

**7/19/78**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 7/19/78;  
Container 85

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Dean Clift to Vice-President Mondale, w/attachments 16 pp., re: Mtg. w/Yugoslavian delegation <i>10 pp. declassified per RAC NLC-126-13-24-1-0 6/12/13</i>	7/18/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Presidential Handwriting File, 7/19/78 Box 95

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.

THE PRESIDENT'S SCHEDULE

Wednesday - July 19, 1978

---

7:45 Mr. Frank Moore - The Oval Office.

8:00 Dr. Zbigniew Brzezinski - The Oval Office.

8:50 Drop-By Breakfast with House Members/Turkish  
(15 min.) Arms Sales. (Mr. Frank Moore) - State Dining Room.

9:45 Meeting with Congressional Members/Trip Report.  
(20 min.) (Mr. Frank Moore) - The Cabinet Room.

10:45 Mr. Jody Powell - The Oval Office.

11:30 Vice President Walter F. Mondale,  
(30 min.) Admiral Stansfield Turner, Dr. Zbigniew  
Brzezinski, and Mr. Hamilton Jordan.  
The Oval Office.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER *LB*

DATE: JULY 19, 1978

SUBJECT: POSTAL NEGOTIATIONS UPDATE

Here is Wayne Horvitz's report on yesterday's progress in the postal negotiations:

"Contrary to some reports in the press, negotiations have not broken off. FMCS separated the parties early on Tuesday after concluding that it was not useful to keep the full committees at the main negotiation table. We have been meeting separately with both sides since that time.

"There are also a number of negotiations going on at subcommittee level and there are independent unions, i.e. Rural Letter Carriers, that are negotiating separately. We have mediators who are moderating these talks. In most cases, they are making progress.

"The three major issues in the final hours (deadline midnight Thursday) will be wages, cost of living formula, and the so-called option package which includes the demand of the postal service to modify the 'no lay-off' clause and to introduce greater flexibility in the use of the work force. Although the postal service has indicated a willingness to compromise in some of these areas, they have tied their offer to the unions' acceptance of the modified 'no lay-off' clause. The unions say they cannot politically agree to that and as of early this morning, refused to discuss these issues any longer as a package. They advised us that they would only discuss each clause in the package separately and on its own merits. At this stage, management is fearful of that approach. We are meeting with management early this morning to explore that dilemma.

"Management was prepared to put a revised economic package on the table last night. I advised them not to do so in view of the unions position.

"I met with Postmaster General Bolger and James Conway, chief negotiator for the postal service, for two hours last evening and Mr. Conway and I briefed Mr. Bolger. He is ready to meet with the unions personally at any time I ask him to do so."

Frank  
J

THE WHITE HOUSE  
WASHINGTON

Start right away -

Varosha - U.S.

Re  
ptr → Dinkush → Kyprianov

Jim Wright: "Very good!  
What more can we ask?  
Exactly what Brademas &  
I had discussed. Will go  
to John & tell him this  
is enough to warrant support  
of embargo removal"

Speaker "Sounds good. Brief-  
ing from Warren ok"  
(not very interested)

J.C.

4:30 PM

THE WHITE HOUSE  
WASHINGTON

July 18, 1978

TENNIS WITH REPS. RICHARDSON PREYER, DON EDWARDS AND  
SONNY MONTGOMERY

Wednesday, July 19, 1978  
4:30 p.m.  
The Tennis Court

From: Frank Moore *F.M. Moore*

I. PURPOSE

To play tennis with three Members of Congress.

II. BACKGROUND & PARTICIPANTS

Background: You should ask Richardson Preyer to be  
your partner.

Richard Preyer (D-6-North Carolina), who likes to be called Judge Preyer because of his tenure as U.S. district court judge, is a moderate Member of the House. He is Chairman of the Select Committee on Ethics, Chairman of the Government Information & Individual Rights Subcommittee of the Government Operations Committee and a member of the Interstate & Foreign Committee. It is expected that he will assume Paul Rogers' Chairmanship of the Interstate & Foreign Commerce Subcommittee on Health & the Environment in the next Congress.

Preyer's Government Operations' Subcommittee has been considering the deposition of Presidential papers, a bill with which we have substantial disagreement. Preyer's bill asks for a 10 year limitation during which the President, after leaving office, can protect his papers; we are seeking a 15 year limitation. The next step for the bill is consideration by the House Administration Committee, where Chairman Frank Thompson is lined up to help us.

Preyer is one of the most well-respected Members of the House. The Speaker consistently calls on him to handle sensitive matters, such as Congressional ethics. Preyer's support rating for Administration sponsored legislation is 78.7%.

Don Edwards (D-10-California) is probably the most liberal Member of the House, and is especially concerned with constitutional matters such as civil liberties -- human rights, civil rights. He was very active in both the civil rights movement of the '60's and the anti-war movement during the Viet Nam War. Edwards is a former FBI agent and has been a Member of Congress for 15 years. He was the leader of the fight for the ERA extension and won by one vote in the House Judiciary Committee yesterday. Edwards has a 95.7% rating for support of Administration sponsored legislation, making him one of our top supporters in the House.

The last time you met with Edwards, he brought the 1976 Nobel Peace Prize winner, Mairead Corrigan, with him to the Oval Office.

Sonny Montgomery (D-3-Mississippi) is one of the most conservative Members of the House, noted for his strong national defense voting record. He is also a leader in veterans' affairs. He is the spokesman for the POW's and MIA's and has been to Southeast Asia many times to review the situation. He thinks of himself as the Congressional conscience on POW's. You should urge Montgomery to preserve, in Civil Service Reform, as much of the veterans' preference modifications as possible. We need his help in order to get it through the Congress.

Montgomery was close to the Nixon White House and respects the Presidency. We believe he could be cultivated with close personal contact, such as playing tennis. His support for Administration sponsored legislation is 17.9%.

Participants: The President, Reps. Preyer, Edwards and Montgomery.

1:00 PM

THE WHITE HOUSE

WASHINGTON

July 19, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK MOORE *F.M.*  
STU EIZENSTAT *Stu*

SUBJECT: Tax Strategy

You will be meeting with several of your senior advisors today to discuss the status of the tax bill and the appropriate strategy to follow. Secretary Blumenthal will report on meetings he held yesterday with the Speaker and Congressmen Ullman and Rostenkowski.

Background

About three weeks ago, the Jones compromise proposal was about to be adopted by the Ways and Means Committee. That proposal contains several objectionable features, the worst being its repeal of that part of the 1969 Reform Act which applied the minimum tax to capital gains (at a revenue cost of from about \$1.1 to \$1.3 billion).

With your approval, we vigorously opposed the Jones proposal, urging instead that the Committee adopt a straight tax cut (with no rollback in capital gains taxes). We recognized, of course, that some compromise on capital gains might be necessary to get a straight tax cut, but we felt that a compromise did not need to include repeal of the minimum tax nor be beneficial almost exclusively to upper income individuals.

During the past three weeks, Treasury has been working with Democratic members of the Committee to try to fashion an alternative to Jones which could get the required 19 votes. At this point, no such alternative has emerged. The Jones compromise has been moving forward with a head of steam. Any alternative to Jones that might be devised clearly will require considerable compromising on capital gains by the Administration.

### A Possible Compromise

Last week, Treasury concluded that it might be possible to get a capital gains compromise through the Committee if we could get the Speaker to help with the effort and Rostenkowski to be our leader in Committee. (Chairman Ullman has not been very helpful in our efforts to get 19 votes for an alternative proposal: lately, he has been calling the Jones proposal the Ullman-Jones proposal.)

The possible compromise would cost about \$600 million and would include: (i) relief of homeowners from capital gains taxes beyond that already proposed by the Administration; (ii) a 10 percent credit for capital gains on new equity issues (a response to the demand for the encouragement of new equity capital); and (iii) repeal of the provision under which items of preference income reduce the amount of earned income subject to the maximum tax (this would cost about \$45 million and would reduce the theoretical maximum capital gains tax rate (paid by approximately 500 taxpayers in the whole country) from 49 percent to 39 percent). The compromise proposal like the Jones proposal, would also include a graduated corporate income tax up to \$100,000. Such a provision would open substantial new opportunities for tax sheltering, but it has strong political support from small business and is now even backed by some liberals on the Committee.

The basic argument in favor of seeking this type of compromise is that it could be presented as a defeat of Jones and a substantial victory for the Administration in the Committee. Also, this kind of compromise could be presented as a Democratic alternative to Steiger and, on that basis, would stand a solid chance of defeating Steiger in a vote on the House floor.

The basic argument against such a compromise is that the Administration would appear to be retreating from our stance for tax reform and against Steiger and Jones. Recent press accounts of a possible capital gains compromise clearly indicate that just about any compromise will be seen as a reversal of your recent press conference remarks on capital gains. (Your remarks did not oppose capital gains reductions targeted to the middle income classes; but the press has blurred your remarks and will no doubt charge that any compromise, even if targeted to just homeowners is a reversal of your position). In addition, an attempt to compromise might give less credibility to our veiled threats to veto an unsound tax bill.

Acting on your instructions to Secretary Blumenthal that we try to negotiate a compromise proposal, Bill Cable called

Rostenkowski last Friday to see if he would be willing to lead such an effort. Rostenkowski was essentially negative -- he is pessimistic about the prospects for success and somewhat concerned that the Administration will not maintain an equally firm position when the tax bill gets to the Senate. However, he did not flatly reject the proposal and indicated that he would be willing to talk about it this week. However, Secretary Blumenthal saw him yesterday and apparently made no progress with Rostenkowski.

It now appears that there are three scenarios.

1. Rostenkowski agrees to spearhead the compromise proposal and the Speaker agrees to help. Under those circumstances, we would ask Treasury to immediately prepare for you distributional tables showing the effect of the entire tax package as compared to your original proposals. If we agreed that the overall results are acceptable, Rostenkowski would proceed.

2. Rostenkowski decides not to spearhead this effort and the Speaker does not give us any good alternative. In that event, we would let the Committee pass the Jones proposal (and perhaps some other objectionable amendments), indicating that we continue to oppose the proposal and will continue to urge the Congress to face squarely the issues of tax reform and tax reduction.

3. Secretary Blumenthal indicates that we might be able to get 19 votes for a compromise which is somewhat between the compromise proposal described above and Jones. At that point, we will have to determine whether the new proposal is, as a political matter, undistinguishable from Jones or whether it still would represent a substantial victory over Jones.

At today's meeting, we hope to be able to discuss thoroughly the likelihood of each scenario, as well as our own actions, under each scenario, in the Ways and Means Committee, the House, the Senate Finance Committee and the Senate. In that context, we need to discuss carefully the politics of a veto and a veto override of the tax bill.

THE WHITE HOUSE  
WASHINGTON

FOR THE RECORD:

FRANK MOORE WAS GIVEN A COPY OF  
THE ATTACHED ON July 19

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

Frank  
done  
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*  
SUBJECT: TALKING POINTS - CIVIL SERVICE REFORM  
CALLS

BACKGROUND

I have just spoken with Scotty Campbell and the situation on civil service is continuously changing. We now feel that it is more appropriate for you to call Cong. Lehman and Cong. Heftel to thank them for their help on the amendments. Talking points are listed below. We have withdrawn the request for the Vice President to make these calls.

We also feel it would be helpful for you to call Cong. Udall to get his help in reconsidering the Spellman amendment. We will have those talking points to you in a few minutes.

Provisions of Lehman-Heftel amendments: (Talking Points)

- Item 1. Will be introduced by Cong. Lehman dealing with the scope of bargaining. It preserves some rights to management.
- Item 2. We do not have a sponsor.
- Item 3. Deals with grievance arbitration procedures. The purpose is to limit those matters that may be arbitrated to the same matters that are subject to appeal.
- Item 4. Deals with which agencies are covered. Basically, it is to protect the FBI, CIA and other national security agencies.

- Item 5. Deals with amount of time employees are allowed to do union business and to limit that time to a reasonable amount.
- Item 6. Has to do with the independence of federal labor relations authority and whether the President can remove them. We agree that they should be removable only for a cause, but we want the President to be able to remove the General Counsel and impasse panel members.
- Item 7. This is a question of how unions get exclusive recognition, and we want an election to be required.
- Item 8. Deals with judicial involvement. We want to limit judicial involvement to enforcement issues rather than adjudication issues.

TALKING POINT FOR PRESIDENTIAL CALL TO MO UDALL

Congressman Udall is almost ready to bring the Spellman amendment to Title IV up for reconsideration. We believe that the time is right to defeat this amendment.

You may want to report to Udall on your calls to Lehman and Heftel and then ask him if he feels the time is right to bring up the Spellman amendment for reconsideration. You should tell him that if he feels it is the right time, you would appreciate his bringing the amendment to the floor for reconsideration but that judgment should be Udall's.

← Do on floor/conf

Heftel: "Mo has told Spellman he will not try for reconsideration"  
Call Gladys"

Heftel needs protection from labor.

THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALL

TO: Cong. Dick White (D-Tex.)  
Cong. Pat Schroeder (D-Colo.)  
Cong. Leo Ryan (D-Calif.)

DATE: July 19, 1978

RECOMMENDED BY: Scotty Campbell, CSC  
Frank Moore *F.M./SR*  
Les Francis  
Terry Straub

BACKGROUND: The labor relations section on  
civil service reform will be marked  
up today, and there will be 8  
Administration amendments offered  
to bring the committee proposals  
closely in line as possible with  
your recommendations.

Cong. Bill Lehman (D-Fla.) *done* and  
Cong. Cecil Heftel (D-Hawaii) will  
introduce amendments on behalf of  
the Administration. We will ask  
the Vice President to call them to  
thank them for their support.

TALKING POINTS: You should ask White, Schroeder and  
Ryan to support the Heftel-Lehman  
amendments today.

Date of Submission: July 19, 1978

cc: Phil Wise  
Rick Hutcheson

CALL TO LEHMAN:

Lehman is very concerned about the Advisory Committee on the Census. He will not introduce the labor relations provision unless we have approval of his proposed Advisory Committee on the Federal Census.

If Lehman asks, we should state that approval has been obtained (from OMB) and that a letter will be delivered to him this afternoon before mark-up (2:00 p.m.) expressing such approval.

*already  
received.  
He's pleased*

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

The Vice President  
Stu Eizenstat  
Hamilton Jordan  
Tim Kraft  
Frank Moore  
Jody Powell  
Jack Watson  
Anne Wexler  
Jerry Rafshoon  
Jim McIntyre

The attached was returned in the President's  
outbox today and is forwarded to you for  
your information and/or appropriate handling.

The original has been given to Bob Linder  
for distribution.

Rick Hutcheson

LAW ENFORCEMENT, BORDER MANAGEMENT AND  
IMMIGRATION REORGANIZATION PLAN

THE WHITE HOUSE  
WASHINGTON

Mr. President:

DPS, Congressional Liaison  
and Tim Kraft strongly concur.

Rick/Bill



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

Q

18 JUL 1978

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Harison Wellford for JTM*

SUBJECT: Law Enforcement, Border Management and  
Immigration Reorganization Plan

On June 30, you approved my recommendations (concurring in by Judge Bell and Secretary Blumenthal) to send a Reorganization Plan to Congress to establish a Border Management Agency in Treasury, center immigration policy in INS in Justice, and transfer firearms and explosives enforcement from Treasury to Justice.

Since that decision, the question of the timing for sending the Plan to Congress has been discussed and debated.

Developments since June 30 lead me to strongly recommend postponement of submission of the Plan until January, 1979. These developments include:

1. Chairmen Ribicoff and Brooks have both reviewed their Committees' agendas (e.g., Education Department Bill and Civil Service Plan) and have strongly urged that no additional controversial reorganization plans be sent to Congress this year which would require extensive hearings (as would this Plan). They have indicated that another, relatively non-controversial plan would be acceptable. We will be sending a decision memorandum regarding such a plan to you this week to streamline the ERISA pension regulatory process.
2. Growing Hispanic concerns, including police brutality charges in Texas and concerns over INS Commissioner Castillo's future also cloud the picture.
3. While not a new development, the AFGE union (AFL-CIO) continues to vigorously oppose the Plan, and



THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR:

THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE ATTORNEY GENERAL  
THE DIRECTOR OF THE OFFICE OF  
MANAGEMENT AND BUDGET

SUBJECT:

Law Enforcement, Border Management,  
and Immigration Policy Reorganization

On June 30th I made several decisions concerning the reorganization above recommended by Director McIntyre, my Reorganization Project Staff, and the Departments of Justice and Treasury. Since then, Congressional leaders have requested that the Plan not be submitted until early next year. I agree with their recommendations, but I wish to make it clear that I do plan to reorganize these functions to make them more efficient and compassionate. We should use the additional time before submitting the Plan to continue our consultations with the Congress and other interested parties. In this regard:

1. I plan to defer submitting to the Congress the Reorganization Plan developed pursuant to my June 30, 1978 decisions until January, 1979.
2. I hereby direct each of you to provide support and assistance to my Reorganization Project and to have your organizations develop supporting materials and implementation plans, as appropriate, so that, by December, 1978, all necessary consultations will have been completed, detailed implementation plans will have been prepared, and a draft of the Plan, Message, and related documents will have been submitted to me.

*Jimmy Carter*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

July 18, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

Subject: Housing Starts and Personal Income in June

Statistics will be released tomorrow (Wednesday, July 19) on new housing starts (2:30 p. m.) and personal income (10:30 a.m.) in June. The news is relatively good.

Housing Starts

Housing starts increased 1 percent in June to an annual rate of 2,099,000. This is a surprisingly strong showing in view of the substantial tightening of conditions in the mortgage market in recent months. Single-family starts (which are more responsive to changes in mortgage market conditions than multi-family starts) did decline by 4 percent, but this drop was more than offset by a rise in multi-family starts.

Residential building permits were up sharply in June, by 13 percent. Part of the rise -- though not all -- was due to a new California law that requires strict energy conservation standards on new homes for which construction begins after July 1, 1978. As a result, permits jumped significantly in the West last month as builders tried to beat the deadline. However, permits remained relatively high, or went up, in other sections of the country as well.

The housing industry is thus displaying a great deal of resilience to increasing constraints in financial markets. Recent developments in the housing finance area may help to maintain this resilience. Since June 1, the major savings institutions that supply mortgage credit (savings and loan associations, mutual savings banks, and commercial banks) have been able to offer to their savings customers a 6-month deposit certificate with an interest rate tied to the 6-month Treasury bill rate. Reports indicate that sales of these new certificates have been very good and that the institutions have been able to increase their deposit inflows despite rising market interest rates.

Personal Income

Personal income rose 0.9 percent in June -- a little more than the (downward-revised) 0.7 percent increase in May. This is not a large increase -- aggregate wages and salaries rose only 0.7 percent in June, and even less in May. The relatively slow growth of personal income these past two months, however, is consistent with our expectation that the pace of economic expansion would moderate after the March - April rebound in activity.

