Rural?

Original notes for your reference.

COVERING MEMORANDUM

MAY 5 1967

1. The President provided leadership in developing Model Cities program.

Continue to provide leadership--this is an essential part in providingthe tools to get Model Cities moving.

2. Genius of American system is its capacity to harness and harmonize the capabilities of the private sector to supplement ~~the~~ public programs and achievement of national goals.

3. Non-profit housing corporation would provide the most useful,effective and flexible instrument in assuring that the most advanced technology and managerial skill will be brought to bear on the task of rehabilitating and rebuilding America and ~~building~~ create a living environment worthy of citizens in a free society.

4. A National Non-Profit Housing Corporation can assure the fulfillment of mobilization of private resources and can achieve the scale of operation and the volume which are the key to achieving dramatic and meaningful breakthroughs and the substantial reduction in cost of high quality housing.

5. National Corporation can stimulate creation of local non-profit corporation and put in motion constructive and creative forces which can generate their own momentum. Potential groups(thousands)--but extremely difficult for local groups to get moving in isolation because they lack technological competence and managerial skills. This is precisely the service the national group would provide.

6. Local groups not only lack technological competence but the scale of their operation is limited to achieving volume and to creating a market essential to realize the tremendous cost reduction of full application of advance technology. The National Corporation by combining local markets can achieve the scale and volume needed.

Draft/...May 3, 1967

Dear Mr. President:

In your 1967 message to the Congress on Urban and Rural Poverty you said:

> "I intend to call together an outstanding group of private citizens from across the country--from business and labor, government and the building industry--to examine every possible means of establishing the institutions to encourage the development of a large scale efficient rehabilitation industry.
>
> "I will ask this group of outstanding Americans to find the best ways to tap the enormous market that exists in rebuilding our cities and to bring the most modern systems and the most advanced technology to this urgent task."

I urge you to convene this group of national leaders at the White House at the earliest possible date and that this group be invited to consider the organization of a nationally based, non-profit urban service corporation. Backed by effective managerial skills, and maximum private initiative, the corporation would develop the market for utilization of the most advanced technology in the total rehabilitation and rebuilding of our slum neighborhoods.

As you gave the necessary leadership in creating the Model Cities Program, so only you can provide the leadership to involve the private sector in this great purpose.

The pressure on housing in America is explosive.

Three factors contribute to this:

* older housing is decaying faster than it can be replaced;
* the growth in population accompanied by rapid urbanization and decline in household size is expanding the need;
* increasing costs and a low rate of housing starts are insufficient to keep pace with the need or the price that perhaps half of our families can pay.

As this pressure builds up the country has two options:

* it can divert a greater share of our national resources to build housing
* or it can do more with the same amount of resources.

Resources are not currently available to rehouse America without a national technological breakthrough. Nor can our society apply advanced technology to space vehicles, automobiles, television sets, etc. and not commit itself to apply scientific and technological skills to satisfy the basic human need for decent and adequate housing in a healthy and attractive living environment.

There is real evidence of a growing readiness to support large scale institutional innovation.

Local institutional forms are emerging. Working capital is at hand. Existing incentives are available to attract massive capital investment. This conference, acting under your leadership and direction, with proper understanding of the value of economy of scale and efficient management can create the necessary institution.

I am enclosing the broad outlines of the functions and capabilities of such an institution. At your convenience the appropriate back up materials can be provided.

I commend it to your attention.

A PROPOSAL FOR A NATIONALLY BASED, PRIVATE NON-PROFIT URBAN SERVICES CORPORATION TO REHABILITATE AND REBUILD SUBSTANDARD URBAN SLUM NEIGHBORHOODS

The pressure on housing in America is explosive.

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* increasing costs and a low rate of housing starts are insufficient to keep pace with the need or the price that perhaps half our families can pay.

As this pressure builds up the country has two options:

* it can divert a greater share of our national resources to build housing,
* or it can do more with the same amount of resources. For the immediate future this is the realistic option.

Currently resources are not available to rehouse America without a national technological breakthrough. Nor can our society apply advanced technology to space vehicles, automobiles, television sets, etc. and not commit itself to apply scientific and technological skills

to satisfy the basic human need for decent and adequate housing in a healthy and attractive living environment.

The technology is at hand to rehabilitate and to build houses and communities cheaper, faster, and better. But present small scale institutions and programs cannot attract effective management, significant amounts of private investment capital and large enough markets to induce innovation.

The President alone is in a position to provide the leadership and the initiative to respond to this challenge.

President Johnson recognized this when he said in his 1967 Message to the Congress on Urban and Rural Poverty:

> "I intend to call together an outstanding group of private citizens from across the country--from business and labor, government and the building industry--to examine every possible means of establishing the institutions to encourage the development of a large scale efficient rehabilitation industry.
>
> "I will ask this group of outstanding Americans to find the best ways to tap the enormous market that exists in rebuilding our cities and to bring the most modern systems and the most advanced technology to this urgent task."

It is urged that the President convene this group of national leaders at the White House at the earliest possible date.

The President should invite this group to consider the organization of a nationally based, non-profit service corporation which will bring to bear maximum private initiative and resources, the most advanced

technology and managerial skills to rehabilitate and rebuild our slum neighborhoods.

A Favorable Climate of Opinion

The growing concern of many power groups with the problems of the cities is creating a climate of opinion which will support a large scale public-private vehicle to rehabilitate and rebuild urban communities. This is illustrated by

1. The emergence of solidly financed non-profit local, regional and state urban development corporations. At least a dozen such corporations have recently been organized or planned for. These groups will have working capital of upwards of $20 million of which more than 90 percent has been subscribed by private enterprise.

   In Detroit, for example, the industry, the United Automobile Workers, the leading banks, religious and racial leadership are organizing a metropolitan development corporation with more than $5 million available to it in working and seed capital.

   New Jersey, under the leadership of Gov. Hughes, is appropriating $500,000 toward the organization of a similar multimillion dollar state-wide urban development corporation, and in Waterbury the city administration, the Scovil Brass Co. and other industrial, labor and community groups have pledged to raise close to $600,000 to fund an urban development corporation for that small city.

2. The widespread interest in a national urban development corporation proposal which emerged from the Woods Hole Conference sponsored by HUD and the White House Office of Science and Technology.

3. A tentative agreement among 10 major industrial aggregates to form a comparable, profit-based national urban development corporation.

4. The reactivation and reorganization of public-private groups such as the Chicago Dwellings Association and the Philadelphia Housing Association.

Institutional forms are emerging. Working capital appears to be at hand. Existing federal guarantees, state and local supports, tax and other financial incentives are potentially available to attract massive capital investment. But the major national institutional change set forth in this proposal is long overdue.

The Corporation and Its Purposes

The corporation's board would consist of national leaders of business, labor, finance, the building industry, the academic and scientific community, foundations and public interest groups. Its working capital, contributed by government and private funds, would permit it to recruit the highest level managerial and technical staff.

The corporation would have interrelated missions. It would

* organize the managerial and technical capability to bring to housing the increase in quality and reduction in cost that are the hallmarks of American industry.
* identify those elements and systems which can--through standardization and mass markets--reduce costs and improve quality. The corporation would establish national performance specifications and organize affiliated local development corporations into common markets for distribution of mass produced components.
* analyze, develop and attract new forms of private investment in housing, special facilities and total communities within cities and metropolitan and rural areas. This will include combinations of Federal guaranties, tax incentives, franchises, residuals and other benefits which can attract long-term capital investment at comparatively low returns. The national group will have the technical skill to continuously analyze and "parlay" the trade-offs between yield and risk ratios.

* identify entrepreneurial and management tasks which can best be performed by local and regional development corporations with the planning and participation of local residents, industries, labor and municipalities. The national corporation would assist in the organization of local corporations, provide specialized technical skills and managerial competence, access to capital and supportive service and training programs.
* cooperate with the Department of Housing and Urban Development to supplement, expand and enhance the usefulness of federal programs. This activity will have particular relevance to FHA-FNMA special assistance programs and Model Cities activities.
* develop long-term incentives for unions and contractors to raise industry productivity through programming for continuity of operations and providing greater job and income security. This can best be achieved through economy of scale and coordinated construction scheduling. In turn this modernization will develop new constituencies for revising restrictive building and housing codes and elimination of obsolete bidding and inspection procedures.
* develop a major information center to assist special groups and the general public in the realization of these goals.

* continuously evaluate and adjust the structure, scope and objectives of the national corporations and the local groups with which it interacts. This will permit the emergence of the most effective tools for the rebuilding of our cities.

Two questions may properly be asked:

1. Why a national corporation? A national corporation is necessary for these reasons:

* First-rate managerial and technical talent is scarce and high priced. Currently, there simply are not enough trained personnel to manage local urban development corporations as quickly as they appear to be organizing. The national group would have a prime responsibility to identify, recruit and train technical and management personnel for local corporations.

* Capital resources and local investment areas are often not matched. A national group with access to nationally based investment resources will be able to bring these resources to bear on areas of greatest local potential.

* Most local, if not all, programs will not be big enough to provide incentives for research, development and mass production of standardized components. A national group can aggrandize these markets to the benefit of all.

* The necessity for communication among local development groups is obvious. A national service corporation can develop this function most effectively.

2. Why a non-profit group? A non-profit group is necessary for these reasons:

* The key element in the national entity is service--service to the cities, to local development corporations and to local communities. Its responsibility is to the greatest need and the greatest potential for urban development, and not to the easiest or the most immediately profitable sale of these services.
* A non-profit entity would be more responsive to the needs and desires of the residents. It would readily perceive the importance of local community organization. It would have far better credentials in dealing with difficult and delicate problems where questions of motivations are critical in relationships with community groups.
* A non-profit group would be in a better position to contract with government for grants and to process bulk Federal mortgage credit. Only a non-profit group could receive tax exempt contributions.

This is not a recommendation for the creation of a monolithic entity which would assume initiative and responsibilities which are rightfully local. Rather, a new set of generating institutions and relationships which create their own momentum is envisioned. The institution will have the capacity to change and become more effective with changing circumstances.

The Role of Private Enterprise

It is obvious that neither the national corporation nor local urban development corporations can be effective without the active involvement and support of private enterprise.

Aside from the generalized benefits inherent in the elimination of slums, there are more direct profit opportunities. These include new areas for financial investment, new markets for components and materials and a modernized and more profitable construction industry.

The key is always economy of scale, effective management, and minimization of risks through Federal, state and municipal support:

1. Long-Term Investment

The mortgage instrument will continue to serve as a major resource for long-term investment. FHA-FNMA special

assistance funds, rent supplements and urban renewal aids will play a major role. However the corporation and its local counterparts can serve as magnets to attract other capital resources in combination which have not hitherto been available to deprived areas. These might include:

* loans by industrial aggregates at low interest rates in exchange for franchises for the sale of services (gas stations, retail outlets) and materials (prefabricated kitchen and bathroom units, wall board systems, etc.).
* lease-backs of developments to local non-profit groups or public housing agencies with depreciation and residual values retained by the investor-lessor.
* lease-backs of land by municipalities, institutions and other organizations where the land is in the path of long-term development.
* Turnkey development of multi-purpose structures and communities.

