

NTIT

Draft

URBAN NEW TOWNS

A Title VII Incentive for
New-Towns-in-Town

New Community Development Corporation
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I. Introduction

Urban new towns have commonly been called "new-towns-in-town." The term "new-town-in-town" (NTIT) was coined in the mid-sixties by Harvey Perloff, Dean of the School of Architecture and Planning at UCLA. The comprehensive kind of city development and redevelopment envisioned by Perloff represented an antidote to the evils of urban renewal as perceived by urbanists and citizen groups of that time. Although the renewal program had many excellent features to it (such as land assembly), the worst evils were considered to be the wholesale destruction of urban values, the attendant insensitive relocation of families, especially minorities, and the resulting single function redevelopment projects.

There no longer is a Federal urban renewal program, and local programs apparently are proceeding at a reduced scale or under another name. However, the new-town-in-town idea still survives, although not necessarily in the Perloff image.

The purpose of this paper is to explain the nature and benefits of the NTIT concept, describe the current state of NTIT activities, review the adequacy of Federal grant and loan programs that are, or could be, used to assist in the development of NTITs, and propose a redirection of Title VII/NCDC to encourage and support cities in undertaking NTIT projects.

A. Definition

For this paper, a rather pragmatic definition of a new-town-in-town is proposed:

A new-town-in-town (NTIT) is a development, within a defined geographic area in an existing city, containing all of the elements of a well balanced "community", such as a variety of housing types and costs, shopping facilities, jobs, and a full range of private and public service facilities. Some people believe that the housing range should include a substantial number of units for families of low- and moderate-income. Not all of the components of a NTIT need to be located within the project site. For example, a NTIT might depend upon an adjacent shopping or employment center for some of its balance. Relocation would be minimal; projects would use undeveloped or under utilized sites. In addition to new construction some rehabilitation would be undertaken where existing structures could be utilized.

NTITs and the old urban renewal projects are similar in some respects, in that both involve fairly large-scale development with defined geographical limits. The conceptual difference is in purpose. The primary objective of a new-town-in-town is to encourage revitalization of an existing city. By contrast, the primary purpose of urban renewal was to remove slums and blight and to prevent continued urban deterioration. Although these purposes overlap somewhat, it is clear that there is a different "center of gravity" for each of these programs. Since slum removal or rehabilitation are not the primary purposes of new-towns-in-town, they are typically located in areas which have sound economic potential and only minor relocation problems.

Other terms used to describe projects similar to new-towns-in-town include "mixed-use developments" (MXDs) and "joint development projects."

The former term was used in a study, published by the Urban Land Institute, of some 87 developments in the U.S. and Canada.* The definition of an MXD used in the study is:

"A 'mixed use development' means a relatively large-scale real estate project characterized by:

- . three or more significant revenue-producing uses (such as retail, office, residential, hotel/motel, and recreation--which in well-planned projects are mutually supporting);
- . significant functional and physical integration of project components (and thus a highly-intensive use of land), including uninterrupted pedestrian connections; and
- . development in conformance with a coherent plan (which frequently stipulates the type and scale of uses, permitted densities, and related items)."

A NTIT would qualify as an MXD under this definition, but an MXD would not necessarily have the balance required for a NTIT. Crystal City, an MXD in Arlington, Virginia, is often called a new-town-in-town, although some would argue that it lacks a sufficient range of housing for different income groups. Joint development projects also are mixed-use developments, but the former term is generally applied to projects involving transportation facilities, such as transit stations. Neither of these types of developments are intended to offer the advantages of a truly balanced community and rarely contain significant residential components.

*Witherspoon, Robert E., Jon P. Abbett, and Robert M. Gladstone, Mixed-Use Developments: New Ways of Land Use, the Urban Land Institute, 1976.

B. Some Examples

Some examples of existing new-towns-in-town may help to clarify the definition. Three well-known projects that are under development are briefly summarized below.

1. Roosevelt Island, N.Y.C., New York

Roosevelt Island new community occupies a narrow 143-acre island in the East River in New York City. It is being developed by the New York State Urban Development Corporation (UDC). With projected development at about the half-way point, as of March 31, 1980, over 40 acres had been developed into 2,100 multi-family housing units with a population of 5,500 (30 percent minority). About 1,000 units were subsidized for low- and moderate-income families. Commercial uses occupied over 40,000 square feet of space. Employment, most of which was already in place at an existing hospital on the site, was 4,400.

