

(a) Advances for public and non-profit development corporations--Advances of 80% of the costs of organizing and operating, State and/or local public or public-private development corporations, for the first two or three years prior to the approval of a project under Title VII. To be eligible, an entity would be required to possess the authority to plan and carry out a specific new community project meeting the standards and requirements of Section 712.

(b) Interest-free advances to public, non-profit and limited dividend development corporations for land acquisition--Such advances would be made for projects approved under Title VII from a revolving fund authorized for this purpose with start-up capital appropriated by Congress. Advances would be repaid as finished land is sold or leased by the development corporation for above-ground construction. In order to reduce budgetary impact, projects which use lower cost land, such as unused land previously cleared and improved with urban renewal assistance, would be given priority consideration.

(c) Advances to public, non-profit and limited dividend development corporations for land development--

Such advances would be made from a revolving fund at interest rates and terms determined in accordance with the development plan and financial needs of the project. Advances would cover up to 100% of land development costs as currently defined in Section 711(f). Such advances, which would be expected to be repaid from proceeds as finished land is sold or leased by the development corporation for above-ground construction, would be subject to conversion to grants to the extent necessary to achieve essential public purposes, such as the provision of an appropriate proportion of low and moderate income housing on high cost center city land.

(d) Facilities and services grants--Grants would be made in behalf of public and private projects approved under Title VII for the provision of community facilities and services (community centers, recreation, police, fire, etc.) which are necessary to carry out an approved project development plan. Such grants could be used to provide the local matching grants for other Federal or State grant programs.

(e) "Last resort" financing for buildings--

Authority to make loans for permanent financing of residential, commercial and industrial buildings, critical to the successful development of the project. Such authority would be used only if such financing is unavailable from the private market at reasonable terms and conditions. The sponsor would be given a stand-by take-out commitment to finance the project after construction is completed. This take-out commitment would enable him to obtain construction financing from private lenders. After these loans are "seasoned", they would be sold to private lenders under competitive auction, thus replenishing the loan fund. Residential loans would also be retailed to FNMA, GNMA or FHLMC.

(f) Conforming amendments--Provision would be made for transitional steps necessary to cover-in currently approved projects under the proposed legislation. The flexibility sought through the proposed amendments will permit the elimination of Sections 715, 718 and 720 of Title VII.

e. Distribution of Funds

The funds would be distributed to projects in cities of a size and distribution indicated in the above discussion of the "incidence of the problem." Basic

factors to be used in selecting a project for funding would be the need of the area, the social benefits perceived for the project, the degree of local commitment, and an appraisal of the risks.

f and g. Funding Levels in FY 78 and 79 Prior to and After Carter Budget Revisions

1. Funding level in FY 1978 (prior to Carter Budget Revision)--None. In FY 1979 Budget--None.

2. Funding in FY 1978 (after Carter Budget Revisions)--None.

3. Funding level proposed for New Program Initiatives.

Appendix III, Table of Funding Levels for FY 1978 and FY 1979 shows two basic sets of figures; one the evolution of the Current Estimate for FY 1978 and the Estimates for FY 1979; and two, the proposed Program Improvements for FY 1978 and the New Program Initiative for FY 1979.

The Program Improvements for FY 1978 are based on the assumption that the New Communities Program will accept applications for Certificate of Eligibility and Special Planning Assistance Grants by April 1978. These changes can be made without any additional funds being appropriated because during FY 1977 there were cancellations of over \$7 million in fund reservations for New Community Assistance Grants (Supplementary Grants). These funds were

originally appropriated by Congress for both the Special Planning Assistance Grants and the Supplementary Grants. It is estimated that the Budget Outlays would increase for FY 1978 by \$1.5 million for the Special Planning Assistance Grants.

