

ADMINISTRATIVELY CONFIDENTIAL

SUMMARY

REPORT OF
THE TASK FORCE ON NEW TOWNS

October 16, 1967

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THE PROPOSAL

The Task Force recommends that the Federal government begin to encourage the development of new communities through financial devices which reflect the realities of the modern money market.

President Johnson, in his message on the Central City and its Suburbs of March 2, 1965, and in his other urban speeches and messages to Congress, has said that we must be inventive in meeting the twin challenges of the blight of our cities and the crushing pressures of growth.

Growth is inevitable, and it must be structured so as to permit an urban development with order, beauty and reason.

To date, the Federal government has been timid in its sponsorship of new communities, while other nations have moved aggressively to adopt them as a counterfoil to the same problems we face. But bold private entrepreneurs in this country have set out to combine the inevitable profit in metropolitan land development with a vision that a better life would follow if careful planning preceded construction. The result has been the universally acclaimed Columbias, Restons, Laguna Niguels. These few new towns, however, are born only when the enormous resources of the largest insurance and mortgage companies are tapped.

The Task Force recommends that the Federal government make available to developers, on a large scale, a major innovative financing technique -- Cash Flow Debentures. These would be long term private loans, with Federal guarantee of the private financing, and with the repayment requirements of interest and principal responsive to the actual cash flow experience of new town development. Discussions with representatives of Wall Street and established leaders in the financial community indicate that this mechanism would be received with enthusiasm.

The Task Force has concluded that a new communities program could be a major breakthrough for the country.

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A FEDERAL PROGRAM FOR NEW COMMUNITIES

Introduction

1968 can be the year when a systems approach is successfully applied to our Nation's cities.

For the time is ripe to launch a Federal program for new communities, a program that rounds out the spectrum of Federal policies for cities.

America needs places to make a new start--places close to home, familiar, full of promise.

America needs places where neighbors can help each other--without getting in each other's way, without trampling each other's flowers, children.

But they won't have a chance to make a new start if too many neighbors are too close, if traffic is too dense, if jobs are too far away, if open space is denied them.

This is why America needs new cities--places where the "new start" can begin; places where people can gain a new sense of community; places which do not produce rootless and isolated citizens.

This country is big enough to tackle the big jobs that make up the "urban problem." The job of renewing its existing cities. The job of coping with unplanned suburban growth. And the job of creating, on open land or around existing cities or villages, wholly new cities with jobs, schools, and the best advantages for raising children, and making new starts.

It needs new cities as an essential element of overall strategy for housing and land development:

- to relieve the pressures on hard-pressed central cities, which cannot solve their problems within their borders alone;
- to stabilize migration patterns, and help set a better rural-urban balance;
- to enlarge the housing opportunities of lower or moderate income families, and to help low-income groups, now landlocked, move nearer their jobs;
- to revitalize moribund small towns and cities;
- to preserve the natural beauty of our land;
- to reduce the spiraling costs of land and of the utilities that service them;
- to provide laboratories for creating technical breakthroughs; and
- to provide an example of efficient and economic packaging of Federal grants-in-aid and loans.

If you look around today and see a dozen houses, or a dozen people on the sidewalk, take a look into the future-- just a few years off. Instead of dozens there will be hundreds. If you look as far as 1980, you'll discover 48,000,000 new Americans, all crowded into and around the cities in our existing metropolitan areas.

This vast population growth is coming as surely as God made little green apples and as surely as young couples

marry and have babies. It's all coming--thousands of shopping centers, schools, bridges, airports, subdivisions. By the year 2000 we will have erected a second urban America.

What this country needs is new and better places to live in, new and better communities--new and better cities, better than the old, giving people more choices than they now have.

By their very nature, new communities provide unique opportunities--for building fresh, orderly, free-standing neighborhoods and municipalities that can offer a variety of housing choices, attractive industrial opportunities, a physical setting in harmony with the land, and opportunities for social and technological innovation on an unprecedented scale.

The Task Force has concluded that building new communities is a movement whose time has come. Private capital is seeking such outlets; builders and developers are seeking this new organization principle; the giants of industry are looking for new settlements for locating their plants; and several states are embarking on new town programs. New towns, though not a panacea, can make important contributions to immediate as well as long-range solutions.

The Task Force concludes, further, that the creation of such new communities can be encouraged and established largely through the workings of the private enterprise

system. The Federal role would be (1) to make some rather modest remedies for present flaws in the capital market and (2) provide incentives to assure that existing Federal grant-in-aid and loan programs are harnessed to further new community development. Little would be required in the way of new Federal financial obligations.

THE PROPOSALS

The Task Force recommends:

- A program of Federal guarantees of the financing of entrepreneurs who spur the development of new communities; and
- Grant and loan incentives to public bodies participating in the development of new communities.

