John K. Freeman, Office of Policy Development, KP

Background Paper on New Communities
Past, Present, and Future

I have prepared some information which (1) inventories the accomplishments and status of the present Title VII program, (2) provides some discussion on recent program direction, (3) identifies major developments currently influencing national growth trends, and (4) describes some possible categories of New Communities which we might wish to develop in the future. Tabs A and B attached to the paper attempt to provide some history on how program policies evolved and a brief identification of some of the more interesting recent inquiries which have been received. Before proceeding further, I wanted to get your reaction to this information and to see whether you wished to try to shape these ideas into a paper for the Secretary.

John K. Freeman
Assistant Administrator
Attachment

cc:
NCA files 7133
KD Fore 7110
KP Freeman 7132
KMO Hillard 7139
KP:JFreeman:gd 11/12/74 fnc (# ext. 56090)
AUDUBON AND RANSOM OAKS, Amherst, N. Y.

Audubon (formerly Amherst, and sponsored by the U.D.C.) and Ransom Oaks (privately sponsored), were caught up in the same New York Project dilemma as Battery Park City and the several other inquiries we had at that time. All were "put off" in any way we could without telling them no outright. The scenario with these two differs from, say Battery Park City, in that the sponsors continued to seek Title VII assistance; in the case of Audubon even to the present.

The file contains the history of these projects, but basically, we tried to discourage them by forcing a joint development (both are new towns-in-town in the town of Amherst). Next we delayed further response to their continuing questions. Then we dangled promises of an invitation to submit two separate full applications. The letters were prepared and then "lost" for six months or so and then they finally surfaced again the climate had changed and no invitations were being issued.

Both projects are under construction. Ransom Oaks is turning into a primarily residential development, however, Audubon with the new university campus, may be an impressive development. In any case, there is a place called Audubon and a place called Ransom Oaks for anyone who wants to go to Amherst to see.

BATTERY PARK CITY, N. Y.

Battery Park City inquired about Title VII assistance in April of 1971. The project, on lower Manhattan, called for 55,000 people on 118 acres to be developed over a ten-year period. The project was to be developed by the Battery Park City Authority.

At that time we had too many projects in New York State. We said too many because politically it seemed impossible to support more than one or two in New York and yet as a group, these projects were superior to other inquiries we were receiving.

We had some questions regarding market feasibility, but our real problems was the one described above, which we communicated to the developer. As the Battery Park City Authority was able to arrange for its own financing, it very soon pulled out of Title VII, and went its own way. We read in last Saturday's Washington Post that it is doing very well.

COLUMBIA, Maryland; Reston, Virginia; Mission Viejo, Calif.; Peachtree City, Ga.

These projects made very serious efforts to receive Title VII assistance. Columbia and Reston particularly, sponsored lengthy legal opinions which pointed out that on-going projects were eligible for assistance.
These projects came in, however, during a time when there seemed to be a great deal of pressure on the program, and it was decided as CDC Board policy, I believe, that ONCD would stick with new projects; that we would not refinance on-going development. As a result of this we simply turned down these projects.

Mission Viejo, in particular, made one of the finest presentations and demonstrations of management capability that I recall seeing in the entire period I handled inquiries. Peachtree City, while less high powered than any of the others, demonstrated evidence of very substantial and ongoing investment, with industry and services like health care on site in addition to housing. Peachtree City hung on for some time and then during June of 1972 made a special request for a certification of eligibility and shorter terms for HUD-Developer Project Agreements, to be renewable say after three years if the parties agreed. We turned down this suggestion, and thereby the project.

FRANKLINTOWN, Philadelphia, Pa.

Franklintown was a very interesting proposal to house 15,000 new people on 50 acres in downtown Philadelphia. The project was particularly focused on the bicentennial and appeared to have strong backing.