The New Program Initiatives for FY 1979 assume enactment of the proposed amendments to Title VII that will provide for Advances for Organization Support and Operation, for Land Acquisition and for Land Development and for Community Facilities and Service Grants. The funding level for these Program Improvements and New Program Initiatives are summarized below:

	Program Improvements FY 1978 (Dollars in Thousands)	New Initiatives FY 1979 (Dollars in Thousands)
<u>Budget Authorities</u>		
U.S. Treasury borrowing for		
New Communities Fund .....	...	\$ 3,300
<u>Appropriations for</u>		
Advances for New-Town-In-Town ..	...	155,000
Community Facilities and		
Service Grants .....	...	35,000
TOTAL .....	...	\$193,300
<u>Budget Outlays</u>		
New Communities Fund .....	...	\$ 3,300
New Community Assistance Grants..	\$1,500	...
Advances for New-Town-In-Towns...	...	35,000
Community Facilities and Service		
Grants .....	...	2,000
TOTAL .....	\$1,500	\$ 40,300

### Actions Required to Implement New Initiatives

A description of these actions are described under "d. Type of Assistance Provided" beginning on p. 10.

### Strengths and Weaknesses of Proposed Initiative

Building upon the best features of the existing Title VII program, the proposed initiative is designed to provide a more flexible, effective and realistic program with major emphasis on the revitalization and sound growth of center cities and close-in locations in metropolitan areas. The NTIT program resolves the several weaknesses of the existing Title VII program by providing for a single Federal entity to manage and assist the total sweep of activities involved in a new-town-in-town development from initial planning and design through land acquisition, development and above-ground construction of buildings.

Another major strength of the proposed initiative is its flexibility which enables it to package and coordinate a wide range of assistance from other program areas of HUD as well as from other Federal agencies. It can tailor these other Federal resources to meet the development needs of selected targeted areas within large and small cities throughout the country.

### The Impact of the Initiative

Table I, based on a prototype new-town-in-town project, estimates the impact of this project on creating public jobs, creating private jobs, strengthening the tax base, attracting or holding private jobs in urban areas, and leveraging private sector investments. However, the impact on the tax base and jobs deserves special mention.

#### Tax Base

Based on analysis, it is estimated that assessed values after completion of a new-town-in-town project could be 700 percent higher than the assessed values in the project area prior to development. In certain cases, such as in the proposed NTIT sites in Milwaukee (140 acres) and in Detroit (180 acres), this would mean a return to the tax rolls of land that has been totally non-productive for many years. It is no inconceivable that in these two cases as much as a half billion dollars of real estate assets would be created and added to the cities' tax base.

It is likely that the 12 projects which this initiative proposes to launch in 1979, when completed 8-12 years later, would produce approximately \$1.5 billion in taxable real estate assets.

TABLE I

25

EXAMPLE OF THE ECONOMIC AND JOB POTENTIAL OF 100-ACRE  
PROTOTYPE NEW-TOWN-IN-TOWN IN A DOWNTOWN BUSINESS DISTRICT

A. General Description

Population - 9,000

Housing Units - 3,000 (LMH - 800 units)

Land Use	Acres+	Building Sq. Ft.+
Residential	70	N/A
Retail	8	200,000
Office	6	1,000,000
Hotel	3	500 rooms
Institutional	13	100,000
<b>TOTAL</b>	<b>100</b>	

B. Jobs Created or "Saved" (Primary jobs, not including multiplier effects)

Construction man-years  
 average over five-year period  
 Office and retail permanent jobs  
 TOTAL private jobs

600  
 5,000  
 5,600

Local Public jobs (based on average of  
 36.3 jobs per 1,000 population)  
 TOTAL jobs

325  
 5,925

C. Tax Base \*

Estimated ~~(taxable)~~ property before  
 development (cost of land to  
 developer)

\$ 20 million

Tax Base after development

Residential

\$120 million

Retail

10

Office and Hotel

60

TOTAL

\$180 million (includes land)  
 180

D. Private Sector Leverage

Private Sector Investment  
 (includes investment in building  
 and land only, i.e., excludes  
 equipment and secondary  
 investment)

\$180 million  
 \*\*

Net Federal Government Investment

\$18 million

Leverage (ratio of private to  
 Federal)

10.0 times

\*Tax Base effects do not include increases in sales taxes.

