



HUD NEWS

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HUD BOARD TAKES ACTION ON TWO NEW COMMUNITIES

Two financially troubled new communities are being phased out by the U. S. Department of Housing and Urban Development as the result of actions taken by the Board of Directors of the New Community Development Corporation (NCDC).

The Board has voted to acquire Soul City, a new community in North Carolina and has approved a negotiated settlement for acquisition and disposition of the Newfields project in Ohio.

"Despite local efforts and the support of HUD these two projects have not developed into the thriving new communities it was hoped they would become," said NCDC General Manager William White.

Soul City was created by Floyd McKissick, a nationally known attorney and civil rights activist, in the late 1960's. He chose a site in one of the poorest rural areas of the country with the hope that if he built housing and industrial facilities he would attract private employers who would bring much needed jobs to the area.

"Unfortunately," said White, "despite the most earnest efforts of Mr. McKissick, with the support of HUD, the dream of a prosperous new community at Soul City simply did not materialize."

Since Soul City was approved as a New Community Project in 1972, only 40 lots have been sold and only 31 homes have been constructed with two additional homes currently under construction.

Only one industrial building has been constructed and that building has never been fully occupied.

The only commercial structure in place is a small building housing a gift shop and supplies for a health clinic. No convenient shopping is available at this time. However, community facilities including a Regional health center, a swimming pool, multi-purpose recreational courts and a new fire station are either in place or currently under construction.

Last February, HUD Secretary Patricia Roberts Harris appointed a Task Force to review the current and future conditions affecting the viability and success of the Soul City project.

The Task Force has concluded that Soul City is not financially feasible.

The NCDC Board's decision is based on the Task Force's report and a Consultant's study prepared by AVCO Community Developers, Inc., a California-based development firm.

The AVCO report concluded that the project is not viable and would not become viable. Even if Soul City's debt were reduced to zero, there was no means by which the developer could pay operating expenses.

According to the study's projections, the maximum amount of revenues which could be generated by Soul City over the next five years is \$92,500 a year. Proposed expenses for 1979 are \$818,743.

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Even with a "bare bones" budget, the Soul City budget would result in a negative cash flow of \$340,000 annually.

The Consultant's report concludes that substantial additional cash from HUD is not likely to better the situation in Soul City.

The AVCO study points out that Soul City does not have a housing market because it lacks commercial and industrial development. "Commercial development can only follow industrial growth and there is little potential for industrial growth in Soul City."

According to the report, there are a number of contributing reasons:

- Lack of adequate employment base. Total population is low and the number of unemployed is low.

- Lack of available work force severely limits industrial marketing efforts.

- Competing industrial areas nearby are superior with better location, transportation and utilities.

- Lack of shops, restaurants, and other community amenities.

- High cost of industrial space, with little opportunity to reduce the cost.

As a result of these findings, the NCDC Board has directed the General Manager of the New Communities Development Corporation to develop a plan for HUD's acquisition of the project.

Commenting on this action, Mr. White said, "In all fairness to the developers of Soul City I want to point out that the Board recognizes that the project faced very difficult economic development problems because of its unique position as a free standing new town in an economically depressed rural area.

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"Since the inception of the project, the developer as well as State and local government bodies have made significant and permanent contributions to the economic development of the area."

On October 1976, the NCDC Board voted to acquire Newfields, which was approved in 1973, after concluding it was not an economically feasible project. In 1978 HUD filed suit to foreclose.

After lengthy negotiations all the parties involved agreed to a settlement which will result in an estimated recovery to HUD of \$4 million.

Under the settlement the U. S. Government will sell 2,237 acres to the State of Ohio for parkland. An additional 989 acres will be transferred to a trustee for eventual sale on the open market with the proceeds being divided between the Federal Government and the holder of the mortgages on all the community facilities. HUD will retain the remaining 510 acres and attempt to find a new developer to undertake appropriate development of the land.

The original plans for Newfields included a 4,000-acre development with 13,000 housing units and 39,000 people. Today, there are only 150 residents, 65 housing units and some community facilities.

HUD will also make a small transition payment to the Newfields New Community Authority for interim operations. HUD will pay all delinquent real estate taxes and will pay off other claims for the project.

"We believe the approved settlement is fair and it does much to alleviate the unfortunate consequences of the financial failure of Newfields. HUD is pleased that we have reached a settlement, one which includes a new major recreational facility for the people of Ohio," Mr. White concluded.

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