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THE WHITE HOUSE

WASHINGTON

November 9, 1989

MEMORANDUM FOR THE PRESIDENT

THROUGH: CHRISS WINSTON

FROM: DAN MCGROARTY

SUBJECT: NATIONAL ASSOCIATION OF REALTORS REMARKS

I. SUMMARY

On Friday, November 10, in Dallas, Texas, you will address the National Association of Realtors' annual convention. The speech is at 2:15 p.m. at the Anatole Hotel. About 6,000 people are expected, and the speech will be teleprompted.

II. DISCUSSION

The speech announces a set of initiatives for America's HOPE (Homeownership and Opportunity for People Everywhere). HOPE includes programs to help first-time homebuyers, low-income families, and the homeless. Secretary Kemp, Director Darman, and Roger Porter have received information copies of these remarks.

Also announced in the speech is the linkage of the Low-Income Housing Tax Credit to the capital gains tax cut.

# # #

McGroarty/Dooley
November 9, 1989
12:15 pm
[REALTORS]

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF REALTORS
DALLAS, TEXAS
NOVEMBER 10, 1989
2:15 P.M.

Thank you, Ira [Gribin]. I know I speak for everyone here today when I salute you for serving so ably as President of the National Association of Realtors. My best wishes to your successor: Norm Flynn. // Let me recognize the man who's doing such wonderful work, putting through the tough new reforms that ensure that his agency serves people in need, my Secretary of HUD, Jack Kemp. And two fine members of Congress who have travelled down on Air Force One with me today, Senator Phil Gramm and Dallas' own Congressman, Steve Bartlett.

[[Ira mentioned to me this afternoon that my speech is a special occasion for this association. // I said I was honored -- and then Ira said "It's not often that we're addressed by someone who lives in public housing."]] ////

[[The truth is, I am **not** a real estate wizard. When I was elected to Congress back in 1966, we needed to make housing arrangements up in Washington. At that time, Senator Al Simpson's father, Milward, was retiring and moving back to Wyoming. So I bought the Simpson place -- sight unseen -- made the deal over the phone. When we got to Washington, there were just two problems: we found out right away the house wasn't

quite big enough for the Bush family -- and we found out when we put the place up for sale that it wasn't worth quite as much as we paid for it. /// That's my claim to fame: I'm the only person who ever **lost** money in Washington real estate in the last 20 years. /// Ira, where were you when I needed you?]]

But few people have done more for the real estate industry than I have. // Barbara and I have moved 28 times in our 44 years of marriage. /// Now I know what you're thinking -- what a dream client my family would make for any realtor. /// In fact, OMB is calculating the commissions we've paid over the years -- measured as a percentage of the GNP.]] ////

I came here today to lay out a comprehensive agenda to help bring basic shelter and affordable housing within reach of millions of Americans. I call it **America's HOPE -- Homeownership and Opportunity for People Everywhere.**

But before I tell you about HOPE, I want to speak for a moment about the single most important factor in helping millions of Americans realize the American Dream: the economy. **Because the truth is, there's no better housing policy than a growing economy.** And we've got one. One that provides jobs, wages and opportunities for advancement -- long-term interest rates that open ownership opportunities to hundreds of thousands of first-time home buyers. Because every drop in interest rates makes it possible for more families to buy that home they want. And I pledge that my Administration will vigorously support the mortgage interest and property tax deductions. These deductions

encourage home ownership -- and are important to our overall economic prosperity.

And all signs point to continued strength in the economy. November marks the 84th month of economic expansion -- the longest peacetime expansion on record. And here's one statistic that really hits home: mortgage rates are down from almost 14% back in November 1982 to less than 10% today. **My goal is to pursue policies that will bring them down even further.**

Of course, part of any responsible economic policy is getting our **fiscal** house in order. // I want you to know that my Administration is hanging tough for a **responsible budget -- with real deficit reduction, no smoke and mirrors.**

We don't like sequestration -- no one does. But we'll live with it if we have to -- if it's the only way to rein in spending and bring that deficit down to the Gramm-Rudman target. I'm ready to sign a budget bill -- whenever Congress is ready to strip off all the costly extras and add-ons hidden away in those omnibus spending bills.

And I'm optimistic -- optimistic that my Administration and the Congress can agree on a responsible budget. Optimistic that we'll see more and more Americans prospering -- providing better lives for their families, and looking to all of you to help them realize their dreams.

And I know we can count on you -- just as we counted on your strong support in helping to pass the 1988 Fair Housing Act. Ira, that's a tribute to your leadership -- to your organization

and its dedication to the right of all people to be free from discrimination and prejudice.

But more must be done, and that's where the HOPE initiative comes in. This initiative will address the full range of housing concerns: from shelter for the homeless to affordable housing for low-income families -- to initiatives that open access to expanded job opportunities, and help millions more Americans own their own home.

Let's start right there -- with what HOPE can do for **first-time home buyers.** You all know about families working to buy that first home. Well, they deserve our help -- **and they're going to get it.** I will ask Congress to enact legislation allowing first-time buyers to draw, without penalty, on IRA savings as a downpayment for that first home.

Our HOPE initiative also means efforts to improve **low-income housing.** As you know, my Administration rejects costly new public construction programs that, in the past, have too often produced the housing projects that symbolize the very absence of hope in our inner cities. There's a better way: **housing vouchers -- that let low-income families choose where they want to live.**

Our idea is to create incentives for the construction of the housing low-income families need. That's why I'm calling on Congress to renew the Low-Income Housing Tax Credit -- **but make it part of a package that also includes a cut in the capital gains tax.** A cut in capital gains means an increase in jobs,

investment and growth. I know the National Association of Realtors has fought hard to make a capital gains cut a reality. **Well, the fight's not over.** ///

But we've got to go one step further -- in those pockets of poverty where despair has driven out hope, we've got to **eliminate the capital gains tax altogether.** That's a key element in the Enterprise Zone legislation I want to see enacted. I've called on Congress to create at least 50 Enterprise Zones over the next four years to help create the jobs and incomes that are the real key to affordable housing. I hope Congress gets the message. **It's time we gave the green light to our inner city entrepreneurs.**

And HOPE can help us reverse a trend that's stunting growth and development in low-income areas. Over nine million Americans live in FHA-insured homes, and every year nearly half a million first-time homebuyers use FHA to help them make their dream affordable.

My Administration has announced major reforms to ensure that FHA is true to its primary mission of making housing affordable for low and moderate income families. We will change the destructive practices which have kept FHA out of the inner cities and distressed communities that most need its support.

And -- at all levels of government -- we've got to take a second look at some of the well-intended housing policies that actually **decrease** our housing supply. I'm talking about the excessive **rules, regulations and red tape** that add unnecessarily

Jamie Humes 659-8201

to the cost of housing -- by tens of thousands of dol

create perverse incentives to allow existing housing to deteriorate. I have asked Jack Kemp to convene a Blue Ribbon Commission to identify barriers to affordable housing -- and to make recommendations on how these barriers can be removed. And let me make the first recommendation right here: **no city, state or town should receive a single penny of HOPE funding until they have identified barriers to affordable housing in their own back yard -- and start taking steps to remove them.** ///

You know, Winston Churchill once said about the buildings we live in, "We shape ~~them~~ our buildings -- thereafter, they shape us." The same is true when it comes to low-income housing policy.

institutions

Pat Frazier

That's the real centerpiece of our HOPE initiative: to recapture the American dream of home ownership for those who have been left behind -- through **resident management** and **resident ownership.** It's already working: In Kenilworth-Parkside, back in Washington, D.C. In Cochran Gardens in St. Louis. By encouraging non-profit and resident groups, it's going to work right here in Dallas -- at places like Rhoads Terrace under the take-charge leadership of a welfare mother named Jessie Toles -- and all across the United States.

The results **are** promising: with tenants in control, we see better maintenance, more rents paid on time, a decrease in people on the welfare rolls. And we see something more: **a sense of <u>pride</u> that is the very core of any thriving community.**

I don't know any better way to revive hope in our inner cities than to give tenants **themselves** a say in running their communities, a stake in the future and the belief that they, too, can own a home. **Because the true measure of success isn't how many families we add to housing assistance rolls. It's how many families move up and out -- and into the ranks of homeowners.** ///

But there's more to the HOPE initiative. And now I'm talking about **people who stand in the shadows of what is otherwise a very bright economic picture -- who live a nightmare in the midst of the American Dream.** We see them every day -- on the streets of our cities, sleeping on steam grates, living out of cardboard boxes. **The homeless.** //

For most of us, November is the time of year we start looking forward to the holiday season: Thanksgiving, Christmas, New Years. **For the homeless,** November is the time of year the temperature starts to drop, and simply making it through the night becomes a life and death struggle. //

Think about the **children.** Pretty soon, your kids will be dreaming about Christmas toys -- that new video game or new bike they'd like. It's different for kids on the street. I read a story not long ago that's stuck in my mind about a little boy without a home. Here's what he dreams about at night: "I dreamed my Mom got her [housing assistance]," he said, "and we got a house with a great big back yard."

But in the morning, for that little boy, the dream is over. He is up at 5:30, out of a shelter and back onto the streets. ///

That's a tragedy -- because no child in America should have to grow up on the streets. And every family in America should have a roof over its head. ///

My Administration is going to do its part to expand emergency shelters. We're committed to fully funding the McKinney Act. And today, I'm asking Jack Kemp to find new ways to put a portion of our FHA foreclosures and properties from our failed S&Ls into the hands of non-profit groups -- groups that are doing such wonderful work rehabilitating abandoned homes, and fighting poverty in our inner cities.

But the real answer for the homeless -- those with mental problems or dependent on drugs or alcohol, is **shelter plus care:** shelter supplemented by the necessary support-services to get these people the help they need to live in dignity. And that means a partnership -- a combined federal, state and local effort -- to supply the funding and other resources that constitute a comprehensive solution for the hard-core homeless. **And if <u>we</u> care about <u>them,</u> we've got to take more than a one-dimensional approach to the problem.**

The key here is coordinating basic needs like shelter with other social services -- to help the homeless get the treatment they need to get control of their lives. To help them find and hold down jobs. **To help them regain hope -- and leave life on the streets behind for good. ///**

Helping the homeless. Helping low-income families find affordable housing, decent housing. Helping more of the 80 million Americans who don't own a home join the ranks of homeowners. Those are the aims of **the HOPE initiative** -- aims well within our reach.

Think about that little boy I spoke about a moment ago. Think about his dream -- **because it's really the American Dream** -- what all of us want for ourselves and our families. ///

We must unleash the resources of the profit and non-profit sectors, of churches and synagogues, states and localities in our great national enterprise to assure safe, decent, and affordable housing for all. Only then will we be able to replace hopelessness with hope. Only then will we be able to wage war on poverty and despair. And only then will we be able to complete our vision of a free and prosperous America, full of opportunity for people everywhere.

Thank you. God bless you -- and God bless the United States of America.

# # #

I have only one word more to say, because interruptions have rather lengthened what I had thought of saying. Uncertainty—I address myself very much to the Prime Minister—about the election date is harmful. Prolongation of the electioneering atmosphere is not good for the country. A year has passed already in which we have lived in that atmosphere, which can be felt here; even already it has infected our new House. The House is not at its best when parties are so evenly balanced and on the verge of another appeal. The increasing rigidity of party discipline deprives debate of much of its value as a means of influencing opinion except out of doors. All kinds of uncertainties are created in every direction; all kinds of animosities and rancours are fed and worked up, on both sides, I fully admit—[Hon Members: 'Oh.'] Certainly; and I cannot think it good for the country that this should continue. The Prime Minister deliberately tries to increase and prolong this uncertainty. He says: 'The election will come at the moment when I judge fit.'

Mrs. Braddock (Liverpool, Exchange): What did the right hon Gentleman do in 1945?

Mr. Shurmer: What would the right hon Gentleman do?

Mr. Churchill: The hon Gentleman asked what I would do. I say deliberately that I think that if I were with the responsibilities of the Prime Minister at this juncture, having regard to all that is going on, I would try to limit the uncertainty as much as possible. I would carefully consider whether I could not say, provided we had the control of events, that we should not have an election until a certain date. I think it is well worthy of consideration whether that might not be of general interest. [*Interruption.*] I have finished. I have given the hon Member more than he deserves. Of course, it is very natural that anyone should like to feel that he can keep the rest of his countrymen on tenterhooks and that we are always awaiting the moment when he shall give the signal. All I can say is that I am quite satisfied that the right hon Gentleman is indulging his personal power in these matters in a manner most costly to the community and harmful to all large enduring interests of the State.

HOUSING

November 6, 1950

House of Commons

The hon Member for Blackley [Mr. Diamond] seemed, so far as I was able to follow his argument, to be somewhat diverging from the party line in addressing himself to the merits of the subject. I am bound to say that it seemed to me that he raised many interesting points in the course of his speech. Of course, one quite realized the strength of feeling behind his condemnation of vote-catching in any form. That is certainly greatly to be deplored. On the other hand, we must not forget what votes are. Votes are the means by which the poorest people in the country and all people in the country can make sure that they get their vital needs attended to. [Hon Members: 'Hear, hear.'] I am very glad to begin upon a note which receives such universal

approbation because I had, after all, been led to expect that I was to undergo very unpleasant ordeals on this day. The Prime Minister—he is not here at the moment—expressed his confidence that the Minister of Health [Mr. Bevan] would 'wipe the floor' with me. As I have only just taken the floor and he has already exhausted his right of speaking, I naturally feel a sensation of liberation and relief. But I cannot feel that this prospect, or the language of the Prime Minister, did justice to the grave issue open between the two parties and still less to the housing problem.

The suffering caused to millions of people by the want of houses throughout the island is a tragedy, and this is on quite a different level to any clashes that may occur across the table, or across the floor, between individual Members of the House. I think this Debate should end, as it has largely been maintained, upon a serious note, and I was very glad that my hon Friends on this side of the House did not allow themselves to be provoked by taunts or abuse from an embarrassed party or a guilty Minister. During the whole of the last Parliament the need for houses and the failure to supply them was constantly debated, and the outlines of the controversy are familiar to us all. It is necessary, however, to restate the salient points on the verge of an important division. They may be summed up as follows: First, the expectations aroused by the Government's assurances and pledges in 1945; secondly, the extraordinary shortfall in their fulfillment; thirdly, the gravity of the position and prospects now before us; and finally, the need and the hope of a new constructive effort. It is on these points I shall venture to dwell tonight.

The House knows only too well the catalogue of pledges and promises which were made to the people by the Socialist Party during the election of 1945. All were renewed on many occasions by the responsible Ministers after they had obtained power and were fully acquainted with official facts and figures. A few examples will suffice—I do not wish to burden the House with them. The former Minister, Mr. Charles Key, said on 12 October 1946:

> Six million houses are needed in the next ten years. To get that figure we shall have to build 600,000 a year, but I believe that by temporary prefabs and things of that sort we shall be able to do it.

The present Minister of Health said on 24 May 1946:

> I confidently expect that before the next election every family in Great Britain will have a separate house.

Again, two years later, on 24 April 1948, he said:

> By the next General Election the back of the housing programme will have been broken.

Contrast all this—and it could be multiplied to any extent; whole budgets of quotations are available—with the actual performances of the Socialist Government. In

1948 they had reached a total of 227,000 permanent houses. Since then, instead of getting better, things have got worse, and in 1949 the total of permanent houses was only 198,000. These results are indeed deplorable when we consider the crying need, the vehement demand and the immense subsidies now being paid, and when we compare the results with what was being done with hardly any subsidies, on a very small scale, before the late war broke upon us.

The Prime Minister said in the Debate last week:

> We consider that the 200,000 houses a year is an actual programme, a programme which is being carried out, and it is as nearly as possible the number of good houses which can be built with the available resources of labour and materials. . . .

I must say that I think that statement cast a chill on the party opposite. On the other hand, it has certainly been endorsed today by the Minister of Health. He has confirmed it and in every way associated himself with it. That is his duty, and any exhibition of loyalty on his part to his chief might well excite approbation even beyond the limits of the Government Bench.

What a strange position we find ourselves in tonight. The Conservative Party ask for the house building to be raised to a rate of 300,000 a year at the earliest moment. The Prime Minister, supported by his most ardent champion, declares that 200,000 is the most that can be done. Our demand, which represents the wish and the will of the nation, is dismissed in contemptuous terms and brushed aside with all sorts of aspersions on our motives. One would have thought it would have been welcome, and it might even have afforded a basis for common action. The prime basic fact which stares us in the face tonight is that building at the rate of 200,000 a year in no way solves the problem. We do not make any progress with rehousing the people. We only keep level with houses which are already falling or have fallen into decay. The social evils affecting every aspect of our life, which are connected with the present housing shortage, are now presented to us by the Government as bound to continue, so far as can be seen, indefinitely. Sir, that situation is obviously intolerable.

Take the argument about comparing what was done in the five years after the First World War. There is this great difference between them. The first is that after the First World War there was no American aid. [Hon Members: 'Cheap.'] On the contrary, a hard demand was pressed upon us for the repayment of war debts. The second is that there was practically no destruction by bombing in the First World War. Thirdly, the local authorities were virtually without experience of building in 1918. This time they had all the practical experience gained by the pre-war slum clearance and other municipal housing schemes. And finally, far more preparations were made by the war-time Government on this at the end of this war than were ever thought of in 1917 or 1918—[*Interruption.*] I am talking of the National Coalition Government and, on this occasion, there are still one or two representatives of it on the Front Bench.

