

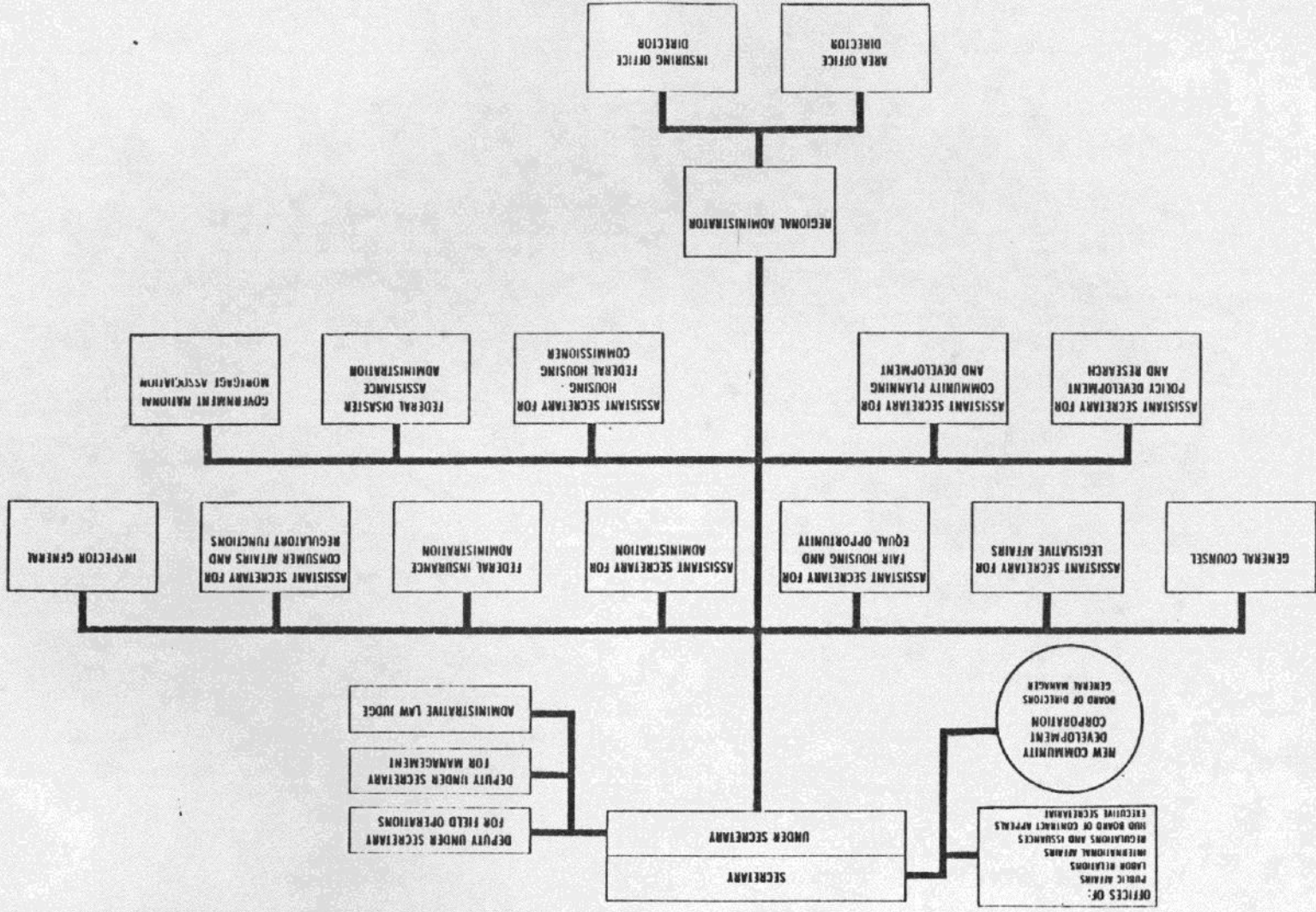
NEW PROGRAM INITIATIVE

NEW-TOWN-IN-TOWN

NEW COMMUNITY DEVELOPMENT CORPORATION
Department of Housing and Urban Development

February 6, 1978

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



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ANALYSIS OF NEW PROGRAM INITIATIVES

RESPONDING AGENCY: New Community Development Corporation

NAME OF PROGRAM : New Towns-In-Town

Problem to be Addressed

Despite Federal support through numerous but separate programs, local efforts at urban and neighborhood revitalization are hampered by the technical and financial incapacity to undertake comprehensive, long-range projects which meet varied development needs, achieve a range of mixed uses, and encourage the creation of diverse communities.

In some cities, extensive disinvestment, abandonment and demolition of residential and commercial-industrial properties has left parcels of land vacant or sparsely-occupied by unused or under-used structures. This has resulted from the outward migration of people and industries from cities and obsolete facilities and, in some cases, from public actions such as urban renewal or highway clearance for projects that were never carried out. In these and other cities, opportunities for well-planned development exist to create new diverse communities that coincide with the anticipated growth of commerce, industry and jobs.

