

DRAFT

NEW-TOWNS-IN-TOWN

A PAPER CONTAINING:

BACKGROUND, DEFINITION, DISCUSSION,
FINANCING, MXD RELATIONSHIP & FEDERAL ROLE

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NEW-TOWNS-IN-TOWN

1. Background

Historically, human settlements have, from time-to-time, been subject to various forms of revitalization. Disasters, military requirements (or lack of them), transportation needs and beautification schemes have been some of the forces that made revitalization necessary or desirable.

In this century, cities have had large new multiple housing complexes, redevelopment, urban renewal, PUDs and rehab projects as well as Rockefeller Center-type and other commercial, mixed use, civic center and industrial park developments. It would seem that many of these actions would fall into the category of "new-towns-in-town" which is current-- but not necessarily, the ultimate--term for describing city re-building, which is evolutionary by its nature.

Whereas engineering and architectural concepts have dominated urban building in the past, it is evident a major shift in emphasis to social and economic considerations has occurred since the 1930's which, hopefully, will not diminish the quality of physical planning and design, but rather, give added validity to the endeavor.

How is an NTIT different from urban renewal? It is not as much different as it is more comprehensive in concept; program-oriented rather than project-oriented and utilizes a more sophisticated approach to community development. Ideally, it is directed toward alleviating problems of growth, employment, depletion of resources, crime, health, as well as housing and

transportation shortages in the process of revitalizing cities. Again, ideally, the NTIT would provide, as needed, balance, jobs, housing, human services and facilities, conservation of energy and other resources and improve the built environment.

NTITs need not be limited to blighted neighborhoods and could be built on vacant sites. Nor should there be any limitation in size or number of sites so long as the balance needed in the urban system is provided and the project itself is viable economically.

NTITs should provide--or assist in providing--the "missing ingredient"st necessary to stabilize and restore balance to the urban system. This could mean moderate or upper income housing as well as low; jobs in offices as well as in manufacturing, etc.

II. Principal Differences Between NTIT and Urban Renewal

A NTIT:

1. Need not be in a blighted area
2. Must be multi-use and provide balance to municipality
3. Project must be program-oriented and relate to growth policy.

III. General Discussion

The term "New-Town-In-Town" was coined in 1966 by Harvey S. Perloff who has written extensively and performed research in this area. The Urban Land Institute (Hugh Mields, author) and the Urban Institute have also published books on NTITs. In addition there have been several

articles in professional magazines.

This paper reflects some of the proposals contained in these publications and other studies plus experience gained within HUD. From this background, certain premises appear to surface with frequency:

- (a) NTITs are potentially a very important use of Title VII legislation.
- (b) Strong commitments by local, State and Federal Government are necessary to achieve success.
- (c) The complexity and cost of the undertaking require all available financial tools and a strongly constituted local public leadership such as a Development Corporation created for this purpose.
- (d) Site selection criteria should be given special emphasis. This would involve, among other considerations, the concept of land banking (both private and public vacant and under-utilized land), avoidance of excessive relocation, optimum use of existing infrastructure, and locations which could best trigger land uses most compatible with the needs of the municipality and are marketable for such uses.
- (e) More emphasis should be given to the programmatic approach so that the goals of the entire city can be achieved through establishing balance in the urban system.
- (f) Utilizing certain elements of the urban renewal program can be still valid and appropriate.
- (g) The need for housing subsidies is vital in most cities, but balance of incomes and access to jobs and life styles are equally important.

- (h) A strong policy of soliciting citizens' input, which must precede decision making, is particularly important in NTITs.
- (i) NTITs are particularly suited to achieving conservation of resources and improving environmental quality.
- (j) Much more factual information is needed in the sociological and psychological areas as related to housing and facilities. This is particularly true as pertains to the effects of various densities and building heights. Experts vary widely on this issue.

IV. Financing

It is likely that any federally approved NTIT will require a combination of methods of financing. It is also likely that projects will cost substantially more per acre than satellites or free-standing.

Among the methods of financing that can be considered are loan guarantees, grants, low-interest long-term loans, land write-down, tax increment financing, tax incentives (ad valorem and income), federally-backed bonds and state-backed bonds. There are doubtless other methods, in existence or yet to be conceived, which could be applied.

Despite problems of relocation and other characteristics of the urban renewal program, in the great majority of cases, the completed projects have yielded significant financial returns to municipalities through increased tax revenues and stimulation of downtown business.

For this reason it seems likely that commitments of money to NTIT can be regarded as sound investments in the long-run.

