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# HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

DOCUMENTS

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## HEARINGS

BEFORE THE

### SUBCOMMITTEE ON

### HOUSING AND COMMUNITY DEVELOPMENT

OF THE

### COMMITTEE ON

### BANKING, FINANCE AND URBAN AFFAIRS

## HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

### PART 1

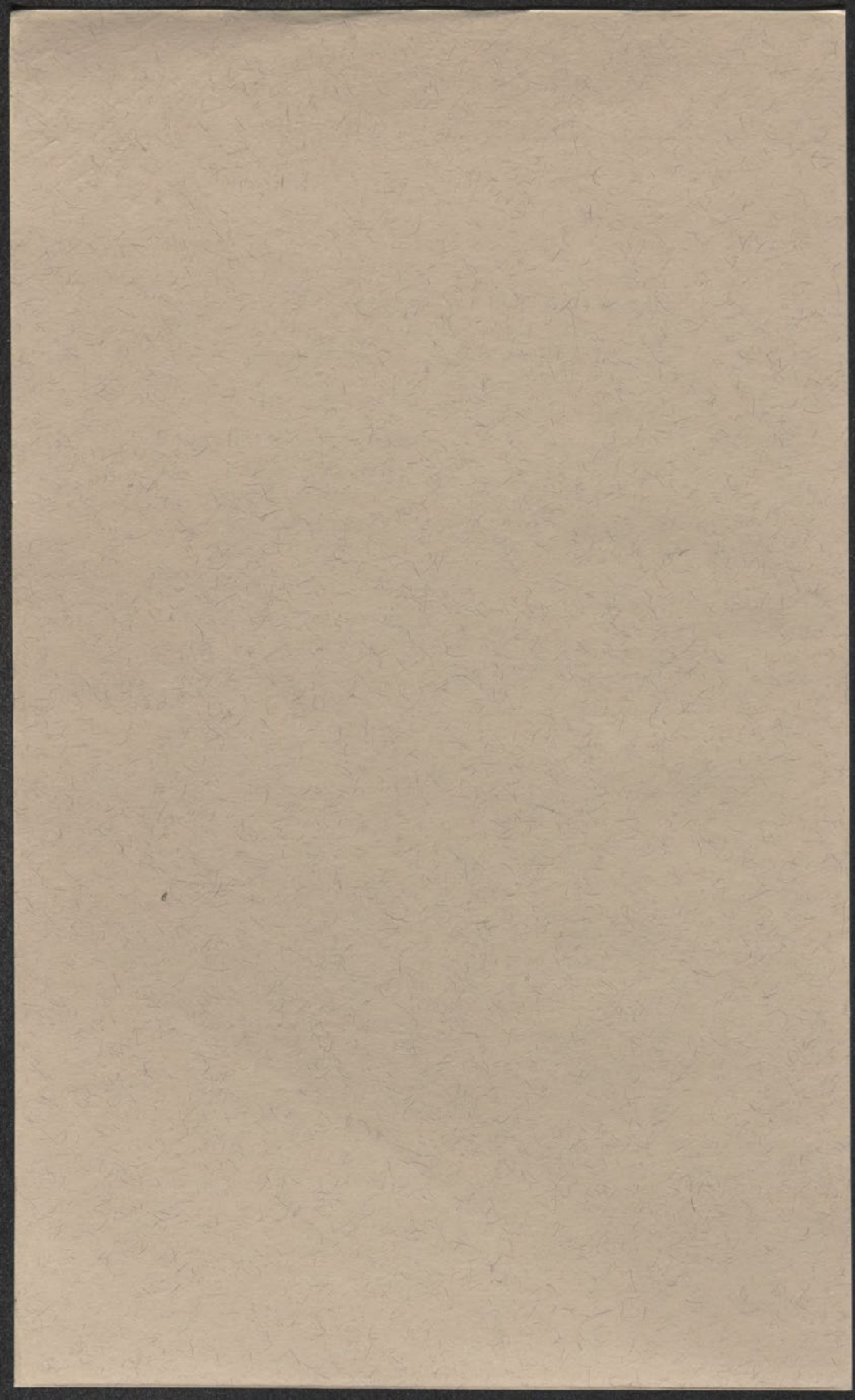
FEBRUARY 24, 25, 28; MARCH 1, 1977

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HOUSING AND COMMUNITY DEVELOPMENT  
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WASHINGTON : 1977

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# HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

THURSDAY, FEBRUARY 24, 1977

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
DEVELOPMENT OF THE COMMITTEE ON BANKING,  
FINANCE AND URBAN AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10:25 a.m. in room 2128 of the Rayburn House Office Building; Hon. Thomas L. Ashley [chairman of the subcommittee], presiding.

Present: Representatives Ashley, Moorhead, St Germain, Hanley, Patterson, LaFalce, AuCoin, Blanchard, Tsongas, Hannaford, Evans of Indiana, Lundine, Brown, Wylie, McKinney, Kelly, Grassley and Evans of Delaware.

Mr. ASHLEY. The subcommittee will come to order. The Subcommittee on Housing and Community Development begins today its hearings on the administration's proposal for fiscal year 1978 authorization, extensions, and revision of programs.

We welcome you again this morning, Madam Secretary, to this very important and wide-ranging hearing. I am sure that our members will be most interested in hearing your proposals regarding the reauthorization of the community development block grant program and your proposals concerning the dual formula approach for hold harmless communities, as well as a new initiative concerning the urban community development action grant program.

I am sorry that we didn't have the opportunity to review your statement prior to this morning's hearing, but I understand there were a number of last-minute difficulties concerning administration clearances; and as I indicated in our conversation a few minutes ago, Madam Secretary, this is something that this committee is familiar with, and it should be no real source of embarrassment to you. OMB clearance is sometimes easier to obtain than at other times, and I suspect that learning that fact early on will be to your advantage.

Madam Secretary, since this happens to be a long day, you may proceed as you will.

**STATEMENT OF HON. PATRICIA ROBERTS HARRIS, SECRETARY,  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, ACCOMPANIED BY ALBERT KLIMAN, JOSEPH BURSTEIN, ROBERT HUNTER, S. LEIGH CURRY, AND JOHN TUITE**

Secretary HARRIS. Thank you very much, Mr. Chairman and members of the committee.

Mr. Chairman, before I give my prepared remarks this morning, I would like to say how pleased I am to appear before you today. I found our session on Tuesday rewarding, and I am looking forward to this opportunity to discuss our mutual concerns.

I regret that we were not able to provide each of you with a copy of my remarks and our legislative proposals last night as we had hoped to do. I trust, however, that you will find the information package as supplied to you this morning useful and that at least in some instances my reading of my remarks will not be the total bore they might have been had you read them all last night.

[The legislative proposals referred to by Secretary Harris may be found at the end of this day's hearings.]

Secretary HARRIS. I will begin by reviewing our proposals for community development, and I will turn to housing later in the day. Unfortunately our community development bill will be submitted to the Congress not today, but in the very near future. Remaining major issues have been resolved through a week of discussions with the clearing officials; and literally only one final technical detail remains to be completed this morning. It is my hope that you will have the full cleared draft early on.

Mr. Chairman and members of the committee, I am pleased to be able to discuss the housing and urban development proposals from the administration for fiscal year 1978 and to discuss the ways in which we intend to implement this program in the months ahead.

Mr. ASHLEY. We are going to show the Secretary some courtesy. I will ask people to be quiet and to take their seats at this juncture.

Secretary HARRIS. Mr. Chairman, in his essay on the American character, Alexis DeTocqueville tells us that America is great because it is good and that we will cease to be a great nation if we cease to be a good people.

When we examine the state of our cities today, and when we analyze the state of relationships between the Federal Government and the governments of these cities we see many good intentions, many good efforts, and well-meaning programs that have gone awry. We also see many pressing challenges to our national potential for greatness.

Ours is an urban-centered Nation. But during the past two decades, population shifts and concurrent shifts in segments of the Nation's industrial and commercial base have altered the traditional patterns of regional growth and regional economic concentration. Nonetheless, our older cities have remained as population centers even while new cities and communities have sprung up.

Too often the older cities have become monuments to our lack of regard for the essence of our national character. In many great urban centers, particularly those of the Northeast and North Central States, neighborhoods—the traditional building blocks of a great city—have declined sharply. Usable, sound housing stock in these neighborhoods has become unsalvageable through lack of maintenance, abandonment, or a combination of these and other factors.

Cities have lost revenue and the potential for revenue as commercial enterprises followed people who left the cities to settle in suburban areas.

The cost of maintaining and increasing services for those who remained in the cities soared in the face of inflation and a dwindling tax base. Those who did remain behind—often the elderly, minorities, and low-income families and individuals—have found themselves prey to the vagaries of life in what could quickly become a wasteland.

Between March 1975, and March 1976, U.S. metropolitan areas lost nearly 400,000 citizens through outmigration. Central city areas sustained a net loss of almost 2 million people during the same period.

Many cities suffer from chronic structural unemployment in addition to that caused by inflation. In 1975, many cities were burdened with unemployment rates above 15 percent, and unemployment among minority youth ranged as high as 40 percent.

In the 15 largest metropolitan areas, jobs are shifting to the suburbs; the central cities' share of metropolitan jobs plummeted from 63 percent in 1960 to 52.4 percent in 1970.

The provision of adequate, affordable housing for Americans continues to be a paramount challenge. From the annual housing survey conducted in 1975 we learned that:

2.3 million U.S. households had no bathroom or share a bath with another household;

Between 400,000 and 900,000 units have plumbing facilities that break down frequently;

4.5 million households live in units with leaky roofs;

1.4 million have an incomplete or shared kitchen; and

3.6 million households live in overcrowded housing.

The cost of housing also burdens many American households:

24 percent of homeowners, or 5 million, with mortgages had housing costs requiring more than 25 percent of their income;

An unprecedented 44.8 percent of renters, or 10.5 million, had rent/income ratios of 25 percent or more;

In 1975, almost 60 percent of American families could not afford to buy the median priced new home.

Mr. Chairman, in the summer of 1976, then-candidate Jimmy Carter told a U.S. conference of mayors meeting in Milwaukee that he considers the state of America's cities to be the Nation's No. 1 economic challenge.

He pledged an urban policy based on mutual trust, mutual respect, and mutual commitment between the cities, their governments and the Federal Government; he pledged an urban policy that would be responsive to the multifaceted needs of America's cities—their needs for coordinated economic development, their needs for housing and the services to sustain the people who would inhabit that housing.

I wish to emphasize that the Department of Housing and Urban Development will become the primary link in the implementation of this kind of urban policy. I envision a new beginning for Americans in the realm of housing and urban development. It is a beginning, Mr. Chairman and members of the subcommittee, that is based on realistic objectives derived from knowledge of both our resources and our need. It is a beginning that will call upon the good in our Nation and its people so that together we can meet the challenge to the greatness that is before us today.

To make this new beginning we have formulated a strategy that calls for three significant initiatives to begin at once:

First, we will focus HUD resources on needs and will direct programs and funds toward cities that have the greatest need in the area of housing and urban development;

Second, we intend to make HUD programs responsive to the need for comprehensive, coordinated commercial, industrial and neighborhood development and revitalization that is supportive of, and complementary to, the community's requirements for housing and urban development;

Third, we will reorient the Department's management procedures so that all our efforts will be directed toward the achievement of basic identified statutory objectives, particularly those objectives that speak to the interests of low- and moderate-income people.

The administration thus proposes a 3-year reauthorization of the community development block grant program at a total funding level of \$4 billion for fiscal year 1978, an increase of approximately \$750 million over the fiscal year 1977 level, \$4.15 billion in fiscal year 1979 and \$4.30 billion in fiscal year 1980.

We recognize that all authorization and funding levels for multi-year programs are conditioned on findings under the new "zero-based budgeting" process and we anticipate careful zero-based budget evaluations in terms of specific second year and third year appropriation requests.

We will undertake these initiatives by amplifying some current programs, through proposed amendments to current programs, and through the implementation of a new "action grant" program.

Let me take each of these initiatives and describe some of the ways they will be implemented.

Four important steps are proposed to focus the impact of HUD programs on areas of greatest needs:

First, a change in the formula for community development block grants;

Second, small cities initiative;

Third, the financial settlement of long-outstanding categorical projects; and

Fourth, the inauguration of a new action grant program.

With respect to the community development block grant formula changes, I am proposing community development block grant funding formula changes which, I believe, will improve the program's equity, and make it better able to address the specific needs of cities that require the greatest amount of assistance.

As you know, the Department has studied the funding mechanism for the past year and a half. An in-house review comprehensively evaluated the present formula, hold harmless, and alternative formulas based on objective indicators of community development needs.

A study by Brookings Institution compared the distribution patterns of funding under the present formula with that of prior categorical programs and several alternative formulas. The results of these studies have already been discussed with members of your staff and that of other congressional committees, but I would like to highlight a few important points.

The main conclusions were: one, because of extreme variations in funding, the hold-harmless distribution has a weak relationship to community development needs; two, the existing formula is very responsive to population factors, but is not responsive to physical community development needs of distressed cities; three, cities with population decline exhibit higher levels of community development need than fast-growing cities; and four, a formula alternative that includes pre-1940 housing as a factor should be considered as a replacement for the existing community development block grant formula.

As part of the in-house HUD study, 14 alternative formulas were developed and tested for their responsiveness to community development needs and related concerns. Several were further studied to test their effects on sample cities and the overall fund allocation pattern, including SMSA discretionary balances. Four variant formulas were developed and tested, and several were looked at in combination with the present formula—the so-called “dual formula” mode.

Formulas using “age of housing” provided additional funds to particularly distressed cities and mitigated problems of phasing down hold harmless.

But these formulas did not meet either concern sufficiently, and they had an undesirable side effect of reducing the funding for many new cities which have been phased in to full formula shares in 1977, but would receive less funds in 1978 because of the formula change. Depending on the formula and the funding level used, the number of such cities ranged between 90 and 150.

A “dual formula” proves to be the most satisfactory. It targets greater funds to those needy cities we especially want to reach, while not taking away from any city's current formula allocation.

Under this approach, entitlement communities would receive the greater of amounts computed under a proposed second formula or under the present block grant program. The new needs formula uses as factors: age of housing, poverty, and a third element called growth lag. “Age of housing” means the number of existing housing units constructed in 1939 or earlier.

Growth lag is a measure of the extent to which a city's population growth rate between 1960 and 1973 fell short of the average population growth rate of all metropolitan cities during the same period.

This factor further targets resources not only to major central cities which are losing population, but also to central cities and older suburban cities where growth has slowed or declined substantially.

We considered, and rejected, the option of postponing changes in the formula for the following reasons:

First, the deficiencies of the present funding mechanisms are such as to warrant immediate action;

Second, the alternative formula overcomes many existing deficiencies; and

Third, there is no reason to expect that further study would result in measurable improvement.

With respect to small cities—the approach to the needs of small cities under the block grant program has been hit or miss. Discretionary balance grant funds have been used to make a large number of

small grants which, in fiscal year 1976, average about \$199,000 in non-metropolitan areas and only about \$128,000 in metropolitan areas.

This "minigrant" approach has resulted from the small amounts of funds available in discretionary balances and a failure of the Department to consider the comprehensive community development needs of small cities.

Making many small grants each year results in high HUD administrative overhead and minimizes impact by dissipating resources.

Those small cities receiving hold-harmless entitlements have had a better opportunity to address problems comprehensively, although many have had to concentrate on completing programs previously begun under the categorical grant system.

Despite the funding received, these small cities still face the problem of declining neighborhoods, blighted commercial districts, and seriously deficient public facilities.

As hold-harmless grants decline, these smaller communities will be even less able to establish or retain their viability.

To utilize discretionary balance funds in a manner more consistent with the priorities of small cities, I am proposing that these funds be employed primarily for comprehensive community development grants.

In addition, we propose to establish metropolitan balances on a statewide basis rather than separately for each SMSA. Without this change, many metropolitan area balances will remain so small that it would be impossible to make meaningful grants to cities undertaking comprehensive development.

During fiscal year 1976, the Department established an excellent record when it closed out 457 urban renewal, neighborhood development, and code enforcement projects. This was triple the number of closeouts achieved in any other year. I will continue to pursue aggressively this effort during my administration.

Furthermore, the Department has made a careful, thorough survey of active urban renewal projects, neighborhood development programs, and other categorical grant projects. The survey indicates that at the outset of fiscal year 1977 there were active programs remaining in about 337 communities which have a total approximate deficit of \$453 million.

We believe the \$300-million request for categorical closeout will bring these programs to a satisfactory conclusion. The requested \$300 million, \$100 million per year for fiscal years 1978-80, will be used in combination with other available funds as permitted by the statute.

The second major thrust of our strategy is to encourage urban economic development.

As presently constituted, the community development block grant program does not encourage local governments to integrate community development with economic development. Nor does it encourage communities to initiate comprehensive programs that fit together development funds from many sources.

We believe that block grant eligibility must be clarified and broadened to allow cities to undertake commercial and industrial development activities and to establish a special target program for those

cities that show the greatest need and the most promise for improvement.

To achieve these aims we propose that certain development activities be highlighted as clearly eligible in the block grant program. The economic development activity would also have to mesh with the objectives of the applicant's community development, housing assistance, and overall economic development plans.

The Department of Housing and Urban Development currently lacks the capacity to respond adequately to cities faced with the greatest physical decline and economic deterioration. Even with a formula change the community development block grant program will only partially meet this need.

Current block grant funding levels provide hardest hit cities only enough resources to carry out maintenance-level activities or to complete existing projects. Few cities can launch major new initiatives under the program as it is currently structured.

Furthermore, the Department has no flexible funding system to respond to special development opportunities as they arise. When the right combination of circumstances arises, local government, like a business, must be able to move quickly to take advantage of investment opportunities and market conditions.

There is a second kind of flexibility that is required, the ability to join with other Departments in an administration-wide effort to meet the needs of the most distressed communities. To provide this capability we must have a new mechanism that can make available substantial additional funds so that the administration and communities, working together, are able to take advantage of opportunities for coordinated economic and community development when and where such opportunities arise.

I am proposing initiation of an urban development action grant program as part of the block grant authority to provide this much-needed capability.

The provisions of the proposed action grants program would make it possible for severely distressed cities to alleviate physical and economic deterioration in two ways: first, through economic development activities in areas of population outmigration and stagnating or declining tax base; and second, through reclamation projects in neighborhoods that exhibit excessive housing abandonments or deterioration.

The special thrust of action grants will be to stimulate new and increased private investment while establishing private sector confidence that will protect current investment.

The urban development action grant authority which we seek is \$400 million for each of the 3 fiscal years.

Action grants will be restricted to cities that have successfully provided housing for people of low or moderate income, and have a proven record in providing equal opportunity. Additional criteria for eligibility measure the conditions of housing stock, tax base, median-income levels, jobs lost to the community, and unemployment exceeding the national average.

Eligible cities will propose an urban development action plan and strategy, consistent with the existing community development plan,

the housing assistance plan, and the overall economic development plan.

The Department will judge the proposed action plan using criteria such as performance in housing and community development programs, impact on the special problems of low- and moderate-income persons and minorities, financial participation by public or private entities, potential impact, and comparative levels of distress among applicants.

Action grants will be administered through the machinery of the community development block grant program, including use of the same contract, letter of credit, monitoring, audit, and evaluation procedures. Only a minimal increase in staff will be required.

At this point in my prepared text, Mr. Chairman and members of the committee, I include four examples of city development activities which are potentially eligible for funding under the action grant program. These have been included in the testimony for your review, and I would be glad to respond to any questions you might have with respect to that at the end of my presentation. However, in the interest of time, I would like to move ahead to the remainder of my concerns in community planning and development.

[The four examples of city development activities which are potentially eligible for funding under the action grant program may be found on pages 19 through 33 of Secretary Harris' prepared statement.]

Mr. ASHLEY. Madam Secretary, could you indicate where you are in your prepared statement?

Secretary HARRIS. Let's see. I'm at page 37, which is titled, "Related Community Development Initiatives."

Mr. ASHLEY. Thank you, Madam Secretary.

Secretary HARRIS. No; it's page 34.

The caption is "Related Community Development Initiatives."

Mr. ASHLEY. Thank you, Madam Secretary.

Secretary HARRIS. As I said, Mr. Chairman, it is sadly no secret that many of HUD's constituents have come to regard the Department as an adversary rather than as an advocate. In my initial weeks at the Department, I have concluded that this situation is caused neither by the people within HUD nor their attitudes. I firmly believe the employees of HUD are a highly skilled and deeply dedicated group of housing and community development professionals who have as their primary goals the provision of a decent home and a suitable living environment for every American family.

My first weeks have taught me, however, that there are limitations on the time and resources of virtually everyone at HUD. It is clear to me that we will not be able to accomplish all that we wish as quickly as we wish, but our direction for the future is certain.

I foresee a partnership between the people of the Department and the people in the communities we serve, a partnership aimed at attaining stable communities that are racially and economically integrated.

I will not be an adversary of cities and the Department will not be their adversary. Quite to the contrary, Mr. Chairman, we will become the national advocate of cities. We will insist, however, that any unit



of Government using funds will use those funds in pursuit of the aims set by the Congress.

We will expect communities to accept a fair share of low- and moderate-income housing and vigorously promote fair housing.

We will expect communities to involve affected citizens in the process of drafting and implementing community development and housing plans.

We will expect communities to direct development and housing programs toward low- and moderate-income citizens. I do not consider this to be just an objective of the block grant program; it is the highest priority of the program, and we, in the Federal Government, must see to it that the thrust of the program serves that objective.

Department staff will work with cities and other communities to analyze needs and plans. Applications will be reviewed in the light of a community's performance toward national objectives, especially the priority for low- and moderate-income citizens.

Monitoring will be a continuous process of HUD involvement with cities. We will be knowledgeable about the progress and problems of participating cities, and we will be able and willing to make objective judgments of local performance. The Department will not be heavy-handed, but it will be informed and responsible.

Before discussing the housing assistance plan and the interrelationship between housing and community development programs, I would like to take a few minutes to discuss initiatives regarding State involvement, the section 312 rehabilitation loan program, and the section 701 comprehensive planning grants.

Many cities have recognized the community development block grant as a valuable rehabilitation and neighborhood preservation program. I intend to review all Department programs relating to rehabilitation and set out a unified rehabilitation strategy which will have as its centerpiece the fine efforts being made with block grant funds. It is especially encouraging to see that many local programs have attracted private funding for rehabilitation. We will explore new possibilities of support, such as a secondary market for rehabilitation loans and we will make sure that all HUD programs are attuned to the possibilities of working with local block grant programs.

We will improve the section 312 rehabilitation loan program and strengthen its management so the program can supplement and support block grant housing rehabilitation efforts. However, no new appropriation is being sought for this program in fiscal year 1978 because \$70 million will be available in carryover funds.

The Ford budget proposed an appropriation of \$25 million for comprehensive planning grants under section 701 in fiscal year 1978. That proposal would have eliminated totally funding to States, large cities, counties, and small municipalities, and would have reduced the amount of funds available to areawide organizations, both metropolitan and nonmetropolitan. The proposal was unrealistic in light of the demonstrated need.

I have proposed a revision which would authorize \$62.5 million for the section 701 program. This will provide increased funding for metropolitan and nonmetropolitan areawide planning organizations, continue direct funding for States, and provide assistance to small

communities through programs administered by the States. Large cities and urban counties would not receive funding from this program since community development block grant funds will meet that need.

The Ford budget also proposed that legislation be enacted to permit State administration of nonmetropolitan discretionary grants. I do not believe that administration of nonmetropolitan discretionary grants should be delegated to the States until the Department has an opportunity to review our overall policy with regard to such grants.

Mr. Chairman and members of the subcommittee, there has not been satisfactory coordination between housing and community development at either the local or Federal level. This is a complex problem, but it is also a crucial problem. We intend to give its solution a high priority.

I believe the housing assistance plan is the best device presently available to us to achieve satisfactory interface between housing and community development. The housing assistance plan is not currently serving its intended purpose, but I plan to make it work.

Improvements are needed in preparing and reviewing housing assistance plans, but the greatest problem has been in the poor Federal response to the housing assistance plan.

Housing resources and the housing assistance plan objectives have not been meshed. Housing and urban development have acted almost as separate departments. I intend to have the Assistant Secretary for Housing and the Assistant Secretary for Community Planning and Development sit down at the same table and have them make the housing assistance plan an action document on the basis of which the Department will allocate its housing resources to cities and other communities.

Mr. Chairman, as you know, we will be discussing the housing programs and the Department's housing plans as part of our presentation today. But it occurs to me that this may be an appropriate point for me to stop and receive any questions that the members of the subcommittee may wish to ask me about our community development block grant proposal.

Mr. ASHLEY. Madam Secretary, I think it might be better, considering the legislative schedule that faces us on the floor today—we are in session on the \$4-billion public works bill, presently on general debate, and then shortly under the 5-minute rule, and we will be obliged to vote on amendments probably sometime in the very early afternoon. For that reason, I judge that it would be better if you would conclude your statement. I think that would be the best course for us to take.

Secretary HARRIS. Certainly, Mr. Chairman.

Mr. Chairman, this part of my presentation deals primarily with the administration's housing authorization bill for fiscal year 1978. This proposed legislation would provide funding authorizations for fiscal year 1978 to cover the following:

First, the public housing and section 8 housing assistance payments programs under the U.S. Housing Act of 1937;

Second, funding for public housing operating subsidies pursuant to that act;

Third, the urban homesteading demonstration program authorized by section 810 of the Housing and Community Development Act of 1974;

Fourth, flood insurance studies and surveys under the National Flood Insurance Act of 1968; and

Fifth, research under title V of the Housing and Urban Development Act of 1970.

The measure also would make a number of changes in other HUD authorities. The bill would:

First, place the housing for the elderly program authorized under section 202 of the Housing Act of 1959 fully within the U.S. budget;

Second, increase maximum insurable mortgage amounts under the sections 203, 222, 234, and 235 single-family mortgage insurance programs of the National Housing Act and decrease the amount of down-payment now required under sections 203, 222, and 234 of that act; and

Third, amend section 245 of the National Housing Act to permit fuller implementation of the Secretary's experimental financing authority under section 245 and the graduated payment mortgage program developed under that section.

The bill would provide additional annual contributions contract authority for fiscal year 1978 in the amount of \$1,232,120,000 for the public housing and section 8 housing assistance payments program.

This additional authority will enable the Department to provide for 400,000 units of housing for lower income Americans in fiscal year 1978. Specifically, the proposal would include 344,000 new, rehabilitated, and existing units under the section 8 program, including 20,000 units to be provided under the auspices of State housing finance agencies. Of these 344,000 units, 149,000 units are estimated for new construction and 23,000 units would be substantially rehabilitated. The number of existing units would be 172,000. When coupled with 56,000 units scheduled for the public housing program for fiscal year 1978, the total amount of additional units to be assisted can reach the proposed 400,000-unit level.

The additional contract authority also contemplates the use of \$35 million for the public housing modernization program. This amount would permit the Department to assist local housing authorities to undertake needed capital improvements to remove local health and safety code violations and to achieve greater energy conservation.

The bill would authorize \$665 million for public housing operating subsidies in fiscal year 1978. That amount would provide support for existing public housing projects, taking into account cost increases and especially the recent escalation in utility costs. Included in the proposed authorization is an estimated \$13 million attributable to that part of this winter's unusually high utility costs which will be chargeable to fiscal year 1978. Since payment of those costs will be made after they have been incurred, the \$13 million is necessary to fund public housing authorities with fiscal years ending September and December 1977 for costs incurred this winter.

The bill would amend sections 203, basic home mortgage insurance; 222, mortgage insurance for servicemen; and 234, mortgage insurance

for condominiums, of the National Housing Act to authorize the Secretary to insure mortgages covering single-family units and having a principal obligation of not more than \$60,000. As you know, existing law provides for maximum mortgage amounts from \$48,750 for such units. In the case of mortgages insured under section 203(b), the bill also would increase the maximum mortgage amounts from \$48,750 to \$65,000 for two- and three-family units, and from \$56,000 to \$75,000 for four-family units.

The bill would also amend section 235, homeownership for lower income families, to authorize the Secretary to insure mortgages covering single-family units, including individual condominium or cooperative units, involving a higher principal obligation than authorized under existing law. Specifically, it would increase section 235 maximum mortgage amounts from \$25,000 to \$31,000, and from \$29,000 to \$36,000 in high-cost areas, and it would increase the maximum provided with respect to families of five or more persons from \$29,000 to \$36,000, and from \$33,000 to \$42,000 in high-cost areas.

This proposal, with the proposed decrease in downpayment requirements and modifications in the experimental financing authority, also in the bill, is designed to support the Department's efforts to make homeownership easier to achieve for many American families now unable to enter the housing market.

Existing mortgage limits under these FHA programs are unrealistic in terms of today's housing market conditions, and the proposed increases in maximum mortgage amounts reflect the increase in home sale prices experienced in the last 8-10 years. During that period, the rise in FHA maximum mortgage amounts has lagged behind the increase in the median sales price of new homes so that while the FHA maximum has been increased 50 percent, to \$45,000, since 1966, the median price of a new home has increased about 68 percent, to \$47,000, between 1966 and 1976.

The proposal would restructure the maximum loan-to-value ratios provided under the section 203(b), 222(b), and 234 programs in order to lower the present downpayment requirements for mortgage amounts in excess of \$25,000.

This proposed restructuring of the loan-to-value ratios so as to reduce downpayments is considered necessary to afford many middle-income families the opportunity to purchase their own homes. Under the present requirements, a home with the median appraised value of \$47,000, including allowable closing costs, would require a downpayment of \$4,150, or 8.8 percent. With the proposed changes this amount would be only \$1,850, or 3.9 percent, representing a reduction of more than half.

With respect to experimental financing, the bill would make several modifications in the Department's authority with respect to experimental financing under section 245 of the National Housing Act. As you know, that section authorizes the Secretary to insure mortgages and loans with varying rates of amortization corresponding to variations in family income. Under this authority, the Department has developed a graduated payment mortgage, which, with our acronymic propensity, is now known as the GPM program.

Existing law provides for the use of section 245 authority on an experimental basis only. It also limits the outstanding aggregate principal amount of mortgages which may be insured pursuant to section 245 to 1 percent of the outstanding aggregate principal amount of all mortgages and loans estimated to be insured under title II of the National Housing Act in any fiscal year.

The bill would remove the limitation placing use of section 245 authority on an experimental basis, as well as the restriction on the outstanding aggregate principal amount of mortgages that may be insured pursuant to section 245 in any fiscal year.

Additionally, the bill would provide for a limited preemption of those State restrictions which would be applicable to section 245 mortgages solely because of the method provided for payment of principal and interest under the terms of a section 245 graduated payment mortgage. This preemption is designed to overcome a situation present in a number of States where there is substantial uncertainty as to whether State restrictions on interest rates apply to the addition of deferred interest to principal, or the charging of interest on interest, under graduated payment mortgages.

With respect to the urban homesteading demonstration, we are also requesting an increase in the fiscal year 1978 funding authorization for the urban homesteading demonstration from \$5 million to \$15 million. This program is one of several ongoing departmental efforts to deal with neighborhood decline, especially where the presence of vacant HUD-owned properties may be contributing to neighborhood blight.

The bill would also, as I indicated earlier, place on budget the housing for the elderly and handicapped program authorized under section 202 of the Housing Act of 1959. Specifically, it would delete a provision under current law requiring that receipts and disbursements of the elderly housing fund established under section 202 of that act are not to be included in the total Federal budget and shall be exempt from limitations on annual expenditures or net lending. This proposal is made in the interest of achieving fiscal discipline, in view of the impact of the 202 program on total Federal resources for domestic programs.

The bill also would authorize the appropriation of \$108 million for fiscal year 1978 for flood insurance studies and surveys under the National Flood Insurance Act of 1968, and of such sums as may be necessary for succeeding fiscal years.

The \$108 million is required to support over 3,000 detailed flood risk zone and flood hazard elevation studies in fiscal year 1978.

Mr. ASHLEY. Madam Secretary, we are obliged to hold at this juncture. The committee will stand in recess for 10 minutes. We will come back promptly after the vote so we can hear the rest of the Secretary's testimony.

Secretary HARRIS. Thank you, Mr. Chairman.

[Brief recess.]

Mr. ASHLEY. The subcommittee will come to order.

You may proceed, if you will, Madam Secretary.

Secretary HARRIS. Mr. Chairman, I was discussing the flood insurance studies area. The bill that we are presenting also would authorize the appropriation of \$108 million for fiscal year 1978 for flood insurance studies and surveys under the National Flood Insurance Act of 1968, and of such sums as may be necessary for succeeding fiscal years. The \$108 million is required to support, as I said earlier, over 3,000 detailed flood risk zone and flood hazard elevation studies in fiscal year 1978. These studies form the basis for the establishment of actuarial insurance rates and flood plain management standards under the national flood insurance program established under the 1968 act. As such, they are a prerequisite for a community's participation in the flood insurance program, other than on an emergency basis. As of June 30, 1976, these studies had been completed for only 902 of the estimated 20,000 flood-prone communities. Existing law requires completion of these studies by August 1983. The proposed funding authorization would permit the acceleration of effort necessary to meet this deadline.

The bill would authorize the appropriation of not to exceed \$60 million for fiscal year 1978 for research responsibilities relating to missions and programs of the Department.

The bill also would authorize the appropriation of each fiscal year after fiscal year 1978 of such sums as may be necessary for research under title V.

With respect to the extension of HUD-FHA mortgage insurance and related authorities, today we are also proposing separate legislation to extend HUD-FHA mortgage insurance and related authorities.

This legislation, with several exceptions, would extend for 1 year the authority to insure mortgages or loans under the HUD-FHA mortgage or loan insurance program contained in the National Housing Act. It also would extend for 1 year the Secretary's authority administratively to set interest rates for FHA-insured mortgage loans. These extensions are necessary and appropriate at this time because under existing law, the affected authorities will expire on June 30, 1977, and in a few cases, September 30, 1977.

In general, Mr. Chairman and members of the committee, I should like to make the point that we intend, by applying the principle of zero-based budgeting to extensions of existing legislation, to examine anew the need and purpose of each basic authorization. We intend to see whether each program should be continued along the same lines, whether the purpose of the legislation has been served or is undesirable and should be eliminated, or whether the legislation should be modified because it is defective or can be made to serve a better purpose.

Mr. Chairman, the final legislation we are proposing today requests authorization to extend the national flood insurance program for 1 year.

Under existing law the authority to enter into new contracts for flood insurance under this program will expire on June 30, 1977.

The proposal also would extend the emergency implementation authority, the so-called emergency program, under which federally sub-

sidized flood insurance may be provided in communities for which actuarial rates and detailed flood hazard elevation studies are not completed. Under existing law, authority under the emergency program will expire after September 30, 1977.

Extension of the authority to enter into new flood insurance contracts is essential to assure the continued availability of flood insurance to property owners at a reasonable cost since it is not likely that flood insurance will be readily available through the private sector alone in the near future. In addition, the availability of such coverage serves as an important incentive to the adoption and enforcement of adequate flood plain management measures by participating communities.

The extension of the so-called emergency program is necessary to assure the continued availability of the benefits of federally subsidized flood insurance in communities identified as having areas of special flood hazard but for which the more precise rate maps necessary for conversion to the regular program have not yet been completed. The National Flood Insurance Act of 1968 requires completion of all final rate maps by August 1983. And there is no possibility that this will be completed by the present September 30, 1977, expiration date of the emergency program.

As with the regular flood insurance program, failure to extend the emergency program would remove important incentives under the program for adoption of measures to assure that all new construction in areas of special flood hazard is adequately protected against the hazard. It also would deny needed flood insurance protection to some 14,000 communities which have adopted at least minimum standards for flood plain management in order to participate.

Mr. Chairman and members of the subcommittee, this concludes my prepared remarks. We have covered a great deal of ground and discussed many topics since we began this statement. I believe the presentation of this comprehensive overview was and is necessary, because the challenges before us are great.

When we began earlier today I prefaced my remarks with some observations about the goodness of America. I believe the programs and proposed legislation we have discussed here today will allow the goodness that exists in our country to be expressed through indication of concern and commitment to our cities and our citizens. I believe that if we can implement these programs and this legislation, we will have made a significant start toward realizing the national housing and urban development goals we as a people have set.

Thank you, Mr. Chairman and members of the subcommittee.

[The complete prepared statement of Secretary Harris follows:]

STATEMENT OF PATRICIA ROBERTS HARRIS  
SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
BEFORE THE  
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
OF THE  
HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS  
ON  
HOUSING AND COMMUNITY DEVELOPMENT AUTHORIZATIONS

FEBRUARY 24, 1977



INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY TO PRESENT THE ADMINISTRATION'S PROGRAM FOR HOUSING AND URBAN DEVELOPMENT FOR FISCAL YEAR 1978 AND TO DISCUSS THE WAYS IN WHICH WE INTEND TO IMPLEMENT THIS PROGRAM IN THE MONTHS AHEAD.

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MR. CHAIRMAN, IN HIS ESSAY ON THE AMERICAN CHARACTER, ALEXIS DE TOCQUEVILLE TELLS US THAT AMERICA IS GREAT BECAUSE IT IS GOOD, AND THAT WE WILL CEASE TO BE A GREAT NATION IF WE CEASE TO BE A GOOD PEOPLE.

WHEN WE EXAMINE THE STATE OF OUR CITIES TODAY, AND WHEN WE ANALYZE THE STATE OF RELATIONSHIPS BETWEEN

THE FEDERAL GOVERNMENT AND THE GOVERNMENTS OF THESE CITIES WE SEE MANY GOOD INTENTIONS, MANY GOOD EFFORTS AND WELL-MEANING PROGRAMS THAT HAVE GONE AWRY. WE ALSO SEE MANY PRESSING CHALLENGES TO OUR NATIONAL POTENTIAL FOR GREATNESS.

OURS IS AN URBAN-CENTERED NATION. BUT DURING THE PAST TWO DECADES, POPULATION SHIFTS AND CONCURRENT SHIFTS IN SEGMENTS OF THE NATION'S INDUSTRIAL AND COMMERCIAL BASE HAVE ALTERED THE TRADITIONAL PATTERNS OF REGIONAL GROWTH AND REGIONAL ECONOMIC CONCENTRATION. NONETHELESS, OUR OLDER CITIES HAVE REMAINED AS POPULATION CENTERS EVEN WHILE NEW CITIES AND COMMUNITIES HAVE SPRUNG UP.

TOO OFTEN THE OLDER CITIES HAVE BECOME MONUMENTS TO OUR LACK OF REGARD FOR THE ESSENCE OF OUR NATIONAL CHARACTER. IN MANY GREAT URBAN CENTERS, PARTICULARLY THOSE OF THE NORTHEAST AND NORTH CENTRAL STATES, NEIGHBORHOODS -- THE TRADITIONAL BUILDING BLOCKS OF A GREAT CITY -- HAVE DECLINED SHARPLY. USABLE, SOUND HOUSING STOCK IN THESE NEIGHBORHOODS HAS BECOME UNSALVAGEABLE THROUGH LACK OF MAINTENANCE, ABANDONMENT OR A COMBINATION OF THESE AND OTHER FACTORS. CITIES HAVE LOST REVENUE AND THE POTENTIAL FOR REVENUE AS COMMERCIAL

ENTERPRISES FOLLOWED PEOPLE WHO LEFT THE CITIES TO SETTLE IN SUBURBAN AREAS.

THE COST OF MAINTAINING AND INCREASING SERVICES FOR THOSE WHO REMAINED IN THE CITIES SOARED IN THE FACE OF INFLATION AND A DWINDLING TAX BASE. THOSE WHO DID REMAIN BEHIND -- OFTEN THE ELDERLY, MINORITIES, AND LOW INCOME FAMILIES AND INDIVIDUALS -- HAVE FOUND THEMSELVES PREY TO THE VAGARIES OF LIFE IN WHAT COULD QUICKLY BECOME A WASTELAND.

BETWEEN MARCH, 1975 AND MARCH, 1976, U.S. METROPOLITAN AREAS LOST NEARLY 400,000 CITIZENS THROUGH OUTMIGRATION. CENTRAL CITY AREAS SUSTAINED A NET LOSS OF ALMOST 2 MILLION PEOPLE DURING THE SAME PERIOD.

MANY CITIES SUFFER FROM CHRONIC STRUCTURAL UNEMPLOYMENT IN ADDITION TO THAT CAUSED BY INFLATION. IN 1975, MANY CITIES WERE BURDENED WITH UNEMPLOYMENT RATES ABOVE 15 PERCENT, AND UNEMPLOYMENT AMONG MINORITY YOUTH RANGED AS HIGH AS 40 PERCENT. IN THE 15 LARGEST METROPOLITAN AREAS, JOBS ARE SHIFTING TO THE SUBURBS; THE CENTRAL CITIES' SHARE OF METROPOLITAN JOBS PLUMMETED FROM 63 PERCENT IN 1960 TO 52.4 PERCENT IN 1970.

THE PROVISION OF ADEQUATE, AFFORDABLE HOUSING FOR AMERICANS CONTINUES TO BE A PARAMOUNT CHALLENGE. FROM THE ANNUAL HOUSING SURVEY CONDUCTED IN 1975 WE LEARNED THAT:

- 2.3 MILLION U.S. HOUSEHOLDS HAD NO BATHROOM OR SHARE A BATH WITH ANOTHER HOUSEHOLD
- BETWEEN 400 AND 900 THOUSAND UNITS HAVE PLUMBING FACILITIES THAT BREAK DOWN FREQUENTLY
- 4.5 MILLION HOUSEHOLDS LIVE IN UNITS WITH LEAKY ROOFS
- 1.4 MILLION HAVE AN INCOMPLETE OR SHARED KITCHEN
- 3.6 MILLION HOUSEHOLDS LIVED IN OVERCROWDED HOUSING

THE COST OF HOUSING ALSO BURDENS MANY AMERICAN HOUSEHOLDS:

- 24% OF HOMEOWNERS (OR 5 MILLION) WITH MORTGAGES HAD HOUSING COSTS REQUIRING MORE THAN 25% OF THEIR INCOME
- AN UNPRECEDENTED 44.8% OF RENTERS (OR 10.5 MILLION) HAD RENT INCOME RATIOS OF 25% OR MORE
- IN 1975, ALMOST 60% OF AMERICAN FAMILIES COULD NOT AFFORD TO BUY THE MEDIAN PRICED NEW HOME.

REAUTHORIZATION OF THE COMMUNITY DEVELOPMENT  
PROGRAM: A MAJOR URBAN INITIATIVE

MR. CHAIRMAN, IN THE SUMMER OF 1976, THEN-CANDIDATE JIMMY CARTER TOLD A U.S. CONFERENCE OF MAYORS MEETING IN MILWAUKEE THAT HE CONSIDERS THE STATE OF AMERICA'S CITIES TO BE THE NATION'S NUMBER ONE ECONOMIC CHALLENGE.

HE PLEDGED AN URBAN POLICY BASED ON MUTUAL TRUST, MUTUAL RESPECT AND MUTUAL COMMITMENT BETWEEN THE CITIES, THEIR GOVERNMENTS AND THE FEDERAL GOVERNMENT; HE PLEDGED AN URBAN POLICY THAT WOULD BE RESPONSIVE TO THE MULTIFACETED NEEDS OF AMERICA'S CITIES -- THEIR NEEDS FOR COORDINATED ECONOMIC DEVELOPMENT, THEIR NEEDS FOR HOUSING AND THE SERVICES TO SUSTAIN THE PEOPLE WHO WOULD INHABIT THAT HOUSING.

I WISH TO EMPHASIZE THAT THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WILL BECOME THE PRIMARY LINK IN THE IMPLEMENTATION OF THIS KIND OF URBAN POLICY. I ENVISION A NEW BEGINNING FOR AMERICANS IN THE REALM OF HOUSING AND URBAN DEVELOPMENT. IT IS A BEGINNING, MR. CHAIRMAN, THAT IS BASED ON REALISTIC OBJECTIVES DERIVED FROM KNOWLEDGE OF BOTH OUR RESOURCES AND OUR NEED. IT IS A BEGINNING THAT WILL CALL UPON THE GOOD IN OUR NATION AND ITS PEOPLE SO THAT TOGETHER WE CAN MEET THE CHALLENGE TO THE GREATNESS THAT IS BEFORE US TODAY.

TO MAKE THIS NEW BEGINNING WE HAVE FORMULATED A STRATEGY THAT CALLS FOR THREE SIGNIFICANT INITIATIVES TO BEGIN AT ONCE:

FIRST, WE WILL FOCUS HUD RESOURCES ON NEEDS AND WILL DIRECT PROGRAMS AND FUNDS TOWARD CITIES THAT HAVE THE GREATEST NEED IN THE AREA OF HOUSING AND URBAN DEVELOPMENT;

SECOND, WE INTEND TO MAKE HUD PROGRAMS RESPONSIVE TO THE NEED FOR COMPREHENSIVE, COORDINATED COMMERCIAL, INDUSTRIAL AND NEIGHBORHOOD DEVELOPMENT AND REVITALIZATION THAT IS SUPPORTIVE OF AND COMPLIMENTARY TO THE COMMUNITY'S REQUIREMENTS FOR HOUSING AND URBAN DEVELOPMENT;

THIRD, WE WILL REORIENT THE DEPARTMENT'S MANAGEMENT PROCEDURES SO THAT ALL OUR EFFORTS WILL BE DIRECTED TOWARD THE ACHIEVEMENT OF BASIC IDENTIFIED STATUTORY OBJECTIVES, PARTICULARLY THOSE OBJECTIVES THAT SPEAK TO THE INTERESTS OF LOW AND MODERATE INCOME PEOPLE.

THE ADMINISTRATION THUS PROPOSES A THREE-YEAR RE-AUTHORIZATION OF THE CDBG PROGRAM AT A TOTAL FUNDING LEVEL OF \$4 BILLION FOR FISCAL YEAR 1978 (AN INCREASE OF APPROXIMATELY \$750 MILLION OVER THE FISCAL YEAR 1977 LEVEL), \$4.15 BILLION IN FISCAL YEAR 1978 AND \$4.30 BILLION IN FISCAL YEAR 1979.

WE RECOGNIZE THAT ALL AUTHORIZATION AND FUNDING LEVELS FOR MULTI-YEAR PROGRAMS ARE CONDITIONED ON FINDINGS UNDER THE NEW "ZERO BASED BUDGETING" PROCESS AND WE ANTICIPATE CAREFUL ZERO BASED BUDGET EVALUATIONS IN TERMS OF SPECIFIC YEAR 2 AND YEAR 3 APPROPRIATION REQUESTS.

WE WILL UNDERTAKE THESE INITIATIVES BY AMPLIFYING SOME CURRENT PROGRAMS, THROUGH PROPOSED AMENDMENTS TO CURRENT PROGRAMS, AND THROUGH THE IMPLEMENTATION OF A NEW "ACTION GRANT" PROGRAM.

LET ME TAKE EACH OF THESE INITIATIVES AND DESCRIBE SOME OF THE WAYS THEY WILL BE IMPLEMENTED.

FOCUS RESOURCES ON NEEDS

FOUR IMPORTANT STEPS ARE PROPOSED TO FOCUS THE IMPACT OF HUD PROGRAMS ON AREAS OF GREATEST NEEDS:

- A CHANGE IN THE FORMULA FOR COMMUNITY DEVELOPMENT BLOCK GRANTS;
- SMALL CITIES INITIATIVE;
- THE FINANCIAL SETTLEMENT OF LONG OUTSTANDING CATEGORICAL PROJECTS; AND
- THE INAUGURATION OF A NEW ACTION GRANT PROGRAM

CDBG FORMULA CHANGES -- I AM PROPOSING COMMUNITY DEVELOPMENT BLOCK GRANT FUNDING FORMULA CHANGES WHICH, I BELIEVE, WILL IMPROVE THE PROGRAM'S EQUITY, AND MAKE IT BETTER ABLE TO ADDRESS THE SPECIFIC NEEDS OF CITIES THAT REQUIRE THE GREATEST AMOUNT OF ASSISTANCE.

AS YOU KNOW, THE DEPARTMENT HAS STUDIED THE FUNDING MECHANISM FOR THE PAST YEAR AND A HALF. AN INHOUSE REVIEW COMPREHENSIVELY EVALUATED THE PRESENT FORMULA, HOLD HARMLESS, AND ALTERNATIVE FORMULAS BASED ON OBJECTIVE INDICATORS OF COMMUNITY DEVELOPMENT NEEDS. A STUDY BY THE BROOKINGS INSTITUTION COMPARED THE DISTRIBUTION PATTERNS OF FUNDING UNDER THE PRESENT FORMULA WITH THAT OF PRIOR CATEGORICAL PROGRAMS AND SEVERAL ALTERNATIVE FORMULAS. THE RESULTS OF



THESE STUDIES HAVE ALREADY BEEN DISCUSSED WITH MEMBERS OF YOUR STAFF AND THAT OF OTHER CONGRESSIONAL COMMITTEES, BUT I WOULD LIKE TO HIGHLIGHT A FEW IMPORTANT POINTS. THE MAIN CONCLUSIONS WERE: (1) BECAUSE OF EXTREME VARIATIONS IN FUNDING, THE HOLD HARMLESS DISTRIBUTION HAS A WEAK RELATIONSHIP TO COMMUNITY DEVELOPMENT NEEDS, (2) THE EXISTING FORMULA IS VERY RESPONSIVE TO POPULATION FACTORS, BUT IS NOT RESPONSIVE TO PHYSICAL COMMUNITY DEVELOPMENT NEEDS OF DISTRESSED CITIES, (3) CITIES WITH POPULATION DECLINE EXHIBIT HIGHER LEVELS OF COMMUNITY DEVELOPMENT NEED THAN FAST GROWING CITIES, AND (4) A FORMULA ALTERNATIVE THAT INCLUDES PRE-1940 HOUSING AS A FACTOR SHOULD BE CONSIDERED AS A REPLACEMENT FOR THE EXISTING CDBG FORMULA.

AS PART OF THE IN-HOUSE HUD STUDY, FOURTEEN ALTERNATIVE FORMULAS WERE DEVELOPED AND TESTED FOR THEIR RESPONSIVENESS TO COMMUNITY DEVELOPMENT NEEDS AND RELATED CONCERNS. SEVERAL WERE FURTHER STUDIED TO TEST THEIR EFFECTS ON SAMPLE CITIES AND THE OVERALL FUND ALLOCATION PATTERN (INCLUDING SMSA DISCRETIONARY BALANCES). FOUR VARIANT FORMULAS WERE DEVELOPED AND TESTED, AND SEVERAL WERE LOOKED AT IN COMBINATION WITH THE PRESENT FORMULA - THE SO CALLED "DUAL FORMULA" MODE.

FORMULAS USING "AGE OF HOUSING" PROVIDED ADDITIONAL FUNDS TO PARTICULARLY DISTRESSED CITIES AND MITIGATED PROBLEMS OF PHASING DOWN HOLD HARMLESS. BUT THESE FORMULAS DID NOT MEET EITHER CONCERN SUFFICIENTLY, AND THEY HAD AN UNDESIRABLE SIDE EFFECT OF REDUCING THE FUNDING FOR MANY NEW CITIES WHICH HAVE BEEN PHASED IN TO FULL FORMULA SHARES IN 1977, BUT WOULD RECEIVE LESS FUNDS IN 1978 BECAUSE OF THE FORMULA CHANGE. (DEPENDING ON THE FORMULA AND THE FUNDING LEVEL USED, THE NUMBER OF SUCH CITIES RANGED BETWEEN 90 AND 150).

A "DUAL FORMULA" PROVES TO BE THE MOST SATISFACTORY. IT TARGETS GREATER FUNDS TO THOSE NEEDY CITIES WE ESPECIALLY WANT TO REACH WHILE NOT TAKING AWAY FROM ANY CITY'S CURRENT FORMULA ALLOCATION.

UNDER THIS APPROACH, ENTITLEMENT COMMUNITIES WOULD RECEIVE THE GREATER OF AMOUNTS COMPUTED UNDER A PROPOSED SECOND FORMULA OR THE PRESENT BLOCK GRANT PROGRAM. THE NEW NEEDS FORMULA USES AS FACTORS: AGE OF HOUSING, POVERTY, AND A THIRD ELEMENT CALLED GROWTH LAG. "AGE OF HOUSING" MEANS THE NUMBER OF EXISTING HOUSING UNITS CONSTRUCTED IN 1939 OR EARLIER.

GROWTH LAG IS A MEASURE OF THE EXTENT TO WHICH A CITY'S POPULATION GROWTH RATE BETWEEN 1960 AND 1973 FELL SHORT OF THE AVERAGE POPULATION GROWTH RATE OF ALL METROPOLITAN CITIES DURING THE SAME PERIOD. THIS FACTOR FURTHER TARGETS RESOURCES TO NOT ONLY MAJOR CENTRAL CITIES WHICH ARE LOSING POPULATION, BUT ALSO TO CENTRAL CITIES AND OLDER SUBURBAN CITIES WHERE GROWTH HAS SLOWED OR DECLINED SUBSTANTIALLY.

WE CONSIDERED, AND REJECTED, THE OPTION OF POSTPONING CHANGES IN THE FORMULA FOR THE FOLLOWING REASONS:

- THE DEFICIENCIES OF THE PRESENT FUNDING MECHANISMS ARE SUCH AS TO WARRANT IMMEDIATE ACTION;
- THE ALTERNATIVE FORMULA OVERCOMES MANY EXISTING DEFICIENCIES;
- THERE IS NO REASON TO EXPECT THAT FURTHER STUDY WOULD RESULT IN MEASURABLE IMPROVEMENT.

SMALL CITIES -- THE APPROACH TO THE NEEDS OF SMALL CITIES UNDER THE BLOCK GRANT PROGRAM HAS BEEN HIT-OR-MISS. DISCRETIONARY BALANCE GRANT FUNDS HAVE BEEN USED TO MAKE A LARGE NUMBER OF SMALL GRANTS WHICH, IN FISCAL YEAR 1976, AVERAGED ABOUT \$199,000 IN NON-METROPOLITAN AREAS AND ONLY ABOUT \$128,000 IN METROPOLITAN AREAS. THIS "MINI-GRANT" APPROACH HAS RESULTED FROM THE SMALL AMOUNTS OF FUNDS AVAILABLE IN DISCRETIONARY BALANCES AND A FAILURE OF THE DEPARTMENT TO CONSIDER THE COMPREHENSIVE COMMUNITY DEVELOPMENT NEEDS OF SMALL CITIES. MAKING MANY SMALL GRANTS EACH YEAR RESULTS IN HIGH HUD ADMINISTRATIVE OVERHEAD AND MINIMIZES IMPACT BY DISSIPATING RESOURCES.

THOSE SMALL CITIES RECEIVING HOLD HARMLESS ENTITLEMENTS HAVE HAD A BETTER OPPORTUNITY TO

ADDRESS PROBLEMS COMPREHENSIVELY, ALTHOUGH MANY HAVE HAD TO CONCENTRATE ON COMPLETING PROGRAMS PREVIOUSLY BEGUN UNDER THE CATEGORICAL GRANT SYSTEM. DESPITE THE FUNDING RECEIVED, THESE SMALL CITIES STILL FACE THE PROBLEM OF DECLINING NEIGHBORHOODS, BLIGHTED COMMERCIAL DISTRICTS, AND SERIOUSLY DEFICIENT PUBLIC FACILITIES. AS HOLD HARMLESS GRANTS DECLINE, THESE SMALLER COMMUNITIES WILL BE EVEN LESS ABLE TO ESTABLISH OR RETAIN THEIR VIABILITY.

TO UTILIZE DISCRETIONARY BALANCE FUNDS IN A MANNER MORE CONSISTENT WITH THE PRIORITIES OF SMALL CITIES, I AM PROPOSING THAT THESE FUNDS BE EMPLOYED PRIMARILY FOR COMPREHENSIVE COMMUNITY DEVELOPMENT GRANTS.

IN ADDITION, WE PROPOSE TO ESTABLISH METROPOLITAN BALANCES ON A STATE-WIDE BASIS RATHER THAN SEPARATELY FOR EACH SMSA. WITHOUT THIS CHANGE, MANY METROPOLITAN AREA BALANCES WILL REMAIN SO SMALL THAT IT WOULD BE IMPOSSIBLE TO MAKE MEANINGFUL GRANTS TO CITIES UNDERTAKING COMPREHENSIVE DEVELOPMENT.

FINANCIAL SETTLEMENT OF LONG OUTSTANDING  
CATEGORICAL PROJECTS

DURING FISCAL YEAR 1976, THE DEPARTMENT ESTABLISHED AN EXCELLENT RECORD, WHEN IT CLOSED OUT 457 URBAN RENEWAL, NEIGHBORHOOD DEVELOPMENT AND CODE ENFORCEMENT PROJECTS. THIS WAS TRIPLE THE NUMBER OF CLOSEOUTS ACHIEVED IN ANY OTHER YEAR. I WILL CONTINUE TO PURSUE AGGRESSIVELY THIS EFFORT DURING MY ADMINISTRATION.

FURTHERMORE, THE DEPARTMENT HAS MADE A CAREFUL, THOROUGH SURVEY OF ACTIVE URBAN RENEWAL PROJECTS, NEIGHBORHOOD DEVELOPMENT PROGRAMS AND OTHER CATEGORICAL GRANT PROJECTS. THE SURVEY INDICATES THAT AT THE OUTSET OF FISCAL YEAR 1977, THERE WERE ACTIVE PROGRAMS REMAINING IN ABOUT 344 COMMUNITIES WHICH HAVE A TOTAL APPROXIMATE DEFICIT OF \$453 MILLION.

WE BELIEVE THE \$300 MILLION REQUEST FOR CATEGORICAL CLOSEOUT WILL BRING THESE PROGRAMS TO A SATISFACTORY CONCLUSION. THE REQUESTED \$300 MILLION (\$100 MILLION PER YEAR FOR FY 1978, '79 and '80) WILL BE USED IN COMBINATION WITH OTHER AVAILABLE FUNDS AS PERMITTED BY THE STATUTE.

URBAN ECONOMIC DEVELOPMENT

THE SECOND MAJOR THRUST OF OUR STRATEGY IS TO ENCOURAGE URBAN ECONOMIC DEVELOPMENT.

AS PRESENTLY CONSTITUTED THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM DOES NOT ENCOURAGE LOCAL GOVERNMENTS TO INTEGRATE COMMUNITY DEVELOPMENT WITH ECONOMIC DEVELOPMENT. NOR DOES IT ENCOURAGE COMMUNITIES TO INITIATE COMPREHENSIVE PROGRAMS THAT FIT TOGETHER DEVELOPMENT FUNDS FROM MANY SOURCES.

ELIGIBILITY -- WE BELIEVE THAT BLOCK GRANT ELIGIBILITY MUST BE CLARIFIED AND BROADENED TO ALLOW CITIES TO UNDERTAKE COMMERCIAL AND INDUSTRIAL DEVELOPMENT ACTIVITIES AND TO ESTABLISH A SPECIAL TARGET PROGRAM FOR THOSE CITIES THAT SHOW THE GREATEST NEED AND THE MOST PROMISE FOR IMPROVEMENT.

TO ACHIEVE THESE AIMS WE PROPOSE THAT CERTAIN DEVELOPMENT ACTIVITIES BE HIGHLIGHTED AS CLEARLY ELIGIBLE IN THE BLOCK GRANT PROGRAM. THE ECONOMIC DEVELOPMENT ACTIVITY WOULD ALSO HAVE TO MESH WITH THE OBJECTIVES OF THE APPLICANT'S COMMUNITY DEVELOPMENT, HOUSING ASSISTANCE AND OVER-ALL ECONOMIC DEVELOPMENT PLANS.

URBAN COMMUNITY DEVELOPMENT ACTION GRANTS -- THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT CURRENTLY LACKS THE CAPACITY TO RESPOND ADEQUATELY TO CITIES FACED WITH THE GREATEST PHYSICAL DECLINE AND ECONOMIC DETERIORATION. EVEN WITH A

FORMULA CHANGE, THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM WILL ONLY PARTIALLY MEET THIS NEED.

CURRENT BLOCK GRANT FUNDING LEVELS PROVIDE HARDEST-HIT CITIES ONLY ENOUGH RESOURCES TO CARRY OUT MAINTENANCE-LEVEL ACTIVITIES OR TO COMPLETE EXISTING PROJECTS. FEW CITIES CAN LAUNCH MAJOR NEW INITIATIVES UNDER THE PROGRAM AS IT IS CURRENTLY STRUCTURED.

FURTHERMORE, THE DEPARTMENT HAS NO FLEXIBLE FUNDING SYSTEM TO RESPOND TO SPECIAL DEVELOPMENT OPPORTUNITIES AS THEY ARISE. WHEN THE RIGHT COMBINATION OF CIRCUMSTANCES ARISES, LOCAL GOVERNMENT, LIKE A BUSINESS, MUST BE ABLE TO MOVE QUICKLY TO TAKE ADVANTAGE OF INVESTMENT OPPORTUNITIES AND MARKET CONDITIONS.

THERE IS A SECOND KIND OF FLEXIBILITY THAT IS REQUIRED -- THE ABILITY TO JOIN WITH OTHER DEPARTMENTS IN AN ADMINISTRATION-WIDE EFFORT TO MEET THE NEEDS OF THE MOST DISTRESSED COMMUNITIES. TO PROVIDE THIS CAPABILITY WE MUST HAVE A NEW MECHANISM THAT CAN MAKE AVAILABLE SUBSTANTIAL ADDITIONAL FUNDS SO THAT THE ADMINISTRATION AND COMMUNITIES -- WORKING TOGETHER -- ARE ABLE TO TAKE ADVANTAGE OF OPPORTUNITIES FOR COORDINATED ECONOMIC AND COMMUNITY DEVELOPMENT WHEN AND WHERE SUCH OPPORTUNITIES ARISE.



I AM PROPOSING INITIATION OF AN URBAN DEVELOPMENT ACTION PROGRAM AS PART OF THE BLOCK GRANT AUTHORITY TO PROVIDE THIS MUCH NEEDED CAPABILITY.

THE PROVISIONS OF THE PROPOSED PROGRAM ACTION GRANTS WOULD MAKE IT POSSIBLE FOR SEVERELY DISTRESSED CITIES TO ALLEVIATE PHYSICAL AND ECONOMIC DETERIORATION IN TWO WAYS: FIRST, THROUGH SPECIFIC ECONOMIC DEVELOPMENT ACTIVITIES IN AREAS OF POPULATION OUTMIGRATION AND STAGNATING OR DECLINING TAX BASE, AND SECOND, THROUGH RECLAMATION PROJECTS IN NEIGHBORHOODS THAT EXHIBIT EXCESSIVE HOUSING ABANDONMENT OR DETERIORATION.

THE SPECIAL THRUST OF ACTION GRANTS WILL BE TO STIMULATE NEW AND INCREASED PRIVATE INVESTMENT WHILE ESTABLISHING PRIVATE SECTOR CONFIDENCE THAT WILL PROTECT CURRENT INVESTMENT.

THE URBAN DEVELOPMENT ACTION GRANT AUTHORITY SOUGHT IS \$400 MILLION FOR EACH OF THE THREE FISCAL YEARS.

ACTION GRANTS WILL BE RESTRICTED TO CITIES THAT HAVE SUCCESSFULLY PROVIDED HOUSING FOR PEOPLE OF LOW OR MODERATE INCOME, AND HAVE A PROVEN RECORD IN PROVIDING EQUAL OPPORTUNITY. ADDITIONAL CRITERIA FOR ELIGIBILITY MEASURE THE CONDITIONS OF HOUSING STOCK, TAX BASE, MEDIAN INCOME LEVELS, JOBS LOST TO THE COMMUNITY, AND UNEMPLOYMENT EXCEEDING THE NATIONAL AVERAGE.

ELIGIBLE CITIES WILL PROPOSE AN URBAN DEVELOPMENT ACTION PLAN AND STRATEGY, CONSISTENT WITH THE EXISTING COMMUNITY DEVELOPMENT PLAN, THE HOUSING ASSISTANCE PLAN AND THE OVER-ALL ECONOMIC DEVELOPMENT PLAN.

THE DEPARTMENT WILL JUDGE THE PROPOSED ACTION PLAN USING CRITERIA SUCH AS: PERFORMANCE IN HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS, IMPACT ON THE SPECIAL PROBLEMS OF LOW AND MODERATE INCOME PERSONS AND MINORITIES, FINANCIAL PARTICIPATION BY PUBLIC OR PRIVATE ENTITIES, POTENTIAL IMPACT, AND COMPARATIVE LEVELS OF DISTRESS AMONG APPLICANTS.

ACTION GRANTS WILL BE ADMINISTERED THROUGH

THE MACHINERY OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM, INCLUDING USE OF THE SAME CONTRACT, LETTER OF CREDIT, MONITORING, AUDIT AND EVALUATION PROCEDURES. ONLY A MINIMAL INCREASE IN STAFF WILL BE REQUIRED.

FOUR EXAMPLES OF THE KINDS OF PROJECTS THAT MIGHT BE FUNDED UNDER THE URBAN DEVELOPMENT ACTION GRANTS PROGRAM ARE AS FOLLOWS:

1) NEIGHBORHOOD RECLAMATION

IN A MIDWESTERN CITY, THERE IS A 250 STRUCTURE, 500 UNIT HOUSING PROJECT, FINANCED UNDER THE FHA SECTION 608 PROGRAM, THAT CURRENTLY CONSTITUTES A 160 ACRE CANCER IN THE CITY. THE PROJECT IS 80 PERCENT VACANT. IT HAS BEEN FORECLOSED ON TWO DIFFERENT OCCASIONS BY THE DEPARTMENT, AND IS AGAIN IN THAT PROCESS. IT IS A HARBOR OF UGLINESS, VANDALISM AND CRIME THAT HAS PREVENTED THE DISPOSITION OF RENEWAL LAND TO ITS EAST; HAS DISCOURAGED INDUSTRIAL DEVELOPMENT TO ITS SOUTH (THE ONLY SUBSTANTIAL VACANT LAND LEFT IN THE CITY); HAS CAUSED AN ADJACENT NEIGHBORHOOD COMMERCIAL CENTER TO BECOME SERIOUSLY DISTRESSED; AND HAS CAUSED ADJACENT RESIDENTIAL AREAS TO THE WEST AND NORTH TO DECLINE AS MIDDLE-INCOME BLACK

FAMILIES HAVE MOVED OUT OR BEGUN DEFERRING MAINTENANCE ON THEIR HOMES.

IN EFFECT, NEARLY AN ENTIRE QUADRANT OF THIS CITY IS VIEWED BY THE PRIVATE SECTOR AS OFF-LIMITS FOR INVESTMENT BECUASE OF THE NEGATIVE EFFECTS OF THIS ONE PROJECT.

ANYTHING OTHER THAN A COMPREHENSIVE APPROACH TO THE PROBLEMS CREATED BY THIS PARTICULAR PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT. THE FINANCIAL RESOURCES NECESSARY TO ALLEVIATE THIS PROBLEM ARE SUBSTANTIALLY BEYOND THE SCOPE OF THE CITY'S CURRENT ANNUAL COMMUNITY DEVELOPMENT BLOCK GRANT. UNDER THE URBAN DEVELOPMENT ACTION GRANT PROGRAM, THE CITY WOULD ACQUIRE THE PROJECT FROM FHA. ABOUT 50 OF THE STRUCTURES WOULD BE DEMOLISHED BOTH TO ALLEVIATE DENSITY PROBLEMS AND TO ELIMINATE THOSE STRUCTURES VANDALIZED BEYOND REPAIR. THE REMAINDER WOULD BE A COMBINATION OF SECTION 8, SECTION 235 HOMEOWNERSHIP AND CONVENTIONAL RENTAL UNITS. THE STREET SYSTEM WOULD BE UPGRADED AND ALTERED TO ALLEVIATE SECURITY PROBLEMS CREATED BY THE EXISTING SYSTEM. THE DECLINING NEIGHBORHOOD COMMERCIAL

CENTER WOULD BE UPGRADED THROUGH THE PROVISION OF RENOVATION ASSISTANCE, ADEQUATE PARKING, AND IMPROVED SECURITY FOR THE BUSINESSES.

THE CITY WOULD DEVELOP THE INFRASTRUCTURE FOR THE VACANT LAND TO THE SOUTH TO INFLUENCE A GENERAL AVIATION AIRPLANE PARTS MANUFACTURING COMPANY CURRENTLY INTENDING TO RELOCATE THE PLANT OUTSIDE OF THE CITY, TO BUILD ON THAT VACANT LAND.

THAT AIRCRAFT MANUFACTURER'S CURRENT LOCATION IS IN THE HEART OF THE CITY'S OLD MODEL CITIES AREA. THE PLANT EMPLOYS 400 INDIVIDUALS, A MAJORITY OF WHOM ARE BLACK. IF THE PLANT RELOCATED OUTSIDE THE CITY, A SUBSTANTIAL NUMBER OF JOBS WILL BE LOST TO THE BLACK COMMUNITY. THE COMPANY HAS INDICATED THAT IT WILL RELOCATE WITHIN THE CITY IF THE INFRASTRUCTURE IS PROVIDED AND IF THE SOCIAL PROBLEMS IN THE PROJECT ARE OVERCOME.

THE INITIAL DEVELOPER OF THE RENEWAL LAND TO THE EAST WILL REINSTATE HIS MIDDLE-INCOME HOUSING DEVELOPMENT EFFORTS IF THE SECTION 608 PROJECT IS RENOVATED.

THE LENDING INSTITUTIONS ARE WILLING TO

LAUNCH A MAJOR HOUSING IMPROVEMENT LOAN EFFORT IN ADJACENT RESIDENTIAL AREAS IF THE IMPROVEMENTS IN THE PROJECT ARE MADE. THE ESTIMATED COST OF ACQUISITION, DEMOLITION, REHABILITATION, STREET IMPROVEMENTS, SECURITY IMPROVEMENTS, COMMERCIAL REHABILITATION, PROVISION OF PARKING, AND INFRASTRUCTURE DEVELOPMENT FOR THE AIRCRAFT PLANT RELOCATION IS \$12 MILLION. THE CITY'S CURRENT ANNUAL COMMUNITY DEVELOPMENT BLOCK GRANT AMOUNT IS \$4 MILLION. THE PROJECT SIMPLY CANNOT BE UNDERTAKEN WITH THOSE EXISTING RESOURCES.

WITH AN URBAN DEVELOPMENT ACTION GRANT OF \$12 MILLION THE FOLLOWING BENEFITS WOULD OCCUR:

- 1) THE LONG-STANDING PROBLEMS OF THE 608 PROJECT BOTH TO THE CITY AND FHA WOULD BE ELIMINATED.
- 2) 400 UNITS OF GOOD HOUSING WOULD BE IN PLACE AS OPPOSED TO THE CURRENT 80 PERCENT VACANCY RATE FOR 500 UNITS WHICH ARE ALL SUBSTANDARD.
- 3) RENEWAL LAND LYING DORMANT FOR EIGHT YEARS WOULD BE DEVELOPED.
- 4) 400 JOBS WOULD BE RETAINED WITHIN THE CITY, A MAJORITY OF WHICH ARE FILLED BY BLACKS.
- 5) BOTH JOBS AND PROPERTY TAX BASE WOULD

BE MAINTAINED BECAUSE OF THE REVITALIZATION OF THE NEIGHBORHOOD COMMERCIAL AREA.

6) SAVINGS AND LOAN ASSOCIATIONS WOULD BEGIN TO RE-INVEST IN ADJACENT RESIDENTIAL NEIGHBORHOODS.

7) THE CITY'S TAX BASE WOULD BE IMPROVED.

NEARLY \$55 MILLION OF PRIVATE INVESTMENT WOULD OCCUR IN THE FORM OF BUILDING A NEW PLANT, PRIVATE RESIDENTIAL CONSTRUCTION AND REHABILITATION, AND IMPROVEMENTS IN THE NEIGHBORHOOD COMMERCIAL DISTRICT. PERHAPS MORE IMPORTANT, THE ATTITUDE OF THE PRIVATE SECTOR TOWARD THIS AREA WOULD BE SIGNIFICANTLY CHANGED. IT IS REASONABLE TO ASSUME THAT MANY POSITIVE SECONDARY INVESTMENT DECISIONS BY ADJACENT PLANTS AND COMMERCIAL ESTABLISHMENTS WOULD OCCUR. MULTIFAMILY UNIT OWNERS AND SINGLE FAMILY HOME OWNERS WOULD STOP DEFERRING MAINTENANCE AND REINVEST IN THEIR PROPERTIES. IT IS IMPORTANT TO NOTE THAT THIS WOULD BE A DISCRETE UNDERTAKING, WITH A BEGINNING AND END WITH THE PRIVATE SECTOR COMMITMENT FIRMLY ESTABLISHED THROUGH A LEGALLY BINDING AGREEMENT WITH THE CITY. THE URBAN DEVELOPMENT ACTION GRANTS PROGRAM WOULD ALLOW

THE DEPARTMENT TO RESPOND EFFECTIVELY TO THIS OPPORTUNITY AND HAVE A DRAMATIC IMPACT ON A COMMUNITY'S PROBLEM WITHOUT DEVELOPING A CONTINUING, LONG-TERM NEED FOR FURTHER FINANCIAL ASSISTANCE.

2) COMMERCIAL DEVELOPMENT

ANOTHER MIDWESTERN CITY HAS AN UNEMPLOYMENT RATE OF 16 PERCENT AND HAS LOST 12,000 JOBS SINCE 1970. A COMMUNITY CRISIS HAS DEVELOPED BECAUSE OF THE ANNOUNCED PLANS OF AN INSURANCE COMPANY THAT EMPLOYS 4,000 PEOPLE TO BUILD A NEW HIGH RISE OFFICE COMPLEX TWELVE MILES TO THE SOUTH OF THE CITY. SUCH A LOCATION DECISION WOULD SIGNAL THE END OF THE DOWNTOWN AREA AND THE CENTRAL CITY AS THE CENTER OF SERVICE INDUSTRY EMPLOYMENT IN THE REGION. IT IS KNOWN THAT OTHER MAJOR DOWNTOWN SERVICE INDUSTRIES HAVE PICKED UP OPTIONS ON LAND ADJOINING THE INSURANCE COMPANY'S NEW SITE SINCE THE INSURANCE COMPANY ANNOUNCED ITS DECISION TO MOVE.

AFTER MUCH DISCUSSION, THE INSURANCE COMPANY AGREES THAT IT WILL BUILD IN THE CITY IF A MAJOR NEW RIVERFRONT DEVELOPMENT IS UNDERTAKEN; IF SOME OTHER MAJOR EMPLOYERS



WILL ALSO BUILD WITH THEM THE RIVERFRONT DEVELOPMENT; AND, MOST IMPORTANTLY, IF THE COST OF THEIR BUILDING IN THE CITY IS NOT SIGNIFICANTLY HIGHER THAN IT WOULD BE IN THE EXURBAN AREA. THE LOCAL UTILITY, WHICH IS SCATTERED AROUND THE CITY IN OBSOLETE OFFICE BUILDINGS AGREES TO ALSO BUILD (UNDER THE SAME CONDITIONS) AS DOES A MAJOR DEPARTMENT STORE.

THERE IS A RIVER RUNNING THROUGH THE DOWNTOWN THAT HAS ONLY A TRICKLE OF WATER IN IT, AND HAS DILAPIDATED COMMERCIAL AND INDUSTRIAL ESTABLISHMENTS FRONTING ON IT. IN ORDER TO MAKE THE RIVERFRONT DEVELOPMENT FEASIBLE, THE CITY MUST ACQUIRE THE LAND AND DEMOLISH THE DILAPIDATED STRUCTURES ON THE RIVERBANK: RELOCATE THE FEW REMAINING BUSINESSES; BUILD TWO DAMS ON THE RIVER, FOR BOTH AESTHETIC AND RECREATIONAL PURPOSES; CHANGE THE STREET AND SEWER SYSTEM PATTERNS; BUILD THE FOUNDATION SUBSTRUCTURE AND LEASE THE AIR-RIGHTS FOR THE THREE OFFICE BUILDINGS TO BE CONSTRUCTED; AND PROVIDE TWO MUNICIPALLY-OWNED AND-OPERATED PARKING STRUCTURES. THE TOTAL COST OF THIS

PACKAGE IS \$40 MILLION. THE CITY WILL USE ITS REMAINING \$20 MILLION OF BONDED INDEBTEDNESS LIMIT TO FLOAT \$20 MILLION OF GENERAL OBLIGATION BONDS TO BE REPAID BY REVENUES FROM THE LEASING OF THE AIR-RIGHTS. THE CITY WILL ALSO COMMIT \$10 MILLION OF ITS CAPITAL IMPROVEMENTS FUND TO THE PROJECT, LEAVING IT WITH NO CAPITAL IMPROVEMENT FUND MONIES FOR THE NEXT THREE YEARS. THE CITY'S ANNUAL COMMUNITY DEVELOPMENT BLOCK GRANT IS \$4 MILLION. THE PROJECT'S FUTURE HINGES ON THE EXISTENCE OF THE URBAN DEVELOPMENT ACTION GRANTS PROGRAM.