Farm income is increasingly showing the effects of rising farm prices. Net farm income fell to an annual rate of \$16-1/2 billion in the third quarter of last year, but since then has risen sharply, to an annual rate of \$26-1/2 billion in June. The June annual rate was exceeded only in one year -- 1973 -- when an exceptional rise in farm prices occurred.

These personal income and housing start figures are the last ingredients to the construction of a second-quarter GNP estimate by the Commerce Department. That estimate will probably be available tomorrow.

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATORS ON TURKEY/GREECE

Wednesday, July 19  
8:50 a.m. (about 20 minutes)  
State Dining Room

From: Zbigniew Brzezinski *ZB*  
Frank Moore *F.M./BR*

I. PURPOSE

To ask for support to lift the Turkish embargo and mention problems with passage of Helms Amendment on Rhodesia.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: This is another in the series of breakfasts with Members to discuss lifting the Turkish embargo. The 17 Senators attending are undecided or leaning pro and con. We have also invited Senators Bentsen and McGovern who will be taking a leadership role on the floor.

We now think that the Security Assistance Bill may come up as early as Thursday or Friday. We met with Byrd and Baker on Tuesday. Byrd is organizing the Democrats. Baker confirms our vote count on the Republicans. He has asked that he, himself, be listed as leaning pro and not solid. Our latest vote count is attached.

As you know, the Turkish vote and the Rhodesian vote on the Security Assistance Act are becoming interlocked. Although those asked have been chosen primarily because of their position on Turkey, it would be extremely useful if at the end of your remarks you would mention our problems with the Helms Amendment.

When you enter, the group will have been briefed for 30 minutes by Secretary Brown, Clark Clifford, and Warren Christopher. Matthew Nimetz is available to answer questions.

## B. Participants

Sen Lloyd Bentsen (D-Texas)  
 Sen Clifford Case (R-N.J.)  
 Sen Dick Clark (D-Iowa)  
 Sen John Culver (D-Iowa)  
 Sen Dennis DeConcini (D-Arizona)  
 Sen Pete Domenici (R-N.Mexico)  
 Sen Wendell Ford (D-Kentucky)  
 Sen John Glenn (D-Ohio)  
 Sen Mark Hatfield (R-Oregon)  
 Sen Paul Hatfield (D-Montana)  
 Sen Keneaster Hodges (D-Arkansas)  
 Sen J. Bennett Johnston (D-La.)  
 Sen Patrick Leahy (D-Vermont)  
 Sen Richard Lugar (R-Indiana)  
 Sen George McGovern (D-S.Dakota)  
 Sen Bob Packwood (R-Oregon)  
 Sen James Sasser (D-Tenn.)  
 Sen Richard Schweiker (R-Pa.)  
 Sen Edward Zorinsky (D-Neb.)

Secretary Brown, Clark Clifford, Deputy Secretary Christopher, and Matthew Nimetz available to answer questions.

State: Nelson Ledsky

DoD: Jack Stempler

WH/NSC: Bob Beckel, Madeleine Albright

## C. Press Plan: White House photographer

### III. TALKING POINTS

#### A. Turkey

1. The Eastern Mediterranean initiative is the most immediate and urgent foreign policy priority on the current legislative agenda.
2. The proposals are designed to break the impasse which is (a) frustrating progress on the Cyprus problem; (b) straining relations with two valued allies, Greece and Turkey, and (c) contributing to the serious deterioration of U.S. and NATO security interests in the Eastern Mediterranean.
3. Actions of this Turkish Government since January have convinced me of its sincerity. They have

also convinced our European allies. As a matter of fact, Senator Byrd, who last week returned from a trip to NATO headquarters on my behalf, reported that all our allies with whom he spoke told him of the need to lift the embargo. Under these circumstances, the embargo imposed on Turkey in 1975 is an impediment rather than an aid to our search for solutions in the Eastern Mediterranean.

4. Especially in this time of uncertainty over Soviet intentions, we need a strong, democratic, reliable Turkey at the southern flank of NATO. We need a Turkey working with Greece. The present Turkish Government wants to be that kind of ally. Its current leaders want to bring about social and economic progress and maintain a democratic, Western orientation for Turkey. They also want to settle the Cyprus problem and the more direct bilateral Greek-Turkish issues.
5. Although the Turks have not fully responded to all our suggestions, it is fair to say that they have been quite forthcoming in the last few weeks:
  - a. They have withdrawn 2 battalions of troops (1,250) from Cyprus.
  - b. They have indicated their willingness to work out arrangements for the return of refugees to Verosha, and they have recently indicated a willingness to reopen Nicosia airport.
  - c. They have made clear that their positions on refugees, territory, and form of government are only starting points for negotiations and are not rigid.
6. I entirely support Senator Byrd's suggestion that Verosha be put under United Nations administration so that the Greek Cypriot refugees can begin returning to the city. I would hope that very soon the parties involved could come to such an agreement.

B. Rhodesia

1. Passage of the Helms Amendment could deal an extremely damaging blow to our negotiating efforts in both Namibia and Rhodesia and would offer the Soviets new opportunities in Africa.
2. The Namibia settlement is still fragile, and we need the continued assistance of the Front Line states in dealing with SWAPO.
3. Namibia demonstrates what we can accomplish when our position as an honest broker is accepted by the parties. This is the same role we and the British have carved out for ourselves in Rhodesia.
4. Rather than speeding the end of violence in Rhodesia, passage of the amendment is likely to increase the possibility of further conflict. It would strain our relations with the Patriotic Front and Front Line states, reducing our influence with them.
5. Passage would encourage the internal parties not to negotiate and cause the Patriotic Front and the Front Line states to turn increasingly to the Cubans and Soviets for arms.
6. Passage would place us in the embarrassing position of officially violating UN sanctions, probably standing alone with South Africa. Our relations throughout Africa would be dealt a real blow.
7. Our capacity to work through UN Security Council resolutions for peace in the Middle East could be impaired.

Attachment

Turkish Embargo Vote Count

Administration Confidential

(31)	(21)	(11)	(21)	(16)
+	L +	?	L -	-
Bentsen	Cannon	Byrd, Harry	Allen	Abourezk
Bumpers	Chiles	Hodges	Anderson	Biden
Byrd, Robert	Culver	Jackson	Bayh	Cranston
Church	Glenn	Muskie	Burdick	Durkin
Eastland	Hart	Randolph	Clark	Eagleton
Ford	Inouye	Sasser	De Concini	Haskell
Gravel	Johnston	Talmadge	Hathaway	Hollings
Huddleston	Long	Zorinsky	Humphrey	Kennedy
McGovern	<del>Magnuson</del>	Hatfield	Leahy	McIntyre
Morgan	Matsunaga		Metzenbaum	Pell
Nunn	Melcher		Moynihan	Riegle
Ribicoff	Nelson		Proxmire	Sarbanes
Sparkman			Williams	Stevenson
Stennis			<del>Magnuson</del>	Stone
Bartlett	Baker	Dole	Brooke	Roth
Bellmon	Case	Packwood	Domenici	Weicker
Chafee	Garn	Helms	Hatfield (Oreg.)	
Curtis	Hansen		Heinz	
Danforth	<del>Helms</del>		Javits	
Goldwater	Lugar		Laxalt	
Griffin	Schmitt		Percy	
Hatch	Stevens		Schweiker	
Hayakawa	Thurmond			
Mathias				
McClure				
Pearson				
Scott				
Stafford				
Tower				
Wallop				
Young				

MEMORANDUM

OFFICE OF THE VICE PRESIDENT  
WASHINGTON

INFORMATION

~~CONFIDENTIAL~~

Memo No. 510-78

July 18, 1978

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift

SUBJECT: Meeting with Yugoslav Assembly President and  
Members of Assembly Delegation, Wednesday,  
July 19, 1978, 10:45 a.m.

Dragoslav Markovic and members of his delegation (list and biographies at Tab B) are in the U.S. on a parliamentary exchange visit as the guests of Speaker O'Neill. Warren Christopher met with Markovic (addressed as Mr. President) and his colleagues on July 18, with much of the discussion focused on US-Soviet relations. State has sent you a detailed background paper for the meeting (Tab A). It is my understanding that the Yugoslavs would welcome your views on Middle East developments as well as your comments on bilateral relations.

Among the points I think you may wish to make:

- Note the importance of the US-Yugoslav parliamentary exchanges to our bilateral relationship.
- Stress the importance we attach to Yugoslavia's independence, territorial integrity and unity;
- Note the good results of your May '77 visit, Kardelj's visit, Tito's visit, the excellent status of our relations and the importance the President attaches to good relations;
- Note your satisfaction that when you were in Yugoslavia you were able to announce the export license for Krysko. Now almost all arrangements have been worked out for enriched fuel for the plant. All that is required is the actual export license from the NRC (Christopher said on July 18 that the NRC is independent but that the Administration is optimistic that the license will be approved.

CONFIDENTIAL

DECLASSIFIED

Per: Rac Project

ESDN: NLC-136-13-24-1-0

BY KS NARA DATE 6/10/13

~~CONFIDENTIAL~~

On the Middle East,

- Note that you were not in Israel and Egypt to negotiate, but that your visit did lead to agreement on the London talks and we are pleased that the Foreign Ministers are now meeting at Leeds Castle.

DEPARTMENT OF STATE  
WASHINGTON

MEMORANDUM FOR: THE VICE PRESIDENT

FROM: Warren Christopher, Acting

SUBJECT: Your Meeting with Dragoslav MARKOVIC,  
President of the Assembly of Yugoslavia,  
and Members of the Assembly Delegation,  
10:45 a.m., Wednesday, July 19, 1978

I. OBJECTIVES

Markovic and several members of his delegation are visiting the United States for the first time. Our objectives are to honor them as senior leaders of the Yugoslav Government, to convince them of the importance we attach to relations with Yugoslavia, to hold substantive talks on a wide range of subjects, and to expose them to American political life. During the talks we should reiterate our strong support for Yugoslavia's independence, territorial integrity and unity. We should also reaffirm, as we did during Tito's visit, our respect for Yugoslavia's policy of nonalignment, and we should encourage further the process of bilateral consultation at the highest levels as well as more active contacts at every level.

The Yugoslavs will be particularly interested in recent developments in US-Soviet relations, in the results of your recent visit to the Middle East, and in U.S. views of nonalignment in the context of the Nonaligned Foreign Ministers' meeting in Belgrade later this month. They will also want to learn all they can about the U.S. political process, to present Yugoslav views on several global issues and to encourage our trust in their abilities to manage Yugoslavia's affairs with skill and commitment, now and in the post-Tito future.

## II. SETTING

The Yugoslavs feel that they have a special rapport with you because of your highly successful visit to Belgrade in May, 1977, and your active participation in the visit by Edvard Kardelj last fall and by President Tito in March. Their meeting with you, at which we strongly hope that the President will put in an appearance, will be the most important event of their week-long stay in this country.

Markovic has recently (May 1978) become President of the Assembly (Parliament). In that capacity, he inherited an invitation from House Speaker "Tip" O'Neill to reciprocate the visit by Speaker Albert's delegation to Yugoslavia in 1975. Tito met with that group for two hours and has received other senior U.S. officials including Members of Congress. The present group consists of 11 Assembly Members and 5 staffers. In Yugoslav protocol, Markovic ranks ahead of the Prime Minister and just below Tito and the other members of the State Presidency. He combines the functions of the Speaker of the House and the President of the Senate in Yugoslavia's Assembly.

The delegation is the first of consequence to come here since Tito's State Visit in March. The Yugoslavs take this visit very seriously, as indicated by the front page announcement (Borba, July 10) that Tito met with Markovic in connection with his visit to the U.S., and it is likely that Markovic will be carrying a personal message from Tito to the President.

Besides this meeting with you the group will have several meetings with Congressional leaders, will meet with me for a thorough discussion of global issues, will meet Governor Brown for lunch in Los Angeles, and will meet with several other officials and businessmen.

### Courtesy Points

-- You may wish to congratulate Markovic on his election as Assembly President.

-- You may refer in positive terms to the recent Party Congress which confirmed the Yugoslav policy of nonalignment abroad and self-management at home.

### III. KEY ISSUES

#### A. Bilateral Relations

U.S. Objectives: To convince the Yugoslavs that the United States supports Yugoslavia's independence, territorial integrity and unity; that we seek cordial relations; that we respect Yugoslavia's commitment to nonalignment; that we are interested in Yugoslavia's economic well-being; and that we value the further broadening of contacts at all levels.

Yugoslav Objectives: To indicate that Yugoslavia is sincere in its efforts to strengthen ties with the U.S.; that it maintains a balanced foreign policy through its support for detente and its commitment to nonalignment; that it remains staunchly independent; and that it seeks closer and more balanced economic ties with the West and especially with the U.S.

Essential Factors: Relations have improved markedly over the past year and one-half, and this trend continues. The visits by you last May, by Edvard Kardelj last fall and by President Tito in March were high points. Defense Secretary Ljubicic is expected in September in return for Defense Secretary Brown's visit to Yugoslavia last October, and a Yugoslav Party delegation has been invited for this fall. From our side, Ambassador Young and Governor Harriman will each be in Yugoslavia this month for high-level talks. Two recent problems -- the terms for providing nuclear fuel for the Krsko (KEER-Shko) Nuclear Power Plant, and Yugoslav guarantees for Exim Bank loans -- have apparently been resolved, and we expect further expansion of trade and investment. There are no major problems now pending and we want to keep it that way.

#### Points to be Made:

-- We are delighted with the positive development in relations over the past year and one-half, highlighted by your visit and those of Mr. Kardelj and President Tito.

-- We view this visit by such a distinguished delegation from the Assembly of Yugoslavia as a further means of broadening the mutual understanding which has been developing so successfully. We attach major significance to good relations with Yugoslavia and hope to continue this beneficial improvement.

-- Besides further visits in both directions, we hope that those concrete problems which arise can continue to be resolved in the best interests of good relations.

-- We continue, as in the past, to support Yugoslavia's independence, territorial integrity and unity.

-- We are pleased with the apparent resolution of the Krsko nuclear fuel issue and the Exim Bank operating procedures.

-- We strongly support the further expansion of bilateral economic ties through trade and investment, and we welcome the establishment of joint working groups on economic issues.

#### B. US-Soviet Relations

U.S. Objectives: To assure the Yugoslavs that despite recent strains in the relationship, we continue to pursue detente and meaningful arms control measures with the Soviet Union; that we are troubled by the recent trials of dissidents in the USSR; and that we seek the reduction of competition in third areas.

Yugoslav Objectives: To seek our views on current problems with the Soviets, particularly in the arms control and human rights areas, and to argue for more understanding and accommodation between the U.S. and USSR.

Essential Factors: Politically and strategically balanced between East and West, Yugoslavia is a potential victim of any great-power confrontation, and therefore seeks to keep both superpowers at arms length. But it sees itself as capable of bridging some of the differences between East and West, especially in times of lower tension.

#### Points to be Made:

-- US-Soviet relations continue to be marked by areas of cooperation and areas where there are sharp differences. We seek a SALT II Agreement which is fair to both sides, and are pleased with the progress on this and other arms control questions. Our goal is the actual reduction of nuclear weapons and their eventual abolition.

-- We are concerned about the human rights situation in the Soviet Union and in other countries. Our purpose is not to single out any one country or group of countries, but to seek improvement in the observance of basic human rights throughout the world, in accord with the principles enunciated in the UN Universal Declaration of Human Rights and the Helsinki Final Act.

-- The U.S. Government and people are naturally concerned about the trials of Soviet dissidents and feel that we cannot be silent on such matters.

-- We also hope that US-Soviet tensions in third areas can be minimized. It is our firm conviction that in Africa, the Middle East and elsewhere, the peoples and governments involved should resolve their own problems without outside interference. We are prepared to be helpful where our assistance is requested to help resolve problems by peaceful means. We would welcome a similar approach from the Soviet government.

C. Middle East/Africa

The Yugoslavs will be particularly interested in your views on the Middle East situation, including the results of your recent trip to the area and the tripartite foreign ministers' meeting in London. They will also want to hear our latest views on various African problems, including progress toward settlement of the Namibia and Zimbabwe (Rhodesia) issues.

D. Nonaligned Movement

U.S. Objectives: To express our support for Yugoslavia's commitment to a nonaligned foreign policy and for Yugoslavia's efforts to moderate radical views within the Movement.

Yugoslav Objectives: To portray nonalignment as a policy which plays an essential role in seeking to resolve disputes peacefully.

Essential Factors: Belgrade will host the Non-aligned Foreign Ministers' meeting later this month. This will be the main preparatory meeting for the next non-aligned summit, scheduled for Havana in mid-1979. The

issues discussed at Belgrade will therefore be of special importance both to Yugoslavia and to the Movement. Among the most urgent are nonaligned unity in the face of continuing conflicts between member states and efforts by some "radicals" to polarize the Movement. We are, of course, particularly concerned about Cuba's role within the Movement, and with the views of the Movement on issues of interest to us (e.g., Puerto Rico, foreign troops in Korea, the Middle East and the issue of Zionism as racism).

Points to be Made:

-- We respect Yugoslavia's commitment to non-alignment and sympathize with its efforts to play a moderating influence in the Movement.

-- We share Yugoslavia's concern about Cuban activities in Africa and feel that they raise serious questions about Cuba's nonaligned status.

-- We will study carefully the results of the Belgrade meeting of the Nonaligned Foreign Ministers later this month.

YUGOSLAV DELEGATION

Dragoslav Markovic, President of the Assembly of the Socialist  
Federal Republic of Yugoslavia

Dobroslav Clafic, President of the Federal Chamber of the  
Federal Chamber of the Assembly of the Spry

Bogdan Crnobrnja, President of the Committee for Foreign  
Economic Relations of the Chamber of  
Republics and Provinces

Zoran Zagar, President of the Chamber of Republics and Provinces  
Committee for Credit and Monetary System

Momir Kapor, Delegate in the Federal Chamber, Member of the  
Commission for Elections and Appointments,  
Member of the Committee for Foreign Policy

Vukasin Micunovic, Delegate in the Federal Assembly, Member of the  
Committee for Social Economic Relations

Milos Nikolci, Delegate in the Federal Assembly, Member of the  
Committee for Foreign Policy

Mito Pejovsk, Delegate in the Chamber of Republics and Provinces,  
Member of the Committee for Finance and the  
Committee for Credit and Monetary System

Ivo Senjanovic, Delegate in the Chamber of Republics and Provinces,  
Member of the Commission for Elections and  
Appointments, Member of the Committee for  
Foreign Economic Relations

Milka Scepanovic, Delegate in the Chamber of Republics and Province  
Member of the Commission for Elections and  
Appointments, Member of the Committee for  
Foreign and Economic Relations

Sait Zatriqi, Delegate in the Federal Chamber, Member of the  
Committee for Internal policy

Advisors:

Janez Lukac, General Secretary of the Assembly of the Spry

Budimir Lazovic, Chef De Cabinet for the President of the Assembly  
of the Spry

Jelko Zagar, Counselor to the President for Foreign Policy  
Questions

Vladeta Zunic, Secretary of the Committee of the Federal Chamber  
for Foreign Affairs

Bozidar Crnjak, Deputy Chief of Political Administration in the  
Federal Secretaria for Foreign Affairs

Accompanying Staff:

Jelena Zimonjic, Chief of Protocol of the Assembly

Olga Bambic, Interpreter

Jeremija Lopatic, Inspector in the Federal Secretariat for  
Internal Affairs.