These and other investment devices have long been employed in "downtown" areas. The national corporation will seek to develop settings in which they can be equally useful in the rehabilitation and rebuilding of slum neighborhoods.

2. Materials and ComponentsSuppliers

As previously noted, the national corporation will have the technical capacity to develop national performance criteria, based upon user standards developed by the local groups. The national corporation can bring local development corporations together in common markets. This massive purchasing power can trigger research and development of less expensive and higher quality building components by traditional building suppliers. It can also create opportunities for transfer of materials and systems developed by defense, aero space and related industries.

3. Modernization and Expansion of the Construction Industry

The general contracting system has changed its methods little since the advent of the 20th Century, Characterized by small and discontinuous operations, it is unstable and has a high rate of business failure. Economy of scale, a continuous flow of capital investment and training in the use of modern work technology will create incentives for modernization of bidding, scheduling, and construction practices. This should produce an expanded construction industry with new and profitable opportunities for locally based contractors.

A modernized industry with continuous, systemized production flow can in turn provide employment and income security which is the basic incentive for increased productivity and opening of union ranks to minority workers.

Relationship with HUD and Other Federal Agencies

The national corporation, working closely with HUD and other Federal agencies, can enhance HUD operations. It would

* assist in streamlining mortgage processing and procedures
* negotiate for bulk mortgage insurance and provide for certification of many steps which currently require minute and detailed review and inspection by FHA and other HUD personnel. Reservations of bulk mortgage credit will, of course, be subject to HUD annual review, audit and inspection. Precedents for this already exist in New York, Chicago and Philadelphia.
* support and parallel the Model Cities program. The additional increment will be the rapid and less expensive rebuilding of the physical components which undergird the social goals of the Model Cities program.
* provide an institutional vehicle for demonstrations in higher level systems analysis and development. Illustratively, one project of the national corporation might include multi-faceted studies of local constraints--legal, institutional and technological--which prevent the construction of entire multi-purpose communities on a coordinated and perhaps turnkey basis. In other situations, such as metropolitan Detroit, the national corporation might bring its skills to bear on the planning and development of overall metropolitan systems or sub-systems.

The Corporation will also be able to work closely with the Labor Department, OEO, DOT, HEW and other Federal agencies in developing training programs for labor and management activities.

Relationships with Cities and Local Groups

The national corporation will train local development corporations to

* work with municipalities to plan and coordinate the development of housing and other facilities necessary for total neighborhood revitalization.
* encourage and assist in the formation of locally based non-profit and limited distribution organizations to acquire newly rehabilitated or new multi-family projects and, where appropriate, assist in the development of home ownership plans.
* involve the residents of the neighborhood in the planning of the rehabilitation program, the development of job opportunities related to reconstruction and the organization of indigenous profit groups to service and manage the housing and related commercial facilities.

This proposal is in the great American tradition. Just as TVA was the innovation of the 1930's and NASA opened up the space age to us in the 50's, we must now create the new institutions which can successfully join public and private efforts in the rebuilding of our communities in this decade.

I urge this proposal be given the most earnest consideration.

Walter P. Reuther

May 8, 1967

Inter-Office Communication

May 5, 1967

To Mr. Reuther

From Lillian

Subject

Dr. Clark Kerr of University of California called with the following message:

> There is a proposal being prepared by a group of faculty members at Berkeley on a national conference on the Vietnam situation. He hopes you will give it careful consideration."

✓ Neil Haggerty [redacted] Bldg Trades

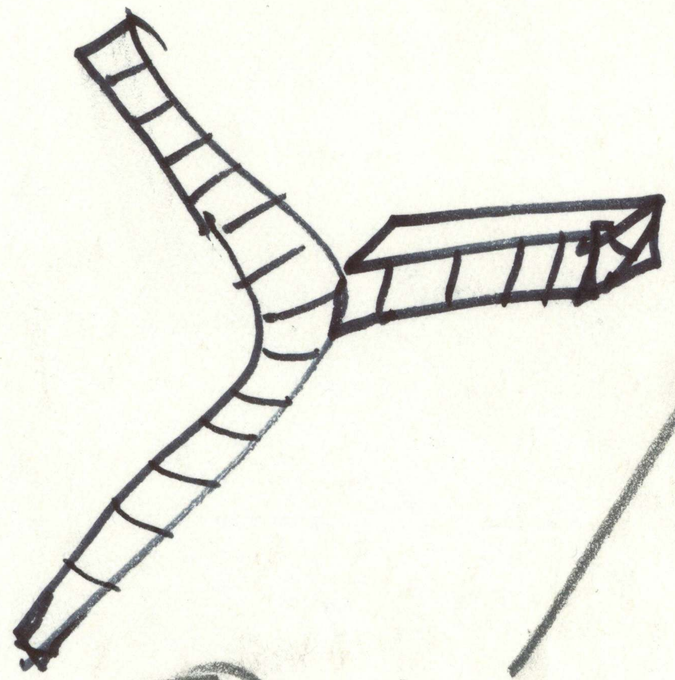
Jack Conway — IUD —

Abe [redacted]

✓ Kenny —

Murray [redacted]

✓ WR.



Tribal
Tom Paine — CE —

[redacted]

Am Mayer
Tom Fraim —

Chas Englehard

Earl Schwartz —

Ch Maurice Crawford

Adrew Watts
US Tyson —

Joe Brown —
Ch. P
(Boston Bar Association)

x ✓ Edgar Kaiser [redacted]

✓ Tom Watson [redacted]

✓ Hy Ford [redacted]

✓ Δ Rockefeller [redacted]

Joe Block [redacted]

✓ Ben Heimann [redacted]

Don Burnham ✓ [redacted]

Joe Wilson.
Ch Bd Xerox — (still [redacted])

Rockefeller (MIT [redacted])

1) Model Cities

a) Broad interest
160 – 200 Cities

b) Local – No Profit Groups
Interest –

c) → big –

Mobilize advance Tech
(16,000 – 8,000 –

market – volume

Not – Non Profit Groups

Leadership –

a) Tech –
b) Mayor – schools
c) Resources –

Betty Talks
job training
welfare
housing

Coll Corporation + W Hum Meeting
Set up Non Profit Corp

2) Education Bill

(May – 15th (Brademas plan

Mobilize

(*) City – Crowd
Legislative Priority

3) Social Security

Republican –
prevent tax increase
(big workers –
Trick – Ben Rosenberg
(money –

4) Extension – Cover Ping
Hard from labor.
W. Wirtz – Admin support
(

5) J P Stevens Corp
Justice Dept
Labor Women – Title VII
Civil Rts Act

Comp. – under fire

6) Eco Planning – East Western
(Austin –

(*) Pol situation
start early 65

Key states
Key Cong Dist

(*) Mothers Day

See Weller
Miller

Marcel Cy

C Rts

Sup Rents

Sra Ashby

Tech corp

Pretty

75 Marcel

25 Cities

Energy Rents

Jr Oldsova

Frank Thompson

Marcel

A PROPOSAL FOR A NATIONALLY BASED, PRIVATE NON-PROFIT URBAN SERVICES CORPORATION TO REHABILITATE AND REBUILD SUBSTANDARD URBAN SLUM NEIGHBORHOODS

The pressure on housing in America is explosive.

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As this pressure builds up, the country has two options:

* it can divert a greater share of our national resources to build housing,
* or it can do more with the same amount of resources. For the immediate future this is the realistic option. This option can only be effective through a major technological breakthrough.

Our society can not continue to apply advanced technology to space vehicles, automobiles, television sets, etc., and fail to apply scientific and technological skills to satisfy the basic human need for decent and adequate housing in a healthy and attractive living environment.

We have the technology at hand to rehabilitate and to build houses and communities cheaper, faster, and better. But our present small scale building organizations and programs cannot attract effective management, significant amounts of private investment capital and large enough markets to induce innovation.

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It is urged that the President convene this group of national leaders at the White House at the earliest possible date.

At the same time, he should invite this group to consider the organization of a national, non-profit, urban service corporation which will bring to bear maximum private initiative and resources, with the most advanced technology and managerial skills, to rehabilitate and rebuild our slum neighborhoods.

A Favorable Climate of Opinion

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* For example, in Detroit the automobile industry, the United Automobile Workers, the leading banks, religious and racial leadership are organizing a metropolitan development corporation with more than $5 million available to it in working and seed capital.

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The Corporation and Its Purposes

The corporation's board would consist of national leaders of business, labor, finance, the building industry, the academic and scientific community, foundations, and public interest groups. Its working capital, contributed by government and private funds, would permit it to recruit the highest level managerial and technical staff.

The corporation would have interrelated missions. It would

* aggregate, on a national scale, the managerial and technical capability to bring to housing the increase in quality and reduction in cost that are the hallmarks of American industry.

* identify those elements and systems which through standardization and mass markets can reduce costs and improve quality. The corporation would establish national performance specifications and organize affiliated local development corporations into common markets for low-cost distribution of mass produced components.

* analyze, develop and attract new forms of private investment in housing, special facilities and total communities within cities and metropolitan and rural areas. This will include combinations of Federal guaranties, tax incentives, franchises, residuals and other benefits which can attract long-term capital investment at comparatively low returns. The national group will have the technical skill to continuously analyze and "parlay" the trade-offs between yield and risk ratios.

* identify entrepreneurial and management tasks which can best be performed by local and regional development corporations with the planning and participation of local residents, industries, labor and municipalities.

* assist in the organization of local development corporations, provide specialized technical skills and managerial competence, access to capital and supportive service and training programs.

* cooperate with the Department of Housing and Urban Development to supplement, expand and enhance the usefulness of Federal programs. This activity will have particular relevance to the Model Cities program.

* develop long-term incentives for unions and contractors to raise industry productivity through programming for continuity of operations and providing greater job and income security. This can best be achieved through economy of scale and coordinated construction scheduling. In turn this modernization will develop new constituencies for revising restrictive building and housing codes and elimination of obsolete bidding and inspection procedures.

* develop a major information center to assist special groups and the general public in the realization of these goals.

* continuously evaluate and adjust the structure, scope, and objectives of the national corporation and the local groups with which it interacts. This will permit the emergence of the

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1. Why a national corporation? A national corporation is necessary for these reasons:

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* Capital resources and local investment areas are often not matched. A national group with access to nationally based investment resources will be able to bring these resources to bear on areas of greatest local potential.

* Most local, if not all, programs will not be big enough to provide incentives for research, development, and mass production of standardized components. A national group can aggregate these markets to the benefit of all.