Federal assistance would be available for building new communities which meet standards that ensure:

- Internal planning and consistency providing adequate levels of public services and community amenities;
- Consistency with comprehensive plans for relevant States, metropolitan regions, or districts;
- Economic feasibility in terms of location, potential for growth and adequate accessibility to jobs (either within or nearby);
- Participation of small builders in the construction of homes; and

-- A broad range of housing types and prices.

The program we recommend will be available for new communities within both metropolitan and non-metropolitan areas.

The Task Force proposes Federal help along three lines:

1. Incentives for Private Developers.

The major obstacles to private entrepreneurs in new town development today are:

- (1) The vast amount of capital required to acquire the land and to install basic services such as water and sewer and other utility services, streets, parks, bridges and highways, (\$47,000,000 for Columbia, Maryland; \$29,000,000 for Laguna Niguel, California), with correspondingly high carrying charges and enormous annual cash requirements; and
- (2) The long development period (which yields only minimum revenues in the initial years) before a cash return is generated to pay those charges.

New Towns, not unlike existing cities, need Federal assistance if they are to succeed in their purpose.

To overcome these difficulties, the Task Force recommends:

- Taxable Cash Flow Debentures (New Communities Development Assistance).
- to provide a Federal guarantee behind private financing raised by non-profit and limited

dividend developers of new communities. This would be a long-term loan, with repayment requirements responsive to the actual cash flow experience of the new town development.

- For non-profit developers the Federal guarantees would cover 100 percent of all costs. For limited-dividend sponsors the program would guarantee up to 90 percent of land and development costs; 95 percent of financial and carrying costs; and 90 percent of risk fees.
- An incentive of higher permissible dividends would be permitted to those limited dividend sponsors creating a self-sufficient economic base or providing a higher proportion of moderate income housing.

- Federal guarantees of taxable Cash Flow Debentures (New Communities Facilities Assistance) for profit making developers for the private financing of 90 percent of the costs of neighborhood and community facilities.

The Task Force thus believes that the central problems of private New Town development--high initial capital requirements and the cash flow pressure--are fiscal problems susceptible to solutions that involve a limited Federal presence.

2. Encouraging State and Local Government Support

A primary assumption of the Task Force is that the problem of land availability is that of the availability of financing rather than that of the assembly of land parcels. However, it recognizes that sites of the necessary size may be difficult to find in several major metropolitan areas. New Towns must also create an extensive infrastructure of utilities and community facilities--literally from the ground up.

State or local government cooperation and support will often be necessary: (1) to obtain land through eminent domain proceedings when necessary tracts cannot be obtained any other way, (2) to acquire and hold land for subsequent new community development, (3) to provide municipal facilities, and (4) to adjust zoning and other regulations to meet the special goals of new communities.

To encourage States and their subdivisions to support new community development, the Task Force proposes:

- Co-ordinated Federal packaging and priority to public facilities grants and loans to state and local agencies (along lines of the Model Cities program) especially those programs administered by the Department of Agriculture, the Economic Development Administration, and the Department of

Housing and Urban Development;

- A single focal point for contact and response
to private developers and state and local governments interested in new communities;
- Authorizing a 20% add-on to grant programs
assisting new community development, such grants
not to exceed 80% of total costs;
- Amending HUD's Advance Acquisition of Land Program
to permit grants to public agencies for assembling
land which later could be sold for new community
development; and
- Extending the Urban Planning Assistance Program and
the Program of Advances for Public Works Planning
to assist localities in planning new communities,
in district planning, and in preparing detailed
plans for the public facilities serving the
communities.

3. Special Assistance for Moderate-Income Housing.

The Task Force sees new communities as providing new opportunities for housing low-and moderate-income families. To assure that these opportunities are not missed, it proposes two incentives:

- New community below market interest rate
mortgages. Private institutional lenders would
serve as the source of guaranteed long-term home

mortgages for moderate-income families.

Subsidized interest rates would vary according to ability to pay. The program would be administered in the form of advance commitments to developers receiving New Communities Development or Facilities Assistance, and to builders who purchase tracts within such development.

- New community moderate-income land development assistance. Federally guaranteed Cash Flow Debentures would help non-profit and limited dividend builders finance site development and construction of moderate-income housing.

WHY NEW COMMUNITIES?: THE BENEFITS

A fresh start; a significant new force on the American scene. And, in addition, they promise benefits of major importance to the people who live and work in them, those who remain in the central cities, and the metropolitan area and nation as a whole.

--Moderate cost housing on an open occupancy basis.

--High costs in the suburbs (and still higher costs in the central city) are one cause of economic segregation. To acquire, clear, and prepare sites in urban renewal project areas may cost up to \$350,000 per acre. The price of suburban lots is rising: in 1960 it averaged \$2,470; in 1966, \$3,389. Federally supported new communities offer a way of breaking this deadlock by making available large new supplies of buildable urban land at a reasonable price.