Jelka Brajovic, Interpreter

EMBASSY OF YUGOSLAVIA

H. E. Dimice Belovski, Ambassador

Mr. Vladimir Matic, Counselor

HOUSE OF REPRESENTATIVES

Honorable Dan Rostenkowski, Member of Congress

Peter A. Abbruzzese, Staff Consultant

House Committee on International Relations

Elisabeth Daoust, Protocol

THE WHITE HOUSE  
WASHINGTON  
July 19, 1978

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Hamilton Jordan

RE: COST CONTAINMENT

FOR STAFFING
FOR INFORMATION
<del>FROM PRESIDENT'S OUTBOX</del>
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION -

ACTION  
FYI

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
EIZENSTAT
<input checked="" type="checkbox"/> JORDAN
KRAFT
LIPSHUTZ
<input checked="" type="checkbox"/> MOORE
POWELL
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BOURNE
BUTLER
H. CARTER
CLOUGH
COSTANZA
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
JAGODA
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
PRESS
RAFSHOON
SCHNEIDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

THE WHITE HOUSE  
WASHINGTON

July 18, 1978

To: The President

Fy1.  
Frank  
We are  
Serious  
J

MEMORANDUM TO FRANK MOORE

FROM: BILL CABLE / Les Francis

The Commerce Committee met this morning to consider the hospital cost containment legislation. By a vote of 22 yeas, 21 nays, they adopted an amendment offered by James Broyhill (R-NC) that makes the cost containment legislation totally voluntary. The crucial vote was cast by Marty Russo (D-Ill), who had consistently been with us and for some yet to be explained reason when he fully knew his vote was decisive, he voted for the Broyhill amendment and made the bill nearly meaningless. The Committee then went on to report the bill. At this point, the action switches to the Ways and Means Committee where Dan Rostenkowski's Subcommittee has reported a bill much more to our liking. If we are serious about pressing for cost containment legislation, we need to work with Congressman Rostenkowski to ensure that he will cooperate in moving a bill through the Ways and Means Committee. Congressman Rogers feels that if Dan Rostenkowski acts, we could still end up with an acceptable hospital cost containment bill.

THE WHITE HOUSE  
WASHINGTON

Please read prior to 9:45  
meeting.

Apparently Senator Byrd  
plans to talk with you  
about this, privately,  
at/during/before/after  
meeting.

THE WHITE HOUSE

WASHINGTON

July 19, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M. lbr*  
BOB THOMSON *BT*

SUBJECT: TALK WITH SEN. BYRD REGARDING  
ONE-HOUSE VETO

Senators Schmitt and possibly Tower will propose a one-house veto for HUD regulations as an amendment to the HUD authorization bill today or tomorrow. Without strong leadership support, we could lose. Cranston has already agreed to help. Proxmire, the floor manager, is strongly on our side. The Majority Leader is an enigma.

We recommend you pull Senator Byrd aside this morning before or after the Bonn Summit briefing to solicit his active support. You will find him more responsive to arguments against this particular one-House veto (see talking points) rather than against the concept of the one-house veto itself.

Talking Points:

- A legislative veto provision applicable to all HUD regulations would break new ground in the Senate. It would be the broadest and most general legislative oversight provision ever adopted.
- Such a provision would create an enormous new workload for the Senate staff. The volume of HUD's regulatory activity is very great. Advising the Senate on the details of all new proposed regulations would rob staff people of time normally devoted to substantive legislation. The only alternative is greatly increased staff support.

- Traditional Congressional oversight tools have been effective. Power over the appropriations process, and the capacity to make legislative corrections when an agency misinterprets Congressional intent, adequately assure Congressional control.
- A risk exists that a one-house veto provision can actually dilute the Senate's control over the administration of HUD's program. When the House and Senate differ substantially over the meaning of an enactment, either can effectively block the agency's implementation of any policy.

EXAMPLE: In HUD's Community Development Block Grant program, the Senate has pressed for "targeting" of grant funds to low- and moderate-income areas. HUD's attempt to implement such targeting by regulations was a major factor in inspiring the House legislative veto proposal. The House has opposed targeting in the block grant program.

- This Department-wide legislative veto proposal, in spite of its massive impact on the administration of HUD programs, has not been subjected to hearings in either house. The importance of such an amendment is too great to be afforded only floor consideration.
- This one-house veto proposal virtually ensures that the sun belt - frost belt controversy will be on the Senate floor each time HUD issues major program regulations. Obviously, this means delay of other legislation.

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATORS AND CONGRESSMEN ON BONN SUMMIT

Wednesday, July 19  
9:45 a.m. (about 30 minutes)  
Cabinet Room

From: Frank Moore *F.M./GR*  
Henry Owen *HO/HA*

I. PURPOSE

To brief Senators and Congressmen on the Bonn Summit

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: We invited the Leadership, Chairman, and ranking Members of the SFRC, HIRC, Finance, Energy, House Banking, and Joint Economic Committees for this briefing. Henry Owen will have provided background information for 15 minutes before you enter.

B. Participants:

Sen Clifford Case (R-N.J.)  
Sen Frank Church (D-Idaho)  
Sen Alan Cranston (D-Cal.)  
Sen Carl Curtis (R-Neb.)  
Sen Clifford Hansen (R-Wyoming)  
Sen Henry Jackson (D-Wash.)  
Sen Jacob Javits (R-N.Y.)  
Sen Abraham Ribicoff (D-Conn.)  
Sen John Sparkman (D-Ala.)  
  
Rep John Anderson (R-Ill.)  
Rep Thomas Ashley (D-Ohio)  
Rep Richard Bolling (D-Missouri)  
Rep William Broomfield (R-Michigan)  
Rep Garry Brown (R-Mich.)  
Rep Barber Conable (R-N.Y.)  
Rep John Dingell (D-Mich.)  
Rep Stephen Neal (D-N.C.)  
Rep John Rhodes (R-Arizona)  
Rep Harley Staggers (D-W.Virginia)  
Rep Al Ullman (D-Oregon)  
Rep Clement Zablocki (D-Wis.)

3. The Summit was a success because we developed a concerted package -- one to which each can contribute and from which each can draw benefit. The US played a large role in bringing this about. We pledged:

-- To intensify fight on inflation.

-- To carry through our energy program. We made no secret deals or promises but reiterated our goals.

-- To do our part in increased aid to LDCs.

4. I need your help in making this concerted program effective:

-- help on aid bill, when it comes up for vote soon;

-- help in passing energy bill;

-- help in holding the line on tight budget.

WH/NSC: Henry Owen, Dan Tate, Bob Beckel  
Madeleine Albright

- C. Press Plan: Brief photo session with open mikes when you arrive. White House press photographer

### III. TALKING POINTS

During the Summit, we dealt with matters which bear directly on the U.S. economy. I believe that what we accomplished will be of direct benefit to American businessmen and consumers.

#### 1. What did we accomplish?

a. German pledge to take measures (probably about 1% of GNP) in September to expand domestic demand.

b. Japanese pledge to take expansionist action in September, if 7% growth cannot be achieved otherwise; also agreed to facilitate imports and moderate exports, in order to reduce its external surplus.

c. All seven countries confirmed the progress in trade negotiations achieved before the Summit, and instructed the negotiators to complete their work by December 15, with particular attention to two areas of interest to us: safeguards and subsidies.

d. All seven countries agreed to provide more aid to developing countries, particularly to help them increase their production and conservation of energy.

e. Hijacking agreement.

#### 2. What does it add up to?

a. German and Japanese growth means more demand for US exports.

b. Progress in trade negotiations means more US access to markets abroad and greater success in fighting inflation at home.

c. More aid to help LDCs produce and conserve energy could, over the longer term, lower oil prices.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

19 July 1978

TO: THE PRESIDENT

FROM: RICK HUTCHESON *RH*

SUBJECT: Memos Not Submitted

1. SECRETARY PAT HARRIS sent you a report on outreach efforts conducted by HUD in developing the FY 1980 housing and community development program and budget. Meetings were held in selected urban areas between HUD outreach teams, State and local officials, and representatives from fair housing and community development groups. In addition, two full-day sessions were held in Washington between HUD officials and representatives of nationally recognized interest groups. 3500 pages of testimony were compiled. "The views and information gained through the outreach effort will prove useful and valuable to the Department as we formulate our FY 1980 legislation and budget."
2. JIM MCINTYRE MEMO. Brock Adams and Doug Costle recently completed negotiations which will enable their agencies to coordinate transportation planning and air quality planning grant monies more effectively.
3. FRANK PRESS forwarded to you some information from the Superintendent of the US Naval Observatory about their discovery of a satellite of Pluto.
4. SCOTTY CAMPBELL submitted for your signature letters to former Cabinet members, former Civil Service Commissioners and other prominent supporters of your Civil Service Reform package, for the purpose of "maintaining their interest and efforts on our behalf." These can be auto-penned. *de*

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

To Fred Anderson

I am grateful for the support your organization has given to my civil service reform proposals. I wish to advise you about where the proposals now stand in the Congress.

The Senate Committee on Governmental Affairs recently voted to report the bill out. With one major exception (the elimination of any modifications to veterans' preference), the Committee's actions were favorable. We shall try to get this restored on the Senate floor and will be helped in that effort by the 16 to 9 House Committee vote in favor of my proposal in this area.

The House Committee on Post Office and Civil Service has not completed markup, nor has it taken action on key provisions of the bill, such as the Senior Executive Service and merit pay for managers and supervisors. Floor action during this session of Congress depends on the Committee's pace.

We are at a critical stage. I believe that the enactment of this legislation will bring about changes consistent with the objectives of your organization. Your continued public support during the coming weeks would contribute to this end.

Sincerely,

The Honorable Fred Anderson  
Past President  
National Conference of State Legislatures  
444 North Capitol Street, N.W.  
Washington, D.C. 20001

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

To Roger Jones

I am grateful for your support of our efforts to achieve civil service reform during this session of Congress. Based on your firsthand knowledge of the Federal personnel system, the letter which you and other former Chairmen and Commissioners of the Civil Service Commission sent to Chairmen of the House and Senate Committees was especially significant.

We remain at a critical stage in the Congress. Although the Senate Committee on Governmental Affairs recently voted to report the bill, the proposed modifications to veterans' preference, for which you expressed support in your letter, were deleted entirely. We will attempt to have an amendment introduced on the Senate floor to restore these provisions.

The House Committee on Post Office and Civil Service is still in markup and has not yet considered the Senior Executive Service and other key management provisions. We are concerned that amendments aimed at constraining managerial discretion will be introduced.

To ensure passage of the bill during this session of Congress, floor action in both Houses before the August recess would be desirable. Public reaffirmation of your interest in the bill would be most useful in the coming weeks.

I look forward to your continued participation in the efforts of my Administration to revitalize the Federal personnel system.

Sincerely,

The Honorable Roger Jones  
Brookside  
New Hartford, Connecticut 06057

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

To Alan Boyd

I am grateful for your support of our efforts to achieve civil service reform. The letter which you and other former Cabinet officers sent to Chairmen of the House and Senate Committees was one of the most significant endorsements we received.

We remain at a critical stage in the Congress. Although the Senate Governmental Affairs Committee recently voted to report the bill out, the House Post Office and Civil Service Committee is still in markup. That Committee has not yet acted on issues which are of particular interest to you, the Senior Executive Service and the merit pay proposals. We are concerned that amendments may be proposed which would hamper the effectiveness of both proposals.

To ensure enactment of the bill during this session, floor action before the August recess may be necessary. Your public support for it would be of vital assistance during the coming weeks.

I look forward to your continued participation in the efforts of my Administration to improve government efficiency.

Sincerely,

The Honorable Alan Boyd  
999 Lake Shore Drive  
Chicago, Illinois 60611

THE WHITE HOUSE

WASHINGTON

July 19, 1978

To Dr. Guthrie Birkhead

Chairman Campbell shared with me your response to Senators Ribicoff and Percy concerning our proposals to reform the Federal Civil Service system. I want to thank you personally for your support and to advise you about where the proposals now stand in the Congress.

The Senate Committee on Governmental Affairs recently voted to report the bill. With one major exception (the elimination of any modifications to veterans' preference), the Committee's actions were favorable. We shall try to get this restored on the Senate floor and will be helped in that effort by the 16 to 9 House Committee vote in favor of my proposal in this area.

The House Committee on Post Office and Civil Service has not completed markup, nor has it taken action on key provisions of the bill, such as the Senior Executive Service and merit pay for managers and supervisors. We are concerned that amendments aimed at limiting managerial discretion will be introduced.

We are at a critical stage. Unless the bill gets to the floor of both Houses before the August recess, passage during this session of Congress will be more difficult.

I consider this legislation to be the key to fulfilling my commitment to make the Federal Government more responsive to the American people. Your continued work for this enactment would be a contribution to your profession.

Sincerely,

Dr. Guthrie S. Birkhead  
Dean, The Maxwell School of Citizenship  
and Public Affairs  
Syracuse University  
200 Maxwell Hall  
Syracuse, New York 13210



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUL 10 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*  
Director

SUBJECT: Completion of Memorandum of Understanding Between  
the Department of Transportation and the Environ-  
mental Protection Agency on Planning Grants

Recently, Brock Adams and Doug Costle completed negotiations resulting in a Memorandum of Understanding between their two agencies on how to coordinate in a very direct way transportation planning and air quality planning grant monies.

This effort was initiated as a result of last year's budget process in which OMB raised the issue as to whether DOT planning funds could be directed at air quality concerns rather than create an entirely new air quality planning mechanism. The negotiations were difficult but productive.

The memorandum is not simply a paper exercise. For instance, local air quality and transportation agencies now know that a single local transportation plan will be the common basis for joint review by both EPA and DOT. The agreement contains several checks and balances and provides a means for referring serious differences at the regional level to DOT and EPA headquarters. Staff of both agencies are cooperating and the agreement goes well beyond our original objective.

I have indicated to both Brock and Doug that such success is an only too rare occurrence. The press coverage in the Washington Post has been very positive and I believe that the ultimate results of our efforts as well as those of Doug and Brock will result in a more effective and efficient air quality and transportation planning effort.

[Faint, illegible text covering the majority of the page]

3584

DATE: 19 JUL 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

JACK WATSON

JIM MCINTYRE

SUBJECT: HARRIS MEMO RE FY 1980 BUDGET OUTREACH SESSIONS

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

July 17, 1978

MEMORANDUM TO THE PRESIDENT

SUBJECT: FY 1980 Budget Outreach Sessions

During the months of April and May of this year, the Department of Housing and Urban Development conducted a major outreach effort to assist us in the development of the FY 1980 housing and community development program and budget. The primary purpose of these sessions was to solicit the views of local government officials and other HUD constituents concerning this Department's program priorities.

GENERAL BACKGROUND

The outreach program was carried out in two parallel ways. First, an "in-depth" series of face-to-face meetings was held in selected urban locales between HUD special outreach teams, State and local officials, and representatives from fair housing and community development corporations. Representatives ranged from State officials and mayors to leaders of local neighborhood-based community and economic development organizations. Spokesmen for both urban and rural areas participated.

Second, two full day sessions were held in Washington, D.C. between HUD officials and representatives of nationally recognized public interest groups (U.S. Conference of Mayors, National Association of Counties, National Governors' Association, National Conference of State Legislatures, National Urban Coalition, etc.).

The objectives of these outreach sessions were to:

- o significantly increase the quantity and quality of local government input to the HUD budget planning process; and
- o raise levels of confidence between HUD and its constituents and dramatize the Department's commitment to a shared approach to housing and community development program planning.

FOR THE

1967

A key to the success of the outreach meetings was that they were treated as serious opportunities for an intergovernmental exchange of ideas. The invited outreach participants were asked to express their views on the following significant issues or any other issues which they believed were important:

1. Improvement in the delivery of community and economic development assistance.
2. Increased coordination within HUD, between HUD and other agencies, and between HUD and States and local governments.
3. Whether or not there is a need for categorical programs in addition to the block grant mechanism.
4. How to set priorities between additional housing production, housing rehabilitation, and the need for providing rent subsidies for additional housing.
5. The need to serve households other than those presently served by HUD's housing programs.
6. Whether or not steps must be taken to ensure that there is not a debilitating drop in the availability of mortgage credit during the downsides of cyclical economic changes.
7. How the objectives of achieving freedom of housing opportunity in all areas, producing additional housing stock, and revitalizing and stabilizing neighborhoods relate to each other.
8. Whether or not there is a need for recodifying the basic housing statutes and, if so, how it should be done.
9. What methods are available for achieving revitalization on a neighborhood level.
10. The need for crime prevention programs to make urban areas more desirable places in which to live.
11. The best way to help State and local governments and neighborhood groups develop the capacity to deal effectively with HUD programs.

12. The best methods of achieving overall equal opportunity and an effective fair housing policy in all communities.
13. How to go about addressing the need for revitalizing older assisted housing projects and their surrounding communities.

As you will note, the range of discussion areas covered at the outreach sessions was enormous. The HUD Office of Intergovernmental Relations, which was responsible for coordinating the overall outreach effort, has compiled the attached comprehensive summary of findings from approximately 3500 pages of written and transcribed testimony.

#### FOLLOW-UP ACTION

The views and information gained through the outreach effort will prove useful and valuable to the Department as we formulate our FY 1980 legislation and budget. Therefore, I have instructed my principal staff to:

- o carefully consider the issues and positions expressed to us by the outreach participants; and
- o respond appropriately in their preparation and refinement of legislative and budgetary proposals.

To ensure that the views and positions which were obtained through the outreach process are actively considered and dealt with in the FY 1980 budget planning process, the Office of Intergovernmental Relations will be actively represented throughout the FY 1980 budget deliberations.

I believe that this type of effort, whereby candid, interpersonal exchanges of ideas close a gap between HUD and its constituents, can only serve to improve the effectiveness and efficiency of future housing and community development policies and programs.



Patricia Roberts Harris

Attachment



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY  
FOR LEGISLATION  
AND INTERGOVERNMENTAL RELATIONS

IN REPLY REFER TO:

MEMORANDUM FOR: Secretary Harris

From: Randolph S. Kinder

Subject: FY 1980 Budget Outreach Sessions

The Office of Intergovernmental Relations has completed its outreach sessions on the 1980 budget. The purpose of the sessions was to solicit the views of State and local government officials and major national public interest groups on Departmental program priorities.

The first group of outreach meetings was held in nine cities across the country. Participation was devoted to State and local officials, housing authority directors and representatives from fair housing and community development organizations. The second series of meetings were held in Washington with representation from twenty-four national public interest groups.

The testimony presented focused not only on budgetary proposals but administrative and legislative initiatives as well. The outreach participants did not recommend any major new legislative initiatives for FY 1980, but called for the Department to stabilize existing programs and expand funding. Another issue which received considerable attention was the need for HUD to improve the overall administration of its programs.