IF \$10 MILLION OF ACTION GRANT FUNDS WERE AWARDED TO THE CITY, THE FOLLOWING WOULD OCCUR:

- 1) 6,000 JOBS WOULD BE RETAINED AND LOCKED INTO CENTRAL CITY.
- 2) MORE THAN \$100 MILLION OF PRIVATE INVESTMENT WOULD GO INTO THE RIVERFRONT DEVELOPMENT.
- 3) VACANT RENEWAL LAND ADJACENT TO THE RIVERFRONT DEVELOPMENT BECOMES MARKETABLE.
- 4) NEW MIDDLE- AND UPPER-INCOME HOUSING

DEVELOPMENT (A CRITICAL NEED IN THE CITY) WOULD OCCUR ACROSS THE RIVER.

5) THE CITY'S TAX BASE WOULD BE SIGNIFICANTLY STABILIZED.

AS IN THE NEIGHBORHOOD RECLAMATION EXAMPLE, A MOST IMPORTANT SIDE-EFFECT OF THE DEVELOPMENT IS THE RESULTANT PERCEPTION OF PRIVATE INVESTORS (BOTH EXISTING AND PROSPECTIVE) THAT THE CENTER CITY PROVIDES A GOOD INVESTMENT OPPORTUNITY/ CLIMATE; AND THAT CAPITAL INVESTMENT, EITHER EXISTING OR PROSPECTIVE CAN BE VIEWED AS SOUND LONG-TERM CAPITAL ASSETS. WHEN THIS OCCURS, THE PRIVATE SECTOR AND ITS RESOURCES BECOME ACTIVE PARTICIPANTS IN THE CITY REBUILDING EFFORT.

3) COMMERCIAL AND RESIDENTIAL DEVELOPMENT

A CITY UNDER 50,000 IN THE NEW YORK METROPOLITAN AREA WHICH HAS A LARGE POPULATION OF MINORITY AND LOWER INCOME RESIDENTS HAS, IN RECENT YEARS, SUFFERED A SHARP DECLINE IN ITS EMPLOYMENT BASE. MUCH OF THE EXODUS OF JOBS FROM THE COMMUNITY IS A RESULT OF A STRUCTURAL CHANGE IN THE NATURE OF THE SHIPPING

INDUSTRY WHICH HAS LEFT MANY OF THE CITY'S PIERS VACANT OR NEARLY SO. OVER HALF OF ITS WATERFRONT ACREAGE HAS, AT ONE TIME OR ANOTHER, BEEN THROUGH TAX FORECLOSURE. SOME OF THE PROPERTY IS CITY-HELD AND SOME HAS BEEN RESOLD FOR BUSINESS VENTURES THAT HAVE FAILED TO MATERIALIZE INTO NEW INDUSTRIAL USES. MUCH OF THE PROBLEM WITH REINVESTMENT IN THE WATERFRONT IS THE HEAVY EXPENSE OF DEMOLITION AND RECONSTRUCTION OF PIER PROPERTY TO MAKE IT SUITABLE FOR NEW USES. IN ADDITION, THE CONDITION OF PRESENT ACCESS ROUTES, UNLESS SIGNIFICANTLY UPGRADED, MAKES MUCH OF THE AREA SUITABLE FOR INDUSTRIAL USES ONLY. WHERE THE CITY IS IN A POSITION TO DEVELOP A REALISTIC REUSE PLAN FOR THEIR ENTIRE WATERFRONT AREA, WITH CONCENTRATION ON THOSE PIERS PRESENTLY CITY-HELD OR AVAILABLE THROUGH FUTURE FORECLOSURE EFFORTS, THE POTENTIAL EXISTS FOR FOSTERING NEW COMMERCIAL AND RESIDENTIAL AS WELL AS INDUSTRIAL USES IN THE WATERFRONT AREA. FOR EXAMPLE, TWO ADJACENT PIERS NOW GOING THROUGH FORECLOSURE ARE IMMEDIATELY ADJACENT TO A MAJOR

UNIVERSITY, HAVE A VIEW OF MANHATTAN, AND ARE NEAR A PREVIOUS HUD REDEVELOPMENT MIDDLE-INCOME HOUSING PROJECT. CONVERSION OF THIS PROPERTY INTO RESIDENTIAL AND COMMERCIAL USE WHICH IS WATER RECREATION-RELATED OR TIED TO THE UNIVERSITY INTERESTS WOULD BE FEASIBLE ONLY WITH A MAJOR FRONT-END INVESTMENT IN SITE PREPARATION. IMMEDIATELY ADJACENT TO THAT PARCEL ARE THREE MORE PIERS OWNED BY THE CITY BUT LEASED TO THE NEW YORK PORT AUTHORITY. LIMITED USE OF THE PIERS FOR SHIPPING SUGGESTS THAT IF NEW AND MORE PRODUCTIVE USES COULD BE FOUND, THE LEASE COULD BE MODIFIED OR CANCELED TO PERMIT REINVESTMENT. IMMEDIATELY ADJACENT TO THAT PROPERTY IS A FERRY TERMINAL NOT IN USE WHICH IS ON THE NATIONAL REGISTER OF HISTORIC PLACES. THE CITY HAS ALREADY EXPLORED COMMERCIAL REUSE OF THIS BUILDING, BUT VERY EXPENSIVE RENOVATION COSTS WILL BE NECESSARY BEFORE COMMERCIAL REUSE IS FEASIBLE.

EACH OF THESE PROJECTS COULD BE DONE SEPARATELY OR IN CONJUNCTION WITH EACH OTHER. TOGETHER THEY WOULD REPRESENT RECLAMATION OF A MAJOR PIECE OF PRIME WATERFRONT PROPERTY IN THE NEW

YORK HARBOR. EACH PROJECT WOULD REQUIRE BETWEEN \$2 MILLION AND \$5 MILLION TO ACCOMPLISH. THE CITY RECEIVES ABOUT \$3 MILLION IN COMMUNITY DEVELOPMENT FUNDS UNDER HOLD HARMLESS. THIS MONEY WILL PHASE DOWN TO ZERO IN FY '80. EXISTING PROGRAM ACTIVITIES AND ONGOING HOUSING AND COMMUNITY NEEDS OF ITS LOW INCOME POPULATION REQUIRES SUCH LARGE AMOUNTS OF THEIR PRESENT FUNDS; THEREBY MAKING WATERFRONT DEVELOPMENT IMPOSSIBLE. FUTURE YEAR PHASE-DOWNS IN THEIR HOLD HARMLESS WILL RESULT IN SEVERE SHRINKING OF PROGRAM EFFORTS IN THE CITY UNLESS ALTERNATIVE FUNDING SOURCES ARE FOUND.

THE EXISTENCE OF AN URBAN DEVELOPMENT ACTION GRANT PROGRAM WOULD ALLOW THE DEPARTMENT AND THE CITY TO JOIN TOGETHER TO TAKE ADVANTAGE OF THE WATERFRONT DEVELOPMENT OPPORTUNITY. IN SO DOING, THE ILL EFFECTS OF THE STRUCTURAL CHANGE IN THE LOCAL ECONOMY WOULD BE SIGNIFICANTLY ALLEVIATED.

#### 4) ECONOMIC DEVELOPMENT

A NON-METROPOLITAN CITY IN NEW YORK STATE, WITH A POPULATION AROUND 40,000, IS AN OLDER INDUSTRIAL CENTER WITH A LARGELY BLUE COLLAR

POPULATION. WHILE THE AREA HAS, IN RECENT YEARS, EXPERIENCED SOME SUCCESS IN ATTRACTING NEW MANUFACTURERS TO INDUSTRIAL PARKS OUTSIDE THE CITY, THE CORE OF OLDER INDUSTRIAL PLANS WHICH LINE THE RIVER THREADING THROUGH THE CITY IS CONTINUING TO EXPERIENCE DISINVESTMENT AND CLOSURES.

THE CITY, TO RETAIN INDUSTRY AND TO PREVENT THE POSSIBILITY OF AN ABANDONED MANUFACTURING WASTELAND, HAS DETERMINED THAT A MAJOR PUBLIC INVESTMENT IN INDUSTRIAL INFRASTRUCTURE IS DESIRABLE TO REJUVENATE THIS INDUSTRIAL AREA.

PRESENTLY THEY HAVE DIVIDED THE INDUSTRIAL VALLEY INTO FOUR PARTS. ONE CENTRAL AREA, IMMEDIATELY ACROSS THE RIVER FROM THE DOWNTOWN, WAS CLEARED THROUGH AN EARLY URBAN RENEWAL PROJECT. THE CITY HAS EXPERIENCED DIFFICULTY MARKETING THIS LAND EITHER FOR INDUSTRIAL OR COMMERCIAL USE AND HAS DECIDED THAT FURTHER CLEARANCE IS NOT PRUDENT. PLANT OPERATORS IN ANOTHER SECTION ADJACENT TO THE CLEARED LAND, ALSO, ABUTTING THE DOWNTOWN, WERE RECENTLY SURVEYED TO DETERMINE WHAT PUBLIC INVESTMENTS

COULD BE MADE TO INDUCE THEM TO REINVEST AND POSSIBLY EXPAND THEIR OPERATIONS IN THAT AREA. THE SURVEY UNCOVERED TREMENDOUS POTENTIAL FOR A PROGRAM OF PUBLIC INVESTMENT WHICH WOULD INCLUDE: CITY ASSISTANCE IN LAND EXCHANGES AMONG MANUFACTURERS; IMPROVED ROAD, RAIL, AND PARKING FACILITIES FOR THE AREA; BETTER SEWER CONNECTIONS, FLOOD CONTROL, AND POSSIBLY SOME MUNICIPAL ASSISTANCE IN DEVELOPING COMMON PRETREATMENT OF HAZARDOUS WASTES. A PROGRAM OF THIS NATURE IS EXPECTED TO PRODUCE RAPID REINVESTMENT AND EXPANSION BY MANUFACTURERS.

ANOTHER BENEFIT FOR THE CITY WHICH COULD BE WORKED INTO THE PLAN IS DEVELOPMENT OF A LINEAR PARK ALONG BOTH SIDES OF THE RIVER RUNNING THE LENGTH OF THE INDUSTRIAL AREA. MANUFACTURERS HAVE GENERALLY INDICATED A WILLINGNESS TO DONATE RIVER LAND IN EXCHANGE FOR OTHER PUBLIC IMPROVEMENTS RELATED TO THEIR SITE. THE PLAN COSTS APPROXIMATELY \$8 MILLION. THE CITY PRESENTLY RECEIVES ABOUT \$1.7 MILLION PER YEAR IN COMMUNITY DEVELOPMENT HOLD-HARMLESS FUNDS. BY FY '80, THEIR HOLD HARMLESS IS DOWN TO LESS THAN \$500,000. OTHER COMMUNITY NEEDS FOR HOUSING (WHICH IS EXTREMELY TIGHT IN THIS CITY),



PLUS CONTINUED INVESTMENT IN ONGOING PROJECTS  
IN THE DOWNTOWN AREA WOULD PRECLUDE THE CITY  
FROM IMPLEMENTING THIS DEVELOPMENT PLAN.

AN URBAN DEVELOPMENT ACTION GRANT FOR THIS CITY  
WOULD PROVIDE THE OPPORTUNITY TO  
IMPROVE THE PRIVATE INVESTMENT CLIMATE AND  
STABILIZE THE LOCAL ECONOMY.

RELATED COMMUNITY DEVELOPMENT INITIATIVES

MR. CHAIRMAN, IT IS NO SECRET THAT MANY OF HUD'S CONSTITUENTS HAVE COME TO REGARD THE DEPARTMENT AS AN ADVERSARY RATHER THAN AS AN ADVOCATE. IN MY INITIAL WEEKS AT THE DEPARTMENT I HAVE CONCLUDED THAT THIS SITUATION IS CAUSED NEITHER BY THE PEOPLE WITHIN HUD NOR THEIR ATTITUDES. I FIRMLY BELIEVE THE EMPLOYEES OF HUD ARE A HIGHLY SKILLED AND DEEPLY DEDICATED GROUP OF HOUSING AND COMMUNITY DEVELOPMENT PROFESSIONALS WHO HAVE AS THEIR PRIMARY GOAL THE PROVISION OF A DECENT HOME AND A SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY.

MY FIRST WEEKS HAVE TAUGHT ME, HOWEVER, THAT THERE ARE LIMITATIONS ON THE TIME AND RESOURCES OF VIRTUALLY EVERYONE AT HUD. IT IS CLEAR TO ME THAT WE WILL NOT BE ABLE TO ACCOMPLISH ALL THAT WE WISH AS QUICKLY AS WE WISH, BUT OUR DIRECTION FOR THE FUTURE IS CERTAIN.

I FORESEE A PARTNERSHIP BETWEEN THE PEOPLE OF THE DEPARTMENT AND THE PEOPLE IN THE COMMUNITIES WE SERVE, A PARTNERSHIP AIMED AT ATTAINING STABLE COMMUNITIES THAT ARE RACIALLY AND ECONOMICALLY INTEGRATED.

I WILL NOT BE AN ADVERSARY OF CITIES AND THE DEPARTMENT WILL NOT BE THEIR ADVERSARY. QUITE TO THE CONTRARY, WE WILL BECOME THE NATIONAL ADVOCATE OF CITIES. WE WILL INSIST, HOWEVER, THAT ANY UNIT OF GOVERNMENT USING FUNDS WILL USE THOSE FUNDS IN PURSUIT OF THE AIMS SET BY CONGRESS.

WE WILL EXPECT COMMUNITIES TO ACCEPT A FAIR SHARE OF LOW AND MODERATE INCOME HOUSING AND VIGOROUSLY PROMOTE FAIR HOUSING.

WE WILL EXPECT COMMUNITIES TO INVOLVE AFFECTED CITIZENS IN THE PROCESS OF DRAFTING AND IMPLEMENTING COMMUNITY DEVELOPMENT AND HOUSING PLANS.

WE WILL EXPECT COMMUNITIES TO DIRECT DEVELOPMENT AND HOUSING PROGRAMS TOWARD LOW AND MODERATE INCOME CITIZENS. I DO NOT CONSIDER THIS TO BE JUST AN OBJECTIVE OF THE BLOCK GRANT PROGRAM -- IT IS THE HIGHEST PRIORITY OF THE PROGRAM, AND WE IN THE FEDERAL GOVERNMENT MUST SEE TO IT THAT THE THRUST OF THE PROGRAM SERVES THAT OBJECTIVE.

DEPARTMENT STAFF WILL WORK WITH CITIES AND OTHER COMMUNITIES TO ANALYZE NEEDS AND PREPARE PLANS. APPLICATIONS WILL BE REVIEWED IN THE LIGHT OF A COMMUNITY'S PERFORMANCE TOWARD NATIONAL OBJECTIVES, ESPECIALLY THE PRIORITY FOR LOW AND MODERATE INCOME CITIZENS.

MONITORING WILL BE A CONTINUOUS PROCESS OF HUD

INVOLVEMENT WITH CITIES. WE WILL BE KNOWLEDGEABLE ABOUT THE PROGRESS AND PROBLEMS OF PARTICIPATING CITIES AND WE WILL BE ABLE AND WILLING TO MAKE OBJECTIVE JUDGEMENTS OF LOCAL PERFORMANCE. THE DEPARTMENT WILL NOT BE HEAVY-HANDED, BUT IT WILL BE INFORMED AND RESPONSIBLE.

BEFORE DISCUSSING THE HOUSING ASSISTANCE PLAN AND THE INTER-RELATIONSHIP BETWEEN HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS I WOULD LIKE TO TAKE A FEW MINUTES TO DISCUSS INITIATIVES REGARDING STATE INVOLVEMENT AND THE SECTION 312 REHABILITATION LOAN PROGRAMS AND THE SECTION 701 COMPREHENSIVE PLANNING GRANTS.

NEIGHBORHOOD PRESERVATION AND SECTION 312 REHABILITATION LOANS

MANY CITIES HAVE RECOGNIZED THE COMMUNITY DEVELOPMENT BLOCK GRANT AS A **VALUABLE** REHABILITATION AND NEIGHBORHOOD PRESERVATION PROGRAM. I INTEND TO REVIEW ALL DEPARTMENT PROGRAMS RELATING TO REHABILITATION AND SET OUT A UNIFIED REHABILITATION STRATEGY WHICH WILL HAVE AS ITS CENTERPIECE THE FINE EFFORTS BEING MADE WITH BLOCK GRANT FUNDS. IT IS ESPECIALLY ENCOURAGING TO SEE THAT MANY LOCAL PROGRAMS HAVE ATTRACTED PRIVATE FUNDING FOR REHABILITATION. WE WILL EXPLORE NEW POSSIBILITIES OF SUPPORT SUCH AS A SECONDARY MARKET FOR REHABILITATION LOANS AND WE WILL MAKE SURE THAT ALL HUD PROGRAMS ARE ATTUNED TO THE POSSIBILITIES

OF WORKING WITH LOCAL BLOCK GRANT PROGRAMS.

AN IMPROVED SECTION 312 PROGRAM

WE WILL IMPROVE THE SECTION 312 REHABILITATION LOAN PROGRAM AND STRENGTHEN ITS MANAGEMENT SO THE PROGRAM CAN SUPPLEMENT AND SUPPORT BLOCK GRANT HOUSING REHABILITATION EFFORTS. HOWEVER, NO NEW APPROPRIATION IS BEING SOUGHT FOR THIS PROGRAM IN FISCAL YEAR 1978, BECAUSE \$70 MILLION WILL BE AVAILABLE IN CARRY-OVER FUNDS.

COMPREHENSIVE PLANNING GRANTS

THE FORD BUDGET PROPOSED AN APPROPRIATION OF \$25 MILLION FOR COMPREHENSIVE PLANNING GRANTS (SECTION 701) IN FISCAL YEAR 1978. THAT PROPOSAL WOULD HAVE TOTALLY ELIMINATE FUNDING TO STATES, LARGE CITIES, COUNTIES, AND SMALL MUNICIPALITIES AND WOULD HAVE REDUCED THE AMOUNT OF FUNDS AVAILABLE TO AREAWIDE ORGANIZATIONS, BOTH METROPOLITAN AND NON-METROPOLITAN. THE PROPOSAL WAS UNREALISTIC IN LIGHT OF THE DEMONSTRATED NEED.

I HAVE PROPOSED A REVISION WHICH WOULD AUTHORIZE \$62.5 MILLION FOR THE SECTION 701 PROGRAM. THIS WILL PROVIDE INCREASED FUNDING FOR METROPOLITAN AND NON-METROPOLITAN AREAWIDE PLANNING ORGANIZATIONS, CONTINUE

DIRECT FUNDING FOR STATES, AND PROVIDE ASSISTANCE TO SMALL COMMUNITIES THROUGH PROGRAMS ADMINISTERED BY THE STATES. LARGE CITIES AND URBAN COUNTIES WOULD NOT RECEIVE FUNDING FROM THIS PROGRAM SINCE COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS WILL MEET THAT NEED.

STATE ADMINISTRATION OF NON-METRO DISCRETIONARY GRANTS

THE FORD BUDGET ALSO PROPOSED THAT LEGISLATION BE ENACTED TO PERMIT STATE ADMINISTRATION OF NON-METROPOLITAN DISCRETIONARY GRANTS. I DO NOT BELIEVE THAT ADMINISTRATION OF NON-METROPOLITAN DISCRETIONARY GRANTS SHOULD BE DELEGATED TO THE STATES UNTIL THE DEPARTMENT HAS AN OPPORTUNITY TO REVIEW OUR OVERALL POLICY WITH REGARD TO SUCH GRANTS.

HOUSING ASSISTANCE PLAN (HAP)

THERE HAS NOT BEEN SATISFACTORY COORDINATION BETWEEN HOUSING AND COMMUNITY DEVELOPMENT AT EITHER THE LOCAL OR FEDERAL LEVEL.

THIS IS A COMPLEX PROBLEM, BUT IT IS ALSO A CRUCIAL PROBLEM; WE INTEND TO GIVE ITS SOLUTION A HIGH PRIORITY.

I BELIEVE THE HOUSING ASSISTANCE PLAN IS THE BEST DEVICE PRESENTLY AVAILABLE TO US TO ACHIEVE

SATISFACTORY INTERFACE BETWEEN HOUSING AND  
COMMUNITY DEVELOPMENT.

THE HOUSING ASSISTANCE PLAN IS NOT CURRENTLY  
SERVING ITS INTENDED PURPOSE, BUT I PLAN TO MAKE  
IT WORK.

IMPROVEMENTS ARE NEEDED IN PREPARING AND  
REVIEWING HAP S, BUT THE GREATEST PROBLEM HAS BEEN  
IN THE POOR FEDERAL RESPONSE TO THE HAP.

HOUSING RESOURCES AND THE HAP OBJECTIVES HAVE  
NOT BEEN MESHED. "HOUSING" AND "URBAN DEVELOPMENT"  
HAVE ACTED ALMOST AS SEPARATE DEPARTMENTS WITHIN HUD.  
I INTEND TO HAVE THE ASSISTANT SECRETARY FOR HOUSING  
AND THE ASSISTANT SECRETARY FOR COMMUNITY PLANNING  
AND DEVELOPMENT SIT DOWN AT THE SAME TABLE AND HAVE  
THEM MAKE THE HAP AN ACTION DOCUMENT ON THE BASIS  
OF WHICH THE DEPARTMENT WILL ALLOCATE ITS HOUSING  
RESOURCES TO CITIES AND OTHER COMMUNITIES.

THIS BRINGS ME TO THE DISCUSSION OF THOSE  
HOUSING PROGRAMS AND THE DEPARTMENT'S HOUSING PLANS  
FOR FISCAL YEAR 1978.

HOUSING

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THE THIRD PART OF MY PRESENTATION TODAY DEALS PRIMARILY WITH THE ADMINISTRATION'S HOUSING AUTHORIZATION BILL FOR FISCAL YEAR 1978. THIS PROPOSED LEGISLATION WOULD PROVIDE FUNDING AUTHORIZATIONS FOR FISCAL YEAR 1978 TO COVER THE FOLLOWING:

- THE PUBLIC HOUSING AND SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAMS UNDER THE UNITED STATES HOUSING ACT OF 1937;
- FUNDING FOR PUBLIC HOUSING OPERATING SUBSIDIES PURSUANT TO THAT ACT:
- THE URBAN HOMESTEADING DEMONSTRATION PROGRAM AUTHORIZED BY SECTION 810 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974;
- FLOOD INSURANCE STUDIES AND SURVEYS UNDER THE NATIONAL FLOOD INSURANCE ACT OF 1968; AND



- RESEARCH UNDER TITLE V OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1970.

THE MEASURE ALSO WOULD MAKE A NUMBER OF CHANGES IN OTHER HUD AUTHORITIES. THE BILL WOULD:

- PLACE THE HOUSING FOR THE ELDERLY PROGRAM AUTHORIZED UNDER SECTION 202 OF THE HOUSING ACT OF 1959 FULLY WITHIN THE UNITED STATES BUDGET:
- INCREASE MAXIMUM INSURABLE MORTGAGE AMOUNTS UNDER THE SECTION 203, 222, 234 AND 235 SINGLE-FAMILY MORTGAGE INSURANCE PROGRAMS OF THE NATIONAL HOUSING ACT AND DECREASE THE AMOUNT OF DOWNPAYMENT NOW REQUIRED UNDER SECTIONS 203, 222 and 234 OF THAT ACT; AND

-- AMEND SECTION 245 OF THE NATIONAL HOUSING ACT TO PERMIT FULLER IMPLEMENTATION OF THE SECRETARY'S EXPERIMENTAL FINANCING AUTHORITY UNDER SECTION 245 AND THE GRADUATED PAYMENT MORTGAGE PROGRAM DEVELOPED UNDER THAT SECTION.

ANNUAL CONTRIBUTIONS CONTRACT AUTHORITY

THE BILL WOULD PROVIDE ADDITIONAL ANNUAL CONTRIBUTIONS CONTRACT AUTHORITY FOR FISCAL YEAR 1978 IN THE AMOUNT OF \$1,232,120,000 FOR THE PUBLIC HOUSING AND SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM.

THIS ADDITIONAL AUTHORITY WILL ENABLE THE DEPARTMENT TO PROVIDE FOR 400,000 UNITS OF HOUSING FOR LOWER-INCOME AMERICANS IN FISCAL YEAR 1978. SPECIFICALLY, THE PROPOSAL WOULD INCLUDE 344,000 NEW, REHABILITATED AND EXISTING UNITS UNDER THE SECTION 8 PROGRAM, INCLUDING 20,000 UNITS TO BE PROVIDED UNDER THE AUSPICES OF STATE HOUSING FINANCE AGENCIES. OF THESE 344,000 UNITS,

149,000 UNITS ARE ESTIMATED FOR NEW CONSTRUCTION AND 23,000 UNITS WOULD BE SUBSTANTIALLY REHABILITATED . 172,000 UNITS WOULD BE EXISTING. WHEN COUPLED WITH 56,000 UNITS SCHEDULED FOR THE PUBLIC HOUSING PROGRAM FOR FISCAL YEAR 1978, THE TOTAL AMOUNT OF ADDITIONAL UNITS TO BE ASSISTED CAN REACH THE PROPOSED 400,000 UNIT LEVEL.

THE ADDITIONAL CONTRACT AUTHORITY ALSO CONTEMPLATES THE USE OF \$35,000,000 FOR THE PUBLIC HOUSING MODERNIZATION PROGRAM. THIS AMOUNT WOULD PERMIT THE DEPARTMENT TO ASSIST LOCAL HOUSING AUTHORITIES TO UNDERTAKE NEEDED CAPITAL IMPROVEMENTS TO REMOVE LOCAL HEALTH AND SAFETY CODE VIOLATIONS AND TO ACHIEVE GREATER ENERGY CONSERVATION.

FUNDING FOR OPERATING SUBSIDIES

THE BILL WOULD AUTHORIZE \$665,000,000 FOR PUBLIC HOUSING OPERATING SUBSIDIES IN FISCAL YEAR 1978. THAT AMOUNT WOULD PROVIDE SUPPORT FOR EXISTING PUBLIC HOUSING PROJECTS, TAKING INTO ACCOUNT COST INCREASES AND ESPECIALLY THE RECENT ESCALATION IN UTILITY COSTS. INCLUDED IN THE PROPOSED AUTHORIZATION IS AN ESTIMATED \$13 MILLION ATTRIBUTABLE TO THAT PART OF THIS WINTER'S UNUSUALLY HIGH UTILITY COSTS WHICH WILL BE CHARGEABLE TO FISCAL YEAR 1978. SINCE PAYMENT OF THOSE COSTS WILL BE MADE AFTER THEY HAVE BEEN INCURRED, THE \$13 MILLION IS NECESSARY TO FUND PUBLIC HOUSING AUTHORITIES WITH FISCAL YEARS ENDING SEPTEMBER AND DECEMBER 1977 FOR COSTS INCURRED THIS WINTER.

INCREASE IN MAXIMUM INSURABLE MORTGAGE AMOUNTS

THE BILL WOULD AMEND SECTIONS 203 (BASIC HOME MORTGAGE INSURANCE), 222 (MORTGAGE INSURANCE FOR SERVICEMEN), AND 234 (MORTGAGE INSURANCE FOR CONDOMINIUMS) OF THE NATIONAL HOUSING ACT TO AUTHORIZE THE SECRETARY TO INSURE MORTGAGES COVERING SINGLE-FAMILY UNITS AND HAVING A PRINCIPAL OBLIGATION OF NOT MORE THAN \$60,000. AS YOU KNOW, EXISTING LAW PROVIDES FOR MAXIMUM MORTGAGE AMOUNTS OF \$45,000 FOR SUCH UNITS. IN THE CASE OF MORTGAGES INSURED UNDER SECTION 203 (B), THE BILL ALSO WOULD INCREASE THE MAXIMUM MORTGAGE AMOUNTS FROM \$48,750 TO \$65,000 FOR TWO AND THREE-FAMILY UNITS AND FROM \$56,000 TO \$75,000 FOR FOUR-FAMILY UNITS.

THE BILL WOULD ALSO AMEND SECTION 235 (HOMEOWNERSHIP FOR LOWER INCOME FAMILIES) TO AUTHORIZE THE SECRETARY TO INSURE MORTGAGES COVERING SINGLE-FAMILY UNITS (INCLUDING INDIVIDUAL CONDOMINIUM OR COOPERATIVE UNITS) INVOLVING A HIGHER PRINCIPAL OBLIGATION THAN AUTHORIZED UNDER EXISTING LAW. SPECIFICALLY, IT WOULD INCREASE SECTION 235 MAXIMUM MORTGAGE AMOUNTS FROM \$25,000 TO \$31,000 (AND FROM \$29,000 TO \$36,000 IN HIGH COST AREAS), AND IT WOULD INCREASE THE MAXIMUM PROVIDED WITH RESPECT TO FAMILIES OF FIVE OR MORE PERSONS FROM \$29,000 TO \$36,000 (AND FROM \$33,000 TO \$42,000 IN HIGH COST AREAS).

THIS PROPOSAL, TOGETHER WITH THE PROPOSED DECREASE IN DOWNPAYMENT REQUIREMENTS AND MODIFICATIONS IN THE EXPERIMENTAL FINANCING AUTHORITY, ALSO IN THE BILL, IS DESIGNED TO SUPPORT THE DEPARTMENT'S

EFFORTS TO MAKE HOMEOWNERSHIP EASIER TO ACHIEVE FOR MANY AMERICAN FAMILIES NOW UNABLE TO ENTER THE HOUSING MARKET.

EXISTING MORTGAGE LIMITS UNDER THESE FHA PROGRAMS ARE UNREALISTIC IN TERMS OF TODAY'S HOUSING MARKET CONDITIONS, AND THE PROPOSED INCREASES IN MAXIMUM MORTGAGE AMOUNTS REFLECT THE INCREASE IN HOME SALE PRICES EXPERIENCED IN THE LAST EIGHT TO TEN YEARS. DURING THAT PERIOD, THE RISE IN FHA MAXIMUM MORTGAGE AMOUNTS HAS LAGGED BEHIND THE INCREASE IN THE MEDIAN SALES PRICE OF NEW HOMES SO THAT, WHILE THE FHA MAXIMUM HAS BEEN INCREASED 50 PERCENT (TO \$45,000) SINCE 1966, THE MEDIAN PRICE OF A NEW HOME HAS INCREASED ABOUT 68 PERCENT (TO \$47,000) BETWEEN 1966 and 1976.

#### DECREASE IN DOWNPAYMENT REQUIREMENTS

THE PROPOSAL WOULD RESTRUCTURE THE MAXIMUM LOAN-TO-VALUE RATIOS PROVIDED UNDER THE SECTION 203(B), 222(B) AND 234 PROGRAMS IN ORDER TO LOWER THE PRESENT DOWNPAYMENT REQUIREMENTS FOR MORTGAGE AMOUNTS IN EXCESS OF \$25,000.

THIS PROPOSED RESTRUCTURING OF THE LOAN-TO-VALUE RATIOS SO AS TO REDUCE DOWNPAYMENT REQUIREMENTS IS CONSIDERED NECESSARY TO AFFORD MANY MIDDLE-INCOME FAMILIES THE OPPORTUNITY TO PURCHASE THEIR OWN HOMES. UNDER THE PRESENT REQUIREMENTS, A HOME WITH THE MEDIAN APPRAISED VALUE OF \$47,000 (INCLUDING ALLOWABLE CLOSING COSTS) WOULD REQUIRE A DOWNPAYMENT OF \$4,150 (8.8 PERCENT). WITH THE PROPOSED CHANGES, THIS AMOUNT WOULD BE ONLY \$1,850 (3.9 PERCENT) REPRESENTING A REDUCTION OF MORE THAN 50 PERCENT.

#### EXPERIMENTAL FINANCING

THE BILL ALSO WOULD MAKE SEVERAL MODIFICATIONS IN THE DEPARTMENT'S AUTHORITY WITH RESPECT TO EXPERIMENTAL FINANCING UNDER SECTION 245 OF THE NATIONAL HOUSING ACT. AS YOU KNOW, THAT SECTION AUTHORIZES THE SECRETARY TO INSURE MORTGAGES AND LOANS WITH VARYING RATES OF AMORTIZATION CORRESPONDING TO VARIATIONS IN FAMILY INCOME. UNDER THIS AUTHORITY, THE DEPARTMENT HAS DEVELOPED A GRADUATED PAYMENT MORTGAGE (GPM) PROGRAM.

EXISTING LAW PROVIDES FOR THE USE OF SECTION 245 AUTHORITY ON AN EXPERIMENTAL BASIS ONLY. IT ALSO LIMITS THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF MORTGAGES WHICH MAY BE INSURED PURSUANT

TO SECTION 245 TO ONE PERCENT OF THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF ALL MORTGAGES AND LOANS ESTIMATED TO BE INSURED UNDER TITLE II OF THE NATIONAL HOUSING ACT IN ANY FISCAL YEAR.

THE BILL WOULD REMOVE THE LIMITATION PLACING USE OF SECTION 245 AUTHORITY ON AN EXPERIMENTAL BASIS, AS WELL AS THE RESTRICTION ON THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF MORTGAGES THAT MAY BE INSURED PURSUANT TO SECTION 245 IN ANY FISCAL YEAR.

ADDITIONALLY, THE BILL WOULD PROVIDE FOR A LIMITED PREEMPTION OF THOSE STATE RESTRICTIONS WHICH WOULD BE APPLICABLE TO SECTION 245 MORTGAGES SOLELY BECAUSE OF THE METHOD PROVIDED FOR PAYMENT OF PRINCIPAL AND INTEREST UNDER THE TERMS OF A SECTION 245 GRADUATED PAYMENT MORTGAGE. THIS PREEMPTION IS DESIGNED TO OVERCOME A SITUATION PRESENT IN A NUMBER OF STATES WHERE THERE IS SUBSTANTIAL UNCERTAINTY AS TO WHETHER STATE RESTRICTIONS ON INTEREST RATES APPLY TO THE ADDITION OF DEFERRED INTEREST TO PRINCIPAL, OR THE CHARGING OF INTEREST ON INTEREST, UNDER GRADUATED PAYMENT MORTGAGES.

#### URBAN HOMESTEADING DEMONSTRATION

WE ARE ALSO REQUESTING AN INCREASE IN THE FISCAL YEAR 1978 FUNDING AUTHORIZATION FOR THE URBAN HOMESTEADING DEMONSTRATION FROM \$5 MILLION



TO \$15 MILLION. THIS PROGRAM IS ONE OF SEVERAL ONGOING DEPARTMENTAL EFFORTS TO DEAL WITH NEIGHBORHOOD DECLINE, ESPECIALLY WHERE THE PRESENCE OF VACANT HUD-OWNED PROPERTIES MAY BE CONTRIBUTING TO NEIGHBORHOOD BLIGHT.

HOUSING FOR THE ELDERLY

THE BILL WOULD PLACE "ON BUDGET" THE HOUSING FOR THE ELDERLY AND HANDICAPPED PROGRAM AUTHORIZED UNDER SECTION 202 OF THE HOUSING ACT OF 1959. SPECIFICALLY, IT WOULD DELETE A PROVISION UNDER CURRENT LAW REQUIRING THAT RECEIPTS AND DISBURSEMENTS OF THE ELDERLY HOUSING FUND ESTABLISHED UNDER SECTION 202 OF THAT ACT ARE NOT TO BE INCLUDED IN THE TOTAL FEDERAL BUDGET AND SHALL BE EXEMPT FROM LIMITATIONS ON ANNUAL EXPENDITURES OR NET LENDING. THIS PROPOSAL IS MADE IN THE INTEREST OF ACHIEVING FISCAL DISCIPLINE, IN VIEW OF THE IMPACT OF THE 202 PROGRAM ON TOTAL FEDERAL RESOURCES FOR DOMESTIC PROGRAMS.

FLOOD INSURANCE STUDIES

THE BILL ALSO WOULD AUTHORIZE THE APPROPRIATION OF \$108 MILLION FOR FISCAL YEAR 1978 FOR FLOOD INSURANCE STUDIES AND SURVEYS UNDER THE NATIONAL FLOOD INSURANCE ACT OF 1968, AND OF SUCH SUMS AS MAY BE NECESSARY FOR SUCCEEDING FISCAL YEARS. THE \$108 MILLION IS REQUIRED TO SUPPORT OVER 3,000 DETAILED FLOOD RISK ZONE AND FLOOD HAZARD ELEVATION STUDIES IN FISCAL YEAR 1978. THESE STUDIES FORM THE BASIS FOR THE ESTABLISHMENT OF ACTUARIAL INSURANCE RATES AND FLOOD PLAIN MANAGEMENT STANDARDS UNDER THE NATIONAL FLOOD INSURANCE PROGRAM ESTABLISHED UNDER THE 1968 ACT. AS SUCH, THEY ARE A PREREQUISITE FOR A COMMUNITY'S PARTICIPATION IN THE FLOOD INSURANCE PROGRAM, OTHER THAN ON AN EMERGENCY BASIS. AS OF JUNE 30, 1976, THESE STUDIES HAD BEEN COMPLETED FOR ONLY 902 OF THE ESTIMATED 20,000 FLOOD-PRONE COMMUNITIES. EXISTING LAW REQUIRED COMPLETION OF THESE STUDIES BY AUGUST, 1983. THE PROPOSED FUNDING AUTHORIZATION WOULD PERMIT THE ACCELERATION OF EFFORT NECESSARY TO MEET THIS DEADLINE.

RESEARCH AUTHORIZATION

THE BILL WOULD AUTHORIZE THE APPROPRIATION OF NOT TO EXCEED \$60 MILLION FOR FISCAL YEAR 1978 FOR RESEARCH RESPONSIBILITIES RELATING TO ITS MISSION AND PROGRAMS.

THE BILL ALSO WOULD AUTHORIZE THE APPROPRIATION OF EACH FISCAL YEAR AFTER FISCAL 1978 OF SUCH SUMS AS MAY BE NECESSARY FOR RESEARCH UNDER TITLE V.

EXTENSION OF HUD-FHA MORTGAGE INSURANCE AND  
AND RELATED AUTHORITIES

TODAY, WE ARE ALSO PROPOSING SEPARATE LEGISLATION TO EXTEND HUD-FHA MORTGAGE INSURANCE AND RELATED AUTHORITIES.

THIS LEGISLATION, WITH SEVERAL EXCEPTIONS, WOULD EXTEND FOR ONE YEAR THE AUTHORITY TO INSURE MORTGAGES OR LOANS UNDER THE HUD-FHA MORTGAGE OR LOAN INSURANCE PROGRAMS CONTAINED IN THE NATIONAL HOUSING ACT. IT ALSO WOULD EXTEND FOR ONE YEAR THE SECRETARY'S AUTHORITY ADMINISTRATIVELY TO SET INTEREST RATES FOR FHA-INSURED MORTGAGE LOANS. THESE EXTENSIONS ARE NECESSARY AND APPROPRIATE AT THIS TIME BECAUSE, UNDER EXISTING LAW, THE AFFECTED AUTHORITIES WILL EXPIRE ON JUNE 30, 1977 (IN A FEW CASES, SEPTEMBER 30, 1977).

PLANS FOR FULL SCALE REVIEW OF PROGRAMS

IN GENERAL, I SHOULD LIKE TO MAKE THE POINT THAT WE INTEND, BY APPLYING THE PRINCIPLE OF ZERO-BASED BUDGETING TO EXTENSIONS OF EXISTING LEGISLATION, TO EXAMINE ANEW THE NEED AND PURPOSE OF EACH BASIC AUTHORIZATION. WE INTEND TO SEE WHETHER EACH PROGRAM SHOULD BE CONTINUED ALONG THE SAME LINES: WHETHER THE PURPOSE OF THE LEGISLATION HAS BEEN SERVED OR IS UNDESIRABLE AND SHOULD BE ELIMINATED: OR WHETHER THE LEGISLATION SHOULD BE MODIFIED BECAUSE IT IS

DEFECTIVE OR CAN BE MADE TO SERVE A BETTER PURPOSE.

EXTENSION OF NATIONAL FLOOD INSURANCE PROGRAM AND EMERGENCY IMPLEMENTATION AUTHORITY

MR. CHAIRMAN, THE FINAL LEGISLATION WE ARE PROPOSING TODAY REQUESTS AUTHORIZATION TO EXTEND THE NATIONAL FLOOD INSURANCE PROGRAM FOR ONE YEAR.

UNDER EXISTING LAW THE AUTHORITY TO ENTER INTO NEW CONTRACTS FOR FLOOD INSURANCE UNDER THIS PROGRAM WILL EXPIRE ON JUNE 30, 1977.

THE PROPOSAL ALSO WOULD EXTEND THE EMERGENCY IMPLEMENTATION AUTHORITY (THE SO-CALLED "EMERGENCY PROGRAM") UNDER WHICH FEDERALLY-SUBSIDIZED FLOOD INSURANCE MAY BE PROVIDED IN COMMUNITIES FOR WHICH ACTUARIAL RATES AND DETAILED FLOOD HAZARD ELEVATION STUDIES ARE NOT COMPLETED. UNDER EXISTING LAW, AUTHORITY UNDER THE EMERGENCY PROGRAM WILL EXPIRE AFTER SEPTEMBER 30, 1977.

EXTENSION OF THE AUTHORITY TO ENTER INTO NEW FLOOD INSURANCE CONTRACTS IS ESSENTIAL TO ASSURE THE CONTINUED AVAILABILITY OF FLOOD INSURANCE TO PROPERTY OWNERS AT A REASONABLE COST SINCE IT IS NOT LIKELY THAT FLOOD INSURANCE WILL BE READILY AVAILABLE THROUGH THE PRIVATE SECTOR ALONE IN THE NEAR

FUTURE. IN ADDITION, THE AVAILABILITY OF SUCH COVERAGE SERVES AS AN IMPORTANT INCENTIVE TO THE ADOPTION AND ENFORCEMENT OF ADEQUATE FLOOD PLAIN MANAGEMENT MEASURES BY PARTICIPATING COMMUNITIES.

THE EXTENSION OF THE SO-CALLED "EMERGENCY PROGRAM" IS NECESSARY TO ASSURE THE CONTINUED AVAILABILITY OF THE BENEFITS OF FEDERALLY SUBSIDIZED FLOOD INSURANCE IN COMMUNITIES IDENTIFIED AS HAVING AREAS OF SPECIAL FLOOD HAZARD BUT FOR WHICH THE MORE PRECISE RATE MAPS NECESSARY FOR CONVERSION TO THE REGULAR PROGRAM HAVE NOT YET BEEN COMPLETED. THE NATIONAL FLOOD INSURANCE ACT OF 1968 REQUIRES COMPLETION OF ALL FINAL RATE MAPS BY AUGUST, 1983, AND THERE IS NO POSSIBILITY THAT THIS WILL BE COMPLETED BY THE PRESENT SEPTEMBER 30, 1977 EXPIRATION DATE OF THE EMERGENCY PROGRAM.

AS WITH THE REGULAR FLOOD INSURANCE PROGRAM, FAILURE TO EXTEND THE EMERGENCY PROGRAM WOULD REMOVE IMPORTANT INCENTIVES UNDER THE PROGRAM FOR ADOPTION OF MEASURES TO ASSURE THAT ALL NEW CONSTRUCTION IN AREAS OF SPECIAL FLOOD HAZARD IS ADEQUATELY PROTECTED AGAINST THE HAZARD. IT ALSO WOULD DENY NEEDED FLOOD INSURANCE PROTECTION TO SOME 14,000 COMMUNITIES WHICH HAVE ADOPTED AT LEAST MINIMUM STANDARDS FOR FLOOD PLAIN MANAGEMENT IN ORDER TO PARTICIPATE.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

THIS CONCLUDES MY PREPARED REMARKS. WE HAVE COVERED A GREAT DEAL OF GROUND AND DISCUSSED MANY TOPICS SINCE WE BEGAN THIS MORNING. I BELIEVE THE PRESENTATION OF THIS COMPREHENSIVE OVERVIEW WAS AND IS NECESSARY, BECAUSE THE CHALLENGES BEFORE US ARE GREAT.

WHEN WE BEGAN EARLIER TODAY I PREFACED MY REMARKS WITH SOME OBSERVATIONS ABOUT THE GOODNESS OF AMERICA. I BELIEVE THE PROGRAMS AND PROPOSED LEGISLATION WE HAVE DISCUSSED HERE TODAY WILL ALLOW THE GOODNESS THAT EXISTS IN OUR COUNTRY TO BE EXPRESSED THROUGH INDICATION OF CONCERN AND COMMITMENT TO OUR CITIES AND OUR CITIZENS. I BELIEVE THAT IF WE CAN IMPLEMENT THESE PROGRAMS AND THIS LEGISLATION, WE WILL HAVE MADE A SIGNIFICANT START TOWARD REALIZING THE NATIONAL HOUSING AND URBAN DEVELOPMENT GOALS WE AS A PEOPLE HAVE SET.

Mr. ASHLEY. Thank you, Madam Secretary. That certainly is one of the most comprehensive, forward-looking statements that this subcommittee has received from a Secretary of the Department of Housing and Urban Development in the 22 years and longer that I have been on the subcommittee, and I commend you for it.

It sets forth, without equivocation, a large number of new initiatives and departures from existing policy and existing law. I think its boldness is consistent with and responsive to the requirements of the society in which we live today and the condition of our cities.

It is going to be necessary, Madam Secretary, because of the sweeping nature of the recommendations contained in your statement, that there be furnished to the subcommittee additional backup material, perhaps with respect to all or at least certainly most of the separate categories or areas covered in your statement.

I would hope and I suggest, just let me say, because under our 5-minute rule, it doesn't provide for questioning, it simply won't be possible to get into the proper depth that this subject matter requires. So, I would hope that we would be able to work on that basis, Madam Secretary.

I might also say that upon receipt of such additional backup material, which we will spell out for you based upon our needs, it may well be necessary and desirable, after consultation with you, for particular members of your staff, Assistant Secretaries, or others, to be available to the subcommittee for additional testimony.

Secretary HARRIS. Mr. Chairman we will provide such material as you require and all of the staff from the Secretary throughout the Department will be available to you to meet whatever your requirements are in this matter.

Mr. ASHLEY. Our requirements, let me just emphasize, are going to be considerable, because what you have described here is a very material change in emphasis and policy direction, which simply cannot be accommodated by this subcommittee in a matter of hours or days, or even perhaps weeks.

All of us have a time constraint upon us, of course, by virtue of the Budget Control Act, which we must be able to meet. But this is going to require a lot of hard work by the subcommittee, and it would be certainly facilitated with the cooperation that you indicated will be forthcoming and for which I am most obliged.

On page 6 of your statement, Madam Secretary, you state that the Department of Housing and Urban Development will become the primary link in the implementation of a policy described on page 5, that is to say, an urban policy that would be responsive to the multifaceted needs of American cities and their needs for coordinated economic development, their need for housing, and their need for services to the people who inhabit that housing.

What is new here, of course, is the emphasis upon coordination between the economic aspects as well as the housing and community development activities.

Does this suggest—this statement—that the President has signaled that your Department will be the lead department in this area?

Secretary HARRIS. Mr. Chairman, the statutes under which we operate have spelled out the primacy of the Department of Housing and



Urban Development, as the advisor to the President on urban matters and housing.

In 1966, at the time of the establishment of the Department, an executive order established the Secretary of HUD as the convenor of the Departments with respect to matters affecting urban development and housing.

As you know, this administration has made it clear that it intends to abide by the expressed policy of the Congress as enacted into legislation and that is the basis for our acceptance of the responsibility that has been given to us.

Mr. ASHLEY. I suppose, Madam Secretary, that behind my question was the knowledge that the Department of Commerce has responsibility for the Economic Development Administration, and there has been reported in the press and otherwise discussions between you and the Secretary of Commerce with respect to what must be considered to be something in the nature of a shared responsibility with regard to the economic requirements implicit in the upgrading of our central cities.

I want to say that included in the additional information that the subcommittee will want is a breakdown or a justification of where the money is going to go for the increase in funding levels requested.

[This information is included in section B of the study entitled "CDBG Formula Change," which is included at the end of the hearings of this day.]

In your 3-year authorization request for the community development block grant program, you suggest a \$4 billion level for fiscal year 1978, an increase of some \$750 million over the current level, and then \$4.15 billion for fiscal year 1979 and \$4.3 billion for fiscal year 1980. We will want more information on that, Madam Secretary.

Now, we get to—for just few minutes—to the new action grants program. The principal purpose or purposes of this as I understand it will be to make possible greater efforts with respect to economic activities in the cities. Is that correct?

Secretary HARRIS. This is among the activities that could be funded from the action grant program.

Mr. ASHLEY. That is one, and another is beefed-up rehabilitation efforts, is that correct?

Secretary HARRIS. Yes. Whatever was contained in the funding request of a particular city, based upon its expression of need for aid in addition to its community development block grant, including economic development or increased rehabilitation, would be an eligible activity. The action grant would not be a substitute for the ongoing program envisioned in the block grant itself, but would be a special opportunity to do that which could not be done under the block grant funding. It would be an opportunity which is special and discrete.

It would have to be separate from that which was immediately available in a given year to a city to achieve the goals of its block grant activity. It would not be a substitute for but would be in addition to, and would be targeted at unique opportunities that would pass were the action grant not available. So, it might include rehabilitation.

Mr. ASHLEY. Well, I'd like to know how much money is involved in the first year.

Secretary HARRIS. \$400 million.

Mr. ASHLEY. And I certainly would want to know rather specifically what the \$400 million will be spent on.

Secretary HARRIS. Well, certainly \$400 million will not be spent in any single program or any single entity. We presented to you, in the statement, examples of particular and unique opportunities that could be funded by the action grants. One involved a very special need to develop a 500 unit housing development, which is a blight and a deterrent to either business or private residential development.

Mr. ASHLEY. Could it be used for large-scale inner-city development which is not perhaps proper subject for rehabilitation?

Secretary HARRIS. It well might. I would have to know what the specific conditions were. One of the conditions we will impose is demonstrated movement by the applicant to effectuate the goals of the community development block grant program.

Mr. ASHLEY. Now, my interest runs to the substantive nature of the activities that would be funded, starting at a level of \$400 million. My interest also runs to the structure of this action grant program.

At first blush—and that is all that it is because the testimony for perfectly understandable reasons has not been available to us until just a few minutes ago—suggests that this is a new categorical grant program, Madam Secretary, that this is in the guise—and I don't mean to suggest a denigrating connotation when I say guise—but that it is under the umbrella of the community development block grant program; that the funds won't be distributed on any kind of a formula basis to cities as is the case with central cities and other eligible units of local government under the current program.

Is this a new categorical grant program?

Secretary HARRIS. No; Mr. Chairman, it is not. My difficulty in responding precisely to an earlier question you asked about what the money would be spent for is, I think, the best indication that it is not a new categorical grant program. We will expect the cities to come to us with an application which sets forth what it is they intend to do in support and enhancement of its community development block grant program.

We will not set those goals for them. The goals will be their goals, set within the community development block grant program that has been approved.

Mr. ASHLEY. Then therein is the difference for the old title I urban renewal program, for example. But it is a fact that the criteria that you outline do suggest that only certain cities will be eligible for action grant program grants.

Secretary HARRIS. The cities which demonstrate a need and a capacity will be able to apply.

Now, because the Department will be looking at need under clear regulations indicating how that need is to be determined, it is true that both the amount available and the need criteria will limit the number of cities which will receive funds. But any city, theoretically, under the proper class of entitlement grant could show the need that is required for qualification for the urban development grant program.

Mr. ASHLEY. I am going to ask just one or two more questions, and I hope that by going on to other questions that this does not indicate

a satisfaction of my interest with respect to items that I have previously questioned you about.

Do you have a series of printouts or any other compilation of data that would give us some indications as to what the results would be if we adopted different alternatives as far as community development distribution formula is concerned?

I am not interested in having it now. I am just wondering if that might be made available to the subcommittee, Madam Secretary?

Secretary HARRIS. We have some data by areas and classes of cities. I don't believe we have it city by city.

Mr. ASHLEY. I'm not so interested in that, except as it relates to Toledo, Ohio. [Laughter.]

Mr. ASHLEY. I would be very happy to have that furnished for the record.

Secretary HARRIS. We will be happy to furnish that for the record, Mr. Chairman.

Mr. ASHLEY. What I am getting at is you fasten upon the dual formula as one of the best alternatives explored. I would like to know why is it the best, and I would like to see the backup work on that.

Secretary HARRIS. We will be happy to present that to you, Mr. Chairman.

[The information referred to may be found in section B of a study entitled "CDBG Formula Change" at the end of this day's hearing.]

Mr. ASHLEY. Are additional moneys being requested to accommodate community development funding allocations on the expectation that the dual formula will be adopted?

Secretary HARRIS. Yes; Mr. Chairman.

Mr. ASHLEY. Will there be a comparative analysis available that will show us, compared to last year or the year before, let us say, how much money various categories of cities, not specific cities, will be getting? I suppose what I am interested in here is the amount of money that is going to be necessary to accommodate the dual formula to start with. I am going to be interested in the financial situation of newer cities that you talked about and that presumably they would be held harmless inasmuch as they can opt between the new formula and the current formula. Is that correct?

Secretary HARRIS. I would not use the term "hold-harmless," because of the baggage it carries, but no city would have less next year than is currently provided for in the statute as it would apply next year.

Mr. ASHLEY. Well, we will work together to find another phrase, a phrase other than hold-harmless. We certainly will be looking for something than means exactly that, however. [Laughter.]

Secretary HARRIS. Mr. Chairman, I am not sure.

Mr. ASHLEY. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Let me start off by posing a question that comes to mind before I forget.

In your statement you suggested that we should allocate discretionary balances in SMSA's on a State basis rather than as we have been doing. Why?

Secretary HARRIS. I think my statement indicated that we have been spreading these grants too thinly. We ought to make funds available

on a concentrated allocation basis, to the States, and then within the State allocations make further allocations to the cities on the basis of the opportunity for the grant to make a real impact.

Now we are handing out goodies to everybody instead of seeing whether or not the allocations will, indeed, have the positive impact that they are expected to have.

Mr. BROWN. But why State by State? Are you saying you are going to accumulate all of the applicable discretionary balances in all the SMSA's within a State and then, out of that fund, allocate money to cities or smaller communities that do not qualify as hold-harmless or entitlement cities?

Secretary HARRIS. They would have a go at the State fund.

Mr. BROWN. We discussed this, of course, in 1974 when we passed this law. There seemed to be many areas where the SMSA's were interstate. How do you allocate the discretionary balance in an SMSA that is an interstate SMSA?

Secretary HARRIS. I am assured that we will split up the SMSA's portions by State.

The formula for the allocation by States will certainly take this into account.

Mr. BROWN. Well, I don't mean to belabor this, but to be the devil's advocate, it seems to me, if you want to make grants only to smaller cities out of discretionary balances, you could do it under an SMSA fund as well as you could a State approach. Basically, it's whether or not you want to have a greater impact and not make so many of these grants, so that the actual funds distributed is relatively insignificant. The important aspect is how the program is administered.

Secretary HARRIS. Well, may I say, Congressman, that one thing we want to achieve in the Department is a degree of consistency and certainly so people will have some sense of what to expect.

Mr. BROWN. That has been the aim of Government since time immemorial.

Secretary HARRIS. We intend to keep trying.

Mr. BROWN. I think Mr. Ashley covered it, but you are going to attempt to give us a runout of the data under the dual formula?

Secretary HARRIS. Yes. It's my understanding that the data on which we made this decision is available and we will be happy to share it with you. We think it is most persuasive.

Mr. BROWN. In your statement you say:

A dual formula proves to be the most satisfactory. It targets greater funds to those cities we especially want to reach while not taking away from any city's current formula allocation.

Now, that's the best of both worlds, of course.

Do you think that an additional \$750 million over what we presently have will permit that?

Secretary HARRIS. The amounts we have requested for community development block grant allocations will accomplish that.

Mr. BROWN. That's \$4 billion for 1978, \$4.15 for 1979, and \$4.30 for 1980?

Secretary HARRIS. Within that is the action grant. It is not on top of the \$4 billion; it is within it.

Mr. BROWN. So you are down to \$3.6 billion?

Secretary HARRIS. It is \$3.5 billion because there is a \$100 million urgent needs amount which goes to the closeout, essentially, as I suggested in the statement, of urban renewal programs that were replaced by the block grant funds.

But we are convinced that the amounts we have asked for in—certainly in fiscal year 1978—are appropriate to the funding of the dual formula.

Mr. BROWN. Madam Secretary, let me just say in a general overview, a thing that disturbs me somewhat in your statement is what I perceive to be a general thrust toward a much greater involvement of the Department in local decisionmaking.

Now, that may not be your intent. But, for example, you state:

We will expect communities to accept a fair share of low- and moderate-income housing and vigorously promote fair housing.

There is nothing wrong with that.

Then you say:

The Department will not be heavyhanded, but it will be informed and responsible.

I don't know what "informed and responsible" is, but there is an awful lot of distance between the present statutory requirements of the community development block grants and HUD being "heavyhanded."

Secretary HARRIS. Mr. Chairman, when I was a student of economics many, many years ago, some of us had a joke that said, yes, you can have a laissez faire policy, but for most people that is a fairly lazy policy.

What I am suggesting is that HUD will not be fairly lazy. Congress has established standards for the implementation of the programs that the Department administers. It is our intention to respect the responsibility of local communities to make their decisions about their future. But within that responsibility, where they seek Federal funds, is a responsibility to make local decisions consistent with the policy as set forth by the Congress for the use of those funds.

What the language you have quoted means, as far as we are concerned, is that we will obey the requirements of the Congress, and those requirements include not only local decisionmaking but also local decisionmaking within the context of the congressional policy.

Mr. BROWN. Again, I would hope that it would not be an "order-obey" situation between the Department and the Congress. I would hope that conforming with congressional intent is a partnership action and not one of obedience.

Secretary HARRIS. Again, I am not sure how to respond to that. It seems to me that responsible administrators understand that in dealing with local communities they do not deal with subordinates; that they deal with people who, at least, are equals. And as I sit with my telephone, I think that they rise perhaps above the levels of equals. And, of course, we would not have a command situation. I think that when we behave responsibly, we will be able to persuade local communities about responsibility that they have that is commended to our Department for implementation.

Mr. BROWN. Well, I again don't wish to belabor this, but we fought a long, hard battle in 1974 not to have HUD become the second-guesser

of local officials. We put language in the act, that in looking at a community development plan and a housing assistance plan, the entitlement city would get its funds unless its analysis of its needs is "plainly inconsistent" with data generally known to HUD; and that the program to meet those needs is to be approved unless it is "plainly inappropriate" for the meeting of those needs.

Obviously, we did not want HUD second-guessing, and that is still the position of this member. When I see things in your statement such as "Department staff will work with cities and other communities to analyze needs and prepare plans. Applications will be reviewed in the light of the community's performance toward national objectives, especially the priority for low- and moderate-income citizens," it causes me a little concern. It looks like we're turning back. Then, the action grant program says, "The Department will judge the proposed action plan using criteria such as: Performance in housing and community development programs, impact on the special problems of low- and moderate-income persons and minorities." Impact determined by who? Local officials or you?

"Financial participation by public or private entities, potential impact, and the comparative levels of distress among applicants." Again, determined by whom? It seems to me that in the action program you are getting back to a city-by-city, project-by-project approval. It is going to be basically a categorical program.

Let me ask you a specific question on this action program.

What do you contemplate will be the average grant? What would be the amount?

Secretary HARRIS. Congressman Brown, we simply cannot tell you that until we see the plan proposed by the local communities. It is because we are committed to meeting the needs of the local community as identified by them that we are not able to give you an average.

Now, as we have suggested in the examples that we have presented to you, some of the action grants might be made on the basis of present needs made manifest to us. We have a \$12 million amount here, and I think I remember a \$10 million amount. But I have no specific notion. It could be much lower or higher. The determination of the need will be made locally, and we will respond in terms of, first of all, the conformity of this action grant request with their community development block grant program and by a ranking of the needs of other applicants.

Mr. Brown. It might be well to supply for the record—I won't ask it now—what I consider to be or what appears to be, at least, a comparable program, and that is the old urban renewal program. What was the average grant under that program, the add-ons, and so forth? In this way we can see how many cities may actually be affected by the \$400 million fund.

Secretary HARRIS. Congressman, we would be delighted to provide you with those data, but we are not prepared to agree with you that the figures are comparable. We cannot possibly know for what these funds will be used because the determination will not be made by legislative fiat and by saying, "you will use these funds only for this." It is because this is an action grant keyed to a plan presented to HUD by the local community that it differs from urban renewal. We are

going to ask, what they wish to do. It may be something so innovative that we wish we had thought of it. But we have not —

Mr. BROWN. Doesn't unemployment pretty much parallel these problems of the cities?

Secretary HARRIS. It may or may not.

Mr. BROWN. I'm suggesting that it might be nice to adopt the supplemental community development block grant program that I sponsored a year ago.

Secretary HARRIS. This is an interesting question. I was talking to the person who is going to be heading our office of Policy Development and Research, and I said you could have a situation in which unemployment had not yet taken place, where the people in the community were still employed, but you had indication that businesses were about to leave or were going to leave. You might not yet have significant unemployment occurring, but a city with that imagination might say that this is the time to do what we should have done 10 years ago. In such cases unemployment might very well not be the true test if we are to catch problems before they become acute.

Mr. BROWN. Thank you very much.

Of course, the whole theory behind the community development block grant program of entitlement communities, is to retard the deterioration and decline of cities.

Secretary HARRIS. And the action grant may get us in a step ahead of that.

Mr. BROWN. Very good. Thank you very much.

[At the request of Congressman Brown, the following information was submitted for the record by Secretary Harris:]

#### RESPONSE FROM SECRETARY HARRIS

Since the inception of the urban renewal program, there have been 2,102 urban renewal projects approved for grants totaling \$10.2 billion. The average grant amount was \$4.8 million. In addition, 431 neighborhood development programs (NDP) were approved for grants totaling \$2.8 billion. The average grants was \$66 million.

Mr. ASHLEY. One very brief question for clarification, Madam Secretary.

On page 10 of your statement you say that the new formula uses as factors, age of housing, poverty, and a third element called growth lag.

Is it contemplated that poverty would be counted twice, as in the current formula?

Secretary HARRIS. No. Poverty would be weighted 30 percent.

Mr. ASHLEY. Thank you.

Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

And thank you, Madam Secretary. I would like to discuss with you the change in the formula and establish what I understand to be its nonpartisan character.

As I understand it, both the previous administration, this administration, and the Brookings Institution all agreed that there was a need for a new formula; is that correct?

Secretary HARRIS. That is correct. The Ford budget also shows a new formula.

Mr. MOORHEAD. And am I not correct, again, that the three I have referred to, the previous administration, this administration, and Brookings Institution, agreed in general—I don't mean with every item. I know there is variation on growth lag and population—but fundamentally on the type of new formula that would be proposed; is that correct?

Secretary HARRIS. Yes; Mr. Moorhead, it is. The three elements in the Ford formula were age of housing, population loss, and poverty. We have changed only one. We have changed the concept of population loss to a concept of growth lag.

In the analysis of the conditions that indicate distress, it was found that a more accurate indicator of distress is the lack of growth, the failure of a particular area to have increased its population at the same level which the average of the category of metropolitan cities had increased their growth in the period covered.

Mr. MOORHEAD. Now, what about the duality of the formula? That is, giving the recipient the choice between the older formula and the new. Did that originate with this administration, or was that also proposed by the previous administration?

Secretary HARRIS. The dual formula is new.

Mr. MOORHEAD. Let me see if I can clarify my understanding about the action grant program, which is a new concept.

Do you contemplate that there would be ground rules that would clearly say to a particular city, there is no sense in your even beginning to prepare a program, because if we don't put some kind of thing in, every city across the land is going to be coming in for action grants, and there just isn't enough money to satisfy them all? Is there going to be some formula that says to city X, don't even waste your time and your money drawing up a plan because you aren't the kind of—you aren't in the kind of need that is going to qualify you?

Secretary HARRIS. This would not be in the bill, and I would hope it would not be in the statute.

We would, however, expect to have clear regulations, which we have agreed to coordinate with the Department of Commerce with respect to certain aspects. The standards will be spelled out as carefully as possible.

Mr. MOORHEAD. So that it is your intention that a given city—let's say a prosperous, thriving city even, with a bright idea—would understand that they are just out of, in no way eligible for, consideration for these new action grant programs.

Secretary HARRIS. Without prejudging any grant, the standards will be such that need will clearly be a major component to qualify for the grant.

Mr. MOORHEAD. Then I understand that working with other departments, particularly, let us say, the Department of Commerce and EDA, we are not talking about just the \$400 million that you are asking for in this legislation but you would be drawing on funds authorized in different legislation by different committees of the Congress to supplement the \$400 million per year that you are asking from this subcommittee; is that correct?

Secretary HARRIS. We would, of course, hope that as this administration moves down the road we will be coordinating all of our programs that have an impact upon the city.



However, with respect to the urban development action grant, it is expected that we would be utilizing the \$400 million.

Now, insofar as there may be an overall economic development plan which has been approved by the Department of Commerce, or insofar as, for business grants, there may be funds available from the Department of Commerce, we would expect to coordinate those.

However, we do not anticipate, with respect to the grant program itself, with those two exceptions, to be using the funds from other appropriations and allocations.

Mr. MOORHEAD. Well, I think your suggestion about the action grant program, while I just got it today, is intriguing, and I think it does give you some flexibility in the situation you have described where you might have a small town with the major employer about to shut down and that would be a catastrophe which the formula might not take care of. But the flexibility given by the action grant program would give you that opportunity to prevent the deterioration that you can see clearly coming.

The other part of your testimony that I take it was your statement of neighborhoods as the traditional building-blocks of the great cities, and I think it is even in smaller communities that the neighborhoods are important.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Madam Secretary, I would like to accentuate the positive. My colleague from Michigan and I a few weeks ago spent about 2½ hours discussing problems of the deterioration of the inner cities and I was very tempted to jump in when he was having his colloquy with you, but I restrained myself.

Accentuating the positive, as Chairman Ashley has already said, with this differentiation in formula, frankly it is very difficult, I think, for you to explain it in more detail at this point this morning. And therefore with a continuing interest in that naturally, I would like to go on to a few other questions.

Under the action grant program, I look at your testimony and I think you have outlined some general criteria for us. You look at the cities that have produced in a certain area, that have provided some housing for low-income people and provided equal opportunity, and you are going to look at the tax base to see if it is deteriorating, and then as to what they will be doing, you give us examples of what you are going to be looking for.

Again you are telling us what will this plan mean in the area of housing, what will the impact be on low-income people and minorities, and then you are also going to seek financial participation, either private or from the local community. So you're not saying, we're just going to give it to you, but rather—and you know, Congressman Moorhead questioned you—I think in essence a lot of cities will look at this and find out that under the 1974 act they have not produced and it is time for them to say, mea culpa, and I had better catch up because we have not done anything. In many instances I can think of many communities, if we were to look at lower income housing that has been provided under the block grant program to date, we would find a great big fat Easter egg—nothing.

And I commend you on the statement you make on page 38, where you say you are going to insist on coordination between housing and community development at either local or Federal level, because when we adopted, when we voted for that 1974 act, that was one of the prime criteria. But I would like somebody to prove to me that it has been fulfilled. It just hasn't. It has been a sham, and I think that perhaps we've got to realize that's true, we want incentive at the local community level but by the same token we've got to start looking a little closer at whether or not these communities have produced.

So that, getting back to whether or not HUD is going to wield a bigger stick, frankly, maybe it's not a big stick but instead of a feather perhaps you should have a little ruler like you used to have in grammar school when we were kids which you can't use anymore.

Tell me, under this action grant program, would you also look at how revenue-sharing funds are being utilized by that community over the past few years? Would you also look at cooperation with the Small Business Administration as well as EDA? Because I think we've concentrated to date on Commerce and EDA, but there are other departments that can be of great assistance, and I think we should look to see what they are doing with their revenue-sharing funds as to whether or not they are helping and taking over the programs that they were supposed to take over with revenue-sharing funds.

Secretary HARRIS. We will be looking at need, and within that concern would be the availability and use of funds that were otherwise available to achieve that or other aspects of the overall community development plan.

Mr. ST GERMAIN. You know, Madam Secretary, I've seen some community development block grant funds used to keep particular political faces in the newspaper. You know, every time you pick up a newspaper, you see a great big ad about rehab with a picture of one of the political figures in the community, and from the best of my understanding, those ads have been paid for out of community development block grant funds. And I'm going to ask you to look at that for me, also.

Getting to another item, on the set-aside for State agencies, I believe that when you testified the day before yesterday you said that in fiscal year 1977 here were a total of 33,000 units set aside for the State agencies, 20 plus 13 under the supplemental. And looking at your testimony this morning, you're talking about a 20,000 set-aside for State agencies, is that correct?

Secretary HARRIS. Fiscal year 1978 has a 20,000 State housing finance agency figure and this year also a 20,000 figure in the supplemental. But we have the 13,000 carryover.

Mr. ST GERMAIN. In fiscal year 1978 you dropped down to 20, and I am trying to figure out why this drop, because of the admitted success of the State agencies. Is that a hard and fast figure, or is that negotiable?

Secretary HARRIS. That is the figure which we have presented in our authorizing request.

Mr. ST GERMAIN. But as we stated earlier, we would be happy to have members of your staff up here and you would not be adverse to a little more discussion and further detail on that as the days go by, I would hope?

Secretary HARRIS. I am never adverse to having the staff or others talk to you about questions of mutual concern.

Mr. ST GERMAIN. I'm wondering about this, Madam Secretary. We have hit a situation in Rhode Island recently—and I think it is not atypical because it's happening all over the country—and that is that in order for certain communities as a result of a Navy pullout to reinvigorate their economy, there has been a need for some environmental impact statements so certain industries could move into the area. Now, when you talk about economic development under the action grant program, should there be a need for environmental impact statements, would this come under an eligibility?

Secretary HARRIS. Do you mean the cost of the preparation of the EIS?

Mr. ST GERMAIN. Correct. This in some instances, Madam Secretary, is quite sizable.

Secretary HARRIS. There is no question that there is a need for controls here, and we must do whatever is required of us. And it certainly would apply to any of those matters that involve environmental impact. Certainly this would be included in the funding. If the program requires it, then it would be remiss of us not to make certain that there were resources available. But it all depends on the activity.

Mr. ST GERMAIN. One last question, Madam Secretary. As I understand your action grant program, the whole point there is to insure that in cases where a community or city is in jeopardy, where their economic base is deteriorating rapidly, that rather than say, well, we're going to give you \$2 million or \$1 million or \$4 million per year which will not really help because by the time you have accomplished that which you have to accomplish the industries involved, the businesses involved, will be long gone and who knows if you will ever get them back. So, instead of spreading it out among a lot of small communities that really don't need funding to a great degree, you're going to look at the area of real need and say, we are going to assist you, so that we can lock the barn door before the horses all get out of town.

Secretary HARRIS. It is not just jeopardy. The word I think of when I think about the action grant is opportunity. It could just as easily be called an opportunity grant. The city receives its community development block grant funds on the basis of a predetermined formula. That formula is being cranked out, legislatively, now, and it goes to past judgments and extrapolations.

The action grant says that if, in enhancement of what you are able to do as a result of this formula, you find an opportunity that you will not be able to meet under the formula application, we may give you additional resources. We think that it will make it possible for you to utilize more effectively this ongoing program and we think it will make it possible for you to take a quantum jump ahead with your activity.

It is not expected to be a continuing program. That is, we don't expect city A to get an action grant in 1977 and 1978 and 1979. Now, I'm not saying it's totally impossible that there will be a repetition, but there has to be that happy congruence of opportunity and need.

So, it is not just jeopardy, it is opportunity to avoid jeopardy when there is a distressed city.

Mr. ST GERMAIN. Thank you, Madam Secretary. My time is expired.

Mr. ASHLEY. We are going to call on one more member for questioning, and then we will break for lunch. Mr. McKinney.

Mr. MCKINNEY. Madam Secretary, it's very nice to have you here. I'm somewhat amused at what Mr. Tsongas, who, like several of us, is from what you might call—I think I can quote you—deteriorating and declining urban centers—meant when I saw him in the hall earlier today: I think you did most of our work for us today.

There was a great deal of this speech that I might have written myself and will depart with a smile if I ever see it take place.

I want to bring up some points for the record, since I do not intend to take too much time, and I would hope that you could reply to these at a later date in writing.

I am all for togetherness. I've never understood either when I served the State of Connecticut in the legislature or as a Congressman in Washington why one Federal agency doesn't know what the other ones are doing in my cities, and No. 2, why these agencies constantly insist on contradicting each other. This is so whether it's in cities in Connecticut or in the District of Columbia, in which I am concerned. I would hope that you, in the administration, can bring these different agencies together. I'm very concerned, also, about something mentioned by my good friend from Rhode Island, Congressman St Germain.

I think that perhaps your agency should bring pressure within the administration to bring before Congress some NEPA changes for our inner cities. I would suggest, Madam Secretary, that almost anything you did in parts of our inner cities would be an improvement. To saddle those cities with the same type of NEPA scrutiny that we saddle other areas with seems to me to be illogical, since the mere fact that doing almost anything in areas of some cities would be a vast improvement on the living condition of the people who live there.

Second, Madam Secretary, I am very interested in capital, in-kind, as the cities' contribution that you might take into consideration at HUD. I'm talking about the enormous acres of Northeast Washington and Bedford-Stuyvesant and other cities which have sewers, water, lights, and sidewalks. I would hope that you would consider or give more active consideration to having that regarded as a physical, in-kind dollar contribution that our cities have made toward Federal programs which would help HUD to look more kindly on the expenditure of other funds in these areas.

I am very interested—and you answered one of my major questions earlier when answering our chairman—in your proposed action grants program and in the \$400 million to fund it. I would hope that the Secretary would dedicate herself to making these urban action programs just that and not become trapped in that terrible chaos of incomplete urban renewal projects.

Madam Secretary, I would have to fight the disillusionment of urban dwellers and urban mayors if I saw this become another program where a city was allowed to participate in 1977, 1978, and 1979 and thereby burned up money which could be used imaginatively in other areas.

I would desperately like to know what weights will be assigned to the elements of your formula. Can you tell me that now, or would you

like to reply to that later? You suggested poverty would be 30 percent?

Secretary HARRIS. Yes. Age of housing, 50 percent. Poverty, 30 percent. And growth lag, 20 percent.

Mr. MCKINNEY. I see smiles behind you, so I think you hit it right on the head. I am desperately anxious, Madam Secretary, to get a definition from somebody in the Federal Government of a realistic level of moderate income. I represent only three cities and I work in this city, but I am well aware of the definition of poverty, since it is unfortunately so commonly found in urban areas.

You said something that also brought joy to me when you talked about higher cost areas, because I certainly represent one. I also not only represent a higher cost-per-unit area—building, reconstruction, rehab and everything also—I think I represent an area where moderate income is a lot higher than the Federal Government has been willing to admit it is in many areas of our country.

I think if we are going to conquer the problem of the older industrialized areas, we are going to have to take a more realistic view of moderate income.

Secretary HARRIS. Well, Mr. Chairman, the standards for median income are set in some of the legislation. There is a distinction, it seems to me, between median income and moderate income. I suppose there are many parts of Government looking at that very question at this moment.

Mr. MCKINNEY. Well, I would simply suggest, while you are sitting at that large, oval table down at 1600 Pennsylvania Avenue, that those very factors that recognize higher costs in fiscal things should recognize higher costs in the level of moderate income and higher costs in the level of poverty income.

It's not easy to be poor anywhere, but you can be poor a lot richer in Washington, D.C., than you can in some other areas of this country.

Finally, I would agree with the chairman that this is one of the most comprehensive statements I have had the honor to read in my 6½ years, and I am going to tell you, frankly, that your speech is being stolen today. I am giving it over the phone to 350 community development block grant developers in Connecticut at 1:30, I hope, with your permission.

Also, I would like to tell them that the Congress, with a little impetus from the administration, is going to require that Federal agencies coordinate their efforts and that we will, in fact, assist in this coordination. We must realize that we can't, under any circumstances, house people who don't have jobs nor can we invite industry where we don't have housing, nor can we do either where we have no job training. Perhaps it is very good that you arrived here on the day that the House is voting on a public works bill. I also hope, when you talk to your conferees in EDA and their counterparts at the Department of Labor who give them the figures, that they can bring a little more reality into this whole business of coordination in urban planning. My congratulations on your statement.

