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(2) subject to the civil service laws and the Classification Act of 1949, as amended, to appoint and fix the compensation of such officers and employees as may be necessary to carry out its functions;

(3) to accept unconditional gifts or donations of services, moneys, or property, real, personal, or mixed, tangible or intangible;

(4) without regard to section 3648 of the Revised Statutes, as amended (31 U.S.C. 529), to enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of its work and on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, territory, or possession, or with any political subdivision thereof, or with any person, firm, association, corporation, or educational institution;

(5) to use, with their consent, the services, equipment, personnel, and facilities of Federal and other agencies with or without reimbursement, and on a similar basis to cooperate with other public and private agencies and instrumentalities in the use of services, equipment, and facilities, and each department, agency, and instrumentality of the Federal Government shall cooperate fully with the Agency in making its services, equipment, personnel, and facilities available to the Agency, and any such department, agency, or instrumentality is authorized, notwithstanding any other provision of law, to transfer to or receive from the Agency, without reimbursement, supplies and equipment other than the administrative supplies and equipment;

(6) to establish within the Agency such offices and procedures as may be appropriate to provide for the greatest possible coordination of its activities under this Act with related activities being carried out by other public and private agencies and organizations; and

(7) with the approval of the President, to enter into cooperative agreements under which officers and employees (including members of the Armed Forces) of any department, agency, or instrumentality in the executive branch of the Government may be detailed by the head of such department, agency, or instrumentality for services in the performance of functions under this Act to the same extent as that to which they might lawfully be assigned in such department, agency or instrumentality.

SEC. 7. Notwithstanding any other provision of this Act, no function shall be transferred under this Act which the President determines should not be transferred in the interests of national security.

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## S. 2207—INTRODUCTION OF A BILL TO PROVIDE MORE FLEXIBLE MORTGAGE LIMITS

Mr. MONDALE. Mr. President, I introduce today, for appropriate reference, a bill, jointly authored by Senator JAVITS and myself, to amend section 235 of the National Housing Act. Upon discovering that we were each working on this matter independently, Senator JAVITS and I decided to pool our efforts and produce a jointly authored bill.

The purpose of this bill is to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families.

### BACKGROUND

All Federal housing assistance programs impose maximum limits on total dwelling development costs to insure that only modestly priced housing is built under these programs. These maximum limits vary according to program—public housing, 221(d)(3), 236, and 235—and from area to area. Each program recognizes that higher development cost limits must be allowed in high-cost areas where land and labor costs are higher. Generally speaking, the allowances for high-cost areas provided by statute for public housing and FHA multifamily programs like 221(d)(3) and 236 are realistic and adequate. This is not the case for the new 235 homeownership program. As a result, there are strong indications that the 235 program will often not prove to be economically feasible in many high-cost metropolitan areas—like New York City, Chicago or Washington, D.C.—which have some of the most severe housing problems in the Nation.

Joseph Gabler, Director of the FHA in Minnesota, has informed me that "the single major difficulty" of the section 235 program is the fact that the present mortgage limits "make it almost impossible to utilize section 235 in the metropolitan areas" of Minnesota. He points out that in the cities the only way to get new construction under this program is to build on urban renewal land where the cost has been lowered considerably below the market level.

The proposed amendment would give the Secretary of Housing and Urban Development the authority and flexibility to correct this problem when and where it arises.

### THE NEED FOR THE AMENDMENT

In many high-cost areas, rental buildings costing up to $19,000 or more per unit are now being built under the public housing, 221(d)(3) and 236 programs. Given today's high construction costs, these buildings are not elaborate structures. Present law establishes considerably lower cost limits in high-cost areas for houses built under the section 235 program than for those built under the rental programs, even though the income limits of the persons to be served by the 235 and 236 programs are exactly the same. This is paradoxical because the cost of detached or semidetached houses on separate lots is considerably greater than the cost of garden apartments. As a result, many builders in high-cost areas will be discouraged by the stringent cost limits from using the 235 program, thus frustrating Congress' purpose of widening opportunities for homeownership.