Over \$2.5 million in Federal grants have been awarded to the project under Title VII eligibility certification by HUD's New Community Development Corporation. An Urban Development Action Grant is pending approval in HUD. UDC has contributed some \$60 million of its own funds to project development.

2. Fort Lincoln, Washington, D.C.

Fort Lincoln is being built on the 343-acre site of a former Justice Department correctional school. It is planned for a population of some 16,000 people with a wide range of incomes. There will be a liberal amount of open space and a lake. The new-town-in-town will have its own shopping facilities, and employment will be

provided in office, commercial and institutional developments, both on and offsite. Family townhouses, a high rise structure for the elderly, and recreational facilities have been completed. Federal assistance to this project includes a partial writedown on the cost of the land and \$27.8 million in urban renewal grants (committed before the end of the Federal program).

3. Illinois Center, Chicago, Illinois

"Adjacent to Chicago's Loop area, this 83-acre project will ultimately involve 13,500 residential units, 9.9 million square feet of office space, 1.2 million square feet of retail facilities, 4,500 hotel rooms, and parking for 16,000 cars. Open space uses will include a six-acre park and a four-acre esplanade along the Chicago River. To date, some 10 acres have been developed in final use. The project's master plan calls for a multi-level circulation network which will eventually cover the entire site and serve as a base for all development. Illinois Center Plaza venture, a joint venture between the Illinois Center Corporation and Metropolitan Structures, acts as a master developer for this \$2 billion project, acquiring and improving land with City assistance and either developing or selling sites to builder/developer groups. Construction began in 1969 with the estimated completion date in 1989." (From: Mixed-Use Development: New Ways of Land Use)

C. Extent of "Demand"

Are there a number of developers and cities that are undertaking, or want to undertake, NTITs?

In the material developed during NCDC's 1977-78 study of the potential utility of Title VII (as it might be amended) in encouraging and supporting new-towns-in-town, it is noted that:

"Although the moratorium remains in effect, over the past several months, the New Community Development Corporation has received more than 70 unsolicited requests for advice and assistance from public and private entities interested in developing new-towns-in-town (NTIT)."

Twenty site visits were made by NCDC staff. The projects ranged from on-going projects, such as Coldspring in Baltimore, Maryland, to sites with only initial planning, such as Milwaukee's Park West. Some of them are continuing to be developed; others seem to have remained in the idea stage.

One could conclude from this 1977-78 experience and other indicators that in some instances, private developers or cities are translating this interest into plans and projects. This interest and action supports a belief that there is some "demand" for NTITs. On the one hand, it would be misleading to project all of the inquiries, even those with potential sites, as a quantifiable demand. On the other hand, it's not known how many potential NTITs lie fallow because of a lack of encouragement and/or special support in Federal aid programs, or, specifically, the moratorium on the Federal New Communities Assistance program.

II. Benefits of New-Towns-In-Town

Some of the benefits cited in justifying the new-town-in-town concept flow from the mixed uses (especially in contrast with urban renewal or other single function projects), others from higher densities, and still others from the relatively increased scale of development. But, according to Jim Rouse, who chaired the Symposium on Metropolitan New Towns, the most significant contribution of the NTIT system of development is the scale of the planning process, the community scale. This fosters the planning of: (1) entire systems (school and recreational systems, for example); (2) the interrelationships between systems and land uses; and (3) the longer range commitments required of public and private sectors. The community scale adds to the benefits and values of individual projects as they are developed over a period of eight to 12 years. There is, admittedly, some overlapping and duplication among the perceived benefits listed below:

- . NTITs are large enough in scale to assist in the redevelopment of deteriorating urban infrastructure; to allow cost and energy saving innovations such as district heating; and to permit joint development with rail transit station infrastructure.
- . NTITs can provide a longer-term, planning and financial support "umbrella" for UDAG and similar special purpose projects within or near the site. Also, NTITs can become a packaging device for a number of HUD and other Federal assistance programs.
- . NTITs provide, in the case of a single owner of the project, the opportunity to use revenues from high yielding uses, such as office buildings

and luxury apartments, to help offset subsidies required for low- and moderate-income housing. Such a financial opportunity does not usually exist in small single use market rate developments.