The following material summarizes the major issues and recommendations from the sessions.

## LEGISLATIVE INITIATIVES

### 1. Deconcentration -vs- Displacement

The issue of "deconcentration -vs- displacement" and methods for handling this critical matter dominated the legislative recommendations of the national public interest groups. The following recommendations were made:

- There is a need to serve households being displaced as a result of market forces. It may be desirable to authorize federal support for (a) temporary emergency housing or (b) an expansion of "homesteading" to use residential properties acquired by cities for tax delinquencies as well as HUD acquired properties.
- Section 235 Substantial Rehabilitation must be allowed to assist low and moderate income homeowners to stay in central cities.
- Housing has been slowed and affected by the lack of available land. Deconcentration is affected by this lack of land. Displacement of low and moderate income families from "attractive" inner-city land will continue to happen at an alarming rate. Given the shortage of land and lack of housing vacancies, it may be the appropriate time to undertake clearance and demolition of underutilized land and improvements.
- HUD should undertake a national survey/data collection effort to fully understand the impact of the gentrification issue.
- HUD should develop a "new" program or make use of existing programs to get "in early" in urban areas which are ripe for rehabilitation and revitalization. These programs should be geared to provide housing opportunities, homeownership and rental, for low and moderate income residents. This type of action would insure mixture of housing in changing areas and deal somewhat with the "gentrification" issue.

## 2. Public Services Provision Under CDBG

- The public services provision under the block grant statute and regulations needs to be re-examined. It is recommended that cities be permitted to use up to 20% of their funds for public services provided a comprehensive plan has been developed by the city and approved by HUD Area Offices.
- Section 200 (a)(8) of the 1977 Act and pursuant regulations should be revised to specifically permit the provision of public services to residents of public housing without restriction.

## 3. FHA

- HUD needs to restructure FHA and increase its participation in the secondary mortgage market. FHA's participation should be increased from its approximate current level of 5% to 7%. The Mortgage Bankers Association offered its draft legislation Housing Law Administration, Simplification and Improvement Act of 1978 as a means for restructuring FHA.
- Assisted housing programs need to serve a broader range of income (125% of median income) and develop a homeownership program that serves families in the 75% - 125% range of median income.

## 4. State Role in Housing Production

- HUD should develop an innovative role for States in housing production. State Employment Pension plans should be considered by HUD as a possible resource for financing subsidized housing. States that get involved in this type of innovative endeavors could possibly receive some tax compensations or other type of incentives.

## 5. Crime Prevention Program

- A categorical crime prevention program is needed to encourage city revitalization. Such a program in HUD should be combined with the Neighborhood Strategy Areas Program. Prior to development, HUD should study the LEAA and Model Cities Crime Prevention Programs which were successful in reducing crime in specific geographic neighborhoods. Programs must be developed to assist inner-city entrepreneurs to:

- make physical improvements to defend against crime; and
- secure adequate and reasonable insurance coverage and financial aid.

#### 6. Economic Development Assistance for Non-eligible UDAG Cities

- . A categorical program should be developed to address the economic and revitalization needs of depressed areas in non-distressed cities. The block grant funds provided to non-UDAG eligible cities are simply not enough to undertake essential and necessary redevelopment.
- . To overcome growing resistance, cities which are not eligible for UDAG but have distressed areas in their jurisdictions should receive assistance through an economic and/or community development loan program set up on a revolving basis which would eliminate continuous appropriations.

#### BUDGETARY PROPOSALS

##### 1. Housing

- . National Housing Conference (NHC) recommends a minimum of 600,000 new units. NHC believes too much emphasis is being placed on rehabilitation and not enough on new construction.
- . National Conference of State Legislatures (NCSL) urges at least 400,000 of Section 8 assisted units in the 1980 budget. NCSL and the National Governors' Association continue to support State agency set-asides and point to a high level of competence in program operation as their rationale for maintaining such set-asides.
- . The National Association of Realtors and the National Association of Home Builders express the need for at least 400,000 units of which 50% should be for new construction and the remaining devoted to rehabilitation.
- . There should be a multi-family goal in FY 1980 of a least 200,000 Section 8 units.
- . The 1980 budget should at least allow \$150-\$200 million for operating subsidies under the Troubled Projects Operating Subsidy Program.

## ADMINISTRATIVE RECOMMENDATIONS

### 1. Housing Program Policies and Allocation of Resources Need to be Revised.

Throughout most of the outreach sessions the programs and policies that received the most attention were related to housing. Several specific comments and suggestions were made to improve the understanding, and use of housing programs.

#### . Housing Allocations

HUD should provide increased local flexibility in the administration of housing programs. While the city is accountable for meeting certain established goals, actual performance (in the view of many cities) is out of local government's hands. Often, available units are lost due to the lack of developer interest or other factors.

Cities would prefer to see housing programs operated similar to the block grant program, whereby a certain level of funding would be provided to achieve established assisted housing objectives. Most city officials believe they are in a better position to administer housing programs and that such a policy change would increase housing production.

#### . Recodification of Housing Statutes and Regulations

In the view of many participants, this action is long overdue. Current statutes and regulations, relating to housing, need to be assembled into one "Housing Code" similar to the Internal Revenue Service's Tax Code.

Participants find it difficult to stay on top of new regulations or for that matter relating these regulations to appropriate sections of implementing legislation. They feel any effort HUD is undertaking in this regard should be a top priority for the Department.

### State Assisted Section 236 Projects

HUD must follow through on its promise to aid the Section 236 projects which were financed by State agencies at a time when the Federal government was unwilling to make this commitment and invited the States to do so.

The lack of a mechanism to cover the increase cost of operation, management and maintenance as the developments get older have financially "strapped" those State projects.

Since HUD has explicitly aided its own Section 236 projects, it is essential that all such projects and their respective tenants be treated equally.

### FHA Underwriting Criteria and Procedures Need to Be Revised

A great deal of concern was expressed in the nine outreach sessions about FHA underwriting. Many of the participants stated FHA is performing its own type of "redlining" and is not responsive to the needs of our inner cities. FHA underwriting criteria and procedures should be revised and expanded if we expect inner city areas to be revitalized. Participants stated FHA should not reject applications on the basis of age and/or condition of the neighborhood.

Another item raised regarding FHA involves the need to disallow unqualified borrowers. In the opinion of one State official, "...a trend has been detected where investors are assuming loans and using property as income producing rental units." This puts a Housing Authority in the position of providing below market interest rate financing for income producing property and creates potential political problems.

### Fair Market Rents

Many (participants) feel Fair Market Rents (FMRs) are set for too broad an area in which there is a wide variation in actual rents. It is their belief this serves to restrict locational choice, therefore, perhaps Regional Offices should be permitted to approve Fair Market Rents 20% above those published in sub-market areas smaller than one county or city. If deconcentration and dispersal of low and moderate income are to become realities, many participants, particularly in the Seattle session, felt the sub-market FMR would be a way to achieve such an objective.

Another view expressed concerning FMRs was the need to increase rents for family units, and publish them separately from those for elderly units.

• Tandem Eligibility

(City) participants expressed the need to expand current eligibility criteria for Tandem assistance to include cities under 50,000 and large cities which are not eligible for UDAG assistance. Additionally, many officials stated such a program would be of tremendous value in (their) efforts to revitalize the depressed areas of their cities.

• Local Government Consultation on Section 236 Projects

Many officials called for a process to provide local governments with an opportunity to discuss and work with HUD regarding disposition and decisions on troubled Section 236 projects. Their rationale for this type of partnership is to provide greater continuity and produce the best environment for critical decisions.

• Policy Question: GNMA Program No. 25 and Section 8 New Construction

The possible conflict in policy between Section 8 New Construction, Section 880.14 (a) and GNMA Program Number 25 should be resolved to provide mixed income housing.

The questionable policies are:

Section 880.14 (a) - "preference is provided for which indicated assistance will be provided to 20% or less of the units to be constructed."

Program No. 25 - "more than 20% of the units in the project must have been approved for section 8 rental assistance."

The policies and their intent should be reiterated to field personnel responsible for program implementation. From our discussions with Central Office GNMA program officials, it appears that there exists some confusion with respect to these two policies.

- Performance Funding System (PFS)

First, the lack of adequate subsidy under PFS forces Public Housing Authorities to maintain high rent-paying residents as opposed to helping such residents find private sector housing. Second, HUD has not considered in its formulation of PFS certain costs which are part and parcel of an assisted housing program, particularly security and social services. Third, an adequate appeals mechanism is critical to the operation of any funding system, in that irregularities from the norm occur in all aspects of program operation.

- 2. Streamlining the Paperwork Processes of Program Applications, Reviews and Approvals

- Many city officials continue to express concern about the length and contents of regulations. While they are pleased with the expanded eligibility items under CDBG, they believe that the regulatory requirements for the block grant program have expanded unnecessarily and have become cumbersome. An example of HUD required paperwork was raised regarding the Housing Opportunity Plan regulations. At present, the HUD regulations require the submission of more than forty additional elements besides the plan. These forty elements required are data and information which HUD field offices already have.
- Many participants believe that HUD should promulgate regulations in terms of national objectives and pursue their compliance through performance audits.
- HUD should give consideration to reviving the "cohesive" team approach for the review and approval of applications at the Field Office level.

- 3. Federal Interagency Coordination Must be Improved

- Better coordination and paperwork uniformity needs to be achieved with respect to HUD and Veterans Administration housing programs.
- HUD and Commerce (Census) need to jointly undertake an effort to obtain a more definitive working knowledge of the nation's housing stock, non-residential property, and public infrastructure.

- HUD was highly commended for undertaking the FY 1980 Budget Outreach effort. It was strongly suggested that other Federal agencies undertake similar efforts and discussions be continued at the Regional Office level. For example, Federal Regional Councils could undertake such efforts on a semi-annual basis and involve all federal agencies to attain the views of their respective constituencies.
- Common standards, data and certification between HUD and EDA for example, would foster closer working relationships at the Federal level and consequently at local and State levels.

4. Section 312 Loan Program Needs to be Expanded and Funding Increased.

- To ensure the effectiveness as a major tool for renewing property, the 312 Loan Program should be extended to include both single family and multi-family rental structures. Others suggested the 312 loan program be expanded to match State-based programs and allow States to be eligible for these funds. NACO reminded HUD that 11 States prohibit local governments from lending public funds (block grant funds) to private individuals and that this is a strong reason for making additional 312 funds available.
- Further, the Section 312 Rehab Loan program needs to attract minority development and construction firms. HUD should institute an affirmative action program to achieve this objective (Urban Coalition)
- Section 312 Program funding and uses should be expanded. It is a tremendous leveraging tool for commercial redevelopment and provides increased employment opportunities. The maximum loan limits on the program should be increased to \$100,000 for commercial structures.

5. OILSR Regulations and Procedures Should be Revised

- OILSR has expanded its jurisdiction through administrative regulations to the point it is creating financial and business hardships. HUD should re-examine and simplify the regulatory requirements of the program.

6. Housing Assistance Plans Requirements Should be Revised

- Housing Assistance Plan (HAP) requirements need to be revised to more accurately reflect the housing needs of the total community. Both the National Housing Conference

and the National Association of Regional Councils (NARC) suggested such a revision would follow the requirements for the housing elements under the Comprehensive Planning Program (701). NARC called for further strengthening of the relationship between HAPs and Housing Opportunity Plans.

- . It is difficult to allocate percentage (new, existing, and substantial rehabilitation) using the HAP process because aggregated HAP data gives major distortions. Allow HUD Area Offices and/or States to allocate according to their own priorities. HUD Field Offices continually have applicants change goals to agree with Section 8 allocations.

7. A Comprehensive Fair Housing Program Needs to be Developed in Each Market Area.

- . A comprehensive fair housing program, in each market area, must be developed and should include:
  - a. Enforcement - Should be done by contract with State and local governments or with non-profit citizen agencies.
  - b. Marketing - (1) Education and outreach, particularly in the minority community, must be strengthened to communicate that all housing is open and that services are available to help minority home seekers choose from the total housing market; (2) HUD's affirmative marketing regulations, if legally possible, should be expanded to cover all developers; (3) Support by CD and 701 recipients of local fair housing marketing should be strongly encouraged; (4) Coordinate the delivery of services and programs by other federal agencies to enhance marginal neighborhoods and avoid the usage of federal programs which permit FHA and VA mortgages in racially changing neighborhoods.

8. The System for Handling CDBG Program Complaints Needs to be Revised

- . The complaint system for handling public concerns with respect to CDBG must be thoroughly reviewed and revised. Passing the complaints back to local government is viewed as inadequate by civil rights and fair housing organizations.

9. HUD Research Priorities Need to be Revised

- HUD research priorities need to be revised. To a great extent, they are influenced by the social science fraternity. Greater emphasis should be placed on small, practical payoffs. Panels reviewing research and demonstration proposals should include people from neighborhoods and local governments.

10. HUD Needs to Establish a Central Repository and Information Exchange Center

- HUD technical assistance and capacity building efforts are limited. It should be expanded to have HUD serve as the major repository and exchange center for information sharing among its program recipients.



1980 BUDGET OUTREACH

WASHINGTON, D. C.

MAY 25-26, 1978

PUBLIC INTEREST GROUP REPRESENTATIVES:

Henry Schecter, AFL-CIO, Department of Urban Affairs

John Murphy, National Association of Counties

Dennis O'Toole, American Bankers Association

Peter Kaplan, Mortgage Bankers Association

Bruce Johnson, Mortgage Bankers Association

Carl Coan, National Housing Conference

Charles Edson, Lane & Edson (Council of State Housing Agencies)

Thomas Wallace, American Savings and Loan League

Arthur Tonsmeire, Jr., National Savings and Loan League

Lewis Bell, National Savings and Loan League

Richard Knight, National Savings and Loan League

Lee Holms, U. S. League of Savings Association

Amelie Wogan, U. S. Conference of Mayors

John Sasso, National Community Development Association

Herman Smith, National Association of Home Builders

David Stahl, National Association of Home Builders

Ed Holmgren, National Committee Against Discrimination in Housing

John Bosely, National Association of Regional Councils

Dr. Isaac Adams, National Urban Coalition

Robert Maffin, NAHRO

Phil Davis, National Governors' Association

Nancy Grden Elson, National Conference of State Legislatures

Robert Jeffers, Stroock, Stroock and Levan (PUSH)

Joseph Marinich, Council of State Community Affairs Agencies

Albert Abrahams, National Association of Realtors

William Warfield, National Association of Realtors

Glenda Sloane, Leadership Conference on Civil Rights

Johnson T. McClurkin, National Association of Real Estate Brokers

Robert Buckner, National Association of Real Estate Brokers

HUD Team:

Morton Baruch

John McIlwaine

Cloteal Davis

Robert Etchison

William Milky

Patricia Hoban-Moore

Trudy McFall

James Selvaggi

Susan Livingston

John Simmons

Michael Hammond

## HOUSING

- . HEW and HUD need to jointly consider the "cashing out" theory. HEW needs specifically to provide an inventory of welfare recipients living in assisted housing. This is an extremely critical issue that needs to be thoroughly examined and resolved to insure the viability of subsidized housing.
- . The whole budget outlay question with respect to housing needs to be carefully examined to find some method or mechanism for producing more units at a lower budget cost. HUD needs to eliminate the "run-out cost" problem as a budget consideration.
- . Turnkey III or similar programs need to be reinstated to meet housing needs of low and moderate income people. Under the 235 program income limits must be increased, the interest rate must be reduced and mortgage limits increased. The statutory quota, limiting the numbers of families who can receive assistance should be flexible to go beyond the 40% limit.
- . HUD should develop an innovative role for states in housing production. State Employment Pension plans should be considered by HUD and states as possible resource for financing subsidized housing. States that get involved in these types of innovative endeavors could possibly receive some tax compensations or other type of incentives.
- . HUD needs to restructure FHA and increase its participation in the secondary mortgage market. FHA's participation should be increased from its approximate current level of 5% to 7%. The Mortgage Bankers Association offered its draft legislation—Housing Law Administration, Simplification and Improvement Act of 1978--as a means for restructuring FHA.
- . Better coordination and paperwork uniformity needs to be achieved with respect to HUD and Veterans Administration housing programs.
- . Housing statutes and regulations need to be simplified and consolidated into a "Housing Code" similar to the IRS Code.

Further, HUD should simplify its Section 8 Substantial Rehabilitation program to achieve stated goals. Housing programs, tools, and the allocation of funds must be streamlined and revised to respond to the every changing needs of the housing market.

- . HUD must honor commitment to aid Section 236 projects which were financed by state agencies no later than FY 1980 if not sooner. HUD should revive the 236 program to provide moderate income families with rental opportunities.

- . All participating public interest groups called for increased housing production in HUD's FY 1980 budget for subsidized units:
  - National Housing Conference (NHC) called for a minimum of 600,000 new units. NHC believes that too much emphasis is being placed on rehabilitation and not enough on new construction.
  - National Conference of State Legislatures (NCSL) urges at least 400,000 of Section 8 assisted units in the 1980 budget. NCSL and the National Governor's Association continued to support state agency set-asides and pointed to a high level of competence in program operation as their rationale for maintaining such set-asides.
  - The National Association of Realtors and National Association of Home Builders also expressed the need for at least 400,000 units of which 50% should be for new construction and the remaining devoted to rehabilitation.
  - Another position stated during the two-day session called for a multifamily housing goal in FY 1980 of at least 200,000 Section 8 units.
- . HUD should attempt to revise its Section 248 program to assist the "working poor" homeowner who cannot keep pace with inflation.
- . HUD is urged to adopt as a public policy goal the increase and preservation of the supply of standard rental housing and the avoidance of its decline.
- . The 1980 budget should at least allow \$150 - \$200 million for operating subsidies under the Troubled Projects Operating Subsidy program.
- . There must be additional Tandem funds in the FY 1980 budget.
- . HUD must establish new National Housing Goals which accurately describe housing needs and given the limited amount of resources, the ability of HUD to respond to those needs.
- . NAHB recommends the adoption of new quantitative housing production goals on the basis of a realistic assessment of such factors as anticipated new family formation, loss of housing inventory and current deprivation. NAHB further recommends that the establishment of these goals be established for a ten-year period.

- There should not be a phase-out of Reg Q differential interest rate ceilings, unless and until a proven method has been established of providing a continuous and adequate flow of investment funds required to meet residential construction needs. One method might be the use of selective credit regulation powers authorized by the Credit Control Act of 1969.
- The issue of "deconcentration vs. displacement" and methods for handling this critical matter dominated the budget outreach discussions with invited public interest groups. Several views and positions were expressed:
  - There is a need to serve households being displaced as a result of market forces. It may be desirable to authorize federal support for (a) temporary emergency housing (b) an expansion of "homesteading" to use residential properties acquired by cities for tax delinquencies as well as HUD acquired properties.
  - Section 235 Substantial Rehabilitation must be allowed to assist low and moderate income homeowners to stay in central cities.
  - The availability of land is the most critical need to many of our urban centers. Housing has been slowed and affected by the lack of appropriate land. Deconcentration is affected by this lack of land. Displacement of low and moderate income families from "attractive" inner-city land will continue to happen at an alarming rate. Given this shortage of land and lack of housing vacancies, it may be the appropriate time to undertake clearance and demolition of underutilized land and improvements.
  - HUD needs to undertake a national survey/data collection effort to fully understand the impact of the gentrification issue.
  - HUD needs to develop a "new" program or make use of existing programs to get "in early" in urban areas which are ripe for rehabilitation and revitalization. These programs should be geared to provide housing opportunities, homeownership and rental, for low and moderate income residents. This type of action would insure a mixture of housing in changing areas and deal somewhat with the issue of "gentrification".