Cities vary so much that it would be unwise to prescribe any one financing method for all. However, three needs seem apparent. (1) A

strong commitment to finance NTIT would be required in order to achieve successful projects, (2) legislation permitting tax increment financing should be encouraged in states which do not presently have it. In this connection, Federal guarantee of these or other local bonds should be tested, (3) *Development Corporations should be formed in cities contemplating NTITs to strengthen the base, in such a complex endeavor, thus providing a more attractive climate for investment of private capital.*

V. Recommendations

1. Implement the total Title VII law for NTITs in recognition of the complexity, vital need and higher costs associated with redevelopment in older communities.
2. Encourage land banking of carefully selected sites--particularly those that would minimize relocation activities and provide good access to jobs and contain useful existing infrastructure.
3. Encourage the passage of tax increment financing legislation in states having applicants for Title VII funding.
4. Seek passage of Federal legislation which would raise the \$50 million limitation on loan guarantees. Inflation alone would justify at least \$75 million. An increase to \$100 million would not be excessive.
5. Require a strong commitment from local government involved. In many cases this would mean the creation of a public "Development Corporation."
6. Require a programmatic approach that includes a development strategy which recognizes unique needs of the city as a whole.
7. Commit to a federally-assisted housing program which will increase

the supply for all income levels in accordance with need, and increase the ability of people to afford accommodations.

8. A study should be conducted of selected projects, including urban renewal and MXD's, to determine the effect of the project on the city, site selection criteria used, actual costs incurred and evaluation of successes and failures. This should not duplicate the 1973 Perloff study but serve to test and up-date the validity of his recommendations and investigate more precisely the financial aspects of a limited number of public and private projects. The study should also test and up-date the validity of proposals contained in "Federally Assisted New Communities" by High Mields, Jr., published by the Urban Land Institute also in 1973.
9. It would also be of benefit if HUD were to conduct a more definitive study of in-town densities as they relate to social and economic factors in an effort to reduce the present confusion surrounding this issue.
10. An inventory of surplus land suitable for development of NTITs should be conducted.

DEFINITION

A New-Town-In-Town has the following characteristics:

1. It is located within the boundaries of an existing municipality or a built up area.
2. A NTIT project is built on vacant or predominantly vacant land which may be underutilized, surplus or a cleared (or partially cleared) blighted area, filled land or air rights.
3. A NTIT shall supply "missing ingredients" to the existing municipality. These ingredients may include employment; housing; services; racial; income or ethnic balance and public facilities or combination thereof.
4. A NTIT should be planned so as to trigger general revitalization and help to provide stability, balance and dynamism to the urban system.
5. A NTIT should be viewed as a concentrated undertaking--in contrast to typical Title I dispersed activities--and one which will require special governmental apparatus and long-range commitment to fulfill its objectives. Such commitment may include zoning, public services and facilities, relocation (if required), financial and management assistance.
6. The size of an NTIT should be flexible so long as it supplies a balance, in conjunction with the existing land uses, and is readily marketable. A city's development strategy might involve two or more NTIT's having modest size, include rehabilitation and have a planned relationship to each other in the total urban system.
7. A NTIT is likely to require more front money per acre than other types of new towns.

MXD's as NTIT's

During the summer of 1976 the Urban Land Institute published Technical Bulletin 71 "Mixed-Use Developments: New Ways of Land Use". The authors coined the acronym "MXD" to represent this type of development which is defined as follows:

- A "mixed use development" means relatively large-scale real estate project characterized by:
- . three or more significant revenue-producing 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).

In evaluating the Federal role in new-towns-in-town, it seems appropriate to examine this new and apparently successful trend in urban development which has greatly accelerated over the past 10 years.

The ULI report is basically an inventory and analysis of 80 MXD's surveyed in the United States and 7 in Canada. Of this total of 87, 69 are completed or under construction while 27 are in the planning stage - a further indication of the continuing strength of this trend.

An analysis of the ULI inventory discloses the following highlights which have applicability to NTITs.

1. All contain retail use and restaurants.
2. 83 (95%) contain office use
3. 69 (79%) contain hotels
4. 48 (55%) contain residential use
5. The remaining uses include convention and exhibit halls, recreational and community facilities, public and private.
6. The size varies from one city block to over 100 acres.
7. 19 (22%) are on urban renewal sites
8. 17 (20%) are on waterfront sites
9. None appear to have low to moderate income housing
10. Although 84 are in cities over 100,000 population (97%), 9 cities contain 4 or more MXD's.

As noted above, 55% of the MXD's have residential use. However, it is for the moderate to high income levels. Yet the vast majority of jobs being created by these projects are in the low to moderate income category.

One of the most obvious, and vital needs in America today is to bring housing locations and job locations closer together. This would be in the public interest for it would create economies, conserve energy, relieve transportation needs and generally improve the environment.

In view of the fact that 22% of the MXD's are on urban renewal land, it can be seen that the Federal government has been a participant in these endeavors.

A future Federal role for this type of NTIT would be based on the following observations:

1. By and large, MXD's have been successful financially because market demand for this approach is demonstrably strong. This is in contrast to most new communities experience during the same chronological period.

2. MXD's have proven to be important generators of city re-vitalization including job creation, added services, and facilities, increasing the tax base and bringing residents back to the city (in 55% of the cases).