The process of abandonment, outward migration and deterioration of the physical and social environment has decreased opportunities in some cities for lower-income and minority people to attain decent housing and to pursue employment. It discourages middle-class people from staying in cities or moving into them. Open areas left behind are unsightly and detrimental to nearby neighborhoods and business districts. They are frequently the sites of vandalism and other criminal activity. Left in their present condition, they are not only socially harmful and physically depressing, but they represent millions of dollars in annual losses of potential tax revenues that they are not producing for local governments.

Notable efforts are taking place in many cities to improve social and physical environments. Partnerships between city officials, mortgage lenders and neighborhood and civic organizations are at work on programs to rehabilitate housing and to make public improvements. But such efforts are limited in what they can accomplish when operating against the detrimental effects of abandoned and deteriorated areas.

Urban and neighborhood revitalization efforts can be successful in such situations if they can be integrated into larger more comprehensive developments which focus many Federal programs and resources on these problem areas in ways which relate to the human and social service needs

around them; increase opportunities for decent housing and employment; create more diverse and exciting communities; strive for efficient, less costly and energy-saving standards; and ease the fiscal burdens of the cities. Large, comprehensive development in smaller cities can avoid the unplanned sprawl of the past and build new diverse communities that accommodate the growth of jobs.

Incidence of the Problem to be Addressed

The problem description summarizes situations which exist in some 50 cities that have made unsolicited inquiries to the New Community Development Corporation (NCDC) about New-Town-In-Town designation and assistance. And they, in turn, are representative of the many cities in economic, physical and fiscal distress to be addressed by the National Urban Policy. In terms of hardship, factors such as households living at the poverty level, economic decline or lack of growth, older housing and shrinking tax bases, 125 cities with populations of 50,000 or more are in distress, as are more than half of the large cities with populations of a half million or more.

Similar to the variety of cities with distress conditions, the cities seeking Title VII ^{*/} assistance include large

^{*/} Title VII of the Housing and Urban Development Act of 1970, cited as the "Urban Growth and New Community Act of 1970", contains the basic authority for new community assistance, including new towns-in-town.

central cities of metropolitan areas, urbanized inner-ring and other older suburbs, and small to medium-sized cities within or outside of metropolitan areas. Of the inquiring communities, the staff of the New Community Development Corporation has visited 20 at the request of the mayors. They are located in every region of the country.

The large central cities with populations of a half million or more which have inquired are: Baltimore, Boston, Detroit, New York City, St. Louis, Los Angeles, Chicago, Milwaukee, San Diego, Washington, San Jose, Buffalo, Cleveland, Memphis, Seattle and Kansas City. New York City has the potential for two New-Town-In-Town projects, in the South Bronx and Harlem.

Inquiring cities of between 250,000 and 500,000 population are Sacramento, Toledo, Atlanta, San Juan and Nashville; between 100,000 and 250,000 population, Greensboro, N.C., Huntsville, Ala., Macon, Ga., Madison, Wisc., Hartford, Conn., Columbus, O., Providence, R.I., Yonkers, N.Y.; between 50,000 and 100,000 population, Pensacola, Fla., Altoona, Pa., Chesapeake, Va., Greenville, S.C., Lynn, Ma., Reno, Nev., and Clearwater, Fla.

Smaller cities of under 50,000 population which have contacted the New Community Development Corporation with NTIT

inquiries are Conneaut, O., Beverly, Ma., Salem, Ma., Greenville, Miss., Anchorage, Alaska, Santa Fe., N.M., Petersburg, Va. and New Brunswick, N.J.

Profiles of areas and conditions in 15 cities which could be addressed through NTIT assistance are attached. (See Appendix I.)

What existing programs, if any, address this problem? Why are the existing programs inadequate to meet the needs without a new program initiative?

Within the inventory of the existing Federal programs, the New-Town-In-Town program created by Title VII is potentially the only vehicle to carry out comprehensive urban and neighborhood revitalization projects which are large enough to encompass the problem to be addressed. The NTIT is unique in having this capability because it is the only existing program which brings together a total systems approach to a designated area backed by the long-term, 5-20 year financial commitment needed to see a project from site planning through staged development to completion.

Other Federal programs such as Community Development Block Grants (CDBG) could be targeted to certain areas within cities to increase housing and supportive public improvements. And the CDBG program has been enhanced by the

addition of economic revitalization as an eligible activity, by a new loan guarantee feature and, for older communities, a formula based on poverty, population decline or older housing factors. The new Urban Development Action Grant (UDAG) program, designed to leverage investment in severely distressed cities, offers a single grant to encourage a private commitment.