COMMUNITY PLANNING AND DEVELOPMENT

- The effectiveness and/or extent to which people are benefitted from a community and economic development program is reflected foremost in the employment situation of a community. Pertinent criteria for evaluation must center on the counted action of job loss as well as whether there is an increase in jobs related to the community and economic development program.

In light of the key element of jobs, the following recommendations should be considered:

- Economic assistance, such as UDAG, should be extended only in connection with projects involving definite commitments for job intention or creation.
- HUD should establish, and request appropriations to support an objective, hard-nosed monitoring and evaluation system, covering practically every local project funded and on the basis of findings selectively discourage those that fail and encourage projects that produce results.
- HUD must develop outreach programs such that local organizations with established neighborhood networks can work cooperatively with the Department to better serve the communities.
- There is still a need for categorical assistance to meet specific purposes not met through block grants (i.e., targeted assistance for specifically deferred neighborhoods threatened by problems of displacement, subsidized interest rates for lower income groups).
- The public services provision under the block grant statute and regulations needs to be re-examined. It is recommended that cities be permitted to use up to 20% of their funds for public services provided that a comprehensive plan has been developed by the city and approved by HUD Area Offices.
- Under the Urban Homesteading program, Section 8 Rental Assistance or homeownership payment assistance, similar to Section 235, should be made available.

- . To endorse the effectiveness as a major tool for renewing property, the 312 Loan Program should be extended to include both single family and multi-family rental structures. Other comments were that the 312 loan program should be expanded to match state-based programs and allow states to be eligible for these funds (NCSL). NACO reminds HUD that 11 states prohibit local governments from lending public funds (block grant funds) to private individuals and that this is a strong reason for making additional 312 funds available.
- . Further, the Section 312 Rehab Loan program needs to attract minority development and construction firms. HUD should institute an affirmative action program to achieve this objective (Urban Coalition).
- . Housing Assistance Plan (HAP) requirements need to be revised to more accurately reflect the housing needs of the total community. Both the National Housing Conference and the National Association of Regional Council (NARC) suggested that this revision should follow the requirements for the housing elements under the Comprehensive Planning Program (701). NARC called for further strengthening of the relationship between HAPs and Housing Opportunity Plans.

Other public interest groups expressed the need for more uniform handling of the HAPs by Area Offices. Currently, they view that Area Office performance varies tremendously with respect to HAP reviews.

- . In the area of technical assistance, Council of State Community Affairs Agencies (COSCAA) requested a minimum funding level of \$25 million. NARC urged for improvement of staff expertise at HUD Field Office levels to improve technical assistance to substate and nonmetro planning districts.

Other needs expressed for technical assistance included:

- Implementation of Neighborhood Strategy Areas (NSAS); and
  - Housing management, particularly Section 8 counseling.
- . Many of the interest groups tended to focus on one of the most active elements on HUD's current agenda, the state incentive program, and to suggest directions to be taken following the passage of this act. Stressing stronger state federal participation, the NGA, NCSL, and National Association of Counties all called for a closer working relationship to make this partnership more effective. NCSL urged that the Administration support a \$400 million mark in the 1980 budget for state incentives. This position was joined by the NGA and others but less strongly worded.

- . NCSL and NGA both supported maintenance of the land use planning requirement in the 701 statute and said that this was critical for states to evolve into a competitive posture to apply for state incentive grants.
- . COSCAA wants to see an opportunity for some states to experimentally operate the small cities programs and uses the HUD/USDA Demonstration as a model.
- . COSCAA strongly urged the states be eligible UDAG recipients.
- . All of the state interest groups and NARC support a funding level of \$100 million for the 701 Planning Program.
- . Grantee performance report reviews should be improved. Too much is being overlooked by HUD.

#### ADMINISTRATIVE AND OTHER

- . To improve intergovernmental relations and coordination, completion of announced reorganization plans was expressed as one mechanism to achieve improved communications between HUD and the States (NCSL and NGA). NACO expressed support for increased staffing in Intergovernmental Relations at Central Office.
  - Common standards, data, and certification between HUD and EDA for example, would foster closer working relationships at the Federal level and consequently at local and State levels (NACO)
  - Local consultation procedures need to be developed by HUD for dealing with 236 Troubled Multifamily Projects.
- . HUD and Commerce (Census) need to jointly undertake an effort to obtain a more definitive working knowledge of the nation's housing stock, non-residential property, and public infrastructure.
- . In the Economic Report to Congress a more significant and important statement needs to be included on housing. Housing is a major economic indicator. It provides employment, stimulates all types of industry, and is a sign of a healthy economy.
- . Title I Home Improvement staffing in field offices need to be increased. In addition, HUD needs to develop an educational program to protect low and moderate income homeowners against "home improvement peddlers" and "rip-off" artists.

- . HUD needs to undertake more thorough and meaningful evaluation of city programs. These evaluations should be more "progress" oriented than those of the past.
- . Policy Development and Research should expand its research into areas of the state role in economic and community development. This would foster improved technical assistance capabilities.
- . HUD was highly commended for undertaking the FY 1980 Budget Outreach effort. It was strongly suggested that other Federal agencies should undertake similar efforts and that the discussions should be continuous and held at regional office levels. For example, Federal Regional Councils could undertake such efforts on a semi-annual basis and involve all federal agencies to attain the views of their respective constituencies.
- . O.I.L.S.R. has expanded its jurisdiction through administrative regulations to the point it is creating financial and business hardships. HUD must re-examine and simplify the regulatory requirements of the program.
- . To effectively combat discrimination in housing and lending, HUD must use its statistical, legal and financial resources to analyze information emanating from the Truth in Lending Act, Mortgage Disclosure Act and Community Reinvestment Act.
- . HUD's enforcement of Title VIII is weak. Regulations need to be issued interpreting the scope of Title VIII. Stronger enforcement of housing and equal opportunity requirements must be at the forefront of HUD's policy agenda.
- . The complaint system for handling the public concerns with respect to CDBG must be thoroughly reviewed and revised. Passing complaints back to local government are viewed as inadequate by civil rights and fair housing organizations.

BOSTON

1980 BUDGET SESSION  
BOSTON, MASSACHUSETTS  
Tuesday May 2, 1978

Testimony by:

John Eller  
President  
Massachusetts Housing Finance Administration

Nicholas Retsinas  
Director  
Community Development  
Pawtucket, R. I.

Robert Patterson  
Massachusetts Office of State Planning  
Boston, Mass.

Joseph Flatley  
Massachusetts Office of State Planning  
Boston, Mass.

Henry Bourgeois  
Associate Director  
New England Municipal Center

William T. Donohue  
Executive Director  
New Haven Redevelopment Authority

HUD Team:

J. Joseph Clarke  
Roosevelt Jones  
Peter Kaplan  
Shelly Friedman

#### HOUSING PROGRAMS: SUMMARY

- . Neighborhood Strategy Areas (NSA) Program is insufficient. For the amount of funds (units) available, it is not worth the effort it takes to apply and compete.
- . NSA program would be improved if it were administered by the state agencies with up-front allocation to attract more applications from communities.
- . Federal funding assistance needs to extend state sponsored mortgage insurance program.
- . Section 8 funding needs to be increased across the board to achieve general purpose government housing objectives.

#### COMMUNITY PLANNING AND DEVELOPMENT: SUMMARY

- . UDAG has great promise for achieving local revitalization.
- . 701 funding level needs to be increased to preserve existing state planning operation.
- . A carefully defined link or coordinative mechanism should be established between National Development Bank (Urbank) and state land banking operation.
- . Internal coordination needs to be achieved within HUD to relate Housing Assistance Plans to housing programs.
- . Different leveraging requirements should be established for UDAG neighborhood development projects vs. downtown projects.

#### OTHER: SUMMARY

- . HUD should stop changing policies so rapidly. The Department should move to stabilize existing programs.
- . A "national relocation effort" needed to solve difficult HUD dilemma of "deconcentration" vs. "revitalization of central cities." Use existing legislation to underwrite voluntary relocation program for low and moderate income citizens willing to move to communities needing greater labor supply.
- . States should have the lead role in providing technical assistance to HUD applicants and recipients.
- . HUD should revise its training programs for the benefit of not only HUD personnel but also state and local officials. The training sessions are highly visible and represent an excellent technical assistance technique.

Comments of those appearing before the Boston panel were more generalized than in other sessions with few specific suggestions made regarding program operation. Therefore, the report of this session will tend to appear larger in the categories of administrative and general observations than in the Community Development or Housing sections.

GENERAL There was a feeling of reluctance expressed by a number of persons testifying to call for additional program elements of any kind. Nicholas Retsinas stated that it was his view that the Act should simply be the foundation for the Department and not at all a "proscriptive mechanism for community development". Bill Donohue called for stabilizing the existing programs for the near future. "Stop changing policies", he said. Donohue also urged the Department to understand that the nature of the process of community development takes time and that overnight or even year to year progress may be hard to discern.

The President was applauded for "having the guts to try an urban policy" as one witness testified. The urban policy and HUD's leadership role came in for a number of comments, mostly noting as the Massachusetts State planning officials indicated, that there was insufficient role for them in the drafts they had seen.

A national relocation effort was suggested by Retsinas as one approach to solving the deconcentration problem the Department has encountered. It was his suggestion that the authorities contained in the existing legislation be used to underwrite a voluntary relocation program to disperse low and moderate persons willing to move to communities needing a labor supply.

John Eller of the MHFA said he was pleased to see that

the issue of crime and its impact on cities had been included in the outline questionnaire accompanying his invitation and that he felt that this was often overlooked as a key factor in urban revitalization.

ADMINISTRATIVE A return to categorical programs was called for by at least one witness. It was his feeling that the redevelopment process itself dictates an essentially categorical approach and that efforts to avoid this approach would not be productive.

The UDAG formula was felt to be too closely tied to the leveraging requirement in the opinion of Nicholas Retsinas of Pawtucket, a city selected for a UDAG award in the first round of competition. He felt that future UDAG administration must set differing groundrules for neighborhood projects as opposed to downtown projects or the leveraging requirement would exclude most of the neighborhood, more housing-oriented programs.

John Eller felt that the billing process takes too long with HUD meaning that the state agency's money is not turning over rapidly enough. Eller also felt that the housing allocation schedule needed to be administratively extended and that any efforts at re-codification ought to be postponed.

COMMUNITY DEVELOPMENT State strategies were critical to the future of effective community development in the view of Bob Patterson. He felt that more UDAG's were essential for his agency to be able to keep some of the promises they have been making or implying in their work with cities. In other words, he looks to UDAG as one mechanism for rewarding the communities willing to adopt the state's growth strategies.

The shortage of 701 funds could spell the end to an effective state planning operation necessary to produce a Massachusetts-style state strategy, according to Bob Patterson. He also called for a

link between the state's land banking operation and the design of the proposed "urbank" which would not as presently envisioned allow for state participation.

Henry Bourgeois asked that a new focus be brought to the critical role which A-95 agencies are putting forth and he asked that states be by-passed in trying to directly fund these agencies. Bourgeois also pointed to technical assistance as an appropriate direction for the Department to be taking and emphasized his belief in more peer-to-peer technical assistance. Training sessions were, in his view, a valuable expenditure of funds and results were directly perceivable.

Bob Patterson similarly wanted to see additional T. A. but his view emphasized the role of the states in providing that assistance.

Nicholas Retsinas urged the strengthening of the HAP-HOP relationship but he called for shorter planning horizons in this process. HAP's came in for criticism by Bill Donohue, though, who said he could not understand why the Department defined "impacted areas" then would not allow his city to build additional housing in those areas even though it was clearly the local perception that new housing units were what was needed.

#### HOUSING

The Neighborhood Strategies Area program came in for some comment, most of which was favorable. Most observers agreed that it was insufficient as a program to be of major interest, however, and Donohue said that it was frankly not worth the time it took to build an application process to net a benefit of only 60-some housing units.

John Eller thought the NSA program was attractive but asked that it be administered through state agencies with an up-front allocation which would attract more applications from communities.

Eller also called for the adoption by the Department of the report of the Cost of Housing Task Force which he said had been issued but never formally adopted.

Bob Patterson noted that Governor Dukakis had announced a state-sponsored mortgage insurance program for commercial properties and that federal assistance was needed to extend that program and make it really functional.

Nearly everyone who appeared in this panel and in the others I attended called for an increase in Section 8 across the board. John Eller cited some successes which his agency had experienced with Section 8 new construction programs and endorsed a major effort at beefing up the funds made available to them for distribution. The MHFA representative was the only witness to ask for an increase in the state agency set-aside.

NEWARK

1980 BUDGET OUTREACH SESSION

NEWARK, NEW JERSEY

May 1, 1978

Testimony Given by:

William Johnston  
Executive Director  
Housing Finance Agency, State of New Jersey

Guss Escher  
Housing Finance Agency  
New Jersey

Robert Holmes  
Housing Finance Agency  
New Jersey

Arnie Reiter  
Director of Staff Operations  
Newark Redevelopment Housing Authority

Dennis Callahan  
Director of Redevelopment  
Newark Redevelopment Housing Authority

Barry Light  
Assistant Commissioner  
Department of Housing and Preservation of New York

Connie Temple  
Assistant to the Director of Comprehensive Planning  
New York City Planning Commission

Lee Porter  
Executive Director  
Bergen County Fair Housing Council

James Sacher  
Bergen County  
Council for Fair Housing

Jim Walker  
Deputy City Planning Officer for the City of Newark

Frank Costanzo  
Director of Development  
Jamestown Urban Renewal Agency

Antonio Malatrasi  
Administrator of Municipal Services  
Administration of Puerto Rico

James Shipp  
Vice President of Physical Development  
Bedford-Stuyvesant Restoration Corporation

HUD Team:

Thomas Appleby  
Peter Kaplan  
Shelley Friedman  
Roosevelt Jones  
Babette Penton  
Martin Bresnick

## HOUSING

— HUD should try to "initiate activities whereby agencies, like HEW or LEAA be detailed into the housing development process, so that when you build a house that has a forty year mortgage, ... you have a forty year commitment on some social services funding, ... and security funding " (Arnie Reiter, Newark Redevelopment and Housing Authority).

— The Section 235 limitation of financing a project by more than 40% should be lifted; and the use of Section 235 for high-rise and walk up projects should be intensified.

--HUD should change the requirement of Public Law No. 93-383, Section 6(c) (4) which makes the avoidance of concentration of low income families at public housing projects mandatory, and requires the establishment of an acceptable social mix. "While we understand the desirability of such a social mix in Puerto Rico, we still have such a large number of inadequate homes that the new selection regulations create a very unfair situation since families living in inadequate housing must be left out to accommodate higher-income families." (Antonio Monroig, Municipal Services Administration, Puerto Rico)

-- FHA should develop an FHA-type co-insurance for industrial development in areas where the primary needs of the population are jobs.

-- HUD's efforts to regulate FNMA should be greatly supported. "FNMA's activities must be reoriented by HUD towards serving the public interest by directing to fill at least thirty percent of its portfolio with inner city mortgages." (Wilbert Allen, Newark Department of Housing and Urban Development)

-- HUD should consider reviving the 221 (H) program to encourage home ownership among low and moderate income families.

-- HAPs should be used only as a guide, in the loosest sense in the Section 8 program. "Production should be a critical factor in the allocation of subsidies (under the Fair Share Formula ) both in regard to unit type goals and total dollar amount." (William L. Johnston, New Jersey Housing Finance Agency)

-- The level of funds appropriated for Section 8 is completely inadequate.

-- Funds for public housing should be redirected to the Section 8 program and Section 202 should be suspended until it has proven that it can produce. (Another suggestion was to have 202 go through the PHAs.)

- Fair Market Rents should be increased for family units and should be separately published from FMRs for elderly units, not related to each other in a fixed percentage. Special consideration should be given to family units related to the high cost of maintenance and management.
  
- Continuation of the College Housing Program was encouraged, which allows renovation that will conserve energy.
  
- HUD should establish a crime prevention program for its public and assisted housing programs.
  
- The Performance Funding System does not provide incentives for getting increased revenue. "Hence, PHA's view higher income tenants only as an entity which loses them subsidy. Secondly, PFS has not considered in its formulation certain costs which are part and parcel of an assisted housing program, particularly security, and social services. Third, an adequate appeals mechanism is critical to the operation of any funding system, in that irregularities from the norm occur in all aspects of program operation." (Arnie Reiter, Newark Redevelopment and Housing Authority)
  
- HUD should work directly with lenders to simplify middle income housing assistance programs.
  
- HUD and HEW should put together a delivery system through public or assisted housing to low income families (Title 20).
  
- Mortgage insurance or a FNMA take-out should be provided in order to stimulate Section 8 development.
  
- "To stimulate private sector investment, a viable co-insurance program is critical where conventional mortgage money is not available. The current risk-sharing formula in the 244 co-insurance program should be changed. It now provides 80 percent FHA and 20 percent State Housing Agency participation. This will make the program more attractive to investors." (Barry Light, New York City Planning Commission)

CPD

- The States and the cities each feel they should administer the TA program. No one wanted HUD to deliver TA.
- The Single Purpose Grants for the Small Cities Program should not have set-asides, holding back money for public health and safety when there are many greater needs.
- HUD should develop a special categorical program for the clearing of structures and the relocation of people in the small municipalities of Puerto Rico which are plagued with shanty slum areas.
- The 312 program should be greatly expanded. Negotiated prices should be allowed for medium scale developers so they are not discouraged from participating because of the requirement to publicly bid on the construction work. The program should be altered to include buildings with four or more dwelling units. A program should be developed allowing states to assist municipalities in expanding the use of the 312 program; a kind of TA program.
- Neighborhood Strategy Area regulations should provide for a more comprehensive approach to community development by encouraging industrial and commercial development along with housing.
- A new block grant program, or additional funds for the small city discretionary program is essential. "The current small city discretionary and Action Grant programs allow suburban communities to compete for federal dollars with their core city. This may eventually destroy the city, as generally there are locational and financial incentives working for the suburban area without these advantages." (Frank T. Costanzo, Jamestown Department of Development)

Other Programs

- An overall complaint about HUD is that it is too loaded with rigid rules, regulations and massive paper work which hinder rather than promote legislative intent.

