

This approach would be consistent with the findings of the Evaluation Report in that the Federal Government would not be in a position of fostering one particular growth form -- new towns -- but rather would take a more balanced, diversified approach. As in the case of Option 3, new commitments, if any, would no longer take the form of guarantees, but would involve specifically targeted grants for unusual and transferrable innovations.

Major Build-up of Federal Involvement

Option 5. Major alteration of Federal role to allow the government to become an active partner in, or to become the developer of, new town construction

Unlike the options developed to this point, Option 5 would require the Federal Government to take an active and direct role in both publicly assisted and private new community development. This is differentiated from the loan program nature characterized in Options 1 and 2 and the demonstration and transfer functions described in Options 3 and 4. Since there are several possibilities for a more active Federal role, some of the more frequently discussed options will be briefly presented here.

First, land development banks could be developed to provide alternative sources of funds for land acquisition, development, and the creation of community facilities and public works. The most frequently discussed concepts of land banking center around the Humphrey and Rockefeller plans. Although neither plan envisions the creation of a new Federal agency, both would have strong Federal ties since the government would supply initial funding and/or guarantees and the President would appoint initial directors.

Another form of a more active role for the Federal Government is the use of Federal land for the purpose of constructing experimental new communities. With Federal land made available at little cost, developers would be able to overcome one of the common obstacles to new town development -- the difficulty of amassing large chunks of land in a short time frame at a reasonable cost. Unlike land banking, this option would require no capital for land acquisition. It seems clear that this type of Federal activity could not be considered a production program meant to supply some particular number of new towns. This option would become more feasible only if a determination is made that the production of new communities is socially desirable and necessary and that the private market does not allow for either the necessary capital for such projects or the proper controls for the effort. The Evaluation Report notes, however, that the private market can supply the

necessary capital, at least in some cases, to allow for new town development. There is a strong implication, therefore, that the Federal effort should be restricted to experimentation and demonstration of innovations or techniques for "exceptional" cases.

Another "active role" deals with the decisions concerning where new communities will be built and the industrial establishments they will contain. The Evaluation Report indicates that foreign governments often play a much more influential role in site selection and industrial relocation than does the U.S. Government. According to this option, the Federal Government could choose to locate its own facilities within new town boundaries instead of close to or just outside of them, and could offer inducement to firms to relocate within new communities. The incentives could take the form of temporary tax advantages aimed at reducing the costs of relocation, in manpower and marketing terms, or in direct cash assistance to aid in the move.

An even more direct role than any mentioned to this point would have the government make substantial new commitments through the vehicle of direct subsidies to developers. Conceivably, the Federal Government could even build new towns itself through a public works project program.

Major Phase-Down of Federal Activity

Option 6. Phase-out of Federal activity in new town development

The last option is concerned with the decision to phase-out all Federal new community activity. If this decision is made, there are two basic courses of action possible: (1) guarantee no additional new communities, but continue to monitor the progress of existing commitments, and (2) guarantee no additional new communities and assign present interests through financial renegotiation to a private entity, such as a development bank or fund.

If the first course is followed, HUD may still wish to attempt to negotiate with certain municipal governments to have them take over some portion or even all of a particular new town that is in financial trouble and to encourage the use of block grant discretionary funding for Title VII new towns. In other words, a phase-down strategy may involve Federal efforts to obtain more state or local involvement in, and assistance to, existing Title VII new towns.

Clearly, a decision of this magnitude rests upon answers to many questions, only some of which have been raised in this paper. It is worth emphasizing, however, that a shut-down or phase-out option may not be desirable even if, as appears to be the case, there are few unique benefits flowing from the Federal presence in new communities. The existence of a Title VII structure may provide the impetus for new town construction even if most of it occurs outside of the program. It is possible that new community developments would decline if Title VII was not "theoretically" available as a last resort. Moreover, the "announcement effect" of a shut-down of Title VII could serve to reduce the willingness of private lenders to provide funds for new community development, which could reduce the variety of growth forms available to the public, even though new communities have not yet been shown to be a superior growth form.

V. RECOMMENDATIONS

In this section our recommendations will be briefly presented. We recommend that a combination of Options 3 and 4 be selected.

On the one hand, the evidence does not support either a "business-as-usual" stand or an enlargement of the program through the encouragement of new commitments. On the other hand, the projected long-run viability of most of the current projects, among other reasons, does not justify a shut-down of the program.

We believe that the focus of the program should shift in the direction of a Federal role built upon utilizing existing new communities as laboratories in which to study the innovative potential of a variety of new growth technologies and disseminating to the private sector and other governmental units information about the relative success of different growth forms under various environmental conditions. Thus, Federal activities, which now involve overseeing and monitoring the development of existing new communities and processing new applications, would emphasize accumulation, organization, transfer and dissemination of information about managerial, technological, social, economic, political and environmental aspects of Title VII new communities, private new communities, and other growth forms.

Under this new role the Federal Government would subsidize new communities perhaps through a loan guarantee or insurance program, only where it could be clearly demonstrated that such an additional new town is necessary as a laboratory for the testing of some new process, technique, or plan which cannot be adequately evaluated in an existing setting. A direct subsidy approach rather than a Federal guarantee would be a superior form of support in most cases. The direct subsidy approach would also have an indirect benefit of leading to the phasing out of management and monitoring functions required under a Federal guarantee approach. Moreover, such an innovation would have to be of major importance to U.S. urban development, and not some innovation which may be intriguing, but not relevant to such areas as land use planning, zoning, or income and racial mix balances.

The first step in implementing our recommendation could be the creation of a new position within HUD, perhaps at the Assistant Secretary level, charged with the responsibility of overseeing all large-scale development. Of course, one function of this new office would be to determine whether a submitted plan contains a sufficient degree of innovative potential to warrant support. More important, however, is that this new post would demonstrate the government's desire to support a variety of new growth forms rather than just the new community approach.