An example will help indicate how the present cost limits may inhibit production. Suppose a builder has an option on a tract of land on which section 235 houses might be built. Let us assume that the land has certain environmental deficiencies—like location in a deteriorating urban area—so that houses could not be sold if they were financed conventionally. In determining whether or not to exercise the option, the builder estimates all his costs—including a small allowance for profit—if he were to build houses under section 235. Let us assume further that his estimated costs total $17,000, which is below the present statutory cost limit of $17,500 in high-cost areas. He will still probably choose not to take the land and participate in the program. He reasons that he will not complete construction for about 2 years, and that inflation may well erode his entire margin of safety by that time. Given the rapid rise of labor costs, interest rates, and lumber prices in the last few years, his actual costs may well exceed $17,500, thereby destroying his profit margin. He is not certain that this will occur, but the chance is great enough to dissuade him from taking the risk. The existence of rigid statutory cost limits is the cause of this problem. If the builder knows that the Secretary of HUD has the authority to raise cost limits in response to inflation, he will be more likely to participate in the program. But he is obviously less confident that Congress will be able to act in time to adjust existing statutory cost limits in response to inflation.

### THE AMENDMENT AND ITS EFFECT

The basic statutory development cost limit—technically it is the limit on the amount of the mortgage—under the section 235 program is $15,000. The limit can be increased to $17,500 for families of five or more persons. Under present legislation, an additional allowance of $2,500 is allowed for high-cost areas.

Experience indicates that this allowance will be clearly inadequate in the years ahead. The 221(d)(3) and 236 programs permit development costs of up to 45 percent higher than their basic cost limits in high-cost areas. The proposed amendment, which adopts the language of sections 221(d)(3) and 236, would apply the 45-percent formula for high-cost areas that is used under these two sections to the 235 program.

Thus, the basic mortgage limits for ordinary sales units, units in cooperatives, and units in condominiums under section 235 would remain at $15,000—and $17,500 where the mortgagor's family includes five or more persons. But under the amendment, the Secretary would have the power to raise these limits up to 45 percent "in any geographical area where he finds that cost levels so require."

It should be emphasized that this amendment would not necessarily result in higher cost units being built under 253. Rather, the amendment would give the Secretary the flexibility to raise the development cost limits in high-cost areas where spiralling costs require such an increase. The current allowance of $2,500 does not give him sufficient flexibility.

It should also be pointed out that this amendment would not increase the monthly payments of many lower income families, since they will still pay 20 percent of their income. For those families who receive the maximum subsidy under the law, their cost per month would go up slightly in these high-cost areas. However, these families will still be better off, since there would be very little opportunity for families in high-cost areas to buy houses under section 235 in its present form; the builders are simply not going to participate in the program in such areas.

As a result of this amendment, builders

concerned about meeting cost limits will be just as likely to build sales units as they would rental units in most of our metropolitan areas. The end result will be to fully effectuate the purpose of the 235 program, which is now in serious trouble in those metropolitan areas of the country.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 2207) to amend section 235 of the National Housing Act to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families, introduced by Mr. MONDALE (for himself and Mr. JAVITS), was received, read twice by its title, and referred to the Committee on Banking and Currency.

Mr. JAVITS. Mr. President, I am today joining the Senator from Minnesota (Mr. MONDALE) in a bill, which he has just offered for us both, and I ask unanimous consent that my remarks, together with a copy of the bill, may appear in the appropriate place in the RECORD.

The VICE PRESIDENT. The remarks and bill will be printed in the RECORD at an appropriate place.

Mr. JAVITS. Mr. President, it has become increasingly clear in the past few months that the success of section 235, homeownership program, has been put in doubt by the present statutory cost limitations. Under section 235, the maximum mortgage amount for a house of three bedrooms or less is $15,000, or $17,500 in high-cost areas. Since downpayments must be kept low in this program which is designed for persons of low or moderate income, these maximums on mortgage amount naturally lower ceilings on sales prices.