It was at this same time that we had several proposals for projects of 100 acres or less. Frankly, the staff became fascinated with how creative and complete these plans were. Another example was Mon Plaza in Pittsburg, a project which fell through when a major financial/market-related element collapsed. However, because these projects were literally so unbelievably interesting, the issue of size was taken to the CDC Board. The Board decided to set threshold standards for Title VII projects: 15,000 new people, and 100 acres. The 15,000 new residents has the rationale of density necessary to create demand, activity... The acres standard, however, is less convincing. In any case, all these projects were discouraged from proceeding further with Title VII and Franklintown, is presently under construction in Philadelphia.

ORANGWOOD, Florida

Orangewood was invited to submit a full application, but Florida Land Company, a subsidiary of Florida Gas, was having some environmental problems, and couldn’t wait on our long approval process. The project is being built, although I have no current statistics on it. Looking into our records which described innovations for this project as natural gas-powered vehicles, total energy systems and modular homes, it is tempting to imagine having this project today instead of some of the others we do have.
STANSBURY PARK, Utah

This was almost a Title VII project. It was outside Salt Lake City and invited during the Romney administration. The developer was working on the application but it just seemed never to get together. The ongoing demands of the part of the project under construction, combined with the somewhat unsophisticated character of the management kept the project moving along very slowly. Ultimately, it was sold out to a Florida Land Company and withdrew from Title VII.

PAGOSA, Colorado

Pagosa is a community in Colorado developed by Eaton International Corporation. We never took Pagosa seriously because it was not near any major highway intersection or growth area and appeared to be primarily a recreational development, even though the developer expressed strong interest in developing industry and social services and indeed had made headway in both areas. Actually, we have had three or four fairly real Colorado inquiries which seemed to be in the middle of nowhere and yet if you were going to try a free-standing new community--to attract industries from the East and West Coasts to settle themselves and their employees in Colorado--these places had the country and the magic to take a shot at it in a way that Henderson, North Carolina never will.

WEST DAYTONA BEACH, Florida

West Daytona Beach was exciting because it controlled six miles on both sides of I-95 and some 32,000 acres in a growing area. While the original proposal called for 55,200 people on 6,000 acres, this was one of the few proposals which had a potential for almost infinite growth--as big as the market. We literally let this one sit on the shelf and when I called the developer/contact a year or more later he said something like oh, we never heard from you so we are going ahead with a smaller-type development.

There is a lesson to be learned here, I believe. While the high-powered developers, establishment people, know how to use influence, we have had a number of perfectly reasonable projects--mostly from the West and South--where the principles were much more straightforward. We always assumed the savvy developer would know how to come back and prod and prod us. These people felt, however, that they presented us with their best, and we weren't interested, and that was that.

WOODALE, Louisiana

Woodale came to us in April of 1972 as a pre-application proposal to build a FS/GC new town for 26,400 people on 6,978 acres, 10 miles East of Morgan City, Louisiana (population 18,000). A distinctive characteristic of the area is the industrial base related to the oil industry, and the lack of housing for workers. The developers felt they could overcome the high costs of development in the area and service the existing need for housing with a new town.
HUD turned down the project (Note: from my personal experience this was one of the most difficult to turn down; it was not clearly ineligible or unqualified—just small—and we hemmed and hawed considerably before taking final action.) but the developers who were committed from the beginning proceeded with development. In May of 1973 they got a $5.6 million, 3-year loan at 4 and 3/4 over prime. Phase I, consisting of 580 acres, is well into development. It is now protected from the 100-year flood level, paving is under way and infrastructure is approximately 20% complete. A golf course is about 10% complete. The 300 single-family lots should be ready for building in 9 months.

Unfortunately, the $5.6 million loan will probably not carry the development as far as expected. Between tight money, high interest rates, and escalating material costs, the developer will need to borrow more money before the 3-year loan period expires; if he can. When asked if Woodale would still be interested in Title VII, the answer was "most definitely," "we could certainly use some help."
I. Accomplishments of New Communities Program To Date

A. Projects in Implementation

-- 15 commitments offering financial guarantees have been issued

  . 12 were accepted and debentures totalling $252 million are outstanding

  . 1 offer of commitment was rejected (Beckett-sponsored by W. R. Grace, in N. J. near Philadelphia), 1 offer is nearing closing (Harbison--$13 million project near Columbia, S.C.) and 1 project is pending further review after a long delay due to an environmental suit (San Antonio Ranch--a satellite new town outside of San Antonio, Texas)

-- 2 certifications of eligibility have been issued to two projects sponsored by the N.Y. Urban Development Corporation (Radisson--a satellite new town outside of Syracuse and Roosevelt Island--a new town located on a 125 acre island in the East River of N.Y.C.)

