

Legal

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January 7, 1969

NOTE TO MR. HAAR:

The attached in response to your request for notes on what a New Communities project might involve. I am not sure that it says very much but it does cover the things which occur to me as being most basic and in some way controllable.

John A. Bell

Attachment

cc: Bell
Legal
CWF

GM:LEGAL:BELL:vfp 1/7/69

There are set forth below some suggestions as to qualities or characteristics that are or may be important to a major new community development. No effort has been made to include in the list things which are essentially matters of economic trends, geography or good fortune. The best of skills and planning, for example, will hardly compensate for an unfavorable location or have much effect on interest rates in a tight money market that are impartially high to all borrowers. The focus of the list has therefore been on matters that are more amenable to control, either on a program basis with respect to new communities generally or with respect to individual projects.

1. Commitment. If a new community is to be privately developed, the developer or sponsor should expect in some way or another to make money--probably a good deal of money. It is possible, however, for a new community to succeed as a money making venture without succeeding as a community. For the latter, there is needed a certain concern for the product--here for convenience labelled "commitment". This probably exists when the person or organization involved see themselves, their reputation or image, and their corporate morale or personal self-respect associated with whatever it is, besides profit, that the project produces. They need not necessarily subscribe to all the goals that the idea of "public" purposes may suggest; they may be quite skeptical of the usefulness of new communities as a mechanism for solving, or much affecting, the equal opportunity problem, the health and physical fitness problem, the automobile problem or the poverty problem. But if the fashion of the times, the Government as patron, or the public relations department requires that attention be paid to such things, their interest should be to make the best of it, not grudgingly, but in a way that will reflect credit on their skills, imagination and resourcefulness.

On analysis, perhaps all of this comes down to little more than a sense of craftsmanship. As such, it may be the quality of an individual or organization, the difference being that it may be less perishable when ingrained into a bureaucracy. But wherever found, it would certainly seem, a basic, if also elusive, quality needed for a successful new community project.

2. Financing. While it would probably be desirable, from the standpoint of the Government, that a developer have and be able and ready to commit to a project substantial funds and above those to be borrowed, it is probably not to be expected that this will very often, if ever, happen. In this sense, the financial status of the developer or sponsor is probably less important in terms of what support it offers to the project than in terms of what it says as to the business acumen of those responsible. Assuming this latter is reasonably in evidence, financing characteristics that are relevant to be a successful project probably include the following:

a. Access to the relevant money markets. The developer, or someone associated with the developer in the project, must be able to make their own way with the financial institutions that will provide or arrange the private loan funds. This includes, it should be noted, not only the loan funds that will support the land development work but also private loan funds needed for building within the community. Even a developer that intends to do none of its own building is likely to have some concern on this point; either it will seek to secure one or more large builders who will have the needed access and be able to secure commitments, or it may have to be able to handle at least a good deal of the financing on its own. A developer counting on the sale of a lot of finished lots to builders on a "come and take it" basis simply cannot afford to get caught in a situation where many of his customers are having financing difficulties.

b. Grant financing of facilities. This may be, at least in particular cases, more important than a Government guarantee or government insurance in making a project both feasible and successful. This is so because it not only has an effect comparable to the guarantee or insurance in reducing costs but because it also has a very considerable and readily demonstrable effect in making the whole undertaking less painful to the area and the residents and perhaps more attractive to some of those who may need to be attracted (such as industrial and major commercial firms). Added to this, of course, is the leverage resulting to the Government as grantor, to the extent a project's "public" purposes involve more in the way of costs, time and trouble than are readily offset by the favorable (and perhaps speculative) effect of the guarantee. This is not to say that 100 percent financing of all public facilities is necessary. But something appreciably above what is ordinarily available or likely to be available would seem crucial.

3. Real estate and building or construction skills. This includes the ability to negotiate land acquisition on an informed and advantageous basis, capacity to plan in way that marries attractiveness with profitability, and the skills needed to engineer and manage a fairly large and complex "construction" undertaking (whether or not the developer is also a builder; if he is both, of course, the burden and significance of this last becomes considerably greater). Probably, none of these would require very much discussion, except for the possible confusion that may result from repeated statements that a new community is more than a large subdivision. For the skills cited are specifically those that are perhaps most likely to be characteristic of the builder producing large subdivisions--who acquires land ahead, who plans so as to "offset" the locational advantages of small builders dealing in closer in, small tracts, and who practices such advantages as are to be gained in the construction industry from advanced engineering and management techniques. An organization developing a new community needs these skills. It may have to be more than a "mere" builder; but it had better be a builder and more, not just something different.

4. "Political" skills. "Political" here is used to connote a higher and perhaps somewhat special negotiating and bargaining skill, a skill which includes the capacity to operate successfully in the public arena as well as behind closed doors. For a new community project which will be completed in a relatively short time--say four or five years--the need for this kind of talent may not be very much greater than in the case of a large subdivision. In both cases, there are going to be similar problems to be worked out with local authorities concerning plans and planning, schools, utilities, taxes or assessments and the like; the fact that a project might also include substantial commercial and industrial components in this respect may make the going easier. The real difference--and perhaps a pretty important difference--arises when the project period is extended, and the developer is in effect required to ride out not only the initial arrangements but a good part of their execution; when he must find a way to accomodate his interests to those of an increasingly diverse group of residents within the community; when he must deal with a local political structure which may very well have changed substantially from what it was originally. And all of this he must do from a power base which is likely to become increasingly insecure as time goes on; he is apt to look much bigger and more indispensable in the beginning than ten years later, assuming that the project develops on the scale contemplated.