Secretary HARRIS. Thank you.

Mr. ASHLEY. Thank you, Mr. McKinney.

The subcommittee will stand in recess until 2 this afternoon.

[Whereupon, at 12:50 p.m., the hearing was recessed, to reconvene at 2 p.m., this same day.]

## AFTERNOON SESSION

Mr. ASHLEY. The subcommittee will come to order.

The questioning of the Secretary by members will continue. Mr. Patterson?

Mr. PATTERSON. Thank you, Mr. Chairman.

Again, as I said yesterday, it's a delight to hear your testimony and particularly all of the backup material you have provided us with previously and also as you did today. It has given us a great deal of food for thought.

I would like to address for a moment the dual formula that you related to. I am a little, I guess, not understanding of how the alternative of either formula—the new formula or the present formula—might stay within the financial bounds, say, of your budget request. For example, it is my understanding that the present formula is pretty much on three bases. One is the hold-harmless clause; another is the real formula or the existing formula, rather; and then there are discretionary funds. And I am wondering, does your projection, on the basis of the so-called present formula, consider a one-third reduction in the hold-harmless clause, as I think was the original intent of this act?

Secretary HARRIS. Congressman Patterson, the formulas both assume that the statute will not be changed with respect to the conditions of funding under the present formula. It is assumed that the hold-harmless phasedown will continue. So, there is not—as I suggested earlier to another question—there is not the assumption of the hold-harmless provision after the hold-harmless phasedown provided in the present statute.

In order to avoid the inequities of the application of the present formula, absent the hold-harmless provision, which would be the case after the phasedown, we have, as suggested by all of those who have looked at the present formula, changed the formula in a way that will more realistically address need. The new formula is designed as it is in order to be certain that the entitlement grants will go to the cities with objective needs. And I think that is natural.

We have had experience, and now we know where we are going to go.

Mr. PATTERSON. So that in any city as the hold harmless goes down they may find that the present formula is better for them, but in a year or two, the formula that you are proposing today might be better for that city, and they can change—they can switch each year and determine which formula they would like to be counted for. Is that correct?

Secretary HARRIS. Well, with respect to the two formulas, it is assumed that we will compute the entitlement under both formulas and that the city will receive at any point that amount which is the greater of the two.

Mr. PATTERSON. It would be an automatic thing?

Secretary HARRIS. Yes.

Mr. PATTERSON. I see. Now, one of the factors that is in the new formula is that of pre-1940 housing, as I understand it.

Secretary HARRIS. Yes.

Mr. PATTERSON. And you have given that a rather healthy weight of 50 percent. I am a little concerned for a couple of reasons. One is the area from which I come, if you took pre-1940-1939 housing, you would find a very, very small population. It is Orange County in California.

A second problem, I think, with that particular formula is the type of housing constructed. I am wondering if you have given these two things consideration. For example, there are some very fine brick homes in this area that I dearly love, that as far as age goes are much older than the home that I maintained in Santa Ana, Calif., and mine is going to fall down a whole lot sooner than those will. So I am a little concerned that if you are talking about age of housing, are you going to include—is it just going to be that arbitrary date or can some other factors be worked into this formula? I see that as a major problem. That applies to me and perhaps others on the subcommittee, and therefore could reach some difficulty in the subcommittee or on the House floor.

Secretary HARRIS. Again, I would remind you that the coexistence of the two formulas make it possible for a city to take the formula that is most useful in terms of funding for that city.

It seems to me that there is, even on the basis of conventional wisdom, a real basis for the choice of age of housing stock. That is the major city investment, and as with any capital investment regardless of its quality, aging is an indication of the need for replenishment.

Now, while I understand that there are degrees of need—

Mr. PATTERSON. There are all kinds of age, I guess is what I am concerned about. A brick home ages at a much different rate than a clapboard house.

Secretary HARRIS. I am not certain, Congressman, that is true of the interior. I think we all know of cities where the facades of older buildings are quite elegant and yet when we move inside, the years of neglect are painfully clear. And I think the city in which we are now is an example of that. And there is a relationship between deterioration and need for replacement and the age of the stock. The interiors of these marvelous brick houses often lack modern insulation because of different expectations with respect to heating. These are all functions of age. And it seems to me that this is a reasonable approach, and the one that is most likely to get at the cause of blight, deterioration, and slum creation.

Mr. PATTERSON. Well, I might continue to disagree with you on that, but I would like to address another question, if I may. I would think it would be easier to redo the interior of a brick home than it would be to build a new clapboard home. But we will leave that for future issues.

I would like to touch upon the flood insurance program. In coming from the great Southwest, where we get little rain—11 inches a year on the average—we had in my particular district a difficult problem with flood insurance maps, and I want to say that Mr. Hunter of your office and FIA assisted me in resolving our problem to an almost total satisfaction, and so I commend him and commend you for having him on your staff.

There is still, I think, perhaps a problem in the Southwest with regard to what they call, I think, sheet flow drainage problems where

we were faced with many homes not coming within a flood hazard area. They would have to be in fact built on stilts or not be built at all. And I am hopeful that you will continue to look into this. As I say, it has been done; we have resolved much of the problem in my particular area, and I appreciate that, but I think there might be different standards.

I guess my whole line of questioning in the three areas where I have asked this afternoon deal with regional differences in—and aging differences—and those things, and I just hope when we get into national legislation, sometimes we set a national level that really doesn't apply in a particular locality, and I would hope that maybe in the flood insurance area there might be some regional difference where an area that doesn't get much rain but when it does it can be dangerous, of course, that we might have a different set of maps or a different set of standards that would apply. And the housing stock question. I won't ask you for an answer on that. I guess I am more commenting on the flood insurance program, which I am supportive of. And I think my time has expired.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. LaFalce.

Mr. LaFALCE. Thank you very much, Mr. Chairman.

Madam Secretary, it's a pleasure having you. Let me, too, comment on the outstanding presentation that you gave this morning. I would now go into a number of questions and concerns that I have.

First, I was extremely impressed, during the course of President Carter's campaign, with his emphasis on housing, not only for housing's sake, but as a principal means of coping with unemployment. And yet, I'm not sure that we have thus far seen a strategy whereby housing or community development would be used as a major, if not principal, means of coping with unemployment.

Second, you know, we live in a society of buzz words and buzz phrases. A few years ago, at the end of 1974 and the beginning of 1975, when we were attempting to cope with the problem of unemployment, the buzz phrase "public works" crept up (primarily in Congress, as opposed to the then-administration). And all of a sudden we began looking to public works as a principal means of coping with unemployment.

Well, if we had come up with the buzz word "community works," maybe we would have used the Community Development Act as a means of coping with unemployment rather than the public works legislation.

Today, on the floor of the House, Congress is considering a \$4 billion pork-barrel bill, if you will, that does not consider community development or community need at all. And it seems to me that we could accomplish the same purpose of alleviating unemployment, perhaps much, much better and also doing something about community development if we could have a reordering of congressional priorities. For that we would need the assistance of your office.

On another issue, we are considering reauthorization of, and changes in, the community development block grant program, as you did in your presentation. And yet previous HUD Secretaries have not even thought of considering a community development plan prior to the granting



of the community development money. We have received the housing assistance plan—the HAP—but if we have received a community development plan, it has been perfunctory at best, or nonexistent in reality. And I am most concerned with what you intend to do about that, requiring a true community development plan as apposed to merely a HAP, prior to giving community development block grants. And, I would, of course, appreciate any other comments you would make on the other points that I have made.

Secretary HARRIS. I will start with your last question. Cities are required to inform us of their needs and their plans for the development process. The comments in my presentation this morning about a more active role for my Department in the implementation of the community development block grant program goes to the question of the analysis and monitoring of the plans because we are convinced that we must make certain that those plans are consistent with the policy enunciated by the Congress of the United States.

Mr. LAFALCE. Let me make my point a little more forcefully and perhaps a little more clearly. I think local communities probably have been 99 percent concerned and have put 99 percent of their energies on the HAP plan, rather than the total community development plan. And I think that HUD, in looking to what the communities have done, have concerned themselves 99 percent of the time with the housing assistance plan. The 1 percent of the time that may have been spent in the community development plan is simply not enough and does not suffice.

Secretary HARRIS. May I submit to the Congressman that the import of my statement was that whatever the percentage of time we have spent in the past we intend to spend substantially more in the evaluation and monitoring of the community development plans themselves in the future.

With respect to the comments that you have made about the linkage between our program and employment concerns, I am of the opinion—and have stated almost from the time I was designated—that I do not believe that the programs we operate ought to be countercyclical programs because what is turned on to counter a cycle can be turned off to counter it.

Instead, I prefer that we be part of a consistent growth and a consistent pattern of presenting to the American people assurance of our commitment to two goals. The first is effective, consistent revitalization of our cities—and we have presented to you a community development block grant program that we think will start immediately to do that and will consistently operate to achieve those goals. The second is a consistent assisted housing program that is not turned off for the alleged purpose of countering an inflationary cycle.

The result of a consistent program is, in my opinion, that we will have a significant impact on employment levels. That is the kind of impact that I am sure you and I would wish to have, while at the same time insuring that our cities and our unhoused or our improperly housed can rely upon the Federal Government to deliver what it has promised in legislation.

I am not dissatisfied with the present role that we have been given in the growth policy of this administration. It is no accident, sir, that

we are here today with these major initiatives because we do not consider them to be unrelated. We consider our programs as we have presented them today to be a necessary part of the policy that puts our economy back on the track.

Mr. LAFALCE. Regrettably, my time has expired.

Mr. ASHLEY. Mr. AuCoin.

M. AU COIN. I thank the chairman.

Madam Secretary, welcome back to the committee. I only have two questions, and they deal with details I would like to call to your attention and on which I want to elicit comment from you.

One has to do with the equal opportunity administration under this act. I'm not sure that you are familiar yet with some of the problems caused with this.

I strongly support the intent of this feature of the law, but I have heard repeatedly that the administration of the program has been sloppy, confusing, and very, very difficult for local officials of good faith to comply with.

I understand that HUD increased the size of the equal opportunity staff but that it did not issue guidelines as to what those people were supposed to be doing in the field, or what they were supposed to be looking for. This left a great deal of leeway on the part of those people out in the field to try to do good but without any consistent application of the standards or policies or guidelines because there were none.

I'm sure you can appreciate how confusing and bewildering it is for local government officials to adhere to that good intent when you have this kind of administration. I'm wondering if the Secretary has been alerted to the problem, and if so, if there are some administrative plans to correct that deficiency.

Secretary HARRIS. Congressman, I don't deny that the guidelines that exist leave a great deal to be desired, and I have asked the gentleman who will be designated by the President as Assistant Secretary for Fair Housing and Equal Opportunity to immediately move to secure effective and compassionate administration of that section of our program.

I know, from being outside the Department, that this has not been the most effectively administered part of the Department's activities. We are moving to deal with that.

Mr. AU COIN. Consistently administered. That's a major part of the problem. Lacking specific guidelines, there has been an inconsistency in the application and enforcement of this part of the act, and therefore local government officials feel they don't know what to expect next. There is a lot of leeway in the hands of the persons charged by your agency to enforce this section of the law, and it creates a great deal of confusion. And here, again, the Federal Government gets the black eye, and your Agency, the image of which you are trying to enhance, gets a black eye for confusion and bewilderment, and you become perceived the enemy rather than a working partner with cities across the country.

Secretary HARRIS. And in addition, sir, those who are supposed to be beneficiaries, those who allege the discrimination, also have the same insecurity, and it is my expectation that our administration will provide a degree of certainty to both, although we are in an area where

absolute certainty is impossible because the subtleties and permutations of discrimination in racial and other prejudices make it impossible to have predefinitions for all activities.

Mr. AUCOIN. I understand that, and I do think you are sensitive to the problem that I am referring to.

Thank you very much, Mr. Chairman.

Mr. ASHLEY. Mr. Blanchard.

Mr. BLANCHARD. Thank you, Mr. Chairman.

And Madam Secretary, thank you for all the time you have given to us today. And I will try to be brief.

I am delighted with the flexibility that you appear to intend to show with the Housing and Community Development Act, and I like the coordinated approach that you and your associates intend to take in terms of total community development. That is long overdue.

There will be problems, of course, in exercising flexibility in a coordinated approach with allowing for some measure of certainty to all those cities and towns and counties out in our land when they make applications and make their plans, and of course, as you know, municipalities like as much certainty as possible. That is why the revenue-sharing program is so popular in their planning. It will be difficult to coordinate those two programs objectively.

But the thing that concerns me at the moment is, if that weren't a great enough problem—and it is—you know, having a flexible approach but yet giving certainty to communities, it has struck me that the statute itself, the initial act, has had so many purposes, or you could read into it so many purposes, that I see a problem in achieving one of your primary objectives you have stated, which is to reorient the Department's management procedures to achieve basic identified statutory objectives.

And I am wondering if you have had any discussion within the Department yet or any thoughts about whether we need to more clearly define the purposes of the Housing and Community Development Act of 1974. I can find 12 quick purposes in title I. Is that not still too shotgunned for us to make the \$4 billion a year well spent and for us to yield a certain amount of certainty, and generally, for all of us to have the impact we wish to have in developing our Nation?

Secretary HARRIS. I last looked at the purposes of the community development block grant yesterday, and it seems to me that in dealing with an extraordinarily complex area of the revitalization of our cities, it is important to have a variety of goals stated. As a matter of fact, our city administrators understand—at least the ones I have talked to—the goals as set forth in that statute.

It did not seem that productive of uncertainty to me when I went back to take a look at it yesterday. I say that advisedly, because only yesterday I said to our new General Counsel designate that I would hope that early on in her administration, she would understand that we must look at the whole group of statutes governing our operation to see how they can be more clearly rationalized. So I have been very aware of the potential of conflict, but I did not feel any consciousness of that yesterday in an operational sense.

Mr. BLANCHARD. So then I take it you don't envision any amendment or change in the purpose of the act?

Secretary HARRIS. May I say that I would not go that far.

It is quite possible that we may at a not-too-distant date return to the Congress with a suggestion of a restatement of purposes in many areas. But it becomes as much rhetorical as it does substantive.

Mr. BLANCHARD. Yes; I understand that. I know in the first year on the committee I was asking my colleagues what the purpose of the act was, and I did get about 12 different answers. And my mayors, 13 of them, give me slightly different answers. And it may be better that way because, as you say, the problems are very complicated. But I would hope that you would consider maybe a little more focus in the act than we have. I haven't been in long enough to know whether that's absolutely necessary, but I have a feeling maybe down the road it may be very necessary to make our intentions crystal clear.

Mr. ASHLEY. Mr. Tsongas.

Mr. TSONGAS. Madam Secretary, I spoke yesterday about my concern about long-range planning in dealing with the cities. Let me expand on that briefly in two areas that involve economics and, basically, the coordination of the program.

One is within localities. In my case—and I assume this is true throughout the country—we have core cities whose economic life downtown is deteriorating rapidly. And the problem is that when the decision comes, what do you do with community development moneys, as Mr. Embry said earlier, your downtown constituency is very limited, and your neighborhood constituency is very loud. And there isn't a proper understanding that if the downtown does not survive, what you do with the neighborhoods is academic. So I would hope there would be some enthusiasm in your agency to get this kind of message across, and it is something I have been doing in my own district.

Second, someone mentioned—I believe it was Mr. McKinney—that right now on the floor we are considering the public works bill, and the public works bill is \$4 billion, exactly what your program is, and yet there is no, as far as I can see, coordination.

I have the congressional report on the public works bill, and the first purpose defined is to help revitalize the Nation's financially pressed communities. And the second purpose is to do something about unemployment. Whereas, in fact, the way it has been administered, the only criteria is unemployment. It hasn't done a thing for the cities. And Mr. Lance and Secretary Blumenthal were before this committee about 2 weeks ago, talking about the President's economic stimulus package, and it is fine if your only criteria is to stimulate the economy and do something about unemployment. However you do it is all right. If you want to go beyond that and have a package that deals selectively and with some sophistication about the problems of the downtown and problems of the older cities, the package is ridiculous. And it seems to me that there has to be coordination between what you are doing and EDA and the public works bill and things of that nature.

And what I am fearful of is that these other agencies don't share your vision, which I applaud, because there is so much more money available there, as well, that if everybody were pulling in the same direction, the spinoff would be much greater than what we have now. And the implementation of the public works bill a couple of months ago was tragic. And as I said earlier, it shows the need for the people

to get out and understand what is happening in the hinterlands, and that kind of mistake would not be repeated.

I just wanted to say that and get it off my chest and on the record.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. Lundine.

Mr. LUNDINE. I am the most junior member and the last one to welcome you, but I want to say that I was so pleased with your statement regarding the needs of small cities and the inadequacy of what you described as minigrants to carry out comprehensive programs.

Also, your illustration of one such needy small city with a dynamic comprehensive program sounded vaguely familiar to me.

My question about that is this: Are you going to be able to make some form of multiyear commitment to these and other cities with comprehensive programs?

Secretary HARRIS. Again, as I suggested, we will be funding need, and the decision with respect to the nature of the grants under discretionary programs will be based on need. I don't want to commit myself on the specific question, but I do want to say that when need is demonstrated, that will be the basis for the commitment.

Mr. LUNDINE. The reason, I am sure you understand, that I ask is that often in order to leverage these moneys, to really make them work effectively and to get at investment by the private sector, it is necessary to be able to show, if not with legal commitment, at least with some degree of certainty, that you will be able to have an ongoing program.

Turning to section 202 housing, I understand that HUD's current schedule for departmental processing of 202 applications—might mean that a substantial portion of this year's appropriation would lapse. I understood it to be \$600 million in 1977 funds that would not be obligated.

Do you intend to take action to see that that lapse does not occur?

Secretary HARRIS. I am told that if we don't use the money, that the ability to use the money will lapse. Let me just say that we have every intention of using the money.

Mr. LUNDINE. And the fact that you are taking this senior citizen housing program and advocating that it be put on-budget is in no way an indication either that you lack a commitment to carry it out or that you intend not to operate it in tandem with section 8 so that subsidies would be available?

Secretary HARRIS. The only substantive significance of that initiative is more responsible budgetary procedures.

Mr. LUNDINE. Finally, let me turn to a question regarding rural housing. It's my observation that the section 515, Farmers Home Administration, and section 8, which have to work together to make for an effective rural housing program, have been less than satisfactory. And frankly, it is my impression that Farmers Home Administration has been somewhat reluctant to go forward with the program and that has been the reason.

However, I just would be interested—I was very impressed I might say with the statement you made at your confirmation hearing about your own commitment to improve and alleviate some of the terrible housing conditions in rural areas.

Do you intend to try to work with the Farmers Home Administration in seeing that these programs can effectively address that problem?

Secretary HARRIS. I have not yet had an opportunity, given the priorities we have established with respect to our legislative initiative and our budget process, to determine levels of housing generally. I have not yet had a chance to address the question of our responsibility to the rural housing program.

It is my intention, however, early on to make certain that we are meeting fully our responsibility in this very important area.

Mr. LUDINE. Thank you. It is just a delight to look forward to working with you.

Mr. ASHLEY. Thank you, Mr. Lundine.

Madame Secretary, let me indicate as briefly as possible several areas of concern that I have. And I will begin on page 36 of your statement with respect to neighborhood preservation and 312 rehab loan program.

Your overall statement suggests that rehabilitation, with the adoption of something like the program that you articulated can be accomplished in two ways. Very substantial rehabilitation in cities that meet the criteria could be accomplished through the action plan where we find four different types of situations that are outlined, one of which is neighborhood preservation and rehabilitation.

The other, of course, is the 312 rehab loan program, which is in place. You suggest that \$70 million for the 312 program in the next fiscal year will be sufficient because of carryover funds. What is the extent of the carryover funds?

Secretary HARRIS. We anticipate it will be the \$70 million, Mr. Chairman.

Mr. ASHLEY. \$70 million will be available in carryover funds. Then what is the amount of the request? No new appropriation?

Secretary HARRIS. No new appropriation is being made here today.

Mr. ASHLEY. So what you're saying is that the \$70 million for the next fiscal year will be sufficient for an improved section 312 program. That's not very much money on a national basis. In other words, cities that don't qualify for an action plan grant will rely as in the past on really very modest funding for rehabilitation activities. Frankly, Madam Secretary, the city of Toledo could use the full \$70 million in rehab loans.

I have got to wonder a little bit about that, and I would hope that in the additional information that is submitted to the subcommittee that there could be a fuller explanation for the specific requests of this committee that no new appropriation for the section 312 program be included.

[In response to the request of Chairman Ashley, the following information was submitted for the record by Secretary Harris:]

#### RESPONSE FROM SECRETARY HARRIS

No appropriation is requested for the Section 312 Rehabilitation Loan Program in 1978 since the Department is expected to have \$94 million available during the year. The \$94 million includes \$64 million estimated carryover from fiscal year 1977 plus \$30 million in repayments and income.

The \$70 million program level for 1978 reflects the Department's estimates of what both the localities and the Department can handle in loan approvals. The \$70 million program level is the highest level ever in the program's history. The fact is that the stops-and-starts of this program in recent years have prevented localities from building up the necessary expertise and program management skills to adequately handle a larger program level.

However, the full \$94 million will be available to localities during 1978 if the actual demand occurs. At this time, additional funds through a 1978 appropriation appears not to be necessary.

Secretary HARRIS. Mr. Chairman, I am informed that this is the highest level of funding we've had in this program and that this represents more money than we have been spending.

Mr. ASHLEY. Well, it may be more money than has been expended but not requested. In this regard, Madam Secretary, has attention been directed in any significant way yet to the experience of the urban reinvestment task force and the possibility of building on that experience in order to make possible a more direct impact on more neighborhoods than presently is possible under that approach?

Secretary HARRIS. Mr. Chairman, you have reached the point I have been afraid you would reach for the last 2 days. I have done many things in the last 4 weeks and many things have been called to my attention. One of them is the task force you have mentioned, but I have simply not had time to address or review that report.

Mr. ASHLEY. Well, quickly—we will quickly pass on to another topic then. [Laughter.]

At the bottom of page 37 is contained a slight problem for you. It is another problem for me which is the funding of the 701 program. Here you request \$62.5 million to make possible further activities under a program upon which many communities in many areas rely for comprehensive planning.

I note with some interest on page 38 that you say that large cities and urban counties would not receive funding from the \$62.5 million requested. Since the community development block grant funds will meet that need for large cities and urban counties, it was never the intent as I have reviewed the situation, going back to the 1974 act, for large cities and urban counties to finance out of community development funds their planning requirements, or their participation in the organizations that are areawide or of an areawide character.

I might say that this is a view contrary to that taken by the Appropriations Committee, the Appropriations Committee being wrong in this instance.

I suppose that the best that can be said is that there might be some tradeoffs here, and inasmuch as cities may not under the new dual formula be facing cutbacks in their community development funds, that possibly they can undertake this required additional expense. That is all that I can think of that would justify this approach.

I am not sure that I like the idea that these funds will be available to some communities, but not to others. And I would like to think that the kind of planning that we are putting considerable confidence in should be funded from the same program, rather than having some participants caused to look elsewhere than to section 701, while others have that availability.

What's your comment on that?

Secretary HARRIS. I have thought about this. It seems to me that, with the large planning component of the community development block grant, there would be an element of redundancy if we were to make section 701 funds available to large cities and urban counties.

Mr. ASHLEY. Frankly, I have heard that from other sources. It does seem to me that when we put it on this kind of voluntary basis, we can expect cities that are obliged to look to their community development funding to meet the cost of participation and more comprehensive planning to begin to say, well, maybe we don't need that comprehensive planning all that much.

Wouldn't that undermine and undercut the whole purpose of the section 701 program?

Secretary HARRIS. I don't think so, Congressman. It seems to me that it is impossible effectively to utilize the community development block grant program without that element of planning that is envisioned by section 701.

Mr. ASHLEY. Would you make it mandatory then?

Secretary HARRIS. Mr. Chairman, one of my expectations is that we will be monitoring the applications for community development block grants in a way that will take into consideration the effectiveness of all aspects of the program, one of which is obviously the planning aspect.

Mr. ASHLEY. Well, I must say I take very seriously the importance of comprehensive planning. And I think that I realize, as you do, that the cities, by and large, are more directly concerned with functional planning than they are with comprehensive planning. And if we leave it as suggested here on a voluntary basis for cities such as Toledo to either participate, using its community development funds, or not to participate, depending upon what the local political pressures may be, then I think that we are perhaps looking at a situation in which a city such as Toledo would not participate and would very seriously erode the effectiveness of the regional council of governments which has worked very well in our area. And I would not like to see that.

Secretary HARRIS. Mr. Chairman, I think that meeting your concerns, which are our concerns about comprehensive planning will be a test of our leadership. And if we give the kind of leadership I expect us to give, this will be part of the monitoring.

Again, I don't want to say that we are going to make rigid rules, but I think that we do wish to lead the participants to the position that this subcommittee and this Congress—

Mr. ASHLEY. Very well, Madam Secretary. This subcommittee, I should warn you, has been insistent on this matter of funding, and you are going to have to provide us, between you and me, with considerable assurances of it and a pledge of leadership in order for us to reverse our position in this matter.

And finally, just let me ask a question or two about the housing component. I don't see that homeownership is addressed other than through the recommendations with respect to the 235 program. First of all then, is it your intention that the 235 program would be continued as a permanent program?

Secretary HARRIS. I am not prepared to say, Mr. Chairman. It is still in the statute. We are examining the 235 program; we are look-



ing at ways to make the 235 program work. But until we have completed our analysis, I cannot give a response that is meaningful to that question.

Mr. ASHLEY. Well, I am fairly satisfied with that response. There has been no reference to the tandem program in your testimony. Authority for that program expires this year, and I would hope that we might receive from you by way of additional information the views of your Department and the administration with respect to that matter.

Secretary HARRIS. We are not presenting that recommendation, Mr. Chairman.

Mr. ASHLEY. Well, you are going to be obliged to sometime before we markup finally, because we will be addressing the expirations and the authorizations necessary for the next fiscal year.

Secretary HARRIS. Again, Mr. Chairman, that is not a part of the package we submitted to you this morning.

Mr. ASHLEY. Does that suggest there will be additional submittals?

Secretary HARRIS. The submission that you will receive additionally is the community development block grant submission that we were not able to give you this morning. You will not receive a recommendation with respect to the tandem plan extension.

Mr. ASHLEY. Period?

Secretary HARRIS. Yes, sir.

Mr. ASHLEY. You are going to leave that to our devices?

Secretary HARRIS. Mr. Chairman, I can only speak to what you will receive with respect to our recommendations, which have come to you through the full process.

Mr. ASHLEY. Now I understand. [Laughter.] That is a good point for me to call upon Mr. McKinney.

Mr. MCKINNEY. Madam Secretary, as usual my very intelligent and competent chairman has covered a great many of the points that I wanted to cover. I would just emphasize his point on the section 701 program. Coming from this side of the aisle it may seem a little peculiar, but I find that political power is not where the problem is, and that if comprehensive planning is not required by your department, I am not going to get at the problem in my district. Unfortunately the big stick is being waved by this Republican.

I don't think we're going to get at the problem in this Congress, because my colleagues in their astute wisdom now are trying to take what was a messed up 70/30 formula for public works projects and are trying to goof it up even further by suggesting a 65/35 split.

This 70/30 approach enabled one community I represent, Greenwich which has \$30,000 per household median income, to receive \$4 million while starving Bridgeport received \$3 million and not-too-well-off Norwalk received zilch. You can see how a 65/35 formula split would change this situation.

I just hope we can have your assurances that you will require and support comprehensive planning. It's the only way that Congressmen like myself are going to be able to require the compliance that is so necessary in the core cities where there is no political power to require it.

I guess your answer to my chairman was sufficient except to say I am also sitting here watching and waiting for results.

I have some problems, Madam Secretary, and I am assuming that you will answer these at a later date. Using age-of-housing stock, under the present formula, a community such as Greenwich would receive a tremendous boost in funds. Greenwich is a very bucolic, attractive community that was mainly built before 1939. I would hope that since it is a very wealthy suburb your Department would include something in this formula which has not been totally defined for us to make sure that condition, or deterioration, or poverty or the point that you mentioned of no bathrooms, or overcrowding would be factored into the age-of-housing part of the formula, of which the 50-percent weight is particularly important for our core problems.

Secretary HARRIS. Mr. Congressman, there are exceptions in every application. And I suspect that Greenwich, on the basis of what I know of Greenwich, on the basis of what I know of the people who purchase and repurchase housing there, may well be the exception that tests the rule.

But in the analyses that have been run of this factor, it is clear that it is targeted at the truly distressed cities and the existence of an exception such as Greenwich does not change the fact that it does get to the reality of distress throughout this country.

Mr. McKINNEY. Well, I hope the Secretary is correct. I am currently doing an analysis under the new formula of my adopted city, Washington, and I find myself somewhat distressed at the preliminary funding level for the District of Columbia under this approach. Perhaps one of the problems is that there is nothing in the formula to adjust for illogically and irrationally, overpriced, aged housing such as we have a preponderance of in the District of Columbia, whether it be in Georgetown, Foggy Bottom, or Capitol Hill, which on balance would throw the formula out of kilter because it does not take into consideration those problems, again, of poverty, depreciation, deterioration, and so on. I would hope that if I can bring a good case—and I will not pick on Greenwich from here on—to the Secretary for her own home town of Washington, that perhaps we could become concerned with this particular problem.

Secretary HARRIS. Well, I think I asked the question about Washington. Washington may not do as well as it would like to do, but it would not do that badly under the new formula.

Mr. McKINNEY. Well, so far Madam Secretary, it's not doing anywhere near as well as I want it to do. I'll put it that way.

Also, under the subject that the chairman brought up, speaking generally, your department should not be made to suffer for Congress lack of wisdom, but I certainly would hope that every homeownership program that the Department has will be emphasized as strongly as possible, whether it be condominium or personal or multiple-unit homeownership. I find it very difficult to reconcile myself to the tremendous problem of the moderate-income people of this country having to rent through which they receive no equity or living advantages, when we have written into our Internal Revenue Code a monstrous advantage for homeownership, which I feel is being taken away from the moderate-income in this country. This tax advantage in itself is

probably as supportive of homeownership as anything that HUD could do. So I am extremely interested in programs of lower down payments, extended mortgages, graduated mortgages, and the rest, and I would hope that the Department would put strong emphasis on those programs.

Secretary HARRIS. As you will note, this is part of our presentation. Lower down payments, the variable payments mortgage which makes it possible for the mortgage payments to be lower in lower income years and to be higher later.

Mr. MCKINNEY. Could I also suggest to the Secretary, though, that this is certainly a matter of this subcommittee's policy, and that I find it difficult to believe that in this country we still seem to think in terms of 30-year mortgages. It seems to me that Government programs should be a leader in double-ended variables of interest and time. Since the advantage of homeownership, particularly to those of moderate income, is so high, I don't know why we don't consider a 40- and 50-year mortgage, which are considered totally acceptable within other Western nations, to be acceptable within Government programs in this Nation, thereby adding even more to the number of people that could take the built-in tax advantages of homeownership.

I thank the Secretary for the incredibly exhausting day I know she has put in. And as I said to you at lunch, my admiration for what you have absorbed in 4 weeks goes beyond bounds.

I will finish with my most miserable question. I have had an enemy in the Federal Government under both administrations. I think that the chairman could assure you, if you won't believe me, that I was probably a lot rougher on the counterparts that went before you than I have been on you.

The organization is known as the Office of Management and Budget and I do not feel it should be taking over the policymaking functions of the Congress of the United States.

What I would simply ask you is what I have asked every Secretary that comes before us: Was your testimony expurgated, so to speak, by the Office of Management and Budget?

Secretary HARRIS. No, sir, my testimony was not expurgated.

Mr. ASHLEY. The time of the gentleman has expired, and never say that I haven't done you a favor, Madam Secretary. [Laughter.] Mr. St Germain.

Mr. ST GERMAIN. Thank you.

Madam Secretary, I don't know about other Members, but I suspect possibly it is the case that many of us are smarting under the recent experience of the Public Works Act and the awards that were given out.

Example: A community of high unemployment, a good-size community, as a result of a fire lost their city hall, police station, and fire station, all combined. Their application was unsuccessful. Whereas within the same State, that I represent, other communities who desired new police and fire stations—I think two or three of them are residential communities—yes, I mean, it's nice that they can get money for police and fire stations; however, at least they had some, whereas the community that failed is without. In a major community in the State they filed applications, one for new streets, for the repaving

of streets—they are in dire need of it—one for a sewage treatment plant they are in dire need of. So what was approved? A downtown mall. The same amount of man-hours are going into this.

So that is why, Madam Secretary, I think you are getting a great deal of questioning about the formula and brother McKinney questions, with good reason, about Greenwich.

However, I would submit, Greenwich, Conn., would not qualify too well on the poverty area and on the population lag, because it's a lovely community, God bless them, but they wouldn't, as I say, qualify too well.

And so you can understand that we will probably be nitpicking as we go along here with your staff in the weeks to come on these formulas and these criteria, because we want to learn from the past. And I would like to go one step further on learning from the past, from the mistakes of the past, not just the previous administration, but the previous Democratic administration.

There's a concern that the action grant program not be an urban renewal program, and it is a legitimate one, because I can point to communities where urban renewal was very successful. But as we all know, there are other communities to this day where the urban renewal moneys went in, the bulldozers went in, and 5, 6, and 7 years later there is nothing there, so that the cost-benefit ratio at this point will never, ever come to pass. It has been a waste of funds because there wasn't sufficient planning, because criteria were not rigid enough; because there were no assurances ahead of time that the project, once implemented, would have the result that you could then put that land to good use and enhance the tax base of the community. So in that program, we had a problem.

In the section 235 program the last administration decided they did not like sections 235 and 236 and I guess there were some good reasons. We are all aware of some of the scandals that occurred. I referred to those the other day with you when I talked about the insufficient manpower and training for those programs when they were cast out on the waters and everybody was grabbing them up.

By the same token, section 235 in many areas was and is very successful.

Chairman Ashley and I, also, and I think others on this subcommittee are very concerned about homeownership; doing something about homeownership, and I think that is coming through to you. On the section 235 program I think it would be important for us to find out what has happened to the cost to the Federal Government, because as income increases, subsidy decreases. We would like to know. Has this occurred? Has there been an increase—rather a decrease—in the subsidy in those areas where people have increased their income since they first purchased the section 235's?

I feel that section 235 could be very successful if we find that that does in fact occur; with an improvement in the economy, the cost to the Government is less.

But I would like to—even in your limited use of section 235—mention, in your statement you have asked for an increase in the amount it would cost for a home to, I think, \$30,000. is it, or \$32,000? One caveat, I have prepared an amendment to the section 235 program

which was never offered because that whole bill went down the drain. But the amendment would have precluded people without earned income from purchasing section 235 housing. And the reason was that, unfortunately, we had welfare recipients who qualified for section 235's, and the people in that same tract would look and see, here's somebody in a section 235, the same house that I have, I am paying full price, full interest, here this individual is on welfare and as a result thereof is using part of their welfare funds for this section 235, and getting a double or triple subsidy.

I hope the Secretary agrees that we don't want to see that occur any longer under section 235. And if there is any question about that, I will certainly offer that amendment to this legislation, because I don't think it is quite proper for people who are not earning any income whatsoever and don't have any earned income to be given section 235 subsidy over and beyond what they are already getting.

Lastly, on the rehabilitation funds, true, you've got the \$70 million left over, but I think it important to look at what has been done in the past few years with rehabilitation funds, or perhaps I should say, what has not been done with rehabilitation funds.

Certainly, I think, everybody will agree that it is much more economical to save an existing unit with rehabilitation funds than to build a new unit, because in many cases you end up with a better home, and certainly, the cost is much lower.

So I hope, again, you review that \$70 million, what has been used in the past, and as Chairman Ashley inquired, what were the applications that weren't even considered or were turned down for rehabilitation funds.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. LaFalce.

Mr. LaFALCE. Thank you very much.

Madam Secretary, I want to go back to some points I was trying to make, and perhaps I wasn't quite clear enough on.

I understand that the basic community development block grant program is not and ought not to be countercyclical in nature. I was not suggesting that. There may have been some confusion. However, I do believe that the President believes in countercyclical assistance of some form in order to cope with the present economic conditions.

Given that as a fact—and I think we can establish that as a fact—the question is, what form should that countercyclical assistance then take.

Well, it seems obvious to me that redevelopment or the development of our communities, if it would at least create as much employment as anything else, ought to be of prime consideration. Certainly, the public works legislation that exists, as was pointed out by Mr. Tsongas, establishes that as the prime criterion. And yet it doesn't achieve that.

Take my congressional district, which received \$10 million under last year's local public works program—roughly twice as much as the average congressional district in my State. But for what? A city of 20,000 got \$2 million for a garage, and yet the downtown business district of that same city is in a state of serious decay, \$2 million would have totally rebuilt it.

A town was given \$500,000 to expand its townhall, whereas prior to the application they had initially planned to spend only \$100,000 on it.

And although we could have used \$5 million in a hundred different ways for community development purposes, a local Indian organization was given \$5 million to develop a building in the form of a turtle so that Indian craft could be displayed.

If you asked me about priorities, I would have placed them elsewhere.

It may be too late. Maybe after the meeting in Plains, Ga., when the person who would have been the chairman of the Public Works Committee and is now Majority Leader, argued for public works legislation, it was all over. But I would hope you would be the advocate to the President of the United States for this proposition. I hope you would say to the President: we have to have community development; we have got to have a community development block grant program. And Mr. President, if you're going to have additional money spent in a countercyclical nature for the purpose of coping with unemployment, may I suggest to you that the best way to do that would be through my Department and through community development activities.

Secretary HARRIS. May I say that we are about the smallest of the Executive Departments. We are a Department that must be careful with its tasks. We have presented to the Congress the budget and the program that we intend fully to effectuate. Now, we have added to the Ford budget sufficient housing units to raise us to the 400,000 unit level. That will have an impact on our economy. It will increase employment opportunities.

We also have brought an addition \$750 million into the community development block grant program through the urban development action grant and the increase in the formula funding. This, also, will have a stimulative effect upon the economy.

I would expect in the near term to be in a position to achieve the goal which goes to the heart of the Department of Housing and Urban Development in the determinations that impact upon our urban communities. However, I must be quite honest with you. At our present staffing levels, for us to pull into our Department temporary countercyclical activities would not be wise.

Mr. LAFALCE. May I beg to differ with you? I beg to differ for a number of reasons.

First of all, let's look at EDA, which is responsible for public works. Do you know how many individuals EDA has for all of upstate New York, outside of the city of New York. I'll tell you: one person, in Albany, N.Y., who doesn't even have a secretary.

Also, I would suggest that you could devise a formula—and I think one exists—where the actual decisionmaking as to the amount of funding would not have to be done by HUD. The formula would be determined, and the actual decision could be made as part of the total community development strategy. So while others may advance the argument that HUD's staff cannot handle this proposal, I personally do not accept it.

Before my time expires I do have to get in one more question.

Mr. McKinney said that he always has one standard question, and that is, "Has OMB expurgated your testimony?" Well, I think, if we read "The Final Days" or "Blind Ambition," and so forth, we often realize that sometimes you don't get an answer because the proper

question was not asked. So let me not be so limited in the question, and ask you: What would you have liked to have presented as testimony today that you have not been able to because of OMB's persuasiveness within the administrative decisionmaking process?

Secretary HARRIS. That is very hard to say.

May I submit that that is an almost impossible question to answer, as the question is posed.

Mr. LAFALCE. Would you like to try?

Secretary HARRIS. No. It is just impossible for me to answer that question as it is posed.

Mr. ASHLEY. Mr. Blanchard.

Mr. BLANCHARD. Madam Secretary, I see your ambassadorial experience coming out quite well today.

As I mentioned before, you have been very generous with your time and so has your staff. I have a lot of questions, but I really think, in all fairness, we probably should terminate—in fairness to you, at least. And the only thing I want to say is that I have a lot of questions. It's obvious, as we hear from my colleagues, that they do, too, and I guess there are a lot of details we are all going to have to work out together, and I hope we can begin doing that forthwith so that we are all happy with the result and can be committed to that result and sell our colleagues on initiating it.

Mr. ASHLEY. Mr. Blanchard, let me say that some of our colleagues who weren't able to be here today will be submitting, hopefully, a reasonable number of questions for a response by the Secretary and her staff, and others who want to terminate their questioning may certainly do so, as well.

Mr. ASHLEY. Madam Secretary, I've got just a couple of further questions.

On pages 42 and 43 you indicate with respect to the 400,000 units of housing for lower income Americans in fiscal year 1978 that there will be an administrative set-aside, or several administrative set-asides, that is, 20,000 units to be provided under the auspices of State housing finance agencies.

You go on to say that you expect 149,000 units of the total of 344,000 to be new construction; 172,000 units to be existing housing; and that there will be some 23,000 units of substantially rehabilitated housing.

What occurs to me in this regard is that once HUD indicates an administrative set-aside or a series of administrative set-asides, the pressure becomes great for legislative set-asides. I understand that, of course, you have got to address yourself to the various mixes that are going to be involved.

How do you feel about legislative set-asides?

Secretary HARRIS. I indicated, Mr. Chairman, the other day that I find myself deeply troubled by the idea of legislative set-asides.

Administrative set-asides also trouble me. The figures you gave on new construction and substantially rehabilitated units are not administrative set-asides; they are estimates of the mix of new, substantially rehabilitated and existing units.

Now, for a variety of reasons, the public housing units are firm. We have that responsibility, and for a variety of reasons, I have agreed to an administrative set-aside for the State housing finance agency.

But that is the only administrative set-aside because I am deeply troubled about exactly the question you raised, that set-asides in any area tend to spawn additional set-asides. Because of the special budgetary position of the State housing finance agencies we have decided that administrative set-asides on that figure alone is appropriate.

Mr. ASHLEY. Well, there are two problems that strike me with respect to legislative set-asides. One is that they create an administrative nightmare, and I think that your predecessor was keenly aware and very, very concerned with that fact. Second, these set-asides, particularly with respect to, let us say, the section 8 program, appeared to be substituting judgment of the Federal Government for the collective judgment of the communities, which are meant under the 1974 Act to catalog their needs and to develop HAP plans which are responsive to those needs.

Now, I echo your feelings in this regard, and I do hope that the record will be clear by virtue of this colloquy, that these are advisory only and that they are estimates only, and that the Congress should keep its hands off, as far as setting in concrete the numbers of units to be made available under these various categories.

Secretary HARRIS. Mr. Chairman, these estimates are a result of our analysis of HAP plans and can change insofar as HAP plan relationships change. So I echo your hope that the record is clear that these estimates could not be farther from set-asides, administrative or otherwise.

Mr. ASHLEY. One thing that does strike me in this regard is the 23,000 units of substantially rehabilitated housing is not very much. It is not very many units out of 344,000. And I suppose we both understand the reason for this. There just aren't very many people who are willing to participate in the section 8 program, who are interested in acquiring properties, investing in the moneys necessary for substantial rehabilitation, certainly as compared with the number of applicants who will go the new or existing-housing route.

I would hope that some thought would be given to ways of encouraging the use of substantially rehabilitated units, because, obviously, this would have a significant beneficial impact in terms of the livability of the neighborhoods that we are so concerned with, and where section 8 housing to some extent is going to be located in any event. And I would, as I say, hope that my subcommittee and your Department, together, could try to focus on ways to encourage greater use of existing stock that does need substantial rehabilitation in the implementation of the section 8 program.

Does that make sense to you?

Secretary HARRIS. Yes; Mr. Chairman, it is entirely possible that that figure could be higher. That is an educated guess, as I indicated, on the basis of our analysis of existing HAP plans.

Mr. ASHLEY. Well, I can see that. And I would just add that I think if we try to develop ways of encouraging the use, through whatever means—through various forms of encouragement, because it really serves two distinct functions. It makes housing available that otherwise would continue to deteriorate, and concomitantly it does have the effect of materially enhancing particular neighborhoods.

I am happy to see that the mix between new and existing housing is not heavily weighted toward the new, and I say this not from the



standpoint that we can do something about this, because the HAP plans are meant to be responsive, as far as the use of new or existing housing is concerned. I feel strongly that in the past there has been much too much reliance on new housing with respect to making shelter available through our direct subsidy assistance programs, and it is not that I have any feeling that the poor should not be in new housing; it's just that we get twice as much housing for the dollar if we use existing housing as we do new units.

So, again, I think there are ways to encourage, certainly not penalize, the use of existing housing, that these too should be explored. And I say that with full cognizance that there is a supply problem as far as housing for lower income Americans is concerned.

On page 45 you address yourself to the maximum insurable mortgage amounts, and I must say that I was struck by the proposal that the Secretary be authorized to insure mortgages covering single family units having a principal obligation of not more than \$60,000. Who are we providing housing for here, Madam Secretary, in the \$60,000 range?

Secretary HARRIS. This is the basic home mortgage insurance program and the home mortgage insurance program for servicemen and condominiums. Those are the programs we are raising to that level.

Mr. ASHLEY. Well, I wish there could be some backup support furnished the subcommittee as to the justification of the Federal Government exercising a responsibility for providing housing, the principal mortgage obligation on which can reach \$60,000.

You know, in order to buy that home, I suspect that the homeowner would have to be earning \$25,000 as a minimum, and I wonder if our responsibility really isn't with respect to families of more modest incomes.

Secretary HARRIS. Mr. Chairman, we have the reality of the cost of housing. This proposal must be looked at in the light of the proposal for a decrease in downpayment requirements. It is the finding of the Department that if we really wish to have our programs reach real people in a real market, these increases in maximum amounts must be made. This is simply the real world of costs, and by reducing the downpayment, we tend to deal with some of the problems you mentioned.

Now, the question of what percentage of the total income then goes for shelter is a question that also has to be addressed. But this is enabling rather than mandatory, as far as any purchase is concerned.

Mr. ASHLEY. Very good. I think we both understand it's necessary to deal with the real world. I'm sure we both understand that our responsibility is not to assist real wealthy families to move into relatively expensive homes.

Secretary HARRIS. Mr. Chairman, of course I'm in Washington, D.C., and relate to New York and Chicago. But wealthy people don't buy houses at this level anymore because of the increase in the costs of housing that wealthy people buy. This is at the median that we're talking about here.

Mr. ASHLEY. It is in the high-cost areas that is probably so. At least in the very high. But you refer in your testimony to the median-priced new home, nationally, of around \$50,000, and I think that it might be well for the record to at least reflect that these mortgage

amounts are more necessary at the very least in high-cost areas, as distinct from the normal-cost situation in other areas of the country.

Secretary HARRIS. Mr. Chairman, I call your attention to the fact that the higher maximum amounts go to the multifamily, the two- and three-family—

Mr. ASHLEY. I note that, Madam Secretary. Indeed, I do. That is to say that the bill that you propose, an increase in the maximum mortgage amount to \$48,750 to \$65,000 for two- to three-family units, and from \$56,000 to \$75,000 for four-family units, and I have no quarrel with that. My bone of contention is with respect to the specific testimony that you gave with regard to single-family units.

Let me ask you just a further question with regard to your testimony on pages 47 and 48, where you talk about experimental financing generally and variant rates specifically, about programs that would permit varying rates of amortization. You ask for removal of the limitation on the use of section 245 authority that currently is on an experimental basis. I would like to know what has been the experience under section 245 as a predicate for asking for removal of the 1-percent aggregate principal amount that you are limited to at the present time, and do I understand that what you're saying is that you want the section 245 to become a permanent program?

Secretary HARRIS. We would like experimental limitations on this kind of payment removed. We would like to try other related experiments under the variable payment mortgage plan, and under the present limitations, especially the restriction on the outstanding aggregate principal amount of mortgages that may be insured pursuant to that section.

Mr. ASHLEY. Well, removal of the 1-percent limitation may be possible, but I doubt if we are going—or the other body is going—to be disinterested in the possibility of complete access as far as funding is concerned. You might do well to have a backup position in suggesting something other than 1 percent.

I want to ask just a couple of questions if I might with respect to the action plan. I have had an opportunity to skim through the four types of situations that you include in your testimony but did not read this morning, for which action plan funds might be available, namely, neighborhood reclamation, commercial development, commercial and residential development, and economic development. And I wonder if any thought has been given to the possible use of title VII of the 1970 act, in particular, the new communities program for new towns intown development, either separate from or as a part of the action plan. Let me just say that while the new communities program has produced some significant difficulties, to put it charitably, there has been a good deal of experience that has been gained from those difficulties. One of the problems, of course, with the new communities program has been that the previous administration never bothered to implement part B of title VII which called for an evolving national urban growth policy. As a result, part B, namely new communities, were left to kind of dangle without any firm objectives without being in the context of a broad development strategy.

I think this was part of the problem that has caused the anguish of the new communities program. Some of the financing devices, how-

ever, and some of the experiences gained from that program, it seems to me might be valuable as far as inner-city development is concerned.

Unhappily, the title VII experience, while we gained much from it, doesn't tell us a great deal about new town intowns because there's been only one or possibly one and a half new towns intown that have been the focus of attention of the new community administration.

But, as a possible tool, either alongside or in conjunction with your action plan, it seems to me that title VII might be with perhaps changes in regulation, perhaps changes in legislation, might be either an additional tool or concomitant tool as far as addressing the problems which you seek to address through the use of your action plan. What do you think?

Secretary HARRIS. Mr. Chairman, we have not been able to address the question of the relationship of the future of the new communities program as it relates to the urban development action grant program. Obviously, there is a need for a long-range analysis.

However, I wish to assure the chairman that under my administration at HUD, I expect to give favorable and warm attention to the appropriate use of the program that we have called the new communities program. The suggestions that you have made, while we have not been able, obviously, in 4½ weeks or 4⅘ weeks, to run them out, are those suggestions that I have discussed already during my tenure. We are oriented in that direction, although we have not begun to move.

Mr. ASHLEY. I can well understand that, Madam Secretary. And I am pleased with your response. It seems to me that out of your testimony, and on the basis of the sentiments of this subcommittee, that we may well be moving toward something like an evolving growth process.

At least we are addressing the plight of our most needy cities, those that are aging, those that are suffering from outmigration, and loss of industry, and deteriorating tax base. We know that in these situations, these cities that come in will have top priority consideration, and that more than one tool may be necessary to address the extent of blight and the different kinds of blight, deterioration, and obsolescence, both industrial and residential, that we find in these communities.

There is of course a limitation which there will always have on the dollars available for your action plan, and the number of cities at any one time that will be available to those who participate in that program. The pressures will be enormous, for participation in anything like an action plan program.

And it is on this basis among others that I commend to you the potential that consideration be given within NCA to the constructive use of title VII program, specifically for larger-scale intown developments. And I very much appreciate, since I've had something to do with that program to date, the comments that you have offered and the hope that you have offered as far as the future is concerned.

You have been very kind and generous with your time. We will have additional questions as we hear from other witnesses, and as we review in greater detail than has been possible today in the contents of your statement, and your many imaginative and constructive proposals.

You have had a most successful day, Madam Secretary, and I congratulate you from the bottom of my heart for the quality of your appearance before us today. Thank you very much indeed.

Secretary HARRIS. Thank you very much, Mr. Chairman.

And I thank the staff of my Department for the kind of backup work that they have been providing me since I became the Secretary of Housing and Urban Development. The quality of this presentation is due largely to the support that I am receiving from my staff.

Mr. ASHLEY. That bodes only good for you and for us, Madam Secretary.

The subcommittee will stand at recess until 10 o'clock tomorrow morning.

[Whereupon, at 4 p.m., the hearing was adjourned, to reconvene at 10 a.m. on Friday, February 25, 1977.]

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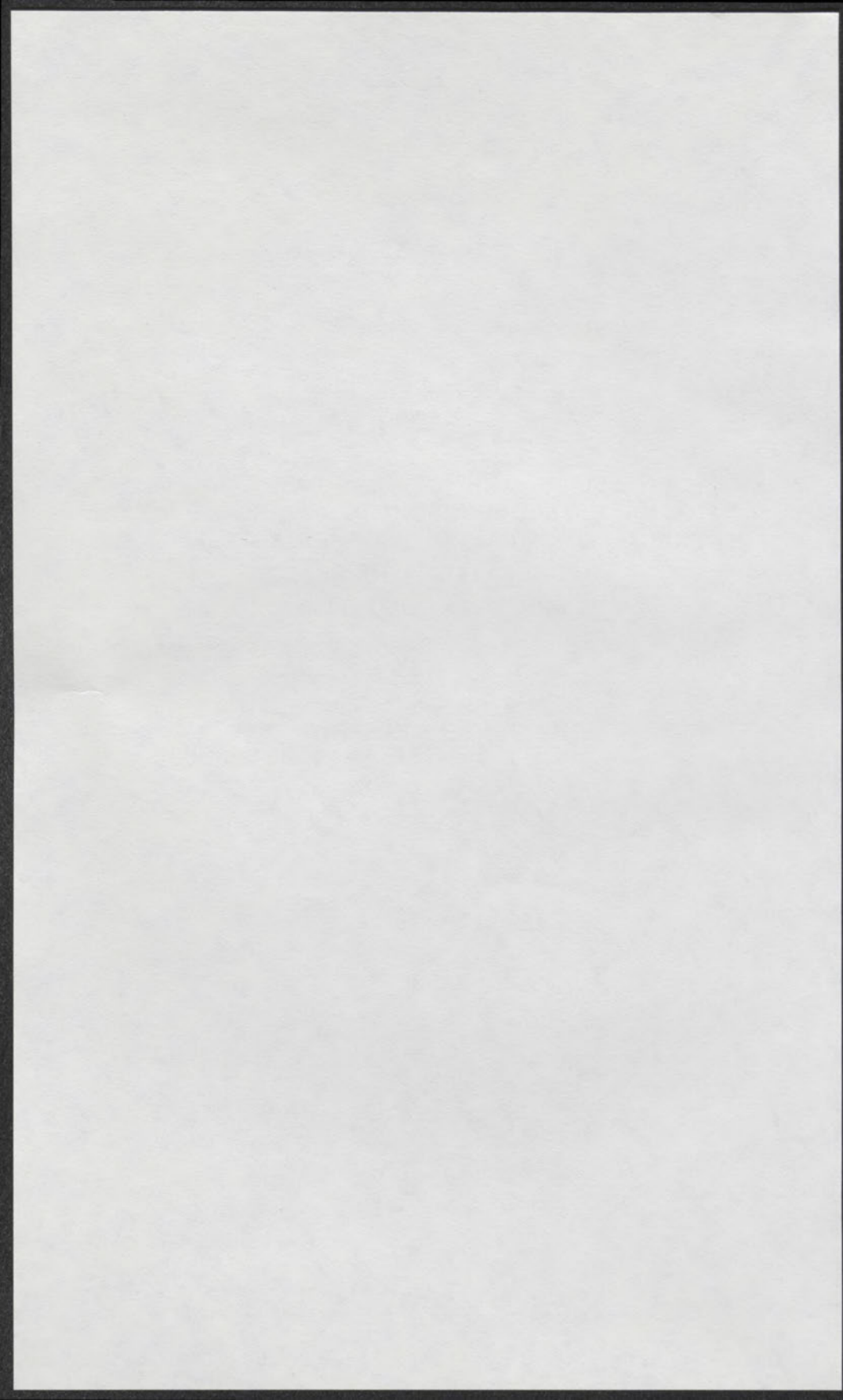
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HARRIS IN THE HEARING PROCEEDING FOLLOWS:

“LEGISLATIVE PROPOSALS”

“CDBG FORMULA CHANGE”

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HUD - FISCAL YEAR 1978  
HOUSING AND RELATED AUTHORIZATIONS

FEBRUARY 24, 1977

ATTACHED ARE THE FOLLOWING LEGISLATIVE  
PROPOSALS:

- 1) HOUSING AUTHORIZATION ACT OF 1977
- 2) EXTENSION OF FHA MORTGAGE INSURANCE  
AUTHORITIES
- 3) EXTENSION OF THE NATIONAL FLOOD  
INSURANCE PROGRAM



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

February 24, 1977

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

Subject: Proposed Legislation Providing Housing and Related  
Authorities for Fiscal Year 1978

I am enclosing proposed legislation to provide additional funding authorizations for Fiscal Year 1978 for the public housing and Section 8 housing assistance payments programs under the United States Housing Act of 1937 and to increase funding authorizations in Fiscal Year 1978 for the urban homesteading demonstration program authorized by Section 810 of the Housing and Community Development Act of 1974. The proposed legislation also would authorize appropriations for Fiscal Year 1978 and succeeding fiscal years for flood insurance studies under the National Flood Insurance Act of 1968 and for research under Title V of the Housing and Urban Development Act of 1970.

Additionally, the proposal would increase maximum mortgage amounts now specified under sections 203, 222, 234, and 235 of the National Housing Act, and decrease the amounts of downpayment now provided for under sections 203, 222 and 234 of that Act. It would also facilitate an expansion of experimental financing authority under section 245 of the National Housing Act to permit fuller implementation of that authority and the graduated payment mortgage program developed under that section.

In addition, the proposal would place fully within the United States Budget the housing for the elderly and handicapped program authorized under section 202 of the Housing Act of 1959. Also enclosed for your convenience are a section-by-section summary and an explanation and justification of the proposal.

With respect to the public housing, Section 8 and urban homesteading programs, the proposed legislation is designed to assure adequate funding authorizations for these programs in Fiscal Year 1978. To this end, the proposal would provide \$1,232,120,000 of additional annual



contributions contract authority for public housing and Section 8 housing assistance payments under the 1937 Act on October 1, 1977. This additional contract authority represents the level of funding which will be required to enable the Department to meet its commitment to assist in Fiscal Year 1978 400,000 units of housing for lower-income Americans. Although the total need for assisted housing is greater, enactment of the proposal will permit the Department to take significant steps to meet its goals of decent housing and a suitable living environment for all Americans.

Secondly, the bill would authorize \$665 million to be appropriated on or after October 1, 1977 for public housing operating subsidies. This amount represents the amount of funds essential to assist public housing authorities in meeting operating costs in Fiscal Year 1978, taking into account inflation and the recent escalation in utility costs. As the enclosed explanatory material indicates, the proposed \$665 million includes an estimated \$13 million attributable to that part of this winter's unusually high utility costs which will be charged to Fiscal Year 1978.

The proposal would also increase, from \$5,000,000 to \$15,000,000, the amount of appropriations authorized for the urban homesteading demonstration program in Fiscal Year 1978. The proposed increase would make possible a substantial increase during Fiscal Year 1978 in the use of this program as a resource for neighborhood preservation and urban revitalization.

The proposed changes in the requirements with respect to maximum mortgage amounts and downpayments under the FHA mortgage insurance programs, as well as the proposed modifications in the Secretary's experimental financing authority, are designed to support the Department's efforts to increase homeownership opportunities.

Accordingly, the bill would adjust the statutory mortgage maximums for FHA-insured mortgages under the principal homeownership programs so that they would more realistically reflect current median prices of single family homes. The provisions reducing downpayments would help extend the benefits of homeownership to families who may now find it difficult to meet present downpayment requirements. Finally, the modifications proposed in the statutory provisions governing the Secretary's experimental financing authority would give the Secretary more flexibility to explore and develop novel financing arrangements to facilitate homeownership. The changes would also permit a major expansion in the graduated payment mortgage program which allows HUD to insure mortgages tailored to the needs of families, particularly young families, who can more easily assume mortgage repayment schedules more closely related to their future income expectations.

The proposed appropriations authorizations for flood insurance studies under the National Flood Insurance Act are designed to provide funding for over 3,000 detailed flood risk zone and flood hazard elevation studies in 1978 and to permit the Department to accelerate its efforts to meet an August, 1983 statutory deadline for completion of all flood risk zone and flood hazard elevation studies for an estimated 20,000 flood prone communities. Specifically, the proposal would authorize the appropriation of not to exceed \$108 million for these studies in Fiscal Year 1978, and an appropriation of such sums as may be necessary for each fiscal year after Fiscal 1978.

To enable the Department of Housing and Urban Development to carry out its broad research responsibilities, as well as to provide interim funding for the National Institute of Building Sciences established under the Housing and Community Development Act of 1974, the bill authorizes the appropriation of not to exceed \$60 million for research for Fiscal Year 1978. The proposal also would authorize the appropriation of such sums as may be necessary for succeeding fiscal years, reestablishing the open-ended appropriations authority for HUD research which existed prior to Fiscal Year 1977.

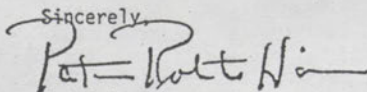
The proposal to place the Section 202 housing for the elderly program fully within the United States Budget is being made in the interest of achieving fiscal discipline.

Timely enactment of the enclosed proposal would provide the necessary resources and authorities which I believe are essential to enable the Department to carry out its responsibilities for providing housing and related assistance in Fiscal Year 1978.

I ask that the enclosed bill be referred to the appropriate committee and urge its early enactment.

The Office of Management and Budget has advised us that it has no objection to the submission of this legislation to the Congress and that its enactment would be in accord with the program of the President.

Sincerely,



Patricia Roberts Harris

Enclosures

## A BILL

To provide authorizations for and amend laws relating to housing, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing Authorization Act of 1977".

## AMENDMENTS TO THE UNITED STATES HOUSING ACT OF 1937

SEC. 2. (a) The first sentence of section 5(c) of the United States Housing Act of 1937 is amended --

(1) by striking out "and" immediately following "July 1, 1975," the first time it appears; and

(2) by inserting immediately after "on October 1, 1976," the following: "and by \$1,232,120,000 on October 1, 1977,".

(b) Section 8(c)(4) of such Act is amended by striking out the following: "(i) if the unoccupied unit is in a project insured under the National Housing Act, except pursuant to section 244 of such Act, or (ii)".

(c) Section 9(c) of such Act is amended --

(1) by striking out "and" immediately following "on or after July 1, 1976,"; and

(2) by inserting immediately before the period at the end thereof a comma and the following: "and not to exceed \$665,000,000 on October 1, 1977".

INCREASE IN MAXIMUM MORTGAGE AMOUNTS UNDER REGULAR FHA  
ONE- TO FOUR-FAMILY MORTGAGE INSURANCE PROGRAMS

SEC. 3. (a) Section 203(b)(2) of the National Housing Act is amended by striking out "\$45,000", "\$48,750", and "\$56,000" wherever they appear and inserting in lieu thereof "\$60,000", "\$65,000", and "\$75,000", respectively.

(b) Section 222(b)(2) of such Act is amended by striking out "\$45,000" and inserting in lieu thereof "\$60,000".

(c) Clause (A) of the third sentence of section 234(c) of such Act is amended by striking out "\$45,000" and inserting in lieu thereof "\$60,000".

(d) Section 235 of such Act is amended --

(1) by striking out, in the last proviso in subsection (b)(2), "\$25,000", "\$29,000", "\$29,000", and "\$33,000" and inserting in lieu thereof "\$31,000", "\$36,000", "\$36,000", and "\$42,000", respectively;

(2) by striking out, in subsection (i)(3)(B), "\$25,000", "\$29,000", "\$29,000", and "\$33,000" and inserting in lieu thereof "\$31,000", "\$36,000", "\$36,000" and "\$42,000", respectively;

(3) by striking out "and" at the end of subparagraph (B) of subsection (i)(3); and

(4) by redesignating subparagraph (C) of subsection (i)(3) as subparagraph (D) and inserting immediately following subparagraph (B) a new subparagraph (C) reading as follows:

"(C) involve, in the case of a dwelling unit other than a condominium or cooperative unit, a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$31,000, or up to \$36,000 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require, except that with respect to any family with five or more persons the foregoing limits shall be \$36,000 and \$42,000, respectively; and".

#### DECREASE IN DOWNPAYMENT REQUIREMENTS

SEC. 4. (a) Section 203(b)(2) of the National Housing Act is amended --

(1) by striking out, in clause (i) of the first sentence, all the parenthetical language which begins "(but, in any case";

(2) by striking out clauses (ii) and (iii) in the first and second sentences and inserting in lieu thereof in each sentence "and (ii) 95 per centum of such value in excess of \$25,000."; and

(3) by inserting immediately after the second sentence the following:

"Notwithstanding any other provision of this section, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, such mortgage shall not exceed 90 per centum of the entire appraised value of the property as of the date the mortgage is accepted for insurance, unless the dwelling was completed more than one year prior to the application for mortgage insurance, or the dwelling was approved for guaranty, insurance, or direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction."

(b) Section 222(b)(3) of such Act is amended by striking out clauses (ii) and (iii) and inserting in lieu thereof "and (ii) 95 per centum of such value in excess of \$25,000;".

(c) The third sentence of section 234(c) of such Act is amended by striking out clauses (A)(ii) and (A)(iii) and inserting in lieu thereof "and (ii) 95 per centum of such value in excess of \$25,000,".

## EXPERIMENTAL FINANCING

SEC. 5. Section 245 of the National Housing Act is amended --

(1) by striking out "on an experimental basis" in the first sentence;

(2) by striking out the second sentence and inserting in lieu thereof a new sentence reading as follows:

"Notwithstanding any other provision of this title, the principal obligation (including all interest to be deferred and added to principal) of a mortgage insured pursuant to this section may not exceed 97 per centum of the appraised value of the property covered by the mortgage as of the date the mortgage is accepted for insurance, or if the mortgagor is a veteran and the mortgage is to be insured in accordance with the provisions of section 203 of this title, such higher percentage of appraised value as is provided for purposes of determining the maximum mortgage amount eligible for insurance under section 203(b)(2) in the case of veterans"; and

(3) by inserting at the end thereof the following new sentence: "Any mortgage or loan insured pursuant to this section which contains or sets forth any graduated

mortgage provisions (including but not limited to provision for adding deferred interest to principal) which are authorized under this section and applicable regulations, or which have been insured on the basis of their being so authorized, shall not be subject to any State constitution, statute, court decree, common law, or rule or public policy limiting the amount of interest which may be charged, taken, received or reserved, or the manner of calculating such interest (including but not limited to prohibitions against the charging of interest on interest), if such statute, court decree, common law, or rule would not apply to the mortgage or loan in the absence of such graduated payment mortgage provisions."

#### URBAN HOMESTEADING DEMONSTRATION

SEC. 6. Section 810(g) of the Housing and Community Development Act of 1974 is amended by striking out "and not to exceed \$5,000,000 for the fiscal year 1978" and inserting in lieu thereof "and not to exceed \$15,000,000 for the fiscal year 1978".

#### SECTION 202. HOUSING FOR THE ELDERLY

SEC. 7. Effective for fiscal years beginning on or after October 1, 1977, section 202(a)(4) of the Housing Act of 1959



is amended by striking out subparagraph "(B)(ii)" and redesignating subparagraph "(B)(i)" as "(B)".

#### FLOOD INSURANCE STUDIES

SEC. 8. Subsection (c) of section 1376 of the National Flood Insurance Act of 1968 is amended by inserting immediately before the period at the end thereof a comma and the following: "not to exceed \$108 million for the fiscal year 1978, and such sums as may be necessary for each fiscal year thereafter".

#### RESEARCH AUTHORIZATION

SEC. 9. The second sentence of section 501 of the Housing and Urban Development Act of 1970 is amended by inserting immediately before the period at the end thereof a comma and the following: "not to exceed \$60 million for the fiscal year 1978, and such sums as may be necessary for each fiscal year thereafter".

## Section-By-Section Summary

Short Title

Section 1 of the bill would provide that the measure may be cited as the "Housing Authorization Act of 1977".

Amendments to the U. S. Housing Act of 1937

Section 2(a) would provide, subject to release in an appropriation Act, \$1,232,120,000 of additional annual contributions contract authority under section 5(c) of the United States Housing Act of 1937 (hereinafter the "1937 Act") on October 1, 1977.

Section 2(b) would eliminate a restriction on the Secretary's discretionary authority to provide Section 8 housing assistance payments equal to the debt service attributable to a dwelling unit unoccupied beyond 60 days. At present, the Secretary may make such payments, for up to one year, for units in projects covered by mortgages insured under the National Housing Act only if the mortgage is co-insured under section 244 of that Act. The amendment would delete that restriction.

Section 2(c) would provide an additional authorization of \$665,000,000 on or after October 1, 1977, for appropriations for operating subsidies for public housing projects under section 9(c) of the 1937 Act.

Increase In FHA Maximum Mortgage Amounts

Section 3 would amend section 203 (basic home mortgage insurance), section 222 (mortgage insurance for servicemen), section 234 (mortgage insurance for condominiums), and section 235 (homeownership for lower-income families) of the National Housing Act to increase the maximum insurable mortgage amounts prescribed under those sections as follows. Subsection (a) would increase maximum insurable mortgage amounts under the section 203(b) program from \$45,000 to \$60,000 for single-family units, from \$48,750 to \$65,000 for two- and three-family units, and from \$56,000 to \$75,000 for four-family units. Subsection (b) would increase the amounts under the section 222 program from \$45,000 to \$60,000 for single-family units. Subsection (c) would increase the amounts under the section 234 program from \$45,000 to \$60,000 for single-family units. Subsection (d) would increase the amount under the section 235 program from \$25,000 to \$31,000 (and from \$29,000 to \$36,000 in high-cost areas), and would increase the maximum provided with respect to families of

five or more persons from \$29,000 to \$36,000 (and from \$33,000 to \$42,000 in high-cost areas).

#### Decrease In Downpayment Requirements

Section 4 would amend sections 203(b)(2), 222(b)(3) and 234(c) of the National Housing Act to decrease downpayment requirements under the section 203(b), section 222 and section 234 programs. It would do so by authorizing the insurance, under those sections, of mortgages involving a principal obligation not in excess of 97 per centum of the first \$25,000 of appraised value (100 per centum in the case of veterans if the mortgage is insured under section 203), plus 95 per centum of appraised value in excess of the first \$25,000. Present law authorizes insurance under those sections of mortgages involving a principal obligation of 97 per centum of the first \$25,000 of appraised value, 90 per centum of such value in excess of \$25,000, and 80 per centum of such value in excess of \$35,000, except that if the mortgagor is a veteran, section 203(b)(2) presently authorizes mortgage insurance of 100 per centum of the first \$25,000, 90 per centum of value in excess of \$25,000, and 85 per centum of value in excess of \$35,000.

#### Experimental Financing

Section 5 would amend section 245 of the National Housing Act. That section, as presently written, authorizes the Secretary of HUD, on an experimental basis, to insure mortgages and loans

with varying rates of amortization related to anticipated variations in family income.

Section 5(1) would remove language in section 245 which places the use of section 245 authority on an experimental basis.

Section 5(2) would remove the present restriction which limits the outstanding aggregate principal amount of mortgages which may be insured pursuant to section 245 to one percent of the outstanding aggregate principal amount of all mortgages and loans estimated to be insured under title II of the National Housing Act in any fiscal year. It would add a provision limiting the principal obligation (including all interest to be deferred and added to principal) of any mortgage insured pursuant to section 245 to 97 percent of the appraised value of the property covered by the mortgage.

However, section 5(2) would retain existing authority to insure mortgages under section 203 for the full amount of the first \$25,000 of appraised value in the case of veterans by providing that, where the mortgagor is a veteran, a mortgage insured under section 203 pursuant to section 245 may have an outstanding principal balance with the higher loan-to-value ratio permitted under section 203 for purposes of determining the maximum insurable amount.

Section 5(3) would add a new provision to section 245 which would provide for a limited preemption of any State restrictions on interest rates which otherwise would apply to a mortgage insured pursuant to section 245 because of the method provided under the terms of the mortgage for payment of principal and interest, if that restriction would not apply in the absence of a graduated payment mortgage provision of the mortgage.

Urban Homesteading Demonstration

Section 6 would amend section 810 of the Housing and Urban Development Act of 1974 by increasing, from \$5,000,000 to \$15,000,000, the amount of appropriations authorized for fiscal year 1978 for the urban homesteading demonstration program authorized by that section.

Housing for the Elderly

Section 7 would amend section 202 of the Housing Act of 1959 to remove a provision requiring that receipts and disbursements of the elderly housing fund established under that section shall not be included in the total Federal budget and shall be exempt from limitations on annual expenditures or net lending. This amendment would have the effect of placing the section 202 housing for the elderly and handicapped program fully within the United States Budget.

Flood Insurance Studies

Section 8 would amend section 1376(c) of the National Flood Insurance Act of 1968 to authorize the appropriation of not to exceed \$108,000,000 for fiscal year 1978 for flood insurance studies and surveys under that Act, and of such sums as may be necessary for each fiscal year after fiscal year 1978.

Research Authorizations

Section 9 would amend section 501 of the Housing and Urban Development Act of 1970 to authorize the appropriation of not to exceed \$60,000,000 for research, study and demonstrations under the Department of Housing and Urban Development's research authority under title V of that Act. Section 9 also would authorize the appropriation of such sums as may be necessary for research under title V for each fiscal year after fiscal year 1978.

## EXPLANATION AND JUSTIFICATION

Summary

This proposed legislation would provide funding authorizations for fiscal year 1978 for the following:

- The public housing and Section 8 housing assistance payments programs under the United States Housing Act of 1937, and for public housing operating subsidies pursuant to that Act;
- The urban homesteading demonstration program authorized by section 810 of the Housing and Community Development Act of 1974;
- Flood insurance studies and surveys under the National Flood Insurance Act of 1968; and
- Research under title V of the Housing and Urban Development Act of 1970, with an open-ended authority for such research in succeeding years.

The measure also would make a number of changes in other HUD authorities. Among other changes, the bill would:

- Place the housing for the elderly program authorized under Section 202 of the Housing Act of 1959 fully within the United States Budget;



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- Increase maximum insurable mortgage amounts under the section 203, 222, 234 and 235 single-family mortgage insurance programs of the National Housing Act and decrease the amounts of downpayment now required under sections 203, 222 and 234 of that Act; and
  - Amend section 245 of the National Housing Act to permit fuller implementation of the Secretary's experimental financing authority under section 245 and the graduated payment mortgage program developed under that section.

Annual Contributions Contract Authority

Section 2(a) of the bill would provide, subject to release in an appropriation Act, additional annual contributions contract authority under section 5(c) of the United States Housing Act of 1937 for fiscal year 1978 in the amount of \$1,232,120,000 for the public housing and Section 8 housing assistance payments programs authorized by that Act.

This additional authority will enable the Department to carry out its commitment to assist 400,000 units of housing for lower-income Americans in fiscal year 1978. Specifically, the

Department would be able to assist approximately 344,000 new, rehabilitated and existing units under the Section 8 program, including approximately 20,000 units to be provided under the auspices of State Housing Finance Agencies. Of these 344,000 units, approximately 149,000 units would be new, approximately 113,000 units would be rehabilitated and approximately 172,000 units would be existing. When coupled with approximately 56,000 units scheduled for the public housing program for fiscal year 1973, the total amount of additional units to be assisted could reach the promised 400,000 unit level. Although the need for assisted housing far exceeds this level, enactment of the proposal would permit the Department to take significant steps toward achieving the goal of decent housing for all Americans.

The additional contract authority contained in section 2(a) also contemplates the use of \$35,000,000 for the public housing modernization program. This amount would permit the Department to assist local housing authorities to begin to meet a backlog of unfunded capital improvement needs.

#### Unoccupied Section 8 Units

Section 2(b) would remove a restriction on the Secretary's discretionary authority under present law to continue Section 8 housing assistance payments equal to the debt service attributable to a dwelling unit unoccupied beyond sixty days. At present,

the Secretary may make such payments, for up to one year, for units on projects covered by mortgages insured under the National Housing Act only if the mortgage is co-insured pursuant to section 244 of that Act.

The amendment would delete that restriction so that all projects financed with FHA-insured mortgages could be accorded the same treatment regarding payments for unoccupied units as may presently be accorded conventionally financed or FHA co-insured projects. This should facilitate processing of FHA-insured Section 8 projects.

The present restriction has acted as an impediment to greater participation by the lending community in the Section 8 housing assistance payments program. Although it has been estimated that the actual outlay cost of the removal of the restriction would be minimal as few units are likely to remain unoccupied for lengthy period under the terms and conditions of Section 8 contracts, the amendment's value for reassuring potential housing investors about the security of an investment in Section 8 is great. Indeed, removal of the restriction could, in itself, substantially improve the Department's chances for fulfilling its assisted housing commitments in fiscal year 1978 and beyond.

Funding for Operating Subsidies

Section 2(c) of the bill would authorize \$665,000,000 to be appropriated on or after October 1, 1977 for public housing operating subsidies. That amount would provide adequate support for existing public housing projects, taking into account inflation and the recent escalation in utility costs. Included in the proposed authorization is an estimated \$13 million attributable to that part of this winter's unusually high utility costs which will be chargeable to fiscal year 1978. Since payment of those costs will be made after they have been incurred, the \$13 million is necessary to fund public housing authorities with fiscal years ending September and December 1977 for costs incurred this winter.