-- of the 14 approved Federal projects

  . 11 are satellite new towns ranging from 3,000 to 17,000 acres

  . 2 are NTIT's--Cedar Riverside located in an urban renewal area in Minneapolis and Roosevelt Island in N.Y.C.

  . 1 is a free standing new town--Soul City which is about 50 miles northeast of the Raleigh/Durham, N.C. area

-- when completed the 14 approved Title VII projects will house over 1 million people in 300,000 dwelling units and provide over 250,000 permanent jobs

  . as of mid-1974, total population added in conjunction with the Title VII program consisted of just 10,000 people in approximately 3,000 dwelling units; excluding developers' staffs and construction workers, approximately 2,000 jobs had been created
as of late 1974 four of the projects were considered to be in serious financial difficulty the possibility of financial default exists at Jonathan, Cedar-Riverside, Gananda, and St. Charles

- two other projects—Riverton and Park Forest South are in critical positions but appear to be capable of being sustained over the next two years

- two projects will need additional financial guarantees within 6-12 months to continue—Maumelle and Flower Mound

- two other new towns are requesting NCA actions to facilitate their development—Woodlands and Soul City

B. Application Pipeline

- four full applications are in-process but none are undergoing active in-house review at this time

- Pontchartrain—a large vacant area adjacent to New Orleans is being reworked to satisfy previous NCA objections particularly related to adequate flood control; the developer would be an agency of the City of New Orleans

- West Valley—a satellite new town west of Chicago has been denied adequate local government approvals; NCA staff work has been suspended

- Tree Farm—a satellite new town outside of Pensacola, Florida, has an unacceptable ownership; NCA review has been suspended

- Oak Openings—outside of Toledo, Ohio, has received NCA's technical assistance to determine if a viable development plan can be identified

- Two complete pre-applications continue to be carried

- Spartansburg, S. C. is a small NT but has not been actively pushed

- Audubon, N.Y.—sponsored by the N.Y. U.D.C. near Buffalo; development is proceeding; only a certification of eligibility is being requested
C. Projects withdrawn and/or rejected

-- in 1971 just after the passage of the Title VII legislation 150 inquiries were received and 29 serious pre-applications were submitted of which approximately one-half were invited to submit full applications

-- in 1972 the handling of inquiries was decentralized to the Regional Offices and only 10 pre-applications were submitted

-- in the course of 1971 through early 1973 there was insufficient staff to adequately review all of the pre-applications and applications which were being received; many projects went months with no staff attention; many projects became dormant as problems developed which impeded progress toward developing an acceptable Title VII proposal

-- in late 1973 and early 1974 the General Manager decided to purge the applications pipeline of all projects which were inactive, did not clearly appear to meet all Title VII criteria, or were economically infeasible; the consequence of this action was to eliminate the following projects

- 3 with applications in-house (2 rejected by NCA and 1 withdrawn by applicant)
- 9 with applications in preparation (7 rejected by NCA and 2 withdrawn by applicant)
- 32 with pre-applications submitted (28 rejected by NCA and 4 withdrawn by applicant)

-- of the projects withdrawn or rejected, very few if any have been successfully developed in a "new community" framework (A partial list and description of the projects which have
- several projects which approached Title VII, such as Columbia, Reston, and Peachtree City, were rejected since development was already underway and NCA was reluctant to reliance on-going development
- other projects which have proceeded in a substantial fashion such as Mission Viejo in California were rejected for failure to offer sufficient "balance" for failure to meet "threshold" size (100 acres for an NTIT or 2,000 acres for a satellite new community) or inability to meet "all" Title VII statutory criteria,
D. Recent Program Direction