In high-cost areas the section 235 program has had little impact because these statutory cost limits are much too low and builders are reluctant to get involved in the face of rapidly escalating construction costs. For example, 6 years ago the median price of new single-family houses built in the Washington area was $21,300. By 1966, it had increased to $26,500, and it has now increased to $32,500. At the end of 1968, census data show that only 11 percent of new houses sold in the West and Northeast were priced at under $17,500, and in the North Central United States only 8 percent were. The problem is particularly serious near the center of major metropolitan areas where high land and labor costs make the statutory maximum cost limitations in section 235 particularly serious. An FHA survey early this year in the Washington, D.C., area uncovered no new single-family houses on the market with sales prices under $17,500. Thus, in the very areas in which this program is most needed, the housing industry is least able to meet the need.

In the face of this situation, Senator MONDALE and I—individually—were preparing legislation to amend section 235, to make the statutory cost limitations more flexible. We have decided to join in offering this bill, which would authorize the Secretary of Housing and Urban Development to increase the cost limitations by up to 45 percent in high-cost areas. Such an amended limitation on costs in high-cost areas would be consistent with a similar provision of the section 221(d)(3) program.

Such an amendment to section 235 at this time is crucial, for there is every reason to believe that costs will continue to rise. Lumber products have undergone an unprecedented price rise in the last 2 years, prompting congressional hearings and administrative action. Land and labor costs have been consistently going up, and, of course, we are all aware of the almost unprecedented increases in financing charges.

Recent statistics from the Department of Housing and Urban Development indicate that the statutory maximums have limited activity under the section 235 program in New York and in other comparable high-cost areas throughout the Nation. In a letter to me of May 16, 1969, William B. Ross, Acting Assistant Secretary-Commissioner, Federal Housing Administration, noted:

> In New York City there has been absolutely no activity under the Section 235 program. . . . To date, reservations have been requested for only 32 units for the city of Albany and 61 units for the city of Buffalo. Our experience in other major cities is very similar.

Mr. Ross continues:

> When we consider the activity this program has engendered throughout the nation and the backlog of requests for assistance amounting to over 60,000 units which we have not been able to fund, we can better judge the impact of the cost limits in the high cost areas.

Mr. President, I ask unanimous consent that the correspondence with Mr. Ross be inserted in the CONGRESSIONAL RECORD at the conclusion of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

(See exhibit 1.)

Mr. JAVITS. Mr. President, this increase in the statutory cost limitations in high-cost areas in the section 235 homeownership program has been endorsed by several major groups. At its recent conference, the National Housing Conference approved a resolution calling for such an amendment, and in recent hearings on lumber price increases before the Housing Subcommittee of the Senate Banking and Currency Committee, the National Association of Home Builders recommended that a 45-percent increase in costs for high-cost areas be allowed under section 235. Also, in a letter to Housing and Urban Development Secretary George Romney, the Council of Housing Producers stated:

> Housing costs have increased approximately 10% or more since legislation was first drafted for the 1968 Housing Act. HUD should ask for legislation which would regulate increases on statutory limits for 235 and 236. With costs increasing as they have been in the past two years, it will be almost impossible, in many areas, to build single family housing within the present limitations. . . . Money will go unused in many cities because producers will not be able to build single family homes within the limitations.

Mr. President, I am pleased to join Senator MONDALE in offering this bill. I hope that it will have early and serious consideration in the Congress.

EXHIBIT 1

MAY 15, 1969.

Mr. MORTON BARUCH,
*Director, Low and Moderate Income Housing, Department of Housing and Urban Development, Washington, D.C.*

DEAR MR. BARUCH: I am deeply concerned about the possible impact of present statutory cost limits for high-cost areas in section 235 of the National Housing Act. It has been brought to my attention that the present limits are seriously inhibiting the success of this program in certain areas of the nation. Accordingly, I am considering introduction of legislation to amend section 235 to increase the cost limitations to 45 percent of existing dollar-limitations in certain geographical areas to be designated by the Secretary of Housing and Urban Development. Such a provision would be consistent with present limitations in "below market interest rate" programs.

In connection with this matter, could you indicate to me the number of applications and the general level of activity under the section 235 program in the New York Regional Office of the Department of HUD. In addition, I would appreciate information as to the level of activity in other areas of the nation with cost figures similar to that of the New York Region.