What stood out dramatically at the end of this war was the need to rehouse the

people after the devastation of the bombing. We all recognized it in the National Coalition. I will read to the House what I wrote at the time to some of my colleagues—on 5 April 1944:

> The whole of this emergency housing scheme must be viewed in relation to a ten-years' plan for the steady, full-time employment of a considerably enlarged building trade for permanent houses instead of a fever for three or four years and then a falling off. The building trade should have a broad and steady flow giving all its members a good assurance of employment and thus encouraging piece-work.

Everyone realizes, of course, that what is given for one purpose may, to some extent, have to be taken from others. The Government supporters naturally seek to obtain from us a list of reductions or economies which we would make in order to use these for electioneering purposes. That is quite natural in the unhappy conditions in which we have lived for a year and which seem likely to continue. I have no intention of making any piecemeal propositions. [*Laughter.*] I have a feeling, listening to the debates and watching hon Members opposite, that their anxious consciences find relief in laughter. No one would grudge them any solace they can get from giggling.

Naturally, I have no intention of making piecemeal propositions. There is no obligation on a party in opposition, without access to Government machinery, to produce a detailed scheme. That can only be done where they have the power to act. But it is on such a definite, general design alone that changes of a large character of this kind can be judged. It may well be that a general design for an increase in housing would contain some features unpopular in themselves, but when presented in its entirety and harmony it would be greatly in the interests of the nation and would be generally welcomed.

In this matter of housing there are two questions: first to get the houses, and second to allot them. Do not let us quarrel too much about the second point. Do not let us quarrel so much about it as to prevent us from achieving the first, without which the second would not arise. Mrs. Beeton and, I believe, her predecessors in the Cookery Book, begins the recipe for jugged hare, 'First catch your hare.' One of the reasons for the Minister of Health's failure is that he mixed up these two processes. In order to make sure that nobody who was well-to-do could get a house, he has in fact prevented large numbers of houses being built for the ordinary wage earners.

I listened to the speech of the right hon Gentleman tonight with sorrow, because—here I make an admission—I do not believe he is as bad as he makes himself out. But I will say this to him. Hate is a bad guide. I have never considered myself at all a good hater—though I recognize that from moment to moment it has added stimulus to pugnacity. People who have been denied an opportunity in life are deeply embittered, but the Minister of Health does not belong to that class. No man's services in the war were accorded such a wonderful reward as he received. With the mood, and the need, and the ruins in the country glaring at us all from day to day, and with the piling up of arrears of house-building, could there have been a task so plain and so inspiring as that which was offered to him? It was one which any man of vitality and vigour, in the

prime of life, and gifted with abilities of a high order and Parliamentary gifts, would have embraced with joy, and gratitude to the land in which he lived. With the immense powers at his disposal under wartime regulations and with the long five years which have been granted to him, he might have left a mark upon the social life of the British people, and rendered them a service which would have made his name at once famous and beloved. I cannot understand how this did not appeal to him, and how it did not drive out all hampering passions and prejudices, the indulgence of which have led to the present unhappy plight that he is in.

It is not only a question of building houses—not only a question of numbers—but the cost has risen to a point which, despite subsidies on an enormous scale, involves rents which many of those in most need of houses cannot afford. The rents charged to the tenants have risen remorselessly. Before the war the average rent of a local council house was 7*s*. a week. [Hon Members: 'No.'] In many places now £1 a week rent is charged. In some cases, 25*s*. is charged by councils.

Mr. Bevan *rose*—

Mr. Churchill: No, I really cannot give way. [Hon Members: 'Give way.'] I do not want to be—[Hon Members: 'Give way.'] We can always shout each other down. I do not want to be involved in a personal altercation. We gave the right hon Gentleman a patient and courteous hearing. There is no use in having a state of rowdiness, as if rowdiness paid any party. I do not want to be involved in an altercation with the right hon Gentleman. However, if there is a point on which I am in error and upon which I am open to correction I will gladly give way.

Mr. Bevan: I am very much obliged to the right hon Gentleman for giving way. I am not anxious to engage in a personal altercation. I only want to get the facts correct. The right hon Gentleman has compared the net rent of a pre-war house with the gross rent of a post-war house.

Mr. Churchill: No.

Mr. Bevan: Yes. As representatives of local authorities who saw me the other day will confirm—and there are hon Members now sitting on both sides of the House who were present with the deputation—the average rentals in Great Britain upon which the subsidies are based are rents of between 14*s*. and 15*s*., including the repair allowances, as against the net—[*Interruption.*] Perhaps hon Members will just listen. The rents upon which subsidies are paid are net rents, and the 7*s*. compares with the 14*s*. to 15*s*. post-war rents.

Mr. Churchill: The other day the Chancellor of the Exchequer showed us how all the rise in the cost of living was a delusion. The Minister of Health now proceeds to show us that there is no appreciable rise in rents. I am told that in some cases they have gone up to 25*s*. and 27*s*. a week, and that is clearly a level which ordinary working people cannot pay out of their wages. So much for the cost, which has certainly greatly increased in housing.

When we complain that houses have not been supplied in the necessary quantities it is said: 'Half a loaf is better than no bread.' But half a house is not a good plan. We could usefully use more two-bedroomed houses, and more small flats for old people enabling them to move out of their large houses to make room for families. Any habitable house is better than no house at all, or a house so dear that the poorest

class, for which it is built, cannot afford to pay the rent which the local authority is bound to charge. There are many cases of that of which we know, and the richer class of people take the houses because those for whose needs they were specially designed and intended are unable to reach the level of rent. It is no service to the lower income group to offer them prizes which are beyond their reach; indeed it is a mockery. Before the war, the size of a house was 800 square feet. The Government raised it to 1,050 square feet. That is more than the figure that rules in the United States, whose economic position is vastly more powerful than our own, and from whom we have received such immense assistance. The amount of space is less important than how it is used. I am assured that there may well be scope for improved design within the existing compass of housing.

It is necessary also, I think, for the Government to understand the peculiar position of house-building labour. I said some time ago how a bricklayer and his mates engaged in building a house were like people living on a raft of which they had every day to burn a plank or two to cook their dinner. That is the feeling which is in their minds. They ask themselves what is going to happen to them when it is finished. In the present circumstances there is a field of employment for the house-builders unlimited for many years except by Government decision. As I said earlier, I thought that we should give them an assurance of a ten-years' guaranteed programme. Free from the anxiety that their work may end with the job, they could go ahead with piece work without fear or stint and all the incentives, including the bonus system, could apply. Here alone might be a 20 or 25 per cent increase in the building effort. There is really no reason why the output per man in the building trade should be lower than pre-war or so much lower than in the United States. Make them a fair and attractive proposition and we will get surprising results, but this policy of the Prime Minister that 200,000 is the limit, endorsed by the Minister of Health—I daresay to his regret—is bad for the rate of output—even within that limit.

There is no trade in the country which can more readily adapt itself to a static condition than the building trade. They would like a progressive condition but they are quite ready, after the rough time which they have had in the last generation—I have seen it: the first to be called up for mobilization and so on and the first to be turned off when building slackens and so on—[*Interruption.*] I am the author of the labour exchanges and the first Unemployment Insurance Act. I was in these matters years before many hon Gentlemen opposite were able to take an adult interest in them. I say that they are quite ready, after their experiences, to settle down into a static condition.

The Government limit of 200,000 houses—it was only 175,000, as the Minister reminded us, until this new Parliament forced the restoration of the cut—undoubtedly has most evil and discouraging effects. How long it is to last, we cannot tell. The late Chancellor of the Exchequer, whose absence from our councils we deeply regret and still more the reasons for it, told us in the Budget that this limit would last for three years. Such a limit, or anything like it, must reproduce the deterrence of efforts, enterprise and piece-work which ruled in the days when the building trade had always an unabsorbed tail of unemployment.

Therefore, when I endorsed as a resolute aim of the Conservative Party the raising of the rate of building to 300,000 a year, I did not mean that to be the static limit. We shall thrust towards it with all our life, strength and wit, but once this figure gleams upon our horizon—'forward again' must be the policy and the order. So much for the Government's policy and the Prime Minister's statement. I am sure that the Prime Minister's statement represents the rigid attitude of planners who understand only about half of what is really going on.

Now I come to the question whether the proposal we make is possible and practicable, or whether it is all moonshine. [Hon Members: 'Hear, hear.'] I am glad to carry Members opposite with me. I said that 100,000 houses would cost £150,000,000 a year from an annual income of over £10,000,000,000. The Prime Minister's reply is that houses are not built with money. Money, of course, is only a fairly well-known method of expressing effort and resources. I am surprised it has not occurred to the Prime Minister, because it has been known about in quite a lot of countries for quite a long time. Let us look at the additional effort and resources required. Judgment on this kind of enterprise depends on two conditions: are they so big that they are beyond our power, and, secondly, if they are within our scope, are there bottlenecks which prevent them? Several constructive speeches have been made today. We have also made, in our own research department, a considerable examination. My personal experience of Government machinery is considerable, and I must say that I have never seen a major task which I was more sure of as being within practical limits. I would not fear to take responsibility for this achievement. I offer my assurance that it is a reasonable objective, and that, should we be called upon to exercise power, it would receive the highest priority and the most vehement effort jointly with national defence.

That is what I have to say on the proportion, but let us now look at the bottlenecks. My hon Friend the Member for Wallasey [Mr. Marples], in his admirable speech today, dealt with these details. I was very glad that with his technical knowledge he was able to put this subject before the House as a practical matter of detail and on its merits, instead of trying to reduce it to the ordinary bang and slam on one side and the other of party politics. I was sorry that my hon Friend, a private Member speaking from a back bench, should have been made the victim for so prolonged a personal attack by the Minister of Health. I really thought that the Minister would have done himself much more good—though he is the judge of that—if he had devoted himself to the merits of the question, and tried to give the House the feeling that his heart was burning to conquer in this struggle to find homes for the British people. I shall not attempt to go into details. [Hon Members: 'Go on.'] If I did so, I would trespass on the reply to this Debate.

The Secretary of State for Scotland [Mr. McNeil]: If another five minutes would furnish the House with any details, I should be delighted to give up that time.

Mr. Churchill: 8,000 million bricks were made before the war, but we are now making a little over 6,000 million. Of this 6,000 million a little more than 3,000 million are used for the construction of the traditional brick dwelling-house. Out of them are built about 160,000 houses. To build another 100,000 houses would need

about 2,000 million more bricks. That is well within the range of the pre-war brick-fields. If these had not been restricted and jogged about by changes of policy, there would be plenty of bricks. But the brick-fields are already running at 80 per cent of their pre-war capacity, and there should be no great difficulty or delay in restoring them to their pre-war normal output. So much for bricks.

More cement will also be needed to achieve our target, but this need present no great problem. An extra 900,000 tons would produce 100,000 houses. The industry already produces 10,000,000 tons, and it would be producing more if it had been allowed to go ahead with the expansion plans it had in 1945. Next year this industry plans to produce 10,500,000 tons. As a temporary measure, we could, if necessary, reduce for a time the exports, which are running at a rate of 1,600,000 tons. Certainly by the end of next year the cement industry, if not nationalized, will have caught up with all our demands, including rearmament.

Then there is timber. We have been told that if no timber can be got from sterling area countries like Norway, it will affect the dollar position. But here again I am sure that the quantities and proportion would have their say. I am assured that about £9,750,000 worth of dollars or less than half of our last year's tobacco bill, would give all the dollars necessary to buy from Canada the extra timber. I do not believe it would be necessary to go so far, because I am sure a good deal can be got within the sterling area. Far greater elasticity will come from the abolition of bulk buying by officials. Anyhow, the whole timber transaction is one well within our compass. The improvement in the dollar exchange would more than justify such a step. We lose at home by the higher prices for raw materials, but in the exchange we gain, especially by the sale of tin and rubber. It may well be that we could find a partial compensation for Britain at home in using our improved dollar position to buy more timber, and thus help to solve the housing question.

I am asked: 'Are you for or against controls?' But what a crude and absurd way to state the issue. Government speakers talk as if there were no middle course between the universal regulation of a Socialist State administering all the means of production, distribution and exchange and what they call the anarchy of the jungle. But the vast majority of the human race dwell in the temperate zones which lie between the burning heat of the equator and the freezing cold of the polar regions. Our belief is that the fewer the controls the better; that the more freedom and enterprise can play their part the more chance there is of a fertile, prosperous and progressive community.

We also think that private management is far more economical and resourceful than management by State officials. We are sure that the completion of the Socialist aim of substituting State industry for every form of private industry would reduce our standard of life and would reduce the present number of our population. In the United States, where a capitalist competitive system prevails and where wartime regulations were practically swept away until recently—[Hon Members: 'Ah.'] Well, there is a war in Korea. What about that 'Ah' now? The United States have three times our population, so, according to Government standards, they ought to be building 600,000 houses a year. They are actually building more than 1,000,000.

Now, when rearmament casts its shadow upon the world and upon our country,

there must evidently be a maintenance or even a renewal of some wartime regulations. We have agreed that the Supplies and Services Act should be renewed on an annual basis, but our hope of establishing full freedom under the well-known and long-established laws of our country remains our goal. The difference between the two sides of the House is that the Socialists aim at the maximum of controls and the Conservatives aim at the minimum. Both seek to progress in those opposite directions for different reasons as far as they possibly can. Can we now accept that as a summary of the differences between us?

If we apply that mood of thought to the position of the building industry at the present time it means that we should, of course, use the local authorities as well as the private builders, and that we should only alter the system of licences step by step. The Minister of Health has suggested that under a Conservative Government a great number of houses would be built for sale to the well-to-do by speculative builders and that few houses would be built to let for the ordinary man. It is our intention that, under a Conservative Government, the priority given to houses built by local authorities will be maintained. This obligation will be scrupulously honoured in our house-building programme.

Mr. Bevan: In what proportion?

Mr. Churchill: We want the local authorities to be able to reduce their waiting lists and to resume the process of slum clearance which was interrupted by the war.

Mr. Bevan: The right hon Gentleman has made a very important statement. In what proportion would the right hon Gentleman maintain local authority house-building?

Mr. Churchill: I said that I had no intention of stating exact details. Give me the power and I will give you the figures. We have to indicate our principles, and I am indicating some very clear principles. Over and above that commitment, to which we are all pledged, we should expand output so as to make it possible for free enterprise and renewed impulse to build large numbers of additional houses, both for sale and to let. So long as the housing shortage continues, the Government must restrict the ceiling on price or size of houses built for sale, and this must be dependent upon the prevailing, and sometimes upon the local, conditions. We shall take steps to prevent the diversion to any kind of luxury building, whether public or private, of the resources of men and materials—a great deal of them is being taken for public building—which could be devoted to the housing of the people.

I listened to the speech of the noble Lady the Member for Anglesey [Lady Megan Lloyd George] [Hon Members: 'Hear, hear.'] I hope that the applause from the other side of the House will assure her of any immunities which she may be seeking. I need not say that I speak as a life-long friend of her father and her family, but I feel that she should have verified the facts before making the statement about the Carlton Club claiming a license to rebuild the bomb-damaged premises. We have given up all hope of ever rebuilding the Carlton Club and no application for a license has ever been made. The site is being disposed of. Speaking as one who lived in her father's generation, I do not consider that prefixing the words 'I am informed that' relieves one of all responsibility.

Lady Megan Lloyd George: I am sorry to interrupt the right hon Gentleman, but when I was informed that that was not the case I withdrew the statement. [Hon Members: 'No.'] Certainly I did so.

Mr. Churchill: I was here at the time but I suffer a little from deafness and did not realize that the charge had been withdrawn.

Lady Megan Lloyd George: I said that I was very glad that it was so and that no licence had been granted.

Mr. Churchill: Honour is completely satisfied on both sides. We say that the emphasis should be placed upon new houses. In 1935 new housing absorbed 48 per cent of the building industry's output. In 1947 the figure was only 34 per cent, and in 1948 31 per cent. We have no later figures, but I am informed—[*Laughter*]—I must be careful—that it might well be only 30 per cent today.

I think that the Government have been at once ambitious and ineffectual in their building plans. They have dispersed, instead of concentrating, their resources. They have been very loose in their application of principles of selection in regard to their objectives. The need above all is to establish in this sphere, as in many others, the right priorities. They ask, for instance, whether we would cut the new power stations. The answer is 'No.' Without power we cannot build houses, carry out our defence programme or expand our industrial output. But the question of whether the necessary electrical supply could not be obtained with fewer bricks subtracted from the housing programme is still open, and my hon Friend the Member for Wallasey drew our attention to American practice on this subject, which certainly seems to deserve study.

I am grateful for the five minutes extra which the right hon Gentleman has granted me, and I shall draw to a conclusion the remarks I have ventured to offer to the House. We must not let this 'wiping the floor' mood of the Prime Minister and the Minister of Health blot out from our minds the pathos and the tragedy of the shortage of houses. The life of the nation and the happiness and virtue of the human race are founded upon the family and upon the home. Empire, ideologies, party struggles, class warfare, all present their attractive temptations to the active mind, but the foundations of all our health and honour lie in the home and the family.