-- the desire to close on the projects which had outstanding commitments, and to complete processing of those projects with fully developed applications, absorbed virtually all available staff resources during late 1973 and early 1974; it was also becoming apparent that the several projects previously approved were beginning to experience significant difficulties due to

- the absence of adequate financial controls and monitoring
- the failure to require sufficient cash equity investment
- the inexperience of many developers with large-scale real estate development
- excessive red tape and reporting requirements which were contained in the project agreements
- a failure to develop strong marketing programs
- delays due to environmental suits and problems of local approvals, and
- a dramatic downturn in the housing starts associated with historically high interest rates

-- while inquiry interest remains significant, there have been only three pre-applications submitted to NCA in the 10 months of 1974

- Santa Fe, N. Mex.—an NTIT project proposed on a large vacant parcel adjacent to city; it was returned to sponsor, city of Santa Fe, with comments indicating it was incomplete due to absence of sufficient job base

- Sacramento, Calif.—a NTIT which primarily consisted of a large park and industrial redevelopment effort was submitted as a very preliminary draft

- Audubon, N.Y.—a N.Y.U.D.C. project was submitted based upon plan changes and due to the belief by the UDC that there was some possible value associated with obtaining a NCDC certification of eligibility

≠ NO - THE SITUATION IS MORE LIKE THE FOLLOWING:

0 THOSE PROJECTS WHICH CANNOT PROCEED WITHOUT TRT CONTINUE TO INQUIRE

0 THE REAL NEW TOWN POTENTIAL IS LATENT, MADE'S ONLY NEAR TERM DISCRETION SUBSIDIES, DISCREET INQUIRIES AND AWARDS AVAIL OF MORE FINANCIAL AND DISCREET FUNDS AND C) LONG TERMS CHANGES IN NTIT LEGIS. ADVANCED REPORTS TO THE AD
-- a major re-direction of the current program emphasis has been held in abeyance, awaiting the results of present evaluation activities and the opportunity to receive legislative attention (until the 1974 Housing and Community Development Bill was passed, Congressional Committees were unwilling to consider significant modifications to the New Community legislation).

II. Recent Developments and Trends Influencing the New Community Development Process

-- the recently completed first iteration of the Delphi survey of "expert" opinion has yielded a strong consensus among real estate developers, government policy officials, and community development trend experts regarding impediments to the success of new communities in the United States:

1. the long-term nature and risk inherent in building new communities make such projects unattractive to most developers and investors

2. "front-end" and holding costs are too high in comparison with alternative land development opportunities

3. the Title VII program itself imposes statutory and administrative requirements that are overly burdensome or require too many delays

-- an analysis of population statistics for the period 1970 to 1973 has indicated a shift in National growth trends away from the patterns which characterized the 1950's and 1960's:

1. metropolitan (urban and suburban) counties have grown by 2.2 percent while non-metropolitan (rural) counties have grown by 4.1 percent; examples of this movement are especially evident in Southeast (Carolina, Piedmont; southern Appalachian areas of Tennessee, Alabama, and Mississippi and stretches along the Atlantic and Gulf coasts).

2. the driving force of the population shift has been the dispersal of jobs into the more rural areas; from 1970-1973 manufacturing employment has increased by 2.4 percent per year in non-metropolitan areas while it has declined by 1.5 percent per year in metropolitan counties.
a poll conducted for the U. S. Commission
on Population in 1971 found that 64 percent
of Americans preferred to live in a rural area,
a small city, or a town

-- a major land use study performed by the Real Estate
Research Corporation sponsored by CEQ, HUD, and EPA
provided a considerable amount of empirical data
regarding the costs of alternative forms of community
development; "The Costs of Sprawl" offered the following
findings:

- traditional single-family tract developments are extremely
costly in terms of investment in residential structures
and investment in public facilities (sewer, transportation
and other utilities)

- low density, unplanned developments also result in
significantly higher energy consumption, and represent
inefficient land use, and contribute to increased air
pollution due to heavier use of automobiles
III. Types of New Community Development Which Have Not Been Supported by the Present Title VII Program (See Tab B for examples)

A. Urban Renewal Projects. In the past these projects tended to be more genuine MITT proposals in that they contained, or could be planned to contain a full range of services and housing types. Their principle flaw was the cost of land and often relocation. Recent MITT proposals have been characterized as "visiting firemen from urban renewal agencies" looking to be rescued through the new town vehicle. While generally interesting and well intentioned, with a high quotient of local support, they are not only not financially feasible, but they are not new towns in any broad sense--tending to involve only housing and perhaps a university or hospital. Recent examples of this type are Jamaica, New York, Charlotte, North Carolina.