. NTITs offer persons of a significant range in incomes the opportunity to live near their jobs and yet remain in the central city, thus reducing transportation requirements. They can provide a better living environment, without racial and class segregation, for blacks and other minorities who do not wish to move to the suburbs. Roosevelt Island and Cedar-Riverside are integrated by both race and income.

At the same time, they can retain middle class minorities and attract whites back to cities, thereby slowing the trend toward all-minority populations and school systems in central cities.

. Housing in NTITs reduces commuting time, pollution and energy consumption for persons who work in the central city and for whom acceptable accommodations are not available elsewhere. They offer persons, who prefer the vitality and amenity of a center city, an environment not usually available in the suburbs.

. NTITs offer convenient locations in good surroundings, yet in the central city, for specialized office functions requiring face-to-face contact.

. New-towns-in-towns can generate new sources of property tax revenues in cities. They help cities to partially offset tax losses due to outward migration of manufacturing and other commercial firms, and middle and upper income taxpayers.

- . NTITs help retain institutions in cities, such as universities, by providing expansion space.
- . NTITs, in contrast to some Federally assisted projects, need not be located in existing poverty areas, thereby lessening the need to overcome a negative location's image or producing relocation problems.
- . Because of the scale, which increases the opportunity for improved and more comprehensive planning, NTITs can be designed to provide "defensible space," and they have the potential of being designed as a safer environment than a single housing project.

There are several special situations where a NTIT could have particular significance and benefits:

- . A NTIT around a transit station would help provide a market for the transit and, at the same time, provide access to the NTIT (example Crystal City). This would have the effect of conserving energy significantly in that fewer automobile trips would be needed by residents.
- . Projects on land already owned by the city would reduce costs and risks to the Federal Government. Large vacant land holdings are logical candidates for integrated planning implicit in a NTIT.
- . They have a special potential for waterfront development, particularly on land-fill, where there is high market demand and a scarcity of existing land (Battery Park City).
- . They permit good use of unused railroad rights of way (Illinois Center, Chicago) or on and where a railroad marshalling yard is to be moved.
- . There is potential for new-towns-in-town in less developed areas adjacent to cities which have suburban new town characteristics--(example

Ponchartrain)--either within very broad urban boundaries (New Orleans) or are capable of being annexed by the city. Thus, they would contribute to a city's tax base, without having a very high density.

Although economic development is not the primary mission of NTITs, they do generate considerable economic benefits. Based on a 100-acre prototype NTIT, it was estimated in the 1977-78 study that some 5,925 permanent jobs would be created or "saved" in the project. Other estimated fiscal and economic benefits were: an almost tenfold increase in taxable property; and considerable leverage on private investment by the Federal funds. Other Federal programs--such as UDAG--may have a higher per dollar leverage on both jobs and private investment since they usually are targeted on an economic development project. On the other hand, the comprehensive development of a NTIT produces the other values listed above, that, though they may not be explicitly measurable, must be considered when comparing alternative investments of limited Federal funds.

The Council on Development Choices for the 80s, has identified seven physical development options that should be given priority.* One of these is "satellite communities" which, as defined, include NTITs. And NTITs would help achieve three of the remaining six options:

- Accelerate infill, rehabilitation, reuse and redevelopment.
- Increase mix of uses.
- Produce housing to accommodate market demands and need.

*Marrero-Shalala, et al memorandum, June 30, 1980.

III. Current Federal Aids

The fact is that current, non-Title VII, Federal aids are being, and can be used to support the development of a limited number of NTITs. HUD's Title I Community Development Block grants (CDBGs) (and the advances under Sec. 108) and UDAG funds are especially appropriate to help in this development. Selected infrastructure, transit, and community facility grants or loans may be secured from other Federal agencies in support of NTITs. A city, with a sophisticated planning and programming capability, and with "grantsmanship" expertise, can pull it all together for a NTIT project.

There are some deficiencies or handicaps in using these aids. A NTIT requires a relatively long-term commitment of targeted funds on a specific area. But, targeting is politically difficult to do in the absence of Federal incentives; rather there is a tendency to spread municipal expenditures and Federal aid around to give something to everyone. For example, there has been a considerable dispersal of CDBG funds in the recipient cities, in spite of the targeting emphasis in the program regulations.* For 10 severely distressed cities, 74 percent of the census tracts received some CDBG funds (as a mean). The total number of census tracts receiving CDBG funds in 30 cities increased from 1,758 in the first year of grants to 2,210 in the fourth year.