It was John Bright who spoke of his supreme pleasure in seeing little children playing upon the hearth. I cannot understand why this result should not be won. Let us have less chatter and planning and scheming for future Utopias. Let us get on with this imperative job of housing the millions who ask so little and get so little for all their efforts. The family requires a home and the home requires a house or, if you like it, an 'accommodation unit'—something, at any rate, where a man has his own front door. Outside is the great, bewildering, tumultuous world; inside, the family can plan what is best for themselves, what it is best to aim for, what it is wisest to give up. And in so deciding they create at once the foundation and the motive power without which all the super-planners are only chasing shadows. Where does the family start? It starts with a young man falling in love with a girl. No superior alternative has yet been found! Look at the number of couples whom the statistics show either cannot get married because they cannot get a house to live in, or have to live with their parents,

or jam up in the sort of collectivist squalor of Communist lands. I see that a judge in Plymouth said the housing shortage was the principal cause of divorces. Then what of the health? There is no doubt that tuberculosis thrives on bad housing conditions. In Scotland it has actually gone up since the war. Then comes the sharp issue of children not having a home they love, or a family circle which commands their loyalty, and of the many forms of consequential juvenile misconduct of which we read.

The Minister of Health cannot brush all this aside and escape from this Debate without incurring blame and condemnation outside for not having offered us a constructive statement and words of encouragement. All his critics will not be on one side of the House. I have a number of quotations, some very moving, from speeches made last week from the Benches opposite, one particularly from the hon Member for Kirkdale [Mr. Keenan] who said:

> What is the good of having fine schools or even fine hospitals if there is no home in which the children can rest? . . . I believe in bedrooms before schoolrooms. . . . It is certainly a fact that not all building-trade workers who are capable of house-building are engaged on house-building.

It astounds me that the House has not rallied to this proposal which we make and resolved that it shall be carried into effect by every priority to other issues except self-preservation.

But, sir, you may be sure that the nation will not endure this mismanagement and misdirection much longer. They will not agree to a system of British life and society which means that no progress is being made to overtake the housing arrears, that as many houses are falling into decay every year as are being built, that slum clearance is static like all the rest of it, that all the personal stresses now endured by hard-working couples are to continue, and that even to raise these issues in the House of Commons is to incur the insulting charge of vote-catching and partisanship.

Early last week there came across my mind some lines about our island life which Charles Masterman used to repeat to me. Oddly enough, while I was seeking to verify the quotation it was used in the House by the hon Member for Oldham West [Mr. Leslie Hale]. The poet and the teacher, as he was—William Watson—speaking of the hard social conditions of the life of the people, asked:

> Is there no room for victories here,
> No fields for deeds of fame?

But I have found another verse of William Watson, which I remembered at the same time:

> The England of my heart is she,
> Long hoped, and long deferred,
> That ever promises to be,
> And ever breaks her word.

Why should she always break her word to those who love her so well and defend her safety and honour with their lives? Now is the time, here is the occasion, and this housing issue is the deed to sweep that hard reproach away.

THE WHITE HOUSE

WASHINGTON

November 8, 1989

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY 4/14

SUBJECT: National Association of Realtors Speech

p. 2 The empirical support for the claim that a 1.5 percentage point drop in interest rates means an additional 670,000 home purchases is extremely weak. More significantly, it could be read as more homes being constructed; we have had a 1.5 percentage point drop since March and housing starts have fallen.

I suggest that instead, we use some less precise figure, such as: "thousands more American families can buy a home each time interest rates fall".

p. 2 Use 84 months instead of 7th full year, it sounds more impressive. Or, say that next month will mark the start of the 8th year.

Also, there are a number of good news points to make on housing. Some of them include:

- o Housing Starts have never stayed this high for this long in history. The typical "housing cycle" used to be 4 to 5 years.

- o Housing affordability is holding up well. The index stood at 104.7 in September. That's up about 25 percent since the recovery began in 1983 and up more than 50 percent since the high interest rate days of the late 1970s and early 1980s.

RR

- o There are two keys to affordability and both are moving in the right direction.

  - Real Income has been growing since 1982. Between 1973 and 1981, the real income of the median family declined 9 percent. By 1987, we'd made up for that decline and last year and again this year, we hit new records in real income.

- Interest Rates are way down. Fixed rate mortgages (FHMLC) are now in single digits -- 9.8 percent. Long term interest rates are down 150 basis points since March.

p. 4 to end:

It is a serious mistake to announce the HOPE initiative before the details have been agreed to among the relevant agencies. Even if the word is used, details should be kept for a time when they have been worked out.

p. 4: Specifically, points on which there is no interagency agreement should not be raised. THERE IS NO INTERAGENCY AGREEMENT ON ALLOWING FIRST TIME HOMEBUYERS TO USE THERE IRA MONEY. This completely short circuits the policy process.

p. 4: The expectations created about the amount of money we are going to spend on the Federal Housing Finance Board are so far above where we will go in the budget that we will produce gales of laughter when the budget is submitted. Don't hook the President into this.

p. 5: The linkage between the Low Income Housing Tax Credit and the capital gains tax is clever, but again, nobody has signed off on it. In fact, Treasury testified against extending the Low Income Housing Tax Credit.

p. 6: Greenlining is clever rhetoric, but if you know what policies lie behind it, you'd never get the President to agree to it.

p. 8: I am not aware that we have "directed the FHA to set aside 10% of its foreclosed housing for lease to homeless groups". Why not just direct them to set aside units, rather than creating a performance standard that we do not feel confident can be met. It is not clear that homeless groups have the capacity to absorb anywhere near 10 percent of foreclosed units, particularly in distressed areas such as Texas.

On the "points of light" front, the President should challenge the realtors to use their knowledge about real estate and real estate transactions to help facilitate this process.

p. 8: It is simply untrue that any substantial number of homeless men and women and hold down full-time jobs can't afford housing. This is a falsehood that the

President should not make credible by repeating. The following sentences provide the necessary caveats, but the sentence can be taken out of context and used for all kinds of mischief. Preferable would be a sentence linking affordability and our strategy of improving purchasing power through vouchers and certificates rather than build new public housing.

p. 8: I also suggest removing the word "just" in the second sentence. Homelessness isn't a matter of too little shelter space. A possible reformulation: talking in terms of it being "time to move our struggle against homelessness beyond beds in shelters."

Otherwise, the statements about homelessness present the President as being thoughtful and responsive to the issue of homelessness and should bring kudos for a willingness to be frank about the issue.

Rhoads Terrace
Res Council
South Dallas
Res Mgmt Board

Jessie Toles (toles)
Pres. May. 1989
fmr. welfare recipient

single mother 8 children-
only 1 at home

mgr Helen Washington
214/421-2161

June, this year
counseling
lease violation mtgs
junk cars
bus

Kenilworth / Parkside

Section 8 · housing voucher

housing assistance

DALLAS
HOUSING AUTHORITY

November 2, 1989

The Honorable George Bush
President - United States
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Bush:

I would like to take this opportunity to introduce myself. My name is Alphonso Jackson and I am the Executive Director of the Dallas Housing Authority. As a public official, my philosophy for assisting low and moderate income families is parallel with yours and Secretary Jack Kemp. I believe that one of the keys to self-sufficiency for low-income persons is to allow them to have control over their lives and destiny.

As an administrator of low-income housing programs, I have always involved residents in the decision-making process. I have had the unique experience of working with perhaps the two most successful resident leaders and resident management corporations in the country, Bertha Gilkey of Cochran Gardens in St. Louis and Kimi Gray of Kenilworth/Parkside in Washington D.C. As executive director of these two public housing agencies, I spent a considerable amount of time supporting and believing in the self-sufficiency philosophy which emanates from the resident management concept. I was indeed pleased to be the first executive director of a public housing authority in the country to submit an application for homeownership for the residents of Kenilworth/Parkside Housing Development. Now as the Executive Director of the Dallas Housing Authority, I am working with other community leaders to promote, support and encourage resident management in our city.

My commitment and support of resident management has been demonstrated over the past years and it can be substantiated by resident leaders and resident advocates like Robert L. Woodson, President of the National Center for Neighborhood Enterprise. My philosophy of self-sufficiency and support of programs promoted by your Administration has not made me a very popular individual amongst my colleagues and the Afro-American community in general. As a Afro-American public official, I am often criticized for espousing Republican ideas. However, I remind my critics it does not matter if good ideas and programs are Republican or Democratic, the only thing that matters is helping low-moderate income people move into the mainstream of our society.

I commend you on your efforts to help the American society win the War on Poverty. I firmly believe while the War on Poverty was initiated by Democrats, your Administration has been moving in the best direction to address social ills that years of federal funding have yet to resolve.

I would be indeed honored if I could be invited to visit with you at the White House. I realize that you may receive many requests from public officials asking for an appointment on your schedule and I also realize my request may seem very presumptuous, but I am certain we both could gain some important insights into helping low-moderate income people by discussing this matter further.

I will look forward to hearing from you in the near future. If you are in need of references, I am certain that Senator John Danforth and Congressman Steve Bartlett would be more than pleased to speak on my behalf.

Respectfully,

Alphonso Jackson

Enclosure

ARJ/lmh

Parker Banzhoff

McGroarty/Dooley
November 7, 1989
8:00 am
[REALTORS]

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF REALTORS
DALLAS, TEXAS
NOVEMBER 10, 1989
2:15 P.M.

audience, front row
Norm Flynn (new)
Kemp; Austin Fitts
FHA Commissioner outgoing.

[Introductory remarks.] Thank you, Ira [Griben] -- the very able President of the National Association of Realtors. ~~And let me say hello to two fine members of Congress who have travelled down to Dallas today, Representatives Bill Thomas and Claudine Schneider.~~ Sen. Phil Gramm, Cong. Steve Bartlett (AFL)

[[Ira mentioned to me ~~on my way in~~ this afternoon that my speech is a special occasion for this association. // I said I was honored -- and then Ira said "It's not often that we're addressed by someone who lives in public housing."]] ////

[[The truth is, I am **not** a real estate wizard. When I was elected to Congress back in 1966, we needed to make housing arrangements up in Washington. At that time, Senator Al Simpson's father, Millward, was retiring and moving back to Wyoming. So I bought the Simpson place -- sight unseen -- made the deal over the phone. When we got to Washington, there were just two problems: we found out right away the house wasn't quite big enough for the Bush family -- and we found out when we put the place up for sale that it wasn't worth quite as much as we paid for it. /// That's my claim to fame: I'm the only

simply Barbara Bush Donnie Radcliffe, p. 146 Looking Forward p. 96

person who ever **lost** money in Washington real estate in the last 20 years. /// Ira, where were you when I needed you?]]

But few people have done more for the real estate industry than I have. // Barbara and I have moved 28 times in our 44 years of marriage. /// Now I know what you're thinking -- what a dream client my family would make for any realtor. /// In fact, OMB is calculating the commissions we've paid over the years -- measured as a percentage of the GNP.]] ////

I came here today to lay out a set of housing initiatives -- a comprehensive plan to bring basic shelter and affordable housing within reach of every American.

But before I outline my housing proposals, I want to speak for a moment about the single most important factor in helping millions of Americans realize the American Dream: the economy.

Because the truth is, there's no better housing policy than a strong economy. One that provides jobs and opportunities for advancement -- interest rates that open ownership opportunities to hundreds of thousands of first-time home buyers. And I know just how important interest rates are when it comes to home buying: a 1 1/2 point drop means an additional ~~670,000~~ 500,000 families able to purchase that home they want.

And all signs point to continued strength in the economy. November marks the seventh full year of economic expansion -- the longest peacetime expansion in our nation's history. Unemployment is lower now than at any point since the early 70s. And here's one statistic that has to please all of you: during

CEA

this expansion, home mortgage rates are down from 13.8% back in November, 1982 to less than 10% -- 9.8% -- today.

All of us know that the way to keep this expansion alive is to stick with the pro-growth policies that set it in motion -- the policies that provide the private sector room to do what only it can do: create prosperity and higher standards of living.

Of course, part of any reasonable economic policy is getting our **fiscal** house in order. // I want you to know that my Administration is hanging tough for a **responsible budget -- with real deficit reduction, no smoke and mirrors.**

We don't like sequestration -- no one does. But we'll live with it if we have to -- if it's the only way to rein in spending and bring that deficit down to the Gramm-Rudman target. I'm ready to sign a budget bill -- whenever Congress is ready to strip off all the expensive extras and add-ons hidden away in those omnibus spending bills. A responsible budget is one of the best signals the government can send for the sake of continued growth.

OMB

And I'm optimistic -- optimistic that this economic expansion will continue. Hopeful that my Administration and the Congress -- with the help of members like Bill and Claudine -- can agree on a responsible budget. Hopeful that we'll see more and more Americans prospering -- providing better lives for their families, and looking to all of you to help them realize their dreams.

Today, as I told you a few moments ago, I've chosen this occasion to announce a wide-ranging set of housing initiatives I call **Project Hope -- an initiative that stands for Homeownership and Opportunity for People Everywhere.**

Project HOPE addresses the full range of housing concerns: from shelter for the homeless to affordable housing for low-income families -- to initiatives that will help millions more Americans achieve the American Dream: owning their own home.

Let's start with what Project HOPE will do for **first-time home buyers.** You know first-hand about families working hard to buy that first home -- families whose savings are no match for skyrocketing prices. First-time buyers deserve our help -- and they're going to get it. I will ask Congress to enact legislation allowing first-time buyers -- or their parents -- to draw without penalty on IRA savings as a downpayment for that first home.

And we've got to expand the home-buying base -- bring more **low-income** families into the ranks of homeowners. I will earmark funds from the Federal Housing Financing Board, to be used for mortgage rate buy-downs to make homeowning an option for more low-income families.

Now, I know you've all seen the news on new housing starts. It's time for all levels of government to take a second look at some of the well-intended housing policies that actually **decrease** our housing supply. I'm talking about the excessive **rules, regulations and red tape** that add unnecessarily to the cost of

housing -- tens of thousands of dollars in some cases -- or create perverse incentives to allow existing housing to deteriorate.

I have asked my very able Secretary of HUD, Jack Kemp, to convene a Blue Ribbon Commission to identify barriers to affordable housing and to make recommendations on how those barriers can be removed. And let me make the first recommendation myself: no city, state or town should receive a single cent of Project HOPE funds until they have identified barriers to affordable housing -- and have devised a plan to remove them. ///

Project HOPE also means initiatives to improve **low-income housing.** Let me say right away that my Administration rejects costly new construction programs that in the past have too often produced the housing projects that symbolize the very absence of hope in our inner cities. **This Administration remains 100% behind <u>housing vouchers</u> that let poor people choose for themselves where they wish to live.**

Our challenge is to create incentives that maintain the low-income housing we need. I will ask Congress to renew the Low-Income Housing Tax Credit -- **on one condition: that the Low-Income Housing Tax Credit is part of a package that includes a cut in the capital gains tax.** I know the National Association of Realtors has fought hard to make a capital gains cut a reality. Well, the fight's not over. We're going to keep up the fight for

one simple reason: **because a cut in capital gains is good for growth.** ///

And Project HOPE can help us reverse a trend that's stunting some of the growth and development that would otherwise take place in low-income areas. Too many poverty-stricken areas have simply been **redlined** -- ruled too risky for lending. I am asking the Federal Housing Authority to work with neighborhood non-profit groups to identify responsible credit risks in poor areas, and open a flow of credit into low and moderate income housing. **The time has come to replace the redline with a greenline -- to color these inner-city neighborhoods green for growth.**

But the real centerpiece of our plan for public housing is resident management and, yes, resident ownership. That's the idea behind our HOPE Grants initiative. It's already working: In Kenilworth-Parkside, back in Washington, D.C. In Cochran Gardens in St. Louis. And it's going to work right here -- at the nation's second-largest public housing project in West Dallas.

Alphonse

And the results **are** promising: with tenants in control, we see better maintenance, more rents paid on time, a decrease in people on the welfare roles as job opportunities emerge. And we see something more: **a sense of pride that is the very core of any thriving community.**

Alphonse

I hope these successes are only the beginning -- of a nationwide shift towards tenant control, and ultimately towards **tenant ownership.** I don't know any better way to revive hope in

our inner cities than to give tenants a say in running their communities, and a stake in the future: the hope that they, too, can own a home. //

That's worth remembering. Because the true measure of success isn't how many families we **add** to housing assistance roles. **It's how many families move up and out -- into middle-class status, and into the ranks of homeowners.** ///

Project HOPE can make a difference for millions of Americans who want to buy a home -- or who simply want to provide their families decent housing and better hopes for the future. But there are other people out there we've got to help. **People who stand in the shadows of what is otherwise a very bright economic picture -- who live a nightmare in the midst of the American Dream.** We see them every day -- on the streets of our cities, sleeping on steam grates, living out of cardboard boxes. **The homeless.** //

Back in June, I went up to Covenant House in New York. I met children there who've been out on the street for 4 or 5 years -- from the time they were 12 and 13 years old. /// We can't begin to imagine the horrors they go through.