Increase In Maximum Insurable Mortgage Amounts

Section 3 of the bill would amend sections 203 (basic home mortgage insurance), 222 (mortgage insurance for servicemen), and 234 (mortgage insurance for condominiums) of the National Housing Act to authorize the Secretary to insure mortgages covering single-family units and having a principal obligation of not more than \$60,000. Existing law provides for maximum mortgage amounts of \$45,000 for such units. In the case of mortgages insured under section 203(b), section 3 of the bill also would increase the maximum mortgage amounts from \$48,750 to \$65,000 for two- and three-family units, and from \$56,000 to \$75,000 for four-family units.

This section of the bill also would amend section 235 (homeownership for lower-income families) of the National Housing Act to authorize the Secretary to insure mortgages covering single-family units (including individual condominium or cooperative units) involving a higher principal obligation than authorized under existing law. Specifically, it would increase section 235 maximum mortgage amounts from \$25,000 to \$31,000 (and from \$29,000 to \$36,000 in high-cost areas), and it would increase the maximum provided with respect to families of five or more persons from \$29,000 to \$36,000 (and from \$33,000 to \$42,000 in high cost areas).

This proposal, together with the proposed decrease in down-payment requirements and modifications in the experimental financing authority under sections 4 and 5 of the bill (discussed below), is designed to support the Department's efforts to make homeownership easier to achieve for many American families now unable to enter the housing market.

Existing mortgage limits under these FHA programs are unrealistic in terms of today's housing market conditions, and the proposed increases in maximum mortgage amounts reflect the increases in home sale prices experienced in the last eight to ten years. During that period, the rise in FHA maximum mortgage amounts has lagged behind the increase in the median sales price of new homes so that, while the FHA maximum has been increased 50 percent (to \$45,000) since 1966, the median price of a new home has increased about 68 percent (to \$47,000) between 1966 and 1976. Moreover,

April 1976 Census data show that 35 percent of new single-family home sales were in amounts of \$40,000 or more, and 20 percent of such sales were in amounts of \$60,000 or more. These statistics represent national experience and in many markets -- particularly those in urban areas -- the median price is even higher, with present limits thus all but precluding FHA activity.

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#### Decrease In Downpayment Requirements

Section 4 of the proposal would restructure the maximum loan-to-value ratios provided under sections 203(b), 222(b) and 234 of the National Housing Act in order to lower the present downpayment requirements for mortgage amounts in excess of \$25,000. The maximum loan-to-value ratio of mortgages which may be insured under these sections is now 97 percent of the first \$25,000 of appraised value\*, 90 percent of the value in excess of \$25,000 but not in excess of \$35,000, and 80 percent of the value in excess of \$35,000. In addition (except for veterans),

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\* In the case of veterans, section 203(b)(2) also authorizes insurance of mortgages for the full amount of the first \$25,000 of value, 90 percent of value between \$25,000 and \$35,000, and 85 percent of value in excess of \$35,000. The authority to insure the full amount of the first \$25,000 would not be changed by the proposal.

section 203(b) provides for a 90 percent loan-to-value ratio of the first \$25,000 of value in the case of mortgages covering new homes which the Department has not approved for mortgage insurance prior to construction.

While the existing 97 percent limitation with respect to the first \$25,000 of appraised value would be retained, the proposal would authorize the Secretary to insure mortgages covering not more than 95 percent of such value in excess of \$25,000 (rather than 90 and 80 percent as at present). Further, the present 90 percent limitation applicable to the first \$25,000 of appraised value in the case of section 203(b) mortgages not approved prior to construction, would be applied to the entire amount of the appraised value of the property to be covered by such mortgages, and this limitation would also be made specifically applicable to veterans.

The proposed restructuring of the loan-to-value ratio so as to reduce downpayment requirements is considered necessary to afford many middle-income families the opportunity to purchase their own homes. Under the present requirements a home with the median appraised value of \$47,000 (including allowable closing costs) would require a downpayment of \$4,150 (8.8 percent). With the proposed changes, this amount would be only \$1,850 (3.9 percent) representing a reduction of more than 50 percent.

### Experimental Financing

Section 5 of the bill would make several modifications in the Department's authority with respect to experimental financing under section 245 of the National Housing Act. Section 245 authorizes the Secretary to insure, under any provisions of title II of that Act, mortgages and loans with varying rates of amortization corresponding to variations in family income. Under this authority, the Department has developed a graduated payment mortgage (GPM) program. Existing law provides for the use of section 245 authority on an experimental basis only. It also limits the outstanding aggregate principal amount of mortgages which may be insured pursuant to section 245 to one percent of the outstanding aggregate principal amount of all mortgages and loans estimated to be insured under title II of the National Housing Act in any fiscal year.<sup>1/</sup>

Section 5 of the bill would remove the limitation placing use of section 245 authority on an experimental basis, as well as the restriction on the outstanding aggregate principal amount of mortgages that may be insured pursuant to section 245 in any fiscal year.

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<sup>1/</sup> It should also be noted that section 245 presently authorizes insurance pursuant to that section only until September 30, 1977. Extension of this authority will be provided for separately in legislative proposals extending FHA insuring authorities.



These proposed changes would permit expanded implementation of the GPM program. Graduated payment mortgages represent a promising approach toward facilitating home purchase by many, and particularly younger, families unable initially to meet the heavy burden incurred under traditional level payment mortgages. These changes also would provide the Department with adequate flexibility to explore and develop other novel mortgage financing arrangements in support of homeownership. Removal of the one percent limitation on the aggregate principal amount of mortgages that may be insured pursuant to section 245 would be of particular significance. If retained, this limitation would restrict activity under the section to a few thousand units during the current fiscal year -- a level which would not even allow for a full evaluation of the GPM program alone.

Also, to provide necessary assurances against default while recognizing that, under a graduated payment mortgage, the mortgage balance may increase initially, section 5 would permit allowable mortgage-to-value limits to be calculated on the basis of a principal obligation that may exceed the principal amount that would be otherwise allowable, so long as the principal obligation (including any deferred interest to be added to principal) does not exceed 97 percent of the appraised value of the property as determined at the time of

insurance. This would insure that (except where a lower equity is authorized under existing law for veterans) a mortgagor always has an equity of at least 3 percent of the appraised value, even where negative amortization (capitalized interest) results in an outstanding balance in excess of the original amount of the loan.

Additionally, section 5 of the bill would provide for a limited preemption of those State restrictions which would be applicable to section 245 mortgages solely because of the method provided for payment of principal and interest under the terms of a section 245 graduated payment mortgage. This preemption is designed to overcome the problem presented in a number of States where there is substantial uncertainty as to whether State restrictions on interest rates apply to the addition of deferred interest to principal, or the charging of interest on interest, under graduated payment mortgages.

#### Urban Homesteading Demonstration

Section 6 of the bill would increase, from the present \$5 million to \$15 million, the amount authorized to be appropriated for fiscal year 1978 for the urban homesteading demonstration program authorized by section 810 of the Housing and Community Development Act of 1974. This program, which has already experienced

some success, represents one of the most promising  
available resources for neighborhood preservation and restoration. The proposed tripling of authorized funding for fiscal year 1978 will make possible a substantial increase in the use of this program as a major component of the Department's housing and urban revitalization efforts, and will thus permit an evaluation of its potential at an earlier date.

#### Housing for the Elderly

Section 7 of the bill would place "on budget" the housing for the elderly and handicapped program authorized under section 202 of the Housing Act of 1959. Specifically, it would delete a provision under current law requiring that receipts and disbursements of the elderly housing fund established under section 202 of that Act are not to be included in the total Federal budget and shall be exempt from limitations on annual expenditures or net lending. This proposal is made in the interest of achieving fiscal discipline, in view of the impact of the 202 program on total Federal resources for domestic programs.

#### Flood Insurance Studies

Section 8 of the bill would authorize the appropriation of \$108 million for fiscal year 1978 for flood insurance studies

and surveys under the National Flood Insurance Act of 1968, and of such sums as may be necessary for succeeding fiscal years. The \$108 million is required to support over 3,000 detailed flood risk zone and flood hazard elevation studies in fiscal 1978. These studies form the basis for the establishment of actuarial insurance rates and flood plain management standards under the national flood insurance program established under the 1968 Act. As such, they are a prerequisite for a community's participation in the flood insurance program, other than on an emergency basis. As of June 30, 1976, these studies had been completed for only 902 of the estimated 20,000 flood-prone communities. Existing law requires completion of these studies by August 1, 1983. The proposed funding authorization would permit the acceleration of effort necessary to meet this deadline.

Research Authorization

Section 9 of the bill would authorize the appropriation of not to exceed \$60 million for fiscal year 1978 for research, study, testing and demonstrations under title V of the Housing and Urban Development Act of 1970. This amount is necessary to enable the Department to carry out the broad research responsibilities relating to its mission and programs and to provide the necessary interim funding for the National Institute of Building Sciences established under section 809 of the Housing and Community Development Act of 1974.

Section 9 of the bill also would authorize the appropriation for each fiscal year after fiscal 1978 of such sums as may be necessary for research under title V. This would reestablish the open-ended appropriations authority provided under title V of the 1970 Act prior to its amendment by the Housing Authorization Act of 1976.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

February 24, 1977

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

Subject: Proposed Legislation to Extend HUD-FHA Mortgage Insurance  
and Related Authorities

I am enclosing draft legislation to extend through September 30, 1978, the authority of the Secretary of Housing and Urban Development to insure mortgages or loans under certain HUD-FHA mortgage or loan insurance programs contained in the National Housing Act. Under existing law, these authorities will expire on June 30, 1977 (in a few cases, on September 30, 1977).

The draft legislation also would extend through September 30, 1978, the Secretary's authority administratively to establish interest rates for FHA-insured mortgage loans. Under existing law, this authority will expire on June 29, 1977. Also enclosed for your convenience are a section-by-section summary and an explanation and justification of the proposal.

On January 19, 1977, then-Secretary Hills submitted to the Congress draft legislation to extend the HUD-FHA mortgage insuring authorities for one year. The enclosed proposal, while including all the extensions previously proposed, differs from that submission in the following significant respects.

The Department is proposing extension of section 223(e) of the National Housing Act (mortgage insurance in older declining urban areas). This authority would have been allowed to expire under the prior Administration's proposal. The section 223(e) program assists low and moderate income families by providing mortgage insurance which might not otherwise be provided because of locational factors. I do not believe that this program should be terminated until it has been evaluated by this Administration.

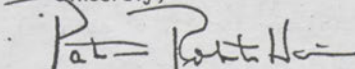
In addition, the proposed extension of the Secretary's authority administratively to establish interest rates was not included in the earlier proposal, because it was the prior Administration's position to allow interest rates on FHA-insured mortgage loans to float freely at market rates. I believe this to be a very significant change which should be considered in connection with other housing and mortgage credit issues which the Department will be examining within the next few months.

As noted in the enclosed explanatory material, timely enactment of this legislation will assure the availability without interruption of mortgage insurance under important HUD-FHA programs authorized by the National Housing Act.

I ask that the enclosed bill be referred to the appropriate committee and urge its early enactment.

The Office of Management and Budget has advised us that there is no objection to the submission of this legislation to the Congress and that its enactment would be consistent with the objectives of the Administration.

Sincerely,

A handwritten signature in dark ink, appearing to read "Pat Roberts Harris", written in a cursive style.

Patricia Roberts Harris

Enclosures

## A BILL

To extend certain FHA mortgage insurance and related authorities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

SECTION 1. (a) Section 2(a) of the National Housing Act is amended by striking out "June 30, 1977" in the first sentence and inserting in lieu thereof "October 1, 1978".

(b) Section 217 of such Act is amended by striking out "June 30, 1977" and inserting in lieu thereof "September 30, 1978".

(c) Section 221(f) of such Act is amended by striking out "June 30, 1977" in the fifth sentence and inserting in lieu thereof "September 30, 1978. (June 30, 1977, in the case of a mortgage insured under the provisions of subsection (d) (2))"

(d) Section 235(m) of such Act is amended by striking out "September 30, 1977" and inserting in lieu thereof "September 30, 1978".

(e) Section 236(n) of such Act is amended by striking out "September 30, 1977" and inserting in lieu thereof "September 30, 1978".



(f) Section 244(d) of such Act is amended --

(1) by striking out "June 30, 1977" in the first sentence and inserting in lieu thereof "September 30, 1978"; and

(2) by striking out "October 1, 1977" in the second sentence and inserting in lieu thereof "October 1, 1978".

(g) Section 245 of such Act is amended by striking out "September 30, 1977" where it appears and inserting in lieu thereof "September 30, 1978".

(h) Section 809(f) of such Act is amended by striking out "June 30, 1977" in the second sentence and inserting in lieu thereof "September 30, 1978".

(i) Section 810(k) of such Act is amended by striking out "June 30, 1977" in the second sentence and inserting in lieu thereof "September 30, 1978".

(j) Section 1002(a) of such Act is amended by striking out "June 30, 1977" in the second sentence and inserting in lieu thereof "September 30, 1978".

(k) Section 1101(a) of such Act is amended by striking out "June 30, 1977" in the second sentence and inserting in lieu thereof "September 30, 1978".

SEC. 2. Section 3(a) of the Act entitled "An

Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, as amended (12 U.S.C. 1709-1), is amended by striking out "June 30, 1977" and inserting in lieu thereof "October 1, 1978".

## Section-by-Section Summary

Section 1. This section would extend for one year (through September 30, 1978) the authority of the Secretary of Housing and Urban Development to insure mortgages or loans under certain HUD-FHA mortgage or loan insurance programs contained in the National Housing Act.

Subsection (a) of this section would extend the authority for Title I - property improvement and mobile home loan insurance. Under existing law, this authority will expire on June 29, 1977.

Subsection (b) would extend the Secretary's general mortgage insurance authorization under section 217. This authorization specifies the period of time (through June 30, 1977 under existing law) during which loans or mortgages may be insured under various HUD-FHA insuring authorities, including: section 203 - basic home mortgage insurance; section 207 - rental housing insurance; section 213 - cooperative housing insurance; section 220- rehabilitation and neighborhood conservation housing insurance; section 222 - mortgage insurance for servicemen; section 223 - miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231 - housing for the elderly; section 232 - nursing homes; section 233 - experimental housing; section

234 - condominiums; section 237 - special mortgages; section 240 - homeowner purchases of fee simple title; section 241 - supplemental loans for multifamily housing projects; section 242 - hospitals; and section 243 - homeownership for middle-income families.

Subsection (c) would extend the authority for section 221 - housing for moderate income and displaced families, except the authority to insure mortgages under section 221(d)(2) would not be extended beyond June 30, 1977. Under existing law, insuring authority under section 221 will expire on June 30, 1977.

Subsections (d) and (e) would extend respectively the authority with respect to section 235 - homeownership for lower income families and section 236 - rental and cooperative housing for lower income families. These authorities would otherwise expire on September 30, 1977.

Subsection (f)(1) would extend to September 30, 1978 the insuring authority with respect to section 244 - mortgage insurance on a co-insurance basis, which would otherwise expire on June 30, 1977. Subsection (f)(2) would provide for a parallel extension of the period during which statutory percentage limitations apply with respect to the aggregate principal amount of mortgages insured pursuant to Section 244.

Subsection (g) would extend the Secretary's authority under section 245 to insure mortgages and loans with varying rates of amortization related to anticipated variations in family income. Under existing law this authority will expire on September 30, 1977.

Subsections (h), (i), (j) and (k) would extend authorities with respect to Title VIII - armed forces related housing (subsections (h) and (i)), Title X - land development (subsection (j)), and Title XI - group practice facilities (subsection (k)). These authorities would otherwise expire on June 30, 1977.

Section 2. This section would extend through September 30, 1978, the Secretary's authority administratively to set interest rates for FHA-insured mortgage loans to meet the market at rates above the statutory maximum. Under existing law, this authority to set rates above the statutory six percent maximum will expire on June 29, 1977.

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Explanation and Justification of Proposed Extension  
of HUD-FHA Mortgage Insurance and Related Authorities

Under existing law, the authority of the Secretary of Housing and Urban Development to insure mortgages and loans under the National Housing Act will expire on June 30, 1977 (in a few cases, September 30, 1977). After that date, the Secretary may not insure mortgages or loans under any of the major HUD-FHA insuring authorities contained in that Act except pursuant to a commitment to insure issued before that date.

Insuring authorities which will expire on June 30, 1977 include those for the following HUD-FHA mortgage or loan insurance programs: title I - property improvement and mobile home loan insurance<sup>1</sup>; section 203-basic home mortgage insurance; section 207-rental housing insurance; section 213-cooperative housing insurance; section 220-rehabilitation and neighborhood conservation housing insurance; section 221-housing for moderate income and displaced families; section 222-mortgage insurance for servicemen; section 223-miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231-housing for the elderly; section 232-nursing homes;

<sup>1</sup>/ Due to the wording of section 2(a) of title I, this authority actually will expire on June 29, 1977.

section 233-experimental housing; section 234-condominiums; section 237-special mortgagors; section 240-homeowner purchases of fee simple title; section 241-supplemental loans for multifamily housing projects; section 242-hospitals; section 243-homeownership for middle-income families; section 244-mortgage insurance on a co-insurance basis; title VIII-armed forces related housing; title X-land development; and title XI-group practice facilities. Insuring authorities which will expire on September 30, 1977 include: section 235-homeownership for lower income families; section 236-rental and cooperative housing for lower income families; and section 245-mortgage insurance on an experimental basis.

The Secretary's authority administratively to set interest rates for FHA-insured mortgage loans also will expire this 1/ fiscal year.

1/ This authority is contained under section 3(a) of the Act entitled "An Act to amend Chapter 37 of Title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes," approved May 7, 1968. Due to the wording of the statute, the authority technically expires on June 29, 1977.

The proposal would extend the above-mentioned authorities for one year, through the end of fiscal year 1978 (September 30, 1978), except as noted below.

The proposed extension of the mortgage insuring authorities is designed to guarantee the continued availability of FHA mortgage insurance and thus to maintain and enhance the Department's capacity to contribute to achievement of the national housing goal of "a decent home and a suitable living environment for every American family."

It should be noted that the proposal does not include an extension of section 221(d)(2). That program, which is aimed at increasing homeownership opportunities for moderate income and displaced families, has become largely obsolete in recent years.

Moreover, the objectives of section 221(d)(2) will be met by separate proposals to improve homeownership opportunities for Americans included in the HUD legislative package. These



proposals would increase the mortgage limits and reduce the downpayment requirements of several FHA mortgage insurance programs, and expand experimental financing authority under section 245, thus making it easier for moderate income families in urban areas and elsewhere to become homeowners. Since these changes would make these programs, including the section 203(b) basic homeownership program, more useful both for displacees and for less affluent homeowners, the needs which section 221(d)(2) was intended to meet would be served under the revised 203(b) program.

There is no reason why homes priced within the moderate cost mortgage limits of section 221(d)(2) cannot continue to be insured under section 203, as many are today. The liberal downpayment policy of (d)(2), in which prepaid items as well as closing costs have been includable in the acquisition cost to which the 3 percent required investment ratio is applied, will not be duplicated in section 203; however, liberalized section 203(b) loan/value ratios should have much the same effect. Also, further development of novel financing under section 245 has great potential for responding to the financial needs of moderate income home buyers.

Concerning interest rates, the proposed extension of the

authority administratively to set interest rates is designed to assure that the Secretary will retain the flexibility to set interest rates to meet the market at rates above the statutory 6 percent maximum as necessary.

The extension for one year of both the mortgage insurance and interest rate establishment authorities will afford adequate time for the Department to consider and evaluate the desirability of potential statutory modifications to its mortgage insurance programs while in the interim retaining existing mechanisms for expanding housing and related opportunities for many Americans.

Early enactment of the proposal is desirable to avoid interruption in the administration of the affected programs.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

February 24, 1977

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House  
of Representatives  
Washington, D. C. 20515

Dear Mr. Speaker:

Subject: Joint Resolution to Extend the National Flood Insurance  
Program and Emergency Implementation Authority Thereunder

I am enclosing proposed legislation to extend until September 30, 1978 the authority of the Secretary of Housing and Urban Development to enter into new contracts for flood insurance under the National Flood Insurance Program. Under existing law, this authority will expire on June 30, 1977. The proposal also would extend, until September 30, 1978, the emergency implementation authority (the so-called "emergency program") under which federally subsidized flood insurance may be provided in communities for which actuarial rates and detailed flood hazard elevation studies are not completed. Under existing law, authority under the emergency program will expire on September 30, 1977. Also enclosed is a detailed explanation and justification of the proposal.

Extension of the authority to enter into new flood insurance contracts is essential to assure the continued availability of flood insurance to property owners at a reasonable cost, particularly since it is not likely that flood insurance will be readily available through the private sector alone in the near future. In addition, the availability of such coverage serves as an important incentive to the adoption and enforcement of adequate flood plain management measures by participating communities.

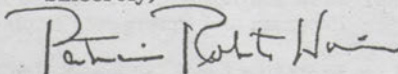
The extension of the so-called "emergency program" is necessary to assure the continued availability of the benefits of federally subsidized flood insurance in communities identified as having areas of special flood hazard but for which the more precise rate maps necessary for conversion to the regular program have not yet been completed. The National Flood Insurance Act of 1968 requires completion of all final rate maps by August 1, 1983, and there is no possibility that this will be completed by the present September 30, 1977 expiration date of the emergency program.

As with the regular flood insurance program, failure to extend the emergency program would remove important incentives under the program for adoption of measures to assure that all new construction in areas of special flood hazard is adequately protected against the hazard. It also would deny needed flood insurance protection to some 14,000 communities which have adopted at least minimum standards for flood plain management in order to participate in the program.

I ask that the enclosed bill be referred to the appropriate Committee and urge its early enactment.

The Office of Management and Budget has advised us that there is no objection to the submission of this legislation to the Congress and that its enactment would be consistent with the objectives of the Administration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia Roberts Harris".

Patricia Roberts Harris

Enclosure

## JOINT RESOLUTION

To extend the National Flood Insurance Program and emergency implementation authority thereunder.

Resolved by the Senate and House of Representatives of the United States of America in Congress Assembled, That the National Flood Insurance Act of 1968 is amended --

- (1) by striking out, in section 1319, "June 30, 1977" and inserting in lieu thereof "September 30, 1978"; and
- (2) by striking out, in section 1336(a), "September 30, 1977" and inserting in lieu thereof "September 30, 1978".

## EXPLANATION AND JUSTIFICATION

Joint Resolution to Extend the National Flood Insurance Program and Emergency Implementation Authority Thereunder.

The National Flood Insurance Act of 1968 (Title XIII of the Housing and Urban Development Act of 1968) authorizes the Secretary of Housing and Urban Development to establish and carry out, utilizing to the maximum extent feasible the private insurance industry, a national flood insurance program under which flood insurance may be made available to property owners at reasonable rates. Under the "regular" flood insurance program established by the 1968 Act, flood insurance is available at federally-subsidized premium rates (up to specified levels) for existing structures,\* and at full actuarial premium rates for new construction,\* in communities participating in the national flood insurance program. As a condition to the availability of such insurance in a flood-prone community, the Act requires participating communities to adopt adequate flood plain management measures to reduce or avoid future flood losses.

Section 1336 of the Act also contains emergency implementation

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\* For purposes of determining whether a structure is "existing" or "new", it is important to note that section 1308(c) of the Act requires full actuarial premium rates to be charged for "any property, the construction or substantial improvement of which the Secretary determines has been started after December 31, 1974 or the effective date of the initial rate map published by the Secretary...., whichever is later...."

authority.<sup>1/</sup> This authority provides the basis for the so-called "emergency program" under which federally-subsidized flood insurance is made available in communities which have adopted minimum flood plain management measures and for which the actuarial rates and flood hazard elevation studies necessary for operation of the regular program have not yet been accomplished. Due to the technical nature of these studies, approximately 36 months is required to complete a study.

Under present law, the Secretary's authority to enter into new flood insurance contracts under the regular program will expire on June 30, 1977, and the authority to provide flood insurance under the emergency program will expire on September 30, 1977. The proposal would extend the authority under both the regular and the emergency programs for one year, through September 30, 1978.

Currently, there are approximately 950,000 policies in force -- approximately 400,000 under the regular program and approximately 550,000 under the emergency program. The proposed extension of the Secretary's authority to enter into new flood insurance contracts under the regular program is essential to assuring

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<sup>1/</sup> Section 1336 of the National Flood Insurance Act of 1968 was added by the Housing and Urban Development Act of 1969

these property owners the continued availability of vital coverage against loss. Provision of flood insurance through the private sector is not at all likely to be realized by the present June 1977 expiration date. Of equal significance, the proposed extension will also assure that the incentives provided under the program toward adoption of adequate flood plain management measures are maintained.

The extension of the emergency program is necessary for the continued availability of the benefits of Federally subsidized flood insurance in those communities identified as areas of special flood hazard but for which the more precise rate maps necessary for conversion to the regular program and actuarial rate-making have not yet been completed. As indicated above, there is no possibility of completion of final rate maps for all these communities by the present September 30, 1977 emergency program expiration date, and section 1360(a)(2) of the Act requires their completion by August 1, 1983. Failure to extend the authority to provide insurance under the emergency program would constitute a breach of faith by removing availability of needed flood insurance protection for some 14,000 communities



which have adopted the minimal flood plain management standards required for participation in the program, and, as with the regular program, result in a loss of important incentives for localities to adopt measures against unsafe new construction in areas of special flood hazard.

CDBG Formula ChangeI. BackgroundA. General

Over the past year and a half, HUD has conducted two studies of the Community Development (CD) funding mechanism. The in-house study was done by PDR and focused on an evaluation of hold harmless, the current formula, and alternative formulas based on objective indicators of CD need. The Brookings study focused on the distributional changes occurring with the switch from funding under the categorical programs to funding with the block grant formula as currently enacted.

Through these studies and related analyses, the Department has exhaustively reviewed the major concerns of the block grant fund allocation system and ways of improving the system. The revised Budget proposal for 1978 represents a carefully considered response to the major concerns identified through this process, and it will enable substantial improvement of the distributional equity of the funding mechanism.

The obvious question in this regard is: should we change the formula at this time or would we be wiser to wait another year or so while further study is undertaken? Key and knowledgeable officials in the Department believe that:

- a) the deficiencies of the present funding mechanisms are such as to warrant immediate action;
- b) the Budget proposal adequately overcomes those deficiencies;
- c) the enhancements which might come from further study are not sufficient to justify the delay; and
- d) deferral would tend to establish a "status quo" that would make any changes much more difficult in future years.

(See Statistical Tables in Section II for further support.)

B. The In-House HUD Study

1. Needs Index

The heart of HUD's in-house study lay in the selection of the objective indicators of CD need, since they were to be used to gauge the effectiveness of various funding mechanisms. A comprehensive search was therefore made for sources of data that were generally available for most of the entitlement cities and that had a strong relationship to community development needs. In some instances, the lack of available data to directly reflect a condition made it necessary to find indirect indicators of that condition. In the end, the following variables were selected to represent community development need: age of housing stock, density, houses without adequate plumbing, persons over 25 without a high school education, poor persons, poor persons under 18, households headed by a poor female, elderly persons, lack of homeownership, unemployment, crime rate, nonwhite persons, and crowded houses. (See supporting table, page 23). Each of these variables is either a direct indicator of community development need or a socioeconomic variable associated with urban blight and substandard housing. These indicators were then used to establish a sound approximation of the relative differences among cities. Within this needs framework, each formula was evaluated on how well it distributed above average amounts to cities with above average need. Amounts were in per-capita dollars to enable comparison of cities with different absolute populations.

2. Additional Considerations

In addition to measuring the performance of various formulas toward basic CD needs, HUD studied formula responsiveness toward three related concerns:

- fiscal capacity
- tax effort
- population decline

The first two items were examined because of the widely-held belief that federal funding of a city should take into account the city's financial capacity to deal with community needs as well as the local revenue effort it has actually expended in meeting such needs.

Because of the particular fiscal strain being experienced by older cities that are losing population, HUD also studied how alternative formulas allocated funds to cities losing population as contrasted to cities rapidly gaining population.

### 3. Conclusions

The main conclusions of the In-House study were: (1) because of the extreme variations in funding, the hold harmless distribution shows a weak statistical relationship with community development need; (2) the existing formula is highly responsive to the poverty dimension but is not responsive to the non-poverty dimensions of CD need; (3) a formula alternative that includes pre-1939 housing as formula factor should be considered as a replacement for the existing CDBG formula; and (4) cities losing population exhibit far higher levels of community development need and fiscal strain than fast growing cities.

#### Hold Harmless vs Present Formula

Small communities in urban counties, balances of SMSA's, and non-SMSA areas are favored under the present CDBG formula. Central cities which had received approximately 70 percent of categorical funds would receive only 42 percent under funding with formula only. Compared to the hold harmless continuation of the categorical system, full funding under the present formula would reduce funding most in the larger cities, especially those located in the Northeast and North Central regions and characterized by an aged housing stock. The concern for our "older, deteriorating" cities is therefore closely linked with the consequences of phasing down hold harmless.

#### Population Decline

Comparisons indicated that, on average, there is consistency between a ranking of cities according to CD need and a ranking according to population decline (1960-1973). For instance, of the 63 cities with population over 200,000, each of the 16 neediest lost population, whereas all but one of the 28 least needy cities gained population.

Regional location also distinguishes declining cities from growing cities. Of the 109 cities with a population loss greater than 5 percent, 78 (or 72 percent) are located in the Northeast and North Central regions. Of the 246 cities with population gain greater than 5 percent, 166 (or 67 percent) are located in the South and West.

There is also a relationship between population decline and the phasedown of hold harmless. For fiscal year 1976, 83 of the 109 cities with population loss greater than 5 percent had hold harmless amounts greater than their present formula amounts. Phase-down cities (hold harmless losers) can therefore be characterized as being located in the Northeast and North Central regions, as having an aged housing stock, and as experiencing a decline in population since 1960.

#### C. The Brookings Formula Study

The analytical focus of the Brookings formula study was the effects of the present CDBG allocation system on various types of recipients (e.g. central cities, small cities, urban counties) and a comparison of this distribution pattern with that of the seven folded-in categorical programs. The Brookings analysis assumed that the most urgent needs are in urban centers (central cities) and adopts this urban focus as the framework in which alternatives are evaluated. However, their report does not make clear the basis for their premise that large cities are more needy than small cities.

The study documents (1) the decrease (increase) in the share going to central cities (small communities) under the present formula relative to the categorical distribution, (2) the decrease (increase) in the share going to the Northeast (South), and (3) the large discretionary amount remaining under the present formula. The main conclusion is that each of the 537 entitlement recipients should be given the maximum of either its present formula amount or an alternative amount computed from a formula that includes the age of the housing stock as a formula variable. This two-formula approach would reinstate the urban focus of the CD distribution system by increasing the central city share of SMSA funds and by decreasing the SMSA discretionary share.

#### D. Cost-of-Living

The Act currently defines poverty so as to require HUD to make adjustments to reflect regional and area variations in cost-of-living and income, but the Act is qualified to say it should be done only if "feasible and appropriate, and in the sole discretion of the Secretary". To date, the Department has not made such adjustments and is simply using the counts of poverty compiled by the Census Bureau in the CDBG fund allocation process.

Senate Conferees were particularly opposed to the current formula and its heavy emphasis on poverty because the Census counts of poverty use the same thresholds nationally and fail to take into account the variations in cost-of-living, which can be substantial. The available data thus tends to understate the number of persons in

poverty in high cost areas and to overstate, relatively, poverty numbers in lower cost areas. The Conferees concerned about this issue nevertheless approved the block grant program for the period ending this year because the hold harmless mechanism significantly dominated entitlement amounts in the first 3 years. However, they have directed the Department to identify variations in poor persons' living costs among the SMSA's, as part of its March 1977 report on block grant funding.

Basically, the major obstacle to making adjustments for cost-of-living has been the absence of data at a low enough geographical level to make a real contribution to smoothing out the inequities. That is, cost index data of a broad enough scope is available for only about 40 of the almost 300 metropolitan areas in the US, and this data covers a higher income range than that of poverty. There is no known action planned by cognizant federal agencies to broaden this coverage. The GAO suggested that the Section 8 Fair Market Rents (FMR's), which are published for each housing market area in the US, could be used as a measure of overall cost of living variations. For a number of reasons, the Department opposes using the FMR's for this purpose. A primary reason is that FMR's do not directly reflect the cost-of-living of low income renters.

Over the past several months, the Department has been working to develop an index of the cost of housing poor persons that might be used to modify the poverty counts in the CDBG formula. The HUD cost-of-living modifier is in an advanced exploratory stage with tests being run on two plausible measures of an inter-area cost of living adjustment--a rent/income measure of rental cost for low income households and a prototype construction measure of community development cost. Tests are also being planned for a third plausible measure--median (or mean) gross rents for specified categories of rental households. The analysis and testing suggest quite conclusively that a reasonable cost-of-living modifier can be created to lessen some of the inequities of the present formula but that even the most generous type of modifier cannot redress the essential limitations of the present formula as a measure of community need. Furthermore, even a strategically weighted cost-of-living modifier could not meet in any significant way the funding gap of most hold harmless losers, and such a modifier would probably worsen the present formula position of some of these needy cities.

Full statistical testing of the cost-of-living modifier will not be completed before mid-April. It is worth noting, however, that the pre-1939 housing count correlates quite well with the prototype construction cost aspect of the cost-of-living modifier. Thus, inclusion of Age of Housing as a formula factor at this time should permit cost-of-living corrections to be reserved for discretionary policy.

It should be noted again that it is not necessary to have a statutory change in order to use a cost variation modifier of poverty in the formula. With the current language of the Act, the Secretary has sole discretion in this matter.

E. Alternative Formulas Tested

As part of the in-house HUD study, fourteen alternative formulas were developed and tested for their responsiveness to CD needs and related concerns. A number of these formulas were further studied to test their effects on individual cities of special interest and to determine their specific effects on the overall fund allocation pattern (including SMSA discretionary balances). At that time, four variant formulas were developed and tested, and several were looked at in a "dual formula" mode, coupled in each case with the present formula. A supporting table documents the specific formulas which were developed and studied by HUD. (See page 25.)

Formulas which contain the "Age of Housing" factor proved beneficial by providing additional funds to fiscally distressed cities and by mitigating the effects of phasing down hold harmless. But these formulas did not sufficiently meet either concern, and when used alone they had an undesirable side effect of creating a new losing class of cities--the new cities which have been phased in to their full formula shares in 1977 but would receive less funds in 1978 because of the formula change. (Depending on the formula and the funding level used, the number of such cities ranges between 90 and 150.)

A "dual formula" proved to be the most appealing because it avoided the creation of a new losing class of cities, and, through the use of a second formula, targeted significant funds to needy cities which we especially want to reach.

F. The Selected Approach

The proposed budget incorporates a dual formula similar to that proposed by the outgoing Administration in the 1978 Budget. It differs, however, in a very important way: it replaces the "Population Decline" factor with one having broader applicability, known as "Growth Lag".

Growth Lag is defined as the amount of population a city or county would have had in addition to its current level if it had grown since 1960 at a rate equal to that of the average of all metro cities.

Proposed Dual Formula<sup>1/</sup>

<u>Present Formula</u>	<u>Second Formula</u>
Population (.25)	Growth Lag (.20)
Poverty (.50)	Poverty (.30)
Overcrowded	Age of
Housing (.25)	Housing (.50)

<sup>1/</sup>A city or county would receive the greater of the amounts calculated using these formulas. During 1978 and 1979, where applicable, hold harmless would be phased down against the present formula prior to comparison with second formula.

This factor recognizes not only the special problems of cities that lost population between 1960 and 1973 but also the plight of cities whose population levels have stagnated or grown at less than the average rate over that time period. Many of these latter cities showed an absolute decline after 1970, and the Growth Lag approach recognizes their need much more effectively than does the original population decline proposal. Indeed, the revised approach does much more for cities that, statistically, declined only several percentage points from 1960 to 1973 and yet were entering a stage of fiscal crises by the early 1970's. For instance, only under the Growth Lag method is New York City (Pop.-73: -1.5%) given a per capita funding that matches somewhat its high index of need (or fiscal strain).

Although major cities such as New York, Philadelphia, Baltimore, Washington, Denver, Atlanta, and San Francisco do better under the revised formula method, the largest number of gainers in absolute and percentage terms are "suburban cities" such as Malden, Yonkers, Bayonne, Pontiac, Pasadena, and Berkeley that in the past decade have drastically undergone the problems of large central cities and that are, in fact, needier than a majority of "central cities" under the present SMSA classification system. In a larger sense, a statistical and political virtue of the Growth Lag method is that it benefits more communities than does the original population decline method, and yet the revised method does better than population decline in reducing the number of severe hold harmless losers—(those communities that would still lose more than 50% in comparison to their present hold harmless levels.) It can perform this double feat of redistribution by reducing considerably the number of extreme gainers that the original population decline formula created. Indeed, this reduction must be considered a final advantage of the revised approach because it is difficult to justify the exceptionally large increases produced by the first approach.

Since the cost-of-living index is still being refined and since tentative conclusions suggest only a limited impact of any index, it is proposed that the suggested dual formula be adopted for use without an adjustment for cost-of-living and that the cost-of-living modifier be reserved for discretionary application.



The principal advantages of the proposed approach can be summarized as follows:

1. Fund allocation is more responsive to the non-poverty dimensions of CD needs.
2. Helps most of the larger cities with older housing stock and public infrastructure, particularly cities that have been experiencing fiscal strain because of the loss of the more affluent segment of their population. (See tables, pp.- 11, 12, 14)
3. Helps mitigate the effects on metro cities of the phasedown of Hold Harmless, especially those that would lose disproportionately under the present formula. (See Tables, p. 13)
4. While primarily benefiting the Northeast and North Central regions, it also provides assistance to many older cities in the Southern and Western regions. (See Tables, pp. - 10, 6, 14)
5. "Age of Housing" correlates reasonably well with HUD and ELS Indices of Living Costs.
6. Dual formula provides the above benefits without lowering the present funding levels of other metro cities.

G. Conclusion

1. Making a change in the formula should not be deferred, even for one year. Deferral of a formula change could be done only by continuing hold harmless at present levels. Since studies have shown hold harmless funding to be inequitable, it should be phased out in accordance with the time frame set for it in the Act (beginning in 1978).
2. Because the HUD study has virtually exhausted potential alternatives for improving the fund distribution, deferral of changes for one year offers little chance of significantly bettering the proposed approach.
3. Of all alternatives studied to date, the proposed dual formula provides the best improvements across the full range of important concerns:
  - a) improving responsiveness to CD needs;
  - b) providing special assistance to the older, declining (often fiscally distressed) cities and
  - c) mitigating the effects of hold harmless phasedown on metro cities.

II. Impact of Proposed Approach

The attached tables and their supporting commentary highlight the impact resulting from the use of the proposed dual formula over the use of the present formula alone.

Proposed Dual Formula Gainers <sup>1/</sup> By Region

	<u>Number of Gaining Communities</u>
North Central	86
Northeast	103
South	31
West	20
United States Total	<u>240</u> <sup>2/</sup>

<sup>1/</sup>Communities for which the second formula amount exceeds the Present Formula amount (FY 80 with no hold harmless).

<sup>2/</sup>From a total present population of 537 entitlement communities.

Commentary

Although the Northeast and North Central regions have a majority of gainers under the second formula approach, the South and West have a sizable number of gainers as well. The Northeast and North Central performance is to be expected because significant factors of need added by the second formula fall most heavily in those regions. But it is noteworthy that the second formula also incorporates the needs of numerous Southern and Western communities in a more comprehensive way than does the present formula, in particular larger and highly urbanized communities such as Atlanta, Birmingham, Denver, and San Francisco.

Per Capita 1980 Allocations, by Present Formula  
and by Proposed Dual Formula, Ranked According to Need <sup>1/</sup>

Formula/Year	Quartile of Needs			
	Least Needy			Neediest
	IV	III	II	I
Present 1980	\$13	\$17	\$20	\$25
Dual Formula 1980	\$14	\$20	\$28	\$42

<sup>1/</sup>The HUD Need Index is used to rank the communities by need. With a mean of zero for the full list of 435 communities, the mean for the first quartile is 62 (ranging from, East St. Louis, with a need score of 143.1, to Compton, with a need score of 32.1). For the second quartile the mean is 15 (ranging from New London, +31.9 to Yonkers, -1.1). For the third quartile the mean is -16 (ranging from Champaign, -1.4, to Newton, -29.4). And for the fourth, or least needy, quartile the mean is -60 (ranging from Riverside, -29.5, to Livonia, -117.0).

Commentary

Although both formulas have the useful property of steadily giving a higher per capita allocation to needier than to less needy communities (ranked by quartiles), the proposed dual formula has the additional virtue of moderately widening the per capita amounts for cities in each successive quartile of need. Under the proposed dual formula, for instance, the third quartile of needy communities exceeds the fourth, or least needy, quartile by \$6; the second quartile exceeds the third by \$8; and the first, or neediest, quartile exceeds the second by \$14. <sup>2/</sup> By contrast, the present formula has an irregular and muted pattern of increments of +\$4, +\$3, and +\$5.

<sup>2/</sup>This type of increase also results in desirable proportional increases from quartile to quartile. The ratio of the third to fourth is 1.43 (20/14) of the second to third is 1.40 (28/20), and of the first to second is 1.50 (42/28).

Per Capita 1980 Allocations, by Present Formula and by Proposed Dual Formula, Ranked According to Tax Effort <sup>1/</sup>

	Quartile of Tax Effort			
	Least Highly Taxed			Most Highly Taxed
	IV	III	II	I
Present 1980	16	18	21	21
Dual Formula 1980	19	23	28	35

<sup>1/</sup>Defined as the non-educational taxes of a community divided by its income (using the General Revenue Sharing statistics of the Department of Treasury). As much as possible, inter-governmental transfers are excluded from the measure.

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Commentary

As compared to the present formula not only does the proposed dual formula have the desirable property of steadily giving a higher per capita allocation to more heavily taxed communities (ranked by quartile). It has the additional virtue of steadily, if mildly, increasing the increments for each quartile of tax effort—from \$4 (23-19) to \$5 (28-23) and then to \$7 (35-28).<sup>2/</sup> By contrast, the present formula has irregular increments of \$2 (18-16), \$3 (21-18), and \$0 (21-21).

<sup>2/</sup>This type of increase also results in desirable proportional increases from quartile to quartile. The ratio of the third to fourth is 1.21 (23/19) of the second to third is 1.22 (28/22), of the first to second is 1.25 (32/28).

Comparison of Effects of the Present Formula and  
the Proposed Dual Formula on "Hold Harmless Losers"\*  
(Based on 1980 at \$3.55 Billion Without Hold Harmless)

	Number of "Hold Harmless Losers"				
	Gain or Loss Over Hold Harmless (FY 77)				
	50 to 100% Loss	25 to 50% Loss	15 to 25% Loss	Up To 15% Loss	Gain
(1) Present Formula Only	69	64	25	24	23
(2) Proposed Dual Formula	36	43	18	25	83
(3) Ratio of (1) to (2)	1.92	1.49	1.39	.96	.36

\*205 Metro Cities whose formula amount in FY '77 (using present formula alone) is less than their Hold Harmless amount in FY '77.

Commentary

One of the most significant differences between the two formulas is their effect on those cities who, in FY 1977, faced the loss of funds by the phase out of hold harmless. The proposed dual formula helps 83 cities to avoid such loss, based on 1980 funding, as opposed to only 23 under the present formula.

The greater number of hold harmless gainers under the proposed dual formula is consistent with more comprehensive definition of need of that formula and with the quite desperate condition of many of the present hold harmless cities (a condition reflected both in HUD and Nathan Inter-City Need Indices).

The beneficial effects of the dual formula also extend to those other cities who will actually receive less funds in 1980 than their prior funding level. Most such cities will lose less, proportionately, under the new formula. Especially for reducing the category of highest losers (50-100%) does the dual formula prove advantageous.

Per Capita 1980 Allocations and Percentage Increases, Present Formula  
and Proposed Dual Formula, for the 15 Neediest and Least Needy Large Cities\*

HUD Need Ranking*		HUD Need Index	Per Capita Present Formula	Per Capita Proposed Dual Formula	Percentage Increases (3)-(2)/(2)	Percentage Population Change, 1960-73
1	Newark	+126	\$32	\$45	41	-10
2	St. Louis	+ 95	32	68	113	-26
3	New Orleans	+ 94	35	40	14	- 8
4	Baltimore	+ 82	25	37	48	- 7
5	New York City	+ 80	24	34	42	- 2
6	Cleveland	+ 79	25	60	140	-23
7	Boston	+ 78	22	42	91	- 8
8	Buffalo	+ 75	21	59	181	-20
9	Washington	+ 69	26	32	23	- 4
10	Jersey City	+ 68	23	43	87	- 9
11	San Francisco	+ 66	22	43	96	- 7
12	Birmingham	+ 64	30	42	40	-14
13	Chicago	+ 62	23	42	83	-10
14	Detroit	+ 62	22	48	118	-17
15	Oakland	+ 61	23	36	57	- 5
<hr/>						
Average of the 15 Neediest		+ 77	\$26	\$45	+78%	-11%
<hr/>						
Average of the 15 least Needy		- 18	\$19	\$19	0%	+48%
<hr/>						
44	Dallas	- 04	21	21	0	+ 21
45	Austin	- 04	20	20	0	+ 58
46	Houston	- 05	21	21	0	+ 40
47	Oklahoma City	- 11	20	20	0	+ 15
48	Nashvil-Davidson	- 11	20	20	0	+161
49	Fort Worth	- 12	22	22	0	+ 4
50	Omaha	- 13	16	16	0	+ 25
51	Albuquerque	- 16	19	19	0	+ 34
52	San Diego	- 22	17	17	0	+ 30
53	Wichita	- 23	18	19	6	+ 3
54	Tulsa	- 23	17	17	0	+ 28
55	Indianapolis	- 23	17	17	0	+ 55
56	Tucson	- 25	19	19	0	+ 45
57	Phoenix	- 33	18	18	0	+ 47
58	San Jose	- 47	14	14	0	+156

\*Only cities with more than 250,000 population were considered-- 58 altogether. The cities were chosen from a list of the 435 most important entitlement communities, whose mean score on the needs index was 0. Since larger cities are usually needier than other communities, their overall mean need score is greater than 0.

Per Capita 1980 Allocations and Percentage Increases,  
Present Formula and Proposed Dual Formula, for the  
15 Neediest and Least Needy Large Cities

Commentary

The preceding table suggests how the extreme differences in the needs of the large cities are more adequately reflected in the funding of the proposed dual formula than by funding under the present formula. It is therefore appropriate that, in percentage terms, every one of the fifteen neediest improves its per capita funding substantially under the proposed dual formula, whereas the least needy cities remain stationary (with the minor exception of Wichita). It is true that the percentage increase varies considerably among the fifteen neediest cities and not always according to their need ranking. But it must be remembered that the needs of some cities were so underrepresented by the present formula that they would tend to improve the greatest in percentage terms. Moreover, much of the variation among the neediest cities is explained by their varying degree of growth lag, a variable that the dual formula explicitly recognizes in contrast to the HUD needs index.



CDBG Formula ChangeIII. Distribution Patterns of Proposed Budget

The attached tables show the estimated funding patterns which result from the application of the proposed dual formula system, over the period FY 1978 through 1980, among all major categories of block grant recipients nationally. A regional breakdown of funds going to metro cities is also provided.

Estimated Fund Allocation Pattern  
Over the Period FY 1978 Through 1980  
Using the Proposed Dual Formula Approach  
(dollars in millions)

Recipient Categories	Fiscal Years			
	1977	1978 <sup>1/</sup>	1979 <sup>1/</sup>	1980 <sup>1/</sup>
<u>SMSA's</u>	<u>\$2,513</u>	<u>\$2,820</u>	<u>\$2,919</u>	<u>\$3,033</u>
Metro Cities	1,917	2,186	2,241	2,310
Urban Counties <sup>2/</sup>	322	346	383	408
Small Hold Harmless	174	114	55	-
Discretionary Balance	100	175	240	315
<u>Non-Metro Areas</u>	<u>578</u>	<u>617</u>	<u>663</u>	<u>696</u>
Small Hold Harmless	255	167	83	-
Discretionary Balance	323	450	580	696
<u>Secretary's Fund</u>	<u>57</u>	<u>62</u>	<u>68</u>	<u>71</u>
<u>Total Basic Program</u>	<u>\$3,148</u>	<u>\$3,500</u>	<u>\$3,650</u>	<u>\$3,800</u>
<u>Urban Renewal Completion Fund</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>
<u>Urban Development Action Grants</u>	<u>-</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>
<u>Total CDBG Funds</u>	<u>\$3,248</u>	<u>\$4,000</u>	<u>\$4,150</u>	<u>\$4,300</u>

<sup>1/</sup>Based on an SMSA Set-Aside as follows:

1977 - \$200  
1978 - \$350  
1979 - \$265  
1980 - \$250

<sup>2/</sup> Based on Urban County configurations as in Fiscal Year 1976.

Total US and Regional Breakdown-Entitlement Funds  
 Going to Metro Cities (Distinguishing Central Cities  
 from Suburban Cities) Under Proposed Dual Formula in  
 Fiscal Years 1978 through 1980  
 (dollars in millions)

	Total US			Regions											
				North East			North Central			South			West		
	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980
All Metro Cities	\$2,185	\$2,241	\$2,310	\$673	\$688	\$713	\$587	\$611	\$633	\$541	\$541	\$550	\$329	\$342	\$351
Central Cities	( 1,965)	( 2,012)	( 2,074)	( 601)	( 613)	( 635)	( 533)	( 555)	( 576)	( 522)	( 522)	( 531)	( 268)	( 278)	( 286)
Suburban Cities	( 220)	( 229)	( 236)	( 72)	( 75)	( 78)	( 54)	( 56)	( 57)	( 19)	( 19)	( 19)	( 61)	( 64)	( 65)

IV. Individual City/County Projections

The following is a computer listing showing estimated figures for individual cities, along with explanatory material.

An estimate of entitlements for Urban Counties is also provided on a separate listing.

IV. Individual City ProjectionsA. Explanation of Computer Listing

- The printout contains an estimate of the entitlement amount that each of the 537 metro cities in FY 1977 would receive under the proposed approach in each of fiscal years 1978, 1979 and 1980. For comparison purposes, an estimate of their 1977 entitlement amount is also shown, annotated with an "H" if they are being held harmless in 1977. Because of those cities who participated in the Model Cities program, and for whom the Model Cities component is phasing out of their hold harmless, the amount of hold harmless excluding Model Cities is also shown (under column heading HFNEIMC).
- The assumed funding levels for these projections are:

<u>FY</u>	<u>Basic Program</u>	<u>SMSA Set-Aside</u> <sup>1/</sup>
1978	\$3.50 Billion	\$350 Million
1979	\$3.65 Billion	\$265 Million
1980	\$3.80 Billion	\$250 Million

- Asterisks in the 1980 column indicate that the second formula for that city exceeds the present formula. For each such city, the amount of their present formula in 1980 is also shown for reference purposes in the far right hand column.

B. Caveats

- It should be noted the Age of Housing data used in these calculations were taken from published Census materials, without adjustments to reflect changes in geography since 1970. The Census Bureau is currently under contract to provide HUD with the most current and accurate data for all units of government in the US. The values shown for some metro cities may change somewhat, but this is not expected to change significantly the impact of the proposed dual formula approach in aggregate terms. Moreover, since detailed data on the constituent units of government in urban counties are not yet available, calculations, using the second formula, have not been made for urban counties. However, a study of some selected counties indicates that only a few might benefit from the second formula.
- Taken from published Census materials, the 1960 population figures used for these calculations could not be found for a

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few towns, townships, and newly incorporated cities having a formula entitlement. In such cases, however, it was assumed that these were the more rapidly growing communities and thus would not receive credit for growth lag in the second formula. For other cities, the 1960 data does not reflect annexations or other boundary changes since 1960, and thus the comparison of 1960 and 1973 population counts is made against different geography. Except for only a very few cases, this factor is not expected to make a large difference in the second formula shares, and the effects on aggregate figures are expected to be marginal.

3. The amounts for urban counties in the estimated allocations shown for the US, 1978 through 1980, should be considered as crude estimates. Not only have there not been calculations made for them using the second formula (because of the lack of detailed Age of Housing and 1960 population data), but their level of participation is subject to change each year. The estimates shown for them are based on their FY 1976 configurations, as adjusted for hold harmless phasedown, and assume that no counties benefit from the second formula.
4. All calculations made for this presentation use the Census estimates for population counts as of 1973, both in the present formula and as it is used in determining growth lag in the second formula. The Census Bureau expects to release 1975 estimates this year, and they may be available in time for use in making allocations for 1978. The use of the 1975 estimates could make significant changes for some cities, in either formulas, and for counties as well.
5. In this presentation, all calculations for metro cities used an improved method for determining their share of SMSA funds over the method currently required in the Act. (The Department is proposing that the law be changed accordingly.) For individual cities, however, the resulting changes are very slight and the aggregate effects insignificant.

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## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTIT77	HHCODE77	MHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
ALA.	1 ANNISTON	874.		0	1087.	1168.	1225.	• 1053
	2 BIRMINGHAM	7194.		5040.	11857.	11857.	12435.	• 8663
	3 FLORENCE	1026.	HH	1026.	913.	875.	776.	• 1334
	4 GADSDEN	1124.		1614.	1798.	1798.	1886.	
	5 HUNTSVIL	3278.	HH	2490.	2317.	2242.	2567.	
	6 MOBILE C	4623.		2014.	4939.	5308.	5567.	
	7 MONTGOMERY	3334.		2484.	3562.	3828.	4015.	
	8 TUSCALOOSA	1571.	HH	1571.	1587.	1706.	1789.	
ALASKA	9 ANCHORAGE	1711.		656.	1828.	1965.	2060.	
ARIZ.	10 GLENDALE	764.		43.	817.	878.	920.	
	11 MESA C	1115.		1197.	1281.	1281.	1343.	
	12 PHOENIX	9575.		1309.	10237.	10994.	11530.	
	13 SCOTTSDA	1832.	HH	1832.	1453.	1110.	786.	
	14 TEMPE C	895.		853.	956.	1028.	1078.	
	15 TUCSON C	4927.		2508.	5264.	5657.	5933.	
ARK.	16 FAYETTEV	854.	HH	854.	756.	686.	631.	
	17 FORT SMI	1134.		736.	1211.	1302.	1365.	
	18 LITTLE R	5490.	HH	4159.	4294.	3429.	3005.	
	19 NORTH LI	2899.	HH	2899.	2365.	1897.	1465.	
	20 PINE BLU	2168.	HH	2168.	1986.	1886.	1830.	
	21 SPRINGDA	772.	HH	772.	611.	465.	328.	
	22 TEXARKAN	1613.	HH	758.	810.	636.	604.	
CALIF.	23 ALAMEDA	940.		4.	1086.	1167.	1224.	• 1131
	24 ALHAMBRA	701.		0	921.	990.	1038.	• 844
	25 ANAHEIM	1893.		34.	2022.	2173.	2279.	
	26 RAKERSFI	1232.		327.	1514.	1483.	1483.	
	27 BELLFLOW	648.		0	692.	744.	780.	
	28 BERKELEY	2812.	HH	1409.	3367.	3618.	3794.	• 2601
	29 BUENA PA	710.		0	759.	816.	855.	
	30 BURBANK	960.		98.	1664.	1789.	1876.	• 1156
	31 CARSON C	1146.		119.	1224.	1316.	1380.	
	32 CHULA VI	944.		25.	1014.	1090.	1143.	
	33 COMPTON	4464.	HH	3819.	3490.	2809.	2419.	
	34 CONCORD	805.		17.	860.	925.	970.	
	35 COSTA ME	827.		0	884.	950.	996.	
	36 DALY CIT	744.		98.	795.	854.	896.	
	37 DOWNEY C	897.		0	959.	1030.	1081.	
	38 EL CAJON	713.		0	762.	819.	859.	
	39 EL MONTE	1326.		15.	1414.	1520.	1594.	
	40 FAIRFIEL	636.		94.	679.	765.	819.	
	41 FREMONT	1055.		207.	1128.	1212.	1275.	
	42 FRESNO C	8998.	HH	7567.	6692.	4951.	3623.	
	43 FULLERTO	898.		0	959.	1031.	1081.	
	44 GARDEN G	1290.		19.	1379.	1481.	1554.	
	45 GLENDALE	1507.		0	2179.	2341.	2456.	• 1814
	46 HAWTHORNE	628.		14.	671.	721.	756.	
	47 HAYWARD	1214.		110.	1297.	1394.	1462.	
	48 HUNTINGT	1188.		460.	1264.	1339.	1419.	
	49 INGLEWOOD	1851.	HH	1851.	1624.	1455.	1319.	
	50 LAKEWOOD	810.		62.	865.	930.	975.	
	51 LOMPOC C	364.		25.	389.	418.	438.	

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTIT77	HHCODE77	HHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
CALIF.	52 LONG BEA	5032.		1514.	7029.	7553.	7921.	* 6060
	53 LOS ANGE	48689.		16014.	52025.	55907.	58632.	
	54 MODESTO	995.		111.	1021.	1097.	1150.	
	55 MONTEHEY	295.		31.	315.	338.	355.	
	56 MOUNTAIN	604.		112.	666.	694.	728.	
	57 NAPA CC	2244.	HH	2244.	1666.	1119.	585.	
	58 NEWPORT	504.		0	538.	578.	606.	
	59 NORWALK	1321.		205.	1412.	1517.	1591.	
	60 OAKLAND	12124.	HH	8646.	11238.	12077.	12666.	* 8165
	61 OCEANSID	733.		294.	784.	842.	883.	
	62 ONTARIO	1079.		295.	1153.	1239.	1299.	
	63 ORANGE C	808.		0	864.	928.	974.	
	64 OXNARD C	1598.	HH	1598.	1545.	1563.	1621.	
	65 PALO ALT	579.		7.	619.	665.	697.	
	66 PASADENA	2584.	HH	2584.	3104.	3336.	3498.	* 1955
	67 PICO RIV	909.		0	971.	1043.	1094.	
	68 POMONA C	1427.		45.	1525.	1639.	1719.	
	69 REDONDO	1149.	HH	1149.	1044.	981.	941.	
	70 REDWOOD	581.		79.	621.	667.	700.	
	71 RICHMOND	3407.	HH	2717.	2284.	1924.	1602.	
	72 RIVERSID	2000.		1608.	2137.	2296.	2408.	
	73 SACRAMEN	4345.		3791.	4644.	4989.	5233.	
	74 SALINAS	976.		87.	1043.	1121.	1176.	
	75 SAN BERN	3117.	HH	3117.	2777.	2532.	2349.	
	76 SAN DIEG	10281.		3445.	10986.	11806.	12381.	* 14792
	78 SAN FRAN	28430.	HH	21447.	26104.	28051.	29419.	
	78 SAN JOSE	6067.		3468.	6483.	6967.	7306.	
	79 SAN LEAN	689.		26.	801.	902.	902.	* 819
	80 SAN MATE	783.		61.	834.	899.	943.	
	81 SANTA AN	2539.		112.	2713.	2915.	3057.	
	82 SANTA BA	1134.		531.	1212.	1303.	1366.	
	83 SANTA CL	967.		357.	1034.	1111.	1165.	
	84 SANTA CR	566.		164.	605.	650.	681.	
	85 SANTA MA	860.	HH	860.	763.	694.	642.	
	86 SANTA MO	1386.		265.	1414.	1522.	1596.	
	87 SANTA RO	1825.	HH	1825.	1464.	1522.	1548.	
	88 SEASIDE	1726.	HH	1726.	1381.	1071.	781.	
	89 SIMI VAL	577.		249.	617.	663.	695.	
	90 SOUTH GA	777.		0	996.	1070.	1122.	* 935
	91 STOCKTON	2129.		1803.	2275.	2444.	2563.	
	92 SUNNYVAL	934.		29.	999.	1072.	1124.	
	93 TORRANCE	1207.		1062.	1290.	1386.	1454.	
	94 VALLE JO	1259.	HH	1259.	1184.	1162.	1167.	
	95 VENTURA	1325.	HH	1325.	1118.	947.	796.	
	96 WEST COV	678.		0	724.	778.	816.	
	97 WESTMINS	706.		0	754.	810.	850.	
	98 WHITTIER	718.		0	767.	824.	864.	
COLO.	99 ARVADA C	450.		0	481.	517.	542.	
	100 AURORA C	844.		22.	901.	969.	1016.	
	101 BOULDER	921.		193.	985.	1058.	1110.	
	102 COLORADO	2041.		1793.	2181.	2343.	2458.	



## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

	CASE-NO	CITYNAME	ENTIT77	HHCODE77	HHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
COLO.	103	DENVER C	13729.	HH	10875.	11192.	11060.	11599.	* 9825
	104	FORT COL	696.		0	744.	800.	839.	
	105	GREELEY	693.		325.	740.	795.	834.	
	106	LAKEWOOD	842.		5.	900.	967.	1014.	
	107	PUEBLO C	1750.		1010.	1870.	2010.	2108.	
CONN.	108	BRIDGEPO	3579.	HH	2778.	4522.	4892.	5130.	* 3007
	109	BRISTOL	1533.	HH	1232.	978.	978.	733.	
	110	DANBURY	1198.	HH	1198.	1014.	863.	742.	* 730
	111	EAST HAR	535.		440.	571.	614.	644.	
	112	FAIRFIEL	459.		162.	490.	527.	552.	
	113	GREENWIC	466.		0	785.	844.	885.	* 551
	114	HARTFORD	9680.	HH	8309.	7318.	6014.	6307.	* 3820
	115	MERIDEN	652.		515.	859.	923.	968.	* 786
	116	MILFORD	515.	HH	515.	544.	585.	613.	
	117	NEW BRIT	4182.	HH	4182.	3182.	2244.	2289.	* 1338
	118	NEW HAV	17886.	HH	16324.	12583.	7676.	6163.	* 3090
	119	NEW LOND	6210.	HH	5033.	4111.	2227.	1218.	* 540
	120	NORWALK	916.		812.	979.	1052.	1103.	
	121	NORWICH	1478.	HH	1478.	1182.	916.	890.	* 666
	122	STAMFORD	2034.	HH	2034.	1814.	1664.	1551.	
	123	WATERBUR	5688.	HH	4065.	4125.	2866.	2764.	* 1867
	124	WEST HAR	999.	HH	999.	832.	794.	833.	* 752
	125	WEST HAV	758.	HH	758.	716.	711.	745.	
DEL.	126	WILMINGT	3808.	HH	2784.	4069.	4372.	4585.	* 2045
D.C.	127	WASHINGT	40998.	HH	35748.	32051.	24791.	23517.	* 19163
FLA.	128	BOCA RAT	408.	HH	408.	395.	401.	417.	
	129	CLEARWAT	814.		187.	870.	935.	981.	
	130	COCOA CC	318.		113.	334.	365.	383.	
	131	DAYTONA	1056.		619.	1128.	1213.	1275.	
	132	FORT LAU	2277.		619.	2433.	2614.	2742.	
	133	FORT MYE	586.		518.	626.	673.	706.	
	134	GAINESVI	1318.		88.	1409.	1514.	1588.	
	135	HIALEAH	1916.		79.	2047.	2200.	2307.	
	136	HOLLYWOOD	1502.		219.	1605.	1724.	1808.	
	137	JACKSONV	10083.		5193.	10774.	11577.	12142.	
	138	LAKE LAND	815.		586.	871.	935.	981.	
	139	MELBOURN	606.		629.	648.	696.	730.	
	140	MIAMI CC	9759.		129.	10422.	11206.	11752.	
	141	MIAMI BE	2112.		129.	2257.	2425.	2543.	
	142	ORLANDO	2078.		936.	2221.	2386.	2503.	
	143	PENSACOL	1380.		162.	1474.	1584.	1661.	
	144	SARASOTA	965.	HH	965.	917.	910.	926.	
	145	ST PETER	3776.		365.	4035.	4336.	4547.	
	146	TALLAHAS	1410.		997.	829.	861.	898.	
	147	TAMPA CC	6943.	HH	4900.	5991.	6438.	6752.	
	148	TITUSVIL	959.	HH	959.	766.	593.	629.	
	149	WEST PAL	1142.		131.	1221.	1312.	1376.	
	150	WINTER H	352.		64.	376.	405.	424.	
GA.	151	ALBANY C	1958.		690.	2092.	2248.	2358.	
	152	ATLANTA	16377.	HH	13073.	13849.	14146.	14836.	* 13303
	153	AUGUSTA	1810.		1042.	2828.	3039.	3187.	* 2180

ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES- IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTIT77	HHCODE77	HHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
GA.	154 COLUMBUS	4287.	HH	4287.	4113.	4127.	4244.	
	155 MACON CC	2375.		1923.	3182.	3419.	3586.	
	156 SAVANNAH	6613.	HH	4661.	5982.	6428.	6742.	• 3668
HAWAII	157 HONOLULU	11162.		7275.	11927.	12817.	13442.	
IDaho	158 BOISE CI	4942.	HH	4115.	3524.	2286.	1317.	
ILL.	159 AURORA C	876.		54.	1096.	1179.	1235.	• 1055
	160 BERTVN	458.		0	1599.	1132.	1803.	• 552
	161 BLOOMING	2169.	HH	2169.	1636.	1132.	1005.	• 645
	162 CHAMPAIG	835.		375.	892.	959.	1005.	
	163 CHICAGO	61594.		16265.	119124.	128011.	134251.	• 74172
	164 DECATUR	1263.		515.	1474.	1584.	1662.	• 1521
	165 DES PLAINE	462.		0	494.	531.	557.	• 2844
	166 EAST ST	2681.	HH	1870.	3651.	3924.	4115.	• 673
	167 ELGIN C	558.		0	811.	872.	914.	
	168 ARLINGTON	441.		19.	471.	507.	531.	
	169 CIGERO	704.		0	2096.	2253.	2363.	• 849
	170 OAKLAWN	577.		0	617.	663.	695.	
	171 OAK PARK	540.		0	1821.	1957.	2052.	• 650
	172 SKOKIE C	444.		0	474.	510.	535.	
	173 EVANSTON	774.		61.	2022.	2173.	2279.	• 932
	174 JOLIET C	1051.		149.	1256.	1350.	1416.	• 1266
	175 KANKAKEE	447.		4.	656.	705.	735.	• 538
	176 MOLINE C	535.		0	352.	378.	396.	• 645
	177 RANTOUL	308.		125.	329.	354.	371.	
	178 NORMAL C	308.		0	329.	354.	371.	• 2029
	179 PEORIA C	2115.	HH	2115.	2224.	2390.	2507.	• 833
	180 ROCK ISL	1944.	HH	1136.	1413.	1518.	1592.	• 2297
	181 ROCKFORD	2607.	HH	2607.	2417.	2322.	2370.	• 1607
	182 SPRINGFI	4514.	HH	4514.	3483.	556.	583.	
	183 URBANA C	484.		28.	517.	1029.	1079.	
	184 WAUKEGAN	896.		762.	1081.	1162.	1218.	• 1187
IND.	185 ANDERSON	986.		982.	1081.	1162.	1218.	
	186 BLOOMING	1004.	HH	1004.	942.	921.	923.	• 1119
	187 EAST CHI	2161.	HH	2161.	2130.	2289.	2400.	• 2659
	188 EVANSVIL	2878.	HH	2878.	3677.	3952.	4144.	• 2819
	189 FORT WAY	2340.		2081.	2666.	2852.	3004.	• 4370
	190 GARY CC	5907.	HH	4572.	4676.	4905.	5146.	• 1689
	191 HAMMOND	1429.	HH	1429.	2377.	2555.	2679.	
	192 INDIANAP	11744.	HH	7686.	11169.	12002.	12587.	• 638
	193 LAFAYETT	530.		5.	904.	973.	1021.	• 698
	194 MUNCIE C	1257.		52.	1343.	1444.	1514.	• 1968
	195 SOUTH BE	2948.	HH	2050.	3584.	3851.	4039.	• 1333
	196 TERRE HA	1107.		323.	2450.	2450.	2772.	
	197 WEST LAF	269.		0	309.	324.	340.	
IOWA	198 CEDAR FA	385.		64.	288.	442.	463.	• 1565
	199 CEDAR RA	1385.		1244.	1532.	1647.	1727.	• 1165
	200 COUNCIL	967.		251.	1115.	1202.	1261.	• 1634
	201 DAVENPOR	1357.		925.	1605.	1725.	1809.	• 3286
	202 DES MOIN	2866.	HH	1833.	5374.	5775.	6057.	• 1046
	203 DUBUQUE	868.		231.	1034.	1113.	1167.	• 1458
	204 SIOUX CI	3929.	HH	3929.	3049.	2691.	2822.	

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTII77	HHCODE77HHNETMC	ENTII78	ENTII79	ENTII80	CODE80
IOWA	205 WATERLOO	1182.	HH	1182.	1433.	1540.	1615. * 1342
	206 KANSAS C	6206.	HH	6206.	5214.	4386.	3647.
	207 OVERLAND	522.		126.	559.	599.	628.
	208 TOPEKA C	1666.		1166.	2076.	2231.	2340. * 2006
	209 WICHITA	10870.	HH	8866.	8840.	5275.	5043. * 4755
KY.	210 ASHLAND	491.		6.	929.	999.	1047. * 591
	211 HOPKINSV	579.		0	619.	665.	697.
	212 LEXINGTO	2843.		1101.	303A.	3265.	3424.
	213 LOUISVIL	8639.	HH	8639.	13085.	14062.	14747. * 8725
	214 OWENSBOR	874.		82.	934.	1003.	1052.
LA.	215 ALEXANDR	1468.		92.	56A.	1685.	1767.
	216 BATON RO	5602.		2029.	1846.	6433.	6746.
	217 LAFAYETT	1699.		32.	181.	1951.	2046.
	218 LAKE CHA	1807.		1478.	1931.	1975.	2176.
	219 MONROE C	1663.		1415.	1777.	1909.	2002.
	220 NEW ORLE	16831.		5559.	20590.	22234.	23318. * 20269
	221 SHREVEPO	4244.		473.	4535.	4873.	5110.
MAINE	222 AUBURN C	701.	HH	701.	713.	766.	803. * 427
	223 LEWISTON	2233.	HH	926.	1449.	1168.	1225. * 775
	224 PORTLAND	4542.	HH	3629.	3042.	3025.	3175. * 1288
MD.	225 BALTIMOR	29042.	HH	23945.	29132.	31366.	32832. * 21841
MASS.	226 ARLINGTO	490.		6.	1071.	1151.	1207. * 591
	227 BOSTON C	28993.	HH	25488.	24140.	25941.	27205. * 13888
	228 BROCKTON	1165.		1032.	1505.	1618.	1697. * 1403
	229 BROOKLIN	1180.	HH	1180.	1666.	1747.	1881. * 775
	230 CAMBRIDG	3458.	HH	2664.	3604.	3873.	4062. * 1881
	231 CHICOFES	811.		811.	1140.	1365.	1525. * 977
	232 FAIRFIEL	4856.	HH	3489.	3553.	3526.	3526. * 1954
	233 FITCHBUR	581.		566.	1330.	1430.	1499. * 699
	234 FRAMINGH	580.		249.	620.	666.	698. * 705
	235 HAVERHIL	1976.	HH	1976.	1525.	1524.	1598. * 1031
	236 HOLYOKE	2475.	HH	1774.	1888.	2029.	2128. * 1190
	237 LAWRENCE	1578.	HH	1578.	2327.	2501.	2623. * 493
	238 LEOMINST	410.		410.	2514.	2552.	2579. * 1672
	239 LOWELL C	3058.	HH	1927.	2567.	2752.	2902. * 1672
	240 LYNN C	3152.	HH	1725.	340R.	3662.	3841. * 1500
	241 MALDEN C	4546.	HH	4546.	3264.	3020.	1864. * 796
	242 MEDFORD	633.		4.	1823.	1959.	2055. * 765
	243 NEW BEDF	9505.	HH	8029.	6665.	4134.	3815. * 894
	244 NEWTON C	742.		655.	2178.	2341.	2455. * 756
	245 PITTSFIE	1342.	HH	1342.	2519.	1632.	1719. * 1198
	246 QUINCY C	995.		995.	3919.	3183.	2299. * 1447
	247 SOMERSVIL	1201.		247.	3404.	3659.	3836. * 3026
	248 SPRINGFI	8469.	HH	7005.	6250.	5130.	5380. * 816
	249 WALTHAM	677.		27.	104R.	1126.	1181. * 702
	250 WEYMOUTH	583.		0	623.	669.	702.
	251 WORCESTE	5374.	HH	4131.	5632.	6052.	6347. * 2793
MICH.	252 ANN ARBO	2380.	HH	1835.	1974.	1725.	1600. * 782
	253 BATTLE C	650.		9.	1603.	1723.	1806. * 832
	254 BAY CITY	1318.	HH	1318.	1661.	1784.	1871.
	255 CLINTON	1504.	HH	1504.	1186.	897.	624.