But both the CDBG and the UDAG programs are limited to short-term strategies. CDBG is a city-wide program and the need for CDBG funds in most cities is so pressing that local officials are usually forced to spread it among many areas for near-term needs rather than long-term development.

UDAGs are single grants for projects which generally are expected to be accomplished in no more than four years. While both aids are important tools to be utilized within a new-town-in-town project which would be enhanced by the additional funds they would make available, neither is designed to achieve the wide range of objectives a NTIT project envisions.

While there has been much criticism in recent years about "throwing public dollars at urban problems", it is clear that private conventional development cannot fill the needs which are the focus of the NTIT program. Private developers find it virtually impossible to undertake such projects because of the high costs of preparing urban sites for redevelopment. Because they must make a profit, they cannot attain the social and

planning goals sought by the National Urban Policy and the NTIT program, such as the provision that a substantial proportion of the housing units in any such program be for lower-income people, environmental quality, and amenities accessible to all income groups.

The program emphasis of the New Community Development Corporation will, because of the flexibility provided by Title VII, be shifted to accommodate the new national policy.

Description of Initiative

a. Short Narrative Description

The new program initiative would require three elements:

1. Removal of the moratorium administratively placed on the New Communities program in 1975. This would allow a number of projects under the NTIT program to move forward without any changes in the existing legislation.
2. Enactment of proposed legislative amendments to provide for a more flexible, effective and realistic program.
3. In some specific cases, Executive Branch action and leadership to facilitate the coordination and cooperation of other Federal programs and agencies to achieve the strategic targeting of Federal resources on NTIT project areas, such as the South Bronx.

b. Objectives

The program would seek to attain the objectives of Title VII of the Housing and Urban Development Act of 1970 which provided for a program that would help cities which urgently need to increase their inventories of low and moderate income housing, to find sites for essential public facilities and additional sources of employment, and to make land available for major rebuilding projects that may be undertaken without major residential clearance activities and with minimal displacement. In carrying out the mandate of the Act as it pertains to cities and other urban areas, the program seeks to achieve the following objectives:

- Strengthen the capacity for both State and local governments to deal with urban and neighborhood revitalization in a comprehensive way through technical and long-term financial assistance.
- Undertake major development within or adjacent to existing cities on vacant land or on land in need of limited redevelopment for the purpose of revitalizing urban centers and stabilizing surrounding neighborhoods.
- Achieve well-planned development in smaller cities with potential for growth in conjunction with new

industry and jobs in ways which accommodate growth that is already occurring but does not draw industry and middle-income people from larger cities.

- Increase housing opportunities for lower-income and minority people in mixed communities with reasonable access to employment opportunities within the various cities and urban areas seeking assistance.
- Attract middle-income people to live in diverse communities in cities or retain middle-income people who already live in cities.
- Encourage the involvement and commitment of the private sector and strengthen the economic base of the private sector through improved physical facilities.
- At reasonable cost, assist in the efficient production of a steady supply of residential, commercial and industrial building sites.
- Assist the home-building industry, both small and large producers, to utilize improved technology in producing well-designed housing while seeking to achieve cost reductions.
- Provide as an integral part of the projects, recreational and health facilities, air quality and other controls which improve the overall living environment of urban areas.

--Involve citizens, neighborhood and civic organizations and the business community in the planning and implementation of projects including efforts in housing cost reduction.

c. Eligibility

Local new community development programs eligible under Title VII are programs designed to result in a newly-built community or in a major addition to an existing community which meets standards established by Section 712 of the Act. The new program initiative would focus the program of the New Community Development Corporation on areas within existing cities.

State and local public entities with authority to act as developers of such projects would be eligible for program assistance. Also, private developers, including non-profit and limited dividend corporations, would be eligible.

Eligible land development activities include a wide range of activities to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. These include: clearing and grading land; making, installing or constructing waterlines and water supply installations; sewer lines and sewage or waste disposal

installations; steam, gas, and electric lines and installations; roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and community or neighborhood central heating or air-conditioning systems. They also include the construction of public facilities and other buildings to be owned and maintained by residents of the development area under joint or cooperative arrangements approved by the Secretary.

d. Type of Assistance Provided

The initiative consists of two phases, as follows:
Phase I--Administrative action which can be taken under existing legislation pending enactment of amendments proposed in Phase II, as follows:

- Announcement by the Secretary to lift the moratorium, imposed by a former Secretary in January 1975, on accepting new applications for assistance under Title VII.
- Actions by OMB, specified below, to approve requests for reapportionment of previously appropriated funds and for authorized Treasury borrowings. Under this Phase, the following forms of assistance would immediately become available to assist selected "in-town" projects which, due to a combination of circumstances--principally where the project site is

already cleared and publicly-owned and where considerable infrastructure is already in place--do not require substantial amounts of Title VII assistance.