For all of us, November is the time of year we start looking forward to the holiday season: Thanksgiving, Christmas, New Years. **For the homeless,** November is the time of year the temperature starts to drop, and simply making it through the night becomes a life and death struggle. // **Homelessness is a tragedy -- and Project HOPE won't be complete unless it reaches**

out to help the homeless. // Because no child in America should have to grow up on the streets. And no family in America should lack a roof over its head. ///

Now, my Administration is going to do its part to expand emergency shelters. We're committed to fully funding the McKinney Act. We're directing the FHA to set aside 10% of its foreclosed housing for lease to homeless groups. And today, I want to announce that -- as part of the savings and loans recovery program -- I will make certain that a portion of the properties from failed S&Ls be put to public use as facilities for the homeless.

But we can't begin to eliminate homelessness -- to really get at the root of the problem -- until we **understand** the various reasons that lead to life on the streets. Homelessness isn't just a matter of too little shelter space. There **are** the working homeless, men and women -- some with children -- who hold down a job, but still can't afford a home. But they are only a fraction of the many homeless men and women who are **literally incapable** of caring for themselves. **And if we care about them, we've got to take more than a one-dimensional approach to the problem.**

The fact is this: Two-thirds of the homeless out on our streets suffer from drug dependency or mental illness. For these men and women, **shelter alone is not enough.** Homelessness is just one symptom of the larger problems that prevent them from caring for themselves.

The answer for the homeless who are mentally ill or addicted to drugs is **shelter plus:** shelter supplemented by the necessary support-services to get these people the help they need to live in dignity. And that means a partnership -- a combined federal, state and local effort -- to supply the funding and other resources that constitute a comprehensive solution for the hard-core homeless.

The key here is coordinating basic needs like shelter with other social services -- to help the homeless get the treatment they need to get control of their lives. To help them find and hold down jobs. To help them manage a home. **To help them regain hope -- and leave life on the streets behind for good.** ///

Helping the homeless. Helping low-income families find affordable housing, decent housing. Helping more of the 80 million Americans who don't own a home join the ranks of homeowners. Those are the aims of Project HOPE. Aims I hope hope I can count on you to support. Aims in keeping with the American Dream. ///

Thank you. God bless you -- and God bless the United States of America.

# # #

salt warehouses / flats

Coddington

Covenant Hse – 21 + under

Micheline, Dir, Covenant House
(212/613-0300
212/730-2270

"throwaway kids"

~ 400 kids a night
prostitutes + drug addicts

THE WHITE HOUSE
WASHINGTON

November 8, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: David Demarest
Chriss Winston

SUBJECT: National Association of Realtors Speech

The following are a list of policy questions remaining concerning the speech.

1. Secretary Kemp would like the following added to the speech:

"I also want to pledge my Administration to vigorous support of the mortgage interest and property tax deductions. These deductions encourage homeownership, and are important to our overall economic prosperity."

He would also like the President to announce, what he terms in his comments as, "a new initiative to fund service-supported housing for the homeless who are mentally impaired or are substance abusers."

He also has inserted the figure of $6.8 billion as the cost of the HOPE initiative in a paragraph to be added at the end of the speech.

2. Roger Porter, Treasury and OMB object to allowing parents of first-time home buyers to withdraw, without penalty, their IRA savings as a down payment for their children's first home.

3. Porter argues that we do not have the authority to earmark funds from the Federal Housing Financing Board to be used for mortgage rate buy-downs to make home owning an option for more low income families.

4. Porter also argues that no agreement has been reached to set aside 10 percent of foreclosed housing from the FHA stock for homeless groups. He recommends the following language:

"We're directing the FHA to make its foreclosed housing more accessible to the homeless."

5. OMB and Treasury wants to delete any reference to directing that, as part of the savings and loans recovery program, a certain portion of the properties from failed S&L's will be put to public use as facilities for the homeless.

National Association of Home Builders
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200

FACSIMILE TRANSMITTAL COVER SHEET

DATE: 11.8.89

TO: Peggy Dooley

SENDER : David Crowe

DEPT. : Housing Policy

RECEIVER'S FAX. (PHONE) NUMBER : 1 (456) ~~822~~ 6218

NUMBER OF PAGES FOLLOWING COVER SHEET : _____

COMMENTS : _____

NAHB FAX NUMBER : (202) 822 - 0559

FOR ASSISTANCE WITH FACSIMILE, PLEASE CONTACT SENDER ON NUMBER AND/OR EXTENSION INDICATED ABOVE.

Note To Peggy Dooley:

I have enclosed the article describing how mortgage interest rates affect buying. After the article was published, we found a more accurate estimate of purchasers as a percentage of all households. Hence, the copy I am sending includes a penned in change. The 500,000 estimate we gave you on the phone is 1.5 times the total of 68,000 and 280,000. Please call if you have any questions.

David Crowe
822-0383

Mortgage Interest Rates and Housing Affordability

David Crowe

Affordability is a hot topic in housing discussions today. The issue touches many aspects of housing costs: land development restrictions, hard costs of construction, down payment requirements, and monthly mortgage payment levels. Aside from the size of the mortgage, the largest determinant of monthly payments is the mortgage interest rate. Increases in mortgage rates affect affordability by increasing the monthly cash costs of owning. Prospective buyers either fail to qualify at the higher rate or are unwilling to increase the share of their income going to housing. Estimates of the number of buyers lost as rates increase depend on a complex array of factors—level of interest rates, income and house price distributions, mortgage underwriting standards, and demographic changes. The number of households that fail qualification as rates increase is a much larger number than the number who fail to purchase. Only about 8% of all owner households bought within a given year and more than half of purchasers' payment-to-income ratios are below the standard underwriting maximums. This article shows what changes in mortgage rates mean to affordability.

The Mortgage Interest Rate Affects Most Buyers

Most owners use a mortgage to purchase their home. The 1985 American Housing Survey (AHS) reports 81% of new home (built in previous 4 years) owners had a mortgage on their home. Among all who bought new or existing homes within the previous 12 months, the AHS reported that 81% obtained a mortgage to purchase their home. The Census Bureau's Survey of New Homes (C25 series) similarly shows that 81% of new homes completed in 1985 were financed with a mortgage, and that 82% of all new homes completed in 1987 were mortgaged. Of the homes built for sale (which excludes homes built on owner's property), the proportion using mortgages was 91% in both 1985 and 1987.

At higher interest rates, the monthly payment required on a given mortgage amount is higher, but the monthly mortgage payment is not quite proportional to the interest rate. Monthly mortgage payments include both principal and interest. As the interest rate increases, the principal payment for the initial months declines. An increase in the interest rate on a 30-year loan from 8% to 9% does not cause an increase in the monthly payment of 1/8 or 12.5%. The actual increase is only 9.7%. At higher interest rate levels, however, the amount of principal included in the initial monthly payment becomes very small and the change in payments becomes very close to the change in interest rates. Table 1 shows the monthly payment for principal and interest for a $100,000 loan for 30 years at different interest rates. In addition to principal and interest, monthly mortgage payments frequently include escrow payments for property taxes and hazard insurance, and even when those expenses are not subject to escrow they are considered as part of the payment burden in mortgage underwriting.

Both borrowers and lenders are deterred from entering into a loan agreement when rates increase. From the lender's standpoint, if mortgage payments are too high relative to borrowers' incomes, the risk of default increases. As a result, lenders impose limits on the acceptable payment-to-income ratio.

Purchasers with at least a 10% downpayment usually qualify for a maximum 28% payment-to-income ratio (FNMA and FHLMC standard). Lower downpayments push the allowable payment-to-income ratio down to 25%. Although many buyers choose to devote a smaller portion of their incomes to the mortgage payment, the standard rules provide a gauge of affordability and an indicator of the potential sales reduction when interest rates rise.

Rate Changes Affect the Median Buyer

The number of households affected by an interest rate change depends upon the size of the change and the shape of the income distribution. Figures 1 and 2 show the income distribution of all households and owner households in 1987. Respective median incomes are $25,985 and $31,903. The distributions reflect the concentration of households in the $20,000 to $50,000 income range (43% of all households and 46% of owner households) as well as the skewed concentration of households at the lower end.

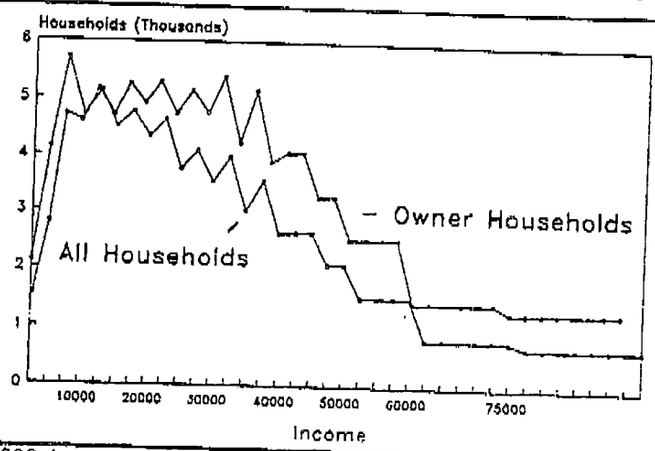
A $100,000 home loan is typical on

Table 1 Mortgage Payments on $100,000 Loan

Mortgage Rate	Monthly Payment (Principal & Interest Only)	Difference
9.0%	$ 804.62	
9.5	840.85	$ 36.23
10.0	877.57	36.72
10.5	914.74	37.17
11.0	952.32	37.58
11.5	990.29	37.97
12.0	1028.61	38.32
12.5	1067.26	38.65
13.0	1106.20	38.94
13.5	1145.41	39.21
14.0	1184.87	39.46
14.5	1224.56	39.68
15.0	1264.44	39.89
15.5	1304.52	40.07
16.0	1344.76	40.24
16.5	1385.15	40.39
17.0	1425.68	40.53

FROM NHI HS50C HM BLD 11/08/89 11:50 P. 3

Figure 1 Income Distribution: 1987 Population Survey



a $125,000 home, the approximate median new home price in February 1989. The 1985 AHS reports that median property taxes were 1% of value. That translates into $104 per month for taxes. Monthly hazard insurance is assumed to be $23 for our example. Hence, a monthly mortgage payment on $100,000 at 10.5% for 30 years is $1,042. Using a maximum payment-to-income ratio of 28%, the minimum income necessary to qualify for $100,000 home loan is $44,657.

A percentage point increase in mortgage rates to 11.5% increases the minimum required income to $47,870. About 2.8 million households have incomes that fall into the range from $44,657 to $47,870 and would become income ineligible to purchase a newly-built median-priced house. Not all households, however, are likely to buy homes. About 2.5% of households at that income level would have purchased a newly-built home in a typical year. Thus, among all those who normally would have bought new homes, 68,000 home buyers would not be able to qualify at the higher interest rate.

These estimates refer to purchasers of newly-built homes only. A larger number of all home buyers are affected by a rise in interest rates because the total number of homes sold is about four times as large as the number of newly-built homes and also because the likely purchasers of existing homes fall within the "thicker" part of the household income distribution. The 1987 median existing home price was $85,600 which would imply a $68,500 mortgage with a 20% downpayment. Qualifying income at 10.5% is $30,900. If rates rise to 11.5%, qualifying income increases from $30,900 to $34,114, which encompasses 3.6 million households. About 2% of all households at the $34,000 income level buy existing homes in a year, implying about 280,000 would be affected by a percentage point increase.

Buyers Have Options

Prospective buyers have four possible responses to an interest rate increase. First, a family can spend a larger portion of its income on housing. Only buyers considering a mortgage smaller than the maximum for which they could qualify have this option. Many buyers do spend less than the standard, but that is often a choice made to allow for other spending. Increasing the proportion of income spent on mortgage payments because of increased interest rates must come at the sacrifice of some other consumption or savings. First-time buyers already spend 1% to 3% larger portion of income on housing than repurchasers, and are therefore less able to opt for a higher payment.

A second option is to reduce the mortgage amount by a higher down payment. To keep monthly payments the same when interest rates increase from 10.5 to 11.5 on a median new home requires an additional $7,670 downpayment, a 31% increase. For a median existing home, the increase in downpayment would have to be $5,442, also a 31% increase. The median loan-to-value ratio for recent movers (moved within past year) in 1985 was 76%, suggesting some home buyers do have additional resources to draw upon. But, like increasing the payment-to-income, an increase in downpayment means the household's savings or expenditure for some other durable (furniture, car, etc.) would have to be postponed or reduced. First-time buyers are most distinctive from other buyers with respect to downpayments. Almost two-thirds put down less than 20% whereas only 43% of repurchasers put down less than 20%.

A third option is to purchase a less expensive home. To keep mortgage payments at the same level when rates increase from 10.5% to 11.5%, a buyer would have to reduce his purchase of the February 1989 median new home priced at $125,000 to a $115,000 home, almost an 8% reduction. The median existing home buyer would have to find a home for $86,000, 8% less than the actual median. Finding a less expensive home concentrates the buying pressure on fewer homes making it even more difficult to find a suitably priced home.

The fourth option is not to purchase. Move-up buyers may be the first to choose this option when rates rise since their plans to move can often be postponed. However, first-time home buyers also choose this option because the other options or even combinations of options are not feasible. While purchasers may not be near the underwriting maximums, many prefer lower proportions on their own.

Number of Households Affected By One Percentage Point Increase in Mortgage Rate

	Newly Built Homes	Existing Homes
Fail Income Qualification	2,800,000	3,600,000
Unlikely to Purchase	68,000	280,000

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

BUREAU OF
THE
CENSUS

Dear Crist.

Bureau of the Census
David Fondeller (301) 763-5731
Erica Annarella (301) 763-7842
Sherwin Weinstock (301) 763-7842

For Release 8:30 A.M. EDT, October 18, 1989
CB89-163

HOUSING STARTS AND BUILDING PERMITS IN SEPTEMBER 1989

Privately Owned Housing Starts

Privately owned housing starts in September were at a seasonally adjusted annual rate of 1,263,000 compared with the revised August rate of 1,332,000, according to estimates reported today by the U.S. Commerce Department's Bureau of the Census. The September 1989 estimate is 14 percent below the September 1988 figure of 1,463,000.

Single-family housing starts in September 1989 were at a rate of 971,000 compared with the August figure of 992,000. The September rate for units in buildings with five units or more was 241,000 compared with the August figure of 287,000. The September rate for units in buildings with two to four units was 51,000.

During the first 9 months of this year, 1,075,200 housing units were started compared with 1,145,800 units for the same period in 1988. This is a decrease of 6 percent.

Building Permits

The seasonally adjusted annual rate of housing units authorized by building permits in September was 1,296,000, 2 percent below the revised August rate of 1,328,000 and 9 percent below the September 1988 rate of 1,432,000.

Single-family authorizations in September were at a rate of 938,000 compared with the August figure of 927,000. Authorizations of units in buildings with five units or more were at a rate of 297,000, 8 percent below the August figure of 324,000. The September rate of permit-authorized units in buildings with two to four units was 61,000.

During the first 9 months of this year, 1,034,600 housing units were authorized by building permits compared with 1,120,200 units for the same period in 1988. This is a decrease of 8 percent.

Mobile Home Shipments

Statistics on mobile home shipments, which lag by 1 month, appear in the Current Construction Reports, series C20. In August, manufacturers' shipments of mobile homes were at a seasonally adjusted annual rate of 194,000, 9 percent above the July rate of 178,000. The August 1988 rate was 223,000. Before seasonal adjustment, total shipments in August 1989 were 19,400.

The next press release is scheduled to be issued on November 17, 1989, at 8:30 A.M. EST.

EXPLANATORY NOTES

In interpreting changes in the statistics in this release, note that month-to-month changes in seasonally adjusted statistics often show movements which may be irregular. It may take 3 months to establish an underlying trend for total starts, mobile home shipments and building permit authorizations.

Except for those on mobile home shipments, the statistics in this release are estimated from sample surveys and are subject to sampling variability as well as errors of response and nonreporting. Estimated average relative standard errors of the data are shown in the tables. For month-to-month comparisons, the range of the 90-percent confidence interval is ±7 percentage points from the estimated change for total housing starts and ±7 percentage points for single-family housing starts. For the year-to-date total of housing starts, the range of the 90-percent confidence interval is ±1 percentage point from the estimated change. For building permits, the ranges for month-to-month comparisons are ±1 percentage point for the total and ±1 percentage point for single-family; for the year-to-date total, the range is ±1 percentage point. When the range of the confidence interval contains zero, it is unclear whether there is an increase or decrease; that is, the change is not statistically significant. The April Current Construction Reports, C20-89-4, includes explanations of confidence intervals and sampling variability. On the average, the preliminary U.S. total housing starts and building permit estimates are revised about plus or minus 1 percent. This does not include the revisions made when new seasonal factors are computed. Statistics on mobile home shipments are compiled from manufacturers' reports to the National Conference of States on Building Codes and Standards (NCSBCS).

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This press release also is available on the date of issue through the Census Bureau's on-line information service -- CENDATA. The on-line version of the press release can be read from a terminal screen, printed on- or off-line, or copied to a computer file for future use. The Cendata Staff at the Bureau of the Census (301/763-2074) can provide content information and general guidance. For a brochure, write to CENDATA, DUSD, Bureau of the Census, Washington, D.C. 20233.