- HUD should develop a crime prevention program similar to one in New Jersey called "Safe and Clean Neighborhood Program," which consists mostly of walking patrolmen.
- HUD should utilize neighborhood and tenant associations as mechanisms to reduce crime. Also, incentives should be given to developers to include crime prevention designs in their structures.
- HUD should give "direct financial assistance to private groups addressing themselves to fair housing and stabilization." The department could contract with local housing groups in Title 8 plan intake and Title 8 complaint investigation. (Lee Porter, Bergen County Fair Housing Council)
- HUD should consider the development of a program for middle income.

BALTIMORE

1980 BUDGET OUTREACH

BALTIMORE, MARYLAND

April 27, 1978

Testimony given by:

Jay Brodie  
Baltimore, Maryland

John Gallery  
Philadelphia, Pennsylvania

Albert L. Hydeman, Jr.  
Secretary, Pennsylvania Department of  
Community Affairs  
State of Pennsylvania  
Harrisburg, Pennsylvania

Bart Frye  
Portsmouth Redevelopment Authority  
Portsmouth, Virginia

Bill Ariano  
S.E. Community Organization  
Baltimore, Maryland

HUD Team:

J. Joseph Clarke  
Roosevelt Jones  
Peter Kaplan  
Shelley Friedman

## HOUSING: SUMMARY

- HUD should develop a workable Section 235 program. At present, the 235 program as constituted does not have the ability to attract private developers.
- Housing programs should also have limited statutory review periods established such as CDBG. This would cut down on the "inflationary" impact of housing programs and make them more attractive to private developers and the building industry.
- Neighborhood Strategy Areas (NSA) program needs to be revised to meet varying needs of all general purpose governments.
- HUD should examine the use of FmHA housing production principles and apply it to cities.
- Special consideration should be devoted by HUD to revising the Housing Assistance Plan to make it work over the next three years, and provide some type of predictability.
- A moderate rehab program should be developed under Section 8.

## COMMUNITY PLANNING AND DEVELOPMENT

- A Housing Assistance Plan should be the basis by which allocations are made for housing. The HAP works well as a forecasting tool.
- Section 312 Loan Program should be expanded and increased in funding.
- The 701 program administration needs to be revised.
- A "vacant house rehab program" needs to be entered as a part of HUD regulations. This program would be targeted to deal with every vacant house within local jurisdictions.

## OTHER: SUMMARY

- Separate HEW block grant program for public services should be established. It is too difficult to provide such assistance with CDBG funds.
- Audit procedures of HUD need to be reviewed. Complaints were received regarding publication of findings prior to the City having the opportunity to respond.

## SUMMARY

- . The distribution of funds by formula should be reexamined.  
The cost-benefit-ratio approach should be used.

The Baltimore session focused in the main on community development issues which should be expected from the list of those offering testimony. Accordingly, little comment was offered regarding issues exclusively of interest to Housing.

GENERAL As many other sessions will report, the witnesses in Baltimore appealed to the Department for consistency in running their programs. Jay Brodie, Al Hydeman, and Jacqueline Rogers all voiced this concern.

John Gallery said that it was clear to him that the intent of the Act was to make it difficult for a local community to do public services under CDBG. Therefore, he concludes, a separate block grant under HEW would be advisable to allow for these needed services and allow the CDBG funds to flow into those areas more favored by HUD. "Get HUD out of the human business," he argued.

HUD's audit procedures are outrageous, Gallery went on. He particularly complained about the process which allows release of audit findings to the press before the City is given an opportunity to respond. Mr. Hydeman later echoed these same feelings.

Other comments in general had to do with the use of formulas for distribution of money instead of, say, a cost benefit ratio. This point was pressed by Bart Frye of Portsmouth. He also advocated withholding of funds from any community, particularly a recalcitrant suburban one, which had not demonstrated an interest in building housing for low and moderate income families. Bart Frye asked the Department to explore the use of

syndication by selling shares in refinanced older projects which would help fund modernization.

ADMINISTRATION HUD field offices were considered to be less than well educated in running the program they were charged with administering according to testimony by Jay Brodie of Baltimore. He felt that the field representatives particularly favored tearing down buildings rather than in rehabbing old structures.

HUD offices were incapable of effective monitoring, according to John Gallery of Philadelphia, who, while acknowledging that his city had in the past abused the process badly, said that he felt the programs were far too complex for his staff to monitor and that he felt that HUD staff was even that much more incapable of effective monitoring.

There is too much time required to process and prepare HUD applications, according to large city program operators testifying at these hearings. Gallery argued that it takes him nine months to prepare a CDBG application and that the new regulations might take a full year. He noted that the Department was becoming increasingly proscriptive and cited the NSA program as an example. He also said that he felt there had been an over-reaction by HUD to past scandals.

COMMUNITY-DEVELOPMENT Jay Brodie called for a better capability to forecast his programs and suggested as did Ms. Rogers that the HAP was the proper vehicle for this allocation. If the HAP requirements were funded, he said, it would be possible to project allocations into the future by at least three years.

Endorsements of the 312 loan program came from all participants in the Baltimore session. They asked for increased levels of funding as well.

Al Hydeman of the State of Pennsylvania complained that the administration of the 701 program "was awful".

There was the suggestion from Baltimore that the vacant house rehab program be entered entered into the HUD regulations as an entity and that the experience of the vacant house program argued well for this inclusion at an early date.

HOUSING Jay Brodie and Ms. Rogers both asked for a workable Section 235 program. Brodie said that as it stood, 235 could not work because he could not interest a developer in the program. He said that "somewhere in the 235 program, there is the germ of an idea that will work" and that it was the problem confronting the Department to find that germ.

Baltimore housing authorities said that under HUD regulations they were unable to write second trust mortgages in connection with 235 and 236 programs which they argued needed to be allowed.

A 75-day clock similar to that in the CDBG program was suggested for the housing side of HUD. Jay Brodie said that he felt that HUD did not understand that "time is money" in the view of a developer.

John Gallery stated that the Department always invented programs as if the same program could apply anywhere. He said that the NSA program

"would not work in Texas" where there are not neighborhoods in the same sense that they exist in the East. He said there needed to be greater allowance for regional variation.

Section 8 existing is the most popular federal program in Philadelphia, according to Gallery, and he would have HUD make those allocations according to HAP requirements. He suggested the shortage he was experiencing could be mitigated by using the state agency set aside given to Pennsylvania.

Al Hydenan suggested that HUD examine the FmHA to see how a good housing program could work and adapt that program to cities.

Bart Frye of Portsmouth asked that special attention be given to making the HAP system work over the next three years, not only to assure predictability but to put some brake on the willingness of suburban communities to build elderly housing exclusively. He also endorsed a moderate rehab program under Section 8 and asked, not altogether rhetorically, if there was not something wrong with the program when the entire State of Virginia was allowed only 935 housing units.

Frye also endorsed the FmHA program and suggested that the income eligibility range in HUD's programs was too narrow.

COLUMBIA

1980 BUDGET OUTREACH  
COLUMBIA, SOUTH CAROLINA  
May 4, 1978

Testimony given by :

Terance Bott  
Community Development Director  
Columbia, South Carolina

Mary Drakey  
CD Director  
Huntsville, Alabama

Mayor Ann Crighton  
Decatur, Georgia

Authur Mendonsa  
City Manager  
Savannah, Georgia

James Grier  
CD Director  
Greenville, South Carolina

William C. Gordon  
Greensboro Housing Authority  
Greensboro, North Carolina

Dorothy Forbes  
Wilmington Housing Authority  
Wilmington, North Carolina

Mel Adams  
Dade County Department of Housing  
and Urban Development  
Miami, Florida

HUD Officials

Babette Penton  
Joseph Guggenheim  
Cary Gold  
Ann Lindgren

## Housing

- . HUD must provide cities more control of housing. The method of awarding Section 8 units discourages realtors from helping investors because they never know if the property will be selected and if they will receive a commission.
- . During periodic freezes in financing, the Department should make available special rates to cities to finance multi-family developments.
- . Housing Assistance Plans requirements need to be revised. Most of them are ignored by all parties involved.
- . Set-asides for State Housing Finance Agencies should be dropped. More flexibility should be provided to the Department in meeting the needs of all its applicants.
- . There are insufficient funding levels to deal with housing projects, particularly large troubled projects. Maintenance which is crucial to all housing projects is the first item excluded when budget constraints are imposed.
- . Assisted housing programs need to serve broader range of income (125% of median income) and develop a sales housing program that serves families in 75% to 125% range of median income.
- . In underwriting of property for FHA insurance, FHA appraisers and other functionaries need to know that location, management, design and quality of construction is important.
- . PHA's should be utilized as referral and placement agencies for all assisted housing in a metropolitan area.
- . An advance funding system should be established which will permit PHA's to do site acquisition and planning to be competitive with private developers seeking Section 8 projects.
- . The Section 8 program is extremely "developer oriented" therefore, developers totally ignore the manageability of projects.
- . The physical quality of HUD structure is poor, particularly Section 8 units because of the low fair market rents. The FMR's must be reexamined to enhance the probability of quality housing under Section 8.
- . With respect to Section 235 program, the income limits must be reexamined to enable both higher and lower income groups to participate in the program.

COMMUNITY PLANNING AND DEVELOPMENT

- . Under current law, block grant funds must be used to eliminate slums and blight, however, there must be provisions for border-line neighborhoods which will halt deterioration before it sets in.
- . The Department's economic development program objectives (UDAG) are unclear. Mechanism must be available which will realistically aid cities in development strategy.
- . Long-term financing must be available to cities if real problems of neighborhoods are to be met.
- . Non-entitlement communities should have a mechanism to do planning, building and "model city" type programs. Perhaps HUD should set up a form of categorical programs for its non-entitlement cities.
- . The targeted tandem program must be expanded to include cities under 50,000.
- . HAP's have become totally inoperable documents. A coordinated effort must be developed between CD and Housing if the housing component of a block grant application is to be a viable document.

CHICAGO

1980 BUDGET OUTREACH

CHICAGO, ILL.

May 1, 1978

Testimony given by:

Nancy Reeves  
Metropolitan COG  
St. Paul, Minnesota

Paul Ziekler  
Miami Valley Regional Planning Council  
Dayton, Ohio

Riva Lee  
Minnesota Housing Finance Agency  
St. Paul, Minnesota

George Cushinberry  
State Representative  
Lansing, Michigan

Kale Williams  
Leadership Council for Metropolitan Open Communities  
Chicago, Illinois

Harry Gottlieb  
Leadership Council for Metropolitan Open Communities  
Chicago, Illinois

Wayman Palmer  
Toledo, Ohio

William Schneider  
Dayton, Ohio

HUD

Dale Riordan  
Franklin James  
Ann Lingren  
Kathy Gibbons  
Shirley Diamond

## HOUSING

### Section 8

1. Fair Market Rents set for broad areas, in which there is a wide variation in actual rents, acts to restrict locational choice. Regional Offices should be permitted to approve Fair Market Rents 20% above those published in sub-market areas smaller than one county or city.
2. Section 8 Existing does not adequately serve families requiring 3 or more bedrooms. Possible alternatives would be:
  - a. Establish separate and higher FMR's for single family residences under Section 8 Existing;
  - b. Develop a program to sell HUD-repossessed single family homes to private or public owners who will rent to Section 8 certificate holders;
  - c. Provide incentives for sponsors of rehabilitated housing to provide larger apartments by combining smaller units.
3. HUD should require, in market areas with multiple housing authorities, under Section 8 Existing either:
  - a. A designated public housing authority to administer the program on a metropolitan wide basis; or
  - b. A housing authority reserve a specified percentage of its Certificates of Family Participation for those now living outside of its jurisdiction; or
  - c. Fund an expanded "Gautreaux type" program to additional metropolitan areas if applicable.
4. HUD is failing to link Section 8 New Construction with Section 221 d (4) which is designed for moderate income families. Therefore, the Department should require new developments, financed under FHA Section 221 d (4), to make a certain percentage of their units available to eligible tenants under section 8 New Construction.
5. The conflict in policy between Section 8 New Construction, Section 880.14 (a) and GMA Program Number 25 must be resolved to provide mixed-income housing.

- a. 880.14(a) - "preference is provided for proposals which indicate that assistance will be provided to 20% or less of the units to be constructed."
- b. Program No. 25 - "more than 20% of the units in the project must have been approved for Section 8 rental assistance."

6. Separate fair share formulas should be developed for Section 8 existing units as opposed to new construction and substantial rehab.

#### Environmental Impact Assessments

1. Where a housing or rehab project is clearly environmentally sound, procedures should be available which would permit a community to proceed on an interim basis.

#### FHA

1. Clear guidelines must be developed for the timely disposition of various HUD held properties. Additionally, HUD should work out agreements and/or commitments with saving and loan institutions and banks, to permit individuals to obtain loans for rehabilitation on the properties.

2. HUD must re-examine the policy which is permitting standard FHA housing dollars to go primarily to suburban sub-divisions that are reluctant at best to open their communities to the disadvantaged.

#### COMMUNITY PLANNING AND DEVELOPMENT

##### General Recommendations:

1. For communities that have taken an investment approach with block grant funds, program income requirements should be made more flexible to alleviate the present complex and cumbersome tracking system.
2. In addition to requiring a city to have a community development strategy and a housing assistance plan an economic development strategy over a three or four year period would be advisable.

### Housing Opportunity Plans

1. HUD must re-examine the policy conflict between area-wide HOP's and the funding priority for subsidized housing in center cities.
2. Regulations for preparing HOP's and housing plans under 701 should be simplified and consistent.
3. National set asides leave little or no flexibility for planning agencies to develop a realistic mix of appropriate subsidized housing. An analysis done in cooperation with a regional planning agency, local government, HUD and state finance agency (if available) should be sufficient to determine need and program mix of an area as opposed to national set asides.
4. Under the housing allocation plans, the conflict of allocation of dollars - vs- allocation of units must be re-examined. This conflict has particular significance when working with Section 8 Existing and Section 8 New Construction where the ratio is almost two to one.

### FAIR HOUSING AND EQUAL OPPORTUNITY

1. HUD's enforcement powers under Title VIII must be strengthened.
2. The Department should issue regulations defining, interpreting and establishing procedures for enforcement of Title VIII.
3. A comprehensive fair housing program, in each market area, must be developed and should include:
  - a. Enforcement - Should be done by contract with State and local government or with non-profit citizen agencies.
  - b. Marketing - (1) Education and outreach, particularly in the minority community, must be strengthened to communicate that all housing is open and that services are available to help minority home seekers choose from the total housing market. (2) HUD's affirmative marketing regulations, if legally possible, should be expanded to cover all developers. (3) Support by CD and 701 recipients of local fair housing marketing should be strongly encouraged. (4) Coordinate the delivery of services and programs by other federal agencies to enhance marginal neighborhoods and avoid the use of federal programs which have the effect of threatening stability (i.e., exclusive use of FHA and VA mortgages in racially changing neighborhoods.)

OTHERA-95 Review

1. Management audits should be conducted, either by HUD and/or OMB, on the effectiveness of the review process to establish quantitative consistency.
2. A mechanism should be established which will permit clearinghouses to influence decisions in the project formulation stage, not after projects have been selected by the applicant.
3. Urban county plans and goals pose particular problems due to lack of identifiable individual community goals, therefore, procedure for sanctioning a community should be available if goals are not met.

DALLAS

1980 BUDGET OUTREACH

DALLAS, TEXAS

May 2, 1978

Testimony given by:

Robert L. Moore  
Houston Housing Authority  
Houston, Texas

Perfecto Villarreal  
San Antonio Housing Authority  
San Antonio

Olen O'Dell  
HCD  
Ft. Worth, Texas

Nathaniel Hill  
Department of Human Resources  
Little Rock, Arkansas

Reuben E. Brown  
Assistant City Manager  
Lawton, Oklahoma

Stuart Bach  
City Manager  
Texarkana, Texas

HUD Team:

Carla Cohen  
Dale Riordan  
Randolph S. Kinder  
Anne Lindgren  
Shirley Diamond

## HOUSING:

### Public Housing:

1. A clear and concise mission statement for Low Rent Public Housing must be included in HUD's submission to Congress for the 1980 budgetary process.
2. Assisted and insured housing programs must be linked to promote transition toward independent living and homeownership.
3. A lack of an adequate subsidy under PFS forces Public Housing Authorities to maintain high rent paying residents as opposed to helping such residents find private sector housing. The PFS must be revised to provide a more realistic resource allocation mechanism.
4. HUD should request special appropriations to retire debt, demolish and rebuild outmoded public housing developments. The majority of these developments are too costly to maintain and/or located in areas where facilities are not available to support such developments.
5. Funds should be earmarked for organizational and managerial capacity building to assist PHA's in dealing with the complex problems of housing administrators.

### SECTION 8:

1. Recent proposals for light housing rehabilitation under Section 8 Existing would greatly increase small investor/owner participation in the program and help stabilize neighborhoods if approved. Every effort should be made to implement this much needed resources.
2. The 235 program must be energized and conversion of rental assistance under Section 8 to homeownership assistance should be implemented under existing Congressional authorization without a break in program service to an eligible participant.

#### COMMUNITY PLANNING AND DEVELOPMENT:

1. A more realistic approach to the community development program would be the submission of a three-year plan along with cost estimate in advance of budget preparation, thus adequate appropriations could be requested, thereby eliminating the affect of backing into the community development program under the current system.
2. Existing policies must be adjusted to allow general purpose government to have the option to designate existing CDBG area boundaries as EDA areas. Local governments should be permitted to produce one set of documentation for both programs rather than duplicate submissions.
3. Federal Regional Councils should be empowered to review and approve a consolidated CDBG/EDA plan submitted by local governments who wish to integrate those programs.
4. Under CD regulations the Department has 75 days to take action on a local proposal. The 75-day threshold should be expanded to cover Section 8, Conventional Public Housing and Modernization proposals.
5. Enforcement of Section 3 regulations should be a major issue in the evaluation of field offices and government grantees.
6. Immediate orders should be given to include Minority firms on the HUD Consolidated Supply List.
7. The HAP still remains a relatively unimportant section of the CDBG application. Recent effort to compute progress by using the '76 HAP as the base year will insure that family housing gets built. The process should be strengthened to make the HAP a viable document.
8. All Section 202 should be part of the HAP process so local government can insure services for senior citizens are available at the 202 site and preferably in the CDBG area.

GENERAL HOUSING RECOMMENDATIONS:

1. Tax exempt financing for home ownership should be explored as a method of reducing cost and making units available to the "lower range" income groups.
2. The most significant mistake HUD has made is putting the total weight of housing opportunities on assisted housing. The most segregated housing in America remains the conventionally financed and HUD insured single and multi-family projects. Steps must be taken to insure that HUD insured projects are not a part of this new form of redlining.