* The necessity for communication among local development groups is obvious. A national service corporation can develop this function most effectively.

2. Why a non-profit group? A non-profit group is necessary for these reasons:

* The key element in the national entity is service--service to the cities, to local development corporations, and to local communities. Its responsibility is to the greatest need and the greatest potential for urban development, and not to the easiest or the most immediately profitable sale of these services.
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* A non-profit group would be in a better position to contract with government for grants and to process bulk Federal mortgage credit.
* Only a non-profit group could receive tax exempt contributions.

This is not a recommendation for the creation of a monolithic entity which would assume initiative and responsibilities which are rightfully local. Rather, a new set of generating institutions and relationships which create their own momentum is envisioned. The institution will have the capacity to change and become more effective with changing circumstances.

The Role of Private Enterprise

It is obvious that neither the national corporation nor local urban development corporations can be effective without the active involvement and support of private enterprise.

Aside from the generalized benefits inherent in the elimination of slums, there are more direct profit opportunities. These include new areas for financial investment, new markets for components and materials, and a more modernized and more profitable construction industry.

The key is always economy of scale, effective management, and minimization of risks through Federal, state and municipal support:

1. Long-Term Investment

The mortgage instrument will continue to serve as a major resource for long-term investment. FHA-FNMA special assistance funds, rent supplements and urban renewal aids will play a major role. However, the corporation and its local counterparts can serve as magnets to attract other capital resources which have not hitherto been available to deprived areas. These might include:

* loans by industrial groups at low interest rates in exchange for franchises for the sale of services (gas stations, retail outlets, etc.) and materials (prefabricated kitchen and bathroom units, wall board systems, etc.).
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These and other investment devices have long been employed in "downtown" areas. The national corporation will seek to develop settings in which they can be equally useful in the rehabilitation and rebuilding of slum neighborhoods.

2. Materials and Components Suppliers

As previously noted, the national corporation will have the technical capacity to develop national performance criteria, based upon user standards developed by the local groups. The national corporation can bring local development corporations together in common markets. This massive purchasing power can trigger research and development of less expensive and higher quality building components by traditional building suppliers. It can also create opportunities for transfer of materials and systems developed by defense, aero space and related industries.

3. Modernization and Expansion of the Construction Industry

The general contracting system has changed its methods little since the advent of the 20th Century. Characterized by small and discontinuous operations, it is unstable and has a high rate of business failure.

Economy of scale, a continuous flow of capital investment, and training in the use of modern work technology will create incentives for modernization of bidding, scheduling, and construction practices. This should produce an expanded construction industry with new and profitable opportunities for locally based contractors.

A modernized industry with continuous, systematized production flow can in turn provide employment and income security which is the basic incentive for increased productivity and opening of union ranks to minority workers.

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* support and parallel the Model Cities program. The additional increment will be the rapid and less expensive rebuilding of the physical components which undergird the social goals of the Model Cities program.
* provide an institutional vehicle for demonstrations in higher level systems analysis and development. Illustratively, one project of the national corporation migh include studies of local constraints--legal, institutional, and

technological--which prevent the construction of entire multi-purpose communities on a coordinated and perhaps turnkey basis. In other situations, such as metropolitan Detroit, the national corporation might bring its skills to bear on the planning and development of overall metropolitan systems or sub-systems.

The corporation will also be able to work closely with the Labor Department, OEO, DOT, HEW, and other Federal agencies in developing training programs for labor and management activities.

Relationships with Cities and Local Groups

The national corporation will train local development corporations to

* work with municipalities to plan and coordinate the development of housing and other facilities necessary for total neighborhood revitalization.
* encourage and assist in the formation of locally based non-profit and limited distribution organizations to acquire newly rehabilitated or new multi-family projects and, where appropriate, assist in the development of home ownership plans.
* involve the residents of the neighborhood in the planning of the rehabilitation program, the development of job opportunities related to reconstruction and the organization of

indigenous profit groups to service and manage the housing and related commercial facilities.

This proposal is in the great American tradition. Just as TVA was the innovation of the 1930's and NASA opened up the space age to us in the 50's, we must now create the new institutions which can successfully join public and private efforts in the rebuilding of our communities in this decade.

I urge this proposal be given the most earnest consideration.

Walter P. Reuther

May 8, 1967

Inter-Office Communication

May 19, 1967

To Mr. Reuther

From Lillian

Subject

Mrs. Hortense Gable phoned in the following names for your consideration:

Ben Alexander, President, Defense Research Corporation, Santa Barbara

R. Stewart Rauch, President, Philadelphia Savings Fund Society

Earl Schwulst, Chairman Emeritus,)
Morris Crawford, President)
Bowery Savings Bank

Kermit Gordon

Vic Pomalmeri, President, Janss Construction Company, California

Allan Tishman, President)
Jos. H. Newman, Research Director)
Tishman and Co., New York

Edw. Rice, President
T. Y. Linn & Co., Los Angeles
(Mr. Rice is the man who has developed 48 hour rehabilitation program in New York City. Is the top man in the country on pre-stressed concrete.)

John Hazeltine, Manager, Civil Systems
T. R. W. Systems Co., Los Angeles

Thomas O. Paine, Manager, Center for Advance Studies, G. E. Santa Barbara

A man by the last name of Phillippe (she couldn't remember his first name) who is G. E.'s Chairman of the Board

She said that Alexander, Newman, Hazeltine and Paine would add greatly to the program.

She can be reached in New York City at (212) 535-7743 or at her home: 210 E. 68th Street, New York 10021.

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MAY 1 1967

Inter-Office Communication

33

April 28, 1967

To The Officers

From Steve Schlossberg - Legal Department

Subject The Carpenters' and Asbestos Workers' Cases.

On April 17, 1967, the Supreme Court handed down two important labor cases. On reading of these cases, under some pressure , I concluded that these cases had much more negative than affirmative ramifications for industrial unions and the community in general. Now after some study, I discuss these cases with the Officers in this memo, hoping that we might work out a UAW policy with respect to these cases before I circulate more generally an analysis. Because of the sensitive issues raised by these cases and the frank comments I think required, copies of this memo have been sent only to the Officers and to Irv Bluestone.

The Court, in an unusual 5 to 4 split decision (Harlan on the side of the Unions and Black and Douglas on the other side) construed two key sections (secondary boycott and hot cargo) of the Taft Hartley Act and held that neither the making of an agreement, nor the enforcement of an agreement, aimed at protecting the work of tradesmen against the threat of prefabricated building materials was unlawful.

The Carpenters' Case

At issue in this case was the following clause:

> "No employee shall work on any job on which cabinet work, fixtures, mill work, sash doors, trim or other detailed millwork is used unless the same is Union-made and bears the Union Label of the United Brotherhood of Carpenters and Joiners of America. No member of this District Council will handle material coming from a mill where cutting out and fitting has been done for butts, locks, letter plates, or hardware of any description, nor any doors or transoms which have been fitted prior to being furnished on job, including base, chair, rail, picture molding, which has been previously fitted. This section to exempt partition work furnished in sections."

There was no argument on the first sentence. Everyone agreed that it was a hot cargo clause and violated Section 8 (e) of the Act. The question was to the legality of the part of clause permitting union members to refuse to handle prefabricated doors. When the contractor, whose specifications did not require pre-fitted doors, prepared to install fully machined doors, the union struck to enforce the clause. Unfair labor practice charges were brought against the Union by the manufacturer of the doors.

The NLRB dismissed the charges against the Union. It held that the clause was designed to protect traditional work done by carpenters at construction sites and not to cause the employer to "cease doing business" within the meaning of the clause. It found further that the strike was primary (against the contractor, not the manufacturer), not secondary and, therefore, lawful.

It is noteworthy that in three other cases, where the job specifications called for prefabricated doors, the charges against the union were upheld and, in the Supreme Court, the unions did not contest those findings.

The Seventh Circuit Court of Appeals, while agreeing that the strike was primary and, therefore, not unlawful under §8 (b)(4), reversed the Board and found the clause itself to be an unlawful hot cargo clause. The Supreme Court disagreed and upheld the Board on both issues.

The opinion of the Court by Justice Brennan, goes way back in history to conclude that Congress intended only to bar as secondary, activity in fact carried on against an employer for its effect <u>somewhere else</u>. Moreover, it is plain that the Court was sensitive to the job-decimating effect of technology. The Brennan opinion states:

> "In addition to all else, "the silence of the sponsors of (the) Amendments is pregnant with significance . . ." <u>Labor Board v. Fruit & Vegetable Packers, supra</u>, at 66. Before we may say that Congress meant to strike from workers' hands the economic weapons traditionally used against their employers' efforts to abolish their jobs, that meaning should plainly appear. '(I)n this area of automation and onrushing technologocial change, no problems in the domestic economy are of greater concern than those involving job security and employment stability. Because of the potentially cruel impact upon the lives and fortunes of the working men and women of the Nation, these problems have

> have understandably engaged the solicitous attention of government, of responsible private business, and particularly of organized labor.' Fibreboard Paper Products Corp. v. Labor Board, 379 U. S. 203, 225 (concurring opinion of Stewart, J.). We would expect that legislation curtailing the ability of management and labor voluntarily to negotiate for solutions to these significant and difficult problems would be preceded by extensive congressional study and debate, and consideration of voluminous economic, scientific, and statistical data. The silence regarding such matters in the Eighty-sixth Congress is itself evidence that Congress, in enacting Sec. 8 (e), had no thought of prohibiting agreements directed to work preservation. In fact, since the enactment of Sec. 8 (e), both the Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare, and the Subcommittee on Unemployment and the Impact of Automation and the Select Subcommittee on Labor of the House Committee on Education and Labor have been extensively studying the threats to workers posed by increased technology and automation, and some legislation directed to the problem has been passed. We cannot lightly impute to Congress an intent in Sec. 8 (e) to preclude labor-management agreements to ease these effects through collective bargaining on this most vital problem created by advanced technology."

The Court contrasts this situation with the Allen Bradley case where Local 3, IBEW, said "we will not permit any material made by any other union or by any non-union workers to come into New York City and be put into any building in New York City." The object there was to grab business for New York manufacturers and their employees. Allen Bradley's vice was that it aimed to effect conditions elsewhere, rather than in the bargaining unit.