1. Planning Grants

Section 720 authorizes grants to both public and private developers of up to 2/3 of the costs of planning Title VII projects which are determined to meet initial feasibility criteria. Funds for this purpose have already been appropriated and require only OMB reappropriation action (in addition to notification to the relevant Congressional committees) to make them available for this purpose.

2. Loan Guarantees

Section 713 authorizes guarantees of the borrowings of public and private developers which are needed to finance land acquisition and land development activities needed to carry out projects which meet Title VII requirements. For public developers, guarantees can cover up to 100% of such costs. Although, as indicated elsewhere, this form of financing has certain weaknesses which mitigate against its use for many types of projects, it can provide valuable assistance to projects, which will be pursued in this Phase, where only relatively

small amounts of borrowings are needed and where the public entities have the resources to meet debt service.

3. Title I Discretionary Grants

Under Section 107 of the HCD Act of 1974, the Secretary's Discretionary Fund is available to fund activities eligible under the CDBG program which are needed to carry out approved Title VII projects. Such grants have been available for previously approved new community projects and would continue to be available for new projects under the new initiative.

4. Supplementary Grants for Public Facilities

Section 718 authorizes grants of up to 20% of project costs for facilities funded under other specified Federal grant programs which are necessary or desirable to carry out an approved new community project. Such facilities include mass transit, highways, open space and recreation, waste treatment, and certain EDA-assisted public facilities. Funds for this purpose have been appropriated and are currently available.

5. Technical Assistance

Section 719 authorizes the Secretary to provide, either directly, by contract or other arrangements,

technical assistance to public and private developers and to State and local public bodies to assist them in planning and carrying out new communities projects. Such activities can be funded through the Revolving Fund; OMB authorization for use of such funds for this activity is needed.

6. Coordination of Federal Programs

Section 728 authorizes, subject to regulations prescribed by the President, joint funding arrangements among Federal assistance programs as may be appropriate to carry out new community projects. Through this mechanism, the new initiative can provide "one-stop" service to developers in pulling together and coordinating the various types of Federal assistance which are needed to carry out the large-scale, multi-purpose projects assisted under Title VII. Presidential action in prescribing regulations is needed. More general authorization for joint funding now exists in other legislation.

Phase II. Congressional Action to Amend Title VII.

As indicated above, the existing Title VII legislation can be effective in assisting certain projects which, due to a combination of circumstances, do not involve substantial

land acquisition and development costs. However, there are many opportunities for new-town-in-town development for which the loan guarantee is not an appropriate form of financing. Based on experience under current legislation, this proposal is designed to provide a more flexible, effective and realistic program to assist in the planning and development of new communities, with major emphasis on the revitalization and sound growth of center cities and close-in locations within metropolitan areas. While the loan guarantee, as currently authorized by Section 713, would continue to be available in exceptional situations, it would no longer constitute the sole or principal vehicle for new community financing.

Instead, the proposed legislation is based upon the following perceptions as to the nature of the new community development process which Title VII currently fails to address adequately:

(a) Long-term, multi-purpose, socially-responsive projects are ordinarily too risky if, as under the loan guarantee, their continued existence is contingent on paying off from internally generated revenues, year after year, in

good times and bad, the heavy debt burden characteristic of new community development. These risks which arise from the public interest in comprehensive development at a scale large enough to deal effectively with the problems of growth and revitalization, must and should be borne by the public sector. For this purpose, a patient source of public financing--a role which only the Federal Government can fulfill--must be available.

(b) The financial dimensions of building racially and economically integrated new towns must be addressed. Without the assistance which the NTIT program can provide, the utilization of high cost land for low and moderate income housing cannot be justified for economically integrated development. The elimination of racial and economic polarization and the achievement of a more just and humane society is a public good whose costs are properly and necessarily assumed by the public sector.

(c) The achievement of the public purposes of new town development will normally require a central role for State and local government in the planning, land assembly

and "packaging" of projects and in assuring that implementation--largely carried out by the private sector--proceeds in accordance with the plan. State and local governments not only command a life-or-death position in the process, but can be a much-needed creative force in a joint public-private partnership.

(d) A crucial stage of the new community development process is the disposition of "finished" land to private entities for construction, in accordance with the plan, of revenue-producing residential, commercial and industrial buildings. While normally the workings of the private money market will be adequate to finance this stage, account must be taken of the severe fluctuations of the money market, such as we experienced in the early 1970s, which are completely unrelated to the financing needs of projects. Accordingly, "last resort" Federal financing for above-ground construction, for use only when financing at reasonable terms and conditions is unavailable from the private market, is a prudent element to protect the substantial public sector front-end investment in projects.

Based upon these underlying considerations, it is proposed to amend Title VII to authorize, in addition to loan guarantees under Section 713, the following (budget authority and outlays for each items are shown in Appendix III);