everybody?

21 A (By Ms. Lilyquist) Okay, under new construction
22 there's a minimum property standard which is one standard
23 and applies to any new construction unit, it's the same
24 standard. All of the standards are subject to being waived
25 or local things being determined on them and sometimes they

1 are waived either by John Evans in Phoenix or by myself in
2 my jurisdiction. That is to allow us the flexibility of
3 building houses, in some cases, you know, you have no choice
4 you either -- you don't build a house or you waive the
5 standard.

6 Pretty much our standards on new construction are
7 adhered to very strictly. Existing construction is a whole
8 different thing. You're dealing with existing units,
9 some that could be, you know, 50 years old, you're getting
10 into a lot of judgment calls on that, and you get caught
11 between the consumers, the buyers and the ~~seller~~ on these
12 houses because if you try to make them too tough, then the
13 sellers are going to up the prices which excludes the
14 very market that we're trying to reach.

15 So the standards on existing vary very much according
16 to the individual structure and what we think is necessary
17 to make it a good risk.

18 Q I think the building standards, the workmanship
19 and material, have a lot to do with people abandoning homes.
20 Do you have anything to do with Farmers Home?

21 A Only through the --

22 Q (By Mr. Montgomery) I have a certain amount of --
23 I have a working relationship with Farmers Home and
24 we've actually acquired here in Maricopa County, a number
25 of Farmers Home units that we are now rehabilitating and

1 they will become part of the public housing program here in
2 Maricopa County.

3 Q Well, I think that's a good example of poor workmanship,
4 and perhaps somebody failing to inspect for material, the
5 proper material. I'm sure the government is paying for
6 good material and good workmanship and getting shoddy workman-
7 ship and very poor substandard material. And that's why I
8 say it always, that helps to encourage people to abandon
9 a home, the thing begins to fall apart and maintenance
10 costs are high, and we're moving poor folks into a sub-
11 sidized home they can't afford to keep even with the low
12 interest rates that they have.

13 Which raises a question in my mind, does HUD have
14 followup inspectors for homes that are insured by FHA?

15 A (By Ms. Lilyquist) New constructed homes?

16 Q New constructed homes.

17 A All the new constructed homes carry the one-year
18 warranty and during that period we're very actively
19 involved with the contractor on any deficiencies and we do
20 follow up on every complaint. The ones that are more
21 difficult are the ones past the one-year point or existing
22 housing. In which it's almost, you know, a buyer beware
23 kind of program because there is no insurance, and frequently
24 what we deal with are people who have never owned a home
25 before, and they may buy a house, an existing house

1 especially and have no idea of what to look for in the house
2 or anything and then, when the defects occur, they have no
3 method of paying for them either.

4 Q I don't have any more unless -- you mentioned some
5 of the grants that are made to local entities or nonprofit,
6 and what are they for? Besides -- are any of them used to
7 reduce interest rates?

8 A Well, the biggest program we have in terms of
9 grants is the community development block grant program
10 which you've heard several speak of and then the communities
11 usually develop their own programs of interest subsidies
12 and that sort of thing, and the communities have come up
13 with just hundreds of types of programs on doing that.

14 The variety is infinite that they've been trying and
15 it was interesting this morning to hear some of the things
16 that Phoenix is doing because success has not been that
17 great in any community that I have seen, that each one is
18 kind of struggling with it and trying it and then saying,
19 well, that doesn't work, now what can I do next?

20 And we've been encouraging the cities to do some more
21 work among themselves to try to share the experience each
22 one of them is trying, but that's the -- our biggest
23 grant program is really community development block grant
24 program.

25 THE CHAIR: Any other questions?

1 Q (By Ms. Watkins) Mr. Evans, from your view of it or
2 from your reading of the 2304, what impact do you feel that
3 would have on minorities and women in the Arizona area?

4 A (By Mr. Evans) I would be largely dependent upon
5 the observations of Mr. Portillo and agree that under the
6 present interpretations of the operation of this law, that
7 I don't see any great impact upon truly low income housing.