--Unless some of the lower income groups move to new towns, the cities will have a difficult time handling the increased numbers of lower income families within the core area, and migration of such groups to the suburbs will meet

the traditional zoning, building code and social barriers of suburbia.

--Unlike small developers who cannot recoup the costs of expensive facilities from the new families for whom they build, developers of new communities can provide a broad range of facilities--schools, health, water and sewer, cultural and recreational--and allocate the cost among the thousands of residents who will be served.

--Moreover, per unit costs of public facilities, whether provided by the developer or the local public authority, are potentially much lower in new communities.

--Reduction of as much as 2/3 in land requirements for facilities is possible.

--One region estimated savings of \$800 million in the cost of roads.

--New communities will be safer:

--Separation of pedestrians from the car means that children can walk to school and to play, and families, to church and recreation. Fire and police stations can be located where they will offer the greatest protection to all.

- Local streets and street lighting can be planned according to safety standards.
- Uniform building standards can assure a safe, healthy environment, as can adequate sanitation facilities and easily accessible medical care.
- Unified planning and development can take advantage of sound design, and can set a model for older communities to emulate:
 - Community facilities, such as fire stations or health clinics, can be located with adequate buffers near high density areas they serve.
 - Schools, recreation areas, and jobs can be sited in appropriate relationship to residential neighborhoods; and those nuisance activities, necessary nevertheless for everyday life--laundries, gas stations, trucking facilities--can be appropriately located.
 - Far better than scatter development, new communities can incorporate the benchmarks of good planning: cluster homes separated by green belts and conveniently located recreation and shopping facilities.

- Scale and urban design can be so patterned so as to create a sense of community.
- An unequaled opportunity for the introduction of new technologies.
 - Educational parks and computer tie-in to libraries and museums.
 - Job training and adult education as a part of the community structure.
 - Social innovation, such as community health services, and new methods of community organization.
 - New methods of waste disposal, perhaps using recycling systems.
 - Centralized heating and air conditioning for entire communities.
 - The chance to make major use of prefabrication and assembly line techniques.
 - Major innovations in transportation, such as the "dial a bus" system.
- Proper location of new communities can further the "new conservation" and help retain the natural beauty of our country:
 - By channeling development into carefully selected areas and relieving the pressure to build on land of great natural values;

Finally, the attractiveness of new communities--the fact that they are fresh starts uninhibited by precedent and custom of older towns and cities--will, in the opinion of the Task Force, provide optimum conditions for inter-group and inter-racial relations. An ample supply of good housing and quality facilities in a stable environment for all will reduce the kinds of frictions and antagonisms so common to most urban situations. Reduced to its essentials, the new town process demands that primary attention be paid to the physical, social and economic needs of future residents.

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THE PROMISE OF NEW COMMUNITIES

In his addresses on urban affairs, the President has brought to public attention two major groups or urban problems: the blight and deterioration attacking our central cities, and ill-planned run-away growth that is overwhelming our metropolitan areas.

Rent supplements, model cities, and urban mass transportation have been launched by this Administration to deal with these issues. These programs point the way to eventual solution of the stubborn economic and social problems of our older cities. But they cannot do it alone. New Towns can provide an ideal reciprocal by helping absorb the great population pressures and relocation problems that

now bear on central cities.

Basic to the proposals of the Task Force is the conviction that the Nation needs to achieve a more rational and orderly pattern of development for its burgeoning population, and a more equitable distribution of economic activities. It believes, also, that its recommendations offer promise for achieving national housing objectives; a better allocation of the Nation's land and water resources; and opportunity to bring technology and science to bear on the urban environment and, of particular importance, a chance to bring the power and imagination or private capital and initiative to bear on urban problems.

A growing number of nations have turned to new communities in their search for a proper method to guide their internal development. Since the 1960's an impressive number of privately sponsored builders have begun the development of new towns in the United States.

The Federal Government already is committed to the possible development of a new community near Minneapolis, and a "new town in-town" on the National Training School site in Washington, D.C. Surplus military and other Federal lands now are being surveyed for opportunities to provide new community development. This Federal momentum can provide basic leadership for the major new community program proposed in detail in the body of our Report. It can

help also to ignite public imagination and bring about the broad guage public support so important to the success of a major new undertaking.

For the Task Force visualizes its program as a major new direction in the traditional Federal concern for decent, safe, and sanitary housing; a reinforcement of its regard for the problems of the small community, and of agricultural and natural resources generally; an opportunity to enhance the physical quality of the metropolitan environment; and a reaffirmation of its concern that Federal funds and programs provide for the broadest possible public benefits, and contribute to a continuing exercise of free choice by the individual.