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Table 1. New Privately Owned Housing Units Started

(Thousands of units. Detail may not add to total because of rounding)

Period	Total	In structures with—				Northeast	Midwest	South	West
		1 unit	2 units	3 and 4 units	5 units or more				
1a. Seasonally adjusted annual rate									
1988 - September	1,463	1,039	62		362	206	258	576	423
October	1,532	1,136	63		333	198	273	582	479
November	1,567	1,138	68		361	219	275	613	460
December	1,577	1,141	65		371	201	343	609	424
1989 - January	1,678	1,199	66		413	293	313	642	430
February	1,465	1,029	62		374	224	273	572	396
March	1,409	981	50		378	160	308	552	389
April	1,343	1,029	62		252	207	274	526	336
May	1,308	977	42		289	176	244	513	375
June	1,406	972	55		379	168	242	552	444
July(r)	1,420	1,026	57		337	189	274	531	426
August(r)	1,332	992	53		287	145	236	565	386
SEPTEMBER(p)	1,263	971	51		241	170	243	477	373
Average relative standard error (%)	3	3	11		8	9	7	5	4
1b. Not seasonally adjusted									
1987	1,620.5	1,146.4	27.8	37.5	408.7	269.0	297.9	633.9	419.8
1988	1,488.1	1,081.3	23.4	35.4	348.0	235.3	274.0	574.9	403.9
Average relative standard error (%)	1	1	6	4	1	2	1	2	1
1988 First 9 months	1,145.8	836.8	17.6	26.6	264.8	187.5	210.0	443.4	305.0
1989 First 9 months	1,075.2	787.3	16.2	26.0	245.6	141.5	202.3	423.9	307.5
Average relative standard error (%)	1	1	7	4	2	2	2	2	1
1988 - September	131.1	91.7	2.4	2.7	34.4	19.6	26.0	49.7	35.8
October	135.1	97.7	2.1	3.5	31.8	18.4	26.4	49.8	40.5
November	113.0	81.2	1.9	3.2	26.7	17.9	20.1	43.9	31.2
December	94.2	65.7	1.8	2.2	24.6	11.5	17.6	37.9	27.2
1989 - January	100.1	69.9	1.9	2.8	25.6	15.3	11.5	45.4	28.0
February	85.8	59.3	1.3	2.4	22.9	8.8	10.5	39.2	27.3
March	117.8	83.5	1.7	2.6	29.9	12.2	22.5	49.5	33.6
April	129.4	100.4	2.4	3.5	23.2	19.9	25.3	52.0	32.2
May	131.7	101.4	1.6	2.4	26.4	17.5	27.7	50.2	36.4
June	143.2	100.3	1.8	3.5 5.3	37.7 43.0	17.9	28.4	52.2	44.6
July(r)	134.7	98.0	2.1	3.3 5.4	31.3 36.7	19.6	29.3	46.0	39.8
August(r)	122.9	91.6	1.4	3.8 5.2	26.1 31.3	15.0	23.7	49.4	34.8
SEPTEMBER(p)	109.5	83.0	2.2	1.7 3.9	22.6 26.5	15.4	23.4	40.1	30.7
Average relative standard error (%)	3	3	12	14	8	9	7	5	4

PPreliminary. rRevised. Z Less than 50 units or less than 0.5 percent.

Average relative standard error (Avg. RSE): Annual—Avg. RSE for the last 2 years; Year to Date—Avg. RSE for the current period and the same period last year; Monthly—Avg. RSE for the latest 6 month period (January-June or July-December).

Table 2. Privately Owned Housing Units Authorized by Building Permits in Permit-Issuing Places

(Thousands of units. Detail may not add to total because of rounding)

Period	Total	In structures with—				Northeast	Midwest	South	West
		1 unit	2 units	3 and 4 units	5 units or more				
2a. Seasonally adjusted annual rate (17,000 permit-issuing places)									
1988 - September	1,432	980	74		378	188	256	544	444
October	1,526	1,029	81		416	217	262	569	478
November	1,508	1,027	77		404	200	249	575	484
December	1,518	1,058	75		385	200	346	545	427
1989 - January	1,486	1,052	75		359	229	290	563	404
February	1,403	989	88		326	204	286	522	391
March	1,230	870	72		288	182	251	446	351
April	1,334	954	71		309	201	258	506	369
May	1,347	905	65		377	179	245	528	395
June	1,308	874	66		368	177	234	506	391
July	1,281	906	73		302	160	232	478	411
August(r)	1,328	927	77		324	174	263	517	374
SEPTEMBER(p)	1,296	938	61		297	168	246	499	383
Average relative standard error (%)	1	1	5		1	3	2	1	1
2b. Not seasonally adjusted (17,000 permit-issuing places)									
1987	1,534.8	1,024.4	40.8	48.5	421.1	271.8	282.3	574.7	406.0
1988	1,455.6	993.8	35.0	40.7	386.1	230.2	266.3	543.5	415.6
Average relative standard error (%)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
1988 First 9 months	1,120.2	775.7	26.3	31.0	287.2	182.6	203.8	418.6	315.3
1989 First 9 months	1,034.6	728.9	24.6	29.9	251.1	142.4	195.3	394.6	302.4
Average relative standard error (%)	1	1	2	5	1	3	1	1	1
1988 - September	127.9	85.1	3.2	3.5	36.0	18.4	25.3	46.1	38.0
October	124.0	82.9	3.7	3.5	33.9	19.1	23.6	44.2	37.1
November	110.0	71.8	2.6	3.2	32.5	14.9	18.8	42.4	33.9
December	101.4	63.4	2.5	3.0	32.5	13.6	20.1	38.3	29.4
1989 - January	88.9	61.3	2.2	2.2	23.2	11.4	11.2	39.9	26.4
February	86.4	59.5	2.2	3.5	21.2	9.8	12.5	37.7	26.4
March	116.1	84.1	3.0	3.6	25.4	15.4	21.2	45.0	34.5
April	121.5	89.0	3.0	3.0	26.4	18.7	25.3	44.4	33.1
May	133.9	94.3	3.0	3.4	33.2	18.7	26.6	49.7	39.0
June	135.5	92.5	2.8	3.8	36.3	18.7	25.5	50.5	40.8
July	108.8	79.3	2.7	3.4	23.4	14.4	21.8	37.9	34.7
August(r)	125.3	89.1	2.9	4.2	29.1	17.2	26.7	46.9	34.5
SEPTEMBER(p)	110.1	78.1	2.6	2.7	26.7	15.5	22.9	40.2	31.5
Average relative standard error (%)	1	1	3	8	1	3	2	1	1
2c. Not started at end of period—not seasonally adjusted (17,000 permit-issuing places)									
1988 - September	154.9	82.8	9.6		62.5	33.0	14.8	65.3	41.9
1989 - July(r)	148.5	79.6	8.7		60.2	30.8	15.6	62.4	39.7
August(r)	156.0	85.1	8.9		61.9	33.0	19.2	63.7	40.1
SEPTEMBER(p)	160.7	87.0	9.3		64.4	34.0	19.9	66.0	41.0
Average relative standard error (%)	3	4	20		4	9	7	5	7

See footnotes below table 1.

TOTAL P. 8

Housing Starts

NEW PRIVATELY OWNED HOUSING UNITS STARTED
(Thousands of Units)

	U.S. TOTAL (1)	1 UNIT (2)	2-4 UNITS (3)	5+ UNITS MULTIFAMILY (4)	(5)	NORTHEAST (6)	MIDWEST (7)	SOUTH (8)	WEST (9)
1979	1745	1194	122	429	551	178	349	748	470
1980	1292	852	109	330	440	125	218	643	306
1981	1084	705	91	288	379	117	165	562	240
1982	1062	663	80	320	400	117	149	591	205
1983	1703	1067	113	522	635	168	218	935	382
1984	1749	1084	121	544	665	204	243	866	436
1985	1742	1072	93	576	669	252	240	782	468
1986	1806	1180	84	542	625	293	295	733	483
1987	1621	1146	65	409	474	269	298	634	420
1988	1488	1081	59	348	407	235	274	575	404

SEASONALLY ADJUSTED ANNUAL RATE

1985									
SEP	1676	1020	90	566	656	244	234	720	478
OCT	1834	1160	79	595	674	316	254	803	461
NOV	1698	1040	79	579	658	239	215	792	452
DEC	1942	1123	86	733	819	284	275	895	488
1986									
JAN	1972	1270	100	602	702	322	286	898	466
FEB	1848	1143	102	603	705	338	280	747	483
MAR	1876	1180	79	617	696	285	316	782	493
APR	1933	1197	80	656	736	310	349	761	513
MAY	1854	1228	83	543	626	274	252	799	529
JUN	1847	1221	76	550	626	286	294	768	499
JUL	1782	1153	80	549	629	272	325	712	473
AUG	1807	1194	86	527	613	330	311	708	458
SEP	1687	1137	64	486	550	295	269	698	425
OCT	1681	1126	84	471	555	281	263	683	454
NOV	1623	1113	71	439	510	271	271	610	471
DEC	1833	1227	111	495	606	312	365	615	541
1987									
JAN	1840	1269	78	493	571	339	443	614	444
FEB	1787	1273	71	443	514	270	359	663	495
MAR	1715	1187	83	445	528	284	344	622	465
APR	1622	1197	64	361	425	266	296	661	399
MAY	1607	1131	66	410	476	299	300	625	383
JUN	1583	1083	81	419	500	254	287	604	438
JUL	1592	1147	62	383	445	272	249	636	435
AUG	1587	1111	58	418	476	255	281	636	415
SEP	1685	1225	49	411	460	261	306	702	416
OCT	1535	1097	69	369	438	267	252	617	399
NOV	1659	1121	51	487	438	264	335	640	420
DEC	1391	1036	50	305	350	219	264	573	335
1988									
JAN	1391	1021	53	317	370	330	223	460	378
FEB	1511	1095	58	358	416	300	256	594	361
MAR	1528	1169	57	302	359	284	261	574	409
APR	1576	1087	58	431	489	260	344	595	377
MAY	1392	1001	53	338	391	202	267	562	361
JUN	1463	1088	62	313	375	238	262	585	378
JUL	1478	1067	50	361	411	255	283	566	374
AUG	1459	1076	59	324	383	217	239	573	430
SEP	1463	1039	62	362	424	206	258	576	423
OCT	1532	1136	63	333	396	198	273	582	479
NOV	1567	1138	68	361	429	219	275	613	460
DEC	1577	1141	65	371	436	201	343	609	424
1989									
JAN	1678	1199	66	413	479	293	313	642	430
FEB	1465	1029	62	374	436	224	273	572	396
MAR	1409	981	50	378	428	160	308	552	389
APR	1343	1029	62	252	314	207	274	526	336
MAY	1308	977	42	289	331	176	244	513	375
JUN	1406	972	55	379	434	168	242	552	444
JUL	1420	1026	57	337	394	189	274	531	426
AUG	1332	992	53	287	340	145	236	565	386
SEP	1263	971	51	241	292	170	243	477	373

SOURCE: Bureau of the Census, Construction Reports, Series C20, Housing Starts.

McGroarty/Dooley
November 8, 1989
3:00 pm
[REALTORS]

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF REALTORS
DALLAS, TEXAS
NOVEMBER 10, 1989
2:15 P.M.

Thank you, Ira [Gribin]. I know I speak for everyone here today when I salute you for serving so ably as President of the National Association of Realtors. My best wishes to your successor, seated down in front here: Norm Flynn. And let me recognize the man who's doing such wonderful work as Secretary of HUD, Jack Kemp, and two fine members of Congress who have travelled down on Air force One with me today, Senator Phil Gramm and Dallas' own Congressman, Steve Bartlett.

[[Ira mentioned to me ~~on my way in~~ this afternoon that my speech is a special occasion for this association. // I said I was honored -- and then Ira said "It's not often that we're addressed by someone who lives in public housing."]] ////

[[The truth is, I am **not** a real estate wizard. When I was elected to Congress back in 1966, we needed to make housing arrangements up in Washington. At that time, Senator Al Simpson's father, Milward, was retiring and moving back to Wyoming. So I bought the Simpson place -- sight unseen -- made the deal over the phone. When we got to Washington, there were just two problems: we found out right away the house wasn't quite big enough for the Bush family -- and we found out when we

put the place up for sale that it wasn't worth quite as much as we paid for it. /// That's my claim to fame: I'm the only person who ever **lost** money in Washington real estate in the last 20 years. /// Ira, where were you when I needed you?]]

But few people have done more for the real estate industry than I have. // Barbara and I have moved 28 times in our 44 years of marriage. /// Now I know what you're thinking -- what a dream client my family would make for any realtor. /// In fact, OMB is calculating the commissions we've paid over the years -- measured as a percentage of the GNP.]] ////

I came here today to lay out a comprehensive plan to bring basic shelter and affordable housing within reach of millions of Americans. I call it **Project HOPE -- Homeownership and Opportunity for People Everywhere.**

But before I tell you about Project HOPE, I want to speak for a moment about the single most important factor in helping millions of Americans realize the American Dream: the economy.

Because the truth is, there's no better housing policy than a strong economy. One that provides jobs and opportunities for advancement -- interest rates that open ownership opportunities to hundreds of thousands of first-time home buyers. That's crucial -- because a 1 1/2 point drop means an additional half million families able to purchase that home they want.

And all signs point to continued strength in the economy. November marks the seventh full year of economic expansion -- the longest peacetime expansion in our nation's history.

Unemployment is lower now than at any point since the early 70s. And here's one statistic that has to please all of you: home mortgage rates are down from almost 14% back in November, 1982 to less than 10% today.

All of us know that the way to keep this expansion alive is to stick with the pro-growth policies that set it in motion -- the policies that allow the private sector to do its work: to create prosperity and higher standards of living.

Of course, part of any reasonable economic policy is getting our **fiscal** house in order. // I want you to know that my Administration is hanging tough for a **responsible budget -- with real deficit reduction, no smoke and mirrors.**

We don't like sequestration -- no one does. But we'll live with it if we have to -- if it's the only way to rein in spending and bring that deficit down to the Gramm-Rudman target. I'm ready to sign a budget bill -- whenever Congress is ready to strip off all the costly extras and add-ons hidden away in those omnibus spending bills. A responsible budget is one of the best signals the government can send for the sake of continued growth.

And I'm optimistic -- optimistic that my Administration and the Congress -- with the help of members like Phil and Steve -- can agree on a responsible budget. Optimistic that we'll see more and more Americans prospering -- providing better lives for their families, and looking to all of you to help them realize their dreams.

That's where Project HOPE comes in. These initiatives address the full range of housing concerns: from shelter for the homeless to affordable housing for low-income families -- to initiatives that will help millions more Americans own their own home.

Let's start right there -- with what Project HOPE can do for **first-time home buyers.** You know first-hand about families working hard to buy that first home -- families whose savings are no match for skyrocketing prices. First-time buyers deserve our help -- and they're going to get it. I will ask Congress to enact legislation allowing first-time buyers -- or their parents -- to draw without penalty on IRA savings as a downpayment for that first home.

And we've got to expand the home-buying base -- bring more **low-income** families into the ranks of homeowners. I will earmark funds from the Federal Housing Financing Board, to be used for mortgage rate buy-downs to make homeowning an option for more low-income families.

And Project HOPE means initiatives to improve **low-income housing.** Let me say right away that my Administration rejects costly new construction programs that, in the past, have too often produced the housing projects that symbolize the very absence of hope in our inner cities. **This Administration remains 100% behind housing vouchers that let low-income families choose for themselves where they wish to live.**

Our challenge is to create incentives that maintain the low-income housing we need. I will ask Congress to renew the Low-Income Housing Tax Credit -- **on one condition: that the Low-Income Housing Tax Credit is part of a package that includes a cut in the capital gains tax.** I know the National Association of Realtors has fought hard to make a capital gains cut a reality. Well, the fight's not over. We're going to continue to push hard for one simple reason: **because a cut in capital gains is good for growth.** ///

And Project HOPE can help us reverse a trend that's stunting some of the growth and development that would otherwise take place in low-income areas. Too many poverty-stricken areas have simply been **redlined** -- ruled too risky for lending. I am asking the Federal Housing Authority to work with neighborhood non-profit groups to open a new flow of credit for low and moderate income housing. **The time has come to replace the <u>redline</u> with a <u>greenline</u> -- to color these inner-city neighborhoods green for growth.**

And there's another way we can enlist growth in the battle to improve living conditions in low-income areas. I'm talking about Enterprise Zones. I've called on Congress to create at least 50 Enterprise Zones over the next four years. Phil and Steve: I hope you'll take this message back to your friends on the Hill, because **it's time we gave the green light to the urban entrepreneur.**

You know, Winston Churchill once said about the homes we build, "We shape it -- and thereafter, it shapes us." The same is true when it comes to low-income housing policy.

That's why Project HOPE includes initiatives to expand **resident management** and, yes, **resident ownership.** That's the idea behind our HOPE Grants initiative. It's already working: In Kenilworth-Parkside, back in Washington, D.C. In Cochran Gardens in St. Louis. And it's going to work right here -- at the nation's second-largest public housing project in West Dallas -- and all across the United States.