B. Land Reclamation New Towns. These proposals could create usable land where none exists. An example is Cleveland, Ohio, where an FAA study is now underway to see if it would be economically feasible to reclaim land offshore in Lake Erie to build a new jetport. It is proposed to put the airport at the far edge of this land "shelf" with the area in between comprised of industrial land (nearest airport) and then residential, going to high density near the existing city core. Liberty Harbor, New Jersey, a less recent pre-application, is another land reclamation proposal. The City of New Jersey proposes to reclaim the Jersey waterfront for a MITT development.

C. Overgrown P.U.D.s. These are smaller projects which in the past were always referred to Title X. Now, however, with apparent resistance by HUD Area Office to approve Title X projects, combined with an apparent phasing out of the program, these projects are putting more pressure on us for support. An example of an overgrown P.U.D. would be Sun City Center in Tampa, Florida, which is primarily residential P.U.D. which the developer is prepared to modify to qualify for Title VII.

D. Energy New Towns. These are proposals to build new towns to house a work force congregated to build a major new energy industry. They are normally free standing, single industry, and, of course, come with a built-in labor force--albeit one which is not normally planned to exist after the completion of the project. They also frequently have other unusual characteristics like being on Indian or Federal land. One recent proposal, Rock Springs, Wyoming, is more interesting and less typical than some of the others. It would combine two industries--a coal mine and a nuclear plant, along with a soda mining operation--to create a more enduring and broad-based town. Recently a consortium of Panhandle Eastern Pipeline, Pacific Power and Light, Kerr McGee, Atlantic Richfield, and Peabody Coal proposed a new community in Wyoming built around a coal mining and gasification project. We have also had proposals which would develop geothermal energy as their base.
E. Rural Growth Center--Regional Growth Center. The concept for the rural
growth center is that a small town suddenly has some reason to grow--
a proposed highway, new industry, etc. The idea is to capture and
incorporate the new growth producing a larger but complete and balanced
new community. The reason we have added Regional Growth Center to the
title in this category, is that these towns are normally--though not
necessarily--so small, that they cannot really afford or provide the
diversity we require. Viewed, however, in the context of development
in an entire region, the proposed new town may be an essential component
of totally balanced growth in the region. Such is the case with Elkmont
Rural Village in Alabama. Viewed alone, this is an unreasonably small
and undiversified project. Viewed, however, in the context of the eight
other villages that would follow should Elkmont prove successful, and
further in the context of the area/region which will continue to pro-
vide the majority of jobs and commercial opportunities in an area which
hopes to retain its rural character, this could become a Title VII
project.

F. Surplus Land. The idea here is to build a new town on land being
declared surplus by another agency of government. Most commonly
these are military installations no longer needed. They come equipped
with basic infrastructure and buildings. Surplus land projects can be
developed under Title VII either by a project or private developer,
or under our own authority to do demonstration projects.

Recently several meetings have taken place between NCA and representatives
of the Defense Department. DOD has become particularly conscious of its
role in housing and community development when it (1) declares a base
surplus, (2) determines to build a new base; (3) decides to expand
an existing facility. In all cases they affect the surrounding community
and they were interested in working with us. Of particular interest
to use could be an opportunity to work creatively with DOD where they
are putting in new installations.

An example here, would be the Trident base in the State of Washington.
Our posture to date, however, is not to get involved at this planning
stage, but to wait until DOD has something concrete to offer us--for
example a pre-application. While this can be justified by considering
the lengthy and complicated process of declaring land surplus, and also
by our heavy workload with existing projects here, we are at the same
time opting out of an interesting exercise in intergovernmental cooperation,
as well as the possibility of having a particularly strong influence on
projects from the beginning.