I would deeply appreciate your immediate attention to this matter. Please relay any information to my legislative assistant, Emil Frankel, in Room 320, Old Senate Office Building (225-6542).

With best wishes,

Sincerely,

JACOB K. JAVITS.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION,
*Washington, D.C., May 16, 1969.*

Hon. JACOB K. JAVITS,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR JAVITS: I am replying to your letter of May 15, 1969, addressed to Mr. Morton A. Baruch of my staff concerning the statutory limits which have been established for the Section 235 homeownership program.

From our experience with the initial assistance funding made available to the program it would appear that the statutory maximums have limited activity in New York and other comparable high cost areas throughout the nation. In New York City there has been absolutely no activity under the Section 235 program either for project proposals for five or more units or on an individual basis for proposals involving four or less units. To date, reservations have been requested for only 32 units for the city of Albany and 61 units for the city of Buffalo. Our experience in other major cities is very similar. Assistance has been requested for only 181 units in Chicago; 250 units in Detroit; 73 units in Los Angeles and there have been no requests for assistance in the cities of San Francisco and Boston.

When we consider the activity this program has engendered throughout the nation and the backlog of requests for assistance amounting to over 60,000 units which we have not been able to fund, we can better judge the impact of the cost limits in the high cost areas.

You may be assured that within the legislative constraints every possible effort will be made to provide assistance to these areas by stressing the utilization of the Section 235(j) nonprofit rehabilitation program as well as rehabilitation under the regular homeownership assistance program. We will also permit maximum utilization of that percentage of funds available for existing housing.

In view of your request for our immediate

response in this matter, I am having this letter hand carried to your office.

Sincerely yours,

WM. B. ROSS,
*Acting Assistant Secretary-Commissioner.*

The text of the bill is as follows:

S. 2207

A bill to amend section 235 of the National Housing Act to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 235 of the National Housing Act is amended—

(1) by striking out the last proviso in subsection (b)(2) and inserting in lieu thereof the following: ": *Provided further,* That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 (or $17,500, if the mortgagor's family includes five or more persons), except that the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require"; and

(2) by redesignating subparagraph (C) of subsection (i)(3) as subparagraph (D), and by striking out subparagraph (B) of such subsection and inserting in lieu thereof the following:

"(B) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount (i) in the case of a single-family dwelling, not to exceed $15,000 (or $17,500, if the mortgagor's family includes five or more persons), or (ii) in the case of a two-family dwelling, not to exceed $20,000: *Provided,* That the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require;

"(C) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 (or $17,500, if the mortgagor's family includes five or more persons), except that the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require; and".

## S. 2208—INTRODUCTION OF A BILL TO AUTHORIZE A FEASIBILITY STUDY OF ESTABLISHING A NATIONAL LAKESHORE RECREATION AREA AT LAKE TAHOE, NEV.

Mr. BIBLE. Mr. President, on behalf of myself and my colleague, Senator CANNON, I introduce, for appropriate reference, a bill to authorize a feasibility study of a proposal to establish a national lakeshore recreation area at Lake Tahoe, Nev.

This bill, Mr. President, deals with one of our Nation's most prized scenic and recreation resources. It is an irreplaceable resource. And it is a resource that is gravely threatened by the relentless march of commercial development.

Joint efforts by the States of California and Nevada and the Federal Government to save the fabled purity of this mountain lake's waters have intensified in recent years, just as commercial development has intensified. But this is just one part of the overall problem. What is left of the Lake Tahoe's magnificent natural shoreline also must be saved.

There is not too much of this natural shoreline left. And there is not much time left to save it.

The bill I introduce today culminates many years of hard work at all levels of government to preserve the lake's natural beauty and to set aside and develop a meaningful area for public recreation. It has the active support of the Governor and the Legislature of Nevada, and I am confident, the people of Nevada.