The results **are** promising: with tenants in control, we see better maintenance, more rents paid on time, a decrease in people on the welfare rolls as job opportunities emerge. And we see something more: **a sense of <u>pride</u> that is the very core of any thriving community.**

I don't know any better way to revive hope in our inner cities than to give tenants a say in running their communities, a stake in the future and the hope that they, too, can own a home. **Because the true measure of success isn't how many families we <u>add</u> to housing assistance roles. It's how many families move up and out -- and into the ranks of homeowners.** ///

Project HOPE can make a difference for millions of Americans who want to buy a home -- or who simply want to provide their families decent housing and better hopes for the future. But there are other people out there we've got to help. **People who stand in the shadows of what is otherwise a very bright economic**

picture -- who live a nightmare in the midst of the American Dream. We see them every day -- on the streets of our cities, sleeping on steam grates, living out of cardboard boxes. **The homeless.** //

For all of us, November is the time of year we start looking forward to the holiday season: Thanksgiving, Christmas, New Years. **For the homeless,** November is the time of year the temperature starts to drop, and simply making it through the night becomes a life and death struggle. //

Think about the **children.** Pretty soon, your kids will be dreaming about Christmas toys -- that new video game or new bike they'd like. It's different for kids on the street. I read a story not long ago that's stuck in my mind about a little boy without a home. Here's what he dreams about at night: "I dreamed my Mom got her Section 8, and we got a house with a great big back yard."

But in the morning, the dream is over. That little boy is up at 5:30, out of a shelter and back onto the streets. ///

That's a tragedy -- because no child in America should have to grow up on the streets. And every family in America should have a roof over its head. ///

My Administration is going to do its part to expand emergency shelters. We're committed to fully funding the McKinney Act. We're directing the FHA to set aside 10% of its foreclosed housing for lease to homeless groups. And today, I want to announce that -- as part of the savings and loans

recovery program -- I will make certain that a portion of the properties from failed S&Ls be put to public use as facilities for the homeless.

But we can't begin to eliminate homelessness -- to really get at the root of the problem -- until we **understand** the various reasons that lead to life on the streets. Homelessness isn't just a matter of too little shelter space. There **are** the working homeless, men and women -- some with children -- who hold down a job, but still can't afford a home. But they are only a fraction of the many homeless men and women who are **literally incapable** of caring for themselves. **And if we care about them, we've got to take more than a one-dimensional approach to the problem.**

The fact is this: Two-thirds of the homeless out on our streets suffer from drug dependency or mental illness. For these men and women, **shelter alone is not enough.** Homelessness is just one symptom of the larger problems that prevent them from caring for themselves.

The answer for the homeless who are mentally ill or addicted to drugs is **shelter plus:** shelter supplemented by the necessary support-services to get these people the help they need to live in dignity. And that means a partnership -- a combined federal, state and local effort -- to supply the funding and other resources that constitute a comprehensive solution for the hard-core homeless.

The key here is coordinating basic needs like shelter with other social services -- to help the homeless get the treatment

they need to get control of their lives. To help them find and hold down jobs. **To help them regain hope -- and leave life on the streets behind for good.** ///

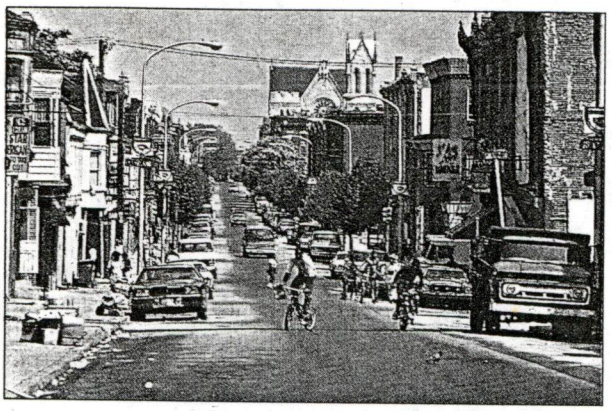
Helping the homeless. Helping low-income families find affordable housing, decent housing. Helping more of the 80 million Americans who don't own a home join the ranks of homeowners. Those are the aims of Project HOPE -- aims well within our reach.

Think about that little boy I spoke about a moment ago. Think about his dream -- because it's really the American Dream -- what all of us want for ourselves and our families. ///

Thank you. God bless you -- and God bless the United States of America.

# # #

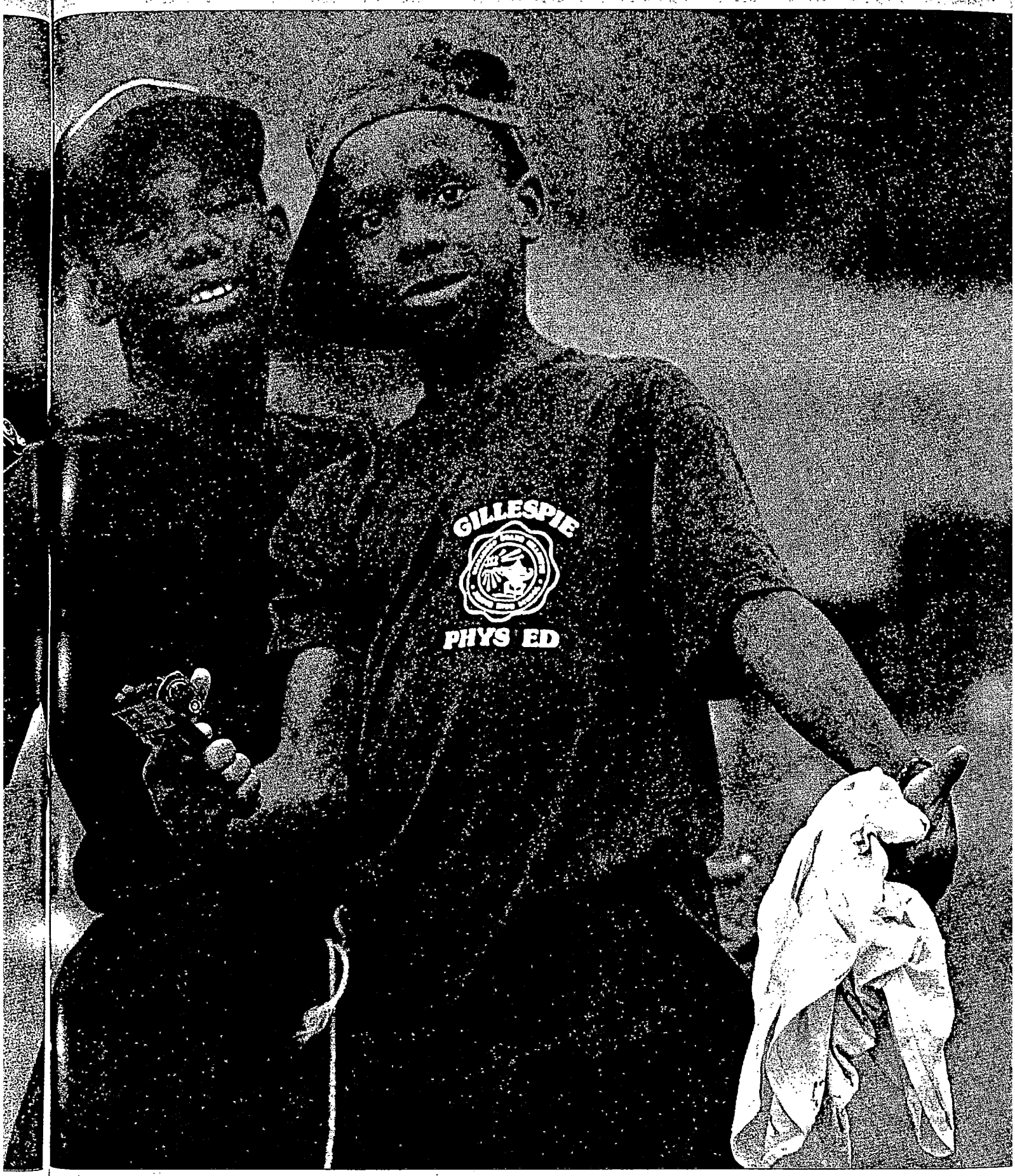
CHILDREN OF THE UNDERCLASS



A neighborhood where even boyish play has ominous undertones

Felix and his friends are hanging out at 19th and Susquehanna, waiting for something. Everybody knows Felix: at 17, he runs one of the more successful crack franchises in north Philadelphia. Today, a rainy Saturday, Felix is wearing a black baseball cap and an expensive-looking black raincoat. He is scowling: anyone can see he's taking care of business. Thirty minutes go by before Silk comes up the block. Silk is carrying an umbrella, and he looks nervous. Felix and his friends meet Silk in the middle of the intersection. There is a sudden argument, and two of Felix's friends hit Silk with a flurry of quick body punches. Silk's umbrella goes flying and he falls to the rain-slick pavement; he lies there, defenseless and unresisting. "I *TOLD* you not to mess with my *MONEY!*" Felix yells, standing over Silk.

This story was reported by Vern E. Smith, Howard Manly and David L. Gonzalez. It was written by Tom Morganthau.



PHOTOGRAPHS BY LESTER SLOAN—NEWSWEEK

Then he and his friends saunter away. A message has been delivered, and everyone on the block will hear it.

It is late afternoon when Miss Nee comes home with the clothes for her foster child Joe: two pairs of shorts and two T shirts, bought at the secondhand store for less than $5. "I just didn't want him to have to put up with people talking about him," she says. "You know how kids are. If you don't look just right, they're going to make fun of you." It's a slow afternoon in midsummer, oppressively hot on North 19th Street. Down the block, near Susquehanna Avenue, three teenagers are shooting craps in the doorway of Craig's Laundromat. Toddlers race up and down the sidewalk, playing noisy baby games, and older kids are lining up at Jewel's Store, around the corner on Susquehanna, for flavored water ice. Up on Diamond Street, at the other end of the block, a group of men nurse 40-ounce bottles of beer called 4-0s in brown paper bags.

Miss Nee's house stands near the north end of the block, on the west side of 19th Street. Owned by the Philadelphia Housing Authority, it is flanked on both sides by boarded-up buildings and it is almost barren inside. Officially, at least, Miss Nee, Joe, Kita and Yvonne are the only occupants, although on any given night Miss Nee, who is well known for her open-door policy, plays hostess for up to a dozen neighborhood kids. Miss Nee—Geneva Leaks, 52—has been rearing children all of her life. She raised her younger brothers and sisters and five kids of her own—and if she now takes no sass from Joe, Yvonne and Kita, she clearly understands their need for mothering. Joe Rutling is 14, and he has been living with Miss Nee for slightly more than a year. Okita (Kita) Allen, 15, moved in four years ago. Yvonne Williams, who is 14, has been in Miss Nee's care since she was 5 years old. None is related to Miss Nee by blood or marriage.

Miss Nee's neighborhood is in serious trouble, and the reason is crack cocaine. Crack is more than just the latest drug to hit the American underclass. Since its appearance on inner-city streets three to five years ago, it has proven to be an illicit bonanza for those who sell it and a curse on those who use it. Unlike heroin, crack is widely used by women. That fact alone has disastrous consequences for low-income families. If single-parent households have contributed to the intractability of poverty in the past, no-parent households may be poverty's appalling future. And crack is a catastrophe for the young. It has touched off an explosive increase in birth defects and an epidemic of child abuse and parental neglect. Its profits, in neighborhoods where the standard of living is very low, have led or forced thousands of inner-city youngsters into hard-core crime, and many others into addictions from which they may never recover. It has bankrupted parental authority and it is destroying the fraying social fabric of inner-city neighborhoods all over the United States.

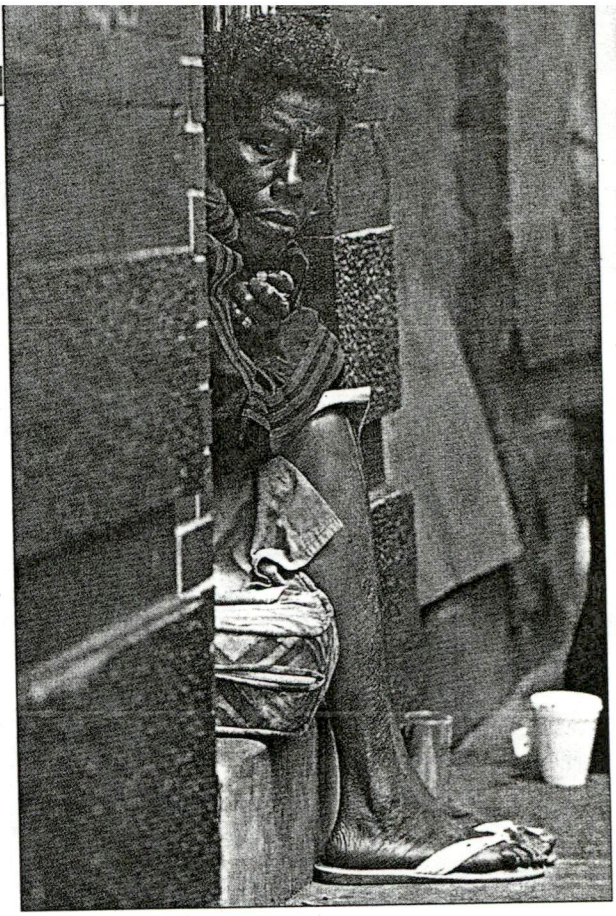
Miss Nee and her neighbors are under siege every day, but they have by no means surrendered to crack. The neighborhood, just west of Temple University and only 15 blocks from Philadelphia's glossy downtown, is a mixture of middle-income and low-income residents. The 2100 block of North 19th Street, where Miss Nee lives, includes a church, a vest-pocket city park and 34 brick row houses. Many are owned by the Philadelphia Housing Authority and rented to low-income tenants. The residents take part in a neighborhood crime-watch program, and a clear majority want no part of drugs or drug dealing. Jewel Williams, the unofficial mayor of the Susquehanna Avenue area, has been fighting for his neighborhood for years. He has more than once considered pulling out. "But every time I get ready to pack up and leave I think, 'How can I escape this?'" he says. "I've got to do something for these babies, for these kids. Somebody's got to save the ones that are salvageable."

Partners in austerity, Miss Nee and her kids make do on food stamps and $474 a month from the government. There is government-surplus rice, plenty of spaghetti and sometimes a little meat; the meat man, who drives through the neighborhood in his car once a week, sells to regular customers like Miss Nee on credit. Until this year,

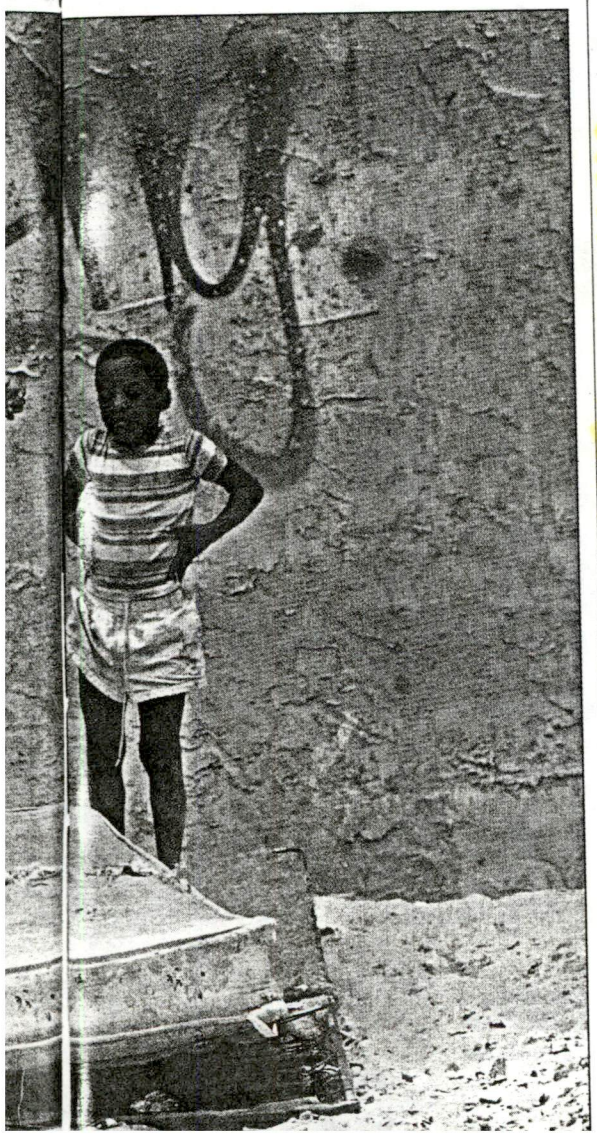
In north Philly, a rising sense that children are at risk as never before

Miss Nee supplemented her income by taking her charges over to New Jersey to do daywork in the blueberry fields. The work was hard—all day in the sun at the minimum wage—but they needed the money and she wanted to teach the kids the value of a dollar. "What you get," Miss Nee likes to say, "is what you sweat for." Last spring, however, the social worker discovered that Yvonne's brother had earned $69 for two days' work in a packing plant: under welfare rules, that amount was deducted from Miss Nee's food-stamp allotment. "They say, 'Try to get your kids a summer job'," Miss Nee says now, "but I'm not taking no chances."

Yvonne, Kita and Joe treat Miss Nee with respect and a hint of wariness: she is a tough lady, but she is the rock of stability in their young lives. All three have seen their families fall apart in recent years, and for practical purposes they are Miss Nee's kids now. Yvonne, whose four brothers and three sisters are scattered among different relatives and foster homes across the city, sees her father only occasionally; she sees her mother, Alberta Williams, somewhat more often. "She goes off on her own a lot," Yvonne says of her mother. "Sometimes she walks in the streets by herself." Alberta Williams, who says children "get on her nerves," has been hospitalized several times for nervous breakdowns. She says her doctor has prescribed Thorazine, a powerful antipsychotic drug, for her problems, but admits she rarely takes it. "Yeah, I drink," she says, "but so does everybody." Yvonne says her mother "was having problems" and couldn't take care of the family. "I used to cry a lot," she says. "I still love her, even though she can't take care of us. I love my mother and Nee equally."



