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PUERTO RICO HOUSING AUTHORITY

P. O. BOX 397
RIO PIEDRAS, P. R.

RESUMEE OF HOUSING PROBLEMS AND ACCOMPLISHMENTS
IN PUERTO RICO

The problem of housing and the clearance of slums have been, since 1920, one of the major concerns of the Commonwealth of Puerto Rico. In spite of the fact that several endeavours were made to conjure the social and economical menace inherent in the slums, it was not until 1940 that a practical plan was put into execution to face the problem. At that time there were some 75,000 families crowded up in the urban slums of the cities and towns of the Island with the situation becoming more serious from day to day because the formation of new slums could not be controlled and the yearly increase was reaching the alarming figure of 4,000 families. Means had to be provided to prevent the increase and to clear the existing slums which constituted a social and health menace.

In 1937 the Government of the United States enacted the Housing Act making provisions for assisting the States and the Municipal Governments in the construction of public housing for families of low income. Puerto Rico, because of its relations with United States would become eligible to receive that assistance by enacting the proper laws keyed to the Federal Act, which it did in 1938, creating the local housing authorities. Federal assistance is made extensive to these housing authorities guarantying the funds borrowed for the development of public housing projects by pledging for the life of the loans, or the bonds issued, as the case may be, annual subsidies in amounts sufficient to amortize the capital and interest on the cost of the projects. In addition to this, the Government of the Commonwealth appropriates, from time to time, funds for the same purpose, but in this case the appropriations are made outright to

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cover the entire cost of the projects.

The first public housing project was completed in 1940 and although for certain periods during the Second World War and the Korean War the activities stood still, or slowed down, we have been able to provide accommodation for some 22,000 families of low income coming from the slums. In these public housing projects decent, safe and sanitary dwellings are provided at rentals in proportion to the family income. All the dwellings are provided with the same principal conveniences - living-dining room, bathroom with toilet and shower, kitchen with shelving, and porch - but the number of bedrooms varies from one to five to be assigned according to the size of the family which is to occupy it without consideration in rent because of the number of bedrooms.

In order to serve as many families as possible from the lowest income bracket, the rents merely cover the cost of operation and maintenance and the annual Federal subsidy is used for the payment of the capital and interest. The monthly rents fluctuate from \$2.50 to \$30.00 and the average is about \$8.00 which is the amount necessary for the operation, maintenance and upkeep. In this program some \$87,000,000, in round figures, have been invested, \$68,000,000 by virtue of Federal assistance and \$19,000,000 by outright appropriation made by the Commonwealth.

Under Title I - Slum Clearance and Urban Redevelopment - of the 1949 Federal Housing Act, assistance is also provided by the Federal Government to carry out slum clearance and urban redevelopment projects conditioned on that

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the sponsoring agency, in this case the housing authorities, guarantee that the families displaced from the slums to be cleared be adequately rehoused and that it contribute with $1/3$ of the loss in the enterprise. After the slums are cleared and the families rehoused, the redeveloped land is sold in the open market and the proceeds of the sale are credited to the project. At the time of liquidation $2/3$ of the loss is absorbed by the Federal Government and the other $1/3$ must be supplied by the sponsoring agency. This third may not all be in cash for credit is allowed for the cost of new work such as schools, parks, hospitals that may be erected by the Government to serve the redeveloped locality. Under this title there are on the way 17 projects whose cost is upward of fourteen and a half million dollars, call for the rehousing of some 9,000 families, and the demolition and clearance of 7,000 structures. The authorities avail themselves of the opportunity that at the same time they are developing public housing projects to provide accommodation for the relocation of the displaced families from the site of the redevelopment projects.

Puerto Rico is carrying out a test in the construction of houses by the so called "self-help" method. The experience had tends to confirm that it can be carried out successfully and may be the key to the solution of housing for a substantial number of families which may wish to cooperate. It works as follows: The Government, or the sponsoring agency, provides the funds for the purchase of the materials for the construction of a group of houses and provides free the technical direction. The persons comprising the group organize them-

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selves in the form of a cooperative and provide the labor for the construction of the houses. When these are completed the property is mortgaged to a bank, or investor for approximately half of its value, which is the price of the lot plus the cost of the materials. Under this program houses have been built valued with the lot at over \$3,000 for the cost of the lot and the materials which amounted to \$1,500 and which the owners can pay for, in a 20 year mortgage, at monthly payments between \$8.00 and \$9.00.

CONCLUSIONS:

In spite of the accomplishments in public and private housing, the fact remains that there are still at least 90,000 slum dweller families and 50,000 medium income families in need of housing.

The housing problem in Puerto Rico should be considered in three different brackets. The upper, or high income bracket with salaries over \$400 per month, has been or is being taken care of with the assistance provided by the Federal Housing Administration insuring individual mortgages on long range terms. There have been no difficulties in selling FHA insured mortgages on houses whose cost exceeds \$7,000.

For the low income bracket, or families of income under \$800 per year, public housing at low rents is provided financed by the issuance of long term bonds whose payment is assured by the Federal Government by providing annual subsidies. It is possible to provide accommodation in these projects to low income families because the rents paid are merely those necessary to cover the cost of operation and maintenance. Special electrical rates and water consumption rates are also provided in this type of projects. The only fault of the

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program is that it is not intense enough to provide the needed housing in a short range period. Its philosophy and aim are excellent, but it needs intensification to shorten the period of accomplishment.

The moderate income bracket with income range from \$2,000 to \$4,000 per year receive no assistance at all. These families are ineligible to public housing because their incomes exceed the maximum established for eligibility. They do not qualify for the FHA mortgage insured program because they do not have enough resources to justify the monthly payments of a house costing over \$7,000. Although the Federal Housing Act provides for FHA insured mortgages on houses whose cost may be below \$7,000 little success has been attained due to the difficulty in finding market for these mortgages and, consequently, the solution to the problem of families of this bracket remains unsolved.

Liberal terms of financing and longer periods, as well as low down payments, should be sought in order to permit an effective solution of the housing problem for families of the medium income bracket.

The "self-help" program should be intensified and enough working capital provided to create a rotating fund to keep it going. The indications are that a substantial number of the low income laboring families shall welcome such a program.