To date, the effort to provide a Lake Tahoe park and recreation area for the thousands of visitors from all over the Nation has been essentially a State project. Although State finances are obviously limited, Nevada has already committed considerable moneys to land acquisition. In working closely with former Gov. Grant Sawyer and his successor, Gov. Paul Laxalt, it has been my privilege to help secure some $3 million in special Federal allocations from the land and water conservation fund to spur this effort along.

But all of us engaged in this park effort have had to face the reality that the overall project is too big for Nevada and the relatively limited assistance available in the land and water conservation fund. The project is big enough and the cause is important enough and the needs are urgent enough to merit a development of national proportions.

Recognizing this, I first proposed the establishment of a national lakeshore recreation area in a speech before the California-Nevada section of the National Wildlife Society in San Francisco last January. But I said then that the effort first required the full support of the Nevada Legislature and Governor. A supporting resolution was subsequently approved by the legislature and signed by the Governor.

Although I believe the ultimate answer will be the establishment of a national lakeshore recreational area, I realize this is but one approach.

All approaches should be explored. The Department of the Interior, through the Bureau of Outdoor Recreation and the National Park Service, is best qualified to conduct a thorough investigation of the problems and challenges and provide the most effective solution.

I must emphasize, Mr. President, the situation at Lake Tahoe presents a major challenge and demands fast action. Already, most of the lakeshore on the California side and too much of it on the Nevada side has been developed. The mountain slopes, the rocks and trees and the white beaches of this deep blue, mile-high lake have given way to the hotdog stand and the neon light. Public access for recreation is limited to a few small beaches and picnic areas which are not adequate to the needs of a fraction of the visiting public.

Fortunately, because a great deal of land has been held undeveloped in private ownership, long reaches of the Nevada shoreline remain in their natural state. But even this land is endangered because it is not under proper management and protection and could at any time be acquired and exploited by developers.

We are in a race with the bulldozer of commercial development. It is a race we must win.

Because of this situation there is an immediate and urgent need for land acquisition beyond what the State of Nevada has achieved. I have already consulted with the U.S. Forest Service over the feasibility of acquiring the proper acreage in the near future to protect the Federal interest. This may be possible under existing authority or with a slight modification of the Toiyabe National Forest boundary in the area. I shall pursue the most effective course in this regard.

Anyone who has ever seen Lake Tahoe knows it would be criminal not to extend every effort toward preserving its legendary beauty and managing its invaluable resources for countless future generations of Americans. Anything less and we stand indicted for neglect.

I hope this measure can be expedited in Congress and that the study it authorizes will be carried forward promptly. And when the solution is before us—in the near future, I trust—I hope Congress will take quick and effective action to achieve the goals I have set forth.

So that the RECORD will be complete, I ask that the full text of Senate Joint Resolution 15 of the Nevada Legislature, endorsing the proposed study and the ultimate establishment of a national lakeshore or national recreation area, be printed following my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the joint resolution will be printed in the RECORD.

The bill (S. 2208) to authorize the Secretary of the Interior to study the feasibility and desirability of a national lakeshore on Lake Tahoe in the State of Nevada, and for other purposes, introduced by Mr. BIBLE (for himself and Mr. CANNON), was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

The joint resolution presented by Mr. BIBLE follows:

SENATE JOINT RESOLUTION 15

Senate joint resolution requesting Senator ALAN BIBLE to introduce in the U.S. Senate certain legislation concerning Lake Tahoe.

Whereas, The 55th session of the Nevada legislature recognizes the unique natural characteristics and unsurpassed beauty to be found in the Lake Tahoe basin, and further recognizes the need for immediate action to preserve the clarity of the lake and its scenic forest environs as open space and recreation reserves; and

Whereas, Opportunities exist for establishment of large areas of open space and recreation lands in Nevada and the entire basin; and

Whereas, If steps to establish a portion of the basin's undeveloped lands for recreation and open space fail, the area may be subjected to overdevelopment and, further, the natural resources of the basin may be excessively exploited and their integrity impaired; and

Whereas, The Nevada legislature in recognizing the resource needs of the Lake Tahoe basin has enacted the following major programs in its effort to preserve Lake Tahoe:

1. In 1963, purchased Marlette Lake and surrounding lands in Washoe and Ormsby