34. MXD's, in general, are environmentally sound for they conserve existing infrastructure, energy and transportation needs. Furthermore they add to the visual quality of the urban landscape and because of the emphasis on pedestrian movement, improve air quality by eliminating need for short auto trips.

45. Ideal sites may be difficult to find or acquire.

A Possible Federal Role

1. Assistance in providing low to moderate income housing close to work.
2. Assistance in the form of Title VII to alleviate the strain of heavy front end investment.
3. In cooperation with local and state authorities, assistance in making sites available.
4. Assistance in the provision of community facilities.
5. Assistance to create innovative solutions to improve project and city livability.

Although the majority of MXD's have moved ahead successfully without Federal assistance, it is postulated that they could move ahead in greater numbers, particularly in smaller cities, if assistance were available. Furthermore, the interests of employer and employee would be better served if lower cost housing were nearby.

It is recommended that efforts be made to ascertain if there would be interest on the part of developers in Title VII. Except for the absence of LMIH, most MXD's could qualify under NCA regulations.

POTENTIAL FEDERAL ASSISTANCE FOR NEW-TOWNS-IN-TOWN

1. IMPLEMENT TITLE VII

Title VII has never been fully implemented. For this reason it is difficult to assess this aspect of the program's history. If, in addition to the loan guarantee, interest differential grants, 15-year ^{interest} ~~direct~~ loans, public service grants, supplementary grants, technical assistance, and special planning assistance ^{and demonstration projects}, had been available on a continuing basis, the results might have been different.

The first priority for NTIT would be the full implementation existing law so that it can be fairly tested.

2. CATEGORICAL GRANTS

Although CDBG funds have been available since 1974, experience has shown that it is generally politically more tempting for localities to spread these funds rather than concentrate on one area.

Unless these funds, or other categorical type funds, are required to be earmarked for a NTIT, it is unlikely that such aids will be of sufficient importance.

It is recommended that a portion of the Title I entitlement (or other categorical grant) be set aside for NTIT.

3. LONG-TERM DIRECT LOANS

Low interest, long-term loans, made directly to public bodies have a sound financial history. Examples are the college housing and CFA public utilities loans of the 50's and 60's.

One need is to increase the marketability and lower interest rates on tax increment bonds. In this connection, the Federal Government should encourage more states to adopt such enabling legislation and distribute model laws.

Another possible use would be to encourage land leasing. The direct long-term loan to a municipality could be similar to that available in early urban renewal programs.

The advantage of land lease is to lower front end costs of land to the developer. This is a major factor in downtown development.

Historically, local governing bodies have been reluctant to "get into the real estate business" and pressures from opponents have been strong. However, this method might be more palatable today in view of the plight of central cities. Furthermore, some of the objections might be alleviated by permitting an option to buy.

It should be pointed out that while the land is in public ownership any tax increment bonds would be weakened to that extent. However, in a typical central city development, 75% to 90% of the ad valorem taxes are from the new buildings.

4. SURPLUS LAND

Although the Federal Government is only one owner of surplus land and has limited amounts within city boundaries, there are two roles that seem appropriate:

1. Assume leadership in making such land available for NTIT.
2. Stimulate an inventory of surplus ^{or under-utilized} land in cities owned by railroads, local government, institutions, etc.

5. COMMUNITY PARTICIPATION

It is unlikely that a NTIT will succeed without a high degree of community participation. The Federal role could, again, be that of encouragement and stimulation. Planning funds awarded for such purposes would be a good investment and a saving of time and frustration by the early establishment of community goals and operating procedures.

In this connection it should be stressed that a strongly constituted public "Development Corporation" has been found necessary in many cities to adequately manage the complexities, long-range character and financial requirements of such a joint public-private endeavor as is typical of most NTIT of significant size.

It might be prudent to make such an organization mandatory to demonstrate stability and responsibility under NCA financial assistance programs for NTIT. In such cases contractual relationships should be required between the public body and the developer to insure mutual performance.

6. HOUSING

A strong and continuing Federal commitment to housing assistance programs is vital to the success of NTIT. The needs of the central city are increasingly the establishment of a balanced supply of housing for all income levels. Subsidies will be required in varying degrees for lower income families.

It is equally important to assure that higher income families be attracted to the NTIT as well as when appropriate, singles, couples and elderly.

7. OTHER FEDERAL AGENCIES

Assistance from other Federal agencies, in addition to HUD, are important to new communities and particularly NTIT.

Solutions for transportation, employment opportunities, health and education and growth policy are all integral elements of NTIT involving DOT, HEW, Commerce, OMB and others.

Identification of need and coordination of effort should be at a high level and priorities assigned.

8. LAND WRITE-DOWN

No matter how it is accomplished, it will be necessary in many NTITs to provide a land write-down to make the project feasible. This is an additional reason for setting up public development corporations under state enabling legislation.

The Federal Government should be in a position to make grants for land write-downs and should research model legislation for public development corporations and make such available to interested local governments.