Other programs are designed for a short-term development period or have other limitations. Sec. 108 advances (loans) generally are intended to be

*Rommel, Paul, et al, Targeting Community Development, Brookings Institution, January, 1980.

paid back within five years. UDAG projects have a three-year target for completion. CDBG funds should be used in areas of lower income people, which limits the use of these funds for NTITs in better areas or in central business areas.

In contrast, Title VII was expressly designed to assist new town development and it contains a core of aids--loan guarantees, interest loans, grants, and housing allocations--packaged by one agency (NCDC) for delivery. The aids have the flexibility needed for the scale, 6-12 year development period, and comprehensiveness of a NTIT.

IV. The Potential Value of Title VII/NCDC

As indicated above, there are some NTITs, or closely related types of development, underway in some cities, and there are a number of Federal loan or grant programs that can be drawn upon to support pieces of a NTIT. But there is no specific Federal policy or program intended to encourage and support the concept, except for Title VII. Indeed, the practice at the local level may be in the other direction. Local planning tends to be focused on specific short-range problems or projects rather than on longer-range strategies implicit in a NTIT. Development funds tend to be "spread around" the city and on limited projects with a highly visible and immediate payoff. There are no rewards--on earth--for a councilman who votes for long-range planning and strategies.

The Title VII program has certain NTIT aids not available elsewhere--a long-term, very flexible loan guarantee, loans to pay interest costs, and

supplemental and public service grants. But the main value of making it available for NTITs is to provide the specific encouragement, backed by financial incentives, and a delivery system that specifically supports and rewards cities for developing and committing their resources to the NTIT form of development. Lifting the moratorium on Title VII applications for NTITs, providing appropriate Title VII funding, and increasing certain organizational capabilities within NCDC, would be a clear announcement of a Federal policy of encouraging cities to squeeze the most value out of Federal and local development dollars through the NTIT device.

It is not now infeasible for a city to undertake a new-town-in-town; with the reopening of the Title VII program it would have an incentive and specific support to do so.

V. A Program Proposal

A. Reopen and Fund all of Title VII

It is proposed that the moratorium on Title VII applications be lifted for NTITs and that steps be initiated to secure new authorizations, where necessary, and appropriations to fund all of the aids in the statute. It did not make sense, and it does not make sense now, to attempt to operate the Title VII program with only one or two of its elements. NTITs, especially, are complex projects and need the full range of the assistance provided by the Congress in the statute. A full commitment from the Administration and the Congress is a necessary prerequisite.

Guarantees for loans would be used on a selective basis (see below) and would be made only to a city or its public development agency. Funding the interest differential grant authority in Title VII would be essential. Revenues to retire the loans would not be limited to land sales or leases, as has been generally the case in previous Title VII projects. All sources of revenues would be considered, including income from interim rentals of acquired properties, special assessments, or shared revenues.

Since the Federal Financing Bank is now a part of our program financing and since no public developer could possibly spend \$25 or \$50 million all at once, we might be able to have the loan and guarantee arranged to work along the lines of the Federal Letter of Credit where funds are drawn down as needed to pay obligations. This would reduce the interest costs considerably and correspondingly the grants for waiver of tax exemption on the debentures.

B. Provide Grant Incentives

Two sources of grants are associated with the Title VII program and should be made available: (1) the authority in Sec. 718 to make supplementary grants "on top of" basic grants from specified programs in other Federal agencies (such as grants for mass transit and waste disposal systems); and (2) the discretionary CDBG grants authorized in Sec. 107 of Title I. The latter grants are much more flexible and can be used as supplementary grants. They have the advantage of not being tied, by statute,

to specified basic grant programs. Obviously, if a choice is feasible, the preference would be to have adequate Title I grant funds set aside for NTITs.

The grants would be used to the maximum extent as supplementary or incentive grants: (1) as incentives to localities to undertake the time, effort, and expense of planning, programming, and negotiating a NTIT; and (2) as "leverage" on localities, States and other Federal agencies to target their resources in support of NTITs. Thus, a Title I grant made for a public facility in a Title VII NTIT would be a "bonus" to the city and would generally be used to pay all, or a portion, of the local share of costs required in other Federal grant programs. There would be instances where a Title I grant would be used alone and not be supplemental to other grants, but the concept of using it as a reward or incentive would remain.