8 Q The parameters are just too high as far as the income
9 levels?

10 A Yes, I believe so, and I also think that the mechanism
11 is so onerous that it would be difficult for an uninformed
12 person to operate with them.

13 MS. WATKINS: Thank you.

14 Q (By the Chair) Will you track for me reasons why
15 minorities, historically, and women more recently, have not
16 been adequately served in this whole area of housing
17 adequacy? Is it a matter of funds or the lack of lobbyists
18 or what is the reason for --

19 A (By Ms. Lilyquist) Are you talking about in the area
20 of home ownership or the area of --

21 Q Of home ownership.

22 A I don't know, I think as John said earlier, I think
23 that we're not very clear about what our policy is about that,
24 we talk about home ownership but I don't think we've thought
25 about what do you do when a low income family, while 235

1 was a going example when they came out, put it out for
2 low income families but then what happened when the roof
3 leaked and they had no money to repair it? Nobody thought
4 the thing through very carefully. And I think, frankly,
5 you get into philosophical questions about what do you do
6 with the middle income family who feels that they've had to
7 work all these years to get this thing and then you subsidize
8 a lower income family.

9 You just get into some basic things that the
10 population as a whole has not been willing to accept, so that
11 Congress is not being pushed in that area.

12 I think it's going to get worse as inflation goes up
13 and middle income families start struggling more and more
14 for it, the idea of subsidizing a lower income family to
15 allow them a home ownership opportunity when perhaps
16 middle income families may not even be able to afford it,
17 becomes a touchy political issue more than anything else.

18 Q (By Mr. Evans) I would also add that I don't think
19 there's any organized constituency for low and moderate
20 income housing, Chicanos For La Causa is very active and we
21 deal with them, I have some contact with the Phoenix Urban
22 League, but there is no group actively and massively
23 massaging the political system to get delivery, I think one
24 of the reasons the answers aren't apparent, first of all,
25 on what they could do. But I think if there's a discrimination

1 at work in housing at least in this area, it would have to
2 be regarded not as a racial discrimination or as a sex
3 discrimination but an economic discrimination.

4 Q (By the Chair) Seems to me the statement that you
5 made denies the reality of our economic system. And it denies
6 a clear understanding of focal value of material gain. And
7 the fact that there will be winners and there will be losers
8 in the economic race.

9 We know that. And by virtue of one's race or economic
10 condition as reflected whom their parents are and their
11 socioeconomic level, their social class, where they go to
12 school and so forth, there's differential application of
13 resources and there's difference of effects.

14 We only need so many persons with owner wealth
15 skills, I was reading a report last week on Carnegie
16 Foundation for Children, that 4% of our population own 37%
17 of the wealth.

18 So we know ~~there are going to be~~ poor people. We
19 only need -- we know that if someone graduates from Harvard
20 Business School, that they will not be out with a pick and
21 shovel. There will be some work at policy level, and we know
22 that in lesser and lesser and lesser institutions, that the
23 result of that is probably certain skills, perceptions,
24 knowledges, attitudes and so forth, and there's that
25 large body of persons who work in industrial plants and

1 so forth. The question in my mind is that I was reading
2 the statement by Patricia Harris that said housing units
3 in her view of fundamental essential and basic human right
4 equivalent to food and clothing, etcetera, etcetera, etcetera,
5 and one of our charges is to tease out evidence where there
6 has not been equal protection under the law, it just seems
7 to me that an adequate education, adequate housing and so
8 forth, as reflected operationally in poor people, with par-
9 ticular reference to minorities and women, not being equally
10 protected, really deprecates the whole concept of equal
11 protection under the law.

12 And I guess my question is we know historically that
13 it's been the squeaking, not only the squeaking but the
14 perceptive information, knowledge, wheel that got the
15 grease, but when we know what inadequate housing does to
16 persons, and what it does to families, and those inter-
17 generational effects if mama and papa aren't able to survive,
18 it's reflected in their children and then their children's
19 children, whether or not, at the national level, you know,
20 there's philosophical thinking being fed into the mission
21 of organizations such as yours.