DENVER

1980 BUDGET OUTREACH

DENVER, COLORADO

May 2, 1978

Testimony given by:

Henry Burgwyn  
Urban Affairs Officer  
Midland Federal Saving Bank  
Denver, Colorado

Louis LaPerriere  
Deputy Community Development Director for the  
City and County of Denver  
Denver, Colorado

Tom Campbell  
Human Resource Coordinator and Assistant  
to the Governor of North Dakota

John Galleotis  
Executive Director  
Department of Housing and Community Development  
Cheyenne, Wyoming

Bill Timmermeyer  
Housing Program Administrator  
Department of Local Affairs of the State  
of Colorado

Keith Meager  
Director of the Office of Urban Development  
State of Colorado

Mayor Kathleen Ramey  
Helena, Montana

Bob Hiatt  
Director  
South Dakota Housing Development Authority

HUD Officials

Babette Penton  
Richard H. Mapp  
Robert Etchison  
Bryant Young  
Betty Jane Miller

## Housing Programs:

Housing subsidy funds should be allocated solely on the basis of the fair share formula, rather than the 75 - 80% Metro/Non-Metro split. FHA appropriation requests are far too insufficient to meet the demands of rural housing needs. Region VIII would be allocated more of the available funds on the basis of population and poverty figures.

-- HUD should not set-aside subsidy funds for specific financing sources to produce new construction or substantially rehabilitated housing. Instead, it should administer funds on a state-by-state basis to insure that the method of financing most appropriate to a particular state is fully utilized "...the Denver office was allocated Section 202 units, when, in fact, there may not be enough non-profit sponsors qualified to apply for and to receive Section 202 loans. Furthermore, public housing funds were allocated, when there may not be enough local housing authorities interested in utilizing the allocation (Bob Hiatt, the South Dakota Housing Development Authority)

-- HAPs -- HAPs should not be used for allocation of unit types until all communities in a state have approved HAPs. HUD's ability to force communities to revise HAPs should be limited, so that, if the two are at odds, the HAP reflects the communities needs more than HUD's priorities.

-- State Finance Agencies should be allowed to include within the FHA approved mortgage documents a provision to disallow assumption by unqualified borrowers. "...a trend has been detected where investors are assuming the loans and using the property as income producing rental units. This puts the Authority in the position of providing below market rate interest financing for income property...and leaves the Authority highly vulnerable to political attack." (South Dakota Housing Development Authority)

-- Fee appraisers should not be used unless they can be paid fairly (in order to entice appraisers into rural areas) and trained adequately.

-- State Housing Authorities should be allocated 235 funds so that similar state programs can be mixed with the 235 funds in order to provide the best possible service to the borrower and improve the delivery of the program to non-metro areas.

-- HUD should limit PHA financing via 11(b) to authorities with prior production experience in order to negate entrance of "suede shoe" operators in smaller communities.

— FHA red tape could be reduced by replacing the responsibility for appraisal, underwriting, inspections and servicing for inner-city rehab on the lender and private mortgage insurance companies. "The FHA should develop an insurance program designed to recognize the special programs inherent in inner-city rehabilitation. Insurance of construction loans on 1-4 family properties should be developed and property standards for rehabilitation of existing homes should not be based on new construction requirements." (Henry Burgwyn, Midland Federal S&L Assoc., Denver)

— FHLBB should develop a demonstration program to test secondary financing on rehab loans. "a grant or advance would be given to 20-30 S&Ls in urban areas to create a revolving loan fund. The S&L would use its funds to make an 80% construction loan to purchase and repair the property. The revolving loan fund would provide 15% of the financing and the borrower would make a 5% downpayment. Upon completion of the rehabilitation, the S&L would refinance the construction loan to create a permanent loan amounting to 95% of the appraised value after rehabilitation. The revolving loan funds could then be used to assist another borrower." (Henry Burgwyn, Midland Federal S&L Association, Denver)

— FMHA's strong production orientation should be curbed by FHA

#### CPD Programs:

— The 50% + low-income criteria is inappropriate for small cities in Region VIII. "Cities the size of Helena (Montana), 25,000, often have very dispersed low-income residents. While we have a significant amount of low-income residents (34% by 1970 census...) we have few "low-income neighborhoods". (Mayor Ramey, City of Helena)

— On a HUD state run program, local official sign-offs should be required to insure local input. The consistency of seeking local input should be carefully monitored.

— Neighborhood revitalization should be the major objective of HUD and the top funding priority should be housing rehab.

— Certain categorical programs should be reinstated, such as water, sewer and open space.

— Section 8 Existing should be combined with Section 312 for households displaced by public or private revitalization efforts.

OTHER PROGRAMS:

- PD&R should conduct a study to design an appropriate program to meet the housing needs of American Indians.
  
- HUD should provide incentives for states to establish "substantially equivalent laws" to the Civil Rights Act of 1964 and 1968. Threats of fund cut-offs could be used to assure compliance with the equal housing opportunity.
  
- HUD should develop a program similar to the Action Grant to assist areas suffering from energy development.
  
- HUD should provide TA, at least partially, through an outside organization, such as the National Center for Housing Management. (There was general complaint about HUD workshops and training sessions.)
  
- Local governments should have "front end involvement with any grants being made from HUD directly to neighborhood groups. Front end involvement would not mean final review and comment at the time or after applications are submitted to HUD." Otherwise, executive officers of city governments are viewed as "obstructions to projects sponsored by neighborhood groups."  
(Louis R. La Perriere, City of Denver)

LOS ANGELES

1980 BUDGET OUTREACH

LOS ANGELES, CALIF.

May 1, 1978

Testimony Given by:

Lois Moss  
Fair Housing Conference of  
Southern California

Cressworth Lander  
City of Tucson, Arizona

Frank Patitucci  
Housing Finance Agency  
State of California

Lillian Pride  
City of Pittsburg, California

John Brezzo  
City of San Jose, California

Adam Burton  
Economic and Housing Development Corp.  
Los Angeles County, California

HUD Team:

Michael Hammond  
Robert Etchison  
Richard Mapp  
Bryant Young  
Emma McFarlin  
Roland E. Camfield, Jr.

## HOUSING:

- . Traditional filtering process for housing (HAP-HOP-Section 8 allocation-specific locality allocations) does not serve the housing needs of low and moderate income.
- . Difficult to allocate percentages (to new, existing, and substantial rehabilitation) using the HAP process because aggregated HAP data gives major distortions. Allow HUD Area Offices and/or state to allocate according to their own priorities. HUD Field Offices continually have applicants change goals to agree with Section 8 allocations.
- . There should be fewer housing programs on the books. Simplify them.
- . Chronic inadequate allocation of Section 8 New Construction units—only a drop in the bucket.
- . FHA should utilize broader underwriting criteria (i.e., cannot reject applications on basis of age and/or condition of neighborhood).
- . It is wrong to tie the Tandem Program only to UDAG. Expand eligibility to other cities.
- . While the city is accountable for performance, actual performance for meeting established housing goals is out of the city's hands. Many available units are lost due to the lack of developer interest or other factors. The city could do a better job in administering housing programs, namely new construction.
- . The delivery of housing is too cumbersome, time consuming and inflationary. We need to close the subsidized housing gap that is increasing at an alarming rate. The following steps must be taken:
  - Streamline the paperwork processes of program applications, reviews, and approvals;
  - Expedite reviews of applications by appropriate HUD functionaries by "cohesive" team attention versus fragmented individual reviews;
  - Screen all required form work and eliminate duplication of information, repeated submissions of non-changing basic data and information such as flood control data, resolutions of agency establishment, etc.

- Revise citizen and public participation to insure fast delivery of housing and other programs without sacrificing that necessary participation.
- A program similar to the "target problems projects" needs to be revived with an extension of the software component for a period longer than the two-year standard time frame.
- Special allocations of Section 8 New Construction of 4, 5, and 6 bedroom units needs to be made available to local communities to respond to large family needs.
- Section 8 New Construction administrative responsibilities needs to be transferred to local government. HUD's involvement simply increases red tape requirements and hampers the delivery of housing to a local community in a timely fashion.

#### COMMUNITY PLANNING AND DEVELOPMENT

- Section 200(a)(8) of the HUD Act of 1977 and the regulations should be revised to specifically permit provision of public services to residents of public housing without restriction.

"there are a couple of criteria or a couple of objectives that seem to run in the face of each other. One of the objectives that we have in public housing is to reduce the isolation of income jumps within communities in geographical areas and promote an increase in the diversity and vitality of the neighborhood through spatial concentration of housing, and when we do this...we then lose the ability to provide them some of the very needed social services. When we fund public housing modernization programs from one part of funds from HUD, you also cannot provide social services programs to those tenants unless your modernization funds come from your block grant funds." (Lander, Tucson)

- A categorical program should be developed to address the economic and revitalization needs of depressed areas in non-distressed cities. The block grant funds provided to non-UDAG eligible cities are simply not enough to undertake essential and necessary redevelopment.
- To overcome growing resistance, cities which are not eligible for UDAG and which have distressed areas in their jurisdiction should receive assistance through an economic and community development loan-type program. Front end capital would be provided to initiate developments and the loan program, if set up on a revolving basis, would not require continuous appropriations.

- . The CDBG program rules should be revised to provide at least 25% of program funds to attract upper and middle income persons into declining neighborhoods. Presently, the regulations are too ambiguous to achieve this objective which will also help deconcentrate racially as well as economically impacted areas.
- . The "on again, off again" funding history of Section 312 Rehabilitation Loan Program has seriously impaired the neighborhood revitalization efforts of many cities. As an interim solution to funding delays, it is recommended that entitlement cities be allowed to set up a construction escrow account with block grant funds for the amount of Section 312 loan requested. The block grant funds would be returned when 312 funding is received. The use of CDBG funds in this manner would maintain the rehabilitation activity at a uniform level.
- . A special allocation formula should be established as part of CDBG to provide funding to cities which must complete previously approved Urban Renewal projects (where old programs were closed out).
- . UDAG needs to provide economic and community development assistance through community based non-profit corporations for neighborhood projects.

#### ADMINISTRATION

- . Small Cities Task Force consisting of a sampling of local official representatives should be created to develop policy objectives prior to promulgation of rules.
- . Increase communication between Area Offices and Central Office. More credence should be given to the ability of the Area Offices to evaluate local needs and make program and policy recommendations.

#### OTHER

- . A categorical crime prevention program is needed to encourage city revitalization. Such a program in HUD should be combined with the Neighborhood Strategy Areas Program. Prior to development of this program, HUD should study the LEAA and Model Cities Crime Prevention Programs which were successful in reducing crime in specific geographic neighborhoods. Programs must be developed to assist inner-city entrepreneurs to:
  - make physical improvements to defend against crime; and
  - secure adequate and reasonable insurance coverage and financial aid

- HUD requires entirely too much effort in conforming to Environmental Impact Requirements. Lengthy reports and extensive record keeping is required. More specifically, why can't HUD accept the Environmental Impact Report required by State law as meeting Federal requirements? In addition, HUD needs to streamline the environmental process and reduce unnecessary paperwork.

"I am saying that, ...in addition to that, we have done a combined EIS-EIR. We are addressing what the Federal government... and...State government requires in the same document...And I have a copy of that here;.... But over and above that are the environmental review work sheets that are now required. You do not have to submit them, but HUD says you have to keep them in your files. Well, they called up one day and said, "We are coming down in two weeks to take a look at them," you know, and I told my staff, my own personal opinion, "I do not think we should do them. We have an EIS here." But when they came down, they said, "We are going...to take a look at them," so we cranked up and got them done. I thought that was foolish, just to meet what has already been covered. (Bresso, San Jose)

SEATTLE

1980 BUDGET OUTREACH

SEATTLE, WASHINGTON

April 28, 1978

Testimony Given by:

Phil Sherbourne  
Office of City Planning  
Seattle, Washington

Doug Butler  
C.D. Director  
Portland, Oregon

Mayor Michael Parker  
Tacoma, Washington

Darel Grothaus  
C. D. Director  
Seattle, Washington

Larry Schmeiser  
Office of Community Development  
Seattle, Washington

Pat LaCross  
Office of Community Development  
Portland, Oregon

Gary Sullivan  
C.D. Director  
Tacoma, Washington

Denton Kent  
Executive Director  
Columbia Regional Association of Governments

Mart Kask  
Executive Director  
Puget Sound Council of Governments

Max Power  
Puget Sound Council of Governments  
Office of Land Use Planning

Pete Shephard  
C.D. Director  
King County, Washington

HUD Team:

Michael Hammond  
Richard Mapp  
Bryant Young  
Robert Etchison

## HOUSING PROGRAMS: SUMMARY

- HUD should provide increased local flexibility in the administration of housing programs.
- A new program or mechanism within existing programs needs to be developed to meet the housing needs of single room occupants (SRO) in central cities.
- Tax revisions must be undertaken to encourage investors to participate in the retention of existing housing.
- Housing Assistance Plans are no more effective than workable program requirements of the terminated urban renewal programs.
- Closer coordination must be achieved at HUD level with respect to housing and community development activities.
- Restrictions on use of modernization funds must be relaxed to achieve revitalization of older assisted housing.
- A program needs to be developed to assist elderly homeowners with the maintenance and upkeep of their property.
- FHA criteria for endorsements for non-assisted housing (marketability) are out of sync with Federal strategies to revitalize our urban centers.
- HUD needs to gain increased respect for general purpose government's responsibilities in providing housing. Local governments feel that HUD too often believes that the local jurisdiction which wants to build elderly housing is against assisted family housing.

## COMMENTS:

Most of the speakers pressed for greater flexibility in the allocation and use of local jurisdiction of HUD housing program funds. For example:

"On housing I think we have a fairly strong feeling that what is needed is more local flexibility. For us rental levels are a particular sore point. The city has, at some political cost made a fairly clear policy statement that we're going to disperse the low income. We're going to disperse it in the Northern sector of the city, and the rent level is one thing because it's on too broad an area. That make it essentially impossible for us to do that..." (Schmeiser)

"There is definitely a need for more flexibility in the percentage set-asides so that we can, once we do get commitments to a viable and approvable housing opportunity plan that we could get the resources there because we have had a real problem with that."  
(Powers)

Those dealing with housing problems in center cities spoke of the need for programs to support Single Room Occupancy, as a means of blunting deterioration in central districts. For example:

"We're doing a lot to try to stimulate housing in the greater downtown area here (Seattle). Traditionally, Seattle has had a lot of single room occupancy units for people...one of the things that's occurring is that we're seeing people displaced out of those units. We're losing that housing stock. We can't use Section 8 or there's no other form of Federal subsidy that can be directed toward the single room occupant. We could probably use a thousand units and save a thousand units in this downtown area right now if we could have more flexibility in the housing program that would enable us to keep SRO." (Grothaus)

#### COMMUNITY PLANNING AND DEVELOPMENT: SUMMARY

- . Federal domestic program agencies must develop a process to coordinate the delivery of their services and functions to recipients.
- . HUD should deemphasize up front regulations and increase follow-up performance audits.
- . Greater local flexibility is needed in block grant program to provide needed social and/or public services.
- . HUD must pay increased attention to making too many specific changes to CDBG regulations thus making the program more categorical in nature.
- . HUD must develop better relationships with urban counties. HUD is perceived by counties as "adversaries" rather than "partners."
- . The Section 312 Program funding and uses should be expanded. It is a tremendous leveraging tool for commercial redevelopment and provides increased employment opportunities. The maximum loan limits on the program should be increased to \$100,000 for commercial structures.

- . HUD should carefully review its reporting requirements. In particular, Housing Opportunity Plan regulations presently require more than forty transmitted elements besides the plan, including many that HUD Area or Regional Offices already have.

COMMENT:

Repeatedly, testifiers spoke with praise of the value of Section 312 loans.

"More 312 funds are needed. It is the cornerstone of our housing rehab program. It's important to note the tremendous leveraging power of 312 money in terms of local employment." (LaCross)

"We have a lot of experience with 312 and are a great supporter of it. But it must be pre-ditable. Increased funding for it." (Sullivan)

"Make 312 money available more rapidly...for multi-family housing." (Grothaus)

OTHER PROGRAMS:

- . HUD research priorities need to be revised. To a great extent, they are influenced by the social science fraternity. Greater emphasis should be placed on small, practical payoffs. Panels reviewing research and demonstration proposals should include people from neighborhoods and local governments. HUD's research and demonstration office must see neighborhoods as "labs" for the development of new tools.
- . HUD technical assistance and capacity building efforts are limited. It should be expanded to have HUD serve as a major repository and exchange center for information sharing on city programs and achievements.

ADMINISTRATION:

- . Simplify application procedures for block grants. Establish national objectives and pursue achievement of those objectives through performance audits.
- . There is a need for one coordinated set of regulations for all Federal agencies involved in economic development. One time review process would help immensely.
- . Provide opportunity for local governments to participate in actual writing of the regulations.
- . Field Office personnel need to visit localities more often to obtain increased knowledge of local situations and strategies.

THE WHITE HOUSE

WASHINGTON

July 11, 1978

MEMORANDUM TO: THE PRESIDENT

FROM : Frank Press *FP*

In view of your family's interest in astronomy, Captain Smith, whom you met at the Vice President's house, asked that I bring the announcement of the discovery of a moon on Pluto to your attention.

SUPERINTENDENT  
UNITED STATES NAVAL OBSERVATORY  
WASHINGTON, D. C. 20390

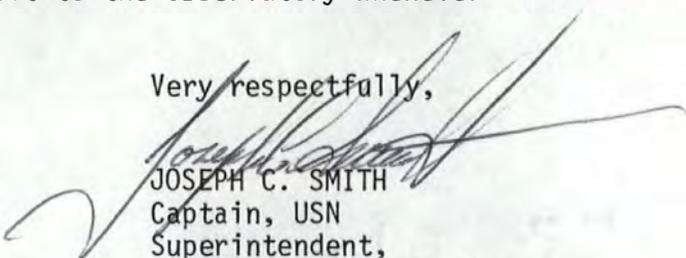
7 July 1978

The President  
The White House  
Washington, D. C. 20501

Dear Mr. President:

Knowing your interest in Astronomy from our conversation at the Vice President's house during the visit of Dr. Carl Sagan, I thought you might like to have a packet of information concerning our discovery of a satellite of Pluto. We look forward to your visit to the Observatory whenever you may desire.

Very respectfully,



JOSEPH C. SMITH  
Captain, USN  
Superintendent,  
U.S. Naval Observatory





U.S. NAVAL OBSERVATORY  
34th and Massachusetts Ave., NW  
Washington, D.C. 20390

IN REPLY REFER TO

6  
3162/5720  
Ser 411  
6 Jul 1978

From: Superintendent, U. S. Naval Observatory  
To: Chief of Naval Operations  
Via: Assistant Vice Chief of Naval Operations

Subj: Discovery of a satellite of Pluto

One hundred and one years after the discovery of the moons of Mars by the U. S. Naval Observatory, I have the honor to report that on June 22, 1978, Mr. James W. Christy, an astronomer of the U. S. Naval Observatory, discovered the first satellite of the planet Pluto. He made this discovery while examining photographic plates of the planet taken this past April and May with the 61-inch astrometric reflecting telescope at the U. S. Naval Observatory's Flagstaff Station.