The Brennan opinion contains also this language:

> "The determination whether the 'will not handle' sentence of Rule 17 and its enforcement violated Sec. 8 (e) and Sec. 8 (b)(4(B) cannot be made without an inquiry into whether, under all the surrounding circumstances, the Union's objective was preservation of work for Frouge's employees, or

> whether the agreements and boycott were tactically calculated to satisfy union objectives elsewhere. Were the latter the case, Frouge, the boycotting employer, would be a neutral bystander, and the agreement or boycott would, within the intent of Congress become secondary. There need not be an actual dispute with the boycotted employer, here the door manufacturer, for the activity to fall within this category, so long as the tactical object of the agreement and its maintenance is that employer, or benefits to other than the boycotting employees or other employees of the primary employer thus making the agreement or boycott secondary in its aim. The touchstone is whether the agreement or its maintenance is addressed to the labor relations of the contracting employer vis-a-vis his own employees. This will not always be a simple test to apply. But (h)owever difficult the task of drawing lines more nice than obvious, the statute compels the task." Local 761, Electrical Workers v. Labor Board, 366 U. S.667, 674 (emphasis supplied).

Justice Brennan notes that the conduct of the union "related solely to the preservation of the traditional tasks of the job-site carpenters."

Justice Harlan's separate memorandum opinion is a masterpiece of brevity and contains a much more incisive, less verbose statement of the Court's rationale. The memorandum, in full, reads as follows: (I have underlined what seems to me the most important points).

> "In joining the Court's opinion, I am constrained to add these few words by way of underscoring the salient factors which, in my judgment, make for the decision that has been reached in these difficult cases.
>
> 1. The facts as found by the Board and the Court of Appeals show that the contractual restrictive-product rule in question, and the boycott in support of its enforcement, had as their sole objective the protection of union members from a diminution of work flowing from changes in technology. Union members traditionally had performed the task of fitting doors on the jobsite, and

there is no evidence of any motive for this contract provision and its companion boycott other than the preservation of that work. This, then, is not a case of a union seeking to restrict by contract or boycott an employer with respect to the products he uses, for the purpose of acquiring for its members work that had not previously been theirs.

2. The only question thus to be decided, and which is decided, is whether Congress meant, in enacting Secs. 8 (b)(4)(ii)(B) and 8 (e) of the National Labor Relations Act, to prevent this kind of labor-management arrangement designed to fend against possible adverse effects upon workers arising from changing technology.

3. Because of the possibly profound impacts that the answer to this question may have upon labor-management relations and upon other aspects of the economy, both sides of today's division in the Court agree that we must be especially careful to eschew a resolution of the issue according to our own economic ideas and to find one in what Congress has done. It is further agreed that in pursuing the search for the true intent of Congress we should not stop with the language of the statute itself, but must look beneath its surface to the legislative history.

4. It is recognized by court and counsel on both sides that the legislative history of Sec. 8 (b)(4)(ii)(B), with which Sec. 8 (e), it is agreed, is to be taken pari passu, contains only the most tangential references to problems connected with changing technology. Also, a circumspect reading of the legislative record evincing Congress' belief that the statutory provisions in question prohibited agreements and conduct of the kind involved in Allen Bradley Co. v. Local Union No. 3, 325 U. S. 797, will not support a confident assertion that Congress also had in mind the sort of union-management activity before us here. And although it is arguable that Congress, in the temper of the times, would have readily accepted a proposal to outlaw working preservation agreements and boycotts, even, as here, in their most limited sense, such a surmise can hardly serve as a basis for the construction of an existing statute.

5. We are thus left with a legislative history which, on the precise point at issue, is essentially negative, which shows with fair conclusiveness only that Congress was not squarely faced with the

> problem this case presents. In view of Congress' deep commitment to the resolution of matters of vital importance to management and labor through the collective bargaining process, and its recognition of the boycott as a legitimate weapon in that process, it would be unfortunate were this Court to attribute to Congress, on the basis of such an opaque legislative record, a purpose to outlaw the kind of collective bargaining and conduct involved in this case. Especially at a time when Congress is continuing to explore methods for meeting the economic problems increasingly arising in this technological age from scientific advances, this Court should not take a step until Congress has made unmistakably clear that it wishes wholly to exclude collective bargaining as one avenue of approach to solutions in this elusive aspect of our economy.

The dissenting opinion of Justice Stewart argues that the plain language of the statute, reinforced by the legislative history, bars any clause and self-help to enforce any clause which contains any kind of language requiring that one "cease . . . or refrain from handling" the products of another manufacturer.

The Asbestos Workers' Case

In the Houston Insulation Contractors Assn. case, Justice Brennan again wrote the opinion of the Court and the same four Justices dissented, relying on the Stewart dissenting opinion in the Carpenters' case.

This case is easy. One local of the Asbestos Workers' Union had a contract with an employer absolutely barring the contracting out of certain work. Both the NLRB and the Fifth Circuit Court of Appeals held that a strike by that local to enforce the clause was lawful. The Supreme Court had no difficulty in agreeing too.

Another local of the Asbestos Workers' Union that also worked for the same employer struck to enforce the subcontracting clause of the first local. Although the Board saw nothing wrong with this, the Court of Appeals did, the Supreme Court reversed and agreed with the Board that there was no secondary boycott.

It should be noted that neither local union had a no-strike clause with which to contend. The only real issue was whether the second local, whose members were unaffected by the subcontracting, could strike the employer because that same employer was violating his contract with the first local.

The Court correctly reasoned that a strike called to affect the labor policies of a primary employer, only, was protected and not secondary, and does not, because the strikers are not directly affected, become secondary. The point here is that no neutral or stranger employer was involved. There was a dispute with only one employer over his labor policies.

Comments on the Decisions

No liberal(and certainly no trade unionist) can argue with the philosophy and the rationale of the Brennan opinion. Everyone agrees that Congress has not, happily, legislated to deny unions the right through collective bargaining to "ease" the effects of technology and automation. Of course, labor and management must have the right "voluntarily to negotiate for solutions to these significant and difficult problems."

The "solution" in the Carpenters' case, however, is not without problems. That "solution", a total ban on prefabricated products, if carried to extremes could mean that plumbers, for instance, could with complete impunity refuse to install air conditioning equipment or plumbing prefabrications made by our members or those of other industrial unions. Similarly, the IBEW might insist that electricians make almost everything electrical at the job-site. Indeed, we are presently involved in a Labor Board case in Cleveland, where the Plumbers Union is insisting to the mechanical contractors there that air conditioners made by Worthington Pump come to the job-site without coils, conduits and pipings so that plumbers can build them on the job. Of course, our members at Worthington have been doing this work. There is a similar argument in progress where those same plumbers are making demands with respect to Trane products - affecting the Machinists.

In their zeal to preserve traditional union rights to try and save jobs, the Justices did not, I believe, consider the jurisdictional dispute potential of this case.

I do think, however, after some reflections, that the emphasized facts of this decision show the way to resist unreasonable demands for work belonging to industrial workers. The decision carefully notes: that carpenters activity was "related solely to the preservation of the traditional tasks of the job-site carpenter; that the specifications did not call for pre-cut and fitted doors; and that this is not a case where the union sought work "that had not previously been theirs."

The Court would, I think, on the basis of the many references to the Allen Bradley case, resist a trades effort to control work for a set of employers or to capture great masses of new work for the union. Consequently, it is my opinion that reckless building tradesmen will not be able to use this decision as a signal for a new Luddite movement which might return the nation to the handwork days of the early 19th century, even though they will certainly try. I do not believe that, because 20 years ago certain work was done from scratch at the job-site, tradesmen will be able to stop that work from being produced

in a factory and recapture it for its members. The phrase "traditionally done" obviously does not extend that far. This decision must be construed as permitting only those restrictions on factory made products which would take away work previously having been done by the job-site people in the immediate past.

Moreover, in a knock-down, drag-out jurisdictional fight, the UAW has a powerful social argument to make to the Court. We have lived and we have collectively bargainined socially responsible solutions to the automation challenge. I need not labor the point, but it seems to me that transfer clauses, SUB, early retirement, training and all the rest, while not perfect, combine to provide a better answer to the nagging problem of meeting human needs and softening the impact of advancing technology than a flat "NO". Of course, unlike some others, we don't believe that progress can or should be stopped.

A larger problem looms, however, which may not directly affect industrial unions but which might, it seems to me, challenge the whole community. We have the poor. No matter how many poverty programs we run, in the final analysis it seems that, to date, we have found only three ways to cure or truly alleviate poverty: (1) redistribute the wealth; (2) increase the gross national product and thereby get more for the poor; and (3) a combination of both. The nation has, admittedly, been unsuccessful in redistributing the wealth so that increasing wealth generally offers the most promise to the most people.

Of immdiate concern, is the pressing need to rebuild the cities of America and to construct decent housing for the poor. Without the use of the new technology this cannot be done quickly and at reasonable cost.

So, while I think we can handle and contain jurisdictional grabs for the work of industrial unions, the problems of society in this area are likely to be increased as a result of these decisions because the Court has placed a stamp of approval on the maintenance of the status quo in the building industry. It may be that the only answer to the societal problem magnified by the Carpenters' decision is legislative.

Ramifications of these Decisions on UAW 1967 Demands

The philosophy of the majority of decisions is generally helpful to UAW, especially with respect to our demands:

The Officers April 28, 1967

(1) to restrict in-plant subcontracting; (2) to eliminate unfair and substandard competition on production work farmed out and (3) to protect jobs and standards from the threat of below par Canadian labor costs.

I am prompted, however, to reiterate the necessity of couching each and every one of these demands in terms of protecting the work and standards of the bargaining Unit. If there is any talk at the bargaining table that could be used to show that what we are really trying to do is to concern ourselves with the labor policies of other employers, we can have serious problems.

For the past 3 1/2 years, I have advised the Officers and Board of the necessity of the work and standards approach and of the illegality and impossibility of refusal to handle struck work or non-union work clauses. This decision sharply reinforces that view.

The Brennan opinion asks: Were the Union's intentions, "under the circumstances" really to preserve work in the unit or "tactically calculated to satisfy union objectives elsewhere?" He suggests: "As a general proposition, such circumstances might include the remoteness of the threat of displacement by the banned product or services, the history of labor relations between the union and the employers who would be boycotted and the economic personality of the industry." There is guidance for us in these cases which we cannot afford to ignore.

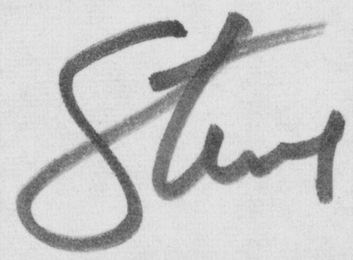
While I think we can make a powerful case that our subcontracting and equal wage demands are predicated solely on the needs of the unit, these decisions indicate the necessity of preparing our negotiating strategy along these lines.

On balance, I do not see these decisions in as bad a light as I did at first. I characterize them, however, as confirming previously held views as to our rights and presenting some serious problems for the future.

What I would propose for general distribution on these cases would be a far less candid and analytical memo. We would recite the facts of the cases and very lightly allude to the jurisdictional and societal problems, emphasizing to regional directors, staff and lawyers our view that these cases totally confirm our right to win better control over subcontracting and wage parity in Canada because of the absolute necessity to the members of the bargaining unit of these protections against loss of traditional work and the destruction of hard won standards.