\*\* Local capital investment = \$8 million

75 Town Hall  
 150 Garden  
 1400 med rise  
 500 high rise

40/acre ? high

2 stories, one bldg  
 4 bldgs, 10 stories  
 high

School  
 Library  
 Church, Rec Center, Church

Don't include  
 off site, secondary

annual income year  
 or "jobs"  
 based on floor  
 space

Land and  
 buildings

300,000 Sub Inps  
 800,000 Org & equip  
 2,000,000 Total  
 4,600,000 Total  
 See Add

# 100 ACRE NTIT Employment

## Private Permanent Jobs

sq. ft.      Employees per 1,000 sq. ft.      Employees

Retail	200,000	2.1	420
Office	1,000,000	4.2 - 5.7	4,200 - 5,700
Hotel	280,000	1.0	280
Community Fac.	31,000	1.0	31
Other outdoor Recreational and Parking Garage			50
			<u>4,981 - 6,481</u>

## B. Public Service Jobs

36.3 per 1,000 (or  $36.3 \times 9$ ) 325

Source: Bureau of Census  
1975 Local Govern. Employ.  
in selected metro areas.

## C. Construction Jobs

man years      mostly on site      secondary products material

Value of Construction (excl. land)		BLS	Job RATE	
		CONST.	OTHER	TOTAL
Residential	\$ 90.3 M	1,667	1,896	Total Const
Parking Garage	12.5	190	199	Jobs 3,071
Commercial & office	51.6	980	851	Construction
Parking Garage	12.0	182	191	Period 5 years
Institutional	3.3	57	63	average
	\$ 169.7 M	3,071	3,200	Construction Jobs = 614

Table 2 BLS unpublished data

# 100 ACRE NTIT Employment

## Private Permanent Jobs

sq. ft. Employees Per 1,000 sq. ft. Employees

Retail	200,000	2.1	420
Office	1,000,000	4.2 - 5.7	4,200 - 5,700
Hotel	280,000	1.0	280
Community Fac.	31,000	1.0	31
Other outdoor Recreational and Parking Garage			50
			<u>4,981 - 6,481</u>

## 3. Public Service Jobs

36.3 per 1,000 (or  $36.3 \times 9$ )

325

Source: Bureau of Census

1975 local govern. employ.

in selected metro areas.

## C. Construction Jobs

BLS Job Rate

Value of Construction (excl. land)

Residential \$ 90.3

Parking Garage 12.5

Commercial & Office 51.6

Parking Garage 12.0

Institutional 3.3

\$ 169.7M

CONST. OTHER TOTAL

1,667 1,896

190 199

980 851

182 191

57 63

3,071 3,200

55 63

6,271

6,300

Total Const.

Jobs 2,071

Construction

Per 5 years

average

Construction

Jobs = 644

Table 2 BLS unpublished data 3.0  
land 172.7M

### Jobs

The average NTIT contemplated by this initiative would create a saving of as many as 5,000 jobs per project. These would be mostly in the service sector, primarily office workers and clerical workers and retail clerk support. Regardless of whether the individual NTIT projects create new office facilities and retail business in or near downtowns or save faltering businesses already there, the spur which these development actions give to recipient cities can be vital to the survival of the economic base in the target area and help to alleviate the overall fiscal burdens of the city itself.

It is also important to recognize that construction activities will generate considerable employment during the development period of the project. Estimates indicate that the average 100-acre NTIT might create over 3,000 man years of building labor. Assuming a 5-year development period for each project, it could mean at least 600 full-time construction employees for the 5-year cycle.

Finally, it is possible to estimate that public sector jobs at the rate of approximately 35 per 1,000 population will be created. Depending upon specific development strategies, the average NTIT could produce about 325 permanent public sector jobs.

Taken together, it is not unreasonable to estimate that each NTIT could create, or save, 5,000-6,000 jobs.

Accordingly, the 12 projects which make up the new-town-in-town initiative might produce 72,000 badly needed jobs in the construction, service and office fields.