Miss Nee is tough—but she is a rock of stability for Yvonne, Kita and Joe



Kita, still tomboyish in her jeans, is pregnant at the age of 15—"babies having babies," people on the block say, shaking their heads. Kita is laconic about her pregnancy—"it just came about," she shrugs—but Miss Nee says Kita wanted the child. "Kita knows how to raise kids," Miss Nee says. "She's going to be a very good mother. She's been cooking since she was 5 years old, and she took care of her two brothers." Kita's brothers now live with their grandmother, and her family has ceased to exist. Her father was killed in a gang feud before she was born, and though Kita will not talk about it much, her mother has a history of cocaine abuse. "I was a junkie," Kita's mother, Cookie Allen, says. "I was selling drugs out of my house." Allen says she has been homeless since her family broke up two years ago. Asked about her relationship with Kita, Allen says "that's none of your—ing business."

Joe Rutling doesn't talk about his family much either. His father has been in trouble with the law and his mother is down in Virginia, getting away from whatever happened in Philadelphia. When his mother asked him if he wanted to move in with Miss Nee last year, Joe saw his chance and took it. He's a quiet kid who does well in school, and he keeps a certain distance from the other teenagers on the block. Joe sees the devastation crack has brought to north Philadelphia, and he is adamantly opposed to drugs. "I taught *myself* that drugs were bad," he says firmly. "Sometimes, when people start talking about drugs, I just leave. It's hard to tell people that stuff is bad for you—they don't listen." Joe says his father talks to him "every now and then" and that he thinks about his mother "all the time." He likes Miss Nee and he's grateful for her help, but he has come to hate the neighborhood. "I see how it is here," he says tonelessly. "It's evil."

On any given night, Miss Nee's house may be filled by up to a dozen neighborhood kids. She has a reputation for never turning a needy child away.

They call it "clocking" in north Philadelphia, and it has nothing to do with punching a time clock. Clocking means getting a pack of cocaine from somebody like Felix, then standing on a street corner to hand off caps of crack to the pipers and users who drift by. The rules are well established: don't let the police catch you holding too much cocaine, don't use it yourself and don't stiff the dealer when it comes time to pay up. (That was Silk's mistake.) The clockers are all juveniles, and one of them, a boy named Bobby, is only 10 years old. Some of them wear tiny gold charms that look like miniature watch faces—a dealer's trademark, which is probably where the term clocking came from. Everyone on 19th Street knows about clocking, and

many of the boys do it. "It's messed up around here," says Kevin Abbott, who is 14. "You can buy about anything for $5."

"It's about *subliminal seduction,*" says Pimpin' Sam. Pimpin' Sam is in his mid-20s—a heroin user, but one of many north Philadelphia addicts who has shifted to speedballing, injecting a combination of heroin and cocaine. Sam went to college for a while, and he uses high-powered terms like "subliminal seduction" to explain the basic appeal of clocking, which is money. "It's like the sneaker commercials on TV that say they can make you run faster and jump higher," he says. "The kids all want them. But basically, they all come from single-parent homes. Some of the parents are on welfare, others work. You got, say, 10 hungry kids that are willing to sell drugs all night and all day to get some Adidases or some other name-brand stuff. This is the only way they're going to get it.

"The dealer takes advantage of that, you understand what I'm sayin'? He flashes the money in their face and says, 'You can have this, you can have that. All you got to do is clock, work on the corner.' And they think that's the way out, they think it's cool. So automatically, they grab hold to it—it's fast money, you know what I'm sayin'? So they're hooked to the drug-dealing lifestyle. They think it's cool to wear gold and name-brand stuff, not being aware that they should be trying to get their education.

"My generation, what we were instilled on was morals, values and respect," Sam says. "If I disrespected your mother, she would beat me, and when I got home my mother would beat me, too. Respect played a bigger part. Now the new generation—what's being cool to them is being a hustler. It's got a lot to do with TV, parents, babies having babies. When you're young, you're gonna do what your parents do, [and] if your mother is on the pipe, you're going to be on the pipe." He hobbles away on crutches—Sam got his leg broken recently in some mysterious street-corner dispute—heading for the shooting gallery they call the Chateau Luzerne. As he walks up Susquehanna Avenue, two boys coming the other way take care to give him plenty of room.

Jewel Williams is ombudsman for a neighborhood in serious trouble

'How can I escape this?' he says. 'I've got to do something for these babies, for these kids. Somebody's got to save the ones that are salvageable.'

Like any poet, Kevin Abbott writes about what he knows best. This is his rap song about north Philadelphia.

"I grew up in a neighborhood drug-infested.
All these situations, only once arrested.
I saw my people fall and rise, rise and fall
In this short life I've seen it all.
I saw my people selling smoke, and they're sniffing
It was like a dream, but the dream was drifting.
So if you're not doing drugs, raise your hand.
'Cause you will be rewarded LIFE in the end."

A girl on the block is talking about her boyfriend. On Mother's Day, she says, her boyfriend wanted to buy his mother a present, but he had no money. So he decided to sell some powder. "I told him that if he wanted to be with me, he couldn't be involved with no drugs," she says. "He didn't have to do it. He never had any problems. He was getting good grades in school. But he was trying to be like the big boys. Earlier in the day, he wanted me to come around and visit him, but I told him no because he had all those drugs on him. I knew something was wrong. I could feel it." He called that night from jail, she says, busted on his first time out clocking.

Miss Doris Jackson—frail, arthritic and spirited—has lived on 19th Street for 50 years, and she is a pillar of the community. "Don't you care about yourself?" she says to the kids, shaking her cane. "Don't you know your body is a temple?" Neighbors laugh about the time Miss Doris marveled that a newborn child was so small. "Don't you know she's a crack baby, Miss Doris?" someone said. "Don't you know nothing?"

Early one morning Miss Doris got up to investigate loud voices on the street outside her house. It was Felix and his friends.

"You know you ain't supposed to do what you're doing," Miss Doris said.

"What am I doing, Miss Doris?" Felix said, grinning.

"Do you really want me to say it?" she asked.

"No, Miss Doris," Felix said.

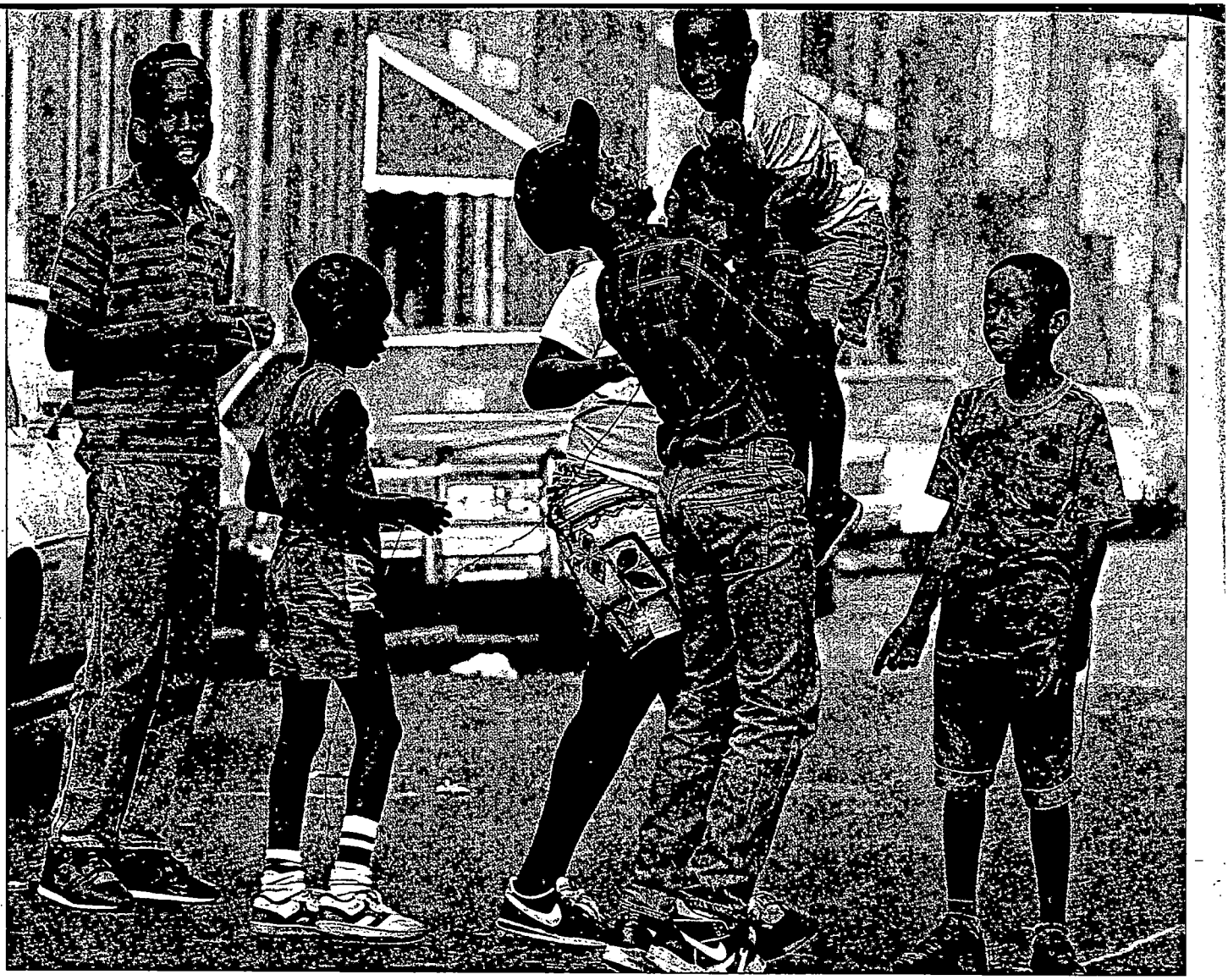
"All right, now you know you done wrong," Miss Doris said, satisfied.

"Aww, Miss Doris," Felix said, retreating toward the avenue.

Almost everyone on the block has had some kind of confrontation with the clockers and pipers who infest the neighborhood. The Rev. Al Blasingame, who makes a brave stand for the straight and narrow at Faith Tabernacle Baptist Church just across Susquehanna Avenue, had his moment last spring when someone broke into the church and stole the telephone, some hand tools and his prized pastoral vestments. Furious, the Reverend Al offered a $50 reward for information and got a tip that he ought to check out the clientele at a crack house half a block away. Enlisting Jewel Williams as a backup, Blasingame marched across the street to the crack house and, to the amazement of those inside, kicked in the door. "I'm going to get my stuff back or I'm going to throw each one of you out the window!" he said. "I'll give you three days to get my stuff back or you can prepare to go to war. Do you understand what I'm saying? I want my cape back."

The telephone and the hand tools were returned within the day—but the missing cape, which is what really got the Reverend Al going, turned out to be at the dry cleaner's. Only then did Blasingame realize what he had done. "There were four of them," he says now. "They could have killed me."

The crack house, one of the many city-owned abandoned buildings on the block, suffered a mysterious fire a few weeks later. Whoever did it was kind enough to warn the



'I saw my people fall and rise, rise and fall, in this short life I've seen it all'

dopers and the next-door neighbors that it would be wise to go somewhere else that night, and the fire broke out after midnight. A crowd gathered quickly, though it was more than a few minutes before anyone called 911. The building, already stripped of its plumbing and wiring, was gutted so completely that even the crackheads were forced to move on. "Spiritual justice was done," one of the neighbors says.

Torching the building made little difference to the neighborhood. There are three other crack houses within easy walking distance and kids are still clocking along Susquehanna Avenue. The lookouts—little boys, some as young as 6—yell warnings as the police drive by, and the clockers run away through a maze of alleys. Like Vietnam, the Philadelphia drug war is a war with no front line: crack's real damage is within the family.

No one knows it better than Jewel Williams. Jewel is 32—stocky, muscular, perpetually alert, an omnipresent figure in the neighborhood. He owns the tiny convenience store on Susquehanna Avenue, and he is president of the Susquehanna Neighborhood Advisory Council, a city-funded uplift agency that maintains a scruffy set of offices down the avenue from his store. By night Jewel is a campus police officer at Temple University and he has a license to carry a pistol, a Smith & Wesson automatic. It is always there, holstered on his right hip, a symbol of his status as protector and ombudsman for the neighborhood. Jewel is married with three children of his own, and his wife, Bernice, thinks he spends too much time on the block. "My wife gives me hell sometimes because I spend more time with other kids than I do my own," he says.

But Jewel, convinced that "we've lost three generations already," is determined to do all he can. The Neighborhood Advisory Council, called "the NAC," started out as a campaign against blighted housing. But crack's arrival in the north Philadelphia ghetto has changed everything, and Jewel and his staff of three now provide recreation programs, summer jobs, counseling and emergency food supplies, all on a shoestring budget. The common denominator is saving kids. "While we were out fixing up houses," Jewel says, "we found out it was our youth that was deteriorating." He estimates that at least 5,000 children under the age of 14 live within the NAC boundaries, many of them with surrogate mothers like Miss Nee.

One shelf in the NAC office is filled with boxes of infant formula for emergency cases. "We have families who are going hungry because the mother or father is on crack," he says. "They spend the money on drugs and then come here begging for food. Most of the crack mothers drop their babies off on the grandmother. Then we get the grandmothers calling us for milk to feed the newborns." In one case, he says, a woman addict locked up her children in the house while she went out for drugs. "The kids were in there for two days," he says. "Their Pampers had maggots in them. When you see something like that you say to yourself, 'Stop worrying about the 18-year-olds who're getting high and start paying attention to the little kids and the babies'."

He could start with Lucas and Bobby. Bobby is a big kid who looks much older than his real age, which is 10. His mother,

so addicted that she is slowly becoming emaciated, spent the welfare checks on crack, and Bobby and his sister lived in an abandoned house with no electricity and no running water. When Bobby's grandmother bought him clothes, his mother sold them to get more crack. Finally Bobby went to a dealer he knew and began clocking on Susquehanna Avenue, hanging out all night until his pack of "nickel powders" was sold. "His mother don't care, as long as he's giving her some," says Lucas, who is 15. Lucas's mother is a crack addict, too. "I talk to her every day," he says. "If I tell her to leave it alone, she'll stop for about three weeks, then go behind my back." When he grows up and gets a job, Lucas says, "I'm gonna take her to a rehab place where she can get herself back together, and then I'm going to take her far, far away and let her live by herself. I love her."

It's not the kids, Renee Johnson says, it's the parents. "If the mother's sitting there selling [crack], what's that telling the child? If the son's out there selling it and the mother's sitting there holding it, what good is that gonna do? ... The mothers know the kids are making money, and they're getting some of the money so they're happy." The kids aren't bad, she says, "they just don't have no discipline. They figure if their mother's doing it, hell, I can go do it, too. That's why I watch the ones whose mothers are on drugs. I sit there and wonder, what're y'all thinking about?"

One reason Renee thinks about the kids so much is that she is a crack user, too—and she has a 13-year-old daughter, a beautiful girl named Kaneesha. Renee says a boyfriend turned her on to crack several years ago and that she became a closet addict. "She's never seen me do it. I used to go to work, come home and go straight to the room. I would never go outside until I came down," she says. Renee's mother persuaded her to enter a residential drug-treatment program in upstate Pennsylvania, but the stay there did not end her addiction. Now, she says, the thought that Kaneesha might try drugs is forcing her to try to set a better example. "What if Kaneesha was to smoke a joint? What could I say? What right would I have to say anything about her when I do it? It made me really slow down," Renee says.

Kaneesha is going to summer school this year, and she has an afternoon summer job as well. She thinks she wants to be a nurse, but she dreams of becoming a model. Renee, watching and worrying for any sign of involvement in drugs, thinks about getting family counseling or sending Kaneesha to Baltimore to live with her uncle. "Kaneesha can't understand why I stay on her the way I do," she says. "But I don't want her to go through the same things I went through when I was coming up. I wasn't taught the way I'm trying to teach her, put it that way, and I don't want to see her follow in my footsteps."

There is a girl in the neighborhood who knows about another crack-house arson. The girl's mother was an addict, and she sold and used crack in the home. The family was in chaos and the children were going hungry. The girl tried to stop her mother's drug abuse many times and failed. Finally the girl said, "If I can't get the drugs out of the house, I can make it so no one gets drugs here." The girl burned down the family's house. She was 12 years old.

Children in this neighborhood are so exposed to drugs that teachers at the Head Start school at 18th and Diamond streets have begun teaching their students about crack before they begin the usual pre-reading program. "They can identify crack caps and vials as young as 4," says one teacher. "We've had to adjust our entire approach to what's important to these children."