22 A (By Ms. Lilyquist) My own personal feeling is that
23 there's a lot of thinking along those lines, but there is
24 always political reality that's out there and I think
25 that's what I was trying to speak to.

1 I think that our Congress, many are very much aware
2 of exactly what you're talking about and the need for it
3 and they hear it every time they come home, but they're
4 also aware of that larger constituency which happens to be
5 made up of the middle and upper income groups which are
6 the dominant groups, and in a time of inflation especially
7 and people being squeezed, it's just not the popular thing
8 to do.

9 THE CHAIR: So there's a lot of wheel spinning.

10 A (By Mr. Montgomery) I'd like to add one other
11 thing, I briefly made reference to each community compiling
12 what we call a housing assistance plan. We go over these
13 housing assistance plans with a very fine-tooth comb, and if
14 they do not address the needs and the goals and how they
15 propose achieving the goals on single female head of house-
16 hold, minority, elderly, they stand every chance of losing
17 their entire block grant funding.

18 And we reject any housing plan that does not
19 address these elements, not all, if they don't state
20 how they propose reaching their goals, these are monitored
21 every year and when we apply the subsidies it must be
22 in proportion, and in proportionality to the various needs.

23 Small family, large family, female head of household,
24 elderly and so on. So if we-- we are increasingly, I feel,
25 making for a much firmer monitoring service.

1 A (By Ms. Lilyquist) I might also add that we're,
2 I think much more aggressive in that on those plans, when
3 we first started the plans back in 1974, the community could
4 put down they were going to build so many units and when they
5 didn't get the subsidy they said, well, we didn't get the
6 subsidy we can't do the unit.

7 We don't buy that anymore, we ask them what other
8 ways are they going to go about doing it and we've got
9 cities now putting in massive amounts of money to write down
10 land costs, to get developers to come in and build those
11 units, to, you know, and to come up with other creative ways
12 of dealing with the problem.

13 Because before it was always total reliance on
14 the federal government to come up with it, and that's why
15 I was a little bit interested in what the City of Phoenix
16 said in terms of their general revenue monies, you know, what
17 kinds of monies are the cities putting in directly to achieve
18 some of that.

19 We were doing wonderful with elderly housing but
20 when it came to family housing it was another whole story and
21 I think for the first time this past year we put a major
22 emphasis on getting that in balance as Colin said, so that
23 the family housing doesn't balance with the elderly.

24 THE CHAIR: Any other questions?

25 Q (By Mr. Pena) Just one.

1 John, on discrimination, you said that when you get
2 a complaint, you can't, you don't investigate, you send it
3 on to Los Angeles. Why aren't these run through, for ..
4 example the Phoenix Human Relations Commission that could
5 act on it right now, or the state civil rights commission,
6 instead of going a big route probably takes a long time to
7 resolve?

8 A (By Mr. Evans) I hate to pass a hot potato to someone
9 else but I have asked Ida Vasquez to be here this morning,
10 she's our housing assistance representative, and has been
11 dealing in these areas for a good many years in this office
12 and if I may, I'd like to refer that question to her.

13
14
15 MS. IDA VASQUEZ

16
17 A (By Ms. Vasquez) Usually we get a telephone complaint,
18 we explain to the people the process. We do refer to the
19 human relations commission and we do refer to the state
20 where it is outside of Phoenix. However, most people have
21 a feeling that the federal government can do more for
22 them, so that in that particular instance we give them the
23 number to call in LA, or if they so choose, we mail the com-
24 plaint form and an affidavit form to them with a stamped
25 envelope to go directly to LA.

1 So we do give them all this information. I do.
2 Because it's really up to them to decide which way they want
3 to go because yes, they do have these different options.

4 But a lot, as you know, the human relations com-
5 mission is very active, but it's strictly Phoenix. If
6 somebody calls from Mesa, Scottsdale, Tempe, or any outlying
7 area, then I give them the state.