I need your comments.

Fraternally,



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Renewal without the bulldozer

Novel experiment may pave the way for rehabilitating slum dwellings without tearing them down—by renovating the core and dropping in prefab kitchens and baths

A year ago, 635 East 5th St. was a squalid, rat-infested tenement, similar to scores of other dilapidated buildings on New York's Lower East Side. But last week No. 635 became the proving ground for a unique construction idea aimed at reducing the cost and the time required to rehabilitate slum dwellings.

"Instant rehabilitation," as the method has been dubbed, makes it unnecessary to raze a building. First, an 8-ft. square hole is cut into the roof and into each of the floors directly below. This shaft is then used to haul out debris as the building's interior is renovated. When the job is finished, the shaft is filled with pre-assembled kitchen-bathroom units. Cranes lower the $8,100 units into place through the roof opening, stacking them one on top of another, sealing the shaft.

Worth the effort. No. 635 and two other buildings are being rehabilitated by T. Y. Lin & Associates, Los Angeles consulting engineers, whose work has been commissioned by the Carol W. Haussamen Foundation of New York. Obviously, last week's experiment has far-reaching implications: New York has some 58,000 tenements built in the 1890s, before modern standards for ventilation and sanitation were adopted. Says Edward Rice, president of Conrad Engineers, a T. Y. Lin subsidiary: "There is such a tremendous need for better housing in New York that it is worth rehabilitating these buildings."

Elsewhere, private ventures simi-

Pre-assembled kitchen-bathroom unit is hoisted into renovated building in a test of "instant rehabilitation."

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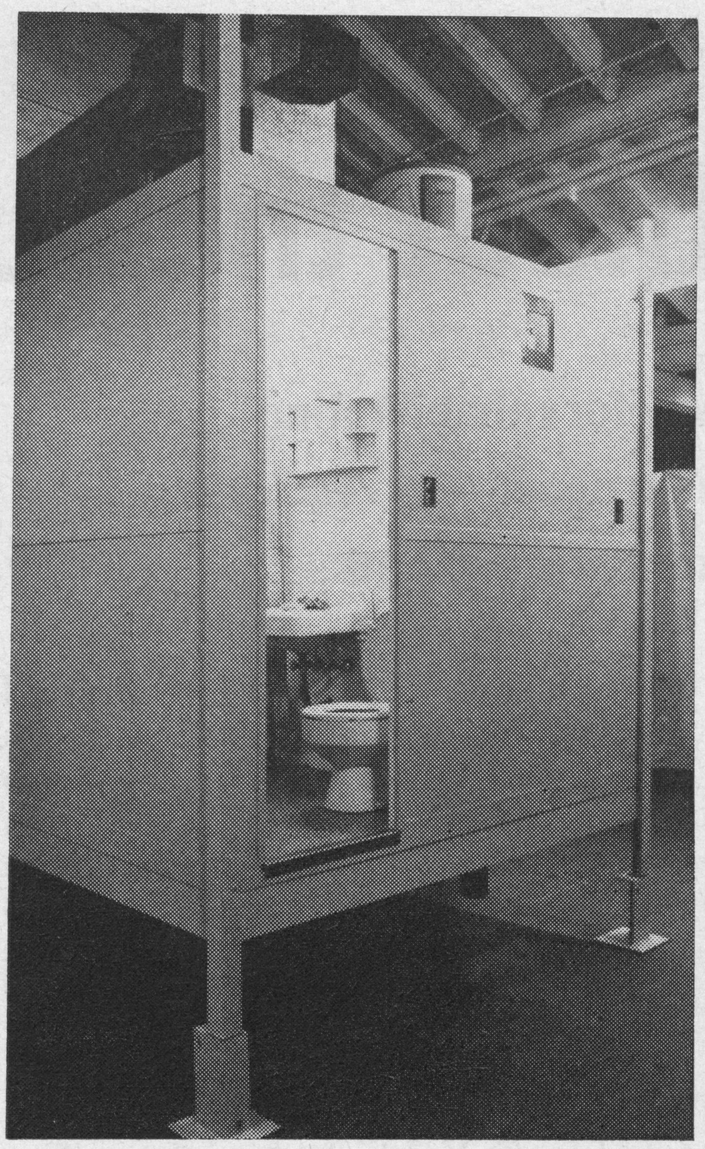
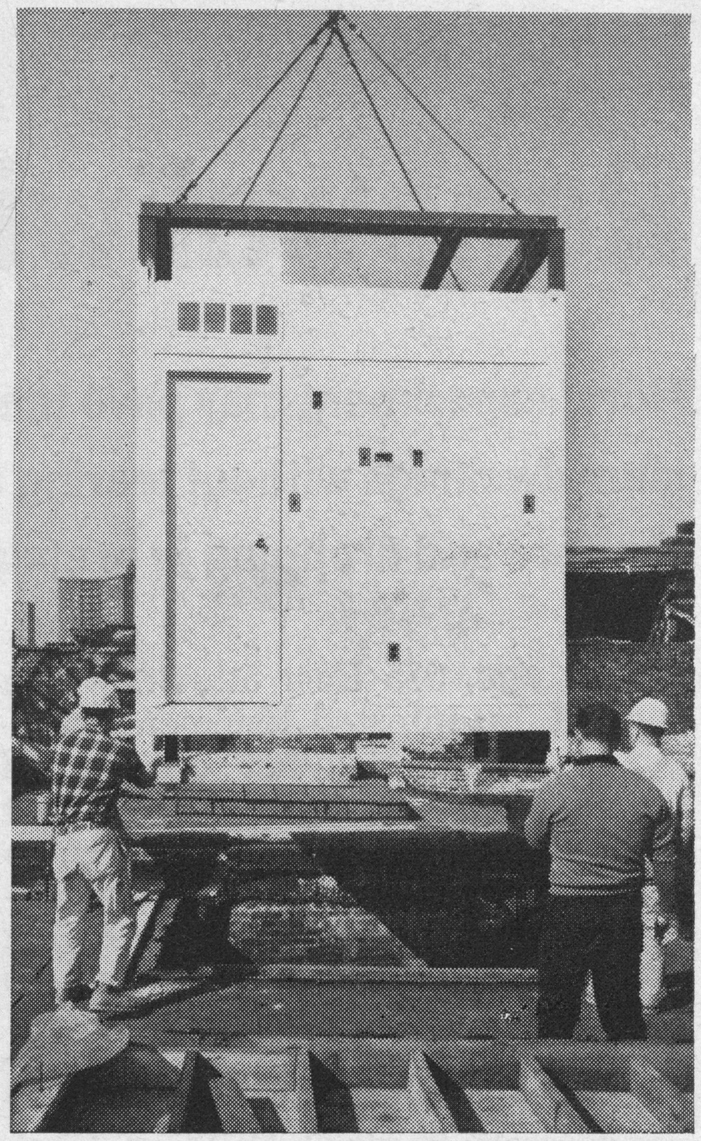




Self-contained kitchen-bathroom unit, shown after final factory assembly (left) is trucked to destination and lowered into a shaft by crane (right).

lar to the Haussamen project are also under way. Among those participating are U. S. Steel, U. S. Gypsum, and Dow Chemical. The aim in all cases is to rehabilitate old buildings at approximately one-third of what it would generally cost to build new apartment houses from scratch.

The federal government will draw on the experience of the several organizations testing rehabilitation in its plans to renovate slum areas of Philadelphia, Boston, Chicago, Cleveland, and other cities.

Other experiments. An example of other attempts at slum renovation is that being carried out by the Kate-Maremount Foundation, a Chicago philanthropic organization. The foundation has bought five buildings on which rehabilitation work is to begin shortly. What makes its plans unique is that the tenants involved have been organized into the Metro North Association and are working closely with the designers and architects to assure that the finished products will satisfy their aspirations for better housing.

The Chicago experiment has another unconventional aspect in that none of the present tenants will be displaced. Rather, they will continue living in the houses when the renovation is finished. The aim is not to reconstitute the ghetto with gleaming new touches but to provide decent housing for those who have chosen to live there.

Last April, when Mayor John V. Lindsay of New York demonstrated "instant rehabilitation" with a toy crane for the press, the whole thing looked like child's play. But when the real thing was tried last week, complications set in. For example, when the kitchen-bathroom units were lowered into No. 635, defects in the 70-year-old building caused it to rest an inch above the existing floor.

Lessons. Nevertheless, after months of tests with various materials and methods, and other experiments to determine how the renovation could be made to dovetail with existing building codes, it is expected that work on the two other buildings can be finished more rapidly. The second building is expected to take six to 10 days. And by the time the third building is reached, it is planned to have a 60-man crew finish the project in six eight-hour days—the 48-hour goal of "instant rehabilitation."

Already, problems that have cropped up during various renovation experiments are leading to new products and techniques, says Rusco Industries, Inc., a Cleveland building supply manufacturer. One example is the company's pre-finished, adjustable window assembly that can be installed by two men in a half hour. Timber Engineering Co. of Washington, D. C., is selling metal fasteners to reinforce sagging floor beams, and Union Carbide has developed a plastic floor-leveling device. **End**

General Note

We estimate that rents and carrying charges have an inherent inflationary factor of about 1.5 percent per year. This factor should be taken into account in projecting these programs into the future.

NOTES--EDITORIAL AND TECHNICAL

Tables 1 and 4

Care should be taken in comparing Tables 1 and 4 which represent Senator Percys' and Senator Javits' proposals relative to the rehabilitation of single family homes. We have made slightly different assumptions about taxes in the computations that are not necessarily inherent in the respective proposals.

For example, in the first columns of both tables we have ascribed taxes of $100 to the Senator Percy minimum rehabilitation job while we have allocated $60 in taxes to the equivalent structure of Senator Javits' proposals. This results in $40 additional cost to the Senator Percy proposal which results in a rent that is $3.33 per room per month higher for the Senator Percy example than for the Senator Javits example.

There is no inherent reason why the local community could not apply the same tax assistance under either plan. The Javits legislation does not specify the degree of tax exemption although we imputed 50 percent exemption to his plan. Consequently the difference in taxes between the two proposals should not necessarily enter into an evaluation of their relative merits. If we had time to reevaluate this, we would probably equalize the taxes under the two plans.

Basically, the two programs are inherently similar with the major differences being in the contemplated terms and interest rates.

Table 2

The monthly housing expense under this program probably would be beyond the resources of most families below annual incomes of $5,000 but would be very useful for the $5,000 to $7,000 income level.

Table 3

The major advantage that appears to emerge from the Percy proposals for new cooperatives is the very sharp limitation in taxes. It should be noted that this subsidy comes from the exchequer of the local community which will resist bitterly such proposals unless they are linked with the Javits scheme which would provide Federal reimbursement to local communities for tax exemption granted by these communities.