#### Impact on Disadvantaged Individuals and Households

The goals of the NTIT program include decent housing and better access to employment opportunities for lower-income and minority people and the achievement of socially, economically, and racially-diverse communities in urban areas. The legislation requires that a substantial proportion of housing provided in projects built under the program be for lower-income people. In the prototype project, it is estimated that 800 low and moderate income units (24% of total housing units) would be made available in the downtown project.

#### Minority Groups

A statutory goal of the New-Town-In-Town (NTIT) program is to increase for all persons, particularly members of minority groups, the available choices of locations for living and working, thereby providing a more just economic and social environment. Through the development of large scale, comprehensive NTIT projects, jobs are created as well as during the long, staged development period in the

various commercial or industrial enterprises that locate in the project area. NTIT projects not only create new or rehabilitated housing in and around areas where there is a concentration of minority people, but more important, they attempt to remove the barriers against access to housing and jobs by seeking to create diverse mixed income communities. The New Community Development Corporation requires all participating developers to pursue aggressive affirmative marketing of housing in project areas.

#### Involving Volunteers

The New Community Development Corporation is well aware of and sensitive to the growing capacity of neighborhood and civic organizations to initiate, promote and carry out self-help projects in areas where they, as residents, have a real stake in the environment and its future. Many of the potential project sites that have been visited are enhanced by this spirit of neighborhood commitment, which is a factor in the consideration of where to commit Federal funds under the NTIT program. The activity of effective neighborhood organizations has been noted in the visits of the New Community Development Corporation staff to Milwaukee, Chicago, Hartford, Toledo and the South Bronx and other cities.

The NTIT program seeks to operate in ways which will support and follow through on the work of city, private sector and neighborhood partnerships which are operating but which are limited in what they can accomplish. The program seeks active citizen participation in all of its project areas.

#### Encouraging State and Local Government Structural Reforms

A major consideration in the evolving National Urban and Regional Policy is the role of states in fostering statewide urban revitalization strategies. Some States such as Massachusetts, Michigan and California, to mention a few, have demonstrated leadership in targeting state planning and fiscal resources to urban areas. The NTIT program, operating as an action arm of the Federal Government to revitalize cities, can actively lend its assistance to improve the capability of States to foster center city revitalization. State development entities are eligible under the program.

The National Policy also seeks to develop more self-reliance at the local level. Because of the technical and financial limitations that many localities have in undertaking long-term, comprehensive projects, the NTIT program is available as an instrument that can be used by local

governments in a Federal-local partnership to achieve revitalization goals. Local zoning, building and other codes, and tax laws are areas which may need revising. However, if NTIT is to be effective in assisting some localities, the New Community Development Corporation must assist localities to establish local development entities to undertake NTIT projects.

A major strength of Title VII lies in its unusual flexibility which enables it to provide flexible financing for a wide range of development needs and to package and coordinate a wide range of Federal assistance available not only from HUD, but from other Federal agencies as well. As part of this process, it can tailor these Federal programs and resources to meet the development needs of selected targeted areas with large and small cities across the country.

What Other Federal Programs or Requirements May Strengthen or Impede the Effectiveness of this Initiative?

Under Title VII, a host of Federal agencies have channeled their programs and resources into New Community areas. While this experience has been for the most part for more outlying new satellite communities, emphasis can be shifted to the NTIT program to target these programs and resources on cities. These include the Departments of Transportation (mass transit and highways), Commerce (EDA programs),

Agriculture (housing and facilities), Interior (outdoor recreation, historic preservation), Energy (solar technology, building systems), HEW (education, child development, health), the Environmental Protection Administration (waste treatment), the Small Business Administration, and National Endowment for the Arts.

There is even more potential for broadening the range of Federal programs and resources which the Title VII program can bring to bear on targeted urban areas. These include under the Department of Commerce, the Office of Minority Business Enterprise and International Business; under the Department of Labor, the Comprehensive Employment Training Act (CETA) and the Manpower Training Program. The resources of the Community Services Administration and the National Science Foundation would also be available for these development areas.