As a policy, grants would only be made to cities or public agencies, an application of the limitation in Title VII's Sec. 718 (and the UDAG legislation). This would be consistent with a policy to accept NTIT Title VII applications only from public sponsors (see below). This does not mean that the public sponsor would not use the funds in any legally eligible way to support private development.

C. Target Federal aids

As indicated in the concept of the incentive, supplementary grants, discussed above, it is not intended that the Title VII program should "go it alone." Indeed, it is not feasible. Rather, it is intended that a Title VII

NTIT provide the incentive and the planning framework for coordinating and programming many other Federal assistance expenditures such as UDAG and CDBG funds. Coordination, in this targeting sense, is primarily a local responsibility, but it can be supported at the Federal level.

Specifically, it is proposed that the NCDC organization and staff include the capability to assist local NTIT sponsors to identify, understand, and apply for any Federal aid that can be helpful in carrying out NTIT planning and development. Many individual city officials and private developers, including participants in the Symposium on Metropolitan New Towns, have identified this currently missing kind of "packaging" help as a key to the success of any Federal NTIT program.

The set-asides of HUD allocations of assisted housing units would be needed, and to the extent feasible, the set-aside principle should be employed with other Federal aids as a part of the "packaging" concept. This might entail a Presidential directive giving a high priority to Federal aids and expenditures that support a Title VII NTIT.

D. Some Other Considerations

Participants in the Symposium on Metropolitan New Towns recommended consideration of other measures to encourage and support NTITs. These were not spelled out in detail and would require more analysis.

Chief among these was a tax incentive, a special abatement or deferment of (Federal and/or local) taxes, for example, for locating an industrial or commercial

enterprise in a NTIT area. France has successfully channeled development within the Paris region and within a national strategy using tax and other incentives and penalties. The Missouri redevelopment statutes include a property tax abatement provision.

It was also recommended that all Federal agencies with pertinent grant or loan programs establish a procedure for reviewing all assisted projects in the light of their potential to support a NTIT concept. The A-95 procedure might be amended to encourage the same kind of consideration, especially of regional projects such as mass transit facilities.

There seemed to be a consensus among the participants that a city needs a public development corporation to provide the expertise, stability, and "entrepreneurship" necessary to plan and complete a NTIT. It was recommended that HUD publish model legislation for such a corporation. (The Advisory Commission on Intergovernmental Relations has published a model statute for State or local land development corporations.)

E. Policy guidelines

1. Two types of projects

Two types of projects are envisioned: loan guarantee projects, and certificate projects.

The loan guarantee projects would be approved on a highly selective basis using such criteria as the need for the loan guarantee because of the scale of the proposed NTIT, the availability and adequacy of local resources,

or the urgency of need, such as for loans to finance advance land acquisition before price escalations. In general such projects would be in larger cities and cities with constraints on borrowing authority.

Most cities would be encouraged to apply for a certificate of eligibility only. These certificate projects would be eligible for all available grant incentives, housing set-asides, and "packaging" assistance.

2. Increased local responsibility and commitment--and reduced Federal involvement

The policy to limit Title VII and associated assistance to public authorities or corporations provides the institutional mechanism to support a policy calling for more local responsibility and less Federal review and monitoring. The old Title VII "burden" of dealing with private developers, under this policy, is shifted from the Federal to the local level.

This policy would be expressed, also, in a requirement for the planning of a NTIT to be undertaken, completed, and financed at the local level without special funding through Title VII. (The limited special planning assistance authority in Sec. 720 would be used sparingly. This policy would not prevent the use of other available Federal planning assistance funds.) The intent is to assure that the locality is making a commitment of its own from the beginning and that plans are developed to a point of completeness requiring the least review time by NCDC. The policy that emphasizes certificate of eligibility projects would help reduce the Federal turn-around time because the reviews would not require the extensive financial analyses required before making a loan guarantee commitment.

3. A negotiated agreement

It would be a policy to insist that the NTIT planning process include negotiations among all of the interested parties to secure commitments in advance, to the maximum feasible extent. Thus, the local public development corporation would be expected to secure all the commitments necessary to carry out the project: from the city, from the State, if appropriate, from other Federal agencies, from NCDC, and from private developers, builders, and investors. The Negotiated Investment Strategy (NIS) used in St. Paul, Minnesota provides a model for this process.