Table 4

Note that the increase of carrying charges in shifting from 90 percent to 100 percent mortgage is accompanied by the elimination of the down payment which is not readily apparent from examination of this table.

Table 5

The Javits proposals for rehabilitation reflect the major advantage of long-term low interest loans for rehabilitation combined with 50% tax exemption which we have assumed for the proposal. Should local communities consent to more generous exemption, the rents under this program could be cut from $5 per month from the $65.00 per month rental for the minimum rehabilitation job to as much as $12 per month for the $100.90 maximum rehabilitation job--assuming a willingness to eliminate all taxes for some period as can be done under our tax exemption-tax abatment program.

Table 6

A major finding that emerges from examination of the rents and carrying charges for new construction ~~that emerge from~~ in the Javits' proposals is that these rents are inconsistent with his proposal to limit the housing to "families of low income" which phrase is defined as "a family or individual who has an income below the maximum... prescribed in...the U.S. Housing Act of 1937, for occupancy in public housing dwellings." This is, in fact, a fundamental contradiction in the Javits legislation which would make it as useless for successful execution for new construction as the FHA 221(d)(3) market interest rate program's association with the Federal Rent Supplement Program. The definition of a low income family in New York State has been extended to cover middle income families although technically the latter, under the New York State law, still are termed "low income families". Under federal legislation the definition of low income families is too restrictive to encompass the level of incomes that could afford Javits type new construction.

TABLE 1.--FINANCIAL PARAMETERS FOR LOW INCOME FAMILY OWNERSHIP OF REHABILITATED SINGLE FAMILY HOMES UNDER SENATOR PERCY'S PROPOSALS

Item	Three bedroom - one family house					
	With urban renewal assistance			Without urban renewal assistance		
	Minimum rehabilitation	Moderate rehabilitation	Maximum rehabilitation	Minimum rehabilitation	Moderate rehabilitation	Maximum rehabilitation
Acquisition cost	$2,000	$2,000	$2,000	$5,000	$5,000	$5,000
Rehabilitation cost a/	$4,000	$7,000	$10,000	$4,000	$7,000	$10,000
Total development cost	$6,000	$9,000	$12,000	$9,000	$12,000	$15,000
Equity payment b/	$ 300	$ 450	$ 600	$ 450	$ 600	$ 750
Mortgage	$5,700	$8,550	$11,400	$8,550	$11,400	$14,250
Annual operating costs						
Debt service c/	$ 245	$ 370	$ 495	$ 370	$ 495	$ 620
Taxes d/	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Maintenance & utilities e/	$ 440	$ 440	$ 440	$ 440	$ 440	$ 440
Total	$ 785	$ 910	$ 1,035	$ 910	$ 1,035	$ 1,160
Monthly housing expense	$65.40	$76.80	$86.30	$76.80	$86.30	$96.70

a/ Includes cost of renovation, bonding, builder's overhead and profit, professional (architect, legal, etc.) services, carrying and financing charges and contingency allowances.

b/ Maximum of 5 percent.

c/ Forty year loan at 3 percent interest--.043262

d/ "Frozen" at estimated pre-rehabilitation taxes for deteriorated one family structures.

e/ FHA 203b estimates for processing mortgage insurance on existing homes, 3rd quarter, 1966 - includes materials, repairs, heat, utilities and hazard insurance.

TABLE 2.--FINANCIAL PARAMETERS FOR LOW INCOME FAMILY OWNERSHIP OF NEW SINGLE FAMILY HOMES UNDER SENATOR PERCY'S PROPOSALS

Item	Three Bedroom - One Family House			
Total development cost a/	$10,000	$12,000	$14,000	$16,000
Equity payment b/	500	600	700	800
Mortgage	$ 9,500	$11,400	$13,300	$15,200
Annual operating costs				
Debt service c/	$ 410	$ 495	$ 575	$ 660
Taxes d/	200	240	280	320
Maintenance and utilities e/	455	455	455	455
Total	$ 1,065	$ 1,190	$ 1,310	$ 1,435
Monthly housing expense	$88.80	$99.20	$109.20	$117.90
Total with tax relief f/	$ 965	$ 1,070	$ 1,170	$ 1,275
Monthly housing expense	$80.40	$89.20	$97.50	$106.30

a/ Includes construction cost, bonding, professional (architect, legal, etc.) services, carrying and financing charges, land acquisition cost and contingency allowance.

b/ Maximum of 5 percent.

c/ Forty year loan at 3 percent interest--.043262.

d/ Four percent--Assessment 50 percent of total development costs.

e/ FHA Sec. 203b estimates for processing mortgage insurance on proposed one family structures, 3rd quarter, 1966-includes materials, repairs, heat, utilities and hazard insurance.

f/ Fifty percent tax exemption.

Table 3.--FINANCIAL PARAMETERS FOR LOW INCOME FAMILY OWNERSHIP OF NEW COOPERATIVE APARTMENTS UNDER SENATOR PERCY'S PROPOSALS

Construction type	Garden type (Non-fire-proof)		High rise-fireproof	
Item	95 percent Mortgage	100 percent Mortgage	95 percent Mortgage	100 percent Mortgage
Per room basis				
Development cost[a]	$ 3,000	$ 3,000	$ 4,000	$ 4,000
Equity payment[b]	150	-	200	-
Mortgage	2,850	3,000	3,800	4,000
Monthly operating costs				
Debt service[c]	$10.25	$10.80	$13.60	$14.40
Operating costs and reserves	7.55[d]	7.60[d]	8.70[e]	8.80[e]
Taxes (in lieu of)[f]	2.10	2.10	2.50	2.60
Utilities (gas and electricity)	1.85	1.85	1.85	1.85
Less: miscellaneous income	-.40[g]	-.40[g]	-.50[h]	-.50[h]
Carrying charges	$21.35	$21.95	$25.65	$27.15
Per apartment basis				
Development cost	$14,400[i]	$14,400[i]	$19,200[i]	$19,200[i]
Equity payment				
One bedroom unit[j]	$525	-	$ 700	-
Two bedroom unit[k]	675	-	900	-
Three bedroom unit[m]	900	-	1200	-
Monthly carrying charges				
One bedroom unit	$ 74.70	$ 76.80	$ 89.80	$ 95.00
Two bedroom unit	96.10	98.80	115.40	122.20
Three bedroom unit	128.10	131.70	153.90	162.90

FOOTNOTES: Table 3

a. Includes construction cost, bonding, professional (architect, legal, etc.) services, carrying and financing charges, land acquisition cost and contingency allowance

b. Maximum of 5 percent
c. Forty year loan at 3 percent interest--.043262
d. $82 per room per year plus 3 percent vacancy reserve
e. $96 per room per year plus 3 percent vacancy reserve
f. Payment in lieu of taxes of 10 percent of the gross residential rent assumed to be equivalent to pre-construction taxes
g. Open parking spaces for 75 percent of the units, $5.00 a month, 10 percent vacancy, $18.00 per unit per year washing and vending machines
h. Open parking spaces for 60 percent of the units, $10.00 a month, 10 percent vacancy, $22.00 per unit washing and vending machines
i. Mean number of rooms per apartment - 4.8, assumes apartment distribution of 20 percent - 1 bedroom, 50 percent - 2 bedroom, 30 percent - 3 bedroom
j. 3.5 rooms - kitchen and dining space, living room, one bedrooms, one bath
k. 4.5 rooms - kitchen and dining space, living room, two bedrooms, one bath
m. 6.0 rooms - kitchen and dining space, living room, three bedrooms, one and a half bath.

Table 4.--FINANCIAL PARAMETERS FOR LOW INCOME FAMILY OWNERSHIP OF REHABILITATED SINGLE FAMILY HOMES UNDER SENATOR JAVITS' PROPOSAL

Item	Three bedroom - one family house - 90 percent mortgage					
	With urban renewal assistance			Without urban renewal assistance		
	Minimum Rehabilitation	Moderate Rehabilitation	Maximum Rehabilitation	Minimum Rehabilitation	Moderate Rehabilitation	Maximum Rehabilitation
Acquisition cost	$ 2,000	$ 2,000	$ 2,000	$ 5,000	$ 5,000	$ 5,000
Rehabilitation[a]	4,000	7,000	10,000	4,000	7,000	10,000
Total development cost	6,000	9,000	12,000	9,000	12,000	15,000
Equity payment	600	900	1,200	900	1,200	1,500
Mortgage	$ 5,400	$ 8,100	$10,800	$ 8,100	$10,800	$13,500
Annual operating costs						
Debt service[b]	$255	$385	$ 510	$385	$ 510	$ 640
Taxes[c]	60	90	120	90	120	150
Maintenance & utilities[d]	440	440	440	440	440	440
Total	$755	$915	$1,070	$915	$1,070	$1,230
Monthly housing expense	$62.90	$76.30	$89.20	$76.30	$89.20	$102.50 102.50
Total with 4 percent interest[e]	$780	$945	$1,120	$945	$1,120	$1,285
Monthly housing expense	$65.00	$78.90	$93.30	$78.90	$93.30	$107.10
Total 100 percent mortgage & 3.5 percent interest	$785	$960	$1,130	$960	$1,130	$1,305
Monthly housing expense	$65.40	$80.00	$94.20	$80.00	$94.20	$108.80
Total 100 percent mortgage & 4.0 percent interest	$810	$995	$1,180	$995	$1,180	$1,365 1,365
Monthly housing expense	$67.50	$82.90	$98.30	$82.90	$98.30	$113.80 113.80

Footnotes: Table 4

a. Includes cost of renovation, bonding, builder's overhead and profit, professional (architect, legal, etc.) services, carrying and financing charges and contingency allowance.
b. Fifty year loan at 3.5 percent interest plus .5 percent mortgage insurance--.047633
c. Fifty percent exemption - 4 percent rate-assessment 50 percent of total development cost.
d. FHA-203b estimates for processing mortgage insurance on existing homes, 3rd quarter, 1966 - includes materials, repairs, heat, utilities and hazard insurance
e. Fifty year loan at 4.0 percent interest plus .5 percent mortgage insurance--.051550

Table 5.--FINANCIAL PARAMETERS FOR REHABILITATED MULTI-FAMILY RENTAL HOUSING FOR LOW-INCOME FAMILIES UNDER SENATOR JAVITS PROPOSAL