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

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	CASE-NO	CITYNAME	ENTIT77	HHCODE77	MHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
MICH.	256	DEARBORN	1027.		0	256A.	2760.	289A.	* 1237
	257	DEARBORN HTS.	809.		7.	86.	929.	97A.	
	258	DETROIT	2830A.	HH	17377.	5892A.	6332A.	66411.	* 31062
	259	EAST LAN	596.		62.	637.	685.	718.	
	241	FARMINGT	415.		0	44A.	477.	500.	
	242	FLINT CC	768.	HH	5881.	578A.	5527.	5796.	* 3716
	243	GRAND RA	4199.	HH	2763.	4199.	4502.	4722.	* 3117
	244	JACKSON	1062.	HH	1062.	1843.	1980.	2077.	* 814
	245	KALAMAZO	1223.		64.	2323.	2496.	2618.	* 1472
	246	LANSING	6196.	HH	5040.	450A.	3042.	2208.	* 2145
	247	LIVONIA	615.		456.	846.	909.	95A.	* 740
	248	MUSKEGON	937.		166.	1001.	1076.	1128.	
	249	MUSKEGON HTS.	1108.	HH	1108.	1455.	1564.	1640.	* 835
	250	NORTON S	676.	HH	676.	697.	750.	786.	* 439
	271	PORTAGE	242.		153.	25A.	346.	363.	
	272	PONTIAC	302.		0	322.	378.	291.	
	273	REDFORD	3198.	HH	3198.	2657.	2231.	2340.	* 1779
	274	ROSEVILLE	696.		0	77A.	83A.	875.	* 838
	275	ROYAL OA	745.		12.	796.	856.	897.	
	276	SAGINAW	752.		12.	1089.	1170.	1227.	* 906
	277	SOUTHFIE	3357.	HH	2351.	3197.	3435.	3603.	* 1869
	278	ST CLAIR	516.		0	551.	593.	621.	
	279	STERLING	90A.		163.	96A.	1038.	1089.	
	280	TAYLOR C	582.		0	622.	668.	701.	
	281	WARREN	887.		100.	94A.	1019.	1068.	
	282	WATERFOR	1758.		1586.	187A.	2018.	2117.	
	283	WESTLAND	616.		0	650.	708.	742.	
	284	WYOMING	972.		12.	1039.	1116.	1171.	
MINN.	285	WYOMING	653.		134.	75A.	812.	786.	
	286	DULUTH M	707.		134.	75A.	812.	851.	
	287	MINNEAPO	271A.	HH	1958.	3431.	3687.	3867.	* 1686
	288	MOORHEAD	15093.	HH	12544.	18996.	20413.	21408.	* 7121
	289	ROCHESTE	414.		202.	443.	476.	499.	
	290	ST CLOUD	625.		10.	66A.	718.	753.	
	291	ST PAUL	605.		205.	646.	694.	728.	
MISS.	292	ST PAUL	18835.	HH	15885.	13667.	10035.	1052A.	* 4776
	293	BILOXI C	292.	HH	393.	293.	1986.	1063.	
	294	GULFPORT	333.	HH	333.	185.	1417.	1004.	
	295	JACKSON	3977.		2253.	4240.	4566.	4789.	
	296	MOSS POI	455.		0	486.	522.	548.	
	297	PASCAGO	490.		473.	52A.	563.	590.	
MO.	298	COLUMBIA	869.		68.	920.	998.	1047.	
	299	FLORISSA	661.		69.	70A.	759.	796.	
	300	INDEPEND	1166.		107A.	124A.	1342.	1407.	
	301	KANSAS C	14376.	HH	9586.	1167.	12551.	13163.	* 9477
	302	SPRINGFI	2781.	HH	2781.	2555.	243A.	2371.	
	303	ST JOSEP	1715.	HH	1715.	2357.	2533.	2556.	* 1559
	304	ST LOUIS	14532.		8269.	33639.	36149.	37911.	* 17499
MONT.	305	BILLINGS	912.		183.	97.	1048.	1099.	
	306	GREAT FA	890.		117.	951.	1022.	1072.	
NEB.	306	LINCOLN	1798.		275.	208A.	2241.	2350.	* 2165

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

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CASE-NO	CITYNAME	ENTIT77	WHCODE77	MHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
NEB. 307	OMAHA CC	5113.		794.	5464.	5871.	6157.	
NEV. 308	LAS VEGA	1850.		510.	1977.	2125.	2228.	
309	RENO CC	947.		162.	1011.	1087.	1140.	
N.H. 310	MANCHEST	1982.	HH	1019.	2593.	2787.	2922.	
311	MASHUA C	644.		324.	743.	799.	837.	* 1455
N.J. 312	ASBURY C	400.		297.	660.	709.	744.	* 775
313	ATLANTIC	3340.	HH	3340.	2106.	2840.	2978.	* 481
314	RAYONNE	971.		50.	106.	254.	274.	* 1288
315	BLOOMFIELD	470.		66.	124.	1334.	1399.	* 1170
316	RRIDGETO	347.		283.	553.	594.	623.	* 566
317	CAMDEN C	5554.	HH	5554.	4505.	4655.	4882.	* 418
318	CHERRY H	419.		24.	44.	481.	505.	* 2719
319	CLIFTON	679.		143.	1620.	1741.	1825.	* 818
320	EAST ORA	2380.	HH	1125.	2419.	2600.	2727.	* 1298
321	EDISON I	528.		118.	564.	606.	636.	
322	ELIZABET	1842.		146.	2894.	3112.	3263.	* 2219
323	HAMILTON	732.		0.	783.	841.	882.	
324	IRVINGTO	721.		297.	1743.	1873.	1964.	* 869
325	JERSEY C	6350.	HH	3784.	9599.	10315.	10818.	* 5773
326	LONG BRA	533.		55.	569.	612.	641.	
327	MIDDLE TO	496.		296.	551.	592.	620.	* 597
328	MILLVILL	290.		344.	352.	378.	396.	* 348
329	NEW BRUN	1399.	HH	1399.	1175.	988.	988.	* 822
330	NEWARK C	19508.	HH	15487.	15810.	15654.	16417.	* 11766
331	PARSIPPA	387.		0.	414.	445.	466.	
332	PASSAIC	1033.		163.	1728.	1857.	1947.	* 1244
333	PATERSON	3667.	HH	2193.	4339.	4663.	4890.	* 3579
334	PERTH AM	1380.	HH	211.	1056.	1135.	1190.	* 764
335	SAYREVIL	275.		50.	290.	317.	325.	
336	TRENTON	442.	HH	3422.	1652.	1776.	1866.	* 2348
337	UNION CI	1088.		108.	801.	861.	903.	* 1311
338	UNION TW	406.		0.	1252.	1021.	810.	* 489
339	VINELAND	1519.	HH	1519.	90.	861.	971.	
340	WOODBRIE	806.		8464.	7192.	6497.	5655.	
N. MEX. 341	ALBUQUER	8464.	HH	8109.	2109.	4771.	5125.	* 2073
342	ALBANY C	6119.	HH	4232.	3356.	3120.	3377.	* 1062
N.Y. 343	BINGHAMT	10346.	HH	6326.	2233.	24033.	25220.	* 8828
344	RUFFALO	1610.	HH	1610.	1928.	2071.	2172.	* 786
345	ELMIRA C	541.		300.	578.	622.	652.	
346	GREECE T	430.		0.	510.	548.	575.	* 517
347	IRONDEQU	2420.	HH	1457.	2338.	2513.	2635.	* 1292
348	MT VERNO	904.		440.	1931.	2075.	2176.	* 1089
349	NEW ROCH	904.		50244.	29216.	24675.	25823.	* 181414
350	NEW YORK	150645.		1571.	1446.	1446.	1446.	* 1466
351	NIAGARA	1571.	HH	9436.	6920.	3603.	1655.	* 579
352	POUGHKEE	10412.	HH	12214.	11716.	12591.	13204.	* 5164
353	ROCHESTE	13943.	HH	1523.	1232.	1212.	1272.	* 734
354	ROME CC	1523.	HH	1488.	2758.	2963.	3108.	* 148
355	SCHENECT	1488.	HH	11498.	9441.	8388.	8830.	* 352
356	SYRACUSE	11498.	HH	1414.	2297.	2468.	2588.	* 1157
357	TROY CC	1414.	HH					

## ESTIMATED ENTITLEMENT AMOUNTS FOR RETRO CITIES-IN THOUSANDS OF DOLLARS

	CASE-NO	CITYNAME	ENTIT77	HHCODE77HHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
N.Y.	358	UTICA CC	1551.	HH	1551.	3766.	4047.	4244. *
	359	WEST SEN	466.		0	49H.	536.	562.
	360	YONKERS	5245.	HH	5245.	4364.	4309.	4519. *
N.C.	361	ASHEVILLE	2822.	HH	1157.	2015.	1680.	1762. *
	362	BURLINGT	1338.	HH	1338.	1081.	854.	642.
	363	CHARLOTT	9508.	HH	7879.	5581.	6078.	5432.
	364	DURHAM C	2384.	HH	2384.	2312.	2348.	2444.
	365	FAYETTEV	1444.	HH	1444.	1464.	1573.	1650.
	366	GASTONIA	1402.	HH	1402.	1240.	1123.	1032.
	367	GREENSBO	2193.	HH	2191.	2343.	2518.	2640.
	368	HIGH POI	3507.	HH	2268.	2490.	1729.	1345.
	369	RALEIGH	1926.	HH	498.	205H.	2211.	2319.
	370	WILMINGT	1662.	HH	961.	1241.	1334.	1399.
	371	WINSTON-	4753.	HH	3831.	3725.	3267.	3132.
N.D.	372	FARGO CC	677.		658.	76.	818.	858.
OHIO	373	AKRON CC	9819.	HH	7664.	8720.	9380.	9837. *
	374	CANTON C	1632.		1109.	3479.	3738.	3920. *
	375	CINCINNA	18448.	HH	11221.	17881.	19215.	20152. *
	376	CLEVELAN	16092.	HH	6778.	36037.	38726.	40613. *
	377	CLEVELAN	479.		0	1901.	2043.	2142. *
	378	COLUMBUS	8499.		3742.	9072.	9748.	10224. *
	379	DAYTON C	5675.	HH	4527.	9037.	9711.	10184. *
	380	ELYRIA C	1382.	HH	1382.	1148.	949.	747. *
	381	EUCLID C	601.		0	663.	713.	748. *
	382	HAMILTON	1053.		597.	197H.	2125.	2229. *
	383	KETTERIN	535.		7.	572.	615.	645. *
	384	LAKEWOOD	615.		0	1844.	1984.	2081. *
	385	LIMA CC	833.		0	1344.	1445.	1515. *
	386	LORAIN C	1267.	HH	1267.	159.	1337.	1403. *
	387	MANSFIEL	816.		339.	955.	1079.	1091. *
	388	MARIFITA	256.		0	525.	564.	591. *
	389	MIDDLETO	5353.	HH	5353.	3819.	2328.	857. *
	390	PARMA	846.		0	904.	971.	1018. *
	391	SPRINGFI	1245.		666.	2440.	2631.	2760. *
	392	STEPHENV	1418.	HH	1418.	1124.	1122.	1177. *
	393	TOLEDO C	10203.	HH	8183.	7847.	7204.	7555. *
	394	WARREN C	914.	HH	914.	1216.	1305.	1362. *
	395	YOUNGSTO	3453.	HH	1880.	5985.	6432.	6745. *
OKLA.	396	LAWTON C	5938.	HH	4594.	4202.	2721.	1765. *
	397	MIDWEST	678.		0	725.	779.	817. *
	398	NORMAN C	777.		4.	830.	892.	936. *
	399	OKLAHOMA	8183.	HH	8183.	7645.	7436.	7408. *
	400	TULSA CC	8033.	HH	6274.	6526.	5757.	5767. *
OREG.	401	EUGENE C	1138.		421.	1216.	1306.	1370. *
	402	PORTLAND	7734.	HH	5829.	10155.	10436.	11448. *
	403	SALEM CC	3183.	HH	3183.	2452.	1772.	1119. *
	404	SPRINGFI	393.		0	420.	451.	473. *
PA.	405	ABINGTON	515.		0	692.	744.	780. *
	406	ALLENOW	2420.	HH	2420.	2895.	3111.	3262. *
	407	ALTOONA	1225.	HH	1225.	2551.	2741.	2875. *
	408	BETHLEHE	1271.	HH	1271.	1781.	1914.	2007. *

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTIT77	HHCODE77	MHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
PA.	409 BRISTOL	778.		282.	831.	893.		
	410 CHESTER	2405.	HH	2405.	2497.	2683.	937.	
	411 EASTON C	3108.	HH	3108.	3242.	3259.	2814.	1403
	412 ERIE CC	3825.	HH	3825.	3916.	4104.	1325.	580
	413 HARRISBU	2482.	HH	2482.	3623.	4254.	4461.	2168
	414 HAVERFORD	388.		0	844.	909.	4083.	1366
	415 HAZLETON	383.		7.	1074.	1154.	953.	466
	416 JOHNSTOW	977.	HH	977.	2275.	2445.	1210.	461
	417 LANCASTE	3691.	HH	2731.	2584.	2270.	2564.	864
	418 LOWER ME	502.		0	1205.	1295.	2381.	1099
	419 PENN HIL	561.		0	600.	644.	1359.	603
	420 PHILADEL	57163.	HH	42501.	65123.	6981.	676.	
	421 PITTSBUR	15541.	HH	11987.	24253.	26101.	73392.	39638
	422 READING	3781.	HH	3028.	3939.	4233.	27373.	1079
	423 SCRANTON	7747.	HH	6100.	5440.	4369.	4440.	1436
	424 UPPER DA	803.		0	1949.	2094.	4582.	1694
	425 WILKES-B	7768.	HH	6806.	5313.	3062.	2196.	967
	426 WILLIAMS	1080.	HH	1080.	1563.	1679.	2679.	1049
	427 YORK CC	1234.	HH	461.	2069.	2224.	1761.	738
	428 CHANSTON	711.		0	905.	972.	2332.	952
R.I.	429 PAWTUCKE	5199.	HH	4138.	3643.	2760.	1020.	857
	430 PROVIDEN	8275.	HH	7231.	8655.	9301.	2895.	1344
	431 WARWICK	876.		384.	936.	1006.	934.	3977
	432 CHARLEST	1773.		897.	1953.	2098.	1055.	
S.C.	433 COLUMBIA	2140.		1936.	2287.	2457.	2201.	2135
	434 GREENVIL	2205.	HH	2205.	1922.	1958.	2577.	
	435 NORTH CH	923.		0	986.	1060.	2053.	1597
	436 SPARTANB	3767.	HH	2211.	2581.	1673.	1111.	
S.D.	437 SIOUX FA	3064.	HH	3064.	2381.	1751.	1240.	
TENN.	438 BRISTOL	425.		365.	454.	488.	512.	
	439 CHATTANO	6215.	HH	4451.	5104.	4457.	4188.	
	440 CLARKSVI	843.		318.	901.	968.	1015.	
	441 JOHNSON	1143.	HH	1142.	1049.	998.	972.	
	442 KINGSPOR	677.	HH	677.	641.	633.	641.	
	443 KNOXVILL	4091.	HH	4091.	3939.	3939.	4099.	
	444 MEMPHIS	14925.		6043.	15948.	17137.	1797.	
	445 NASHVILL	9609.	HH	5975.	8617.	8314.	8707.	
TEX.	446 ABILENE	1522.		300.	1627.	1748.	1833.	
	447 AMARILLO	1959.		67.	2640.	2837.	2975.	2358
	448 ARLINGTO	929.		38.	993.	1067.	1119.	
	449 AUSTIN C	7339.	HH	4788.	6195.	6737.	5846.	
	450 BEAUMONT	2303.		155.	2888.	3103.	3254.	2772
	451 BROWNSVI	2560.		0	2736.	2940.	3083.	
	452 BRYAN CC	777.		0	830.	892.	936.	
	453 COLLEGE	274.		0	292.	314.	329.	
	454 CORPUS C	4735.		1703.	5059.	5436.	5701.	
	455 DALLAS C	14530.		2691.	15525.	16684.	17497.	534
	456 DENISON	443.		179.	584.	628.	658.	
	457 EDINBURG	3569.	HH	2402.	2400.	2400.	884.	
	458 EL PASO	8238.		854.	8802.	9455.	9929.	
	459 FORT WOR	6775.		1475.	7240.	7780.	8159.	

## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTIT77	HHCODE77	MHNETMC	ENTIT78	ENTIT79	ENTIT80	CODE80
TEX.	460 GALVESTO	1407.		628.	2078.	2233.	2341.	* 1694
	461 GARLAND	874.		16.	934.	1004.	1053.	
	462 GRAND PR	3297.	HH	3297.	2458.	1660.	884.	
	463 HARLINGE	1351.		183.	1443.	1551.	1627.	
	464 HOUSTON	22597.		903.	24146.	25947.	27212.	
	465 IRVING	1075.		7.	1158.	1234.	1294.	
	466 KILLEEN	745.		57.	797.	857.	899.	
	467 LAREDO C	3176.		403.	3397.	3657.	3824.	
	468 LONGVIEW	810.		44.	866.	930.	976.	
	469 LUBROCK	5328.	HH	5328.	4598.	4026.	3540.	
	470 MCALLEN	1524.		116.	1628.	1750.	1835.	
	471 MESQUITE	602.		0	643.	691.	724.	
	472 MIDLAND	943.		0	1048.	1127.	1181.	* 1136
	473 ODESSA C	1370.		0	1464.	1573.	1650.	
	474 ORANGE C	545.		79.	583.	626.	657.	
	475 PASADENA	1069.		266.	1142.	1227.	1287.	
	476 PHARR CC	817.		110.	873.	938.	983.	
	477 PORT ART	1324.	HH	1324.	2209.	2374.	2490.	* 1511
	478 RICHARDS	342.		0	365.	392.	412.	
	479 SAN ANGE	1339.		48.	1431.	1537.	1612.	
	480 SAN ANTO	17700.		9040.	18913.	20324.	21314.	
	481 SAN BENI	756.		27.	808.	868.	911.	
	482 SHERMAN	386.		0	422.	476.	511.	* 465
	483 TEMPLE C	669.		0	714.	768.	805.	
	484 TEXARKAN	2053.	HH	1103.	1224.	875.	798.	
	485 TEXAS CI	611.		253.	653.	701.	736.	
	486 TYLER CC	990.		6.	1057.	1136.	1192.	
	487 WACO CC	464.	HH	3326.	3293.	2666.	2451.	
	488 WICHITA FA	1522.		0	1782.	1915.	2008.	* 1832
UTAH	489 UGDEN CC	1126.		655.	1782.	1915.	2008.	* 1357
	490 OREM CC	441.		0	472.	507.	532.	
	491 PROVO CC	1072.		375.	1146.	1231.	1291.	
	492 SALT LAK	3929.	HH	1701.	5519.	5930.	6220.	* 3495
VA.	493 ALEXANDR	1735.	HH	1735.	1638.	1614.	1630.	
	494 CHESAPEA	1539.		657.	1644.	1767.	1853.	
	495 COLONIAL	145.		0	145.	166.	174.	
	496 HAMPTON	1710.		1424.	1827.	1866.	2059.	
	497 HOPEWELL	764.	HH	764.	628.	511.	403.	
	498 LYNCHBUR	1537.	HH	1537.	1383.	1284.	1214.	
	499 NEWPORT	2254.		2053.	2409.	2589.	2715.	
	500 NORFOLK	15877.	HH	13989.	11378.	9065.	8126.	* 6929
	501 PETERSBU	985.		733.	1052.	1131.	1186.	
	502 PORTSMOU	4570.	HH	4570.	3863.	3279.	2908.	* 2763
	503 RICHMOND	9454.	HH	7000.	6099.	5754.	5474.	
	504 ROANOKE	2629.	HH	2629.	2342.	2143.	2129.	* 1994
	505 VIRG BEACH	2237.		0	2391.	2569.	2694.	
WASH.	506 BELLEVUE	431.		137.	460.	495.	519.	
	507 EVERETT	729.		223.	859.	923.	968.	* 878
	508 KENNEWIC	221.		92.	236.	254.	266.	
	509 RICHLAND	254.		0	271.	292.	306.	
	510 SEATTLE	9502.	HH	7095.	16125.	17328.	18173.	* 7901



## ESTIMATED ENTITLEMENT AMOUNTS FOR METRO CITIES-IN THOUSANDS OF DOLLARS

CASE-NO	CITYNAME	ENTII77	HHCODE77	HHNETMC	ENTII78	ENTII79	ENTIT80	CODE80
WASH. 511	SPOKANE	2594.		577.	5005.	5379.	5641.	3124
512	TACOMA C	2249.		874.	3370.	3622.	3798.	2709
513	YAKIMA C	829.		256.	936.	1006.	1055.	999
W. VA. 514	CHARLEST	1385.	HH	1385.	3201.	3439.	3607.	1552
515	HUNTINGT	1518.	HH	1518.	3032.	3258.	3416.	1674
516	PARKERSB	683.		244.	1357.	1458.	1529.	823
517	WEIRTON	313.		41.	581.	624.	655.	378
518	WHEELING	1547.	HH	1547.	1962.	2108.	2211.	980
WISC. 519	APPLETON	622.		300.	678.	729.	764.	749
520	EAU CLAI	589.		0.	734.	789.	828.	709
521	GREEN BA	1757.	HH	1757.	1579.	1463.	1380.	
522	KENOSHA	1041.		80.	1172.	1259.	1320.	1253
523	LA CROSS	720.		605.	1281.	1376.	1443.	867
524	MADISON	2441.		750.	2609.	2803.	2940.	
525	MILWAUKE	12621.	HH	5761.	20750.	22298.	23385.	12789
526	OSHKOSH	639.		85.	938.	1008.	1057.	770
527	RACINE C	1259.		328.	1919.	2063.	2163.	1516
528	SUPERIOR	480.		10.	1058.	1137.	1192.	578
529	WAUWATOS	470.		5.	773.	831.	872.	366
530	WEST ALL	696.		98.	963.	1035.	1088.	837
P.R. 531	BAYAMON	6537.		168.	6984.	7506.	7872.	
532	CAGUAS M	4994.		119.	5336.	5734.	6014.	
533	CAROLINA	4199.		28.	4487.	4821.	5056.	
534	GUAYNABO	2823.		83.	3016.	3241.	3399.	
535	MAYAGUEZ	4667.		1024.	4987.	5359.	5620.	
536	PONCE HU	8999.		5111.	9615.	10332.	10836.	
537	SAN JUAN	20266.		6446.	21655.	23270.	24405.	

Explanatory Material  
for Urban County Figures

1. The attached shows estimated entitlement amounts for Urban Counties in each of FY 1978, 1979 and 1980, based on funding levels in the proposed budget.
2. These individual county figures are based on use of present formula only, and take into account the phase down of hold harmless.
3. The counties shown on this listing are those that qualified for funding in fiscal year 1976. The counties that actually qualify during those years may exclude some on the listing but may also include others not shown.
4. County configurations used to develop these estimates were as finally approved in fiscal year 1976, except that, for purposes of handling the effects of hold harmless phasedown, each county was credited with participation of all of its small hold harmless communities (including many that have not participated with them to date). Because of this assumption, estimates shown for counties on the attached listing will be overstated to the extent that some of their small hold harmless communities may choose not to participate with them.
5. The amount shown for urban counties on the national aggregate projection assumes some will elect to keep separate from their counties, but no attempt was made to identify which counties would be thus affected. This means that the sum of the individual county estimates is larger than the estimated amount for counties in the aggregate.

URBAN COUNTIES  
ESTIMATED FIDUCIARY ENTITLEMENTS  
(dollars in thousands)

County Name	State		
	FY 78	FY 79	FY 80
Jefferson Co. Ala.	5,763	6,643	7,438
Alameda Co. Ca.	2,946	3,165	3,320
Contra Costa Co. Ca.	4,307	4,790	5,194
Fresno Co. Ca.	5,167	6,627	6,950
Kern Co. Ca.	6,024	6,187	6,358
Los Angeles Co. Ca.	30,906	33,921	35,269
Marin Co. Ca.	2,936	2,957	2,472
Orange Co. Ca.	5,111	5,192	5,760
Riverside Co. Ca.	5,667	6,506	7,260
Sacramento Co. Ca.	4,998	5,371	5,633
San Bernardino Co. Ca.	7,873	8,754	9,488
San Diego Co. Ca.	6,479	7,361	8,138
San Mateo Co. Ca.	3,437	3,811	4,120
Santa Clara Co. Ca.	3,925	4,218	4,424
New Castle Co. Del.	3,087	3,317	3,479
Broward Co. Fla.	6,264	6,731	7,059
Dade Co. Fla.	17,561	14,982	14,803
Hillsborough Co. Fla.	3,836	4,122	4,323
Orange Co. Fla.	3,749	4,029	4,225
Palm Beach Co. Fla.	4,811	5,425	5,957
Pinellas Co. Fla.	3,723	4,001	4,196
De Kalb Co. Ga.	3,567	3,999	4,369
Cook Co. Ill.	14,920	16,247	17,264
DuPage Co. Ill.	3,574	3,840	4,028
Lake Co. Ill.	3,020	3,388	3,702
Madison Co. Ill.	3,835	4,143	4,344
St. Clair Co. Ill.	3,493	3,754	3,937
Jefferson Co. Ky.	3,180	3,417	3,584
Jefferson Parrish La.	5,822	6,257	6,562
Anne Arundel Co. Md.	3,363	3,801	4,183
Montgomery Co. Md.	4,235	4,732	5,131
Prince Georges Co. Md.	6,480	7,092	7,571
Carroll Co. Mich.	2,761	3,141	3,476
Oakland Co. Mich.	4,956	5,702	6,373
Wayne Co. Mich.	4,694	6,252	7,824
Hennepin Co. Minn.	3,318	3,770	4,169
St. Louis Co. Mo.	8,450	9,460	10,320
Bergen Co. N.J.	7,134	8,068	8,883
Burlington Co. N.J.	7,226	7,865	8,833
Essex Co. N.J.	1,709	2,380	3,067
Hudson Co. N.J.	2,250	2,107	3,981
Middlesex Co. N.J.	2,734	3,142	3,510
Monmouth Co. N.J.	3,859	4,165	4,387
Morris Co. N.J.	2,599	2,964	3,250
Union Co. N.J.	2,660	3,219	3,754
Erle Co. N.Y.	5,996	6,588	7,061
Montro Co. N.Y.	2,028	2,230	2,392
Nassau Co. N.Y.	1,584	2,837	4,165
Onondaga Co. N.Y.	2,890	3,090	3,260
Suffolk Co. N.Y.	9,810	11,037	13,256
Westchester Co. N.Y.	2,981	3,987	5,005
Cuyahoga Co. Ohio	3,366	3,893	4,373
Franklin Co. Ohio	2,940	3,159	3,313
Hamilton Co. Ohio	4,369	4,953	5,465
Montgomery Co. Ohio	2,972	3,194	3,349
Stark Co. Ohio	2,434	2,908	3,356
Summit Co. Ohio	2,414	2,757	3,062
Alligheny Co. Pa.	9,707	11,381	12,933
Banner Co. Pa.	2,420	2,884	3,322
Berks Co. Pa.	2,148	2,324	2,455
Bucks Co. Pa.	3,506	3,844	4,112

URBAN COUNTIES  
ESTIMATED FORMULA ENTITLEMENTS

County Name	State	(dollars in thousands)		
		FY 78	FY 79	FY 80
Chester Co.	Pa.	2,791	3,028	3,206
Delaware Co.	Pa.	3,397	3,759	4,056
Lancaster Co.	Pa.	3,083	3,313	3,474
Luzerne Co.	Pa.	2,938	3,539	4,112
Montgomery Co.	Pa.	3,486	4,216	4,915
Washington Co.	Pa.	2,730	3,270	3,781
Westmoreland Co.	Pa.	4,179	4,933	5,637
Harris Co.	Texas	5,355	5,755	6,035
Tarrant Co.	Texas	2,678	2,946	3,162
Salt Lake Co.	Utah	3,870	4,159	4,362
Fairfax Co.	Va.	3,948	4,242	4,449
King Co.	Wash.	5,774*	6,205	6,507
Pierce Co.	Wash.	3,006	3,230	3,388
Snohomish Co.	Wash.	2,299	2,539	2,735

V. Supporting Table

Following are tables referred to in Section I, Background.

CD Needs Variables1. Persons Aged 65 and Over

A subpopulation that has special needs for transportation, housing, recreation, and health care.

2. Crime Rate

A factor associated with urban blight and limited economic opportunities.

3. Nonwhite Population

In practically all studies reviewed, abandonment and urban blight were found to be concentrated in low-income, nonwhite, inner-city neighborhoods. The non-white population is associated with high crime rates, overcrowded housing, a high degree of infant mortality, welfare dependency, substandard housing, and high rates of unemployment. In the Annual Housing Survey, nonwhites reported a higher incidence of deteriorating housing. It should be emphasized that statistical association does not imply causality for this or any of the other surrogates.

4. Persons Over 25 Years of Age With Less Than a High School Education

A subpopulation that is characterized by a high crime rate, unemployment, and social problems. Also, a group that is prone to live in declining neighborhoods and is heavily dependent on public support.

5. Persons Below Poverty Level

A subpopulation that relies on city governments for basic necessities such as housing, health care, recreational areas, and other public services. Also, a socioeconomic factor associated with substandard housing, urban blight, neighborhood instability, and housing abandonment.

6. Female-Headed Families Below Poverty Level

An indicator of the need for day care centers and a factor associated with neighborhood instability and substandard housing.

7. Poor Persons Under 18

See 5. and 6., above.

8. Housing Units Lacking One or More Plumbing Facilities

A measure of the physical state of housing units.

9. Occupied Housing Units With More Than 1.01 Persons Per Room

An indicator of (1) disposal and sanitation problems, (2) a high demand for recreational facilities, (3) density of population, and (4) excess demand for housing.

10. Unemployed Persons

An indicator of the economic stability and opportunity in a community.

11. Housing Units Built Before 1939

An indicator of substandard housing and a proxy for government repair and maintenance costs of older sanitation facilities and sewage lines. The age of the housing stock is a factor associated with housing abandonment.

12. Persons Per Square Mile

A measure of population density, a factor associated with urban blight and high crime rates. The more dense the population the more intense will be the use of waste and sanitation facilities and the more difficult the disposal problem. As a general rule, the importance of externality effects increases with population density. For example, density is associated with environmental stress factors such as street noise and heavy street traffic. City expenditure studies indicate that density has a significant, positive effect on per capita expenditures.

13. Owner-Occupied Houses

An inverse indicator of CD need. Rental properties characterize these inner city neighborhoods experiencing the greatest amount of substandard housing and housing abandonment.

Formula Definitions

	Popu- lation	Poverty	Over- crowded Housing	Pre- 1939 Housing	With- out Plumbing	Popu- lation Decline	Growth Lag
Present Formula	.25	.50	.25				
Alternative 1	.20	.40	.20	.20			
*Alternative 2	.25	.50		.25			
Alternative 3		.40	.30	.30			
Alternative 4		.60		.40			
Alternative 5		.30	.20	.50			
*Alternative 6	.20	.30		.50			
Alternative 7		.40		.60			
Alternative 8				1.00			
Alternative 9		1.00					
Alternative 10		.30		.70			
Alternative 11	.15	.30	.20	.25	.10		
Alternative 12		.40		.40	.20		
Alternative 13		.50		.30	.20		
Alternative 14		.40	.20	.30	.10		
Alternative 15		.50		.50			
Alternative 16	.14	.29		.57			
**Pop Decline		.30		.50		.20	
**Growth Lag		.30		.50			.20

\*Also studied in a Dual Formula mode.

\*\*Studied in a Dual Formula mode only.



# HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

FRIDAY, FEBRUARY 25, 1977

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
DEVELOPMENT OF THE COMMITTEE ON BANKING,  
FINANCE AND URBAN AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10:15 a.m. in room 2128 of the Rayburn House Office Building, Hon. Thomas L. Ashley [chairman of the subcommittee], presiding.

Present: Representatives Ashley, Moorhead, St Germain, Mitchell, Spellman, Blanchard, Rousselot, McKinney, and Kelly.

Mr. ASHLEY. The subcommittee will come to order.

This morning and this afternoon the Subcommittee on Housing and Community Development will be hearing from groups who have a vital interest in the community development block grant program, the mayors and city managers of our country. We are most interested to hear their comments on the proposed administration's changes in the block grant program, particularly on the proposed dual formula approach and on the proposed new urban development action grant funds.

Our two witnesses this morning are the distinguished mayor of Portland, Oreg., Neil Goldschmidt, and the mayor of Portsmouth, Va., also very distinguished, if not quite so young, Richard J. Davis.

Both Portland, Oreg., and Portsmouth, Va., were visited by the subcommittee staff in their review and evaluation of the community development program. Both mayors met with the staff and were extremely helpful and courteous in reviewing their cities' block grant activities.

Before the mayor of Portland testifies, Mr. AuCoin, who represents a good share of Portland, and is a longtime friend of Mr. Goldschmidt, would like a statement read for the distinguished mayor.

The Congressman from Oregon regrets not being able to be here. He was previously scheduled to return to his district for a series of meetings.

Congressman AuCoin's statement:

"At the time of his election, he was 31, the youngest mayor in the United States. He testifies before this subcommittee on behalf of the mayors of many cities, but he should also be recognized for the accomplishments in his own city. The Portland Housing Authority has become one of the most effective agencies of its kind in the Nation. Since 1973, the city of Portland has gone from an average of 200 to

300 single-family rehabilitation projects per year, to 600 to 700 projects annually.

Mayor Goldschmidt has taken the lead in setting up neighborhood associations that serve as a link between citizens and the city and have given this urban center a new vitality and human quality.

Largely through Mayor Goldschmidt's efforts, Portland is becoming a city for people again. It was no coincidence that Portland was named America's No. 1 city in terms of livability in 1975.

I believe it has set an example for cities everywhere, and I commend my friend, Mr. Goldschmidt, to my colleagues on this subcommittee. He has become a leading voice among the Nation's mayors in their vital concern to this subcommittee."

That is high praise from a good Congressman, Mr. Mayor, and we are delighted that you are with us this morning.

Gentlemen, I don't know how you wish to proceed. You both, of course, will be representing, as I understand it, the U.S. Conference of Mayors. I think we would defer to seniority, in this case, Mr. Goldschmidt, despite that marvelous introduction by your Congressman; and we will let Mr. Davis indicate how you wish to proceed.

**STATEMENT OF HON. RICHARD J. DAVIS, MAYOR, PORTSMOUTH, VA., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS**

Mayor DAVIS. Thank you very much, Mr. Chairman.

Mayor Goldschmidt will talk with you more specifically about the community development program.

My remarks will relate to the housing aspects of it.

My name is Richard J. Davis. I am mayor of the city of Portsmouth, and I am here today in that capacity.

Coincidentally, I am in the mortgage banking business in my private pursuit, and I am a member of the Virginia State Housing Development Authority. My interest is to try and focus, if we can, on how to bring the necessary tools and forces to bear to create housing in the cities of America.

Mr. ASHLEY. Let me just interrupt to say that I understand, and I have first-hand knowledge of your many accomplishments, and your innovations and initiatives can well serve as a model for other cities and communities throughout the Nation. And I don't mean at all to indicate, by way of introduction, that I was focusing on only one of our witnesses.

Mayor DAVIS. I did not interpret it that way, Mr. Chairman. Thank you very much.

I think, however, if we are, in America, to respond to these things, we have to accept a couple of basic philosophies as facts. One is that the cities of America are beset with great malaise. With that, we must understand that that malaise is not inconsequential. It is also not irreversible.

The second concept is that if we are to address many of the problems facing our cities, we have to be able to attend to housing needs and to provide decent, safe, and sanitary housing. We think that is basic.

The third concept is that we think if America is going to succeed it is going to succeed almost directly in a ratio of the success of her cities.

If we can start with these premises, the remarks we will make today, I believe, will be more pertinent and more germane.

Under the Housing and Community Development Act we have been provided, for the first time in the history of our country, a great vehicle to respond to these needs.

The 2, and in some cases 3 years' experience with that program has proven to be of great benefit. The problem has been mainly to bring together the delivery of the housing units in conformity with the housing assistance plans, and some of the comments that we will make today respond to that problem.

Generally speaking, we are asking that more emphasis be placed on the role of the local governing body. The determination of the kind of housing that will be available, and the tools and vehicles through which it will be delivered, will be subject more than in the past to influences by those in local elected offices.

There has been some suggestion that this might be too-broad power for the local officials, but when one considers that we are charged with the responsibility of zoning, land use, environmental, economic influences, integration for the purposes of racial mix, we feel we should have the authority commensurate with that responsibility to make the delivery system effective in our individual communities.

The bringing together of the public effort of the known agencies, the Federal Housing Administration, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Company, the savings and loan board, in an effort to recognize that in the inner cities we have not yet begun to complete what was our goal back in 1968.

We talked at that time, I believe, of 2.5-2.6 million units a year, and it was expected about 600,000 of those would be subsidized.

In the nearly 9 years that have gone past, I guess we have not reached that goal at all. Perhaps once, and in no year have we reached the goal of the subsidized units.

So, basically, we are asking that in your housing deliberations that you have those kinds of numbers in your mind but that you not be overwhelmed by that, because the numbers are not as important to us in the cities as the location of the housing is and who are the people that it serves.

It does not give us great comfort to know, in the suburbs or in the environs surrounding the center city, that we have had an overwhelming number of units created, if they are not serving the right people.

As a matter of fact, in some of the years when we measured our success in great numbers, it created an additional glut of housing sometimes, and sometimes it created further flight from the inner city.

So that we ask that we have that kind of a philosophy in mind, that when we begin to put together the housing programs for the future, that we be able to concentrate units where they are needed. For example, the Federal Housing Administration has been under great fire. People have criticized it, sometimes justifiably, sometimes unjustifiably. But our view is that it is in the best interest of the country that a strong FHA be entitled to take high risks in order to respond to some of the housing that would not be provided without that kind of support.

As I mentioned to you before this hearing, I come from an area of Virginia where we build great warships and we send them to sea and some of them are lost, some of them are not. If we really believe that the general welfare of America requires a sound housing policy and a safe, decent, sanitary home for every American, we should not be reticent or reluctant to commit funds, and we should also be careful in criticizing those in the administrative branch if sometimes his projects don't work. There are going to be risks in trying to bring together and bring to bear the housing needed for the people of America.

Another point that we would like to make is that there has been very little said, we understand, by either the Ford or the Carter administration about the GNMA tandem plan. Those of us in the cities believe that the GNMA tandem plan has many aspects, and one must first understand whether we define that program as being a stimulus or a subsidy.

Personally, I believe it is some of both.

However, if taking the more narrow description and saying, yes, indeed it is and should be only a stimulus to housing and not a subsidy, then we say that the stimulus has not been fulfilled just because the number of housing starts in America have reached  $x$ . Because those housing starts have not occurred in the cities of America where the people need them and where we need them.

So, we would ask you to view, if you could, the concept of a continuation of the GNMA tandem plan, with an emphasis on the delivery of the mortgage finance credit into the inner city through that vehicle.

In other words, let's make sure that if housing cannot now be built in the inner cities that we provide a vehicle for it, and GNMA tandem is one way to do it.

In connection with that, our conference in Milwaukee adopted what is called a general incomes policy. Although we wish to accommodate first the very poor, it is a fact that we do not wish the cities to become an asylum for all the poor people in America.

If we are unable to attract and keep those middle-income people in America that live there now or to attract those who do not live there to come back into our cities, the cities as a whole will become a deterrent to the overall health and welfare of our country.

And so, to that end, in the GNMA program we would hope you would consider the possibility of assistance for modest income people to live in cities.

We would like to encourage you to emphasize and assist in the section 312. We believe that this program can help us rehabilitate the inner cities. We believe that it is one of the cheapest ways.

I know that people say no; this is a ripoff program; you can't rehabilitate housing—

Mr. ASHLEY. Which one is this, Mr. Mayor?

Mayor DAVIS. Section 312. A lot of people say it's a big ripoff; you can't rehabilitate the housing of America because the people in that business are not honest enough.

I reject that. If we took that position, we couldn't have a 55-mile-an-hour speed limit because too many people want to go faster, or we couldn't have a law against any felonies because it's unenforceable.

If we can structure the program so that the money can get to cities, we are willing to accept the burden of the monitoring of it, as mayors of America.

The section 701 program should be amended and strengthened. That is a program that provides planning for long-range, not just for community development. It is a program of overall planning for the cities, all of them.

It was said, back in 1973, when we were talking about the oncoming community development program that it would replace seven, I believe, categorical grant type programs. There are some now who say, well, just use that same money out of the community development funds for the section 701 program. And it won't work. I happen to be from the private business sector, and I would no more go out and build anything without having done the planning 3 or 4 years in advance than I would fly to the Moon.

So, I urge you respectfully to keep that in your mind.

The next to last point that I would like to make is that somehow or another the housing finance delivery system has to be tailored to the HAP's. It might even be conceivable that you would consider the whole range of housing assistance as being subject to the HAP's. We encourage public housing. The old conventional public housing may well be best suited for some communities. We would want to think in term of public housing, sections 8, 235, 236, and all the programs that we have, and let's find out which particular programs suits best the needs of a particular community. The local public officials should decide which one of those is most conducive and responsive to the general challenge.

In closing, I would like to say that housing in cities is a fundamental dimension of life this Nation. Mayors recognize the necessity for them to deal with the important public policy issues that center on housing.

The process of reauthorizing the Housing and Community Development Act provides us with the opportunity to establish a stronger and more productive partnership.

We, the U.S. Conference of Mayors, look forward to working with you in this endeavor. And personally, I would like very much to thank you for hearing us this morning and to say that I believe that our interests are mutual. I believe that our dedication is consistent, and we as mayors would be glad to do anything we can to help your program go through.

[The complete statement of Mayor Davis, on behalf of the U.S. Conference of Mayors, follows:]

UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST  
WASHINGTON, D. C. 20006

STATEMENT BY

THE HONORABLE RICHARD J. DAVIS  
MAYOR OF PORTSMOUTH, VIRGINIA

ON BEHALF OF THE  
UNITED STATES CONFERENCE OF MAYORS

BEFORE THE HOUSE  
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
of the  
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

FEBRUARY 25, 1977

My name is Richard Davis, Mayor of Portsmouth, Virginia. In addition to being the Mayor of Portsmouth, I am a mortgage banker and Vice Chairman of Housing for the Housing and Community Development Committee of the U. S. Conference of Mayors.

I would like to address in more detail the question of implementing a housing assistance plan which is part of an overall community development program. Mayor Goldschmidt, my colleague, has dealt with the questions of setting housing goals and the use of the housing assistance plan as a management tool by local government, by the local citizenry, by private investors by housing developers and by the federal government. What I would like to do is discuss the housing production and rehabilitation process and policies and actions that might be taken in order to improve it.

There are a variety of important policy objectives tied to housing production such as economic growth, racial and economic integration, urban growth and many others. These objectives cannot be met without a sharp rapid increase in new and substantial rehabilitation starts from the present yearly rate of around 1.5 million units to a rate of between 2 and 2.5 million. Yet, it would be a mistake to define the problem of housing production as simply one of total production. The questions of housing location and for whom the housing is being provided are just as important as whether it is available.

Since 1968, when the federal government legally established housing goals, it has been possible on a few occasions to reach the 2 million a year unit goal. The high production years, however, resulted in more units than the market could absorb in some parts of the country, contributed to more urban sprawl, increased the problems of racial and economic segregation and contributed to the further decline of central cities. Moreover, the original target for subsidized housing of 600,000 units a year has not been met in any years since the annual goal was adopted.

Bringing together public or private developers with financing at appropriate locations with proposals which are economically feasible is a complex process. Developers have been faced with costs of financing which are too high, rents and sales prices which are not sufficient to cover costs and provide a reasonable return on investment; a Federal Housing Administration (FHA) with processing times which are an impossible burden; locations preferred by government which have been too costly with perceived risk which are too high. The secondary market institutions -- the Government National Mortgage Association (GNMA) in the Department of Housing and Urban Development, the private federally chartered Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) have responsibility for assisting the financing of housing by purchasing mortgages from lenders with funds obtained from national capital market. These organizations have not been doing as much as they should to provide stability to the housing industry



or to supporting the production or rehabilitation of housing for lower-income families, especially in central cities.

The housing production problem cannot be solved by the private sector nor can it be solved by government alone. It requires a partnership which is unprecedented if we are to, in fact, make housing assistance plans the type of management tool which plays a central role in decision making by public and private actors. A central question which we must face seriously is how do we achieve the right mix of public/private relationships in order to get housing built in accordance with locally approved plans. At present local, state, and federal governments are spending literally billions of dollars on plans, on property acquisition, and on other activities designed to influence and shape the pattern of urban development. It is becoming increasingly difficult to avoid being smothered with red tape during the process of getting housing decisions made. In recent years environmental protection regulations, economic opportunity objectives, racial integration targets, programs to improve the economic base of local communities, have all assumed new significance. The difficulty of weighing the relative importance of seemingly competing objectives, arriving at a decision, and doing it in a reasonable period of time, have made it difficult for many private investors to deal with government. At the same time, government and the citizenry have become increasingly militant in their efforts to achieve what they consider to be important public objectives. The result, in some cases, is stalemate.

Public objectives are not achieved and private sector investment does not take place. This is especially true in the housing arena.

The time has come for the federal and local governments to begin a serious process to simplify the decision-making processes related to housing. The time has come when decisions about location, and type of housing must be shifted in the direction of local government. I am certain that there are some places where local governments are not ready, nor willing to assume increased responsibility for housing production. It is my view, however, that circumstances and local politics will force housing increasingly into the decision-making process of local government. The pressures for improving the economy of cities in order to simply pay for basic services, the growing concerns at the national and local levels about environmental protection, about energy conservation, about concentration of lower-income people and minorities, are all interrelated and the complex relationships between these social and economic issues are becoming more important in the housing market place. Therefore, housing, land use, conservation are all becoming hot political issues in community after community throughout the nation. We must find new ways to deal with housing which is so closely related to land use, density, and the location of public and private facilities.

Local government has an important rule-making function, that is, local government sets zoning, establishes planning procedures, builds public facilities, increasingly has a role in decision-making about transportation facilities and operations, determines

the type of water pollution control, sewage facilities within the local jurisdiction and the metropolitan area. All of these decisions shape the context in which private decisions about investment in housing are made. Political necessity is making elected officials much more intimately involved in this rule making process.

At the federal level, the lack of the coherent national urban policy makes it extremely difficult, if not impossible, for most elected officials to really have an impact on the shape of development of their community. Most of the local rules of the game perform a negative function; they can prevent things from happening, but they can't really make things happen when and where all of the rational plans which incorporate state, local and federal public objectives suggest they ought to occur. This is especially true in the housing industry.

At the federal level, the involvement in housing is enormously significant and financial institutions which supply most of the mortgage credit for housing are either federal or regulated or controlled in some fashion by the federal government. The Federal Home Loan Bank Board, the Federal National Mortgage Association, Government National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Housing Administration are responsible in some fashion for the financing of virtually all the housing built or rehabilitated in this country. The question for us as Mayors is how do we get our handle on that system, so that we can use the subsidy money we have

to harness the entrepreneurial skill as well as the money of private sector people to concurrently achieve federal and local public objectives. There are certainly some things that can be done. For example, the Federal Housing Administration has an important role to play in achieving housing production objectives. It must be the entity which takes the risk which is unreasonable to expect the private sector to take. It must be an innovator which sets its standards of performance based on objectives. High-risk programs should have higher default rates than low-risk programs. Low default rates in a high risk program may be indicative of poor performance. It may be that the type of projects the program was set up to handle are not being accepted for processing. The much beleaguered FHA has suffered from the use of inappropriate standards. It is now time to recognize the importance of FHA as an instrument to spur housing production which is consistent with public objectives by reducing risks so that it is economically feasible for development by private and/or public developers to take place. With competent people and fees related to risk, FHA can once again become a respected and important institution.

The Federal National Mortgage Association is the largest private mortgage lending institution in the world, with over \$32 billion in assets. It could be an innovative lender of last resort. To perform this role, however, FNMA would have to change its basic goal from maximizing return on investment to the legally required objective of a fair rate of return. FNMA has public objectives which are not being met because of its almost exclusive attention to achieving the highest possible

profit. FNMA could be a leader in achieving the goal of a sharp increase in production and greater stability in the housing industry. With FNMA as banker and FHA as mortgage insurer for HUD, significant advances in housing production and stability in the industry are possible.

The Government National Mortgage Association (GNMA) could also be an important instrument to help local communities carry out their housing assistance plans. The Emergency Housing Act Tandem Plan Authority is expiring and neither the Ford nor the Carter Administration appear to have any interest in continuing the Tandem Plan. Apparently, their view has been that the Tandem Plan has as its purpose to smooth out the cyclical nature of the housing industry. It is our view that there remains a shortage of mortgage credit in cities' areas where unemployment is extremely high. Therefore, it seems to us that there is adequate justification for continued use of the Tandem Plan certainly in cities to assist in the implementation of housing assistance plans. It is our view that the Tandem Plan assistance should be included among that federal assistance which is covered by housing assistance plans. At a minimum, priority for use of Tandem funds should be given to projects which are a part of housing assistance plans. The billions of dollars that have been devoted to the Tandem Plan have had very little impact within cities. However, we do not think that we should "throw the baby out with the bath water." The Tandem Plan assistance was helpful with the 221D3 Program and other subsidized programs during the 60's.

It is now apparently being committed to die a quiet death, when in fact, we still have important critical problems confronting us in getting new housing built and old housing rehabilitated in central cities. There is a special problem with all multi-family units, new or rehabilitated. Mortgage credit is difficult to obtain at rates which makes these projects; yet, there is a need for multi-family projects to house the large number of single and two person household which are the result of the new life style of the so called "post war baby boom children."

I would like to point out that Mayors are not only concerned about housing for low and moderate income people, The resolution adopted in Milwaukee talks about an all-incomes policy. By this phrase we mean cities need a balanced population. Some of our thinly populated inner city ghetto areas need to be economically integrated just as some of our exclusive high-income neighborhoods need to be economically integrated. It is sometimes as difficult to get housing in neighborhoods which will attract higher income people back to the city or encourage them to remain in the city as it is to obtain housing for low-income people outside of poverty neighborhoods. It is certainly in the interest of us as Mayors to effectuate the type of special deconcentration of lower income people which is a specific objective of the Housing and Community Development Act. Accomplishing this objective, however, will require mayors having some influence over non-subsidized as well as subsidized programs. It is for this reason that we would like to move in the direction of an all incomes policy and expand the housing assistance plan to include all

governmentally assisted housing. We would define governmentally assisted housing much broader than it is defined today.

Are Mayors asking for too much? Can local government make better decisions about location on the private market? These are all perhaps interesting questions, but the reality is that decisions on zoning, land use, environmental protection, transportation, which are being made increasingly by local government, are shaping the location of housing, but we need, however, a better understanding and better strategy at the local level and at the federal level about the impact of those actions which we take. We also need to establish goals and targets so that we can determine whether or not the action we take actually has the hoped for or intended effect.

Effective linking of housing and community development will also require focusing attention on the allocation of assisted housing funds from HUD Central to local communities. Section 2 (3(d)) of the Act sets forth the factors to be considered in allocating funds. This section should be reviewed along with the proposal to change the present funding and allocation system. Communities should know the amount of housing funds which will be available for planning purposes just as they know the amount of community development funding. The housing assistance plans should be the principal mechanism for allocating funds, but it should be based on a realistic estimate of funds which will be available.

Expansion of the 312 loan program would be a desirable addition to the housing activity in most cities. The stop and go

pattern of this popular program has made it difficult to plan and implement local activity. It is an essential ingredient of an effective local rehab program. Leveraging CD funds as an adjunct to the 312 program by involving private financial institutions, in supplying mortgage money for rehabilitation, is being hampered by Treasury Department regulations on draw-downs of CD funds. These rules should be changed to simplify processing in obtaining local financial institution participation in rehab. In addition, consideration should be given to establishing a secondary market for these locally assisted rehab loans. GNMA or the Federal Home Loan Mortgage Company could purchase these mortgages, aid local government and involve private lending institutions in inner city rehab.

The 701 program should be expanded and strengthened. It is the principle source of federal support for local policy planning and management capacity building. There are some who argue that this program should be merged with community development. That argument is reminiscent of the general revenue sharing discussions. When that law was passed, we were given assurances that it would not be used as an excuse for reducing other federal programs. The next budget after the general revenue sharing law went into effect contained statements that programs were being cut back; and, if communities wanted to continue them, they could use their general revenue sharing monies to do so. Similarly, when community development was enacted in 1974, our understanding was that it was a program which consolidated seven categoricals. The 701 program was not one of them. Moreover, the community development law



requires that three years from the date of enactment, a community prepare a comprehensive plan with a minimum of land use element and housing element. The 701 Program has not been a program for capacity building or policy analysis. It has been a program for physical development planning. Cities, especially the larger ones, are taking on more and more responsibility outside those that local government has traditionally handled. There is a desperate need for management capacity building and policy analysis in these cities. This kind of effort goes beyond what is reasonable to finance out-of-community development.

With respect to budget figures, we feel that the community development request of \$4 billion is adequate. In the housing area, it is our view that we should establish a specific target for housing production. We should try to achieve an annualized rate of production of 2 to 2.5 million units a year by the end of FY 78. Between 500,000 and 625,000 of those units should be subsidized. The amount of money required to achieve that goal would, of course, depend on how much is in the pipeline, how rapidly it can be moved, and what it will take to sustain the level of production over a period of the next few years. With respect to the mix of housing, how much should be new construction, how much should be rehabilitation, how much should be conventional public housing, how much should be Section 8, and how much should be existing housing, analysis should be made of housing assistance plans to develop estimates for the program mix. It seems to us this is the process we need to arrive at in order to achieve reasonable housing goals. The budget amounts should, of course,

flow from those goals. We are, therefore, not prepared to give a specific figure, but would like to work with the Congress and the Administration to develop a goal setting and budget process for housing that is realistic and reflects local needs both in terms of housing mix and geographical location. We certainly applaud the proposal of the Administration to add more money for FY77. Additional funds for Section 8 and other subsidized housing programs to reach a 500,000 to 625,000 annual rate in 1978 should be proposed, if they are needed. We support the efforts to bring back conventional public housing and the 235 Program. We would also recommend money be put in the budget for housing counseling, with the amount being tied to the number of 235 housing units. It is our view that the 235 Program with proper counseling can be a success for new construction or rehabilitation. However, counseling is of critical importance.

The budget proposals of the Administration do not include any money for the interest subsidy provisions in Section 802. We support additional interest reduction grants under Section 802 for taxable bonds issued by eligible agencies. We also support appropriate changes in that legislation to make it easier for local governments to become eligible.

Finally, we feel strongly that the existing \$5 billion tandem authority should be made available immediately as part of FY 77 budget supplemental. For '78 we feel a substantial increase in the Tandem Plan would be desirable. It is our view

that the low interest tandem money should be used for non-subsidized housing with a heavy emphasis on rehabilitation and on multi-family units in cities in accordance with housing assistance plans. We still have a housing shortage and a shortage of mortgage credit in most of our cities. In view of the all-incomes policy which we discussed, it would certainly be desirable for us to have Tandem Plan support in cities for housing for people of modest incomes, properly located in accordance with housing assistance plans.

Housing in cities is a fundamental dimension of life in this nation. Mayors recognize the necessity for them to deal with the important public policy issues which center on housing. The process of reauthorizing the landmark Housing and Community Development Act provides us with an opportunity to establish a stronger and more productive partnership. We look forward to working with you in this endeavor.

Mr. ASHLEY. Mayor Davis, thank you very much. That was a fine statement. We will certainly have some questions for you at this juncture.

We will now call on Mayor Goldschmidt.

**STATEMENT OF HON. NEIL GOLDSCHMIDT, MAYOR, PORTLAND, OREG., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS**

Mayor GOLDSCHMIDT. Thank you, Mr. Chairman, for having us, and let me say, in my first visit to this subcommittee, as a beneficiary of many years of work by the people who sit here, it is nice to be able to come personally and say thank you. The programs that we have operated, some of them haltingly, some of them successfully, some of them not, but the initiatives have really been yours, and we appreciate that.

I would like to file for the record a copy of the resolutions adopted by the organization which the two of us represent today that bear on the matters in front of us. I think the record will show that those are present.

Mr. ASHLEY. Without objection, those will be in the record following the mayor's testimony.

Mayor GOLDSCHMIDT. I have a 17-page statement here and will not read it and will also file it on the occasion of remembering the story about the man who knew he could not memorize the whole thing and boiled it down to a précis and then boiled it down to a paragraph and finally to one sentence, and in an act of absolute self-discipline, got the thing down to one key word, and then forgot the word. I will risk it and ask that it be filed, also.

Mr. ASHLEY. Your complete statement will appear in the record.

Mayor GOLDSCHMIDT. Let me start out by saying—

Mr. ASHLEY. And also your key word. [Laughter.]

Mayor GOLDSCHMIDT. The key word is—I don't know whether it is "help" or "more." [Laughter.]

The package you have been presented by the administration has been discussed by us with members of the staff and with the Secretary personally, and I would like to start out by saying, we think, fundamentally, it is a good one. I want to make six points as I go through talking about what is there and what is not there, and let me begin.

We took the position as a Conference of Mayors that if humanly possible, that no city now functioning under the housing and community development grant should be harmed by a change that would attempt to target better or whatever the public objectives might be. The formula that has been submitted, the dual formula to which the chairman referred, we think, is a first-rate crack at doing that. It does not accomplish everything, but I want to say, on behalf of myself and others, some of us do better than we expected; some of us, not so well; but we could not have asked for more help and more effort and a better try at it. It is basically a good package.

There are some things about the matters that have been presented to you by the administration, though, that I would like to speak to in more specifics.

The first matter is this question of economic development. If there is a lesson about the history of cities, it is that, to the extent we are

not an attractive place for people to invest in the private sector, that it is a community that cannot attract investment, cannot have jobs, if you can't have jobs, you are inviting long trips, and if you are inviting long trips, you are basically suggesting people should go somewhere else to live.

We feel very strongly that economic development is an integral part of the housing and community development strategy and that any requirement that we exhaust other Federal resource remedies before we try to use community development funds as a part of building a healthy platform in our community makes very little sense.

So to the extent that in the current legislation and any other changes you consider, you can make it very clear that this is a principal purpose and not a collateral or a secondary purpose, I think it would be sound.

You have been asked to consider an urban development action grant program to expend \$400 million, or to allocate \$400 million that would be expended to deal with special problems or, as I would describe it, special opportunities in communities around the country. This has been attacked by some as a return to a discretionary program, to the fear of administration playing political games, to the fear of cities having big, boondoggle projects, to the fear that basically we will not use our block grant program properly.

Let me suggest to you, as a city that frankly is not sure whether we would ever get one of those grants, nor frankly am I concerned as to whether or not that is the outcome—if we need one, we will apply; if we don't, we will not—that there are some unique situations that continue to appear in my community and my colleague's community and in cities all over this country without regard to size that make a very strong case for the program.

And Mr. Chairman and members of the subcommittee, let me cite three examples that I think would maybe give you some evidence of this.

The community that has a \$250 million development—walk into its door one day and say, we have looked at your water system, we have looked at your environment, we've looked at the job market and the labor market here, we've looked at your community college training programs, we've looked at access to the shipping resources we need or whatever, and we think you are one of the two or three communities that were in the finals. We want to make a decision in 60 days. This has been going on now for months without any participation by local government, by their private consultants just coming into communities and checking out all of these factors. All we need from you are the following commitments.

And now we get down to the one that says, we need an assurance that you can handle the sewage that we are going to have. And we say, what is it that you've got in the way of volume? And we say, fine, let us take that to our secondary treatment experts and our sewage plant managers and our sewer operation people and public works, and they come back and say, Mr. Mayor, you've got a capacity overload on the land where they want to go, and you're going to have to spend \$1 million to get that plant in; \$250 million tax base, 900 jobs, and the only question is whether or not we can walk into somebody and say,

can we get that money for the sewer? You can say, fine, we will go to see EDA. I'm not here saying EDA should not be stronger, it should not have more; I'm saying, as a part of our integrated community development strategy, whether that had been a road, we would have been told to go to the highway administration. We could never have gotten that done in that period. It's 2 years to get a Federal aid urban project through the process. We should not be told to go to EDA for the project, either.

And I can go through a list of other possibilities the company would have asked for. That \$1 million will in fact produce everything that we tried to get done with the block grant, everything that we tried to do in getting housing, everything that we tried to do in improving neighborhood housing by rehabilitation, everything we wanted to do with street trees, and whatever it might be, here it is, a one-shot opportunity; not every year—just do it.

A second example—and this in fact is a real example from my community.

We have a retailing company that is asking us whether or not we have the capability of handling a distribution center for all of their stores. They want to place this retail distribution center along a road in which we are already committed Federal Law Enforcement Assistance Administration lighting funds. We have already committed massive Model Cities funds. We have committed Housing and Community Development funds. And basically, all we need on a schedule that will not allow us to get it out of this grant, is a substantial amount of money to do land assembly and land breakdown and the classic urban renewal program, but because we are doing multiyear budgeting in the housing and community development program, in order to spend this money on this program, we would have to deny neighborhoods that have already cranked up, in some of the cases going door to door voluntarily to stimulate housing loans for rehabilitation and energy efficiency and all the other objectives we want.

The third one is, we have an EDA grant, a study grant that is about to be delivered to Portland to do a lower southeast Portland rehabilitation study. We have no assurances that that organization will come back to us and conclude that what we study is worth funding. We think what will come out of that, essentially, may look more like a housing and community development activity than like things EDA has been funding in Portland.

And all I want to suggest to you is that what you are beginning to see is that the block grant program is working. It is beginning to get the integration into our objectives, manage them well, and finally the big test comes. A private investor walks in and says, I am going to take you up on your community development objectives; I am going to take you up on your planning; I am going to take you up on your implementation.

Can you deliver this if I deliver that? And the answer in some cases is the amount of one-time public investment required to get that private activity rolling, which is the key to the long-term health of the community, is not possible to do it in the regular formula block grant program, and we have no other source that I know of to look to.

Now, these are three examples that I just sat down last night and jotted—and if somebody wanted to, without revealing things about

the companies that are involved—I am perfectly willing to show you where those are and to talk more about them. But I have mayors and city managers and people all over the country who would say, that's not an every-year occasion. God willing, I wish it was. But it comes up, and it does not come up on a plan. It comes up when the private sector psychology starts believing in the kind of strategy we have been trying to put together.

So I strongly urge you to favorably consider the urban development action grant program. I think if there is some performance objectives that want to be added to that, if you feel more comfortable of that, I would be supportive of working with your subcommittee, and I know our conference would, as well.

Three final points, maybe of a lesser length, but nonetheless, we think, important.

The comprehensive program approach to small cities, I think, is just a very sound thing. And I want to commend Secretary Harris and her staff for doing that. We are an organization that has cities of 30,000 and above, and oftentimes I think it is—there is a tendency to forget that we represent not only cities of Portland and Portsmouth or New York City or Chicago, but we have a lot of members in smaller communities. They are as eagerly awaiting the comprehensive program approach as we are, and I just commend the small-cities approach.

Mr. ASHLEY. Mr. Mayor, on that, are you taking to the suggestion by the Secretary that the discretionary funds be handled on a state-wide basis? What are you speaking to?

Mayor GOLDSCHMIDT. What I'm really saying is, the SMSA discretionary balance, one-time, pop system is probably not a superway to do business, but I have neighboring smaller communities who would like to get into a steady pattern of doing business and long-term planning, and the ability to stimulate private sector responses to them is just as important to me, and I think the approach that the HUD people are taking is essentially saying, look, there is a—they are entitled to some certainty in planning, as you are. And I think it is a fair request, and I'm glad to see HUD saying something about it.

My colleague has very eloquently talked about housing assistance plans, but let me just say three things about it. Maybe these are more personal than they are a U.S. Conference of Mayors matter, of needing to be repeated again.

Anytime anybody makes a commitment, make them keep it. Housing assistance plans are going to take an enormous amount of work, and they can be a phenomenal management tool for getting private-sector response, for getting banks and savings and loans and State housing corporations to be in the cities, but not when the Housing and Urban Development Agency promises units that they don't deliver; not when they say, we'll give you this many units of section 8 for new and for rehabilitation, and then they give them away to existing units.

And I guess what I am saying is that the halting support of those programs is somewhat disturbing.

That housing assistance plan has some affirmative action, equal opportunity implications, and I would just like to add one comment there. The two of us—and I think we can speak for our members in

unanimity—do not want to see any member of our organization or any member of any other organization that is receiving funds from the Federal Government for the housing and community development grants or for housing sheltered from their responsibility of in fact having an assistance plan or for carrying it out. And if our members are refusing equal opportunity and equal access to housing and refusing to be an active participant in this partnership, then we think they ought to be cut off. It's not a legislative change; it's a management principle. And I think we feel very strongly that the legislation already says that, and it ought to be carried out.

My final point—I want to close, as my colleague spent a great deal of time on housing. Maybe it's because of where I come from, but I don't think so, because I sense my fellow mayors feel the same.

There is no single right program in housing for every city. This is a point Mayor Davis has made. There isn't enough money in section 312. We have a lot of cities who made section 312 work, but then there isn't enough money in section 8 for some communities that in fact have shown the capability of making section 8 work, and some places, section 235 has been a bad program, and in other places it has been a success.

I cannot strongly urge you enough to avoid this business of, if it flunks in city A, we will cancel it in B, C, D, E, and F. Put all the arrows in the quiver. Hold HUD accountable for making those housing assistance plans be a management tool. If I can use sections 235 and 312, but we can't get the lenders to go on section 8, and my colleague can get them to go on section 8 and sections 235 and 312, and some can get one and can't get the other, let's make them all work wherever they will work, because whatever a community feels good about, whatever it can make work, we ought to try.

There has been a tendency, I guess—in conclusion—to say, my gosh, you know, only 60 percent of the cities seem to have any success with this program. That's better than zero.

I come here today with one disappointment in all of the submissions to you by the administration. There really isn't a housing stimulus package in the economic stimulus program of the Carter administration. And, basically, there isn't a housing stimulus program here, either. And I really feel strongly that there is the capability of having an active partnership with the Federal Government and with our States, that we can put housing on the ground. You have passed good programs before. We've been fighting with two previous administrations just to get them funded, and then with the people who carried them out, to make them work through the redtape and regulations, and I think there is a lot of good that is already in the Federal law; that we ought to be spending less time looking for new programs than making the ones we have work.

And I just can't say strongly enough, I hope you will put the money behind them to back up the efforts you have already made legislatively. If we can't carry it out from there, I'm willing to see somebody talk about a new course of action. But I think we can do it.

Mr. Chairman and members of the committee, thank you very much for hearing us. And we would be glad to answer questions.

[The complete statement of Mayor Goldschmidt, on behalf of the U.S. Conference of Mayors, along with the resolutions referred to in his oral statement, follow:]



UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST  
WASHINGTON, D. C. 20006

STATEMENT BY

THE HONORABLE NEIL GOLDSCHMIDT  
MAYOR OF PORTLAND, OREGON

ON BEHALF OF THE

UNITED STATES CONFERENCE OF MAYORS

BEFORE THE HOUSE

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
of the  
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

FEBRUARY 25, 1977

I am Neil Goldschmidt, Mayor of Portland, Oregon, and Chairman of the Housing and Community Development Policy Committee of the United States Conference of Mayors. I am honored to testify before you today in support of the Administration's proposals for reauthorization of the Housing and Community Development Act of 1974. The Conference of Mayors is pleased with the proposals which have been put together in an incredibly short period of time in a new administration in the area of housing and community development. These proposals are very close to the policies which have been adopted by our organization over a period of years and it is our hope that Congress will enact them promptly so that we can continue to strengthen our efforts to rebuild and conserve the nation's cities.

Before discussing the specifics of the issues involved in reauthorizing the Housing and Community Development Act of 1974, I would like to file for the record several resolutions which were reviewed and updated at the Conference of Mayors' meeting in Milwaukee last year. One covers reauthorization of the Housing and Community Development Act of 1974; a second deals with a pilot program for neighborhood preservation and rehabilitation; a third covers housing programs; a fourth covers federal assistance for major redevelopment projects. These policies have, to a great extent, been adopted by the Department of Housing and Urban Development under the leadership of Mrs. Pat Harris. This set of programs and policies, if they can be implemented properly and funded at the levels proposed, will enable cities to

make a quantum leap in their efforts to deal with physical development issues in cities.

While we have not had an opportunity to review the specific legislative proposals, we do know that the Administration is proposing \$4 billion for community development, a sum which we feel is adequate for FY 78. The proposals of the Administration include a new funding and allocation system which is a dramatic improvement over the present formula contained in the Act. A new discretionary program funded at a \$400 million level incorporates many of the elements of Conference of Mayors' policies on neighborhood preservation and major redevelopment projects. A hundred million dollars is provided for an urgent needs fund which will aid many communities to face the financial difficulties of closing out urban renewal projects.

The Administration's commitment to higher levels of subsidized housing production is reflected in the request for additional funds in FY 77 to increase the housing production level from 236,000 units to 400,000 units. It is this type of commitment which we have been looking for in the housing area. We, therefore, have a number of reasons to be pleased with proposals which have been made by the Administration.

I would like to discuss the major policy issues which are of concern to the Conference of Mayors. First, the formula. The Conference of Mayors' policy states that we desire an equitable formula and allocation system which adequately maintains and continues all existing entitlement cities at or above current program levels. It is our view that through a combination of

higher levels of funding and a better system for allocating whatever funds are available among cities based on better measures of need, it is possible to obtain a politically acceptable and fair distribution of funds. As we understand it, the Department of Housing and Urban Development has made numerous computer runs using different factors and weighing those factors in a variety of ways. The resulting proposal in our view, is a significant improvement over the formula in the law. We have attempted to make an independent evaluation of it by reviewing its impact on cities over 100,000 in population and by attempting to determine the relative importance of the factors used in the formula. Based on the work we have been able to do, it is clear to us that the formula meets most of the tests of our policy.

We recognize that there is no perfect formula. The diversity among cities and the difficulty of obtaining accurate data about problems in cities which are comparable from one city to another makes it impossible to devise a formula which will be fair to every city. However, since the funding level for community development has been substantially increased, it is our view that the policy objectives of the Conference of Mayors can be satisfied within the context of the formula proposed by the administration. It will be necessary for the discretionary fund, the urgent needs monies, and the allocation of housing assistance funds, to take into account the needs of those communities which have the capacity to deal with their problems and have real needs. It is our hope that the Congress and the Administration will agree with this approach, and state in committee reports and regulations the necessity for paying

special attention to those communities for whom the formula is not fair. We would be happy to work with the Committee and the Administration on specific language and would be willing to assist in the administration of the program so that fairness, equity and allocation based on need is achieved to the greatest degree possible.

It is important for all of us to keep in mind the old GIGO principle, "garbage in -- garbage out." There is no substitute for human judgment. The formulas and the computer runs can help make the decision-making task easier, but the discretionary fund should be used creatively and judiciously by the Administration with clear and adequate guidance from the Congress to ensure that fairness and equity are achieved in the distribution of these important and scarce community development dollars.

You will note that two of the resolutions which I have submitted to the Committee, deal with neighborhood preservation and federal support of major redevelopment projects. The policies contained in these two resolutions are fairly close to the purposes for which the discretionary funds are to be used. We have not had an opportunity to review the legislation, nor the detailed description of the Administration's view on the discretionary fund. However, it has been our view that there is great deal of experience and knowledge in selected communities throughout the country which will make it possible for them to take pilot projects and make them into meaningful, large scale programs of neighborhood economic revitalization.

Neighborhood revitalization and conservation activities have been a major focus of efforts by local government. A number of cities are deeply involved in using community development money to finance rehabilitation and to use CD funds to leverage private funds from lending institutions. In addition, with support of HUD Research and Demonstration Funds, a number of planning efforts have been undertaken in communities on neighborhood preservation. Most of these studies detail the importance to communities interested in neighborhood revitalization of selecting neighborhoods of a certain character, establishing detailed systems for monitoring community change, and developing a public/private partnership with lending institutions and community people in order to achieve extensive rehabilitation, code enforcement, public works and recreation activities in order to arrest decline in essentially sound neighborhoods. Commercial revitalization is often viewed as an integral part of neighborhood preservation. Shopping facilities are, of course, critical ingredients in the success of a residential neighborhood. In addition, light manufacturing and office type commercial facilities are also important ingredients in neighborhood preservation. The experience of the Urban Reinvestment Task Force has also contributed to the discussion about neighborhood preservation. It is our view that the climate is right in a number of communities for large scale neighborhood revitalization efforts which could not be funded under the regular community development program. The discretionary fund might be used for activities of this sort.

As we understand it, there has been some controversy about the desirability of altering the community development legislation to make economic development an eligible activity. It is our view that this argument or discussion is somewhat sterile.

It is simply not productive to engage in endless definitional discussions about what is economic development and what is community development. The federal government now has literally hundreds of grant and aid programs which bear on community development and/or economic development. These programs are carried out by scores of federal agencies.

It seems clear to us from reading the community development law, which in Section 101(c) states, "the primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." One of the specific objectives in this same section is the more rational utilization of land and other resources and the better arrangement of residential, commercial, industrial, recreational and other needed activity centers. The list of eligible activities in Section 105 includes the acquisition of property which is blighted, deteriorated, deteriorating, undeveloped or inappropriately developed from the standpoint of sound community development and growth. The list of eligible activities includes public services and requires that a community must show that it is attempting to obtain funds from other federal programs and has been denied those funds before it can use community development money for services directed towards economic development.

Our review of this language makes it clear to us that to achieve the purposes of the act, a community can purchase property which is undeveloped or inappropriately developed from the standpoint of sound community development and growth. If there is a

need in a community for an activity center or a mixed use development which is part of a rational overall plan and strategy, community development monies could be used to purchase properties to achieve that objective.

The primary purposes in the community development legislation are different than those in the economic development legislation managed by the Department of Commerce. There is obviously some overlap between the programs of the two agencies, and the Conference of Mayors strongly supports more appropriations for the economic development programs of the federal government. It is our view that 300 million dollars a year for economic development is woefully inadequate to meet the needs of our country as a whole, especially the needs of our cities to expand their economic base and to increase employment. It is clearly appropriate, however, for a local community development program to provide for adequate commercial facilities properly located as part of a strategy to improve land use and to channel the pattern of growth in a community. Regular CD funds should be available for this purpose and certainly the discretionary fund could be used for a large scale or significant undertaking, which is part of this type of economic revitalization effort.

There are economic development activities sponsored by the Community Services Administration, Economic Development Administration, and the Small Business Administration. Each has an important role to play in economic and business development. Mayors are becoming increasingly involved in attempting to combine federal resources



from various agencies into a local plan which addresses needs defined from the perspective of the local community. At present, the Conference of Mayors is working on an integrated grant with the Committee on Urban Economic Development and the National League of Cities. The funding for this ten-city demonstration project comes from the Department of Labor, HUD, and the Department of Commerce. Within the ten cities, efforts are being made to fit these three programs together as part of a well planned, sustained local effort which involves the private sector and leverages the public grant dollars with private investment. It is this kind of weaving together of programs which have different, but related objectives, which we feel the new discretionary grant program should support. As we see it, the community development program is the foundation, the platform, on which a variety of other activities take place. Community development funds are highly flexible and provide a means by which communities can glue together funding and projects from various sources, both federal, state and local.

It is clear to us, however, that a central thrust of community development is housing, and we recognize that housing and community development must be closely related if we are to achieve that historic but illusive goal of a decent, safe and sanitary home in a suitable living environment. The housing assistance plan is the device which the law provides to tie together housing and community development. It should be a management tool, recognized by the private sector, the federal government, the local government and the local community as a whole, as the instrument through which housing decisions are made. The location, type of

housing, timing of housing production or rehabilitation should all be set forth in the housing assistance plan. It should be more than a paper. It should be the basis on which decisions are made. It is not simply a document that the local community sends to the federal government, nor should it simply be a check point on a list for federal officials. It should be the document which is used by the FHA, Federal National Mortgage Association, and all other elements of HUD in making decisions about the type of housing assistance to be provided in local communities and/or to private developers who are seeking assistance to construct or rehabilitate housing in particular communities. Housing assistance plans should also determine the types of housing programs which are to be used in a city. We have learned that one program doesn't work in all cities, or doesn't work well in all cities. Some communities have had great success with conventional public housing, other communities have had great difficulty with it. It makes no sense to cut off a program which works in 49 percent of the communities in favor of one that works in 51 percent of the communities.

We need a variety of programs which will meet the needs of different communities. The local communities should have a voice in determining which programs -- 235, conventional public housing, Section 8 -- should be emphasized in their communities. It is clear to us that we need, at the national level, a set of housing goals. It is important, however, that those goals be established on the basis of local plans. The housing assistance plans should shape the mix within the overall total. The number of units to be rehabilitated, the extent to which apartment houses

are needed as opposed to single family homes, the proportion of conventional public housing -- 235, Section 8, 202 -- should be matters which are determined largely on the basis of housing assistance plans. Our national goals should also have a geographic dimension. It is as important where housing units are located as it is whether or not enough are being produced in total. National goals should also be reviewed periodically. They should be set for a shorter period of time, and then get a periodic review and update. It seems clear, based on the work that has been done by a number of academic institutions, as well as by the federal government, that there is a need for around 2 million units a year. However, the mix of those units, where they are to be located, the proportion to be subsidized, are all issues which ought to reflect local planning and local decision making through the housing assistance plans. We hope that the Committee will continue its efforts to strengthen the role of housing assistance plans, and will play a much more effective role in establishing and monitoring specific goals which are established through a process which involved local government.

I would like to spend a few moments talking about the administration of the Act. Because it has been the subject of controversy, many reports designed to evaluate the community development program have been produced. Leaving aside the difficulties of evaluating a program which is still in the early states of development and implementation, many of the evaluations missed the mark. The most common concern we have had about these evaluations is that they attempt to evaluate the community development program on the basis of some national standard. The most common one is the amount of community development money spent in low-income

census tracts. This type of evaluation is done, in large part, because the data is available. The more difficult task, which has not been done, is to evaluate on a community by community basis, relating the community strategy to what has actually been accomplished. For example, there are some communities which own a vast amount of real estate, that is waiting for development. Real estate that was purchased and cleared with the help of some of those programs which preceded community development, urban renewal or model cities. These communities may not want to spend more money within the neighborhoods where the real need is for private investment. They may decide that a high proportion of their funds should be spent in sound, but declining neighborhoods. That may be a sound strategy for a community. Yet, it would get penalized in most of the evaluation studies because it is not spending a high proportion of its money in low-income census tracts.

There are others who have evaluated community development and have been very critical of its administration by the federal government and/or local communities for ignoring the responses of the law. A recent study in effect criticized the community development program for not spending more money on public services. It is our view that the community development program is essentially a physical development program designed to eliminate slums and blight with the primary beneficiaries being low and moderate income people. It is not in our view a general revenue sharing program nor is it a social services program. It is also our view that the administration of the program since the program was enacted has had some serious deficiencies. The Administration, in the past,

has not done as much as it might have done to insist that communities develop a strategy about how its monies will be spent. A strategy against which its progress can be evaluated is simply not a listing of particular projects; evaluation should not be an effort to determine which projects are to be funded by determining whether they are on the eligible activities list. While that may need to be done, there is another step which must be taken also. The community must have an overall strategy which can logically lead to the accomplishment of certain objectives. The community should be evaluated on whether or not the objectives of its strategy are being achieved.

This kind of evaluation requires an agreement between the locality and the department on strategy and on a set of objectives. The question of whether or not an activity is eligible or not, must be addressed in the context of the community's strategy and its objectives. All too often whether or not an activity is to be supported is judged completely apart from its contribution to the achievement of a local strategy. Unless the local strategy is a part of the evaluation, in our view, the evaluation is meaningless. We recognize that acceptance of this approach makes it very difficult to evaluate the program on a national basis. However, we think that is the real challenger for us locally, for the Congress, and for the Administration. We don't want to go back to having the federal government second guess every move we make at the local level. At the same time, we want to be clear that this is not a general revenue sharing program. It does have national objectives, it does have specific objectives that the money is to be directed at,

and we feel strongly that we must respect that and so must the federal government.

We have no desire to defend improper uses of federal money. If the city of Portland is not carrying out its program in a way which is achieving the objectives of the act, then we should be penalized or our monies cut off. If we do not prepare a housing assistance plan which reflects the needs of people who are expected to reside in our community, we shouldn't get any money. However, we also feel that we should be able to devise a strategy which truly addresses our local needs and which is within the purview of the community development act. We should not be judged on the basis of some national standard which has little to do with the specific problems of our community.