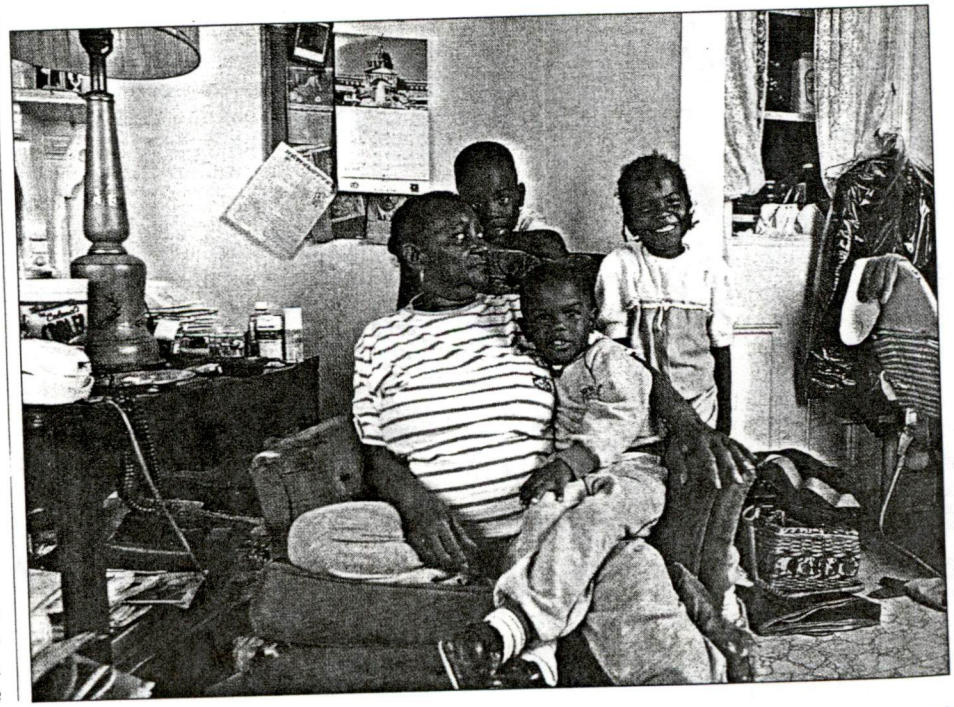
Grade-school kids are introduced to cocaine along with marijuana. "It's called a turbocharge," Jewel Williams says. "They think turbo is not addicting, so they start sucking on a joint at 10, 11 or 12. Before they know it, they don't want the weed. They've got to get that charge. So they go and buy a cap and then they're hooked up. They'll take anything and make a pipe out of it—a tin can, a broken car antenna." Kevin Abbott, the neighborhood poet, says younger addicts "know what's happening, but they just don't care."

Five years ago a no-name north Philadelphia welterweight named Kevin Howard stunned the boxing world by decking Sugar Ray Leonard in what was supposed to be an easy bout. Leonard survived, winning the fight in a ninth-round TKO, but Howard became an instant hero for the homeboys on the block—another Smokin' Joe Frazier, the pride of black Philadelphia. "Just like I'm talking with you, I was talking with Sugar," Howard says now. "We had lunch together, we had dinner together, we went out together. He said to me, 'There's something about you I like. You ain't like all the other fighters. You ain't talking about killing me or knocking my eye out.' I said, 'It's not like that. This is a business. But believe this: if there's a fight, I'm going to try to take your ass out.' I mean, I showed no fear."

Howard lost it all in a blur of fast living. His last fight was three years ago, and he was knocked out in the seventh round. Today, he lives in a dilapidated row house and spends his days shuffling around the neighborhood with a broken-down shopping cart looking for salvageable trash. "He used to be a bad dude," one of the neighborhood boys

Jean Hobson says crack has hurt the neighborhood more than heroin did

'Little kids are starting—kids 6, 8 years old,' she says. 'They get the thrill and then they're hooked. [The dealers] use them to carry drugs.'



When families fall apart, children take refuge wherever they can

says. "But now, Kevin is like, 'Can I have a quarter or something?' "

"It doesn't make me feel good to know what I'm doing out here in the streets and know that kids still look up to me," Howard says. "The No. 1 thing I tell them is, 'Don't let nobody influence you into something wrong' . . . . It's not only 'caine, it's alcohol, too. It's marijuana. These things are a downfall. I'm talking from experience."

Howard, who is only 28, says it would be "best for me to get out of the neighborhood so I can stay on top." He still thinks he will be "the spoiler of the '90s."

"Man up!" the lookouts shout as plainclothes officers Jeff Ziernicki and Harold Braxton creep up Susquehanna Avenue in their boxy blue Plymouth. Braxton and Ziernicki work the Double Deuce—the 22nd police district, one of the busiest in Philadelphia. Some 60,000 people live within the 22nd's two square miles, and police work there is a never-ending round of narcotics enforcement and domestic disputes that often involve crack. Drug arrests for adults and juveniles are sharply up in the past two years; last year the 22nd district seized drugs, cars and cash totaling nearly $2 million. The cops see the social causes—the accelerating breakdown of the family, the lack of positive role models and economic opportunity for youth—but they see the pure viciousness, too. In one case, a year and a half ago, two brothers 9 and 12 were murdered when their mother, who was an addict, stole the stash they were holding for a dealer. "We absolutely have to target the real young kids," says Philadelphia Police Commissioner Willie Williams, a veteran of the Double Deuce. "Completely educate them about drugs, sex and how to protect themselves from family members leading them to drugs."

With the city hall in a perennial budget crunch, street manpower is already stretched thin. That means cops like Braxton and Ziernicki spend their shifts jumping from one radio call to another—investigating burglaries, chasing clockers down the alleys, handling domestic disputes. Check day, when the welfare checks arrive, brings an avalanche of 911 calls for drug and alcohol emergencies; because crack abusers tend to be wired and hyperactive, even routine family arguments can erupt in violence. The reports of missing and abandoned children start the following day, when relatives and neighbors realize that the toddlers next door have no one to look after them. "We have to be marriage counselors, taxi drivers, referees, babysitters—everything," says Jeanette Barnes, a victim-assistance officer for the 22nd.

Capt. Al Lewis, the 22nd district commander, is trying to promote community-action projects like offering reading classes at the station house. He is also well aware that residents of the Double Deuce "desire nothing less than people in middle-class neighborhoods," which means protecting them from the drug trade and the drug-related crime that is all around them. But the beat cops are not optimistic. "Can this neighborhood be brought back?" one officer asks rhetorically. "No. We lost this generation."

Police veterans and longtime residents are nostalgic about the good old days of heroin, PCP and gang wars—nothing, they say, compares with the social consequences of crack. "I've been through pot, white lady and blue lady [forms of synthetic heroin], and I can't go through this much more," says Jean Hobson, who has lived in north Philly for 40 years. "I'd rather see gang warfare come back. Now you don't have protection from nothing or nobody. When they get on that stuff, they don't know their own mother." Hobson, like Geneva Leaks, is famous in the neighborhood for rescuing unwanted children, and she is shaken by the fact that younger and younger children are being drawn into dealing and using crack. "The little kids are starting—kids 6, 8 years old," she says. "They get the thrill and then they're hooked. [Dealers] use them to carry drugs, because the man ain't gonna bother them. They're kids—kids you never thought would be caught up in this," she says. "My God, they were such good kids."

The names Felix, Silk, Bobby and Lucas used in this article are pseudonyms.

not very humorous

McGroarty/Dooley
November 6, 1989
1:30 pm
[REALTORS]

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF REALTORS
DALLAS, TEXAS
NOVEMBER 10, 1989
2:15 P.M.

[Introductory remarks.] Thank you, Ira [Griben] -- the very able President of the National Association of Realtors. And let me say hello to two fine members of Congress who have travelled down to Dallas today, Representatives Bill Thomas and Claudine Schneider.

[[Ira mentioned to me on my way in this afternoon that my speech is a special occasion for this association. // I said I was honored -- and then Ira said "It's not often that we're addressed by someone who lives in public housing."]] ////

[[The truth is, I am **not** a real estate wizard. When I was elected to Congress back in 1966, we needed to make housing arrangements up in Washington. At that time, Senator Al Simpson's father, Millward, was retiring and moving back to Wyoming. So I bought the Simpson place -- sight unseen -- made the deal over the phone. When we got to Washington, there were just two problems: we found out right away the house wasn't quite big enough for the Bush family -- and we found out when we put the place up for sale that it wasn't worth quite as much as we paid for it. /// That's my claim to fame: I'm the only

person who ever **lost** money in Washington real estate in the last 20 years. /// Ira, where were you when I needed you?]]

But few people have done more for the real estate industry than I have. // Barbara and I have moved 29 times in our 44 years of marriage. /// Now I know what you're thinking -- what a dream client my family would make for any realtor. /// In fact, OMB is calculating the commissions we've paid over the years -- measured as a percentage of the GNP.]] ////

I came here today to lay out a set of housing initiatives -- a comprehensive plan to bring basic shelter and affordable housing within reach of every American.

But before I outline my housing proposals, I want to speak for a moment about the single most important factor in helping millions of Americans realize the American Dream: the economy.

Because the truth is, the best housing policy is a strong economy. One that provides jobs and opportunities for advancement -- interest rates that open ownership opportunities to hundreds of thousands of first-time home buyers. And I know just how important interest rates are when it comes to home buying: a 1 1/2 point drop means an additional 670,000 families ~~buying~~ able to purchase that home they want.

And all signs point to continued strength in the economy. November marks the seventh full year of economic expansion -- the longest peacetime expansion in our nation's history. Unemployment is lower now than at any point since the early 70s.

1982 - new home mortgage rate avg.
15.14%.

~~Sept~~ ~~Oct~~ 89 - 10.23% ↓ almost 1/3

Nov. 1982 - 13.8%
1st wk Nov 1989 9.8%

↓ 28%, ~ 1/4

$100,000 - ↓ mthly payment from
1100 → 830
↓ ~$270

Nov. 1992

And here's one statistic that has to please all of you: during this expansion, home mortgage rates are down by one-quarter.

All of us know that the way to keep this expansion alive is to stick with the pro-growth policies that set it in motion -- the policies that provide the private sector room to do what only it can do: create prosperity and higher standards of living.

Of course, part of any reasonable economic policy is getting our **fiscal** house in order. // I want you to know that my Administration is hanging tough for a **responsible budget -- with real deficit reduction, no smoke and mirrors.**

We don't like sequestration -- no one does. But we'll live with it if we have to -- if it's the only way to rein in spending and bring that deficit down to the Gramm-Rudman target. There is an alternative -- whenever Congress is ready to strip off all the expensive extras and add-ons hidden away in those omnibus spending bills. A responsible budget is one of the best signals the government can send for the sake of continued growth.

And I'm ~~hopeful~~ optimistic -- ~~hopeful~~ optimistic that this economic expansion will continue. Hopeful my Administration and the Congress -- with the help of members like Bill and Claudine -- can agree on a responsible budget. Hopeful that we'll see more and more Americans prospering -- providing better lives for their families, and looking to all of you to help them realize their dreams.

Today, as I told you a few moments ago, I've chosen this occasion to announce a wide-ranging set of housing initiatives I

call **Project Hope -- an initiative that stands for Homeownership and Opportunity for People Everywhere.**

Project HOPE addresses the full range of housing concerns -- from shelter for the homeless ~~and~~ to affordable housing for low-income families, to initiatives that will help millions more Americans achieve the American Dream: owning their own home.

Let me start with **low-income housing.** And let me say right away that my Administration rejects costly new construction programs that in the past have too often produced the housing projects that symbolize the very absence of hope in our inner cities. **This Administration remains 100% behind <u>housing vouchers</u> that let poor people choose for themselves where they wish to live.**

Our challenge is to create incentives that maintain an adequate stock of low-income housing. As part of a larger pro-growth package, I will ask Congress to renew the Low-Income Housing Tax Credit to extend incentives for the construction of low-income rental units.

And it's time we reverse a trend that's stunting some of the growth and development that would otherwise take place in low-income areas. Too many poverty-stricken areas have simply been **redlined** -- ruled too risky for lending. I am asking the Federal Housing Authority to work with neighborhood non-profit groups to identify responsible credit risks in poor areas, and open a flow of credit into low and moderate income housing. **The time has**

come to replace the redline with a greenline -- to color these inner-city neighborhoods green for growth.

But the real centerpiece of our plan for public housing is resident management and, yes, resident ownership. That's the idea behind our HOPE Grants initiative. It's already working: In Kenilworth-Parkside, back in Washington, D.C. In Cochran Gardens in St. Louis. And it's going to work right here in Dallas -- at the nation's second-largest public housing project in West Dallas. ~~One of the reasons why it's going to work is a fellow named Alphonso Jackson -- head of the Dallas Housing Authority -- one of the architects of those resident management programs in Washington and St. Louis.~~

And the results **are** promising: with tenants in control, we see better maintenance, more rents paid on time, a decrease in people on the welfare roles as job opportunities emerge. And we see something more: **a sense of pride that is the very core of any thriving community.**

I hope these successes are only the beginning -- of a nationwide shift towards tenant control, and ultimately towards **tenant ownership.** There isn't a better way to revive hope in our inner cities than to give tenants a say in running their communities, and a stake in the future: the hope that they, too, can own a home. //

That's worth remembering. Because the true measure of success isn't how many families we **add** to housing assistance

roles. **It's how many families move up and out -- into middle-class status, and into the ranks of homeowners.**

That's why Project HOPE includes **initiatives to aid first-time buyers** -- whose savings are often no match for skyrocketing home prices. I will ask Congress to enact legislation allowing first-time buyers -- or their parents -- to draw without penalty on IRA savings as a downpayment for that first home.

And we've got to expand the home-buying base -- bring more low-income families into the ranks of homeowners. I will earmark funds from the Federal Housing Financing Board, to be used for mortgage rate buy-downs to make homeowning an option for more low-income families.

Finally, it's time for all levels of government to take a second look at some of the well-intended housing policies that actually **decrease** our housing stock. I'm talking about the excessive **rules, regulations and red tape** that add unnecessarily to the cost of housing -- tens of thousands of dollars in some cases -- or create perverse incentives to allow existing housing to deteriorate.

I have asked Secretary Kemp to convene a Blue Ribbon Commission to identify barriers to affordable housing and to make recommendations on how those barriers can be removed. And let me make the first recommendation myself: no city, state or town should receive a single cent of Project HOPE funds until they have identified barriers to affordable housing -- and devise a plan to remove them. ///

No child in America
No family in America

I think Project HOPE can make a difference for millions of Americans who want to buy a home -- or who want to provide their families with decent housing and better hopes for the future. But there are other people out there we've got to help, Americans who stand in the shadows of what is otherwise a very bright economic picture -- who live a nightmare in the midst of the American Dream. We see them every day -- on the streets of our cities, sleeping on steam grates, living out of a cardboard box. **The homeless.** //

good

For all of us here today, November is the time of year we start looking forward to the holiday season: Thanksgiving, Christmas, New Years. **For the homeless,** November is the time of year the temperature starts to drop, and simply making it through the night becomes a life and death struggle. // **Homelessness is a tragedy -- and Project HOPE won't be complete unless it helps the homeless.** //

But we can't begin to eliminate homelessness -- to really get at the root of the problem -- until we **understand** the various reasons that lead to life on the streets. Homelessness isn't just a matter of too little shelter space. There **are** the working homeless, men and women -- some with children -- who hold down a job, but don't earn enough to put a roof over their heads. But they are only a fraction of the many homeless men and women who are **literally incapable** of caring for themselves. **And if <u>we</u> care about <u>them,</u> we've got to take more than a one-dimensional approach to the problem.**

The fact is this: Two-thirds of the homeless out on our streets suffer from drug dependency or mental illness. For these men and women, **shelter alone is not enough.** Homelessness is just one symptom of the larger problems that prevent them from caring for themselves.

The answer for the homeless who are mentally ill or addicted to drugs is **shelter plus:** shelter supplemented by the necessary support-services to get these people the help they need to live in dignity -- and to get started on the road back to the kind of normal lives we take for granted. And that means a partnership -- a combined federal, state and local effort -- to supply the funding and other resources that constitute a comprehensive solution for the hard-core homeless.

The key here -- and the aim of Project HOPE's initiatives for the homeless -- is coordinating basic needs like shelter with other social services -- to help the homeless get the treatment they need to get control of their lives. To help them find and hold down jobs. To help them manage a home. **To help them regain hope -- and leave life on the streets behind for good.**

My Administration is going to do its part. We're committed to fully funding the McKinney Act. We're directing the FHA to set aside 10% of its foreclosed housing for lease to homeless groups. And today, I want to announce that -- as part of the savings and loans recovery program -- I will make certain that a portion of the properties from failed S&Ls be put to public use as facilities for the homeless.

But Washington hasn't cornered the market on solutions to the problem of homelessness. Nor have state and local governments. We can't afford to overlook the fact that some of the most innovative -- and compassionate -- efforts to aid the homeless begin with individuals and institutions in the private sector. With men and women like you.

I've heard about what the National Association of Realtors is doing -- about the state and local chapters running food kitchens and mental health clinics. About the fund raisers and donation drives you stage -- like the house raffles back in Fredericksburg, Virginia with all the proceeds going to help the homeless. Let me tell you: what you're doing helps make a difference where it matters most -- in the communities where you work and live.

Today, I want to call on you to keep it up -- to build on what you're already doing, and to enlist others in your communities in this worthy cause. And I hope I can count on you to support the overall aims of Project HOPE -- to work with me to ensure that all Americans enjoy adequate housing and the hope of homeownership.

Thank you. God bless you -- and God bless the United States of America.

# # #