Item	Units in multi-family structure (average 4 rooms)					
	With urban renewal assistance			Without urban renewal assistance		
	Minimum rehabilitation	Moderate rehabilitation	Maximum rehabilitation	Minimum rehabilitation	Moderate rehabilitation	Maximum rehabilitation
Acquisition cost	$1,000	$1,000	$1,000	$2,000	$2,000	$2,000
Rehabilitation cost a/	4,000	7,000	10,000	4,000	7,000	10,000
Total development cost	$5,000	$8,000	$11,000	$6,000	$9,000	$12,000
Equity payment	500	800	1,100	600	900	1,200
Mortgage b/	$4,500	$7,200	$ 9,900	$5,400	$8,100	$10,800
Annual operating costs						
Debt service c/	$ 210	$ 345	$ 470	$ 255	$ 385	$ 515
Return on equity d/	30	48	66	36	54	72
Taxes e/	60	96	132	72	108	144
Maintenance and utilities f/	480	480	480	480	480	480
Total operating cost	$ 780	$ 969	$ 1,148	$ 843	$1,027	$ 1,211
Monthly rent	$65.00	$80.80	$95.70	$70.30	$85.60	$100.90
Total operating cost at 4 percent interest g/	$ 802	$ 995	$ 1,188	$ 866	$1,060	$ 1,253
Monthly rent	$66.80	$82.90	$99.00	$72.20	$88.30	$104.50
Toral operating cost--100 percent mortgage at 3.5 percent interest	$ 808	$1,005	$ 1,202	$ 874	$1,080	$ 1,204
Monthly rent	$67.30	$83.80	$100.20	$72.80	$90.00	$105.60
Total operating cost--100 percent mortgage at 4.0 percent interest	$ 828	$1,036	$ 1,245	$ 897	$1,106	$ 1,315
Monthly rent	$69.00	$86.30	$103.80	$74.80	$92.20	$109.60

Footnotes: Table 5

a/ Includes cost of renovation, bonding builder's overhead and profit, prfessional architect, legal etc. services, carrying and financing charges and contingency allowance.
b/ 90 percent.
c/ Fifty year loan at 3.5 percent interest plus .5 percent mortgage insurance --.047633.
d/ Six percent
e/ Fifty percent exemption-4 percent rate-assessment 60 percent of total development cost.
f/ $120 per room annually-includes heat, utilities, repairs, insurance, professional services and reserves.
g/ Fifty year loan at 4.0 percent interest plus .5 percent mortgage insurance--.051550.

Table 6.--FINANCIAL PARAMETERS FOR NEW MULTI-FAMILY RENTAL HOUSING UNDER SENATOR JAVITS' PROPOSAL

Item	Garden type-non-fireproof				High Rise - fireproof			
	Rental		Cooperative		Rental		Cooperative	
	90 percent mortgage	100 percent mortgage	90 percent mortgage	100 percent mortgage	90 percent mortgage	100 percent mortgage	90 percent mortgage	100 percent mortgage
Per room basis								
Development cost[a]	$ 3,200	$ 3,200	$ 3,000	$ 3,200	$ 4,400	$ 4,400	$ 4,000	$ 4,000
Equity payment	320	-	300	-	440	-	400	-
Mortgage[b]	2,880	3,200	2,700	3,000	3,960	4,400	3,600	4,000
Monthly operating costs								
Debt service[c]	$11.40	$12.70	$10.70	$11.90	$15.70	$17.50	$14.30	$15.90
Return on equity[d]	1.60	-	-	-	2.20	-	-	-
Operating costs and reserves	8.80[e]	8.80[e]	7.40[f]	7.40[f]	10.00[g]	10.00[g]	8.70[h]	8.70[h]
Taxes[i]	3.75	3.75	3.45	3.45	5.15	5.15	4.60	4.60
Utilities (gas & electricity)	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85
Less: miscellaneous income	-.40[j]	-.40[j]	-.40[j]	-.40[j]	-.50[k]	-.50[k]	-.55[k]	-.55[k]
Monthly rent or carrying charges	$27.00	$27.70	$23.00	$24.75	$34.40	$34.00	$28.20	$30.50
Per apartment basis								
Development cost	$14,400[l]	$14,400[l]	$14,400[m]	$14,400[m]	$19,800[l]	$19,800[l]	$19,200[m]	$19,200[m]
Equity payment								
One bedroom unit[n]	-	-	$ 1,050	-	-	-	$ 1,400	-
Two bedroom unit[o]	-	-	1,350	-	-	-	1,800	-
Three bedroom unit[p]	-	-	1,800	-	-	-	2,400	-
Monthly charges								
One bedroom unit	$ 94.50	$ 97.00	$ 80.50	$ 86.60	$120.00	$119.00	$101.10	$106.70
Two bedroom unit	121.50	120.10	103.50	108.90	154.80	153.00	130.00	137.30
Three bedroom unit	162.00	160.20	138.00	144.00	206.40	204.00	173.40	183.00
Monthly charges--mortgage interest at 4% [q]								
One bedroom unit	$ 98.00	$ 97.30	$ 83.90	$ 88.20	$125.10	$124.10	$105.40	$111.30
Two bedroom unit	126.00	124.10	107.80	112.40	160.90	159.50	135.50	143.10
Three bedroom unit	168.00	166.80	143.70	151.20	214.50	212.70	180.60	190.80

Footnotes: Table 6

a. Includes construction cost, bonding, professional (architect, legal, etc.) services, carrying and financing charges, land acquisition cost and contingency allowance.
b. 90 percent
c. Fifty year loan at 3.5 percent plus .5 percent mortgage insurance--level debt service = .047633
d. Six percent
e. $90 per room plus 6 percent vacancy reserve
f. $82 per room plus 3 percent vacancy reserve
g. $100 per room plus 6 percent vacancy reserve
h. $96 per room plus 3 percent vacancy reserve
i. Fifty percent exemption - 4 percent rate - assessment 70 percent of total development cost
j. Open parking spaces for 75 percent of the units, $5.00 a month, 10 percent vacancy, $18 per unit per year washing and vending machines
k. Open parking spaces for 60 percent of the units, $10.00 a month, 10 percent vacancy $22 per unit per year washing and vending machines
l. Mean number of rooms per apartment - 4.5; assumes apt. distribution of 30% - 1 bedroom, 50% - 2 bedrooms, 20% - 3 bedrooms
m. Mean number of rooms per apartment - 4.8; assumes apt. distribution of 20% - 1 bedroom, 50% - 2 bedrooms, 30% - 3 bedrooms
n. 3.5 rooms - kitchen and dining space, living room, one bedroom, one bath
o. 4.5 rooms - kitchen and dining space, living room, two bedrooms, one bath
p. 6.0 rooms - kitchen and dining space, living room, three bedrooms, one and half baths
q. Fifty year loan at 4.0 percent interest plus .5 percent mortgage insurance--.051550

Are Our Cities Dying?

by EDWARD J. LOGUE
Administrator of Redevelopment, City of Boston

Presidents and pundits, bankers and civil rights workers join other public-minded citizens in expressing their alarm about the state of America's cities. They are right. In a society of rising affluence too much of the inner city is sinking into pervasive decay.

Some observers despair and propose the city be abandoned. Others suggest panaceas, usually governmental, which will allegedly cure urban cancer. Quite recently suggestions have been made that perhaps the present enterprise system should take on the job of curing the city's ills.

In this confusion of analysis and prescription we often seem to lose sight of the basic purpose for which the city exists, of how hard it is to build a great city and how inadequate any alternative to the city proves to be.

I have walked the streets of great cities around the world wondering how and why they came to be. They are marvelous in their diversity. Each city has its own special emphasis—perhaps as a port, a seat of government, a center of manufacturing. Yet they all have one thing in common—the city is a place of exchange—of goods, of course, but equally important, of ideas.

No suburban shopping center, no landscaped industrial park, no elegant, cloistered research center, no system of instant remote communication is going to take away the primacy of the urban center where the jostling of old and new ideas shape the world we will live in.

The city is not obsolete. It is the center of our civilization. In earlier times we accepted this and made our cities, particularly their centers, graceful and proud. Today many deny the city the right to be important, to be beautiful, to be cared about.

Technology has made it possible for the very important people who dominate our economy to use only a piece of the city quite comfortably, regardless of the decay that is never more than a mile from their seats of power. These powerful men are usually those who have done least to make the city livable. As wealth and power increasingly ignore land and political boundaries, it is possible to grow up, prosper and die without ever having been a citizen of a city in the Athenian sense; a fund raiser for alma mater, or a board member on a community chest agency, seems to be the average limit. The idea of active citizenship still is embarrassing to many business leaders.

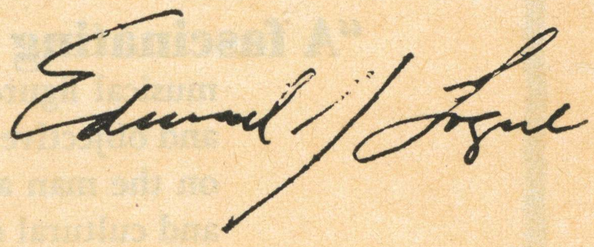
I believe we can improve our cities and we can do so quickly without waiting for the necessary but cumbersome public aid programs, vital as they are. The first thing we can do is to improve their tone, decide we care, allow a concern for the city as a whole and its future to guide private decisions.

When banks redline a blighted area and shut off investment they may protect against short run risk. But there is a cumulative loss of confidence that can change a whole city's faith in itself. Unfortunately, most new investment decisions—a branch bank, a supermarket, a new factory—are made only in areas entirely safe. Do we realize what we do when we rule entire sections of a community off limits? Why are we surprised when those millions thus cut off from society decide that they do not belong and do not care?

I believe our government must have an important role in saving our cities because it, in effect, is saving itself. I believe that the education of a million slum children, giving them a chance to become part of America, is more important than putting a new town on the moon. I believe our national priorities should be reappraised and much more governmental attention given to our cities. Even more, however, I believe that the private enterprise system must face the challenge of the slums.

The imagination and the drive that has made our system the most productive in the world must be turned to the task of renewing our cities.

Maybe it means we should overhaul the Internal Revenue Code to make it as attractive to invest in the slums as it is to buy tax-exempt bonds or search out oil and gas. If we do, we might just connect up 10 million presently forsaken people with the mainstream of American life. There is still time. Let us make a start before it is too late.