There is one other aspect of the community development program which could not be over-emphasized. Our experience with the program so far indicates the critical new role which chief elected officials are performing in connection with community development and a number of other programs. We are now beginning to confront tough political decisions in a way which we have not had to do in the past. As you know, traditionally local government has been responsible for picking up the garbage, putting out fires, catching crooks. Within the past generation, elected officials are now faced with making tough political decisions on manpower, community development, transportation, housing, environmental protection. All of these areas are now ones in which chief elected officials should be exercising some authority and playing

a role in decisionmaking. As a result of this revolution in the role and responsibilities of mayors, we are increasingly concerning ourselves with the limitations of local government and ways in which we can expand our influence through more sophisticated public/private partnerships.

One of the out-growths of our new concerns and interest has been the National Urban Investment Program which was prepared at a meeting of the Conference of Mayors in Chicago last year. This Urban Investment Program reflects our growing desire to play a more effective role in making the political decisions about local policies and the use of federal programs which have the potential of aiding local government achieve concurrently local and national objectives. We feel that we are gaining new competence and new ability to put together the subsidy programs, both those that are paid for with local tax dollars and those that we get from the state or federal government. However, we recognize clearly now that without a means for influencing the flow of private investment greater than what we now possess, many of our efforts in the physical development area will not succeed. We have, therefore, proposed the creation of a National Urban Development Bank which would assist cities obtain the private financing of development activities which are clearly outside the responsibility of local government. We have to solve the problem of building schools but often the city needs a commercial facility or needs a certain number of housing units built at certain locations within a certain time period in order to achieve its public plans. In situations such as this the local government can provide subsidies which will make it economic for private investors to undertake activities

at locations, on a time schedule, which they otherwise could not do. In some cases, however, it will be necessary to have some special aid, such as through a national development bank, to assist the private sector get the financing, when it's needed, where it's needed, in order to achieve public plans.

We hope that the Committee will give some attention to the need for an urban development bank during this next year. In that connection, we also have reviewed section 802 of the Housing Act. This section provides for federal assistance to state development agencies. Essentially, the provision has never been implemented. We hope that the Congress and the new Administration will implement Section 802 since it has the potential of assisting in obtaining the private investment that's needed in order to carry out some of the plans and programs of community development. It is our view that the law also might be changed to make it simpler for local government to obtain designation as a development agency. We have no desire to undertake any activity that we do not have to undertake, and in those states where the Governors are willing and anxious to assist local government deal with their community development problems, it certainly would be foolish for a city to create a corporation or an entity to obtain the federal support offered by Section 802. However, there may be circumstances where a local community has the capability and it is sensible for it to undertake the creation of an entity which can participate in the Section 802 Program. In any event, we hope that the Congress will give careful attention to the problem of helping local government find ways to work with the federal government to influence the flow of private investment to achieve local public objectives.



The guarantee of loans for acquisition of property provision in the Housing Act of 1974 is not adequate for implementing a balanced community development program. Section 108 of the law requires that local communities set aside 110 percent of the difference between the cost of acquiring land and expected proceeds from government for acquisition purposes. Section 108 is only of limited value and has not been used very much. Under the federal Title I Urban Renewal Program, loan guarantees of tax exempt bonds were available without any requirement that urban renewal capital grants be set aside for paying off the federally guaranteed bonds. The Urban Renewal Loan Program provided operating capital for conduct of local renewal programs. Grants were paid out to local communities based on their progress in carrying out their plans. The Housing Act of 1974 loan program is limited to the acquisition of property.

The requirement for a reservation of community development money to pay off the federally guaranteed loans is unnecessary. A community should not be required to tie up their scarce CD dollars in real estate when the value of it is sufficient security for the outstanding loans. Interest on the loans should be paid for out of community development funds, and if the value of the property declines and/or if the local community takes action through zoning or other means, to alter the value of the property, CD money should be used if necessary, to protect the federal government's interest. It is possible to understand the federal government's desire to eliminate the use of federally guaranteed loans for all operating expenses. It does not seem reasonable, however, to require

communities to pledge grant dollars as security for a loan in addition to land which has been purchased with that loan for subsequent resale. The annual process of community development program approval will allow HUD to assess the community's acquisition program and determine whether the value of the land proposed to be acquired is sufficient to pay off the federally guaranteed bonds which will be used for its purchase. A change in Section 802, an urban development bank, and a workable loan provision for the acquisition of real estate can contribute to satisfying the need for long-term financing to support community development activity.

The community development program is basically sound. The law only needs perfecting amendments because the basic approach contained in it is valid. The changes we suggest are primarily technical. What is more important is that we agree on how all levels of government can work cooperatively with the private sector to achieve the general and specific public objectives in the law. The proposals presented to you by Secretary Harris yesterday mean that we are off to a good beginning. We look forward to working with the Committee on this important legislation.

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges that the Secretary of Labor and the Secretary of Transportation work together administratively to the extent permitted under the existing law with regard to the provisions of 13 C to achieve the results represented by the following:

- establishment of categories for routine capital and operating grants by the Department of Transportation which historically have had minimal, if any, adverse affect on transit employees for the purpose of automatic or semi-automatic certification;
- determination of a fair time limitation on negotiations of grants which could result in a potentially adverse impact; and
- development of multi-year agreements on all grants, particularly those involving negative impacts such as operating assistance, so as to avoid annual negotiations over 13 C agreements that could become elevated into an issue in negotiations over contracts,

BE IT FURTHER RESOLVED that the Secretary of Labor establish a mechanism to hear and review complaints of individual local entitlement jurisdictions regarding the administration of Section 13 C.

(Resolutions No. 63 and 68 were consolidated into this single resolution. Resolution No. 64 was consolidated into Resolution No. 60. Resolutions No. 65 and 67 were consolidated into Resolution No. 62. Resolution No. 66 was consolidated into Resolution No. 61. Resolution No. 69 was tabled by the Resolutions Committee.)

#### **70. Reauthorization of the Housing and Community Development Act of 1974**

WHEREAS, the United States Conference of Mayors strongly advocated legislation to simplify and consolidate the former community development categorical programs of the Department of Housing and Urban Development which has now become law as the Housing and Community Development Act of 1974; and

WHEREAS, the Congress, the Administration and other interested parties are now beginning serious discussions on the reauthorization of the Act, necessary during the first session of the 95th Congress; and

WHEREAS, the Act must be speedily reauthorized so as to guarantee continuity in both the planning and implementation of local community development programs; and

WHEREAS, the Community Development Block Grant has been successful in realizing many of the cities' original objectives; namely, an improved, overall community development strategy resulting from both a direct federal-city relationship and flexible use of the monies; improved long-term local planning and priority-setting due to multi-year funding commitments; the establishment of a link between community development and housing as well as the public and private sector through the development of the housing assistance plan process; and the reduction in bureaucratic red tape through the streamlining of the application process; and

WHEREAS, the resources presently available to meet the myriad of community development needs as defined by both local governments per se and by basic requirements of the Act particularly community eligibility criteria are now insufficient; and

WHEREAS, certain cities that have not had the opportunity to participate fully and equitably in the Community Development Block Grant program, because they had little previous Department of Housing and Urban Development program experience, must be given such an opportunity,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors strongly urges Congress and the Administration to expeditiously reauthorize the Housing and Community Development Act of 1974, incorporating the following basic principles which presently form the basic framework of the Act and which have been vigorously supported by this organization from the outset:

- block grants directly to units of general purpose local government;
- local flexibility in designing program approaches incorporating a broad range of activities including both physical development and related social services activities;
- stated, national goals and objectives including in particular, that the primary beneficiaries of any activities be low and moderate income peoples, and furthermore, to insure the production of the low and moderate income housing, prevention and elimination of slums and blight and the improvement of community services;

- an equitable formula and allocation system which adequately maintains and continues all existing entitlement cities at or above current program levels;
- the housing assistance plan process to continue to allow cities to affect the mix and location of all federally assisted housing resources;
- a long-term, multiple year funding arrangement with, at a minimum, an annual increment to offset inflation and 100 percent federal funding;
- an improved temporary financing arrangement through federal guarantees;
- a streamlined application and review process with timely approval based on minimum red tape, minimum oversight and an evaluation of local performance on the basis of meeting the legislation's national goals,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors urges Congress and the Administration to analyze and re-examine the status, magnitude and scope of previous city and Department of Housing and Urban Development commitments under conventional urban renewal projects, in order to develop an appropriate mechanism; such as the reauthorization of the Urgent Needs Fund at the necessary funding level, to ensure the orderly and prudent liquidation of these conventional urban renewal efforts; and

BE IT FURTHER RESOLVED that the United States Conference of Mayors requests that Congress and the Administration begin working immediately to again examine and identify the level of cities' needs in this area to allow for an appropriate increase in the authorization levels for the forthcoming fiscal years.

(Resolutions 70, 73, 74, and 76 were combined into this single resolution.)

#### 71. Pilot Program for Neighborhood Preservation and Rehabilitation

WHEREAS, there has been of late no acceptable National Housing Policy for our nation's cities, and in particular, no long-range coordinated federal programs for the conservation and rehabilitation of our neighborhoods and urban housing stock; and

WHEREAS, the preservation of existing neighborhoods and the rehabilitation of its housing stock, existing commercial facilities and basic infrastructure is part and parcel to any effort to revitalize our nation's central cities and a national objective of highest urgency and concern; and

WHEREAS, the achievement of such a vast undertaking requires the execution of a complex process which includes a strong, direct federal-local relationship, a partnership of public and private sector and a city's understanding of both the community development strategy as well as the interaction of economic and social factors enhancing residents' confidence, of which neither the full gamut of programmatic tools, monetary resources, nor federal commitment presently exist; and

WHEREAS, the United States Conference of Mayors adopted policy at the 43rd Annual Conference in Boston calling upon the Administration to create a substantial pilot program for neighborhood regeneration in at least 100 cities; and

WHEREAS, the Administration has yet to pursue such an activity and the forthcoming congressional debate on the reauthorization of the Housing and Community Development Act of 1974 provides an excellent forum for further presentation, discussion, development and adoption,

NOW, THEREFORE, BE IT RESOLVED that U.S. Conference of Mayors urges that the Congress and the Administration seriously reexamine our National Housing Policy and develop new initiatives throughout such an overall strategy which have as a primary goal urban neighborhood conservation and housing rehabilitation; and

BE IT FURTHER RESOLVED that the basic elements of any such program should include, but not be limited to, the following:

- an assured flow of long-term mortgage credit, including reasonable amounts of low interest rate mortgage credit, and guarantees, loans and grant funds;
- high concentration of rehabilitation activity in targeted areas to assure economies in physical rehabilitation work;
- sufficient public powers to gain control over crucial properties being neglected;

- access to housing assistance payments and programs for low and moderate income families; and
- guarantees for long-term management soundness to prevent reoccurring decline of rehabilitated properties; and

BE IT FURTHER RESOLVED that such a program would incorporate a leveraging concept whereby local governments would administer the demonstration program availing themselves of the federal grant and the other federal efforts which would assist in insuring the marketability of the mortgages including the creation of a national secondary market, an insurance program with underwriting criteria and interest subsidies; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors reaffirms and strengthens the previously adopted policy urging both the Administration and Congress to specifically pursue the development and creation of a new and substantial \$1 billion demonstration/pilot program, to units of general purpose local government to foster neighborhood regeneration and rehabilitation; and

BE IT FURTHER RESOLVED that federal and all program resources be directly linked in a systematic way to the community development block grant multi-year planning and implementation activities including the housing assistance plans.

(Resolutions No. 71 and 77 were combined into this single resolution. Resolutions No. 73 and 74 were combined into Resolution No. 70.)

## 72. Housing Programs

WHEREAS, a strong, vigorous federal commitment to expanding and upgrading the nation's housing stock, particularly for families unable to meet the ever-increasing costs of housing in the private market, is necessary for the revitalization of our cities and the successful realization of local community development strategies; and

WHEREAS, the Administration's basic attempt to supplant those assisted programs placed under moratorium in 1973 with the Section 8 program has resulted in a failure by the Administration of a commitment to effectively address the myriad of housing problems in our central cities; and

WHEREAS, these housing problems require a panoply of federally assisted endeavors; and

WHEREAS, the Housing Assistance Plan provision of the Housing and Community Development Act is a landmark attempt to involve cities in the process through which selection and location decisions are made for subsidized housing; and cities have the utmost concern that the Housing Assistance Plan process be given every opportunity to develop its full potential as a link between community development and housing programming; and

WHEREAS, above all the problems affecting individually assisted housing programs, the lack of mortgage credit, particularly to support housing endeavors in cities, is a principal barrier to meeting locally defined housing needs; and

WHEREAS, Congress, the Administration and all interested parties are now in serious discussion over the reauthorization of the Housing and Community Development Act of 1974, to take place in the First Session of the 95th Congress,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors strongly supports and urges Congress and the Administration to seriously and vigorously reactivate, and where necessary, improve the existing assisted housing programs such as 235, 236, 202, concentrated public housing, Section 312 and Section 8, presently at our disposal to ensure the much needed, multi-faceted approach to housing problems; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors reaffirms its conviction that the Housing Assistance Plan process is a mechanism which will demonstrate its importance over time and that Congress, in debating the Act, not only reauthorize this provision but strengthen it to both ensure that all assisted housing funds regardless of the institution allotted those monies be subjected to the Housing Assistance Plan process and to further foster and guarantee the initiatory role of local elected officials in deciding both location and mix of the housing projects; and

BE IT FURTHER RESOLVED that the United States Conference of Mayors urges Congress and the Administration to initiate a program through which the housing problems as delineated in the housing assistance plans of the respective cities be properly implemented through an effective national strategy established for meeting housing needs; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors, in an effort to assist in meeting the unavailability of mortgage credit for housing programs in central cities, urges the Congress and the Administration to use all available mechanisms including but not limited to the following:

- provide incentives and strengthen existing legislation for the creation and operation of local housing finance and development capacity, including, where appropriate, separate institutions;
- provide for a flexible co-insurance program which will support the continuing efforts of cities to combine their resources with local private lending institutions;
- provide special set asides of GNMA Tandem Assistance in cities to support local housing development;
- provide that appropriate agencies (including the Federal Reserve Board, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency) vigorously oversee the policies and practices of banks and savings and loan associations with respect to loans to the inner city to halt discriminatory loan practices;
- provide that the appropriate federal agencies promulgate and enforce administrative regulations which take advantage of state and local government experience with anti-redlining and fair-lending programs, to increase the flow of private loans funds into central cities.

(Resolutions No. 70, 73, 74, and 76 were combined into this single resolution.)

#### 75. Federal Assistance for Major Redevelopment Projects

WHEREAS, many of the nation's cities require significant investments of capital from public and private sources in order to achieve locally defined public objectives, development and redevelopment of industrial, commercial, retail, and mixed use facilities; and

WHEREAS, public and private partnership is necessary to insure that major redevelopment in cities occurs in a timely fashion and at locations which are consistent with local public plans and objectives; and

WHEREAS, existing federal assistance programs are an inadequate and uncertain means of assistance for large scale, long term redevelopment projects; and

WHEREAS, cities need special federal grants, loans, and other forms of financial assistance in order to make the long term commitments of resources necessary to obtain the private, financial, technical, and entrepreneurial interest required for major redevelopment projects,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors urges the President and the Congress to establish a new program of federal assistance for major redevelopment projects based on the following principles, and consistent with the urban economic policies of the Conference:

- projects would be approved by and submitted by chief elected officials to the federal government for support;
- projects must be consistent with other plans and programs of the community and must make a significant contribution to solving the city's problems, such as severe problems of unemployment, city government fiscal difficulties, major public facility needs, or meeting the needs of low and moderate income families concentrated in the jurisdiction;
- projects should lead to significant non-residential or mixed use development, light industrial or manufacturing uses, joint public-private development related to major transportation facilities, public works investment, and/or increases in the attractiveness of certain locations for major employers;
- federal assistance should include multi-year grant commitments, long term working capital loans and loan guarantees, technical assistance, mortgage insurance and other financial incentives designed to aid local government to attract the private entrepreneurial skill and financial investment required by the projects;

- federal support including start-up grants, loans, guarantees of borrowings, of public and private instrumentalities created by local government to aid in the implementation of major redevelopment projects; and
- federal support and assistance should be administered in an efficient and effective fashion, such as through a National Urban Development Bank and/or a National Cities Corporation.

(Resolution No. 76 was combined into Resolution No. 70. Resolution No. 77 was combined into Resolution No. 71. Resolution No. 78 was combined into Resolution No. 72.)

#### **79. Housing for the Elderly and Handicapped (Section 202)**

WHEREAS, there is an urgent need for housing for the elderly and handicapped in cities across the United States as indicated in over 1400 applications submitted to the United States Department of Housing and Urban Development last December; and

WHEREAS, the United States Department of Housing and Urban Development was able to fund only 136 projects (12,660 units) across the country; and

WHEREAS, the United States Department of Housing and Urban Development funded only 8 projects (800 units) to minority organizations,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors calls upon the Secretary of the Department of Housing and Urban Development to spend funds at the highest appropriated levels and in so doing, assure a more equitable distribution of such funds to minority sponsored organizations; and

BE IT FURTHER RESOLVED that housing for the elderly be designed and located so as not to discourage the interaction of the elderly and the young while recognizing the special needs of the aged, including privacy.

#### **80. Local Certification of Section 8 Rent Supplement Schedules**

WHEREAS, the cities of America need a more practical method of utilizing the funds made available by the Congress of the United States under Section 8 Housing Assistance Payments Program that are now in effect; and

WHEREAS, the comparability standard used by the Department of Housing and Urban Development results in fair market rents which are unrealistic in many cities because of the variations in size, type, and related rental charges from city to city within the same general housing market area; and

WHEREAS, decisions about the use of assistance funds contained in housing assistance plans or other local plans must be based on fair market rents which are sufficient to cover debt service on development costs, operating expenses and return investment which are reasonable for the new, rehabilitated, or existing housing at particular locations within a given housing market,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors urges the Congress and the United States Department of Housing and Urban Development to authorize local government or agencies properly designated by local government to certify rent supplement support levels based on local data with the provisions for periodic update, as the basis for the United States Department of Housing and Urban Development approved Section 8 Housing Assistance Payments to local housing programs.

#### **81. Local Energy Conservation Efforts**

WHEREAS, Mayors and local elected officials, in an attempt to provide more energy efficient cities are continuously seeking out both new conservation programs and energy alternative sources; and

WHEREAS, national energy policy must be formulated through and implemented by an intergovernmental approach which understands and takes full advantage of the capabilities, shortcomings and needs of all three levels of government; and

WHEREAS, local governments basically lack usable information, technical support and an experimental capability in energy planning and programming,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors urges the Congress and the Administration to improve upon and initiate new federal technical assistance programs for states and local governments to help cities develop the capacity to implement federal energy programs and to undertake local energy planning.

#### 82. Federal Water Pollution Control Amendments

WHEREAS, the United States Conference of Mayors strongly supported the passage of the Federal Water Pollution Control Act Amendments of 1972 to assist states and cities in their efforts to construct water pollution control facilities; and

WHEREAS, the standards mandated in the Act, including the July 1, 1977 deadline of best practicable treatment technology of secondary treatment for municipal wastes were based on the authorized level of funding and their attainment is dependent on the obligation of that level of funding; and

WHEREAS, the program to date has lagged and failed miserably primarily due to the Administration's earlier action of impounding available monies, thereby making it impossible for some cities to meet the forthcoming 1977 standards; and

WHEREAS, the United States Conference of Mayors has vigorously supported the Section 208 Areawide Planning and Maintenance Program as most recently set forth in policy adopted at the 43rd Annual Conference in Boston; and

WHEREAS, the reauthorization of the Federal Water Pollution Control Act is necessary during this year and Congress is in the midst of acting on legislation,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors strongly urges the Congress to pass and the President to sign reauthorizing legislation which would include, at a minimum, the following:

- extensions on a case-by-case basis of the July 1, 1977 deadline to provide secondary wastewater treatment for meeting water quality standards and exemption from secondary treatment requirements of those coastal cities whose water quality would not be significantly improved by secondary treatment;
- authorization of \$5 billion, \$6 billion, and \$6 billion for FY 77, 78, and 79 respectively for wastewater treatment works construction grants;
- allowance to cities to assess user fees through an ad valorem tax, rather than metering, if a locality can correlate the assessment directly with water and sewer use;
- authorization of 100 percent funding for Areawide Waste Treatment Management Planning Program (Section 208) for two more years at \$150 million annually; and

BE IT FURTHER RESOLVED that the United States Conference of Mayors, in light of policy adopted at the 43rd Annual Conference in Boston, entitled "Corps of Engineers Regulation of Inland Waters," supports the House of Representative's effort to more clearly define the Corps of Engineers authority.

#### 83. Clean Air Act Amendments

WHEREAS, the cornerstone of the Clean Air Act is predicated upon an effective intergovernmental partnership; and

WHEREAS, the Clean Air Act Amendments of 1970 significantly limit the role of local government in the development and enforcement of the implementation plan which has a major impact on local governments; and

WHEREAS, the most immediate, effective way to meet the standards established in the Act is to control air pollution at its source, and continued failure to do so by relaxing automobile emission standards and other controls on the direct sources forces many cities in a position of being unable to meet the statutory deadlines; and

WHEREAS, the air quality in clean air areas of the country is in jeopardy without a balanced program of non-degradation—involving the establishment of federal policy guidance and state and local government implementation; and



Mr. ASHLEY. Thank you very much, Mr. Mayor. That, too, was an excellent summary of your prepared statement.

Let me just start by commenting on what Mayor Davis spoke to—and you, also, Mayor Goldschmidt—with respect to the use of housing as an economic stimulus.

What are we really talking about here? The Secretary yesterday made the point that rather than have those areas of Government housing responsibility which relate to the poor, that is to say, those who can't afford decent shelter on the private market, subject to the ups and downs that are implicit in any kind of housing stimulus program; that she would urge that we have a consistency of production or of utilization of housing as far as section 8 and the other deeper subsidy programs.

And I would suppose that I tend to agree with her, whether it is at a level of 400,000, which is now suggested, or somewhat higher.

Would you agree with that, too?

Mayor DAVIS. Yes, Mr. Chairman.

You will recall that I said earlier that in my judgment, at least, the numbers were not as significant as was the response to the people who need it and where it was to go.

Mr. ASHLEY. I am going to get to that in a minute. But I want to talk now about the confusion that often seems to be in the minds of many with respect to using housing as a stimulus or countercyclical tool.

Now, if we are going to use housing for the poor as a stimulus tool, that presupposes that in some years there is going to be more than in other years. Is that desirable?

Mayor GOLDSCHMIDT. No.

Mayor DAVIS. No; it isn't.

Mayor GOLDSCHMIDT. I think our position is very clear, that we do not want to get into the roller coaster operation on housing production, because housing has become a countercyclical economic tool rather than a purposeful objective in its own right. And perhaps I added to the confusion with my last comments.

Mr. ASHLEY. Well, you did a little bit, because you said there was no economic stimulus by way of housing.

Mayor GOLDSCHMIDT. We think that the goals are not wrong, that the production is too low; that it would not be unreasonable at a time when the Federal Government has got to look at the budget constraints that it is working with, in regard to inflation, to share part of the increase in Federal spending with a program that it is prepared to sustain over a period of time. I have no objection to having it part of the stimulus package. In fact, that is what I just requested. But we would both agree that you ought to set that level on the basis of what this subcommittee is prepared to say is needed over a sustained period.

So I think we and the Secretary are in agreement about the philosophy, but in fact my concern is that the philosophy is not producing the kind of investment in housing activities at the Federal level that we would agree would be sustainable over a long period.

The Office of Management and Budget has been no friend of section 312, for example. It continues to say, use the block grant program

to do that. Well, I can tell you, from the standpoint of our community, we're using the block grant program to do that, and on the basis of housing age and recycling, we will not save the housing this country needs saved. So my argument is essentially, don't do this, but just set it higher and stay with it.

Mr. ASHLEY. I think in fairness it might be pointed out we just acted on a third budget resolution that makes a very substantial amount of outlays available in order to bring housing commitments under the section 8 program from a level of some 270,000 up to 400,000. I also sit on the Budget Committee, and it was not done lightly, because as a part of that resolution it was necessary for us to also make provisions for additional budget authority of some \$15 billion, and that is just for those 130,000 units.

And I am not suggesting that you are cavalier in your suggestion at all, Mayor Goldschmidt, and don't think that I am.

What I am saying is that it seems to me that this administration, which I am not defending particularly because you're not attacking it, but I am pointing out that about the first thing the administration did—and OMB did—was to make a request, not respond to a request, but to initiate the request for this very substantial, additional budget authority and lesser amount of outlays necessary for just the remainder of this fiscal year.

I do agree with you that there should be continuity of effort; that is perhaps more important than the actual numbers, which is what you are talking about. The numbers have got to be sufficiently meaningful and realistic to be able to give communities the assurance that their HAP plans aren't an exercise in futility. And I quite agree with you that one of the dreadful consequences of the understandable difficulty in getting the section 8 program going is that, as a condition of receiving block grants, you have to come up with HAP plans as does every other eligible central city in the Nation, and that there simply haven't been the units available to make HAP plan work.

Mayor GOLDSCHMIDT. You'll not find anything, Mr. Chairman, we are more pleased about than the action you took on section 8. And in fact I think they get all the credit for the initiative, and we can only be applauding the effort that they made and the action you took.

I would like to have seen in this discussion, as opposed to attempting to rectify, I think, a problem that was left behind on section 8, a similar kind of effort made in sections 235 and 312 and in some other places. And I guess the feeling I want to leave you with is that in some respects we are looking for some guidance about where those programs are headed. When you write a housing assistance plan, the fact that there is a Federal title on the book doesn't mean it is going to be funded or in fact it is something that this organization, the U.S. Conference of Mayors, can look to for real leadership in the communities which we have responsibility for.

And, I guess, I am beating a drum again, but I just feel very strongly that the Secretary is correct, only he is not using it as a countercyclical tool. It has value in its own right, but those programs need help.

Mr. ASHLEY. I did not quite understand, Mayor Davis, your comments with respect to the location of housing and the attention with

respect to the families, the beneficiaries, served by the housing. I mean that is a responsibility of the local decisionmakers when they put together their program. The charge upon you is that you evaluate and assess your assisted housing needs, and that your HAP plan be responsive to those needs.

Mayor DAVIS. That is correct, Mr. Chairman.

In your statement we do have that responsibility—and accept it—and we do design the HAP plans to accommodate it. But when the housing delivery system, which is to fulfill the dreams of the HAP plan, are not available to us, that is when we have difficulty.

I was trying to draw out the difference between sheer numbers, either on a statewide basis or citywide basis or rationwide basis, to say, we're doing a great job because a number of new building permits were issued this month.

That sometimes it is misleading, was the only point I was trying to make.

I did not want to involve myself in the last interchange, but when—I applaud, because I am a great believer and one of the early people who urged all States to create and to get into execution State housing finance agencies—I am a great believer of that, and I applaud your recent action that was announced.

But, also, I think your staff will tell you that, going back, we were never able to get the section 23 program to work. And in the beginning I had an interchange with the former Secretary of HUD about the title VIII when we first got into it, concerning my apprehension and reluctance that that would work. I must say that she was more right than I, because it has worked better than I had anticipated. But it has worked because of the vigorous involvement of the State housing finance agencies, and I think your staff will tell you that the next vehicle in creating the number of units under that program in America came through the tandem plan of GNMA.

As I had mentioned in my prepared remarks, I would hope that somebody would be thinking about that, not only from the point of view of single-family housing, but to the extent that it will encourage the use of the section 8.

In the private finance sector, when we were back in the section 23 days and early section 8, I could not find a lender in America—a private lender—who wanted to participate in that.

So, unless we had been able to have the State housing finance agencies and until you made it possible for the tandem plan to assist in that, I think my feeling is that that program would have been right back where section 23 was.

Mr. ASHLEY. Let me ask just a couple of questions for the record that I think are important.

Comment was made with respect to the section 701 program. I think you said, Mayor Davis, that this should be amended and strengthened. And then you went on, I think, to say that entitlement cities should not be expected to ante up for their comprehensive planning out of their community development block grants. Was that correct?

Mayor DAVIS. That is what I said. I was not the mayor at the time, but back in 1972 and 1973 and before that, when we were talking

about the Better Communities Act and all the other names we have been through, I was always a person who was very interested in trying to bring housing and community development together in a package. And I really believed that that legislation is the hallmark of this country's efforts so far to date.

But the problem is that, as I understood it at that time, we were replacing seven categorical grants—forgive me if I am wrong, six or seven—and it was my understanding at the time that the section 701 program was not to be a part of that. And what is happening now, is that we're going to get about half as much money under the next year as we had been getting, as I understand it from my staff.

And so this represents a departure. And I say, why do the people in high places say that we get less and they say, well, you can take that out of the community development money. I don't believe that is right.

Mr. ASHLEY. The Secretary was quite candid yesterday. She, as I am sure you do, understands the authorizing committees, namely this subcommittee and the Banking Finance and Urban Affairs Committee, did not intend for entitlement cities to pay for comprehensive planning out of community development but rather that the money would be available for that through the 701 program.

The appropriation subcommittee did not take that view, you see, and there has been a confrontation ever since. The Secretary yesterday took a view supporting the appropriations subcommittee on the basis that inasmuch as there is going to be a dual formula and inasmuch as we are going to, in effect, hold harmless cities from reverting back to their straight formula entitlement by virtue of the dual formula, and that, as part of a tradeoff, they might be expected to pay for comprehensive planning from their community development funds, there is more justification now, in other words, than there might have been in previous years.

Mayor GOLDSCHMIDT. Mr. Chairman, I just want to indicate I don't think everybody's going to come out of this exactly the way they like. If you look at a purchasing power chart, not at just the dollars but what those dollars will buy today compared to the day this block grant program started and put yourself in the position of a city council that is cutting back its programs, that it has to tell its neighborhoods or its downtown, that the choice we want to make this morning in our budget committee is between doing something in your neighborhood and planning for 10 years from now.

And every hand in the room goes up and every elected official and everybody is saying, I don't know about your planning problem, but what I have in my basement is a sewer backup or all these things you have heard of.

And I guess what I want to say is, maybe, this is a failure of local representative officials to tough it out, but it is going to be an expensive failure in the end.

We have got to begin dealing with these long-term problems. I can go through a list of 701 systems improvements we have produced in the city that have been a phenomenal help to us and that we could have never carved out of a budget that has, in fact, been dropping each year.

Now, we are going to come back each year, but we still won't need a purchasing power level where we would if there had been some escalator just for the cost of inflation.

But I think the mayor has covered it, and we appreciate the help you have given us on this. We just don't agree, I guess, with the Secretary's conclusion.

Mr. ASHLEY. Mr. McKinney.

Mr. MCKINNEY. Mr. Chairman, I was unfortunately detained, so I think Mr. Kelly has been waiting patiently.

Mr. ASHLEY. Mr. Kelly.

Mr. KELLY. I thank my colleague.

Gentlemen, I appreciate your being here and appreciate the statement that you have made. You certainly are both very articulate, and it has been a pleasure hearing your report.

As I understand, you are here, not representing your individual cities, but representing a proposition that applies to all cities.

Mayor DAVIS. Yes, sir.

Mr. KELLY. Supposing we do what we are talking about, and that is send billions of dollars of the taxpayers' money that will be paid by all of the people of the United States to the cities. What will that do for you? Will it help you rehabilitate the cities, help you fight crime, get the place cleaned up, bring back tax base? Will it do these things?

Mayor GOLDSCHMIDT. I guess we want it to, and I think there is some evidence that we are beginning to get there in some places in this country where we have started early enough not to have to be starting from scratch.

I want to describe my own community. As a community that Mr. AuCoin very kindly noted was picked by one study at least as the most livable city in the country of its size—385,000 or 390,000 people—only 17 percent of the families in my city now have children in the schools. The school population, not just because of the dropping birth rate, which is to be expected anyplace, but because of the drain of families from the city, has dropped from somewhere in the range of 70,000 children in the schools to 60,000, and it is still going down some.

It is a city with a growing tax base, believe it or not. We are not an economic development-blight community, although we have some problems in that area that I think the suburbs are taking it to us.

Mr. KELLY. Major, let me ask this. Do you think pumping billions of dollars into the cities will accomplish some of the things that I mentioned?

Mayor GOLDSCHMIDT. Yes. And I guess the point I was getting to—and I did not mean to belabor it—is this: In my community—and I'm going to make my judgment and this mayor's going to make his and every mayor and city council must make theirs—we have some specific problems that we have to attack. There are sicknesses that are like a cancer, and if we don't deal with them, our community will be in very bad shape. We think this is the tool to do that.

Mr. KELLY. Mayor, I'm limited in time, and this is the point I want to try and develop, that, yes, it is going to do these things for you in the city. But the question is, are you doing anything for yourself that created the symptoms that we are now trying to attack with the taxpayers' money?

For instance, it does not cost a lot of money for people to have self-respect in their community and for them to clean their own houses, their own stoops, and in front of their own house.

A crime is not caused by machines and corporations. It is caused by people. And it would seem to me as though the people in the cities could have a reputation for being good workers, keep their houses clean, fight absenteeism, be punctual, and give evidence that they are law-abiding. Industry, then, would seek them out.

But it seems to me that what you are saying is that through bad management, paying wages that your taxpayers can't afford, running your city beyond its means, that you have driven off these people. And now you want the rest of the country to suddenly start taking industry, taking their money to attract industry away from them and send it back to you for whatever reason, and you don't want to do anything.

I haven't heard one witness, including you two gentlemen representing the Mayor's conference, come here and tell what you're going to do.

What you are doing is to say that you want the taxpayers to just send money.

Now, Mr. Davis, let me ask you this——

MAYOR GOLDSCHMIDT. Congressman Kelly, are you going to allow us to respond to those charges?

MR. KELLY. You can put any response you want in the record and I ask unanimous consent that your response be permitted in the record.

[At the time the hearing went to press, no response had been received from Mayor Goldschmidt.]

MR. DAVIS, let me ask you. You said you are in the business sector. What business are you in?

MAYOR DAVIS. I am an attorney, and I am in the mortgage banking business.

MR. KELLY. So, I think that it certainly is a lot easier to be a mayor of a city when a lot of money is flowing in, whatever the source is from, and you're doing a lot of things and it doesn't make any difference whether it's a good or bad program.

The question is, have you got jobs? Is there activity? Are the people in the community doing the things that would warrant that kind of expenditure or not? Isn't that a fact?

As a businessman and a mayor, do you preside over that kind of situation, and isn't that what you're asking us to do is to just send you money so it's going to be comfortable in your city whether the city earns it or not?

MAYOR DAVIS. Is it time for me to answer now, Congressman?

MR. KELLY. Well, I don't know. If you want to, Mr. Mayor.

MAYOR DAVIS. Yes; I want to. But you stated so many questions it was difficult for me to follow.

MR. KELLY. Well, you made a lot of statements, Mr. Mayor.

MAYOR DAVIS. Well, let me, if I may, try to respond.

Yes; the people of our city are doing the best they can. Yes; they are trying to clean it up. Yes; they are working as hard as they can.

The fact is that a city that is 225 years old and has had very little attention in those years finds the deterioration——

Mr. KELLY. Mr. Davis, just a minute. I didn't understand what we were dealing with. Your city is Portsmouth?

Mayor DAVIS. That is right.

Mr. KELLY. I didn't think we were talking about Portsmouth. I thought it was established at the beginning that we were talking about the cities across the United States that you were here representing.

Mayor DAVIS. That is right. But when you commenced your cross-examination, you were directing it to me as the mayor of the city of Portsmouth. And I was just trying to respond to that.

Mr. KELLY. My question to you, Mr. Mayor, is, isn't it more comfortable to preside over such a city? That was my question.

Mayor DAVIS. I would certainly think that it would be. I have not had that pleasure yet.

Mr. KELLY. And I am not sure we can afford it yet.

Mayor DAVIS. I guess I have a misunderstanding.

Mr. ASHLEY. Mr. Mayor, you're going to be given time to respond to the questions that have been put to you. And I think we will allow that time, Mr. Kelly.

Mr. KELLY. All right. Now, could we—

Mr. ASHLEY. Mr. Mayor, have you concluded your response?

Mayor DAVIS. No, I haven't. But I did not understand the procedure.

Mr. KELLY. Mr. Chairman, I would like to inquire—may I ask just one question, and then the witness preempt my entire period of time? Would that be the format for the examination?

Mr. ASHLEY. No; the format is you can propound your questions, and courtesy then requires the opportunity for the witness to respond. And we are going to follow that format.

Mr. KELLY. I would like to inquire of the chairman. My question was would it be more comfortable to preside over such a city, and I would think it would require a yes or no answer.

Mr. ASHLEY. Well, the Chair does not agree with the gentleman.

Mayor DAVIS. I was about to respond. The answer quite obviously would be yes, but that I had not had that luxury. What we are trying to do now is to focus the moneys. This is not de novo. This subcommittee and the Congress has said that we will have a community development program, and they have set the limits financially as to what they will be.

What we were trying to ask you here today, and it seems to have fallen on deaf ears in some quarters—but what we are trying to suggest to you in an amicable way as possible, and with our personal experience and others, methods by which those dollars—the same dollars, we have no misunderstanding about the amount—can be delivered in the system that would better accommodate what we understand was the congressional intent in 1974. That is my answer to the question, Mr. Chairman.

Mrs. SPELLMAN. Mr. Chairman, may I suggest that Mayor Goldschmidt be given an opportunity to respond also?

Mr. ASHLEY. Well, I appreciate the suggestion of the gentledady. I think that we will proceed under a lax 5-minute rule. But the question was propounded to Mayor Davis. He has responded to his satisfaction.

Mrs. SPELLMAN. I thought, frankly, that a good many questions had been thrown at Mayor Goldschmidt, and that he was asked to respond in the record. I would be willing to give Mayor Goldschmidt my questioning time, in order that I could get to hear some of the answers.

Mr. ASHLEY. It is going to be your time in just a very few minutes, I would say to the gentlelady, and we will proceed, if that does not upset her, in that fashion.

Mr. Mitchell?

Mr. MITCHELL. Thank you. Mr. Chairman, and gentlemen. You are both very capable and informative witnesses.

The interesting thing is that the 5-minute rule was so lax that I have bypassed the senior member of the subcommittee.

Mr. MOORHEAD. In my case, the 5 minutes was very short. [Laughter.]

Mr. MITCHELL. If you would like to go first, fine. I have really a series of questions that I wanted to put to you.

Mr. ASHLEY. Mr. Mitchell, we are going to call on Mr. Moorhead.

Mr. MITCHELL. Fine.

Mr. MOORHEAD. Mayor Davis, you made a very good point on the section 701 program, that it should be funded separately. In other words, in effect we should take the heat for requiring moneys spent over a long term rather than the mayors and the city councilmen, that it wasn't in the original intention. So I for one am included to favor your proposition on section 701.

However, you don't make quite as clear a proposition on the section 312 program. There are those who believe that the housing and community development should be divided into two parts. One, community development block grant; and two, section 8. And if you want to do any other kind of thing in housing, you use your community development block grant. Now, how do you argue against that proposition?

Mayor DAVIS. Well, simply that there is not enough. Even using it in our city for example, we took that money as a leverage factor to encourage local lending institutions to treble the amount we have, so that we were able, we think, to rehabilitate three times as much housing as we could have with just the money.

But the point is—and I am now reluctant to even talk about Portsmouth, but using any city in America—the amount of money they get from community development funds, if the lion's share of that is going to have to be committed on a long-term basis either by loan or grant, then in my judgment, it will impede the ability for that city to respond to the balance of the program. So that is my reason for that.

Now, if there are money constraints, then the people more wise than I would have to handle that.

Mr. MOORHEAD. Do I understand the thrust of your testimony is that both you and the conference are, in general, satisfied with the community development block grant proposal put forward by the Secretary yesterday?

Mayor GOLDSCHMIDT. That is correct.

Mayor DAVIS. Yes, sir.

Mr. MOORHEAD. But when you get to the housing side, you want to make it clear to us that though this isn't contrary to what the Secre-



tary said, or contrary to the thrust of the administration, you don't want to rely exclusively on section 8, you want to have the option of conventional public housing, section 235, section 312?

Mayor DAVIS. That is correct.

Mr. MOORHEAD. And you want separate programs, separate funding, but to the extent possible, the choice as to which program you use being left to the locality?

Mayor DAVIS. Yes, sir, that is correct.

Mr. MOORHEAD. And do I also understand—I think Mayor Davis said this, but I don't believe Mayor Goldschmidt commented on it. I was distressed quite frankly with the fact that we were forced into a position of having virtually and exclusively section 8. Because I also thought that it would not work.

And I understood you, Mayor Davis, to say that it worked in your community only because of the State housing agencies.

Mayor DAVIS. That is correct.

Mr. MOORHEAD. What has your experience been, Mayor Goldschmidt?

Mayor GOLDSCHMIDT. Our experience has been that it hasn't worked very well anywhere, simply because the units did not show up when we finally got cranked up to do it. I think that program in our community would likely work best to pick out Portland, where a section 312 was made to rehabilitated apartments, and section 8 comes in as the subsidy program. And it is a first-rate rehabilitation program. And we have developers who want to make it work.

The problem is we end up with such steep rent subsidies that we have to go to private market financing on the loans and the loans on those apartment buildings get so big that they carve up that block grant so big that the community just won't do it.

We have a lot of housing to save and I think we will probably rehabilitate more than we build new, with or without the State. They have not been as much help; they tried, but they just have not been as successful.

Mr. MOORHEAD. Do you have any suggestions for us as to how to improve section 8?

Mayor GOLDSCHMIDT. Well, I think the administrator—the Secretary is moving on that. I think this 60-day problem we have had with the lending institutions—you've had the question in front of the subcommittee already on the extension of time from 20 to 30 years, as I understand it.

There are a whole series of administrative things, and my impression is from talking to the designated Under Secretary—who has not yet been approved—that they are willing to give us the best shot they can at managing that program to success. And my view, by the way, is that it may be more important even than any legislative changes they would propose.

But I think the housing assistance plans issue is a critical one. I just can't keep going to the presidents of the banks, tapping in on their commitment to my city, and then walk back in 6 months and say, I apologize. Mr. President, but the units did not show up. And they have bank time and they just think we're a bunch of jerks. I mean, they really think we are very amateur.

Mr. MOORHEAD. Mayor Goldschmidt, on page 2 of your prepared statement, you talk about additional funds in fiscal 1977 to increase housing production levels from 236,000 to 400,000. I think we should have the record clear that that 400,000 is not all production, but a very large part of it is existing housing. So it does not have that stimulus effect that 400,000 production of either new or substantially rehabilitated housing would have.

Mayor GOLDSCHMIDT. Thank you.

Mr. MOORHEAD. Also I wanted to commend you, Mayor Goldschmidt, on your statement on the use of computers and the garbage in, garbage out. We saw that in the administration of the previous public works. They just put stuff in and followed the computer blindly with just glaring inequities resulting therefrom. And I would hope the Department of Housing and Urban Development would not follow that error. And we were assured by the Secretary yesterday that that same error would not be her intention.

Mayor GOLDSCHMIDT. We noticed EDA's computer.

Mr. MOORHEAD. I don't know whether you were adversely affected the way my city was.

Mayor GOLDSCHMIDT. We had 20 percent of the State's unemployed and got less than 1 percent of the money. Seattle had even more unemployment than that and got zero.

Mr. MOORHEAD. And did you get the same reply we got? Well, the computer must have made a mistake. Well, computers don't make mistakes; people who put stuff into computers make mistakes.

Mayor Davis, you come back on page 12 of your testimony to something that I think is extremely important which is the housing counseling—this was not mentioned by the Secretary yesterday. What provision of the law would you suggest funds for housing counseling? I presume you would have it broader than just the section 235 program that you mentioned here. But for public housing for section 8, what funds have you had in the past and what success have you had with housing counseling?

Mayor DAVIS. Well, we have had none. There has been sort of a pilot program under housing counseling that as far as I know was principally geared toward section 235. But when section 235 first came into being, the private finance sector urged that if it went in—you could understand that private capital was apprehensive of anything that was assisted or subsidized; they urged at that time that we put enough money in for counseling and we couldn't. The country felt that it could not. So what I am saying is that particularly the section 235 as a homeownership program as opposed to public housing and as opposed to section 236 where the rental housing—and in those instances, the problem of meeting the electric light bill, the problem of paying the city taxes—those kinds of incidents of homeownership are new to people who just get a section 235 loan.

So my feeling would be that I don't have any dollar amount, but it would seem to me that the money should be plugged in to be related to that program, to the extent that we are going forward with the program.

Now, I do not know what the present plan of the administration is as far as the section 235 program this year, if anything. But I'm urg-

ing that that be reconsidered as something that would be helpful to the Nation.

Mr. MOORHEAD. Well, I would hope that the conference of mayors would flush out that recommendation for the benefit of the subcommittee.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. Mitchell?

Mr. MITCHELL. Gentlemen, I have already greeted you and I won't bother to do that again. I will take part of my 5-minute time to extend an invitation to you to visit my home, in Baltimore, Md. I live at 1805 Madison Avenue, which is deep in the bowels of the city. It is the ghetto. I would like very much for you to come to visit my home. Four years ago, I purchased a home in the 1800 block of Madison Avenue at 1805, using conventional financing. I have rehabilitated the home, and I think it's attractive enough for you to come to visit me.

I was prompted to make that purchase, because about 1 year before that, a young black man who was a Federal employee availed himself of the section 312 money and rehabilitated a home six or seven doors from me, a very attractive home.

Since that time, eight young black couples, all professional, have moved into the 1800 block of Madison Avenue. Instead of those young couples moving to suburbia, they moved back into the city, deeper into the city. They have availed themselves of section 312 and every other kind of loan program.

One couple utilized the Homestead Act that we have in my city. The homesteading house is just absolutely attractive in the interior. When you visit me I'll take you over there to see it. It has a huge dining room, and he has cut a walkaround gallery above the dining room.

I would especially urge you come to visit me on a Saturday morning in the 1800 block of Madison Avenue. If you visit me on a Saturday morning about 8 o'clock and spend the day, I think you would see demonstrable evidence which would dispel any stereotypical notions, and stereotypical notions with racist overtones about how inner-city people live.

At 8 o'clock in the morning all of the neighbors get out in the street, and I am out there with them. We sweep our pavements off, we sweep the entire block from the north end to the south end. We transport that accumulated trash around to the back and stack it. We make sure all of our steps are scrubbed on Saturday morning. That is the one thing I don't do, I am a little too old to do that. I get a youngster to do that for me.

But I invite you to come to see a block which has become revitalized through governmental efforts. And because of that revitalization the whole area in which I live is blossoming again. And I want you to visit so that you don't have any mistaken notions or stereotypical notions about how inner-city people live with regard to the cleanliness and their desire to maintain their properties.

Please accept my invitation.

Mayor DAVIS. Thank you, Mr. Mitchell.

Mayor GOLDSCHMIDT. Thank you.

Mr. MITCHELL. Mayor Goldschmidt, one of my favorite programs is the section 312 rehabilitation program. I think it is an excellent pro-

gram—it has some shortcomings—and evidently both of you mayors have used it in your cities.

What perplexes me is that the Secretary, in testimony before this subcommittee, indicated that there was something like a \$70 million shortfall in spending under the section 312 program for the last year, that there is a carryover, I think, of \$70 million, which is difficult for me to understand.

How do you explain this?

You both currently use section 312. Is it the matter of the loan programs themselves? Is it the problem of establishing a fairly large-scale section 312 program? Or is it the problem of HUD itself, with its bureaucratic approach to implementing this program?

Mayor DAVIS. Yes, sir, may I start. And let me say, I did not realize my answer has used up your 5 minutes. I had understood earlier I was using up somebody's time.

Mr. MITCHELL. No, no.

Mayor DAVIS. The problem with the section 312 program is, the red-tape and the difficulty in getting the applications approved.

Let's assume that a Mr. Jones, the gentleman next to you on your street who had applied for a section 312 loan 6 months ago, and the Baltimore authority, came and told you, "I have now got my loan approved," and on that day his plans were approved, not that his loan was approved. And on that day the local redevelopment authority or whoever administers that in Baltimore, would say, "I'm sorry, Mr. Smith, everything you have done is right, you've got your contract and everything, but right now we don't have any money."

So you were thinking about putting in a contract. You live next door to him. And then you say to yourself, "Why should I go through that traumatic experience of going through 6 months of getting everything right, and there is no money when it is time to go? So because of that you got discouraged. The Baltimore Redevelopment Authority would have some money, but they don't have any applications. It has been like a spigot. And that is the reason that we have tried—and again, excuse, please, Mr. Chairman, the reference to personal experience, but that is the only way I know. I know that is in poor taste, but that is the only way I know to answer you.

In our place we said to the city, to the banks, "will you make this money available to our local redevelopment authority, lend it to them, and they will then be the faucet." When the section 312 money coincides with the approval of the application, we use that. When that doesn't occur, then we use the bank's money. I would like for you to come to Portsmouth, Mr. Mitchell, because we are very proud of what we call our Old Town, which is a whole redeveloped area through section 312 loans. And we have preserved a whole section of the city. And I am disappointed that the Secretary does not feel apparently the same, because the day she was confirmed, Mayor Goldschmidt and I had the privilege of a private meeting with her for about 30 minutes, and during that time I said to her, I can't give you any other advice other than to say that a hallmark of your administration for future historians to appraise would be if you could make the section 312 program available and work. The rehabilitation of the housing stock in America is the most essential and most economical way to provide decent, safe, and sanitary housing.

Mr. MITCHELL. Before you respond, Mayor—I thank you for your statement, Mayor Davis. But my experience has been somewhat dissimilar. People are not discouraged. Despite the long list, they are waiting for section 312 money. But what I can't understand is how in the world local offices can tell people, we don't have section 312 money, and end up with a \$70 million carryover from last year.

Mayor DAVIS. I don't understand that, either.

Mayor GOLDSCHMIDT. It is because HUD did not want to spend the money. The regional office—it's like a ringing phrase—the regional office says we might, the regional offices says we don't, the regional office says we will. We find out more about what's going on in Washington from our own offices than from HUD people.

They called us up one morning and said, "if we gave you section 312 money, could you spend it in this amount of time?" I can tell you today, if you give my city \$10 million of that \$70 million, we will have it on the ground within 12 months. That is an easy program to work with if you don't raise people's anticipation or dash them to the ground. We are dealing with average people with average obligations, and a lot of time to do other things that they need. They don't have a lot of time to fuss around with my loan officers.

We have handled the program very much the same way. But all I am going to say to you is—and you are dead right if the implication that I get from this is—why is the money there? We don't understand it. We don't understand why the fact that the money is there is an excuse that they have not asked for more. This money comes back to the Federal Treasury. I don't know what the return rate is—\$60 million a year or something? It's a fantastic program.

Mr. ASHLEY. That is right.

May I just say for the record, part of the \$68 million that they anticipated as being available, I think that something like half that will be repayments, so that the actual amount of uncommitted funds is substantially less than the \$68 million or \$70 million.

Mr. MITCHELL. I thank you for your information, but it still is just inconceivable to me that there is a demand, and even if it is half that, why that half was not used to meet the demand.

Mr. BLANCHARD. Will the gentleman yield for one sentence?

Mr. MITCHELL. If I have time, yes, I will yield.

Mr. ASHLEY. The gentleman's time has expired.

Mr. MITCHELL. May I get an extension so I can yield?

Mr. ASHLEY. Yes.

Mr. BLANCHARD. I just wanted to concur with the dialog we just heard. It's the same experience in the Detroit area, and I think we ought to do something about it. And I sense the will of the subcommittee is that we do just that.

Mr. ASHLEY. Mr. McKinney.

Mr. MCKINNEY. I would apologize again to both of you for being late. I will give you a bit of background. Mr. Mitchell was big on the background.

My first political dare was to run for mayor, and I ran against a gentleman who had been there for 12 years, and I lost. I came the closest to beating him of anyone, but I still lost. And that night he said to me, "Stew, you don't know it, but that was the luckiest thing that ever happened to you."

Mayor DAVIS. He was right, too.

Mr. McKINNEY. I guess I have something in common with Mr. Davis, since I represent three cities, one of 150,000, one of 130,000, and one of 98,000. My slight problem in between is the suburbs. Also, I am a ranking member of the District Committee and, I guess, a much maligned commuter-tax advocate for the city of Washington, which, I guess, shares Mr. Goldschmidt's problems.

I was very interested, Mayor Goldschmidt, when you commented, as I had just come in, on the ability to use all programs.

I am always fascinated by the diverse nature of our cities—in my district, which at this point is now say, 42 miles long and only about 12 miles high—there are three cities with almost no means of comparing them. One is 98 percent built up, an industrial city of 16 square miles. The next one is very built up, an industrial city but surrounded by a richer northern tier. And the third is a huge city of almost 40 square miles with all kinds of complications, and not as built up as the other two.

The thing that disturbs me so much about the congressional overview is, what would fly in Bridgeport, you wouldn't dare propose in Stamford, and Norwalk wouldn't even look at it. I was very interested in your desire—because this is one of the things that has disturbed me. I like both of your comments.

We have directed programs, and as I say, in certain programs we have had great success. I think I was one of the few Congressmen in this whole body that found last-resort housing and got some for my district. I guess San Diego, Calif., got some, also. I came marching home waving the banner of great success having solved an enormous problem, only to be politically slaughtered by the northern tier of the existing city. We found out we had to go to another program. So what I found was that the programs became so directed that we were compounding problems in one city, or so directed that in another city the voters, where the voice was, would not accept them.

After I had been here for awhile, I became a supporter of community development block grant programs, but, they aren't straightened out very fast, they could destroy my district entirely. I guess what I am getting to in a very roundabout way is that I don't trust what we have done so far in block programs. But I found out that the categorical are almost unworkable because of the complications and also because they make us compound the problems.

For instance, I can get low-income housing built in Bridgeport, Conn., but I can't get any middle-income housing built.

How would you feel about a strict housing block grant program, more quality-guided, categorical program? I was delighted with the Secretary's action grant program, because it brings in the economic development aspect. I am in the midst of writing her a letter which says, let's make this action program not only intermix with commerce and the rest, but let's let it ramble across the whole of HUD and the rest of the bureaucracy.

So if either one of you, as a mayor, would have the ability to do a little rehabilitation, a little low income, a little moderate income, even—and I feel it is necessary—a little preparation for tax abatement for some higher income, to spread your economic bases, such as Dick Lee

did in New Haven, how would you feel about this type of program? One which would say, OK, we will give you  $x$  number of dollars if you will produce  $x$  number of living units in different categories, regardless of whether you use this money for tax abatement, rehabilitation, low-income housing, modernization, loan programs, private incentive programs, or what have you, just so long as we see your program and think it is going to build housing?

MAYOR DAVIS. Speaking for both the conference and myself, and I believe Mayor Goldschmidt will concur in this, we would embrace that heartily.

My remarks did not have the temerity to go quite that far, because there sometimes is a misunderstanding that mayors keep coming to the Congress for more money, and that isn't the case. What we are saying—and following the suggestion that you outline—is that we would not be talking about any more dollars than is in the overall housing scheme. But the housing delivery would come through these various systems in almost a housing block-grant type.

I am not talking about new dollars; I am talking about the same dollars. But get them to the user or the consumer in a way that is compatible with our Government.

Incidentally, we have a housing of last resort in our city. When we were unable to do anything else, we did it. And I will say to you that I am very politically unpopular in our city for that. But when I took this job, I didn't take it with the view that it was going to be a bed of roses. And so if that is what it takes to respond when we can't do anything else, then that is what I would recommend we do.

MAYOR GOLDSCHMIDT. I would associate myself with all those remarks, but I want to be specific in two details. I think that both of them relate to the transition and to more experience by you with our capabilities. I think the two of us that are sitting here today are sitting here because we have spent quite a bit of time on this subject, and our fellow mayors feel comfortable that we represent the best of their aspirations and hopes and also a fair collection of their experiences. But we are not here to tell you we have ever managed a program like that. We have never been given the opportunity to do it.

So I would make these two comments in detail. My concern about having all the programs is what I said and, I think, what Mr. Moorhead—Congressman Moorhead—said, and that is that some work some places, some others, and we kind of have to make that work out as best it fits on the ground. The section 235 program in our community, I think, would be a good program, and we would love to get a shot at it. The first step, I think, is not to have an allotment system that says you can get this many section 235's, this much section 8, and that much section 235—

MR. MCKINNEY. Excuse me.

Believe me, I totally agree with that.

MAYOR GOLDSCHMIDT. That would be a big step for us today.

Second, if you are interested in pursuing a housing grant, semi-block or grant system, or essentially in the kind of description you gave us, I would suggest the first thing we do is to ask the Secretary in this fiscal year, or to give her the authority to take on 10 of those in cities of various sizes. But the key to that is going to be a multiyear commit-

ment. If you go to the people and say you are going to have a 1-year commitment of a block, and they can't tell you how much money they are going to give you next year, you are not going to be better off than if you say you are going to have all those individually. And I can't tell you how much you are going to have next year.

Mr. McKINNEY. I am actually addressing myself to the Chair and my colleagues because we all represent and realize our community interest at this point.

Here is one of the things that bothers me. For an example, I'll cite a situation with the mayor of Bridgeport, who happens to be a Democrat, and an ardent friend. We just went to HUD and appealed a case on remodernization of a bonded housing unit. We are doing that because across the street we have done some rehabilitation and this rehabilitation is not going to last if we don't do this remodernization. But neither one is going to do terribly well if we can't take the 12 square blocks that were torn down 14 years ago and have some commercial incentive for some type of permanent commercial interest to move in.

So what I see is not just giving the city promises—what I see is the need to pick a section of a community where you have got to do rehabilitation, because if you are going to build new housing, you have got to start improving the old housing or you are going to pull the whole thing down.

I mentioned to Paul Tsongas of Massachusetts, who was here yesterday, that I accused the Secretary of writing the speech we have been trying to prepare for this subcommittee, because she finally incorporated the element of commercial viability which the city of Bridgeport no longer has, but which I hope we are going to change.

And you bring up one further point that really excites me. Why is it that Government, the biggest business in the world, Mr. Chairman, doesn't test-market our product? A manufacturer wouldn't dream of marketing peanut butter with bacon in it without trying it in three test markets first. No financial institution in the world commits itself totally to a new program without test-marketing.

Mr. ASHLEY. I suppose, Mr. McKinney, that we choose to follow Henry Ford in his efforts with the Edsel. [Laughter.]

Mr. McKINNEY. Well, Mr. Chairman, I don't want to beleaguer these gentlemen because, quite frankly, I am such a confirmed urbanist, we never disagree on much of anything.

But something bothers me. I have associated with and dealt with your conference for years. I have dealt with the State legislature. And here I see more and more good men spending more good effort and more good dollars and getting less accomplished than I think I have ever seen in any single thing in my entire life.

I would like to see us take your idea, Mayor Goldschmidt and Mayor Davis, and give you a program that says, OK, Portsmouth, give us something that really proves to us that you are going to turn this thing around and house people. and we will gamble on you, but if you don't do it, don't bother to darken our doors again.

But give the city a chance to come forth with a program to house people. to find them jobs. and let them use everything.

For instance, Mr. Chairman, how much further our Federal dollars could go if we allowed the city to use them; say, for a tax abatement pro-



gram to build the job base. How much further these dollars would go in helping to underwrite loans for rehabilitation rather than paying for every nail and hammer.

Mr. Chairman, I would say that if this subcommittee and you, as its chairman, could come up with a very small test-market program, and we took some of that money and research and development, and so forth, down at HUD and used it to give a couple of cities a chance to fly—and it could be Toledo, if you would like——

Mr. ASHLEY. I would. [Laughter.]

Mr. MCKINNEY. You would go down in history.

I am sorry for this sermon. But I have read your statements. I agree with your statements. I think what we have done in the past is given you categorical programs which force you to go in a new direction, but which didn't work. Lately we have given you block grants and then withheld the money. But we have never turned around and said, what do you need to house people and give them jobs; we'll see if we can give it to you.

And my suggestion to my friend, Mr. Kelly, though we have never agreed on anything in this line, is that the inherent cost to the taxpayers in Florida of crumbling cities, whether they are in Florida or in the Northwest, is far higher than any amount of money we may spend making those cities taxpaying entities.

Mr. ASHLEY. Mrs. Spellman.

Mrs. SPELLMAN. Mr. Chairman, one of the problems of being this far down on the totem pole is that someone is sure to say everything you had intended to say. I am delighted that I am finding a point of agreement with my colleague from Connecticut.

We have one very sharp point of disagreement, however, that commuter tax that he is trying to levy for the District of Columbia.

But so much of what my colleague has said is exactly what I had in mind. I was in your shoes when I was the executive of a county jurisdiction of 675,000 people and experienced so many of the frustrations that you have experienced. The flow of money was erratic. We could never count on what we were going to have tomorrow. We had to spend an inordinate amount of time practicing gamesmanship and grantsmanship. The administration was so often arbitrary and dogmatic and opinionated, and they felt, of course, that local people did not know anything about such things.

And as you talked about having an opportunity to select the mix of housing or the mix of programs that were best for your jurisdiction, I have to say, I found myself in agreement.

I know, one of the things I found most shocking after I came here to the Congress was the discussion that we had on revenue sharing. I heard members of Congress talking about "we" and referring to mayors as "they."

I can recall when I served on the Advisory Commission on Intergovernmental Relations—and some of the people that I now serve with here in the Congress were members—that one of the gentleman who holds a very distinguished position in the House referred to "our" money, meaning the Congress money. A very irreverent county official said, "Just a minute, Buster, that's my money you're talking about."

You took my money and took it to the Federal level and now you call it yours."

So I think if we can just recognize that there is a great deal of intelligence among the people who are administering government on the local level and that there is a great deal of integrity; if we respect that intelligence and that integrity and the fact that they know better than we do, because they are closest to the problems and know what the needs are, we can work together and we will be able to do a great deal more toward solving the Nation's problems.

The various programs are divided up into various segments and at the local level we are told that we can't get section 235 and we can get section 8, or we can't have section 8 because we have some other program. This doesn't make any sense to me at all.

So I would hope, Mr. Chairman, that we would get the message to the Secretary of HUD. I think she is going to be a delightful person to work with.

Mr. MCKINNEY. Would the gentlelady yield for just 2 seconds.

Mrs. SPELLMAN. I would be delighted to yield.

Mr. MCKINNEY. Having followed along on my line of discourse, I would love for you to ask, because you are far more attractive than I, what if we had just put the \$4 billion we voted for public works projects into this package and let the mayors put it where they need it.

Mrs. SPELLMAN. That would make very good sense. I would buy that.

I would prefer, frankly, that we do our testing in the shadow of the Nation's Capital, where we can keep a very close eye on it.

But I would hope that we would be able to say to the Secretary of HUD, that we should work together with our local community people. Let's develop programs that we can all live with, and then respect their opinions as to what is best and most needed for their own jurisdictions.

Mayor GOLDSCHMIDT. Mr. Kelly is long gone—

Mr. ASHLEY. There will be no characterizations of subcommittee members.

Mayor GOLDSCHMIDT. I would like to respond just to the thank you and say just a few comments for the record about them.

We have never had a we/they response from this subcommittee, and certainly not under the leadership of this chairman. And I would say personally, we have a great deal of gratitude to the effort that he has made and that you are all making. This subcommittee is dealing with one of the three fundamental things about the life of everybody in America, and that is good health, a good job, and a good shelter. And a lot of our people don't have the shelter they need, and that's why the subcommittee has spent the time they have, trying to make our cities healthy.

I would like to express only one piece of resentment about anything that has been said, and I wish Mr. Kelly were here to hear it.

We're a big city in my State—not big in the United States, but Portland is by far the largest city in the State—and we constantly live with the we/they problem in Oregon. It is we in the cities, they on the farms, or we on the farms and they in the cities. And it isn't because

the body can't be sick and the head be well for very long. Our financial institutions lay people off when the farms start having troubles in the forests. Of the income tax paid in Oregon to the State of Oregon 70 plus percent is on money earned by people who live or work inside of incorporated cities.

My city has a 4½-percent rate of growth of its own income against 6½ and 7½ percent growth in inflationary costs. And we are not unique, because we don't have really good tax structures.

We are going to have a 50-percent increase, Mr. McKinney, in my central business district employment over a 10-year period of time, and we are going to go broke in the process, not because we are a failure, but because we have no control over the tax laws; we have no control over municipal overburden.

So when I come to a subcommittee like this, it is to deal on common ground and common understanding. And I really appreciate the attention you give to this problem, because it isn't just a question of more; it's a question of better implementation. We want to do for ourselves those things we can, and I agree with my colleague that there are incredible stories of effort by local jurisdictions to overcome their own problems. Some of them have resisted even asking because they feel it is not proper. But I think this is all our problem, and we share it. And I just want to thank you for your comments in that regard, because we feel very strongly, and that is the way we approach the committee.

Mrs. SPELLMAN. Thank you.

I guess my time is up.

Mr. ASHLEY. Mr. Blanchard.

Mr. BLANCHARD. Thank you, Mr. Chairman.

I, too, want to mention, I have enjoyed hearing your testimony and I have enjoyed hearing from our colleagues. It sounds like there is an awful lot of agreement on how to approach housing and community development.

One problem would be that after we enact the law, we won't be administering it, nor will you. At some level you will, but you won't be running that program. Nor did my colleagues run the previous programs.

So I want to get a little more focus on what all of us are really trying to accomplish.

I think we all agree, as Secretary Harris does, with some general goals. I think it was Mayor Goldschmidt who said economic development should be a principal purpose of the act.

I have read the act a number of times, and no matter how many times I read it—and I am a lawyer and I have had drafting experience—I can't always remember everything in it, because it has a lot in it. And in the purposes there are just a number of purposes that are stated and/or implied in the act. And I am wondering, when you said it should be a principal purpose, do you mean that we ought to amend the purpose of the act to include that? And are there other things in the purpose of the act that you think should be more clearly defined?

Mayor GOLDSCHMIDT. Let me just cite the section, which is included on page 6 of my statment.

Section 101(c) states:

The primary objective of this title is the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities.

I think we feel that it is mentioned, that it is possible, but I would come back to the comments that Mr. McKinney made, and that is that I think it is fundamental. And to the extent that the administration—they should respond to this question, I guess—feels that we are in a position of needing to exhaust remedies elsewhere—that is, we need to ask someone else whose principal goal in Federal life is economic development for funds before we can do this—that is not sensible. And that is really all I was trying to say.

I am not positive it takes a legislative change. It may just take some comments on the record here from the subcommittee.

Mr. BLANCHARD. Well, I happen to agree with you. I was just wondering what you were directing at.

I have 13 suburban communities of Detroit in varying states of development, some older, more established, but in great need of money for rehabilitation, and a couple that are very new, booming, and expanding. None of my city managers—and they are all manager form or mayors—were really as clear as I thought they would be on the purpose of this act, other than some vague generalities.

Is it clear to you what the intent of Congress is with regard to this act? And how would you, in two or three sentences, define it? I would be interested.

Mayor DAVIS. You are speaking of the Community Development Act?

Mr. BLANCHARD. Yes.

Mayor DAVIS. I can do that.

One, to provide the ability to provide funds to the cities to respond to need for low- and moderate-income housing. And second, that the cities or municipalities who participate in this program will in no way lessen the effort that they have done before its enactment in 1974.

If what you are saying or suggesting is that there are some cities who are not responding to what I have just explained to you as my understanding of the purpose of the act, I can't defend that. I have said, within our own State of Virginia—I serve as the chairman of the Housing and Community Development Committee of the Virginia Municipal League—and I have said to them as candidly as I can that if you do not function under this act the way it was originally intended, you deserve to lose. I have said that same thing at conferences of mayors, sometimes not very popularly received.

But if you are suggesting that it is a fact that some people don't recognize, I have to agree with you. And I think the burden is on those of us who, in the leadership of the U.S. Conference of Mayors, make sure they do understand it.

Mayor GOLDSCHMIDT. In some respects I think we live with the aspirations of the people who came into this act at the time it was passed as a legacy of what they think it means. To me, the statements by Congress—and it can be read and understood—to the extent that they are narrowly interpreted by HUD administratively, haven't pleased us. We think Congress intended, while to focus its targets on specific policy

objectives, that those should be reached in the most flexible manner possible.

My own view is, it is not an act to help the wealthy, whether in my city or out, that it is not an act to help those who can help themselves. Beyond that, it is really a problem of focusing on conservation and preservation, and it recognizes that cities and communities are really an organic thing. They change and evolve, and you have to keep moving to adjust to the kinds of changes that happen. The economy changes and grows, the efficiencies come and go, and that is the way we have administered it.

I have not tried to read back to you the language of the act. What you are hearing from me is basically the way we treat it and manage it.

Mr. BLANCHARD. I appreciate that. It is helpful to me.

Regarding lower income housing opportunities, how do the two communities that you represent specifically determine lower income people expected to reside in the community?

Did you have any problem with HUD in making this calculation?

In my area, one of my cities went around and asked everyone who worked there and didn't live there, that if there was a housing opportunity, would they then chose to live there as a matter of convenience and desire. And HUD would not accept that as a standard, and so they are not sure what standards to use. I am wondering how you address this?

Mayor GOLDSCHMIDT. My recommendation to you is to get the professionals in front of you to respond to their dealings with HUD on that.

The answer to your question of have we had problems; yes. Whether they have been of our making or HUD's, I'm not prepared to say except to this extent. Even in the previous administration we found some willingness to work this out with the original calculations about those who were expected to reside in our community. This was a problem for us. I think they were a problem for HUD. It may be an inexperience problem with section 8 and the housing assistance plans. I really don't want to lay the blame at anybody's doorstep without checking on that further.

Mayor DAVIS. I can respond. Our city happens to have been one of the very early cities in America to commence construction on section 8 housing that was brand new—new construction, and not designed for the elderly. And I don't say this with any sense of pride. But we have so many people who are below the poverty level that there was absolutely no problem in documenting and defining the eligible tenants for that project.

More recently, just last week, we have received the approval for section 8 housing for the elderly and handicapped. Between the two of those, there are about 500 units, and in round numbers, there are about 30,000 housing units in the city of Portsmouth, so we have not had that problem.

Mr. BLANCHARD. Regarding rehabilitation, which all of us have talked about, and I think this is a real high priority for us, I think—Mr. Davis, you have had some direct experience in private enterprise with building, or with the financing of rehabilitations.

Mayor DAVIS. Yes, both.

Mr. BLANCHARD. Is there a general rule of thumb today that people can accept widely on the ratio of rebuilding an essentially decent structure versus putting up a new one, in terms of dollars?

I have heard people throw around that for every \$1 you put into rehabilitation it might take \$5 to build a new structure.

Is there a general rule of thumb, just in terms of hard construction?

Mayor DAVIS. There is no mathematical formula that I can give you with any more degree of certainty than those that you have already heard, and I certainly would not warrant the authenticity of those.

But I can tell you that commonsense says that if you have 2,500 square feet of housing in existence built 25 years ago or 50 years ago or 15 years ago or even yesterday, that to re-create that in new housing is going to cost more money.

Now, it is true that in the inner cities one of the problems with the rehabilitation program is having old structures conform with the more modern building codes that we now have and now need, so that the critic of the conservation effort could say to you, no, that isn't a fact. But I am telling you from my personal feeling and experience that we can save America billions of dollars if we attend to rehabilitation and conservation as opposed to permitting the deterioration and then having massive clearance and the rebuilding of new units.

Mayor GOLDSCHMIDT. May I just add this comment, only because it did not come up in either of your comments, and I just want to put it in the record.

It is critical, I think, that even under the best of circumstances, if a really first-rate national housing preservation strategy is implemented, we have to address supply. And that program alone cannot do that. And the pricing of housing in this country over the long term, particularly, I think, works against the renter, who is really not capable in our community, in many cases, of adjusting to the changes as fast as they are coming because of where they are in the income bracket. If we don't stay at the supply side over a long period of time, the vacancy rates just get out of hand. And I commend this subcommittee for addressing that.

And I raise it in the context of the question you asked, because we want section 312, but that supply issue is important.

Mr. BLANCHARD. One final question.

How did your two respective communities use your block grant money, specifically?

Mayor DAVIS. Let me speak for Portsmouth, Va.

Portsmouth on 3 successive years has been a city that was approved on the first day of each fiscal year for its application of the ensuing fiscal year. So we feel our applications were properly funded, and they were substantiated on evidence.

Let me say as an aside that we have been audited and reaudited. And all I get are words of commendation for the fact that the first years—we are now in our third year—have been successful.

We had a ghetto in our city known as South Side, and except for the fact that it was smaller than those ghettos in the major metropolitan cities, there is no statistic that you can find anywhere in America that could compete with this. The highest incidence of infant deaths, the highest tubercular rate, the highest venereal disease rate—go down the whole list of social dilemmas, and you found them there.

Under the old categorical grants, because our city was so poor, we were never able to come up with the third matching funds. It was only when, coincidentally, a road or something was going to happen here that we could really participate.

This little area was by then a naval shipyard and there was no coincidence happening there, so that it was just going to get worse and worse. My grandfather lived there 150 years ago, and in those days it was a great part of town.

So of the 3 years, ours is a \$4.5 million annual grant. The first year we used 70 percent of the total grant in that area to get the drainage out of there, to acquire and to clear the land in order that we could bring in new development.

Let me say that as a political person, the greatest disappointment in my life was to learn that the first thing we had to do was to build a massive culvert that looked like a tunnel as big as this room. We spent a million dollars, because we could not do the rest of the work until we got it properly drained. A politician doesn't like to have to tell people that money is underground. They like to see something at ground level.

So anyway, we did bite the bullet. We spend 70 percent the first year there. We spent 50 percent the second year. We spend 30 percent—or are spending 30 percent the third year. Mainly, it's for those purposes I have mentioned. We now have the section 8 housing for the elderly and the handicapped, and it is beginning the rebuilding there.

The housing of last resort that I mentioned to you is going there, and we are actually using hard needed and desired community development funds for that.

But we have not built any tennis courts. We haven't built any golf courses. And every penny that has come to our city, I believe, has been used for the purpose you intended.

Mayor GOLDSCHMIDT. Let me describe ours this way. First, we have never exercised the option under this program, as a transition out of model cities, to spend it for social programs. They have ended up being competed for and in some cases funded as the transition for model cities from the city general fund, partly because we were very concerned about the original formula that showed us dropping away on those programs, ones adopted in the first year of housing and community development being knocked out.

So, basically, that money is divided up this way. Approximately 40 percent, from memory, is in housing loans. So, for those who say we can do what we want to do in our block grant program and we don't need section 312, I would say to you, that we have squeezed every dollar for housing rehabilitation out that we can.

Another 30 percent, maybe a little less, is being spent on related neighborhood needs, running from sewers underground and streets and street trees and various other kinds of traffic improvements. There is an enormous amount of concern in our community as the automobile pressure in suburban communities increases and as the number of automobiles in our society has grown.

The presence of no pedestrian actuated traffic signals, as they moved school locations and we have not responded, there is a lot of interest in that.

The remainder of the money is spread around. There isn't obviously a lot left. But let me give you some examples, lest you think that maybe we are off building golf courses or pools.

We have an interstate freeway, which we withdrew under Congress's authorization for withdrawal, and we are, in that corridor, going to commit a substantial remainder of the balance of the moneys on an annual basis to a redevelopment of the corridor, rehabilitating the housing that is there and taking vacant lots and trying to get new housing in there.

We have to buy that from the housing department. If you want to do us a favor, have them just turn it over to the local community.

We have a half million dollars committed as part of a downtown redevelopment program to an open space project \$5 million public square; and the presence of that project, along with the Urban Mass Transit Administration-funded mall, is producing an enormous amount of development downtown.

But it is basically a neighborhood program in Portland, not a downtown program. We have the use of tax increment urban renewal under State law and have used that for downtown development in the neighborhoods where that tax base increase cannot be pushed up that fast.

That is where this money had had to go. And I feel very good, and I think you would find, by the way, our people feel very good about you and about this program, which has, essentially each year within the purposes of the act, allowed them to move priorities within their own neighborhoods to help get the citizens' participation they need and staff them to make those decisions.

Finally, some of this money is being spent on comprehensive planning. I want to speak to the section 701 question, but it is very practical comprehensive planning that is producing zones changes in the neighborhood that is producing the kind of activities with regard to traffic planning and so on, that they need. And those are being adopted under our State law, which requires we have a comprehensive plan. But they aren't 20-year looks. They aren't even 10-year looks, in many cases. And I would again say that it would be very hard to persuade people who need a house that needs to be repaired, an elderly citizen who is getting a no-interest loan, because she's got a leak in her roof and is afraid to death of what is going to happen that what you really need is to look 10 years down the road. And that is why I would say sections 312 and 701 are really critical.