8 Q (By Mr. Pena) There ought to be a way of convincing
9 people that if they want to have their discrimination problem
10 resolved immediately so that they could become eligible
11 for the loan or that home that they want, that they ought
12 to take it up here, locally.

13 I don't know if Mesa has a human relations commission,
14 and probably not. And I don't think the county has any-
15 thing like that either, and --

16 A No.

17 Q -- I think that that's one thing you might look at
18 is the local authority of HUD to investigate and resolve
19 discrimination complaints here without having to go to
20 a regional office.

21 A (By Mr. Evans) I might add, Senator, that this was
22 our responsibility until the reorganization a year ago.
23 And one of the unfortunate byproducts has been that the
24 local people who were responsible for investigating these
25 complaints did not wish to relocate, and they have left

1 the service and so now that, I think it is complicated and
2 difficult for Los Angeles to act with any speed.

3 A (By Ms. Lilyquist) I might say part of the rationale
4 about centralizing the complaint unit was that to have
5 it referred to an office who perhaps was doing the dis-
6 crimination or was involved in the discrimination, you know,
7 might make the result of the complaint come out a certain
8 way.

9 It's not even within our jurisdiction, it's directly
10 under the regional administrator, and she has a unit that
11 just does nothing but that. I think they act fairly quickly
12 on complaints but of course, nowhere as quickly as an
13 office which is out there already would have acted on, but
14 that was, some of the thinking was that they would get a
15 more unbiased source.

16 MR. PENA: Thank you.

17 THE CHAIR: Any other questions?

18 Well, we certainly want to thank you.

19 MR. EVANS: We admire your capacity for endurance.

20 THE CHAIR: We have to go to work after this.

21 In this consultation we have attempted to elicit
22 data that establishes a rather clear picture of the
23 state or or proposals for housing for members -- I'm sorry,
24 for minorities and women. And areas have included legis-
25 lation, plans, programs, and the operational effects of these.

1 We've gained selected input from a cross section
2 of persons who have unique insights and experiences into this
3 domain. Unquestionably the area is complex with many
4 nuances and subtleties and hopefully, through this process,
5 we've identified these.

6 The next step is the distillation of this material
7 into an internally consistent report including conclusions
8 and recommendations.

9 On behalf of the committee, I want to extend my
10 thanks to those persons who participated and offered
11 these insights and certainly we're grateful for that.

12 Is there anything that anyone of the committee
13 wishes to say?

14 MR. PENA: Mr. Chairman, was there a fellow by the
15 name of Don Saulis (Phonetic)?

16 THE CHAIR: Yes, he was here but he left.

17 VOICE: He said he had to leave.

18 THE CHAIR: Yes, I had his name on the list to
19 present.

20 Art, anything you wish to say before we close?

21 MR. PALACIOS: Nothing other than thanking every one
22 who did appear and make the presentation. I thought, quite
23 frankly, it was very informative.

24 THE CHAIR: Thank you.

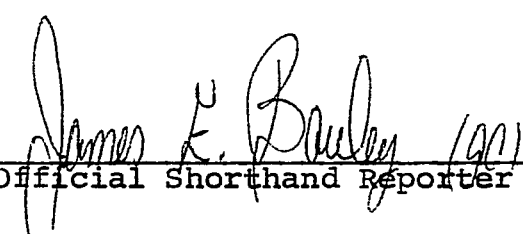
25 (Hearing adjourned)

1 STATE OF ARIZONA

2 COUNTY OF PIMA

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6 I, JAMES E. BOULEY, do hereby certify that I am an
7 Official Shorthand Reporter; that I was present at the
8 hearing of the foregoing matter; that I took down in short-
9 hand all proceedings had and testimony adduced at said
10 hearing; that the same was thereafter transcribed under my
11 supervision, and the foregoing 144 pages represent a
12 complete and accurate transcription of my shorthand notes
13 so taken.

14 WITNESS MY HAND this 29th day of September, 1979.

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18 Official Shorthand Reporter
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