No Administration to date has made full use of the flexibility and packaging powers of the Title VII program. The ability of the NTIT program to pull together and focus Federal, State and local assistance on targeted areas in a number of distressed cities could have a significant impact on their future growth and development.

In this connection, Section 728 of Title VII authorizes the President to establish joint financing arrangements among the various Federal assistance programs and to delegate the administration of such arrangements to the New Community Development Corporation in HUD for use for new-towns-in-town.

Which of the Presidentially-approved urban policy principles are addressed by this initiative and how are they addressed? \*

The NTIT program can be an effective tool to advance all of the social, economic, environmental and government principles guiding the evolving urban policy.

#### Governmental Organizational Principles

Principles 1, 2, 4, 6, 8, 9 and 14 speak to the functions, effectiveness, and flexibility of government from Federal on down to the local level to deliver revitalization programs for all cities and other urban areas. The NTIT program is, by its very statutory definition, a flexible entity which can be used as a one-stop Federal service to package a myriad of Federal programs for the various kinds of large and small cities and urban areas described early in this presentation.

\* See Appendix I (not in original submission)

It is an ideal vehicle to cut through bureaucratic red tape and to fashion existing short-term programs into a comprehensive, long-range strategy for cities.

While the NTIT program would not address rural or exurban areas, except for a small non-metropolitan city, its projects are built in a way which builds upon the interdependency of these areas. This relationship applies particularly to the mix of people and jobs which must be distributed on a broad scale to avoid suburban sprawl and concentration of the poor and minorities in urban areas.

#### Social Principles

Principles 5, 10 and 11 speak to human issues, such as access to opportunities for minorities and disadvantaged citizens, the human and social service needs of the poor and underprivileged, and the facilities available to them which affect their lives. These principles coincide with the objectives of the NTIT program, and the New Community Development Corporation requires its public and private assistance recipients to abide by them and pursue them in all aspects of their project development.

### Economic Principles

Principles 2, 6, 7 and 13 speak to tax policies, involvement of the private sector in attaining urban policy goals, and burdens of economic and fiscal decline with which many cities are struggling. The recommended legislative changes in the NTIT statute would seek counter-cyclical assistance for development entities to enable them to carry out long-term projects. Such projects would yield greater revenues than local governments are now receiving from many unused or under-used areas.

The statute requires that NTIT "rely to the maximum extent on private enterprise" to achieve its objectives. NTIT projects rely on private investment for their ultimate completion and the advice and participation of the business community from the very outset of project planning. In so doing, it not only involves the downtown business community but neighborhood and civic organizations as well.

### Cost and Energy-Saving Principles

Though these are not listed as principles in the urban policy, they are statutory goals of the NTIT program. The New Community Development Corporation

sees the program as a means of demonstrating new building techniques and technology aimed at reducing the costs of housing and energy consumption.

The chief executive officer of the New Community Development Corporation has been presiding over a HUD task force on reducing housing costs. The NTIT development projects would give HUD the opportunity to undertake demonstrations in updated model building codes, revised Minimum Property Standards that allow for flexible designs, financing for special needs households such as young families seeking homeownership, seek innovations in land acquisition and development and in environmental review processes, which will result in appreciable savings in housing costs.

The task force has not completed its report, but Appendix IV illustrates the kinds of housing cost savings that the task force has identified.

#### Summary and Recommendations for New Initiative

The Administration and HUD have a unique instrument in their arsenal of programs for urban and neighborhood revitalization which can be used to undertake large-scale, long-term, comprehensive projects which bring to bear a variety of Federal programs on target areas in cities with unusual problems and which cannot be adequately treated by housing and community development programs alone. Within the

framework of a national urban policy designed to respond to the needs of all cities, there is recognition that some cities will require strategic targeting of selected Federal assistance. The NTIT program is a valuable, but yet unused, tool which should be put to productive use in improving the quality of life in urban areas.