Mr. BLANCHARD. Thank you. It sounds like you've done a good job and that really reinforces what Congressman Spellman has said about her experience as a local official.

Mr. ASHLEY. Let me ask just a couple of questions with respect to the testimony yesterday of the Secretary and the proposals advanced on behalf of the administration.

It seems to me that there might well be two areas of concern that should be focused upon.

One is homeownership, the other is rehabilitation.

With respect to homeownership, the Secretary did not request additional authority, that is the continuation of the tandem program. She did request a 1-year extension of the 235 program. This would seem



to suggest that, as far as homeownership is concerned, the administration at this time is adopting the stance that the section 235 program in and of itself will be sufficient to be responsive to the homeownership responsibility of the Federal Government.

You commented, Mayor Davis, with respect to the tandem program, which in its present form is no great favorite of mine. It seems to me that the limits are too high. It has been used as a countercyclical tool. The beneficiaries of this program have not been focused upon. Its main objective was to get homebuilding going again; and as a consequence, the printout of beneficiaries indicates that those who have been successful in getting the 7½ percent mortgage, the life of which is 30 years, are upper-middle income Americans.

For this and other reasons, I have reservations about the tandem program in its present form. It does seem to me that this perhaps represents a glaring omission on the part of the submittal by the administration, that we simply must address the problems represented by the pricing out of possible homeownership of tens upon tens of millions of Americans over the past decade when the cost of housing has gone up much more rapidly than has the average family income.

Do you agree with this?

Mayor DAVIS. I agree with what you're saying on a conditional basis. I certainly disagree, respectfully, of course, with the Secretary of HUD for omitting that, because we are going through at the moment—I'm speaking now as a private financier—an euphoria at the moment, of relatively low interest rates. And that may be put out at any time because of psychological reactions of what might be a prospective inflationary trend or by what might be considered strong budget deficits that might get the Federal Government back in the borrowing business deeply.

Those kinds of things could very quickly transfer what are now relatively moderate or soft long-term rates to very high ones. And that, more than anything else, will turn off building going forward now.

So, my answer is, I would certainly hope she would reconsider—or that this subcommittee would reconsider, depending upon the way you operate—with the executive branch and suggest that restudy be given to reimplement that.

Now, as to the reservations that the chairman enunciated in connection with the former plan, although this is opposite to my prepared earlier statement where I said I believe that kind of a program could get middle-income people back into the city.

The program has failed, in my judgment, to get middle-income people back into the city. In my prepared remarks I said we can't handle all low-income people. We have to get some middle-income ones in. And so what I am getting ready to say—but to somehow or another relieve your concern about the program as it has been administered, there could be if it came back in you could certainly put on an acceleration of the debt upon resale.

For example, if I really need a house and I am a low-income person or low to middle income and I buy and I get the preferred rate, that subsidy goes in right at that time and stays for the term of the mortgage.

And so you could mechanically put in that that could be, if I sold it to a person who has got plenty of money, then he would pay off that loan and he would go to a new one.

Another one would be an incomes policy on who would be entitled to it.

Another would be the cost of a house, not the loan amount, not the principal loan amount. There are three or four ways that can be put in. But what I would really hope we would come up with would be to say that if we go back into the tandem plan—and we urge that—that there will be an effort to trend that toward the cities. Anybody can build a house in an expensive suburb. I've been in and out of the homebuilding business for 25 years and never had any problem building beautiful homes in the suburbs where the guy has got plenty of money. But it's quite a different matter when you come into the city, and that is for whom we speak today.

**MAYOR GOLDSCHMIDT.** Mr. Chairman, I just want to add one comment and it's in the context of the housing assistance plan. And that is, if you were to move in the direction of targeting that FNMA program or whatever, and it is not in any way appended to the housing assistance program, essentially what we have is one group of people dealing with one part of HUD and another group of people dealing with another. You'll have chaos.

I'd like to see both occur. Do some targeting and move this program in the direction that will be used in the city. That will move our lending institutions even faster in behind the other programs you've got and make it part of the housing assistance plan.

**MR. ASHLEY.** Well, I think you're quite right to the extent that we come up with either a tandem plan approach to homeownership or another approach which we will be exploring.

It seems to me that this may well represent one area where a set-aside is not only indicated but is essential.

One final question and that is with respect to rehabilitation. Again, it would seem to appear from the Secretary's testimony that substantial rehabilitation could be undertaken by the cities successfully applying for an action grant or making use of the section 312 program, which is to say that these were two avenues suggested by the Secretary in her testimony as far as rehabilitation was concerned.

One was simply a continuation, pretty much, on the same basis of the section 312 program, as far as the level of funding is concerned.

The other avenue was represented by the availability of the \$400 million, at least in part, for substantial rehabilitation in the areas that would be eligible for this kind of treatment.

I think that there again is a void here, and I am wondering if either of you gentlemen have tracked the urban reinvestment task force activities and whether this would suggest to you a collateral or additional avenue that might be pursued aggressively as a matter of national policy?

**MAYOR GOLDSCHMIDT.** Well, Mr. Chairman, let me say that our staff and some members of our organization have participated actively with the national urban reinvestment task force effort. You see it essentially flanking the formula program. I think it is very much the way you've described it—two thrusts. The \$400 million program is essentially a

program to move in and take advantage of what the formula program produces.

It is an opportunity program. We have communities where if we can produce the public activity investment needed, the private community is saying—because they're going through one of the cycles about concern about their city—that they're going to charge. And they have not got the resources in the block grant that they can save up each year to do that.

On the other side is this rehabilitation program. Our lending institutions are giving the city of Portland against now, say, \$3,400,000 a year, money we're taking out of the block grant for housing loans, \$1,200,000 this year at 5½ percent money which we can reloan out again, they crank that up even more.

But, in some cases, that 3-percent money has got to be there in order to average the rates down. I think a national rehabilitation initiative, if that's the point you're coming at, as a collateral point, is necessary. And I guess my feeling is that it cannot be produced out of the split that occurs normally to build the infrastructure, improvements, and so on out of the formula grant.

Mr. ASHLEY. Well, getting at it in a somewhat more simplistic way—assuming a finite number of dollars represented in the Secretary's overall proposal—do you think that the mix is appropriate? Should there be less, for example, for the action grant program and more for the section 312? How would you go about this? What is your suggestion to the subcommittee as far as a more balanced approach toward an effective national rehabilitation program?

Mayor DAVIS. I am at a disadvantage, and I would not be able to give you specific numbers, but I would remind all of us that the section 8 program is a rental rehabilitation program, and the section 312 program is principally a homeownership program.

So, if those of us and your subcommittee who are interested in improving the housing of America, are interested in encouraging homeownership where it can be effectively accommodated, then my feeling is that the emphasis should be equally or more on the section 312 program than on the other.

But I don't have any dollars, so I can't be of any assistance to you.

Mr. ASHLEY. What the Secretary said yesterday is that the centerpiece—I believe she called it that—of the rehabilitation program should be the availability of community development dollars for rehabilitation, and I am not so sure that that is the appropriate avenue.

Now, you've indicated—both of you—that moneys are made available but that the pressure for dollars in your limited community development funding is such that you cannot be expected to mount a substantial, meaningful, demonstrable—as far as impact is concerned—kind of attack on the units that need rehabilitation in given neighborhoods.

And so I am just not sure that we can count on the community development block grant funding as the centerpiece for the rehabilitation effort. I think we have got to elevate it to a stature that more accurately reflects the requirements of the situation.

Mayor GOLDSCHMIDT. I would only say this. My recollection is that we're dealing with a \$4-billion budget proposal, of which \$400 million can be carved out for this new urban initiatives program.

There is another piece that's carved out. There's the urban renewal closeout and other things, but really the basic thrust here is in this \$4 billion for this centerpiece to be the formula grant.

I have looked at the numbers for my city. I've looked at them for other cities. We've looked to see those that have been helped and looked to see those that have been hurt, and I guess I would repeat what I said in the beginning. I think they have done an incredible job of trying to help everybody, recognizing from the outset that the \$400-million program is addressed to one category of activities and that no matter how much money you pump into this program we'll end up spending money in places where you don't need it in order to get it to others that do. And that's why the \$400-million program begins to make sense—just take advantage of the real opportunities.

So let me back over to your rehabilitation initiative—

Mr. ASHLEY. That is fine, but we know there isn't going to be 1 community out of 20 that qualifies or that actually gets funding under the \$400 million annually. And the numbers are going to be too large in terms of the requirement, and the applicants are going to be too many in terms of what soon will be seen as a limited, very limited, number of dollars.

Mayor GOLDSCHMIDT. I said in the beginning, Mr. Chairman, that I sit here today as one of the cities that may not in fact be in it and still say to you—and I say it with no problem going on at home politically to tell our folks—that I think that the formula program has done the best it can to help us. And it does help many of my fellow cities, although the mayor who is with me today, I think, has some concerns about it.

This program may help him, but I would also endorse what you said about the national rehabilitation or conservation approach.

The question you asked to be specific, is, should we yank some dollars that the administration proposes out of the formula and shove it into rehabilitation? I guess my feeling on that is that you might be able to move some, but if you begin to move large numbers of dollars, I think what you are going to end up with is ungluing the momentum that you've built. And you have to take credit for the momentum. After all, you gave us the most dependable source and the least redtape source of funds for community development we have ever had. And except for minor changes in economic development and otherwise, we think it's been a first rate program.

To the extent that communities have abused it, we want the administrator to fix that.

Now, I am a little bit concerned about the risks to those people who have really in good faith built private participation around this program. If the mayor of Portland, Ore., comes in here on behalf of the cities and says, well, we like section 312 and we think it ought to have more money, which we do, then we are willing to say that to you today at the expense of people who have a lot more private money on the line than they do, even the Federal money, because of this process.

Mr. ASHLEY. Where is the money supposed to come from then, Mayor? If we're dealing with the dollar figures advanced by the Secretary, and we don't want to take them out of the community development money and we don't want to take them out of the \$400-million pot, then where are they meant to come from?

Mayor GOLDSCHMIDT. And that's one of the reasons why, in the beginning, we've been talking about the countercyclical program that the administration has been presenting to Congress on job stimulation.

I personally would have preferred and we expressed to the administration that collectively we would have hoped that section 312 would have been included in that program.

We are not talking about a 1-year, \$2-billion program; we're talking about a 2-year, \$4-billion program. And not a nickel—one of that money is going to go into section 312 program.

I could put more people in my community to work today with that program.

Now, maybe that doesn't sustain it over a 20-year period, and I would admit to you that that is not a multiple-year, long-term solution, but I would much prefer to see that program cranked up and be put to work.

Mr. ASHLEY. I think your answer is terrific. What you're saying is, don't look to the Secretary's proposed budget, but look to EDA and to some of the other cats on the other side of the street or wherever they may be.

In other words, your answer is constructive. You're saying that we should probably leave, as I understand your response, the Secretary's proposed budget about where it is, but we shouldn't make the kind of glaring mistakes that we made yesterday when we passed the \$4-billion bill that doesn't have a thing to do with housing and doesn't tie in with the neighborhoods and their preservation efforts and doesn't advance the kinds of activities that you are concerned with.

That is helpful. Thank you very much.

Mr. MCKINNEY. Mr. Chairman, I would feel remiss if I didn't make a few brief remarks, and then we all have to leave.

Mr. ASHLEY. Well, I have a 12 o'clock appointment, and so we are going to make it a brief remark. Go ahead, Mr. McKinney.

Mr. MCKINNEY. I feel that I should say to Mayor Goldschmidt that I admire the way that he has commingled funds and used every available program. And I am not, Mr. Davis, slighting you at all.

I do have one problem that I have run up against in Washington, D.C., particularly when it comes to Federal rehabilitation. I find the worst enemy of rehabilitation of neighborhoods in the District of Columbia has become the tax structure of the District of Columbia.

In other words, we say to somebody here, rehabilitate, and about 3 days later, the great bird of the cash register comes flying over and taxes them right out of the house.

Or, we say we are going to fix up your neighborhood because we have suddenly installed street lights, made the sewers work and made the whole thing work—and for somebody who has been hanging in through heroin raids, crime, fires, and everything else—because we have changed the color of the blue air above that street, we have raised his taxes to the point where we throw him out. How do you handle this?

Mayor GOLDSCHMIDT. I don't think you can handle it with the property tax structure. We have taken four bills—tax incentive bills—for housing in our legislature. One of them has to do with renter units for rehabilitation. It gives a 5-year tax credit. If the investor

puts in 20 percent or more of the value when he starts, then that is exempt from taxation for 5 years. But that is all. And every time you eat away the property tax structure, pushing the burden onto somebody else, unless you have an incredibly healthy base, what our State legislature is doing is collecting personal and corporate income and it has created a property tax relief program, and it is phenomenally expensive.

And what I am saying to you is, that the Federal Government is not really a healthy participant in this kind of incentive for home-ownership and improvement. I don't think the Federal, corporate, and personal income tax structure has ever really addressed that satisfactorily.

I have said to my own Congressman—Congressman Ullman—that in terms of developing incentives for people to invest in city housing where it is perceived by the lenders in some cases that the risks—and may in fact be more, larger—interest rates may be affected, and that there is going to have to be some attempt in our view to address that in the tax code.

But once you have finally got the incentive for the person to build and the person to buy, you get back to the question of will you give them another incentive to rehabilitate, which you describe or do you nail them because they do that and you tax them with more property taxes?

Mr. McKINNEY. Or will you not, by rehabilitation of house A, force the person out of house B who has been living there, and who is hanging on and paying taxes? Isn't this also a problem?

Mayor GOLDSCHMIDT. What is really terrifying is they may in fact tax more the person who improves his home and reduce the taxes on the ones that don't fix them up at all.

You know, a lot of people have argued that it ought to be the reverse, but I don't see that happening.

Mr. McKINNEY. Well, that is true, but I think I can tell you that there are neighborhoods of homeowners right here in this metropolitan area of homeowners who will say please stay away, we can't afford the higher taxes.

Mayor DAVIS. Well, I think you both have touched on it. In our city we have legislation in Virginia which permits us to abate the tax for a period of time that the improvement has been made.

I caused to be introduced in our Virginia General Assembly—the bill was not received happily—a bill which would have given—we have a State income tax in Virginia—a credit to those people on their State income tax during the period of time after they rehabilitate until that loan and any debt had been amortized.

The general assembly said they had just spent 200 years getting our State income tax return to comply with the Federal income tax return, and they weren't interested in having another checkoff.

But you state the problem, and we have to continue working on it.

Mr. McKINNEY. Well, just in closing, it's been very nice to have you here. I am sorry I was late. I would have loved to see your organization as a whole tell every Congressman and Senator that you have the power which you've alluded to; that is my favorite

speech. If the urban city, if New York City, is dead, then my district has terminal cancer. They just haven't felt the first pangs yet.

I would suggest that if all the cities are dead, the Nation has terminal cancer and hasn't yet felt the pangs.

Mrs. SPELLMAN. Well, on that bright note, we will recess until 1 o'clock, at which time we will be hearing from the National League of Cities.

And we certainly do thank you. Your testimony has been superb.

Mayor DAVIS. Than you.

[Whereupon, at 12:30 p.m., the hearing was recessed, to reconvene at 1 p.m., this same day.]

#### AFTERNOON SESSION

Mr. Ashley [presiding]. The subcommittee will come to order.

The Subcommittee on Housing and Community Development continues its hearings this afternoon on housing and community development authorizations.

Our witnesses this afternoon to start with will be Mayor Ann Crichton of Decatur, Ga., and Mr. Walter Olinsky, chairman and president of the Baltimore City Council.

Let me say, Ms. Crichton, I am particularly pleased to welcome you because of the warm regard I have for the representative from your congressional district, the very distinguished Elliot Levitas. He came to Washington, I might say, as an advance man for that crew of Atlantans who have now largely taken over our Government office, a phenomenon that many of us are happy to see.

A Rhodes scholar and practicing attorney, former member of the distinguished school of public administration, and Georgia House of Representatives, he has served his country well. And I might say that he has very high regard for you, as do we. You are indeed fortunate to have such an able representative in the Congress. And he is likewise very fortunate to have you serving in the capacity that you are.

Mayor CRICHTON. Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. Olinsky, I am pleased to welcome you this afternoon. I have heard from various sources as to your quite remarkable abilities and talents. And I can only say that very much as I did about Congressman Levitas that in Congressman Parren Mitchell we have truly one of the outstanding Members of the House of Representatives.

Those of us who serve on this panel and House Banking, Finance and Urban Affairs Committee and on the Budget Committee as I do are continually impressed by his extraordinary abilities, and I mean it when I say if you do anything other return him to this body, your welcome will soon wear out.

We will be very pleased to receive your testimony in any way you wish to present it. You have prepared statements, and before doing this, of course, I will call on the not only talented and able but charming representative from Maryland.

Mrs. SPELLMAN. I did want to point out that Mr. Olinsky is a gentleman I have known for a very long time. As a matter of fact,

my son took his class and found him to be one of the most provocative professors he had ever had. He did a beautiful job in teaching about government.

He was recently again selected to be the chairman of the Community Development Committee of the National League of Cities. And in that capacity he has testified at several national forums with respect to the problems of local government. I know that most recently he testified before the Senate Committee on Banking and Currency during the hearings on the impact of Federal community development moneys.

I know that Mr. Orlinsky is regarded as a subpart resource person by the League of Cities, and he was also named chairman of its committee of local legislators.

So we do have someone before us that I am especially anxious to hear from.

I was also delighted to see Ms. Crichton. I am always very happy to see someone from the fairer sex and I mean fair in just that sense of the word, Mr. Chairman.

[Laughter.]

Mr. ASHLEY. Let me say that the chairman has two eyes.

[Laughter.]

Mrs. SPELLMAN. We do welcome you, the two of you.

Mr. ASHLEY. Mr. Mitchell?

Mr. MITCHELL. I too want to welcome you. This subcommittee is very, very familiar with the housing and community development efforts in the city of Baltimore. Time and time again Baltimore is mentioned as a city that is really doing something in terms of community development and housing, and I agree.

Much of what has been accomplished has been done because of the tremendously creative and innovative talents of certain persons key to government. One is Bob Embry who is now Assistant Secretary Embry at HUD. And certainly one is Walter Orlinsky, our witness who is president of the city council.

The mayor can propose a housing—or a housing commissioner can advocate, but when you come down to the politics of city government, you know what happens. It has got to get through that council.

And I must publicly thank you, Mr. Orlinsky, for the skillful and supportive manner in which you have gotten programs through that council, programs which are meaningful for the survival and well-being of people. And I do welcome you.

Mr. ORLINSKY. Thank you very much, Congressman.

**STATEMENT OF WALTER ORLINSKY, PRESIDENT, CITY COUNCIL,  
BALTIMORE, MD., ACCOMPANIED BY MAYOR ANN CRICHTON,  
DECATUR, GA., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES**

Mr. ORLINSKY. Let me just say that most of what I do as president of the city council stems largely from Congressman Mitchell's earlier efforts before he became a congressman in terms of his administration of programs dealing with the war on poverty years ago that set a framework and an attitude and style in Baltimore that makes it possi-



ble to deal with human beings and communities and all of us are grateful to him for that effort and for his continuation of that effort here in the Congress.

Mr. Chairman, you may not recall that we once locked ourselves in Virginia a couple of years ago to argue about revenue sharing, but I still recall it. And still recall it with great enjoyment.

I am here today as chairman on community development of the National League of Cities, and with me is my vice chairperson, the mayor of Decatur, Ga., Ann Crichton. Together we represent, I guess, something of a balance that all of us end up arguing about, at least as between ourselves in our committee, it is no longer something to argue, and that is big cities versus little cities, in terms of how you propose to aid the cities in need.

Before I proceed with some discussion of the National League of Cities' policy along with Mayor Crichton, I have provided each member of the subcommittee with our full remarks, and would like to have them entered into the record. And I will then shorten those full remarks into what I hope will be shorter.

Mr. ASHLEY. The statement of Mr. Orlinsky will be entered into the record.

Mr. ORLINSKY. For the National League of Cities, the newly proposed amendments by the administration are both welcome and new. And like all proposals they have pluses and minuses, although I think on balance our consensus is today that there are considerably more pluses than minuses.

On March 5 through 8, the National League of Cities will hold its Congressional City Conference in Washington and there will be considerable discussion about the specific legislation being proposed. And at that time there will be formal action taken by the National League of Cities.

The discussion we will present to you today will be based on past positions of the National Leagues of Cities, our most recent one passing in December of this past year, the community development policy statement which I would also like to have placed in the record, if for no other reason I think that it come reasonably close to what the administration is proposing and we are kind of proud that in December we were able to lay out some of the framework that seems to have been adopted by the administration.

[The Community Development Policy Statement of the National League of Cities referred to by Mr. Orlinsky follows the prepared statements of Mr. Orlinsky and Mayor Crichton.]

Mr. ORLINSKY. We are particularly grateful that Secretary Harris has recognized the need for approaching community development as a multiyear commitment, and double pleased that in light of the President's desire to review programs, all of the variety of programs in Government, and is trying to hold on to most of them as just 1-year programs until the review process, that the President has also recognized that with regard to community development there is a need for a program that extends over a multiyear basis.

We are emphatic in believing it is the right approach. And our study of community development programs throughout the country I think reveals a strong local commitment to long-term local community de-

velopment programs. The National League of Cities has probably spent more time on the community development program than any other single issue that we have ever faced. And we do that because of our strong belief that it is the single most important program that any administration or any Congress can work with in terms of providing real need to communities throughout this country.

It is our No. 1 priority as the League of Cities. I guess that serves to underline our deep commitment to the program and its approach. The question of how it works or doesn't work contains a multitude of arguments. Let me just say that the fact the administration has come forward with a formula which places a great deal of emphasis on what is perceived to be need, a perception that we think is largely correct, that we welcome that. The question of hold harmless—it was perfectly obvious to one and all that the legislation as it now stands could not continue with the phaseout or literally dropping off the cliff hold-harmless provisions in it.

It worked obviously to the detriment, as the material developed by HUD and Brookings Institution pointed out, to the cities that actually needed assistance in terms of objective criteria that could be assessed. This program does work on the basis of need, and we welcome that approach.

We also welcome the approach that indicates that there will not be a distinction, an artificial distinction we believe that was created between the large and small cities. Although in that context when Mayor Crichton speaks, she will speak to the issues that remain to be solved, we believe, with regard to small cities, which deals basically with the question of the length of funding more than anything else. The need to allow local communities the greatest degree of flexibility has been recognized by one and all.

The fact that there has been a reduction in the amount of Federal paperwork is deeply appreciated by the trees of America who are not being depleted at nearly the rate they used to be depleted in order to fill out a whole lot of forms that did not mean anything anyway.

One of the continuing problems that exist with all of the legislation that deals with urban communities is the question of adequate funding. The question of adequate funding I would say is one that I know you hear all too often and since I still pay taxes, I am not particularly delighted to tell you too much about the need for more adequate funding unless I feel that it is really necessary.

One of the things that happened with community development, as it folded in a whole variety of programs that existed before, it also made that money available to a far wider range of urban communities. And that is also a good thing, and something nationally the cities applied. But when one fails to recognize that you are doubling the constituency, but not doubling the pot, and not necessarily placing it in a formula position that takes cognizance of need, you develop problems.

Again, the administration's approach goes a long way toward solving that, but there still remains a question of adequate funding and adequate funding in what areas. The fact that the administration is placing within the community development greater emphasis

through discretionary funds on economic development is something we welcome.

The fact that the administration is placing additional money in the phaseout of urban renewal programs is something that we welcome. We would still suggest that with regard to the phaseout, burdening community development funds with a 20-percent automatic, off-the-top community development going into phasing out urban renewal, it presents some difficulties for many communities who are looking beyond the traditional urban renewal approach, which in fact what this legislation is about, in committing a degree of funds and therefore a lack of flexibility to a large extent for programs that are innovative, creative and somewhat more effective, I suspect, than the older urban renewal programs might have been.

The question of small cities is a very important one. And it is one which I think, and I was talking to Congresswoman Spellman about it, is one that evolves or devolves in a number of areas. It is not merely a question of size of cities, and that is in fact recognized now. Older cities that are small can have the same problems, the same quality of problems that older cities that are large have.

But in addition to that, there is the problem, and it is often a difficult one, that not all cities are really cities. Some are cities by virtue of their having a title that says city, and then can count it up like that, but they are not really general-purpose governments.

And when you talk about community development from the congressional side, I think there has to be a recognition of the fact that we are trying to reach those governments which are general-purpose governments and when you get to that question, you begin to overcome even more clearly the disparity that exists in many people's minds between large and small cities.

I would like at this time to stop and allow Mayor Crichton to address the particular problems that we perceive with the legislation as a small/big city question, and then come back to a few other matters that I think I would like to call your attention to.

Mayor CRICHTON. Thank you, Mr. Chairman.

I want to thank the committee for giving us this opportunity to affirm our beliefs in the principles and concepts embodied in the Housing and Community Development Act of 1974. This approach, which has allowed for local priority-setting within a national policy framework and which has encouraged cities to do comprehensive planning and programing to meet community needs, is a sound approach which has proven productive and workable for the Nation's cities.

I am here today primarily to discuss the role of the small city in the community development program. After looking at the small city experience, it appears that the primary objective of the act is "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income," unless, of course, they happen to live in a city of less than 50,000. A quick calculation indicates to me that the cities in the United States between 10,000 and 50,000 in population have a combined population equivalent to 6 New York City's or to 12 Chicagos. Yet when it comes time

to enact and fund programs, the concern seems mainly to be about whether the program is adequate and fair for the New York City's and Chicago's of this country.

Substandard housing, blighted neighborhoods, inadequate public facilities, and economic development problems do not recognize population limits. These problems can exist in a community of 22,000 as easily as they exist in a community of 500,000.

The desire to correct these problems is not confined to large cities. Many cities of under 50,000 population in this country have aggressively tried to solve their housing and economic development problems. As evidence of this, over 700 of these cities had prior Federal program experience which qualified them for a hold-harmless community development status.

The ability to address and correct substandard housing, blighted neighborhoods, inadequate public facilities, and to stimulate needed economic development is not confirmed by population limits after some minimum threshold has been reached; and that threshold may be as low as 5,000. It certainly seems that many successful efforts in the past have been based on the idea of selecting target areas and concentrating on these particular target areas. Even the large cities have used this approach. They have carved out small cities within the city in order to effectively manage their program. Some of us in the smaller cities feel that we have an even better ability than the large cities to address the problems because of a better ability to coordinate and concentrate resources in problem areas.

There is a need, there is a desire, there is an ability to correct problems. The missing ingredient is the same for the small city as it is for the large city: A commitment of adequate, long-term, predictable funding to actually solve the problems.

There are two problems which I wish to address today. One is the necessity for long-term, predictable funding for small cities which can demonstrate a need for such funding. The other is the necessity of having an adequate level of funding for the small cities.

We learned the value of long-term, predictable funding with revenue sharing. Wise expenditures of funds in the most efficient manner requires the ability to carry out long-range planning and to fit community development program funds into the overall city program of activities, for small cities as well as for large cities. The multiyear approach is the only thing that will keep discretionary grants from degenerating into a categorical grant program and provide for an adequate planning process.

Small cities both inside and outside SMSA's face some common problems with the community development program. The primary problem is the reliance on a 1-year discretionary program instead of a block-grant program. The 1-year discretionary grant is really no better than the old categorical grant.

Decatur, Ga., for example, has been fortunate in receiving discretionary funds in addition to its hold-harmless funds. With hold-harmless funds, when the opportunity to participate in an urban homesteading program comes along, funds can be reallocated within the housing component. When a storm drainage project proves not to be feasible, funds can be reallocated to the next priority item. With

the discretionary grant, if the project proves unfeasible, an amended application as complicated as the original has to be submitted and HUD is unhappy because the points earned by the amended project may not be equal to the points earned by the original project—1-year programing, no flexibility, and point systems which vary from region to region make the discretionary program into a continuation of the problems of the categorical grants. What is the magic difference that entitles a city over 50,000 to a block-grant program yet keep a city under 50,000 in essentially a categorical program?

The discretionary program turned out to be worse than the categorical programs it replaced for some small cities, especially for those seeking funding in an area previously covered by one of the seven categorical programs which were folded into the 1974 act. At least under the old water and sewer program, a community which could demonstrate a real need for upgrading its water system had a chance of getting funded on the merits of the project.

Now, to receive a discretionary grant, that city has to prepare an expensive application and a housing assistance plan acceptable to HUD based on outdated or nonexistent data. And then the project does not get funded because the point system is weighted against water system improvement projects. If the discretionary program is going to be administered like a categorical program with 1-year programing and no flexibility, at least the application process could be simplified back to the level of the old categorical programs.

In the 1974 Community Development Act, there was to be \$200 million for discretionary grants in metropolitan areas. This was to be the source of funds for small cities within SMSA's. When urban counties were included in the program, their funding came from this \$200 million and severely curtailed the discretionary program for small cities in metropolitan areas. That \$200 million commitment in 1974 has never been met and now the administration has proposed only \$174 million first-year funding level for the metropolitan discretionary balance. The expendable party in the 1974 act turned out to be a small metropolitan city. That appears to be the case again in this particular program.

We appreciate the fact that the administration has labored to come up with a workable community development program. In its recommendation on allocation revision the Advisory Commission on Intergovernmental Relations recommend "that Congress amend the act so that the funding allocation treats the older, deteriorating cities and small communities in metropolitan areas more equitably."

The administration has proposed a dual formula which will treat the older, deteriorating cities more equitably. Unfortunately, the problem of equity for the small cities is not addressed.

We are not here today to request a continuation of hold-harmless entitlements for small cities, even though some small cities feel very strongly about that issue. Nor are we prepared today to provide you with a triple formula approach, one which would add to the formula some factors which would cause small cities to be treated more equitably, if run through a formula. I do believe, however, that there is merit to such an approach because it would truly make block grants available to small cities as well as large ones.

I hope that you will request that the HUD staff work with its computer programs to see if this is a feasible, long-term solution to this problem. If this cannot be completed during the short time period which you have for reenactment, maybe the act could be amended next year to incorporate an additional formula for the small cities.

In the short run, what we are requesting is that which is embodied in the National League of Cities policy statement adopted at its annual business meeting in December,

A recognition of the need for an adequate discretionary funding level for non-formula cities with a streamlined and multiyear application and funding process that permits comprehensive community development planning and programing for smaller communities.

In summary, small cities are not all wealthy suburbs.

Small cities represent a large amount of the urban population, the equivalent of six New York Cities.

Small cities have a need for community development programs, have a desire to participate in community development programs, and have the ability to carry them out.

While small cities in nonmetropolitan areas appear to have an adequate funding level with adequate growth potential because of the 20 percent set aside for the nonmetropolitan areas, and this is appropriate, the \$174 million set aside for small cities in metropolitan areas is inadequate and is not even up to the 1974 act target level of \$200 million.

In order for the block grant approach to work effectively for small cities, they need to be able to do comprehensive planning and to carry out comprehensive programs. This will be possible if there is a multi-year application and funding process for small cities. Therefore, I hope that you will seriously consider modifying the present act so that when a small community prepares a comprehensive program to meet community needs, a 3-year funding commitment can be made to that city.

I thank you for the opportunity to appear before you, and I trust that you will accept my position that cities under 50,000 in population have a vital role to play in urban America.

Mr. ASHLEY. Thank you, Madam Mayor.

Do you want to continue?

Mr. ORLINSKY. Yes, Mr. Chairman. Let me just say that within the National League of Cities, and as someone who comes from a larger urban area, we find no disagreement at all with the approach that Mayor Crichton is taking in terms of policy and in terms of need.

It seems to us that the community development program is designed to assist communities that need assistance, and that a distinction artificially created based on size is a distinction that in many respects can create a great deal of harm, just in terms of forcing a lot of smaller, viable communities to go under—and it is never nearly as dramatic if this occurs in a community with an 18,000, 20,000, or a 30,000 population. A smaller city won't get the headlines that New York might get, or a Chicago or a Baltimore or a Boston. But the impact of that happening time and time again can be as devastating to the quality of life for many of our citizens as any of the large urban centers' decay and deterioration might be.

The section 8 rental subsidy program which has been this country's main instrument for carrying out the housing element has been by all reckoning something close to a disaster.

Putting it another way, section 8 sounds like some kind of funny discharge from the Army and nobody wants to use it.

The fact that the administration is considering lengthening the time frames and using it from 20 to 30 years is encouraging and may in fact turn out to be helpful. But there is a need, whether it is for strengthening section 8, which is not a bad approach in terms of helping people as opposed to buildings, but nevertheless, there just has to be some kind of strengthening of our housing component. Or, I guess, simply put, there is a need for a national housing policy which section 8 just doesn't seem to be able to bring off. Without that kind of a housing policy we will continue to have difficulty in terms of community block grant money and how to handle the problems created by deteriorating housing.

Section 312, which has always been a program which urban communities—and for that matter, I guess, anybody with any sense always has supported, and certainly the Congress has supported. It is something that, unfortunately, past administrations have not been as active with. We are hopeful that the indications from the administration are that they will resume section 312 funding. We think it should not only be continued, but it ought to be expanded. For most of the older urban communities, it is probably the simplest, most sensible, direct way to re-create and to redevelop neighborhoods.

As Congressman Mitchell has alluded to, and I understand was discussed at greater length this morning, Baltimore City's leadership in terms of urban redevelopment and housing redevelopment stem largely, first of all, from the use of the 312 program.

In addition, we created, through a set of rather unique circumstances in Baltimore, in terms of what we are permitted to do under the State constitution, our own section 312 program. And the fact that we did it should not be generalized as something that all cities can do throughout the country, because very few cities have the internal flexibility that the city of Baltimore has as a municipality to take advantage of such opportunities.

But that section 312 program works. It works directly with people. Streamlined and expanded, it can be one of the foremost programs, I believe, in terms of stabilizing communities and redeveloping communities and giving communities the sense of purpose, of place, that they need. It is a good program. I can't say enough for it.

The National League of Cities has always supported the section 312 program and asks for its expansion as rapidly as possible.

The Emergency Housing Act of 1975 was enacted by the Congress to help stimulate the economy and provide housing opportunities for middle-income people. It is our hope that this assistance can be targeted to cities.

One of the reasons, I believe, that it can be and should be targeted to cities is a problem that I perceive—and I think that everyone who watches the urban areas is perceiving increasingly—and that is urban areas, by and large, are becoming monopoly areas for low- and moderate-income housing and low- and moderate-income families.

No city, no matter how well managed, can survive the social and economic mythology that is created by having a mythology of the old, the poor, and the very young.

Cities, if they are going to survive, need to have a balance, and to the extent that housing programs at the Federal level create gilded ghettos within urban areas and encourage middle-income housing outside the urban core areas, we are going to face a continuing problem, however well-meaning, they are going to become counterproductive.

We have recognized this phenomenon in Baltimore and I think other communities are recognizing the same. So, we would hope that there could be some targeting of this valuable program to urban communities to strengthen the broadness, if you wish, of the kind of community that it is.

The administration's request for increased funding for public housing operating subsidies and modernization is welcomed by one and all, particularly after the bitter winter that the Northeast and Midwest was hit with. It is particularly appropriate—I know we in Baltimore, and perhaps throughout the United States where there are communities that have done extensive public housing programs, we have been robbing from our modernization money to pay the gas and electric bill. It is that simple. It's either that or increase the rents in public housing facilities to a point where the people who live there just won't be able to afford it.

So we welcome that increase and that expansion. It is valuable. It is necessary. And if we are going to retain any viability in the area of public housing at all, it must be done.

We are disappointed that this administration, like previous administrations, has not seen fit to use section 701 planning and management assistance programs. To the extent that local communities are asking for the opportunity, and the Congress is willing to grant the opportunity, for us to plan in a more comprehensive way, for us to make local decisions in terms of growth and development, the section 701 program has been invaluable. The section 701 program, we believe, deserves to be expanded, and it deserves to be expanded across the board, not just as a small city phenomenon, but as a phenomenon throughout the country.

The request of only \$60 million in research and development money, we think, is unfortunate, particularly in view of the success that many communities are having with community development programs, which in many instances are in fact research and development programs. In order to be able to target more toward the innovative, to be able to target more toward creating a base of knowledge of what works in various communities, in various places, and strengthening the community development effort of all communities throughout the country, we think the restriction of research and development funds at the Federal level is a mistake and is something that you may want to take a look at.

With that, I will quit, and thank the subcommittee very much for their indulgence. Mayor Crichton and I would be delighted to answer any questions you might have.

[The prepared statements of Mr. Orlinsky and Mayor Crichton, on behalf of the National League of Cities, along with a community development policy statement and a publication entitled "These Are the Priorities for America's Cities in 1977," follow:]



STATEMENT BY

WALTER ORLINSKY  
President of City Council  
City of Baltimore

on behalf of

THE NATIONAL LEAGUE OF CITIES

on

HOUSING AND COMMUNITY DEVELOPMENT ACT

before the

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS  
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

February 25, 1977

Mr. Chairman and Members of the Committee, I am Walter Orlinsky, President of the City Council of the City of Baltimore, Maryland. I also serve as Chairman of the Committee on Community Development of the National League of Cities (NLC). With me is the Mayor of Decatur, Georgia, Ms. Ann Crichton. Mayor Crichton and I are delighted to appear before you today on behalf of the League which, as you know, is the national organization of some 15,000 city governments of all sizes throughout the nation.

Before we proceed, allow me to provide for the record, a copy of NLC's policy statement on Community Development. I have also brought copies to provide to each Committee Member.

On March 5-8, 1977, the National League of Cities will hold its annual Congressional-City Conference in Washington, D.C. I anticipate that there will be considerable discussion among conference delegates on the Community Development Block Grant program. In addition, the National League of Cities' Board of Directors will, at that time, review the Administration's community development and housing legislation proposals and take any indicated formal action.

Our testimony today is reflective of NLC's current policy statement on Community Development. At a later date, we may desire to submit additional testimony or material resulting from the deliberations of our Board of Directors. We request, Mr. Chairman, that the record for these hearings remain open for any further comments we may have.

At the outset I wish to commend the Administration, and particularly Secretary Harris, for recognizing the necessity of approaching the Community Development Program as a multi-year commitment. We are aware of President Carter's desire to evaluate all of the existing programs, and the general policy of extending authorizations for only one year pending detailed study of the issues and options. It is to the President's credit that he became convinced that the Community Development Program should be extended for more than one year and that major program modifications should be considered.

City officials are emphatic that this is the right approach. Our study of the CD Program over the past year and a half revealed a strong local commitment to long-term community development programs and, in fact, serious objections from city officials where local efforts to develop comprehensive programs have been frustrated either by the terms of the 1974 Housing and Community Development Act itself, or by HUD's administration of the law.

We are most pleased, therefore, that the Administration joins with us in supporting a long-term commitment to community development.

We also commend the Committee for its consistent interest in the Community Development Program and your receptivity to the continuation of a sound long-term effort in this field.

As the historic advocate of the Community Development Block Grant Program, the National League of Cities has maintained a

special interest in the program since its inception. The League's Committee on Community Development studied the program carefully in developing our policy recommendations to our members. We conducted a number of meetings to deal exclusively with the CD Program and its reauthorization. The NLC Community Development Committee also established a special task force of local government specialists to study this question. We received from the task force a detailed report with policy recommendations. Our Committee winnowed through this material and, after substantial debate recommended policy to our general membership which was considered, debated, and adopted at our last annual meeting in December of 1976.

I point these activities out to the Committee, not to emphasize how hard NLC members and staff have worked on this issue, but to underscore the importance of the program to us. Indeed, last summer our Board of Directors spontaneously adopted a resolution declaring the reenactment of the Community Development Program to be our number one priority. This sense of priority was reaffirmed in our priorities paper for 1977, a copy of which I file with the Committee for your information.

It is in this light--the light of the critically important nature of the Community Development Program--that I review with you our policy and the legislation you have before you.

First, let's look at the policy. We call for a Community Development Program which includes:

- increased funding;
- long-term financing;
- multi-year extension;
- formula modification which would offset some of the consequences of hold harmless phase out;
- use of an expanded Secretary's discretionary fund as a stop-gap for significant shifts resulting from a formula modification;
- maintaining a population threshold for formula entitlement at 50,000 and recognizing the need for an adequate discretionary funding level for non-formula cities with a streamlined and multi-year application and funding process that permits comprehensive community development planning and programming for smaller communities;
- continued strong emphasis on physical programs with stronger federal interface for Community Development with economic development, transportation, and human resource funding sources. Urban renewal close-out costs should be addressed with other than Community Development Block Grant funds;
- continuation of present citizen participation provisions;
- continuation of present environmental requirements;
- continuation of housing assistance plan requirements and that location, numbers, and types of subsidized units shall be in accord with local housing assistance plans;
- adequate federal technical assistance should be provided for housing data criteria;

- continuation of comprehensive program application requirements;
- absolute restriction of increased involvement of state and county participation in the program;
- changes in monitoring and evaluation procedures by HUD; and
- fiscal year allocation stay the same, but the program period becomes a two-year period rather than twelve months.

Our testimony also will address the following areas of concern, which we feel are the most appropriate areas for comment at this time. They are:

- the Proposed Dual Formula,
- the Proposed Urban Development Action Grants

Program,

- Urban Renewal Close-out,
- the Small Cities Proposal,
- the Housing Assistance Plan, and
- Housing Programs.

Before dealing with these issues, however, let me review some aspects of the program.

First, the new law has provided a vehicle for local governments to set their own priorities in meeting community needs. Although many local officials are finding this to be a very difficult process, we believe that the process is better facilitated at the local level rather than having it done by

the federal government. The program has returned a degree of accountability to local officials and has provided city officials with more appropriate tools for addressing community needs. The Community Development Block Grant Program represents one of the most timely and significant pieces of legislation produced in the last decade to reduce slums, blight and the rapid deterioration of our nation's cities.

Second, there are mixed reviews regarding HUD's response time and its overall administrative performance for the first two years of the CDBG Program. However, as compared to the previous categorical programs, definite improvements have been made under the CDBG in reducing the amount of lag time. For example, HUD's first annual report on CD states that "the time involved from the start of application preparation through HUD's review, approval, and execution of the contract averaged eight months for CDBG entitlement cities and urban counties, compared with 31 months for conventional urban renewal projects."

Finally, the CDBG Program has undoubtedly achieved one of its principle goals which was to simplify the method for providing federal grant-in-aid assistance to localities. By consolidating urban renewal, NDP, model cities, open space, and the other categorical programs, local communities are provided greater flexibility to plan and coordinate community development activities in a more comprehensive fashion. The CDBG Program has also revived a spirit of partnership between localities and the federal government.

This is not to say that no problems have developed with respect to the CD Program. We have identified the following problems:

- inadequate funding of local programs;
- inadequate relationship between the locally developed housing assistance plan and the allocation of assisted housing units by HUD;
- insufficient funding for metropolitan discretionary grant cities; and
- insufficient legal commitments to obtain comprehensive multi-year programs.

#### Proposed Dual Formula

It appears that the debate will continue with respect to the appropriate criteria for determining funding allocations under the formula approach. However, it is clear that the present formula must be changed or supplemented to provide the greatest equity to all entitlement communities and to provide assistance to those communities, both large and small, with the severest community development needs. Although the proposed dual formula may not totally resolve this issue, it is consistent with NLC's policy position regarding a formula modification, which is as follows:

"The Community Development Program should embody . . . formula modification which would offset some of the consequences of hold harmless phase-out."



From our preliminary reading of the figures, the proposed dual formula seems to be an acceptable additional feature to the present funding mechanism. But, I must state, we are concerned that, according to the Administration's proposal, some cities will be disappointed because of the loss of a significant amount of funds through the phase-down of hold harmless and without completely offsetting benefits from the alternative formula approach. As a result, several of these communities may be confronted with the problem of inadequate or no funding to achieve their local program objectives and our national community development goals.

Furthermore, the Administration's proposal does not provide adequate SMSA balance funds which, in turn, adversely affects many of the smaller communities who deserve greater assurances that their needs will be met through the Community Development Block Grant Program. Later, in our testimony, Mayor Ann Crichton will focus on small cities and their relationship to CD and the Administration's proposed changes to the Act with respect to these communities.

#### Urban Development Action Grants

NLC generally supports the Administration's initiative to revitalize the complex economic fabric of the nation's cities. We believe that economic development is inextricably related to our broad community development goals, particularly in cities where economic decline is fostering conditions such as:

- high unemployment and underemployment,
- an erosion in the municipal tax base,
- the deterioration and abandonment of older housing and public facilities, and
- high concentrations of low income population.

The proposed (\$400 million) Urban Development Action Grants Program is consistent with the League's policy statement on Community Development. We are supportive of the principle that adequate federal resources be made available to aid severely distressed communities who are experiencing economic hardships. In fact, NLC envisions the need for a more adequately funded, comprehensive policy strategy which "...recognizes the special priority and persistent problems of economic development in cities. Such a program and policy shall provide financial, technical, and research support for local economic planning and programming, and should facilitate coordination at the local level of other development related Federal initiatives."

Because we recognize the necessity for immediate federal action to halt the economic decline of our urban areas, we support the general thrust of this program and hope increased funding will be forthcoming in future years.

#### Urban Renewal Close-out

For the past two years a significant amount of funds has been siphoned from the CDBG Program to complete urban renewal, N.D.P., and model cities projects. The proposed CD Program for Fiscal Years 1978 through 1980 will apparently continue

the pattern of taking limited CDBG funds to satisfy previous federal commitments. In 1974, when NLC supported the CD legislation, we sought changes to provide adequate funding for closing out the old categorical programs without taking from the CDBG appropriation. NLC's current policy statement has language to this affect and our position remains the same.

Mr. Chairman, I think the problems concerning urban renewal close-out are clearly articulated in your February 1977 Staff Report on the Community Development Block Grant Program. The report offers ample justification for why we are continuing our efforts to acquire additional funding to close out these programs.

#### Housing Assistance Plan

One of the important components of the 1974 Community Development Act is the Housing Assistance Plan. Cities are committed to carrying out their locally-approved housing assistance plans. These plans are the long sought after link between decent housing and a suitable living environment. The lack of production in the Section 8 rental subsidy program, which was to have been the main instrument for carrying out the housing element of local community development programs, means that the government, both federal and local, is falling behind in carrying out its obligations.

The Section 8 program is based on sound principles which we support. It is a subsidy for people rather than for buildings;

and, therefore, it is a very flexible tool for achieving an economic mix in buildings and neighborhoods. The program also, in theory, makes it possible to plan for a mix of new, rehabilitated and existing housing with greater freedom than in other assisted housing programs. The problem with the Section 8 program has been that mortgage credit to finance new construction or substantial rehabilitation of housing has not been forthcoming.

We are encouraged that HUD, under the direction of Secretary Harris, has considered steps to attract conventional financing by proposing to extend Section 8 contract terms from 20 to 30 years for privately financed housing. We are not certain of the impact of this proposal, but we are sure of one thing--we need a national housing strategy with a mix of housing programs that are adequately funded to meet the goals which have been established locally through the housing assistance plan.

The National League of Cities is aware and appreciative of this Committee's role last year in placing emphasis on the distribution of housing according to the housing assistance plan proposed by the local government. We are further encouraged that the new Administration seems in agreement with this philosophy of emphasis on the mix of housing set by the local governments--not by HUD itself. Adequate funding is essential for a viable program. Some communities only have enough funds for one or two projects when their plans and past experience indicate a much greater need and ability to make effective use of subsidized housing programs. We, therefore, support additional contract authority for conventional public housing as well

as Section 8 housing. Both programs are needed to meet the housing requirements of lower income families and individuals. Moreover, the public housing program should not be discontinued until the Section 8 program is working effectively.

#### Section 312

Although our hopes have been raised since HUD announced resumption of the Section 312 rehabilitation loan program, we feel that the program should not only be continued but expanded. In the past inadequate funding, and the start and stop administration of the 312 program has meant that many communities have had to use community development funds as a last resort. In our opinion, it is wasteful to use the flexible community development block grant monies to provide long-term financing for rehabilitation. Certainly it is appropriate to use community development funds for construction loans, "front end" costs, capital subsidies and other purposes to assist in subsidizing or facilitating the financing of rehabilitation. But in our view, it is not appropriate to use community development monies as a substitute for long-term financing at low interest rates.

#### Emergency Housing Act of 1975

The Emergency Housing Act of 1975 was enacted by the Congress for use by the Government National Mortgage Association (GNMA) to help stimulate the economy and to provide housing opportunities for families of middle income.

In requesting continuation of this program, it is our hope that assistance can be targeted on cities. Special provision should be made to allocate or reserve a portion of this secondary market support for locally-approved housing assistance plans. The central city mortgage credit shortage is certainly an emergency and is the type of problem the Emergency Housing Act was designed to help alleviate. We, therefore, strongly support the extension and expansion of the Emergency Housing Act of 1975.

#### Operating Subsidies

We support the Administration's request for increased funding for public housing operating subsidies and modernization. This winter's unusually bitter weather coupled with the rising cost of materials and labor make it imperative to expand these programs. The Administration should be congratulated for their foresight.

#### 701

We are disappointed, as we were with the previous Administration, with the funding level of the 701 Planning and Management Assistance Program. We do not agree with the rationale accompanying the HUD request that the larger cities should use their CDBG funds for planning. The block grant program was not designed to replace existing planning and management assistance programs. We, therefore, recommend increased funding for the 701 program with at least \$25 million earmarked for large cities.

Research and Development

We are disappointed with HUD's request for only \$60 million in R&D. The consolidating of categorical programs makes the R&D effort more imperative. With the transfer of authority, greater burdens are placed upon local government administrations. At the same time cuts in funds for planning subtract resources available to local governments for improving program management. It is necessary that the Congress realize that greater responsibility at the local level for program administration means greater responsibility at the federal level for supporting the production of useable knowledge and techniques which can be put to work by cities.

Mr. Chairman, Members of the Committee, thank you for giving us the opportunity to testify and to present NLC's views on this vital program. We hope our testimony has been useful and will aid in your deliberations.

STATEMENT BY

THE HONORABLE ANN CRICHTON  
Mayor of Decatur, Georgia

on behalf of

THE NATIONAL LEAGUE OF CITIES

on

HOUSING AND COMMUNITY DEVELOPMENT ACT

before the

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS  
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

February 25, 1977



I wish to thank the Committee for giving us this opportunity to affirm our belief in the principles and concepts embodied in the Housing and Community Development Act of 1974. This approach, which has allowed for local priority setting within a national policy framework and which has encouraged cities to do comprehensive planning and programming to meet community needs, is a sound approach which has proven productive and workable for the nation's cities.

I am here today primarily to discuss the role of the small city in the community development program. After looking at the small city experience, it appears that the primary objective of the Act is "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income," unless, of course, they happen to live in a city of less than 50,000. A quick calculation indicates to me that the cities in the United States between 10,000 and 50,000 in population have a combined population equivalent to six New York Cities or to twelve Chicagos. Yet, when it comes time to enact and fund programs, the concern seems mainly to be about whether the program is adequate and fair for the New York Cities and Chicagos of this country.

Substandard housing, blighted neighborhoods, inadequate public facilities and economic development problems do not recognize population limits. These problems can exist in a

in a community of 22,000 as easily as they exist in a community of 500,000.

The desire to correct these problems is not confined to large cities. Many cities of under 50,000 population in this country have aggressively tried to solve their housing and economic development problems. As evidence of this, over 700 of these cities had prior federal program experience which qualified them for a hold harmless community development status.

The ability to address and correct substandard housing, blighted neighborhoods, inadequate public facilities and to stimulate needed economic development is not confined by population limits after some minimum threshold has been reached; and that threshold may be as low as 5,000. It certainly seems that many successful efforts in the past have been based on the idea of selecting target areas and concentrating on these target areas. Even the large cities have used this approach. They have carved out small cities within the city in order to effectively manage their program. Some of us in the smaller cities feel that we have an even better ability than the large cities to address the problems because of a better ability to coordinate and concentrate resources in problem areas.

There is a need, there is a desire, there is an ability to correct problems. The missing ingredient is the same for the small city as it is for the large city: a commitment of adequate, long term predictable funding to actually solve the problems.

There are two problems which I wish to address today. One is the necessity for long term, predictable, funding for small cities which can demonstrate a need for such funding. The other is the necessity of having an adequate level of funding for the small cities. We learned the value of long term predictable funding with Revenue Sharing. Wise expenditures of funds in the most efficient manner requires the ability to carry out long range planning and to fit Community Development program funds into the overall city program of activities - for small cities as well as for large cities. The multi-year approach is the only thing that will keep discretionary grants from degenerating into a categorical grant program and provide for an adequate planning process.

Small cities both inside and outside SMSA's face some common problems with the community development program. The primary problem is the reliance on a one year discretionary program instead of a block grant program. The one year discretionary grant is really no better than the old categorical grant. Decatur, for example, has been fortunate in receiving discretionary funds in addition to its hold harmless funds. With hold harmless funds, when the opportunity to participate in an urban homesteading program comes along, funds can be reallocated within the housing component. When a storm drainage project proves not to be feasible, funds can be reallocated to the next priority item. With the discretionary grant, if the project proves unfeasible, an amended application

as complicated as the original has to be submitted and HUD is unhappy because the "points" earned by the amended project may not be equal to the "points" earned by the original project. One year programming, no flexibility and "point systems" which vary from region to region make the discretionary program into a continuation of the problems of the categorical grants. What is the magic difference that entitles a city over 50,000 to a block grant program yet keeps a city under 50,000 in essentially a categorical program?

The discretionary program turned out to be worse than the categorical programs it replaced for some small cities, especially for those seeking funding in an area previously covered by one of the seven categorical programs which were folded into the 1974 Act. At least under the old water and sewer program, a community which could demonstrate a real need for upgrading its water system had a chance of getting funded on the merits of the project. Now, to receive a discretionary grant, that city has to prepare an expensive application and a housing assistance plan acceptable to HUD based on outdated or non-existent data. And then the project does not get funded because the "point" system is weighted against water system improvement projects. If the discretionary program is going to be administered like a categorical program with one year programming and no flexibility, at least the application process could be simplified back to the level of the old categorical programs.

In the 1974 Community Development Act, there was to be \$200 million for discretionary grants in metropolitan areas. This was to be the source of funds for small cities within SMSA's. When urban counties were included in the program, their funding came from this \$200 million amount and severely curtailed the discretionary program for small cities in metropolitan areas. That \$200 million commitment in 1974 has never been met and now the administration has proposed only a \$174 million first year funding level for the metropolitan discretionary balance. The expendable party in the 1974 Act turned out to be the small metropolitan city. That appears to be the case again in this proposal.

We appreciate the fact that the administration has labored to come up with a workable community development program. In its recommendation on allocation revision, the Advisory Commission on Intergovernmental Relations recommended "that Congress amend the Act so that the funding allocation treats the older, deteriorating cities and small communities in metropolitan areas more equitably." The administration has proposed a dual formula which will treat the older, deteriorating cities more equitably. Unfortunately, the problem of equity for the small cities is not addressed.

We are not here today to request a continuation of hold harmless entitlements for small cities even though some small cities feel very strongly about that issue. Nor are we prepared today to provide you with a "triple" formula approach,

one which would add to the formula some factors which would cause small cities to be treated more equitably, if run through a formula. I do believe, however, that there is merit to such an approach because it would truly make block grants available to small cities as well as large ones. I hope that you will request that the HUD staff work with its computer programs to see if this is a feasible, long term solution to this problem. If this cannot be completed during the short time period which you have for reenactment, maybe the Act could be amended next year to incorporate an additional formula for the small cities.

In the short run, what we are requesting is that which is embodied in the National League of Cities policy statement adopted at its annual business meeting in December: "a recognition of the need for an adequate discretionary funding level for non-formula cities with a streamlined and multi-year application and funding process that permits comprehensive community development planning and programming for smaller communities."

In summary:

- Small cities are not all wealthy suburbs.
- Small cities represent a large amount of the urban population--the equivalent of six New York Cities.
- Small cities have a need for community development programs, have a desire to participate in community development programs and have the ability to carry them out.

- While small cities in non-metropolitan areas appear to have an adequate funding level with adequate growth potential because of the 20% set aside for the non-metropolitan areas, and this is appropriate, the \$174 million set aside for small cities in metropolitan areas is inadequate and is not even up to the 1974 Act target level of \$200 million.

- In order for the block grant approach to work effectively for small cities, they need to be able to do comprehensive planning and to carry out comprehensive programs. This will be possible if there is a multiyear application and funding process for small cities. Therefore, I hope that you will seriously consider modifying the present Act so that when a small community prepares a comprehensive program to meet community needs a three year funding commitment can be made to that city.

I thank you for the opportunity to appear before you and I trust that you will accept my position that cities under 50,000 in population have a vital role to play in urban America.

## COMMUNITY DEVELOPMENT POLICY STATEMENT OF THE NATIONAL LEAGUE OF CITIES

### 3.000 COMMUNITY DEVELOPMENT GOALS

The goal of community development is to conserve and improve the physical, economic, and social conditions and opportunities an urban area affords its residents. Community development improves conditions and opportunities for all residents by supporting economic and racial integration and by eliminating and preventing physical and social blight. Community development particularly improves conditions and opportunities for low and moderate income neighborhoods.

Community development can bring about improvement through conservation of existing urban resources. Conservation demands a better use of existing physical structures, economic relationships, and human skills as a first priority consideration before pursuing investment in competitive new development outside existing urban areas.

### NATIONAL URBAN POLICY

#### 3.100 NATIONAL URBAN POLICY GOALS

In our complex national urban society, success in achieving community development goals of cities, large and small, demands a national urban policy. The Federal Executive and the Congress must act in concert in establishing a national urban policy to promote more liveable cities through coordinated programs conserving resources and building a better quality of life for Americans.

#### 3.101 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The National League of Cities reaffirms its support for an adequate program of national assistance to our cities in the community development field. We sought and supported the enactment of the Housing and Community Development Act of 1974, and we are convinced that the Community Development Block Grant Program created by the new law was a major step towards more effective and responsible achievement of national community development objectives. We reaffirm our support for the primary objective of the act, "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities principally for persons of low and moderate income. We particularly support a move toward



greater local flexibility under city governments which provides the opportunity for more relevant local programs with greater accountability.

As a new major program modification, replacing seven existing categorical programs and substituting an entirely new system of distribution of federal assistance, the Community Development program faces a number of difficulties normally associated with the initiation of any new major governmental program. A significant group of new major recipients of federal community development assistance entered the program; ongoing program funding levels were frozen while others were required to develop applications for discretionary funding, which, again, failed to be available for awards. Planning and programmatic requirements were revised while some of the promised local flexibility and program decentralization evaporated.

Problems are beginning to develop as the Department of Housing and Urban Development writes more regulations and more interpretations. One goal thus should be for HUD to restrict itself to the administration of the law and not add complications and red tape by voluminous interpretations.

It is unfortunate that the Community Development program must be evaluated for reenactment at such an early stage in its history. Currently, most cities have completed only one full year of program implementation and are just beginning their second year, while planning their third year application. The record is, obviously, incomplete.

The program concepts are sufficiently sound that their principles should serve as a foundation for reenactment. Program decentralization with city responsibility and accountability should be the guiding test for reenactment legislation.

In addition, the Community Development program should embody the following principles:

- A. Increased funding;
- B. Long-term financing;
- C. Multi-year extension;
- D. Formula modification which would offset some of the consequences of hold harmless phase out;
- E. Use of an expanded Secretary's discretionary fund as a stop-gap for significant shifts resulting from a formula modification;
- F. Maintaining a population threshold for formula entitlement at 50,000 and recognizing the need for an adequate discretionary funding level for non-formula cities with a streamlined and multi-year application and funding process that permits comprehensive community development planning and programming for smaller communities;
- G. Continued strong emphasis on physical programs with stronger federal interface for Community Development with economic development, transportation, and human

resource funding sources. Urban renewal close-out costs should be addressed with other than Community Development Block Grant funds;

- H. Continuation of present citizen participation provisions;
- I. Continuation of present environmental requirements;
- J. Continuation of housing assistance plan requirements and that location, numbers, and types of subsidized units shall be in accord with local housing assistance plans;
- K. Adequate federal technical assistance should be provided for housing data criteria;
- L. Continuation of comprehensive program application requirements;
- M. Absolute restriction of increased involvement of state and county participation in the program;
- N. Changes in monitoring and evaluation procedures by HUD; and
- O. No change in fiscal year allocation, but the program period becomes a two-year period rather than twelve months.

### 3.102 FEDERAL POLICY IMPACT ON CITIES

While the Housing and Community Development Act of 1974 represents a first step toward development of a sound national urban policy, there is yet a critical need to shape the multitude of federal policies and programs impacting on cities into a comprehensive, integrated whole. A series of individual federal policies and programs, by their unintended, inadvertent or second-order consequences, have combined in the past decades to produce undesirable patterns of urban development. They include:

- A. Federal housing policies, particularly FHA's role in determining the nature and location of our housing industry's investment in residential construction;
- B. Federal housing policies which overemphasize construction of new housing and fail to provide financing for existing housing;
- C. Transportation location and investment, particularly the federal stimulus for the location and design of federal highways and the interrelationship with mass transit, airport locations, and national railway policies;
- D. Federal tax policies, which through real estate tax shelters discourage the construction of long-lived properties, discourage the maintenance of inner city residential property, promote land speculation leading to excessive suburban development, and produce tax biases against renters;
- E. Federal procurement and location policies which promote the development of certain regions of the nation and hamper development of other regions;

- F. The lack of a national income maintenance policy which leads to a welfare system that permits one-third of the nation's people to live without adequate income to sustain a decent standard of living, and who increasingly require more social services and economic opportunities than central cities can provide;
- G. Social welfare policy which permits gross differences in social services within metropolitan areas, between states and regions, and between more and less densely populated areas; and
- H. Federal regulatory policies, particularly EPA policies, which may directly conflict with efforts by cities in redevelopment of core areas and downtown.

The impact of these and other government policies have contributed to the plight of the nation's most troubled cities. While a few larger, older central cities--those which in recent years have experienced declining populations and the loss of business and industry--have in many cases suffered most visibly, the fundamental problem is not unique to them. Cities cannot remain healthy where a socio-economically imbalanced population is imposed upon them. No city government can long avoid falling into a state of institutional dependence, relying on heavy external aid to keep it fiscally sound and viable, if that city remains the repository of a disproportionate share of the nation's economically dependent population without a balancing share of upper income population.

Federal policy must not be allowed to encourage imbalances in the social cost burden among municipalities. Rather, federal policy must be turned to the greater equalization of these burdens and the strengthening of the economic base of those cities most overburdened.

### 3.103 HISTORIC PRESERVATION

The Department of Interior should either delegate to the states complete authority for Historical Preservation Review and Approval/Disapproval, or as an alternative, they should locate DOI staff with such responsibility in each state.

### 3.104 STATE URBAN POLICY

Policies and programs of state governments also have produced undesirable urban development patterns. State governments must examine their programs and policies to identify and correct pressures which unintentionally impedes efforts at urban conservation.

Local urban development assistance programs must have the flexibility to respond to the dynamic nature of the urban problems they were designed to help solve. Local general purpose government now combines federal assistance programs with planning, zoning, and public facilities construction to accommodate, anticipate, and influence physical, social, and economic change. Where it does not exist, there is a need for state legislation to expand city powers to act as a developer of last resort through a municipal development corporation to provide those private

facilities required to meet community development needs when economics makes it impossible for private enterprise to respond to clearly-defined community needs in a timely fashion.

### 3.105 METROPOLITAN PLANNING AND URBAN POLICY

Regional and metropolitan associations of local governments and planning bodies can play an important role in fostering sound urban policies within their regions. Regional development planning must channel anticipated growth into existing urban and suburban areas rather than encourage increased urbanization of surrounding countryside. Review of member governments' development plans and coordination of efforts to address common problems should help channel growth pressures into reuse of city land and resources.

### 3.106 PRIVATE SECTOR POLICIES

Congress should enact national legislation prohibiting the practice of disinvestment by financial institutions and for the enactment of a national reinvestment policy that would stimulate the local, state, and national economy as well as bring justice to credit-worthy citizens and businesses within specific areas.

Perhaps even more powerful than the effects of government policy on the pattern of urban development is the impact of private sector decision-making and investment. Development of a sound national urban policy must recognize the interrelationship between government and private sector action, and must forge a commitment from the private sector to invest their energy and resources in the maintenance, conservation, and rehabilitation of the nation's existing urban areas.

### 3.107 CITIZEN PARTICIPATION

Involvement of citizens in the local government decision-making process strengthens the process of policy formulation and implementation.

To promote citizen participation in local government, decision making must be simplified, access to decision making must be available to citizens at moments of great impact, and the outlook and practices of local officials must reflect concern for achieving citizen involvement. Citizen participation must:

- A. Enable residents to influence long-range planning and specific neighborhood goals by early and continuing involvement, including opportunity to make their opinions known on the impact to programs;
- B. Increase the capacity of local government to assess and respond to the needs of residents; and
- C. Educate citizens in understanding issues of resource allocation and accepting necessary tradeoffs in order that a broad consensus backing urban conservation policies can develop.

## 3.108 URBAN AND RURAL RELATIONSHIPS

Unplanned urban sprawl creates problems for rural fringes, rural settlements, and small towns and is inconsistent with urban conservation. Since there are beneficial relationships and mutual interests shared by urban and rural areas, the National League of Cities has an active concern and interest in the preservation of the environment, economy, and quality of life in rural areas and towns.

## ECONOMIC DEVELOPMENT

## 3.200 ECONOMIC DEVELOPMENT GOALS

Major creative federal, state, and local initiatives are needed to revitalize the complex economic fabric of the nation's cities. Such revitalization is all the more urgent and rational because of the important role cities occupy in the national economy, the obvious energy efficiency of urban centers where economic infrastructure already exist, and the concentration in cities of huge labor pools--including most of the country's unemployed.

Plagued by chronic unemployment and underemployment, the flight of economic concerns from the inner city, the degeneration of industrial and other economic facilities to less productive uses, and the resultant erosion in the municipal tax base, many cities now are unable to restore their economic health without significant policy and financial support from other governmental levels.

Many cities, having recognized the crucial role of economic development in their ability to survive, have tried to move forward with the establishment of municipal economic development agencies, the development of citywide or neighborhood-based economic development programs, and the allocation of flexible local development resources to economic development activities.

Much more needs to be done, however, before the trend of urban core disinvestment, brought about by decades of inadvertent federal policies, is reversed.

- A. Local government officials must recognize the critical role of economic development policy in addressing the problem of their cities. They should assess development needs, draw up proposed development strategies, promote improved urban investor confidence, and move forward especially with those programs that can be undertaken without federal or state assistance. The integration of community development, manpower, transportation, and economic development planning and programming is a necessary first step.
- B. State governments should provide greater flexibility for local development strategies through state enabling legislation or constitutional amendments. More sophisticated data gathering at the state level also would facilitate such strategies. Meaningful state level economic development planning, designed primarily to help communities coordinate economic development activities and provide technical assistance, should become a high priority for state government officials. Finally, the states should establish sound financial assistance programs to support local economic development planning and programs.

- C. The federal government should develop an economic development policy and strategy which recognizes the special priority and persistent problems of economic development in cities, and should provide sufficient financial support to improve the status of urban economies. Such a policy and program should provide financial, technical, and research support for local economic development planning and programming and should facilitate coordination at the local level of other development related federal initiatives.

Existing federal economic development programs should be expanded to give much greater emphasis to urban areas. Congress should allow the Economic Development Administration (EDA) to work under broader, more flexible designation criteria which would make more cities eligible and should appropriate funds adequate to the task. Congress, in addition to its public works programs, should expand EDA's capacity to provide greater emphasis to industrial and commercial development in urban areas. Congress should fund a program that would develop a local government capacity to provide technical assistance to small industrial and commercial establishments. Emphasis should be placed on designing EDA programs that are complimentary to community development programs.

In our private enterprise system, the role of the private sector - industry, business and the financial community - is preeminent. Together, hundreds of individual business decisions constitute the single most important factor in shaping the physical and economic structure and the economic and social life of cities. These decisions can promote growth or improvement; on the other hand, they can accelerate decline. In rehabilitation of neighborhoods or in clearance and development, private sector funds provide the lion's share of capital. Yet it is clear that the plans and decisions of city governments create climate and conditions which may be either decisively favorable or unfavorable for private sector activities. These interactions and relationships are critical. Accordingly, there must be increased coordination and cooperation between city governments and the private business sector. Cities must develop a planning process for local economic development that incorporates both the common weal and the legitimate interests of business. And the private sector must be encouraged to invest their substantial resources in a manner conducive to sound urban economic development. This process can and should be one which is mutually supportive and beneficial.

#### HOUSING AND NEIGHBORHOOD CONSERVATION

##### 3.300 NATIONAL HOUSING AND NEIGHBORHOOD POLICY

Access to decent, safe, and sanitary housing is the right of every American citizen. But between the right and the reality lies a serious gap. National housing policy must bridge the gap between the substandard housing conditions of many urban residents and the goal of a decent home and suitable living environment for every American family.

Major housing failures--the under-utilization and loss of the nation's existing urban housing stock, the decline of urban neighborhoods; and the inadequate

provision of housing for low-income families--continue to plague the nation's urban residents. While past federal programs designed to stimulate production of housing have met with some success, a very large part of the new housing built over the last three decades has been located on the urban fringes. Simultaneously, the cities have experienced increasing decline and deterioration of their older neighborhoods. And the housing circumstances of lower-income families have improved significantly less than the average.

The cities of this nation have become the repository of enormous under-utilized physical assets--existing public and private buildings, utilities, transportation and recreation facilities. Chief among these assets is the nation's existing urban housing stock.

Substantially increased costs of constructing new dwellings; the major costs associated with the provision of new streets, utilities, parks, schools, libraries, recreation, fire and police facilities; the availability of under-utilized or vacant land already served by utilities, streets and sewers; the potential availability of a currently under-utilized stock of solid existing housing; and the growing attractiveness of older urban neighborhoods for newly-forming families all combine to make a compelling case for the revitalization of the nation's declining urban neighborhoods and the massive rehabilitation of the nation's existing urban housing stock. The substantial past investment represented by the nation's existing neighborhoods should not be allowed to waste away prematurely. The potential for improving the housing of low and moderate income families in these neighborhoods should no longer be so neglected. The development of a sound strategy for preventing future housing and neighborhood deterioration should no longer be delayed.

Because lack of adequate income often prevents families from maintaining their housing, community development must closely tie urban housing policy to urban economic policy. Upgrading the economic status of city residents must accompany upgrading the physical condition of residential environments. Housing policies must also insure a wide variety of housing opportunities for all races and income groups in the neighborhood or community of their choice.

National guidelines and coordination are a necessary broad framework for the housing programs of cities, prepared under provisions of the Housing and Community Development Act of 1974 and each individually shaped to fit local circumstances. However, imposition by the federal government of different housing objectives than those locally-determined and justified, is contrary to efficient programming and the intent of the 1974 Act, and such unwarranted interference must not take place. Rather the federal government should make every effort to ensure that the community development and housing programs be coordinated properly to produce maximum results in line with locally-established priorities.

### 3.301 HOUSING AND NEIGHBORHOOD CONSERVATION

Conservation and better use of the existing stock of urban housing should be a top priority. Federal programs should emphasize major commitment to rehabilitation, which is vigorously promoted, is adequately funded, and provides appropriate assistance to lower-income families who need it. Federal housing programs,

moreover, should ensure that financing for the purchase of existing housing is readily available, particularly for eligible low and moderate income families. It is in the national interest that federal programs promoting conservation, maintenance, and rehabilitation of existing housing fill such gaps as the free market cannot, bearing in mind that wherever possible federal programs should endeavor to create conditions where the free market can again serve particular circumstances or needs whether in whole or in part. Federal conservation and rehabilitation programs should serve owner-occupied, rental, and public housing in accordance with local needs. They should build on the successful experience of the past, have flexibility to meet different needs and circumstances and should avoid repeating mistakes. Because decent housing and decent neighborhoods are virtually synonymous, federal programs should be directed to conservation and improvement of housing and neighborhoods as interwoven elements of the same fabric.

A significant obstacle to neighborhood conservation and improvement is the problem of abandoned housing. Abandoned housing in blighted and in changing neighborhoods prevents neighborhood preservation programs from succeeding. In many of our communities, hundreds of federally-owned houses, originally financed by FHA and VA, sit vacant for long periods, discouraging investment, rehabilitation, and community improvement. The federal government should work with local government to reduce drastically the period currently required to repair housing and place new tenants herein. In no case should houses be permitted to be vacant for more than 6 months. Federal policy and programs must provide local government with the means and the opportunity to prevent abandoned housing from accelerating urban blight.

While a broad and comprehensive national housing and neighborhood rehabilitation and conservation program is required, a necessary interim measure is the substantial expansion of the Section 312 loan program. This program should be injected with new administrative energy and expanded in scope and resources. In particular, the 312 loan program must be amended to provide rehabilitation loan assistance for neighborhood commercial properties and rental housing and to remove the geographical limits on eligible properties. When this subsidy assistance is given to investors or landlords, provisions should require that these benefits be shared with renters.

### 3.302 ENCOURAGING BETTER HOUSING THROUGH LOCAL CODES AND ZONING

Adoption of adequate municipal housing and building codes and realistic administration of such codes will complement community development activities. State and local governments should cooperate to encourage better housing by authorizing uniform housing and building codes to help reduce housing costs and by revising zoning ordinances to permit construction of housing for a wide range of income groups.

### 3.303 TAX POLICIES AFFECTING HOUSING REHABILITATION AND MAINTENANCE

Elimination of local and federal tax barriers to private investment in urban housing as well as policies which discourage improvement of property will encourage urban conservation. Tax abatements, tax credits, and accelerated depreciation allowances, as currently applied, often favor investments in new construction and



thereby lead to disinvestment and abandonment in cities. Federal tax laws should be reexamined and rewritten to create incentives for private sector investment in the maintenance and preservation of existing buildings equivalent to existing federal incentives for new construction.

#### 3.304 LOW AND MODERATE INCOME HOUSING

A number of new approaches to federal housing assistance to meet the needs of low and moderate income families have been proposed in recent years. Others have been the subject of many years of experience. Still others have been the subject of limited demonstration and pilot program efforts. Federal policy to insure adequate housing for low and moderate income families is in desperate need of a total re-evaluation. Yet even now it is clear that a variety of approaches must be considered and no one federal strategy or program should be prematurely adopted to the exclusion of others. The following constitute NLC positions on some of those policy approaches.

#### 3.305 HOUSING BLOCK GRANTS TO LOCAL GOVERNMENTS

One possible approach to meet local objectives is the consolidation of the present array of federally-assisted housing programs for low and moderate income persons into a single, flexible housing block grant to units of general purpose local government. Were such a consolidation to occur, the block grant assistance should be available to support new construction on under-utilized land in urban areas capable of supporting more residents without unduly increasing local concentration of low-income families, rehabilitation of existing neighborhoods to eliminate blight, and such related housing activities as code enforcement, mortgage guarantees, and neighborhood beautification that contribute to prevention of housing blight. Finally, such federal block grants should further national urban policy objectives by being closely tied to community efforts to conserve existing resources.

#### 3.306 HOUSING ALLOWANCES

Direct cash payments to low-income families coupled with rehabilitation and code enforcement programs can assist them in affording better housing. Allowances to low-income families is one approach to the problem of low-quality housing providing temporary relief to families in poverty circumstances and access for low-income families to neighborhoods offering better housing opportunities.

#### 3.307 CONVENTIONAL PUBLIC HOUSING

The picture with respect to conventional public housing is mixed. Legislative amendments and new regulations of the past several years have created serious operating problems for many local housing authorities. The character of their charge has been altered somewhat and their current ability to meet the new situation is not clear. The National League of Cities calls on the federal government, therefore (and state governments where applicable), to reestablish flexible operating

possibilities for public housing authorities through appropriate revisions of legal or regulatory provisions. Particular attention should be given to changes which will enable housing authorities to cope better with intractable or problem families through alternative social service programs.

Because payments in lieu of property taxes seldom offset the high service costs associated with public housing for low-income families, cities tend to utilize new public housing only for elderly occupants. Should this pattern continue, an important source of housing for low-income families would dry up.

Operating experience with high rise, high-density public housing has been generally poor and, except for the elderly, has been found unsuitable for low-income families. The use of scattered site mid-rise, town house, or single family public housing is preferable for non-elderly families and should be encouraged over traditional hi-density public housing projects.

The record of public housing authorities in the U.S. is by-and-large good. These are institutions with good experience that should be utilized and not discarded. Local housing authorities currently are providing decent housing for almost one and one-half million needy households. To conserve existing public housing for families and to enable cities to build more when necessary, federal policy must change to guarantee increased financial support for continual rehabilitation and maintenance of such housing throughout its lifetime.