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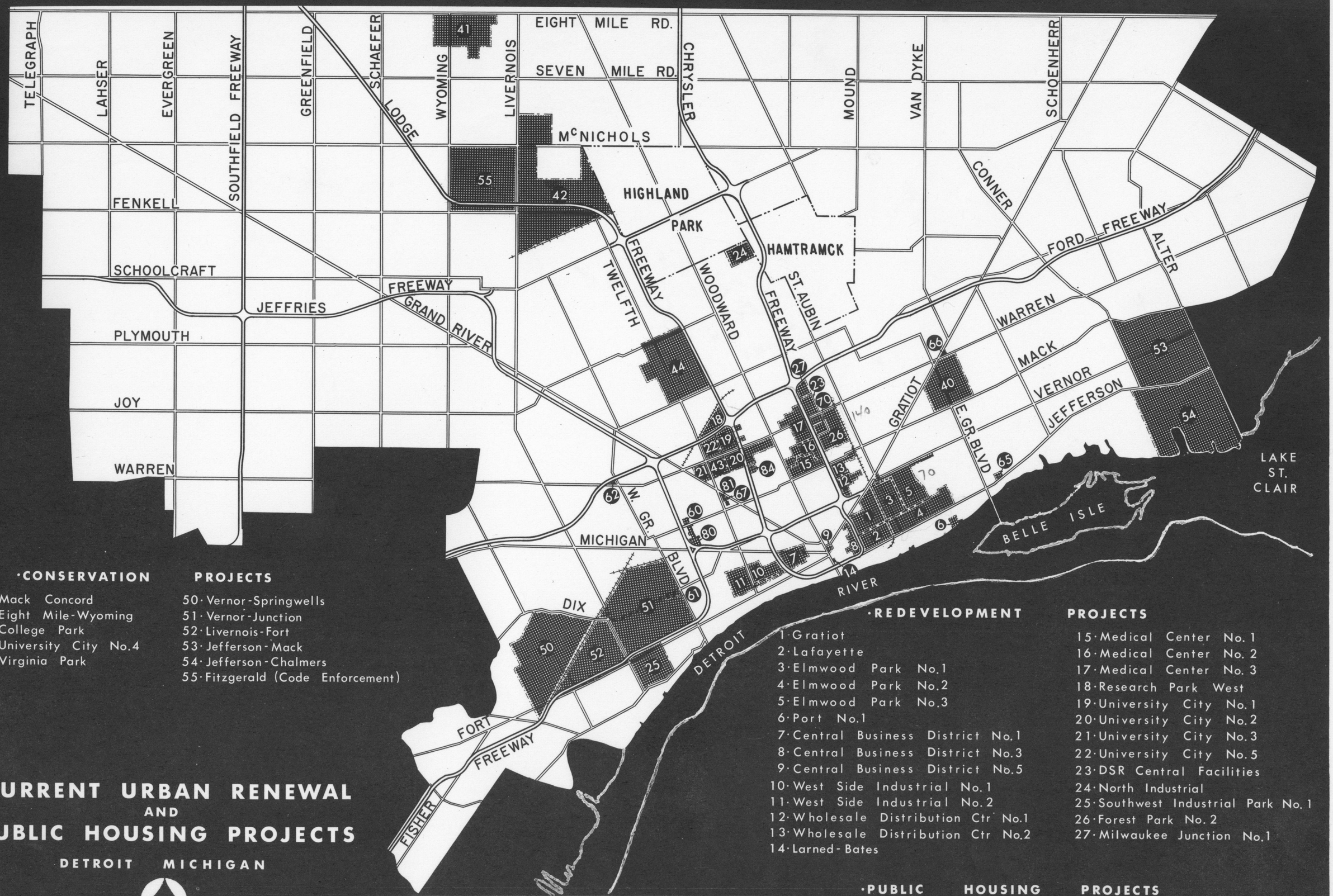

·CONSERVATION PROJECTS

40·Mack Concord
41·Eight Mile-Wyoming
42·College Park
43·University City No.4
44·Virginia Park

50·Vernor-Springwells
51·Vernor-Junction
52·Livernois-Fort
53·Jefferson-Mack
54·Jefferson-Chalmers
55·Fitzgerald (Code Enforcement)

CURRENT URBAN RENEWAL AND PUBLIC HOUSING PROJECTS

DETROIT MICHIGAN

0 Scale 3 Miles

DETROIT CITY PLAN COMMISSION
NOVEMBER 1966

·CONSERVATION/REDEVELOPMENT PROJECTS

80·Ash-Humboldt
81·Selden Court
84·Calumet

·REDEVELOPMENT PROJECTS

1·Gratiot
2·Lafayette
3·Elmwood Park No.1
4·Elmwood Park No.2
5·Elmwood Park No.3
6·Port No.1
7·Central Business District No.1
8·Central Business District No.3
9·Central Business District No.5
10·West Side Industrial No.1
11·West Side Industrial No.2
12·Wholesale Distribution Ctr No.1
13·Wholesale Distribution Ctr No.2
14·Larned-Bates
15·Medical Center No.1
16·Medical Center No.2
17·Medical Center No.3
18·Research Park West
19·University City No.1
20·University City No.2
21·University City No.3
22·University City No.5
23·DSR Central Facilities
24·North Industrial
25·Southwest Industrial Park No.1
26·Forest Park No.2
27·Milwaukee Junction No.1

·PUBLIC HOUSING PROJECTS

60·Myrtle-Humboldt
61·West Vernor-Scotten
62·West Warren-Scotten
65·Sheridan Place
66·Gratiot-East Warren
67·Grand River-Harrison
70·Forest Park No.1

MAY 8 1967

PETER J. PAGE
MAYOR

OFFICE OF THE MAYOR
BOROUGH OF BETHEL PARK
5100 West Library Avenue
Bethel Park, Pennsylvania 15102
Telephone, 835-5454

May 5, 1967

Dear Sir:

Enclosed you will find a statement relevant to the hearings that were recently held before the House Ways & Means Committee, as shared by Congressman Wilber D. Mills. In reviewing the issues at stake, the manner in which they were expedited and their subsequent outcome, I think you will agree that it is all too clear that the very real dilemma, faced by far too many of our Senior Citizens, must be resolved and done so quickly.

I think you must understand that this cause cannot be decided by any one citizen or body of citizens acting on their own. It requires the collective effort of every person who realizes that help for our Senior Citizens is long over due.

I sincerely hope that you will give this matter your full consideration and through the use of your facilities/ office, offer whatever support you may feel that this worthy motion deserves.

Many thanks for your anticipated cooperation.

Sincerely,

P. J. Page

P. J. Page - Mayor

PJP:iv

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PETER J. PAGE
MAYOR

OFFICE OF THE MAYOR
BOROUGH OF BETHEL PARK
5100 West Library Avenue
Bethel Park, Pennsylvania 15102
Telephone, 835-5454

April 27, 1967

Honorable Wilber D. Mills
Chairman of the Ways & Means Committee
c/o Rayburn Building
Washington, 25, D. C.

Dear Congressman:

I would like to take this opportunity to comment on the remarks which were recently directed to your Committee by Mr. Walter Reuther. While his proposal may not represent a totally satisfactory method of answering all of the problems faced by those individuals who are now suffering under an almost intolerably inadequate Social Security Law, it does focus on the very real and tragic plight of so many millions of our nation's senior citizens.

From its inception, the United States has been characterized as a country that has, on countless occasions, come to the aid of the downtrodden, whether they have been newly emerged nations, suffering allies, or its vanquished foes. Such an attitude, while costing untold billions of dollars in the form of Foreign Aid (a large percentage of which has never been repaid), has, nonetheless, shown that we are indeed a nation that cares. Is it, then, unfortunate irony to see so large a segment of our population spend the twilight years of their lives in the shadow of near poverty, plagued by the frustration of an inadequate dependancy?

In addressing the problems which are paramount to this area, and their subsequent solutions, several alternatives have been advanced. None of these plans, whether it be President Johnson's suggested increase of 20% in benefits with broader accompanying services, Mr. Reuther's suggestion of a 50% increase financed by General Treasury funds, or any of the number of other proposals, have taken into consideration the urgency of the need involved, or its effect not only on those directly concerned, but with those who must also bear the weight of the increased burden caused by the existing law's inadequacy. The vast number of relatives and friends who are now partially or completely contributing to the support of many of our present Social Security recipients, especially those with young familes of their own to raise, are also suffering, due to the lack of suitable or effective reforms in the existing law.

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What, then, is the solution? How are we to cope with the problems of this inadequacy without further harmful delay? Initially, the removal of the existing earnings limitation, which surely hampers the individual capable of supplementing his income, should be immediately lifted. The present ceiling of $1,500 in excess of the base stipend is not only unrealistic, but in light of the economic restrictions that it imposes, on the recipient, is emminently unfair. Its removal would not only serve to reinforce any potential addition to the recipient's basic income, but would allow more flexibility in providing for his or her minimal needs, without penalizing them by a reduction in their monthly Social Security benefits. It is my feeling, as well as that of many of our citizens, that the removal of this unfair restriction is the basis upon which all future revisions in the existing law be predicated. There is absolutely no reason why a man or woman, who is now receiving Social Secuirty, should be penalized if they are capable of supplementing their income, whether it be $500 or $5,000 or $50,000 per year additional. This item is <u>definitely a must</u>!

The present Social Security Plan, as you are well aware, is simply an insurance program which is supported in its entirety by private funds. There is no reason why these funds should not be available to every citizen of our land upon proof of age 65. The decision cannot rest on need or formal request; if it does, it defeats the entire spirit of law.

I would also, Congressman Mills, take issue with your remark that, as far as you were concerned (referring to an increase substantiated by the use of General Treasury Funds) "This may be in the future" but that you're "... not quite ready to buy it." As you must know, for so many of our senior citizens, their world is on a "now" basis; for a large number of them, your "future" will not become a reality. If help is to come, it must be immediately, and not lost in the haze of personal expedience or partisan politics.

It is my own feeling that too much time has been lost already in acting in this most urgent need. I feel that I speak for many millions of citizens throughout the length and breadth of the nation when I say that the time for procrastination has long past. If you so desire, I would be most anxious to personally outline what I consider to be some of the needed reforms pertinent to the existing structure. I am so strongly convicted on this matter that I would, at my expense, travel and appear before your Committee to detail my feelings on this dilemma, should it be your wish.

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I think that you must agree with me, Congressman Mills, when I state that the Government's first responsibility is to its citizens. Let us not, for one moment, forget that in serving the needs of our people today, we are laying the firm foundation for all future generations. Their problems will not be easy, but they will be more approachable because we have squarely met the challenge of our problems today.

Sincerely,

P J Page

P. J. Page - Mayor

PJP:iv

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=WALTER REUTHER, CARE THEODORE C REUTHER , REPORT DLY=

FLORAL AVE WHEELING WVIR=

THE NEWS OF YOUR FATHER'S GRAVE ILLNESS IS VERY SAD. MY PRAYERS ARE WITH YOU BOTH AND YOU CAN CALL ON ME FOR ANY ASSISTANCE. I KNOW HOW MUCH YOUR FATHER WILL BE COMFORTED BY YOUR PRESENCE. HIS PRIDE IN YOU IS CONFIRMED AGAIN BY RECENT COURAGEOUS AND EFFECTIVE EFFORTS ON YOUR COUNTRY'S BEHALF. SECRETARY WIRTZ SHARES MY GREAT HOPE THAT YOU WILL BE ABLE TO SEE IT THROUGH DESPITE THIS FAMILY TRAGEDY. YOU HAVE ALL OUR SYMPATHY AND ENCOURAGEMENT, AS DOES YOUR DEAR MOTHER WHOM I KNOW WILL FIND YOU A TOWER OF STRENGTH

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