G. Others. There are other kinds and combinations of new town proposals--
visionary new towns, creative mobile home communities, agribusinesses
are a few examples of types of inquiries we have had--however, they by
and large have either fallen out or been discouraged due to their great
deviation from the norm and a certain lack of concreteness in the areas
of developer capacity and financial feasibility.
### EXAMPLES FROM RECENT INQUIRY CONFERENCES

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<tr>
<th>TYPE</th>
<th>NAME</th>
<th>COMMENTS</th>
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<tbody>
<tr>
<td>A. Urban Renewal</td>
<td>Sacramento, Calif.</td>
<td><strong>A common problem with the NTIT proposals stems from the Federal cut-off in UR funds. All have a desire to arrest urban decay and foster economic vitality to the center city. But given the cost of land assembly, the dislocation/relocation problems, the Title VII &quot;balance&quot; criteria, the role of the Federal Government is questionable.</strong></td>
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<td>Alburquerque, N.M.</td>
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<td>Peoria, Ill.</td>
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<td>B. Land Reclamation</td>
<td>Cleveland, Ohio</td>
<td><strong>Offers both the possibility of finding new land resources and helping to clean up Lake Erie. Problem in finding a funding source to do the initial feasibility studies which will doubtless indicate a land cost too prohibitive for housing development. There is also a question of marketability of land in such a project.</strong></td>
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<td>C. Overgrown PUD's</td>
<td>Cameron Park, Calif.</td>
<td><strong>The common denominator here is the lack of any job component. All have shopping, schools, etc., to support residential (of mixed types). All were proposed to us because financing has gotten tight and sponsors are willing to &quot;torque&quot; to fit our criteria. Several of the examples have strong sponsorship. All have a potential for kind of &quot;mini-towns&quot; of the satellite variety.</strong></td>
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<td>Sun City Center, Fla.</td>
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<td>Central Pennsylvania</td>
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<td>Suburban Chicago, Ill.</td>
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<td>Grantham, N.H.</td>
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<td>Rock Springs, Wyo.</td>
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<td>Powder River Basin, Wyo.</td>
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<td>Costal Plains Deepwater Refinery (N&amp;S. Carol &amp; George)</td>
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<td>E. Rural Growth Centers</td>
<td>Cumberland County, N.J.</td>
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<td>Elkmont Proj., Tenn/Ala.</td>
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The common denominator is the presence of jobs. In most cases the primary employment is energy-related and in that sense is vulnerable to technology. A couple of these examples are research-related demonstrations, but the two Wyoming examples offer strong possibilities of joint ventures with large, capable, financially strong sponsors. Rock Springs offers both Stauffer Chemical and Union Pacific, while the Powder River Basin proposals bring five large energy companies into a development group. These offer some excitement from public/private development related to finding better energy resources. There are difficult questions to be resolved related to playing "catch up football" with employment growing in geometric proportions and keeping some kind of "balance" in the overall development.

These are proposals which represent a reasonable attempt to link a number of agri-businesses and other light industrial together in a setting that maintains its largely rural character. They could be classified as either growth centers or free-standing NT's, but do not fall neatly into the definitions we are familiar with in the program and therefore pose a policy question. The concept is straight out of Frank Lloyd Wright's "Mini Farm" idea. The excitement here is that in the Elkmont case, it may be more economically "do-able" and moreover seems an idea whose time has come with a spate of articles in recent times suggesting that the rural setting is becoming more and more of an attractive alternative to urban life.
The Elkmont Project offers the opportunity to capitalize on this trend; to support a public/private development effort, and a project whose economic base is the successful TVA project.

The common denominator is that of available land, government-owned and not longer needed that could be developed by a public/private partnership. The example here is that of a small 2,000 acre parcel that the Texas Indian Commission is studying. It appears to have the interest of two good industrial firms and some good planning but was discouraged because of its size was felt too small for our present program.