Pluto is 2.8 billion miles away from the Earth, and must have an estimated diameter of 1,300 miles which is considerably smaller than has been believed. The new satellite is 12,000 miles from Pluto. The existence of the satellite has eluded discovery until now because of its faintness and closeness to the parent planet. Only during part of the satellite's period of revolution of 6 days, 9 hours and 17 minutes is the satellite separated enough from Pluto to permit its detection with the largest telescopes under conditions of best "seeing." The satellite cannot be observed visually, even with the largest telescopes. Photographic observations are extremely difficult because of the proximity to the planet. The U. S. Naval Observatory's 61-inch astrometric reflector is uniquely capable to make such observations due to its size and optical design.

From the April and May 1978 observations, Dr. Robert S. Harrington, of the U.S. Naval Observatory, has completed a preliminary orbit and ephemeris of the suspected satellite. These calculations helped to confirm the satellite's presence on photographic plates of Pluto taken earlier with the 61-inch telescope during June of 1970 and April and May of 1965. They have also led to predicted times of best detection which were found to agree in detail with the subsequent observations made during the past week. Between June 30 and July 4, 1978, photographic observations at the U.S. Naval Observatory Flagstaff Station verified both the satellite-like images and the orbital period. On 5 July, Dr. J. A. Graham of the Cerro Tololo Inter-American Observatory, at my request, made observations of Pluto using the four-meter telescope and confirmed our discovery.

3162/5720  
Ser 411  
6 Jun 1978

The discovery of the satellite of Pluto is an important scientific event of worldwide interest, similar to the discovery of the moons of Mars which was communicated to the Secretary of the Navy, The Honorable R. W. Thompson, by one of my predecessors, Rear Admiral John Rogers, over one hundred years ago. The new information is an important contribution toward unraveling of the discrepancies known to exist in the motions of the outer planets of the Solar System. Preliminary conclusions from these observations allow direct determination of the mass of Pluto for the first time. Its mass must be about 0.0024 times the mass of the Earth or 20% of the mass of the Moon. This mass is suprisingly small compared to previous opinions, which were based on the assumption that Pluto was like the Earth. Pluto must have a density of about 1.5 times the density of water, three times less than the density of the Earth, which indicates that Pluto might be similar in composition to the major outer planets Jupiter, Saturn, Uranus and Neptune. Moreover, from its brightness, it is inferred that the diameter of the satellite is about two or three times smaller than that of Pluto, which makes this pair into what might be called a "double planet." The satellite's orbit is in synchronism with its parent's rotation, the first such case discovered for planetary bodies. The Earth's moon has an opposite situation; the Moon's rotation is in synchronism with its own orbit.

The observations hitherto made showing the satellite are as follows:

<u>DATE</u>	<u>TIME</u>	<u>POSITION ANGLE</u>	<u>SEPARATION</u>
29 Apr 65	3:49 UT	160 <sup>0</sup>	
1 May 65	3:40 UT	10 <sup>0</sup>	
13 Jun 70	4:09 UT	160 <sup>0</sup>	
15 Jun 70	4:02 UT	20 <sup>0</sup>	
16 Jun 70	4:02 UT	350 <sup>0</sup>	
17 Jun 70	3:52 UT	340 <sup>0</sup>	
19 Jun 70	3:46 UT	170 <sup>0</sup>	
13 Apr 78	7:26 UT	170 <sup>0</sup>	
12 May 78	5:16 UT	350 <sup>0</sup>	0".7
2 Jul 78	4:03 UT	350 <sup>0</sup>	0".8
5 Jul 78	3:35 UT	175 <sup>0</sup>	

From these observations, and using the rotation period of Pluto, Dr. Harrington has derived the following approximate circular elements of the orbit:

3162/5720  
Ser 411  
6 Jun 1978

Semi-major axis	0"9
Period	6.3876 days
Position angle of ascending node	350°
Time of nodal passage	12.2 May 1978
Inclination to plane of sky	105°

These elements give the mass of Pluto 0.0024 times mass of Earth

This discovery is being communicated to the Smithsonian Astrophysical Observatory which will announce to all Observatories in the World by telegram the following:

"Elongation of photographic image of Pluto observed on plates taken with U.S. Naval Observatory 1.55 meter astrometric reflector on 13 April, 20 April, and 12 May, 1978; 13 June, 15 June, 16 June, 17 June, and 19 June 1970; and 29 April and 1 May, 1965. Maximum elongation approximately 0"9 in position angles 170°/350°. Magnitude difference estimated 2. Confirmed on plates taken with 1.55 meter on 2 July and 5 July, 1978 and with 4 meter Cerro Tololo on 6 July 1978; position angles consistent with uniform revolution/rotation period equal to light-curve period of 6.3867 days. Data suggests satellite with this period and mean distance of approximately 20,000 km. Implied mass of Pluto 0.0024 Earth. Confirmation requested. Observer - James W. Christy. Communicator - Captain Joseph C. Smith, USN."

I respectfully suggest that appropriate announcements be released to the press and news media at the earliest possible moment. We are prepared to coordinate this activity with the Chief of Naval Information.

JOSEPH C. SMITH  
CAPTAIN, USN  
Superintendent

Copy to:  
CHINFO

TRANSFER SHEET

Jimmy Carter Library

COLLECTION: Carter Presidential Papers-Staff Offices, Office  
of Staff Sec.-Pres. Handwriting File

Acc. No.: 80-1

The following material was withdrawn from this segment of the collection and transferred to the XX Audiovisual Collection \_\_\_ Museum Collection \_\_\_ Book Collection  
\_\_\_ Other (Specify: )

DESCRIPTION:

---

3" x 5" b&w photo of Pluto's satellite and 3" x 5" b&w photo of 61"  
U.S. Naval Observatory astronomic reflector-both attached to 8½" x 11"  
paper

8" x 10" b&w photo describing the placement of Pluto's satellite

---

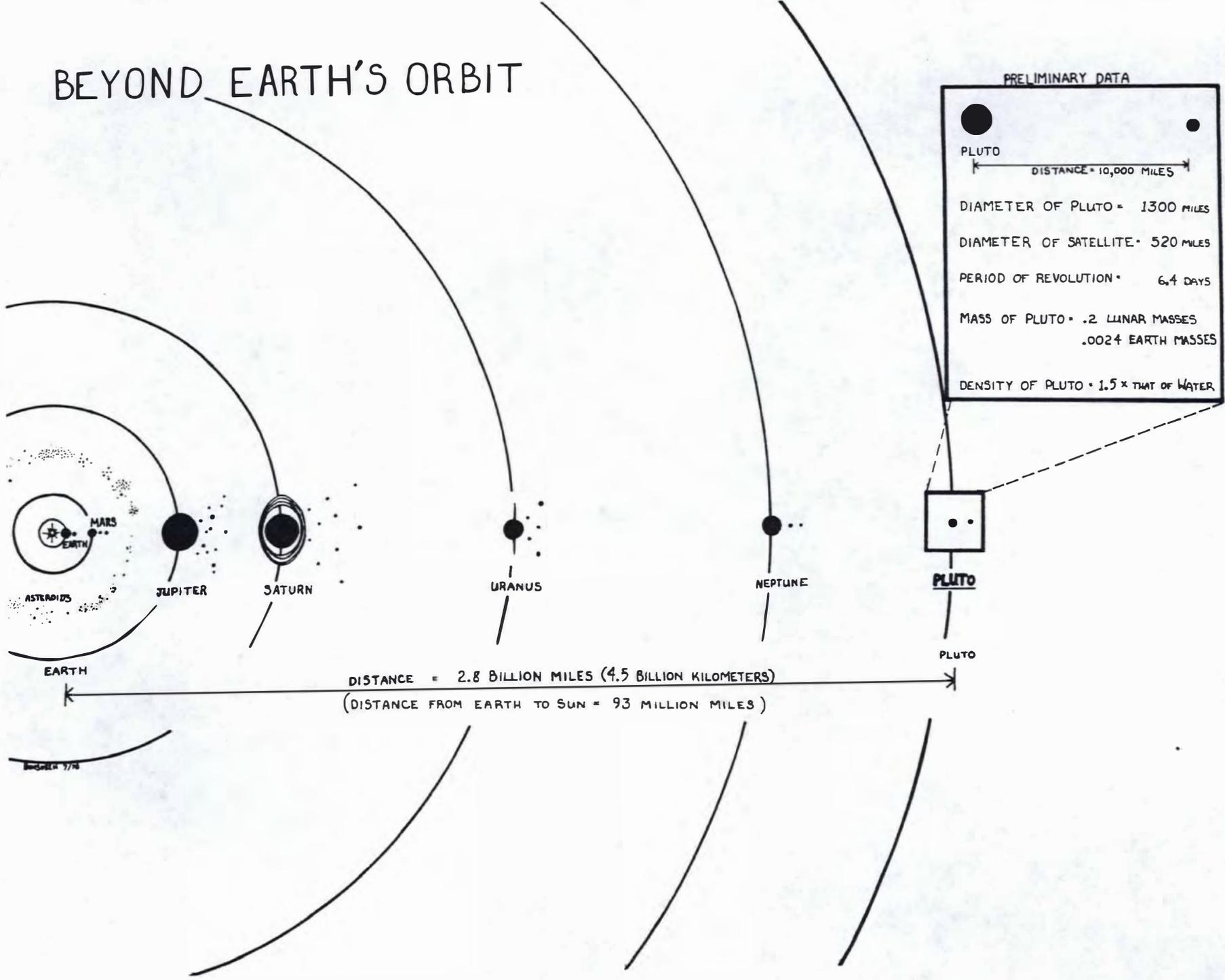
Series: Office of Staff Sec.-Pres. Handwriting File

Box No.: 95

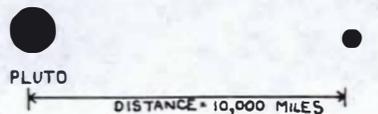
File Folder Title: 7/19/78

Transferred by: KJS

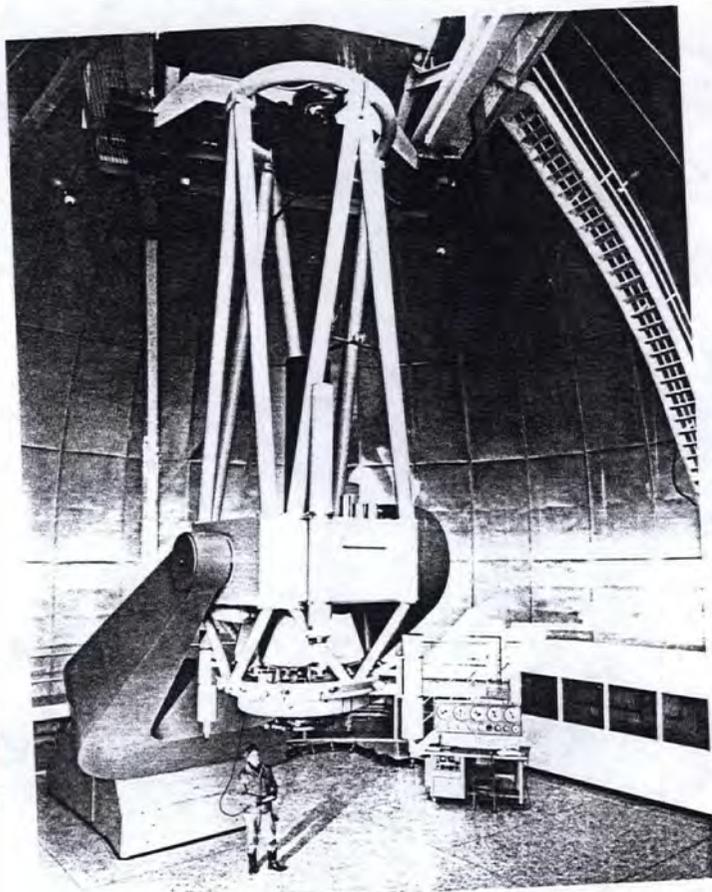
# BEYOND EARTH'S ORBIT



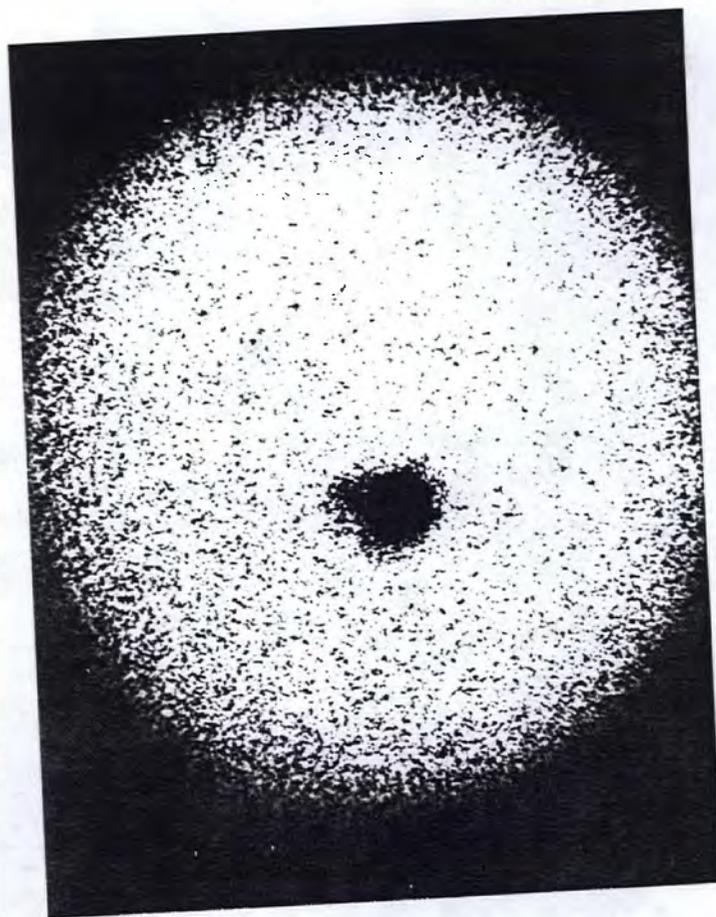
## PRELIMINARY DATA


  
 PLUTO
   
 DISTANCE = 10,000 MILES
   
 DIAMETER OF PLUTO = 1300 MILES
   
 DIAMETER OF SATELLITE = 520 MILES
   
 PERIOD OF REVOLUTION = 6.4 DAYS
   
 MASS OF PLUTO = .2 LUNAR MASSES
   
 .0024 EARTH MASSES
   
 DENSITY OF PLUTO = 1.5 x THAT OF WATER

DISTANCE = 2.8 BILLION MILES (4.5 BILLION KILOMETERS)
   
 (DISTANCE FROM EARTH TO SUN = 93 MILLION MILES)



The U.S. Naval Observatory's 61-inch astrometric reflector used to discover the satellite of Pluto



The satellite can be seen as a bump on the left side of the image of Pluto

THE WHITE HOUSE  
WASHINGTON

July 19, 1978

The Vice President

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Jim McIntyre

*Original given to Victor Miller  
OMB - 7/25/78 w/a cc. to Kate King*



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 12 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Harrison Wellford for J.T.M.*  
SUBJECT: Attached Message on Indian Education

Attached is a draft message explaining your decision to include Indian education programs, now in the Department of Interior, in the proposed Department of Education. This message will be sent to 150 Indian leaders and organizations.

The message has been cleared by Jim Fallows and the Domestic Policy Staff.

*oh. Let  
v.p. approve  
text before  
sending out.  
J*

THE WHITE HOUSE

WASHINGTON

July 19, 1978

Under my proposal for a Cabinet Department of Education, the Indian education programs now located in the Bureau of Indian Affairs (BIA) would be moved to the new Department. I have recommended this transfer because I believe it will make Federal school-based programs more effective.

This transfer will not change the special relationships between the government and Indian tribes and Indian people in any way. These relationships include Federal trust responsibilities, Indian self-determination, and Indian preference in hiring. My goal is to improve the delivery of education services to Indians while maintaining these special relationships.

It is especially important that we maintain educational services to Indians without interruption, protect their civil rights, preserve the integrity of the education programs, and strengthen participation of parents, tribes, and Indian people in the education of their youth. A clear recognition of the importance of these issues will help us achieve an orderly, phased transfer of the BIA programs to the new department, while protecting the interests of Indian people. I expect and hope that Indian tribes and Indian people will work with my Reorganization Project staff to assure that these objectives are met.

Throughout the Nation, our educational systems are facing important challenges. For the first time, the new department will permit a coordinated and high-level response to these challenges. I ask Indian tribes and Indian people to join with us in shaping a new Department of Education that is responsive to their concerns and worthy of their support.

*Jimmy Carter*



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

31 12 1972

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Harrison Wellford for J.T.M.*  
SUBJECT: Attached Message on Indian Education

Attached is a draft message explaining your decision to include Indian education programs, now in the Department of Interior, in the proposed Department of Education. This message will be sent to 150 Indian leaders and organizations.

The message has been cleared by Jim Fallows and the Domestic Policy Staff.

*oh. Let  
v.p. approve  
text before  
sending out.*

*To Jim  
Johns Good  
J*

*Wellford  
Hwaltney  
Cavanagh  
Harris  
Ditsch*

THE WHITE HOUSE

WASHINGTON

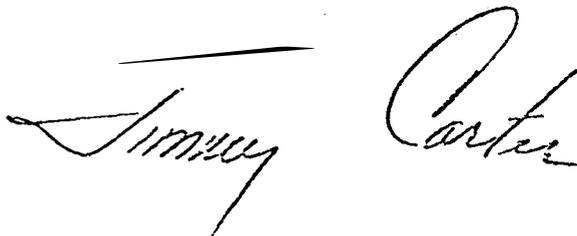
July 19, 1978

Under my proposal for a Cabinet Department of Education, the Indian education programs now located in the Bureau of Indian Affairs (BIA) would be moved to the new Department. I have recommended this transfer because I believe it will make Federal school-based programs more effective.

This transfer will not change the special relationships between the government and Indian tribes and Indian people in any way. These relationships include Federal trust responsibilities, Indian self-determination, and Indian preference in hiring. My goal is to improve the delivery of education services to Indians while maintaining these special relationships.

It is especially important that we maintain educational services to Indians without interruption, protect their civil rights, preserve the integrity of the education programs, and strengthen participation of parents, tribes, and Indian people in the education of their youth. A clear recognition of the importance of these issues will help us achieve an orderly, phased transfer of the BIA programs to the new department, while protecting the interests of Indian people. I expect and hope that Indian tribes and Indian people will work with my Reorganization Project staff to assure that these objectives are met.

Throughout the Nation, our educational systems are facing important challenges. For the first time, the new department will permit a coordinated and high-level response to these challenges. I ask Indian tribes and Indian people to join with us in shaping a new Department of Education that is responsive to their concerns and worthy of their support.

Jimmy Carter

THE WHITE HOUSE  
WASHINGTON

Mr. President:

The last news item on CBS:

Miss Lillian arrives in Rome today and her son's chances of caring italian areas improves. Within minutes of arrival she said:

- 1) I'm very happy to be in Italy
- 2) My greatest wish has always been to meet the Pope
- 3) We couldn't do without italian-americans
- 4) I have never seen an ugly italian.