### 3.308 SUPPORTIVE SERVICES

Bricks and mortar, by themselves, are not sufficient to upgrade the quality of urban life for city residents. The effects of social disintegration on neighborhood decline are manifest. The potential for arresting such decline through a social service strategy are increasingly apparent. Housing programs must include provisions for long-term supportive services for low and moderate income occupants and associated supportive services to create and maintain a healthy physical and social environment for occupants. Supportive services include family and home maintenance counseling, job training and placement, day care, and education. Particular attention should be directed toward the problems of economically-dependent single-parent families.

## RECREATION

### 3.400 URBAN RECREATION AID

The deplorable lack of recreational opportunities in the nation's cities is a well-documented fact. Most city residents suffer as a result, but the primary victims are impoverished dwellers of inner city neighborhoods where high densities, a paucity of private open space, and a lack of mobility create special public responsibilities.

However, although the federal government, through the Interior Department, has distributed over a billion dollars in grants to the states for recreational land acquisition and development over the past decade, cities large and small have been

almost uniformly squeezed out of full participation. The reasons for this are clear: neither the federal government nor the states have allocated or administered these limited resources in a manner that would facilitate their use in areas where most people live--the cities. Instead, most funds have been used to develop rural and suburban recreational facilities which are accessible only to middle and upper income groups and affordable only in a national economy with unlimited resources.

The Congress and the Executive branch should recognize the clear case for an increase and redistribution of federal recreation aid; restructure federal law and administrative practices to enable effective use of these funds by cities; and ensure an open, consultative and rational process in the states for recreation planning, resource allocation, program implementation and evaluation.

Approved  
November 27, 1976  
by the  
board of directors  
of the  
National  
League  
of  
Cities

**P** THESE ARE THE  
PRIORITIES  
FOR  
AMERICA'S  
CITIES  
IN 1977.

The list of economic, social, and physical ills confronting the United States and its cities sometimes seems endless. In its simplest statement, however, the problem is this: too many people are unemployed, too many people are left out of our society, and too many communities are deteriorating. ¶ It is impossible to separate economic, social, and physical problems. They are too closely and tightly interrelated. Economic decline breeds social and physical decay, which puts further strain on the economy. And the solutions, like the problems, cannot be

isolated. Any serious and effective approach to solving the problems of this country and its cities must proceed on many fronts.

¶ These problems affect all Americans, no matter where they live. The problems of the nation are the problems of the cities, and the problems of the cities are the problems of the nation. In this spirit, the National League of Cities, the country's largest municipal organization, offers the following agenda for action for 1977.

¶ We focus on six major areas in which federal action can lead to significant progress towards solving the problems of the nation and its cities.

The National Economy  
The Federal Structure  
Urban Income  
Physical Development  
National Energy Policy  
Crime



here was once  
a nation of 200 million people  
that was the  
most powerful country in all the world.

At the national level,  
the inhabitants were very rich,  
but at the local level, they often turned out to be  
quite poor.

And as luck would have it,  
they all lived at the local level.”

*from A Fable: How the Cities Solved Their Transportation Problems* by Wilfred Owen  
Urban American, Inc., 1967

# THE NATIONAL ECONOMY

**THE SITUATION** The nation's economic recession deals cities—citizens and governments alike—a particularly devastating blow. The fiscal problems of many cities directly reflect the national recession, and in some instances that reflection somehow is magnified. A national unemployment rate of 8 percent means a 12 percent unemployment rate in some cities; as high as 40 percent in some hard-hit neighborhoods. City budgets also reflect the national recession: for 1975 alone, according to some estimates, state and local revenues dropped \$27.5 billion below their full-employment potential.

**I**n many cities, particularly the larger, older, central cities, the problems of recession are compounded by a steady loss of population and jobs, plus the burden of an increasingly large and disproportionate share of the nation's poor. This change in population concentrates problems. While 12.3 percent of the country's population fell below the poverty level in 1975, the poor accounted for 15 percent of the population of central

cities, compared to 6.7 percent in suburban areas.

¶ Not all cities are shrinking. Some, particularly in the South and West, are growing. But growth, like decline, puts severe dollar demands on cities.

¶ Many cities face, and will continue to face, serious financial problems. Costs for public services and wages of public employees are greater for larger cities than for smaller ones. Cities that are losing people are having to support higher per capita costs for public services through higher tax burdens on a slowly growing property tax base.

WHAT TO DO ABOUT IT

To stimulate the national economy, the new Congress and the new administration should approve an additional \$3.5 billion for grants under Title I of the Public Works Employment Act of 1976.



¶ There is a clear, compelling need for this economic stimulus. Earlier signs of economic recovery proved to be more hopeful than realistic. Economic indicators steadily worsened during the close of 1976. Where once it seemed sensible to limit the local public works program to \$2 billion, it now appears that a minimum of \$10 billion, provided through major economic stimulus and job-producing legislation, is needed.

A minimum of one-third of that \$10 billion should be set aside for state and local governments, which account for roughly one-third of the total national economic activity.

¶ Title I of the Public Works Employment Act is the logical way to prime the pump. The program already exists and already has generated more than \$24 billion in public works applications from state and local governments. Funding these projects, all of which could have people at work within 90 days, would immediately begin to lessen the severe and continuing

unemployment in the construction industry and provide public facilities that were delayed or canceled because of the recession.

## THE FEDERAL STRUCTURE

**THE SITUATION** What passes for a national urban policy is really a patchwork of inadvertent policies governing housing, the environment, transportation, economics, and taxation. The result of this policy is patchwork programs: some 1,200 that affect local governments; often inconsistent, sometimes contradictory. Their overall effect works against, rather than for, America's cities.

**P** The president's 1974 Report on National Growth and Development observed that "the real impact of federal programs designed explicitly to change growth patterns (e.g., bolster a lagging region or revitalize a downtown area) appears to be far less than the impact of federal programs (e.g., defense procurements) whose ostensible purposes have nothing to do with

growth and development.”

¶ The Council on Environmental Quality, discussing, in its fifth annual report, federal tax provisions for depreciation, noted that “there is a disincentive to maintain the building in expectation of long-run, income-producing potential. The incentive is to build, depreciate, sell, and then build again. This creates an inducement to continue constructing new buildings where land is cheap. . .while allowing buildings to decay.”

¶ The programs and policies that affect cities are guided by no general goals and judged by no accepted standards. They combine to create an inadvertent urban policy that encourages poor use of urban resources. Without some sort of coordination and guidance for its urban policies, the country cannot hope for anything better.

#### WHAT TO DO ABOUT IT

To provide much-needed coordination and guidance of urban policy, a Council of Urban Advisers should be created. Made up of

people with experience and competence in urban affairs, this council would advise the president in the field of urban policy in much the same way as the Council of Economic Advisers does on economic policy.

¶ The Council of Urban Advisers would analyze all aspects of urban America, advise the president on trends and conditions in urban areas, appraise federal urban programs and policies, recommend policies that will contribute to urban stability and conservation of urban resources, and help prepare presidential reports on the progress and problems of America's urban areas.

¶ Reform of the federal government's urban policy institutions also should include: a requirement that every piece of federal legislation or regulation which mandates costs to local governments carry with it a statement of its fiscal impact on local governments; coordination and consolidation of regulations; improved administration of grant programs; better collection, analysis, and use of urban data; reduction of paperwork; and more effective regional coordination of federal programs.

# URBAN INCOME

THE SITUATION Unemployment is costly.

¶ The human costs are unforgivable. According to a study issued late in 1976 by the Joint Economic Committee, a 1 percent increase in unemployment results in a 4.1 percent increase in suicides, a 3.4 percent increase in admissions to state mental hospitals, a 4 percent increase in admissions to state prisons, and a 5.7 percent increase in homicides. In one year, 1970, a 1.4 percent rise in unemployment led to 1,540 suicides, 5,220 admissions to state mental hospitals, 7,660 admissions to state prisons, and 1,740 homicides.

¶ That same 1.4 percent rise in unemployment during 1970 cost the country nearly \$7 billion in income lost due to illness and death and added state mental hospital and prison costs, according to the Joint Economic Committee's figures. On top of those costs is another \$2.8 billion each year for jobless and welfare payments associated with the 1970 rise in unemployment. Excluding costs for care in federal institutions, the total cost *so far* of 1970's 1.4 percent rise in unemployment is at least

\$21 billion. And those figures leave out entirely the costs of further increases in unemployment since 1970.

¶ The burden of unemployment weighs double on city residents. Not only do the unemployed suffer the loss of jobs and income, but they suffer reduced municipal services as the city's revenues drop and increased tax burdens as the city tries to make up the difference. According to U.S. Department of Labor statistics, unemployment tends to be higher in metropolitan areas than in nonmetropolitan areas, and higher in central cities than in suburbs.

WHAT TO DO ABOUT IT Congress and the new administration should take several steps to reverse the trends of rising unemployment and falling urban income and to lessen the effects of these pressures on individuals and on the nation's cities.

First priority should be given to full employment and job opportunities for all through the reenactment of the Comprehensive Employment and Training Act.

¶ Another important measure would be the creation of a permanent program to coordinate direct general assistance grants, public jobs programs, and public works programs to soften the impact of recessions and strengthen economic recovery efforts. This antirecession program should be created in 1977 through the continuation, amendment, or replacement of the Public Works Employment Act.

¶ To insure that employment opportunities and public service benefits are equally available to all, the federal government should redouble its antidiscrimination efforts, consolidating and vesting in a single agency the authority to make and enforce civil rights regulations.

¶ Congress and the administration should move ahead with a long-term restructuring of the country's welfare system. This restructuring should lead to the federal government's assumption of all public assistance programs.

¶ Youth development also should be given a high priority. The federal government should provide adequate funds for youth training programs, revise vocational education programs, and reauthorize the Juvenile Justice Act of 1974.

# PHYSICAL DEVELOPMENT

**THE SITUATION** The physical fabric of cities constantly needs repair and improvement, and the costs of repair and improvement are constantly increasing. In the nearly three years since it became law in 1974, the Community Development Block Grant program has proven its worth as a tool. Through this program, which provided \$102 million in grants in fiscal 1976, many local governments were able to create and carry out physical development programs designed to meet their own specific needs.

¶ This program expires September 30, 1977.

¶ Housing is an important part of cities and a basic necessity of life. Most federal programs concentrate on new housing, much of it outside central cities, doing little to halt the deterioration of existing housing. As a result, the housing situation of low-income families has shown slow improvement, urban neighborhoods have declined, and a large stock of existing housing is wastefully underused. Even with today's growing in-



terest in renovation of existing housing, the amount of this activity is small when compared to the stock of existing housing; abandonment and deterioration of housing continue at a high rate.

**T**ransportation plays an important, too often destructive, role in shaping our cities, and the dominance of the automobile and the highway in American transport benefits suburbs and rural areas more than cities. Our dependence on the automobile clogs center-city streets, fills blocks with parking lots, and leaves no usable, alternate form of transportation for many city dwellers. Providing the mobility that is necessary within our cities calls for transportation policies that do not favor the automobile at the expense of mass transit or inter-city travel at the expense of intracity mobility.

**WHAT TO DO ABOUT IT** Three major federal actions would have a profound influence on the physical development of American cities.

First, a multi-year Community Development Block Grant program

with increased funds should be continued to help cities meet their critical physical development needs.

Second, an expanded federal program to help rehabilitate the country's deteriorated housing stock and revitalize declining urban neighborhoods should be created. This program should include an expanded loan program for maintaining and improving existing owner-occupied and rental housing and neighborhood commercial properties; amendment of federal tax laws to provide incentives for private investment in maintaining and rehabilitating existing urban housing; and elimination of federal statutory or regulatory provisions that allow redlining.

Third, national highway and mass transit laws should be amended to increase mass transit funding and move toward a single federal urban transportation program with maximum local authority over major transportation decisions.

These amendments should provide for the direct apportionment of funds to all urban areas under federal aid highway and mass transit programs, and a substantial increase in operating and capital funds under the Urban Mass Transportation Act of 1964.

## NATIONAL ENERGY POLICY

**THE SITUATION** The United States is a prodigious user of energy. Only in recent years, however, have we begun to realize that the supplies of coal and oil we once thought inexhaustible are, in fact, finite and in danger of depletion. As a result, we

are dependent on foreign suppliers for 35 to 45 percent of all the oil used in this country, or for the equivalent of 20 percent of the country's total energy consumption. This dependence makes the United States extremely vulnerable to foreign manipulations of oil prices.

¶ There is no simple solution to the energy problem, but there is a sensible one. That solution is to reduce our dependence on foreign oil supplies, thereby lessening our vulnerability to foreign price manipulations, while working towards the long-term goal of balancing our domestic energy demand and supply. Such an approach to energy policy would require serious study of ways to use energy more efficiently as well as ways to use less energy; it would require development of alternate sources of energy as well as new sources of conventional energy; it would require that the development and use of all types of energy be consistent with the need and desire to protect the environment.

WHAT TO DO ABOUT IT Congress and the new administration should create a two-pronged energy policy, a policy that has the short-term goal of reducing our vulnerability to foreign

manipulation of oil prices, as well as the long-term goal of bringing domestic energy demand and supply into balance.

¶ Congress and the administration should develop policies that regulate energy while protecting the natural environment, reduce energy consumption and encourage increased domestic energy supplies, assure reliable supplies of energy for essential public services, and combine encouragement of more efficient use of energy with the rational development of new energy sources.

## CRIME

THE SITUATION Crime continues to rise in the United States and its cities. In recent years, the greater increases have been in suburban areas rather than in large cities, but the absolute figures, and the chances of being assaulted or burglarized, are still greater in cities.

¶ From 1974 to 1975 the total crime index showed a 7.5 percent increase in cities with more than 250,000 people, a rise from 3,198,814 incidents to 3,438,521. In the same period,

the suburban increase was 9.7 percent, from 2,762,295 incidents to 3,029,127.

WHAT TO DO ABOUT IT Because crime is a deplorable fact of life, the fight against it should receive a high priority at all levels of government. It is, however, quite clear that present and past efforts to reduce crime and increase the security of individuals and communities have not worked satisfactorily.

We urge the president  
and our other  
elected representatives  
to lead us to  
a fresh reassessment of the causes  
and nature of crime and  
of its prevention and punishment,  
and we pledge them  
our support in this effort.

Mr. ASHLEY. Thank you very much, both of you.

Let me start with the specific. There has been a good deal of testimony with respect to the prospective use of the section 312 rehabilitation program in Baltimore, and I am curious as to whether this money from section 312 has been leveraged or if it has been used without outside support from local financial institutions, from State programs, or otherwise?

Mr. ORLINSKY.—The experience in Baltimore has been starting off with a section 312 in a neighborhood that we were going to rehabilitate rather than tear down, as a matter of fact we stopped tearing down quite a few years ago, so we are now into rehabilitation. We have found that its judicious use of the section 312 program does, in fact, leverage in private money. Once you get your first commitments to a residence, that someone is going to live in and is committed to over a long-term period, we find very quickly that the private sector will in fact become responsive—or if you wish, erase or at least change the color of the red line.

Mr. ASHLEY. I can see that kind of leverage. I wasn't referring to that quite so much as I was to the kind of leverage that has been possible in Norfolk and other communities where, pursuant to State-enabling statutes, it has been possible to persuade the lending institutions to support section 312 rehabilitation programs, thereby making possible much more direct and effective impact.

Mr. ORLINSKY. We have had that experience in Maryland, both locally and on a State basis, to bring in the lending institutions to leverage our section 312 money. Again, one of the problems with that, in terms of trying to generalize it around the country, is that cities have such an absolutely skewed method or derivation of powers that so many communities find it difficult if not impossible, even if the will is there, to enact the local legislation necessary to develop the leverage power.

State legislatures being what they are, are sometimes reluctant to participate. We, as a result of legislation, introduced by a legislator from Baltimore City a couple of years ago by the name of Orlinsky, in Maryland has created almost the facsimile of a section 312 program on a State basis.

Mr. ASHLEY. Do you come from a large family?

Mr. ORLINSKY. No; there was a remarkable similarity, although he was 90 pounds heavier when he introduced the legislation.

We created a package—it was a \$20 million package, \$10 million went to rehabilitation and \$10 million went to new construction. We used that money as bond money on the State level. It worked very, very successfully throughout the State of Maryland and the State legislature in fact authorized another \$20 million package, but the board of public works in the State of Maryland has seen fit not to release that money because it violates the comptroller's sense of the free enterprise system, which I have never quite understood, but for better or for worse, that is where we are now.

I might say it is the only State bond program that actually turns funds back to the general funds, which they also should not do. They should at least roll it over.

Without any difficulty, in terms of failures, foreclosures, and so on, it is a program that works. Section 312 works. The State version works. The city version works, and there is leveraging out of that money.

Mr. ASHLEY. But to pursue the line of inquiry with respect to rehabilitation, how effective has been the availability of the resources of the urban reinvestment task force in your experience?

Mr. ORLINSKY. I must confess not to be familiar enough with it to know how successful it really has been.

Mr. ASHLEY. I suppose what I am getting at is, with the scarcity of funds, especially with those that have been requested for the section 312 rehabilitation program, for the substantial number of dollars that are necessary in order to have a demonstrable impact, even with the ancillary side effects that Congressman Mitchell and you have talked of, one wonders if there should not be some kind of leverage almost required as a condition for receiving rehabilitation money.

Mr. ORLINSKY. My initial reaction would be, as a general matter, there is no reason why not. As a specific matter, it is a question of how you are going to try to lay out that leveraging. I would hate to see that end like section 8, a good idea that nobody jumps at.

Mr. ASHLEY. Or you would hate to see it end up like urban renewal, with the two-thirds, one-third participation basis, where that presents insurmountable obstacles. I can see that. I mentioned this morning that in my view the rehabilitation proposals advanced by the administration were somewhat meager. They were disappointing to me, the proposal being to use as a centerpiece for the rehabilitation effort the availability of community development funds. The competition for those funds in any local community has got to be so intense that to suggest that the centerpiece for a rehabilitation effort be community development funding seems to me to be somewhat unrealistic.

It also seems to me to be unrealistic to suggest that even with some portion of community development funds buttressed by some \$70 million for all 50 States, that this can advance a sufficiently formidable program, to have any discernible impact on the 4 or 5 neighborhoods in my city of Toledo and your city, and you city, Madam Mayor.

It just seems to me that we haven't directed our ingenuity sufficiently to what you might say the President has identified as a major priority in his administration, namely the preservation and revitalization of our neighborhoods.

Clearly he wasn't talking exclusively about new construction. What he was talking about largely, I gather, is the use of the ability to preserve existing stock and upgrade it and to introduce a level of public services and commercial opportunities and amenities that make neighborhoods otherwise unlivable places that are good places to live.

I think that this Congress—and I hope the very highly respected organization that you represent this afternoon—I would hope that between us and all of the participants in this area of interest that we could come up with something that is more workable and feasible.

One of the problems—and this goes to one of the questions that you raised, Mayor Crichton—one of the problems that we're looking at of course is the fact that we're running at enormous budget deficits, which I might say parenthetically, the current administration is pledged to reduce and eliminate in a rather short period of time—so that there



isn't just a competition for funds among the various neighborhoods and interest groups in the cities that you represent. There is a competition for funds here at the Federal level, and I can well understand and sympathize with the very persuasive and eloquent plea that you make for smaller cities, Madam Mayor.

But, when you ask what is the magic difference that entitles a city of over 50,000 to a block grant program and keeps a city of under 50,000 in essentially a categorical program, I, if asked for a one-word answer to that question would say, money.

And there is no question but that in the structuring of this program originally and back in 1974—and I was part of that structure—I have to say that there were tradeoffs that were deemed to be necessary and, as a matter of fact, were necessary. They are just as necessary today as they were then. The change of administration has not had anything to do with that at all.

Your plea from both of you is for more money for community development. At first blush, it would seem that the administration is responding to that by asking for \$4 billion, I think, for the next fiscal year, and then gradually upward by several hundreds of millions of dollars for the remaining 2 years.

What we understand, of course, is that in that figure is the \$400 million each year for the action grants program. Is it not too realistic to expect that there will be the kind of increased funding for community development that will make it possible for smaller cities to be entitlement cities?

I suggest that you can arrange an appointment with Mr. Lance between now and when your plane departs for the State of Georgia.

**MAYOR CRICHTON.** I would suggest, though, that Decatur and Atlanta share a common boundary. When Atlanta completes a community development program or rehabilitates its housing up to Decatur's boundaries—and by the way, we are an older city and our housing stock is quite as old as Atlanta and in many eastern cities—I would suggest that we directly impact each upon the other and that the total urban problem for the Atlantas or the central cities cannot be solved without addressing this with money.

To answer your question about the realism, perhaps it is not realistic, but is it realistic to propose programs to solve the urban problem and neglect a large portion of that urban problem?

**MR. ASHLEY.** I wonder if our state of intergovernmental relations is sufficiently advanced so that we could take a broader definition of city, to enable us to move to a metropolitan concept? I introduced legislation back way before the 1974 Act, which would have promoted community development block grants on a metropolitanwide basis, and it would have approached housing on the same geographic basis, metropolitanwide.

But then I talked to such eloquent representatives and friends—as friends on my right, only geographically on my right—and he tells me there are certain problems involved with Baltimore County that would make it very difficult to attack the problems of Baltimore City on a metropolitanwide basis.

And I suppose you might well agree with that, but sitting next to you, Mr. Orlinsky, is somebody that suggests that that might be the way.

Mr. MITCHELL. Would the gentleman yield for just a minute?

Mr. ASHLEY. Yes.

Mr. MITCHELL. You are quite accurate in your recall of my concerns about metropolitanism some several years ago. I do think that the record ought to show that we have had a significant change in administration in Baltimore County, with an administrator and county executive who is much more amenable now to at least talking some fundamental concepts involved in metropolitan government and indeed it is my understanding further that we have already worked out some very low-level arrangements in which county and city government are related.

So, at that time I would have been vehement in my opposition.

Mr. ASHLEY. Well, you were.

Mr. MITCHELL. And I meant to be. But hope springs eternal, Mr. Chairman, and if we can get that kind of thing moving in terms of the counties contiguous and adjacent to the cities, the same kind of attitude that is developing in Baltimore County, my vehemence might be reduced.

Mr. ORLINSKY. Congressman, if I might, I would like to make a couple of observations.

First of all, to the extent that I spoke to the issue of urban renewal, closeouts, section 312, and so on, I think that is our, perhaps built-in, but nevertheless real response to the issue you raise about the total amount of money in community development, and we recognize that community development cannot become a centerpiece of rehabilitation in and of itself, particularly when you take 20 percent off the top for closeout and you restrict section 312 and so on. There has to be other pots that come in and zero in and even that may not be enough. But, certainly, without them there is no sense in even talking realistically about that great dream that we all have that makes some sense about rehabilitating our urban communities.

With regard to the question of large versus small, to the extent the new formula works toward identifying communities on the basis of need, and some realistic and objective criteria for determining need, I think we can reduce the question of the pot and begin to talk more about a variety of needs—

Mr. ASHLEY. Why do you say that?

Let me just interject and ask a question, and then I will yield to Mr. Mitchell for a longer period of time. But we are working with a finite amount of money that has been decided on by the administration for community development block grants. The pressures have become, obviously, sufficiently enormous to be effective with respect to the proposed phaseout of hold harmless over the 3-year period so that communities such as mine would receive substantially less beginning in 1978.

To address that problem, we have come up with a dual formula which, in effect—not completely, but in effect—holds harmless communities from any phaseout of hold harmless and offers another track for communities such as Toledo that have experienced outmigration, has an ancient housing stock, and so forth, offers them an ability to receive, if not the same as they have been receiving, but more to address the problems of so many of our cities substantially in the Midwest and Northeast who experience this type of obsolescence.

Now, my point is simply that when you look realistically at the political arena that is involved here, you see at the outset, don't you, where the money is going to go? So I just say, who are we kidding when we say that without increasing the pot there is going to be an ability for smaller communities to become eligible for distribution of community development funds on a regular basis?

Mr. ORLINSKY. There is no question that the political realities here, as anywhere else in the country at the local level, are such that almost everybody, once they have something, refuses to give up anything, no matter how it might fly in the face of reason. And that is a failure that each of us can look in the mirror in the morning and identify the culprits. Some of use might not see the culprits, but most of us, in fact, do.

Nevertheless, the shifting dialog, I think, this time around is a helpful first step. I would also offer the hearsay that revenue sharing is a second track in terms of what one does or does not do vis-a-vis Federal Government aid to communities, be they urban or otherwise. If we can continue to focus community development and move and push toward using community development not as a second revenue sharing program but in fact a community development program that gears itself toward real needs in communities, particularly in the low- and moderate-income areas, and strengthening them and strengthening the communities on an overall basis, using revenue sharing as the alternative for helping, in a sort of generally vague way, everybody, because that's politics, or whatever, that is not an unhelpful approach and may in fact mature over time. It is not an immediate solution.

Mayor CRICHTON in her remarks, I think, made it clear that she recognizes the question of the money and talks in terms of the immediacy of this act for the multiyear funding, which will go a long way to helping a lot of small communities even within the smaller pot that they have, to at least effectively use what they do have. That in itself will help a great deal.

Mayor CRICHTON. Mr. Chairman, if I could make a couple of points. If you took the urban counties out, that would free up a lot of money to spread.

Mr. ASHLEY. Is that a recommendation of the league?

Mayor CRICHTON. At the minimum, we do not want to expand the formula to include more counties.

Also, I think, when you look at the second formula, it seems to speak to need, and I think this is what the smaller communities are asking for.

I can appreciate the difficulty in trying to solve everybody's problem. There is not enough money to solve everybody's problem. We accept that. But we are prepared to cue up as small cities and take a shot at it and demonstrate need and ability, if given an opportunity. But we don't want to see the program chopped up in little bits and pieces and handed out in 1-year program amounts for one single purpose. We want a comprehensive community development program, too. And we are willing to compete for it. But we need a multiyear funding approach, and we need a comprehensive approach, and not little bits and pieces, 1-year funding, one-project funding, in very, very tiny amounts.

Mr. ASHLEY. What do you think of the Secretary's suggestion that discretionary funds for metropolitan smaller communities should be available at the State level rather than available on the current basis?

Mr. ORLINSKY. Absolutely not.

Mr. ASHLEY. Well, let me ask the mayor that.

Mayor CRICHTON. Are you talking about her suggestion of combining the metro and nonmetro balances, or are you talking about combining the metro balances within the state?

Mr. ASHLEY. She wants to establish metropolitan discretionary balance on a statewide basis rather separately for each SMSA, and I believe, according to her testimony, this would make possible various community development activities at the larger scale than otherwise are available, or than otherwise is possible. It obviously would make impossible access for the communities that don't benefit by the larger types of community development activities that would be involved.

Mayor CRICHTON. Right. It would make it very difficult. I would like to see various things looked at. I would like to see what would happen if you combined the metro and nonmetro discretionary balances within the State. It might—as the nonmetro is growing at such a rapid rate—it might help us to get a handle on it.

It is an interesting concept, also, to provide—to combine within the State the metro SMSA balances. That, also, might be a better handle.

But so far as combining pots all across, I am not so sure. I am fairly certain that is not an approach I could support.

Mr. ASHLEY. Mr. Mitchell.

Mr. MITCHELL. Thank you, Mr. Chairman.

To the mayor and the president of the city council, I apologize. I was to have left here at 2:15, so I think the best I can do is to put a series of questions to you and maybe I can hear the answers to one or two. But I would like to get your reactions to my questions for the record.

Even before putting the questions to you, I would like to tell my distinguished and dear chairman that the thoughts of leveraging in some way the section 312 funds frightened me tremendously. One of the beauties of section 312 funds is the low interest rate. And I don't care how it is done, when you start leveraging, you are going to shoot those interest rates up. We can chat about that a bit later on.

Question No. 1 that I had was, there is a great deal of criticism around that as the community development block grant approach has gained importance and credence, we have seen a diminishing of citizen input. You know, under the old categorical grant programs there was a built-in requirement for citizen input. However, under section 8 and under the community development block grant proposals, although there is a requirement, I hear quite frequently that we do not get adequate citizen input in developing even the HAP plan. And I would like to get your reaction to that question at some time later on.

My second question is in the problem area that really disturbs me, and I don't know quite how to get off the horns of this dilemma. I, too, am convinced that neighborhoods ought to be retained. I think neighborhoods make up cities. And certainly, in my own city of Baltimore, we have very discrete neighborhoods, and I want to see them

strengthened and maintained and supported and made more viable.

On the other hand, you then run smack into the face of the problem of maintaining neighborhoods' viability and housing desegregation.

How do we resolve that one?

Maybe it's not a large problem in a small city, maybe it is, I don't know. But it is a problem in my own city where despite the fact of State and Federal open occupancy laws, we still have very discrete neighborhoods that are black and white and so forth.

I would like to get your thoughts on how you help me get off the horns of that dilemma, because I like the idea of neighborhoods, but I also vigorously support open occupancy and desegregation of housing.

A third area of concern—and this is probably directed more to you, Madam Mayor—and that is the matter of 3-year funding. I am one of those ornery old guys in the Congress who opposed 5-year revenue-sharing funding, and I have some concerns about the 3-year funding period, primarily because it almost cripples the Congress in terms of its oversight function if we make a funding period too long. It hurts us in terms of oversight.

I am aware of the local problem where in order to really plan comprehensively, you have got to know that the money is going to be forthcoming. And I know in both of your cities you do a good job—would do a good job if we went for a 3-year or even a 5-year plan. On the other hand, we found out under revenue sharing that there were some small municipalities who were taking the revenue-sharing money and putting it in the bank and drawing the interest and nothing was really happening in terms of revenue sharing.

Could I give you my last problem, and then maybe I might have a chance to get some response.

The third problem area for me is the section 701 program. Of course, we have to do research, we have to do comprehensive planning. But I must confess to you that in the brief period that I have been here in the Congress, which is about 6 or 7 years, I have been very upset about the lack of any kind of real, sustained continuity between the section 701 program in HUD and what goes on in the other agencies. It really has disturbed me.

We have received lip service. We have received statements saying that indeed there is consultation. But my fear is that HUD has done its own program research and development and planning almost to the exclusion, let us say, of the Department of Transportation, and it just does not work unless you have all the agencies tied in on that comprehensive planning.

Those are 4 of the 18 problems that I have, but I'll stop with just those 4.

**MAYOR CRICHTON.** Let's talk a little bit about the 3-year funding, or any kind of multiyear funding.

I think that we cannot spend the money wisely unless we have a method of funding that allows us to plan.

Now, I outlined to you some of the differences between our hold-harmless entitlement indicator and the discretionary grants and how inflexible the discretionary grant is as far as being able to switch projects or plan very well for projects. Now, while you may feel that you

have a difficult problem with oversight, I challenge you to look very carefully at the record between discretionary grants and entitlement grants and see if you don't see more comprehensive programs that are of more lasting benefit to the communities within that section, that category, than you will in the discretionary programs which are almost always one-shot programs.

It is imperative to have multiyear funding for the wise use of funds.

Now, for those people who do not use them wisely in that period of time—and 3 years is not a long period of time—it is the period of this program that you are considering—if those communities do not use it wisely, they are not the ones that should be refunded. This is not a revenue-sharing program where we are entitled to the money. We will have to prove our worth. We will have to prove our need. And we will have to prove our ability to use these funds wisely.

If we don't use them wisely, we don't get the funding. We don't even get the 3-year funding, because you are committed up to a point to get the funding, but if you don't do a good job that first year, you still could be bumped out of the program if the regulations are written to do so.

So you see, we are asking for a type of block-grant program that the formula cities are getting now. There may be formula cities or formula counties who are not doing a comprehensive program, but they are not even going to be bumped out if they don't do a good job. They have, in essence, a multiyear program.

You see, we are really asking for a program where we will be judged much more harshly than cities and counties over 50,000. We are not asking for something where we don't prove our need, our ability, where we are not judged on the basis of our performance. If you think it through very carefully, there are plenty of checks and balances in that kind of discretionary approach that cities under 50,000 are asking for.

MR. MITCHELL. You are very persuasive, Madam Mayor.

MAYOR CRICHTON. Thank you.

MR. ORLINSKY. Again, to buttress that with community development funds on a multiyear basis, you don't get it if you don't use it, whereas revenue sharing keeps coming like Old Man River. I think the concern that you have, which is, I believe, a legitimate concern, is not one that need worry you in terms of community development when we talk about 3-year funding for the smaller cities. They don't get it if they don't use it, and so on.

Let me try to respond to your other questions. The section 701 problem that you raise is one which we raise with you and join hands with you on. We are as frustrated by the competing and overlapping planning processes that every department seems to enjoy, and the improved coordination that is required is one that has been promised by the new administration, and we will welcome it with open arms when it comes.

I think the issue of citizen input is an important one, and I sat through the Senate hearings last year before Senator Proxmire listening to many of the complaints and having to go back and analyze many of the complaints that we had with regard to the citizen input.

I might say that in balance and on careful examination, what was complained about proves to be basically untrue. The overwhelming

bulk of the evidence indicates that there is solid community input in the community development plans throughout this country, that not only are most communities using forums, such as Baltimore does, of local HAP committees that are still working and formulating things, but in addition to that local elected officials, ultimately responsible, as they must be, for the allocation of these funds, do in fact go through extensive public hearing processes and are involved in the division of and allocation of community development block-grant moneys and have to stand on that record; that is, that on an overall basis, you are getting community input.

As is always true, there are at least two sides, and usually eight sides, in any community over any program, and it is natural and normal that those elements within the community that lose complain that they weren't listened to. They were just outvoted, which is something those of us in public life understand very clearly. You can't get a "low C" and stay in public life. You either pass or fail. And with regard to decisions in community development, there are going to be elements within the community that are not satisfied. That doesn't mean that they are wrong. But it doesn't, also, at the same time, mean that they were denied the opportunity, the input, to convince their fellow citizens, their elected officials, and through that whole process, of getting their point through.

I think it has been remarkable that there has been as much community input, that it continues. And certainly the National League of Cities feels that it is essential that community input be retained as a requirement and that we be forced to live with that.

Mr. MITCHELL. I thank you for your response. To both of you and to the Chairman, I feel very guilty about this. I am fighting a timetable right now, and I must leave. But I am sincere when I say I really would like to get your responses to the other two questions that I won't hear your responses to.

Mr. ORLINSKY. I will respond so the record will reflect at least my preliminary reactions to your problem. Housing desegregation versus neighborhood strengthening, this is a dilemma that I think all of us recognize, and I am not sure that there is any single answer that anyone can offer to what has been segregated housing patterns that have existed and where many people feel, with some degree of legitimacy, that talking about neighborhood preservation is talking about continuing the process of neighborhood segregation and not assisting the processes of desegregation.

I think it is clear that at least in the older cities, both large and small, that desegregation is more or less a fact of life and something that is proceeding apace. And in Baltimore one of the more remarkable aspects of neighborhood strengthening has been the influx of many white families into formerly what was all-black communities, and vice versa. And as a large city with a population configuration that is a majority/minority population, that is no longer a great difficulty.

In other communities I know it continues to be a problem, and the National League of Cities has supported and continues to support the vigorous enforcement of the plethora of Federal and State legislation that deals with open housing opportunities. And we expect, as com-

munities, to be held to the highest standards in that area and do not regard the strengthening of communities as an excuse to maintain segregated patterns.

And I think the record would show that it has not in fact done that.

It, however, remains a problem and one which has to be closely monitored and worked out.

I would like to go back to the metropolitan question you just raised.

Mr. ASHLEY. Mr. Orlinsky, we are going to be obliged to move along just a little bit, so I am going to call on my colleague from California, Mr. Rousselot, at this juncture.

Mr. ROUSSELOT. Thank you, Mr. Chairman.

We do appreciate your presence here today, both of you, because you are at the point where all of this action that we take is supposed to turn into results, and so I regret that I was not here a little earlier when you started. I have reviewed your statements.

Mr. Orlinsky, our chairman, Mr. Reuss, as you know, took us to your city last year to look at many of the programs, some of which will ultimately be included in legislation before this subcommittee. I was terribly impressed with many of the very fine results that have come out, especially in rehabilitation and upgrading neighborhoods that occurred in your area. It was a very, very impressive sight.

Mayor Crichton, I am terribly interested in your statement on page 5 where you say, "We are not here today to request a continuation of hold-harmless entitlements for small cities, even though some small cities feel very strongly on that issue."

It's nice to hear a representative from "the small cities" say that you recognize that at some point we have to begin to phase it out, and since that starts in the fiscal year 1978, which begins October 1, I want to thank you for that statement. I'm sure we will use it many times.

Mayor CRICHTON. It is a very painful statement to make, I might add.

Mr. ROUSSELOT. It's a very courageous statement, and I will leave you with your ability to deal with all your colleagues in the small cities who don't agree with that. I have heard from a few of them in my area of California.

But in any regard, I wanted to compliment you on that courageous statement and warn you that it may be quoted several times. And this subcommittee will be in a tough spot.

Mayor CRICHTON. I hope you look at some of the other statements I have made and quote me on them as well as on that one.

Mr. ROUSSELOT. No; we will quote you on some others.

I am very much interested in your statement that a commitment of adequate, predictable long-term funding is needed to actually solve the problems—and you have suggested at least 3 years.

As you know, the problem is several fold. This committee only authorizes. The Appropriations Committee appropriates, and it really can only do it on an annual basis. That is, as you know, part of the problem. Because even though we may authorize and say we think this ought to go 5, 6, or 7 years, a portion of the problem is the annual appropriations process—and I'm not trying to absolve myself and my fine committee here from the responsibility for long-term commitments. I'm saying a portion of the problem gets down to the crunch



when the Appropriations Committee meets and says, now, how do we apportion funds among all these wonderful entitlement bills that we have to face, which are, frankly, overpromised.

Let me give you an example.

Yesterday we did that in the public works bill, and one reason I voted against it is not because I am against public works projects, but that was a \$4 billion bill, and there is no way we're going to fund at that level, even in the next 3 years, because it is an emergency bill and it is on top of some \$20 billion we are already appropriating for public works.

Now, that's a clear example in another field—so you can look at it a little more dispassionately than this community development area—where we get in the habit of overpromising with our authorization bills.

And so I think what we need to do, to be more realistic—and what you are saying in that statement—is to authorize what can be appropriated each year, which would be a fair approach when each city or group of cities in a county, if they do as in Los Angeles County in my area, comes in with one big bag.

So let me ask you—and I'm sure you probably are bursting to comment on this—how you think we can be more responsible in relating authorizations to appropriations, because appropriations is a separate function from this the authorization role of committee.

MAYOR CRICHTON. Don't you have the same problem, Mr. Congressman, with the funding of the present formula that you would with the funding of this proposal?

MR. ROUSSELOT. Yes.

MAYOR CRICHTON. Why would this be then so different than your problem with funding the formula?

MR. ROUSSELOT. Because—I will talk about the practical matters of this committee.

There are six members on this committee from New York City, and one of the problems you address in here is you talk about the fact that the small cities in this country represent six New York City's, but the small cities don't have six votes on this committee. And I'm not saying the people from New York are irresponsible; they are not. But what do you think happens when the crunch comes in this committee right here as to allocation, as to how much goes to New York City? I am the first to understand that upstate New York is different from New York City, but I am talking about the votes on this committee as a practical consideration of what happens when we begin a debate right here on what the final construction of our amendments to this community development black grant program will be.

And I am not unmindful of all the cities in Los Angeles County; there are almost 80.

Now, why doesn't one of you address that.

MR. ORLINSKY. The position of the Community Development Committee of the National League of Cities as supported by the National League of Cities has been not one of coming to the Congress and saying that everybody always wants something and as much as he can get, and that's it. The position that we have taken, the position that we would hope that the Congress can find its way to, is that first of all, the establishment of a formula that is attempting to look at needs,

remembering that what we are talking about is a community development program.

Now, if there are needs in other cities that don't have declining populations, older housing and so on that ought to be met, those needs should be met in other legislation and in other programs and in other ways, and we can discuss them each in their time. But in a community development program that is geared toward meeting the needs of cities which have difficulties that are objectively determinable, of the declining populations, of older housing stocks, of social-economic indicators that say there are real problems there, we hope that the administration and the Congress can first of all focus in on those needs and use the formula in that way. Large cities are willing to stand with the small cities and say, thou shalt not attempt to divide us on the basis of whether we are big or small, but on the basis as to whether we need, in the context of a community development program, money within a formula, or we don't need it.

Mr. ROUSSELOT. Now, say that again. You say that big cities, New York, Chicago, Cleveland, Los Angeles—although Los Angeles is so spread out that it isn't a good example—besides, all the members on this committee are from the suburbs in California—but I'm not sure that I see, in this Congress, when you get down to the crunch of marking up a bill, that much "cooperation" as to "need."

Sure, New York City, as a very practical matter, can describe its needs, and Cleveland can, and so can Chicago. But then when Mayor Crichton talks about the smaller communities, the magnitude of that need may be very clear to that individual community, but in the votes on this committee, it is not represented. That is a practical problem.

Mr. ORLINSKY. The National League of Cities is coming to the Congress to say that while we are not unanimous for all of the reasons that the Congress has difficulty with, we have been able to evolve a consensus that says that to the extent that the Congress moves toward need, we encourage it, we welcome it, and we're here to tell you that we like it and we want it and are interested in it. And for the folks back home—you are hearing from some folks back home, and I guess Baltimore is not too small a city—I still think it's seventh or eighth largest in the country—I can say it and not worry about going back home.

Mr. ROUSSELOT. Did you address in your testimony—I must say, I have reviewed it—this subject of need? I mean, a definition of need?

Mr. ORLINSKY. Not within the testimony itself.

We did introduce the policy statement of the Community Development Committee.

Mr. ROUSSELOT. It's very easy for you and me to sit here, and you and I might agree on what need is. But I want to tell you the size of this committee. When you come down to a hard definition of what need is, it will vary. My good colleague, Parren Mitchell, comes from your area. His definition—his needs and your needs are far different in community development from those of the sprawling cities of the Los Angeles County area.

So you say to us, very simply, well the answer is, let's agree on need first and then we will be able to go on.

Now, Mayor Crichton, did you want to comment? I did not mean to divert our attention away from the previous discussion.

Mayor CRICHTON. No; I think we communicated that point.

There is always a possibility that you will pass a piece of legislation that will not be funded. That we accept.

Mr. ROUSSELOT. That is more the rule than the exception.

Mayor CRICHTON. But there is also the problem for the formula city as well as the problem we are dealing with for small cities. So we are coming to you and asking you to build a framework.

Mr. ROUSSELOT. Well, maybe what you're saying—would you be willing to have a little less authorized for public works and a little more into community development?

Mayor CRICHTON. Well, that is not the choice that we have at this point. That's not really what we have come to address.

Mr. ROUSSELOT. It becomes the problem when you go to appropriate. I want you to understand our problem on that issue.

Mr. ORLINSKY. You are addressing a larger problem.

Mr. ROUSSELOT. A what?

Mr. ORLINSKY. A larger problem than perhaps we would choose to comment on, as representatives of the National League of Cities, *per se*. But since I still am a citizen and taxpayer, if I could put that hat on—

Mr. ROUSSELOT. Absolutely. I am delighted to see it.

Mr. ORLINSKY. And divorce myself from the chairmanship of the Community Development Committee of the National League of Cities. I would like to say that it is necessary at the Federal level, and it's increasingly obvious that it's necessary at the Federal level for us to distinguish between the different kinds of needs and the different kinds of communities that exist.

One of the points that I make in my early testimony dealt with the question of cities that call themselves cities, and cities that are really multipurpose cities that provide the total variety of functions that we normally identify. Something that is really not broken out in terms of Federal programs and criteria.

And as you well know, coming from Los Angeles County, there are some very peculiar kinds of cities. I am not saying bad cities.

Mr. ROUSSELOT. I think that is up in San Francisco. [Laughter.]

Mr. ORLINSKY. I am not saying bad cities, but there are some very unique kinds of constructions, if you wish, of cities in Los Angeles County.

Mr. ROUSSELOT. That is true.

Mr. ORLINSKY. What any city might do is so often regulated by State laws; there are 50 States and God knows how many laws within each of these States for various kinds of cities. Baltimore is relatively lucky, we are the only large city in the State of Maryland, and so it is easier for us to grapple with it. But communities with A, B, C, and D classification cities with a variety of different kinds of powers and yet when the Congress legislates, they legislate for cities.

And I must tell you that I don't have an easy answer for you. But I do recognize that for some cities, community development is not as needed as a public works program, or a water and sewer program, or just a straight revenue sharing program.

And to the extent that we get more sophisticated in our program development and begin to target each of these in their own season and for

their own reason, rather than trying to make all of them universal programs, I don't think the citizens of this country will feel abused, or the elected officials will feel abused, as long as those distinctions are made, if the carrot that is always out there, is for everybody to get on board. That is when we begin to make some terrible mistakes and misallocate our resources.

MAYOR CRICHTON. That is a point I made earlier insofar as the small cities are concerned and I don't believe you were in at that point. It is not in the testimony. I addressed the fact that we appreciate the difficulty in trying to solve everybody's problem, and that we as small cities are prepared to cue up, as it were, and translate to you our need, in terms of competing. You know the discretionary program is a competition. We are not afraid of making this application, particularly for a long-term program.

If you give us the opportunity to compete with each other with adequate funding for enough cities to make it a viable program and also an adequate level of funding for those individual cities that are going to be selected, we will, of course, understand that it is a discretionary program for which we will have to demonstrate our need and our ability to carry it out.

So I think that point needs to be made so that you can better understand this particular proposal. But we don't think an adequate level of funding has been proposed and we also believe that—

MR. ROUSSELOT. In the bill before us?

MAYOR CRICHTON. Right. And that it will not be spent in the most judicious manner if it is piecemealed out in project-by-project programs and most discretionary grants are project by project, because you simply cannot as a small community propose a comprehensive project program without the assurance that you will be funded more than 1 year, or without an adequate level of funding to get more than just a single problem solved in a 1-year period.

So what we are proposing is really a block grant proposal for small cities.

MR. ROUSSELOT. In the bill as a separate consideration?

MAYOR CRICHTON. No; within this bill. It would still be a discretionary program, but we are saying that it would not be used as wisely if it is a one-shot discretionary program as it would be if it were a multiyear approach. I think that's the difference.

MR. ROUSSELOT. Well, I am sure my time expired a long time ago, but I want to thank you both for being here, because you both represent participants in the community development program and we very much need to hear from you.

MAYOR CRICHTON. I would like to invite the Congress to come and visit some of us in communities of under 50,000 and see some of the quality work we are doing.

MR. ROUSSELOT. Are you close to Plains, Ga.?

MAYOR CRICHTON. No; actually we're close to Atlanta. We are in the center of the State.

MR. ROUSSELOT. I am sure we're all going to get down to Georgia sooner or later.

MAYOR CRICHTON. Well, you must come to Decatur and I will show you our program as Baltimore has been looked at by many Members of the Congress.

Mr. ROUSSELOT. I guess Mr. Levitas represents your area?

Mayor CRICHTON. That is right.

Mr. ROUSSELOT. Let me just say one other thing that you do face as a competitive matter when you relate your ability to get long-term commitments and funding, to your ability to compete with the big cities. They have full-time lobbyists here, and the small cities do not. You have to put the mayor on the plane and get him back here, and he can only stay a week or so. Let me tell you that is also a problem. And it isn't just the number of votes that the big cities have here, which creates a problem for the smaller cities.

It is also the fact that most of them maintain full-time legislative lobby organizations here and most of them are very sophisticated and really work at it, and you need to face and address that problem.

Mayor CRICHTON. I can appreciate this. This is why we are very appreciative as small communities and small cities that the National League of Cities reached a concensus of support for us this year. And I think it is a very significant step forward. It is obvious that we cannot, in terms of expertise, compete on the level you have just identified. But I think—

Mr. ROUSSELOT. So the small cities in Los Angeles County, my area, have learned to work with the county of Los Angeles and their full-time operation to coordinate a little better, and I realize that in all parts of the country the units may be different. But I think you need also to do that to make sure that the smaller cities get the lobbying representation they need. I realize it depends upon the Senator and the Congressman, too; but we are spread a little thin on all the great problems in which we get involved.

Thank you.

Thank you, Madam Chairman, for your patience.

Mrs. SPELLMAN [presiding]. Thank you. I would be very difficult to call time on you. I always find your questioning and your comments intriguing. I don't always agree with them, but I find them intriguing.

I did want to make a point for the record. In this talk about community development funds, it is my understanding that every dollar of community development funding has been appropriated, unlike some of the other programs.

Your testimony here today has been superb. And there are so many areas in which we find agreement. Because of a lack of time, I won't go into detail on them.

I did want to comment on something Mayor Crichton said. I agree with you that an inordinate amount of time and effort and money is spent in competing for the discretionary funds. You get those on a yearly basis. It makes, I think, for a terribly wasteful program. What if small cities were to put in a 3-year program, get their first year with assurance from HUD that they would get first priority in the second- and third-year funding? Would that be of any help?

Mayor CRICHTON. It would be a slight help. But it really would not give you the ability to pull together a comprehensive program. You see, in order to pull together the comprehensive program, you have to hire the staff, you have to have that expertise on board and quite frankly, you don't want to make that 3-year or 6-year or 10-year plan without a more certain assurance than that.

Everything in that direction is a step forward, but it boils down to the fact that we are simply asking for a shift from a categorical grant program to a block grant program. We are not asking at this point in time for the assurances of a formula, although as I indicated, I would hope we could look toward that in terms of a long-term solution.

I think we are asking for the very minimum. I really think that we are willing to come in and compete so I think that we are asking for the absolute minimum.

Mrs. SPELLMAN. I can fully understand your position, having served on the local level and having had the rug pulled out from under us time and time again. Nobody trusts promises. Their promises, no matter how good they are, are still pie in the sky; you have to have the money in hand or in the bank or in a definite hard-and-fast commitment, where you really can go out and start spending it.

I think it's a copout for us to sit here, and I don't mean to say my colleague is copping out, because he is not the kind who would say to you that we pass these programs, but the authorization is made only on a yearly basis. We are the ones who control what happens here in the Congress, and if it isn't being done right, then we ought to change it. If the system you're asking for is a better system, then we should be changing our system to make it possible for us to do what needs to be done.

You talked a while ago, Mr. Orlinsky, about the fragmentation in these various programs. We have a proliferation of programs and they don't jell with each other. Housing doesn't know that transportation exists, and they aren't able to work together. I fully understand your frustration.

Would it make sense to you for us to have a department of urban affairs that cuts across all of the lines and brings together the needs of the larger jurisdictions, the urban jurisdictions?

Mr. ORLINSKY. It does appear to me that it makes sense to make an attempt at it. I am constantly befuddled, I guess, as everyone else is, as to how to define "urban." It is a very peculiar breed of animal, this thing called "urban," and who gets included and who gets included out.

The Federal Government very often I find has made some very legitimate and appropriate efforts to force local communities to deal with themselves on a basis other than their boundary lines. And yet when it comes back to us, it is not the Congress fault, it is our own fault. It comes back in a rather convoluted way. We frustrate what is the sensible will of Congress.

The health acts, for example, in which we have to deal with them on a regional basis, they ought to be—it ends up in an area like Baltimore, and we are not unique, with Baltimore's sort of monopoly position on regional poverty, funding reasonably affluent regions into a whole lot of health care programs, that they would not ordinarily get, and you would be surprised they are getting it, although within the formula, it is our urban poor that is providing all of a sudden the whole plethora of programs outside the urban core area.

Again, I want to stress that is not the Congress' fault, that is our own failure back home to organize ourselves on a more rational basis.

A department of urban affairs is something I think that we are interested in and would support and that ought to cut across the many

departments. But somehow or another that has to be done, it seems to me, in order to be effective in a partnership with State governments, forcing them in fact to organize themselves so that we can meet the superior Federal challenge by the creation of such a department. If we don't, you will have something that will be good and we will end up frustrating it all to pieces.

Mrs. SPELLMAN. We have great talent in those directions.

Mr. ORLINSKY. Again, you know everybody comes to Washington and says it's all your fault. And I am suggesting to you that I am very keenly aware that very often you are far ahead of us. And many of the problems are in fact generated by our own failures at the local level.

I would like to add one comment for the record. I think it is extremely important for this subcommittee to recognize that we as the National League of Cities are coming to you, not with a big city/small city fight, we are coming to you in a very unified way. The smaller cities have had to compromise in terms of demands in an effort to make the program work.

And what Mayor Crichton is asking for is really your assistance to make the program you are offering an effective program through the use of that multiyear funding which is in fact available to the larger communities. They are willing to do something that the entitlement communities do not have to do, and that is to queue up and to prove that they need and that they are capable. And certainly that seems to me not only to be fair; it is probably very unusual in terms of how anyone ever approaches the Congress on subjects about how to get "more money."

They're just trying to make it more effective all the way around and it is something that maybe someday big cities are going to have to learn how to do that, too.

Mrs. SPELLMAN. I find it very refreshing, frankly, to have big cities and little cities working together.

I do find something here though that concerns me, and especially since it was uttered by somebody from the State of Maryland, or at least appears in your statement. I understand while I was out of the room, it was also uttered. I keep hoping that they had to threaten you before you agreed to have these comments appear in your statement, Mr. Orlinky. I expect that right after you leave here, you should go to the confessional.

But how could you say, and your words were as I recall, in one connection, that thou shalt not attempt to divide us on the basis of size, but rather on the basis of need. And then you go on to say, but thou shalt divide us on the basis of title. On page 5 you say you want an absolute restriction on the increased involvement of State and county participation in the program.

Now when you come from the State of Maryland and you say to leave out the counties, then only Baltimore City is left. You said at the same time that we should be giving moneys only to general-purpose government, and that doesn't leave us much else, does it?

Mr. ORLINSKY. First of all, let me suggest to you that in the State of Maryland it includes Salisbury, Hagerstown, Cumberland, Silver Spring, Takoma Park, all of which are incorporated, and general-purpose governments, not just the city of Baltimore.

Second, the counties are already in this program, and the statement talks about increased involvement. The State is in, to some extent, and this talks about not increasing that involvement and I will tell that I would say that even if I were a Governor, I don't think that the State ought to be involved except in areas such as technical assistance.

And it goes back to what I said to the Congressman from California, if there's a need for county programs, given the wide differences that exist between counties and their needs and their aspirations, as opposed to incorporated urban multipurpose governments, then let's work on a program for that.

But to attempt to take a community development program whose genesis and purpose was to assist urban communities, in particular the urban core areas, and then add into that the counties who very often surround the urban areas and that tension that exists between them is what created the whole need for a community development program, to add the State into that begins to dissipate the very purpose of the program.

So I can, from Maryland, say that there ought not to be increases here, not in this program. That does not mean that I am either anti-State or anticounty, but this is not the program in which to find a new States formula or a new county formula.

Mrs. SPELLMAN. You take me back to the time, when I served on the Commission for Law Enforcement and Administration of Justice. A nice new book was presented to us which showed how the funding for the program was going to be allocated. I looked through to find Prince Georges County and we weren't there.

The reason we weren't there was because we were a county. Of course, for all intents and purposes, we are a city except we don't call ourselves a city. The government has far more authority and responsibility than any city, because it performs both the services that the cities would perform and the services that the county would perform. But we were a county so we weren't listed there.

Had we been a city, I think we would have ranked 12th in size. We would have been one of the largest cities, and would have gotten a good chunk of the money. Had we been a State, we would have qualified among the small States, because we are larger than a number of the States. But we weren't a State, so we got no money. We were just a county.

With a little fire in my eye, I went downtown and told them they had better rewrite this book. There is something wrong with it. I think what we really ought to be talking about is general-purpose governments, with needs, regardless of what they're called.

If you recall when the State of Maryland was proposing a new constitution, Baltimore City might have become a county. Then you would have been left out. There would be nothing in this program for you. So let's not get concerned about the title, because if we look at Prince Georges, it is indeed a city. It has all of the problems that any city would have.

So I did feel very strongly that we ought to get that part of it straightened out, that what we really need to be talking about is general-purpose governments with needs, the same needs, whether we called them cities or counties or any other name that somebody might dream up.



Mayor CRICHTON. I believe I am correct in saying that the National League of Cities' position is that if a county delivers these services and if there's a comprehensive program, there is no opposition to the inclusion of those counties but a comprehensive program where they deliver the services.

Mr. ORLINSKY. Just how much of a city Prince Georges County is was demonstrated to me personally 2 weeks ago, when I had the pleasure of hosting your county council that came to visit.

But again, and as you well know, in Maryland, for example, the national alliance that exists in the State legislature is in fact Prince Georges County and Baltimore City, because we are in fact so similar despite the fact that we are the anomalous city of Maryland. There are only two of us, you know, in the United States, St. Louis and Baltimore, that are cities without being counties.

Mayor CRICHTON. Madam Chairman, might I propose that we form an alliance then, and since the urban counties clearly got the small cities' money, that you might help me now to reinstate some of this in exchange for not opposing your remaining within the program?

Mrs. SPELLMAN. I think we certainly can agree on all of this.

I will at this time call on my colleague from Michigan.

Mr. BLANCHARD. Thank you. Please excuse my being late. Even on a Friday around here, we are supposed to be three places at once, and I heard this morning's testimony for several hours, but most of what they said didn't relate to this type of cities that I represent, and so I am particularly delighted, Mayor Crichton, that you are here, because you are from a city that is about the average type of city that I represent. Mine are suburban. I have 13 suburban communities of Detroit, ranging from 3,000 to 6,000 to 8,000 to 35,000, 40,00-ish is the average, and then one of 200,000.

But I rarely hear any dialog about their problems although those cities are in varying degrees of decay. I guess some of these suburbs are over 50 or 60 years old. They are not what you hear about or read about in magazines. I have scanned both of your statements, so I would be particularly interested—and I am sure it has been discussed, but I want to hear it because I intend to fight for cities just like Decatur—what is it you think we need to do with this act in terms of getting money to your city, and all the ones that I represent? And in my case at least, especially because they are totally interrelated with the city of Detroit and yet no one seems to appreciate that.

Mayor CRICHTON. I appreciate it, and that was an answer to one of the questions. I outlined the fact that my city shares a common boundary with the city of Atlanta. Although we are older than the city of Atlanta by some 26 years, so Atlanta is a suburb of Decatur, we do share common problems, and I appreciate your recognition of this fact.

Essentially, I'm asking on behalf of the cities under 50,000 for two things, particularly for the metro city, like the type you represent. First, we need an increased funding level. The \$174 million is not enough money. It's not even up to the point of the \$200 million we were promised in 1974. Obviously, nothing has grown and with inflation and all the attendant problems, presently we're way below where we ought to be.

So, increased funding is essential in order to pay for an adequate discretionary grant program for small metro cities. . . .

The second thing that I'm asking for is a shift from the discretionary program being simply another categorical program, and the beginning of the idea that cities under 50,000 need a block grant program.

Now, ultimately I would like for you to find us a formula, but I'm not coming here today with any sort of proposal that I think is workable.

What I do think is workable is to make the discretionary grant a multiyear comprehensive program. The discretionary grant at the present time is a categorical grant and mostly funds individual programs.

We want a comprehensive program so that we can plan better, better utilize the funding, and we want a promise of more than 1 year, year-by-year funding, so that we can adequately plan.

Mr. BLANCHARD. It would seem to me—I met with the mayors of the 13 cities I represent and their city managers. They all have city managers except one. And they said exactly what you have said. Why not, then? Why not concoct a formula?

Mayor CRICHTON. I think you can, but I don't think we have it now. What concerns me is that we are always caught at the tail end. Last time we didn't have time to solve the funding problem introduced by the urban county—by the inclusion of the urban counties, so there was the small metro city that got left out.

This time we have addressed the problem of the second formula, of the distressed city, that when the hold harmless is phasing out, they were caught in this gap. But who gets left out? The small metro city, because there is not time, in this reauthorization period, to find an adequate solution.

But in terms of a short-term solution, it is certainly better than nothing and also will test our ability to carry out a program if you give us a formula at some point in time.

Let us prove to you that we can carry it out as well as the big city, the city over 50,000, by giving us a multiyear funding process and let us prove in the next couple of years that we can do the job. When we come back and ask for that formula we will then have a balance of proof. We will show you the programs that have been carried out comprehensively in a city our size, and if we do it with a discretionary grant year-by-year, we're going to come back with a sorry record because it is just not possible.

Mr. BLANCHARD. Well, I just couldn't agree with you more. I suppose it's very selfish to say that, because my cities are like yours, and my mayors' thinking is just like yours.

So, obviously I don't want to ignore Baltimore or Detroit or even rural areas.

Mayor CRICHTON. Nor do we.

Mr. BLANCHARD. I understand that.

Mayor CRICHTON. I might make the point that Mr. Orlinsky is chairman of the committee and I'm vice chairman, and we worked all year with the steering committee. There could not have been another tandem team working to look at both issues in any more depth than the way we tried to address the problems of both the hold harmless phaseout for the large city, the distressed city, and the fact that we were also supportive of small cities. I think we reached a consensus within the National League of Cities and this is what we're trying to tell you.

We are not here trying to compete with each other; we are here to lay out before you a plan of action to solve the problems within, or begin to address the problems within, all size cities.

Mr. BLANCHARD. In my area and perhaps in yours, Oakland County, which is a county of almost a million people and entirely suburban—it's not even a central city—county—Oakland County administers the money under community development to many of my communities. They have done less to, in my opinion, try to provide some coordination between Detroit and the immediate suburbs in eliminating blight than any unit that I deal with.

They administer the money, and they rake off 20 percent for so-called administrative costs. In fact, they even tried to have the county executive's name plastered on all the buildings.

Is there that problem? Are you hearing that from other cities where the counties are raking off the money? Twenty percent is a lot. All my cities have housing directors, by the way.

Mayor CRICHTON. The problem does exist. I can't address it in our situation because we are a hold-harmless city presently, and we also have got discretionary funding, so we have not been administered by our county.

I also live in the midst of an urban county, and there are some communities, small cities within our county, that have their programs administered.

Mr. BLANCHARD. I have both, too.

Mayor CRICHTON. But I really could not, with personal knowledge, address the problem, but I have heard from other cities that they are having some difficulty. I don't know how to propose a solution for it.

Mr. ORLINSKY. Congressman, if I might, that is the reason for the statement on page 5 that the Congresswoman thought I ought to do a mea culpa for. It is precisely because this problem exists all too often in all too many of the urban counties that we resist as the National League of Cities.

We get the counties like a Prince Georges County in Maryland, and it is in fact operating as a city although it's called a county, and there the problem doesn't exist.

Mr. BLANCHARD. That's why the titles don't always serve.

I had one more quickie. Did my colleague from California have a chance to ask any questions?

Mrs. SPELLMAN. Yes; he did.

Mr. BLANCHARD. Well, let me ask one very simple question that is rarely discussed, I'm sure, in the circles you travel, and that is, how are you trying to determine who is expected to reside under the housing assistance plan requirements?

Mayor CRICHTON. Aren't we just sort of manufacturing and then negotiating with HUD about whether they will accept the figures?

Mr. BLANCHARD. Yes; my communities didn't quite know what it meant, and several groups thought that was the most important thing with this act, period, to the exclusion of everything else. So all the applications were challenged in the suburban Detroit—or most of them—area, and the cities responded differently.

One of the sharper city managers I have, who has moved around the country quite a bit, decided to take a survey in his city of about

30,000 immediately bordering Detroit. The survey simply asked of those who worked there, and there's a lot of industry there, but who didn't live there, if the opportunity were there, a reasonable opportunity, and affordable, would they live there?

HUD would not accept that vehicle for determining expected to reside, would not accept it but never came up with an alternative, so it was never done.

So, everybody just threw down some phony figures and shot them in and got their money. So the one city that was trying to do something which I think many would appreciate was repudiated so nobody did anything, and eventually we're going to have a lot of lawsuits and rhetoric over something that I think perhaps should be clarified.

Mayor CRICHTON. I think you're correct about that particular part of the HAP plan.

I want to say a couple of things about the HAP plan since you brought it up, and it especially addresses itself to smaller cities and our difficulties.

I know that cities have had mixed results with the requirement of the housing assistance plan. In Decatur it has really helped us to achieve our goals to have a HAP plan, so I'm not knocking the inclusion of the HAP plan. It is a difficult process to go through and it is impossible when you don't have the correct data and particularly when you don't have accurate data. And I don't know how anybody gets it.

We, too, did a survey of businesses and things like this, to attempt to get some feel for expected-to-reside, that in my point of view is insoluble.

But the one thing that I'd like to say right now is that in smaller jurisdictions we had an impossible task in presenting data because it was not available. HUD supplied data for cities over 50,000. It is just not available in Washington anywhere when you're a city under 50,000. We are experiencing it in the public works bill; we're experiencing it in other pieces of legislation.

The Congress needs to begin to make certain that the data is available for everybody. So far as the public works bill is concerned, for example, the unemployment data is available on the State level, since it's tracked by census tract. It just simply is not fed into the computer in Washington. And if you live in a city under 50,000, you do not have a way to prove the data.

The same thing exists with the HAP plan. We simply must begin to collect the data for cities under 50,000 and have it available. If it is going to be a requirement in congressional acts that we show our need and when we express to you very honestly what our need is, and you do not accept anything except the data that is in the computer in Washington, then we can not participate in the programs.

And so I'm making a plea to you now to help us with this particular problem.

Mr. ORLINSKY. Let me emphasize by saying that anyone who looks back at the 1970 census data has to appreciate that it showed up very clearly for the first time, that major growth areas in this country, are in fact, in the communities in this 50,000 range, and the failure to include the collection of this data will have a major negative impact on almost all of what the Congress might try to do over the course of the coming years.

It is absolutely an indispensable tool. Let the chips fall where they may as to what it means. But you have to have that data. And you are missing an area now that, just in terms of knowing about it, and it is a major action area in America, not to know about it is not particularly helpful.

Mr. BLANCHARD. One quickie. How do you define moderate-income under the act, principally for low- or moderate-income?

Mr. ORLINSKY. Where do you come from? You know, you can use a national standard. I know there was a sincere effort in this last go-round to create "regional differences," you know, to give some consideration for what we all perceived was the difference between income levels in the North and the South and the Midwest and the Northeast and the Southwest, and so forth.

When all the data that was available was collected, it became clear you can't make those kinds of distinctions, because the differences between the regions was not nearly as great as the differences that occur within the regions.

You know, what is moderate for one community in one end of a State, to say nothing of a region, is high level or low level in other parts.

There is, I believe, a technical definition.

Mayor CRICHTON. It is 80 percent of the median income.

Mr. ORLINSKY. That's the technical definition of a moderate-income family?

Mayor CRICHTON. I don't know whether that means the median income within an individual community or the Nation.

Mr. BLANCHARD. And whether it's the median as determined in 1970 or right now. It would be about \$5,000 per family difference in my area. Anyway, I don't want to unduly delay your plans, and I thank my dear colleague.

Mayor CRICHTON. We are at your disposal. We are most appreciative of these questions.

Mr. BLANCHARD. I do thank you for your time and your patience in letting me ask these questions.

Mrs. SPELLMAN. Thank you.

Thank you very much. The discussion today has been most enlightening, and, hopefully, something will come of this. We appreciate your presence and your willingness to sit there on those hot seats. Thank you very much.

Our next witness was to have been introduced by our good colleague, Mr. Paul Tsongas, who had to be back in his district in Lowell today. He is one of our superior colleagues, one of the people that we are especially delighted to be working with. We find him a truly knowledgeable Member and one we consult with a great deal of the time.

I would take just a moment in his stead, Mr. Sullivan, to attempt to tell something about the work that you've done. And it certainly has been considerable.

One of the interesting things I found was that you were a city manager of Cambridge, from 1968 to 1970, and then went on to the Massachusetts Institute of Technology. You then became city manager of Lowell, and now you are the city manager of Cambridge. That is the speaker's home town.

You certainly have a long list of affiliations and credentials, and we are delighted to be hearing from you.

May I just ask what is the population of Cambridge today?

Mr. SULLIVAN. Madam Chairman, 102,000 persons.

Mrs. SPELLMAN. And you have been losing population, then?

Mr. SULLIVAN. No; actually Cambridge, back in 1920, the northeast cities had a certain size population. Cambridge at one point along the way was about 120,000 back in 1920. In the 1970 census we were 100,000 plus, and we have gained about 2,000 since the 1970 census.

So, Cambridge, unlike most of the older cities, has gained in the last decade, but it did lose in the last 50 years.

Mrs. SPELLMAN. That is interesting, and we are looking forward to your testimony.

**STATEMENT OF JAMES L. SULLIVAN, CITY MANAGER, CAMBRIDGE, MASS., ON BEHALF OF THE INTERNATIONAL CITY MANAGEMENT ASSOCIATION**

Mr. SULLIVAN. Well, Madam Chairlady, in the interest of time, I have a prepared statement that I presented to the subcommittee, and I would like to have that statement introduced into the record for the subcommittee's consideration.

Mrs. SPELLMAN. Without objection, it will appear.

Mr. SULLIVAN. Basically, we are now in the third year of our community development block grant in all of the cities. We have completed our first year's program. We are in the middle of our second year's program, and have already prepared our presentation to HUD for our third year's program.

I would like to address some of the questions that I heard here today from some of the subcommittee members.

Congressman Mitchell, for example, indicated that he was concerned with what would basically be the lack of citizen involvement in the community development block grant program. I find that the contrary is true, that as far as the community development block grant program is concerned there is considerably more involvement by the citizens at large than there has been in the previous categorical programs.

This city of Cambridge, for example, we started out by appointing a block grant advisory committee, and at that point in time I appointed a committee which consisted of representatives from the different neighborhoods in the city and consisted of representatives from the various organizations within the city that would be concerned with block grants. This past year we opened it up to all citizens, plus those, and I have an advisory block grant committee which consists of over 300 people who, incidentally, attend the meetings. And in addition to that, we have developed a unique process for handling block grant requests.

Each year I have the difficult position of trying to take and to distribute, in this particular year, for example, \$2.8 million worth of available funds for the next block grant year. And we had approximately \$8 million worth of requests.

What we do is to provide a vehicle whereby the neighborhoods and the agencies and the various interested groups in the city are able to make their presentation. This year we devised a process, recognizing that it is almost the annual miracle of the loaves and fishes process, to try and distribute \$2.8 million among \$8 million worth of requests, we developed a process whereby the citizens involved were actually

given the opportunity to make the distributions themselves and vote on those distributions, and because it was difficult and you could find yourself voting for a number of projects, we made arrangements to have them vote, actually each of the citizens being given money, play money, in that process to try to distribute among the various requests that were there.

One of the problems that we find in the community development block grant program is that there is a continued emphasis on the part of the neighborhoods and agencies in the city to try to fund the social programs that are not funded, that have received reduced funding in the past few years through the block grant process. And we have taken a posture in the city that we will fund those programs that will develop leverage. We will fund the program with a percentage of block grant funds if they are eligible for title XX money under the HEW program, or if they are eligible for some other funds, they have got to go out and get them in addition to the funds from the community development block grant program.

We have concentrated in the city on housing rehabilitation and the housing rehabilitation program in the city is one that, I think, has been done rather effectively. Cambridge, despite its population, is a very unusual city. We have a square-mile area of about  $5\frac{1}{2}$  square miles, and we are the third most densely populated city in the United States. So that anything that takes place within the city basically impinges and affects people and neighborhoods.

The community has in each of the years with the block grant program received support from the community development block grant advisory committee when the program appeared before the council, and so we have established a procedure whereby there is a very definite citizen involvement with the block grant program.

Being a representative of a city from the northeast, I was much concerned with the continuation of the hold-harmless formula. However, the administrator's bill proposing a dual formula seems to me to address that issue, and I don't believe that it is necessary for the subcommittee to consider the continuation of the hold harmless formula for the future.

The plain fact of the matter is that the administration's bill, as presented, seems to address many of the major concerns that we have had, basically the fact that we have got to target in on the areas of need, and this seems to be the vehicle with which to do it. I believe that the emphasis on the economic development portion of the new block grant procedure makes some sense for some of the older cities which have lost industry and lost development opportunities to other areas.

One of the suggestions I have made in my filed testimony has been that we ought to consider taking the Economic Development Administration and bringing it under the Department of Housing and Urban Development. And this is because there are conflicts along the way with development opportunities taking place in areas outside the central city, and at the same time, being funded by the Federal Government, drawing from the central city the job opportunities that should be present there.

Madam Chairlady, I believe that my statement stands. I would take the opportunity to address questions from the committee.

[The prepared statement of Mr. Sullivan, presented on behalf of the International City Management Association, follows:]

STATEMENT

OF

JAMES L. SULLIVAN

CITY MANAGER

CAMBRIDGE, MASSACHUSETTS

ON

REENACTMENT OF HUD

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

FEBRUARY 25, 1977



MR. CHAIRMAN - MEMBERS OF THE SUB-COMMITTEE:

ON AUGUST 22, 1974 THE NEW HUD BLOCK GRANT PROGRAM FOR COMMUNITY DEVELOPMENT WAS ENACTED INTO LAW. THE CDBG PROGRAM TOOK SEVEN PREVIOUSLY ESTABLISHED FEDERAL ASSISTANCE PROGRAMS --- URBAN RENEWAL, MODEL CITIES, WATER AND SEWER FACILITIES, OPEN SPACES, NEIGHBORHOOD FACILITIES, REHABILITATION LOANS AND PUBLIC FACILITY LOANS AND INCORPORATED THEM INTO A SINGLE NEW GRANT PROGRAM FUNDED AT AN AMOUNT OF 8.3 BILLION DOLLARS OVER A THREE YEAR PERIOD. THE THREE YEAR PERIOD TERMINATES IN SEPTEMBER OF THIS YEAR.

I APPEAR BEFORE YOU THIS AFTERNOON AS A REPRESENTATIVE OF THE INTERNATIONAL CITY MANAGEMENT ASSOCIATION AT ITS REQUEST, AND AS A CITY MANAGER FOR TWENTY YEARS, I BELIEVE THAT I SPEAK FOR THE PEOPLE OF URBAN AMERICA IN URGING THIS SUB-COMMITTEE AND THIS CONGRESS TO REENACT FAVORABLY A NEW COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

THE CDBG PROGRAM AS ORIGINALLY ESTABLISHED BY THE CONGRESS HAD AS ITS AIM TO SIMPLIFY FEDERAL GRANT-MAKING PROCEDURES TO CITIES AND AT THE SAME TIME TO INCREASE THE FLEXIBILITY OF COMMUNITY USES OF FEDERAL FUNDS. THE PROGRAM HAS IN MY JUDGMENT ACCOMPLISHED THIS DESPITE THE USUAL CONTINUING EFFORTS OF THE HUD BUREAUCRACY TO GO BEYOND THE INTENT OF CONGRESS AND APPLY RESTRICTIONS THAT DO NOT CONTRIBUTE TO THE GOALS OF THE PROGRAM.

IN A STUDY RECENTLY COMPLETED FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT BY THE BROOKINGS INSTITUTE ON THE FUNCTIONING OF THE COMMUNITY DEVELOPMENT BLOCK GRANTS IN THE CITIES THE FOLLOWING CONCLUSIONS WERE ARRIVED AT:

1. THE BASIC IDEA OF THE BLOCK GRANT WAS WORKING IN THAT THERE WAS AN EMPHASIS ON CAPITAL EXPENDITURES FOR COMMUNITY DEVELOPMENT AND A GREATER FLEXIBILITY ON THE PART OF THE RECIPIENT GOVERNMENTS IN DETERMINING THEIR COMMUNITIES' NEEDS AND PRIORITIES.
2. THE EMPHASIS IN THE FIRST YEAR ALLOCATIONS HAS BEEN ON NEIGHBORHOOD CONSERVATION STRATEGIES AND PROGRAMS INTENDED TO PREVENT URBAN BLIGHT.
3. THERE IS A GENERAL FOCUS ON HOUSING REHABILITATION AND RELATED PUBLIC IMPROVEMENTS IN TRANSITIONAL OR MARGINAL NEIGHBORHOODS.
4. THE MAJORITY OF THE FIRST YEAR ALLOCATIONS BENEFITTED LOW AND MODERATE INCOME PERSONS WITH ABOUT ONE-QUARTER OF THE FUNDS ALLOCATED FOR COMMUNITY-WIDE PURPOSES.
5. ATTEMPTS WERE MADE BY MANY JURISDICTIONS TO LEVERAGE PRIVATE FUNDS AS WELL AS OTHER PUBLIC FUNDS.
6. THE ROLE OF THE CHIEF EXECUTIVE HAS BEEN CONSIDERABLY IMPROVED IN THE PROCESS AS HE HAS TENDED TO PLAY A MORE PROMINENT ROLE IN THE DECISION MAKING.

7. CITIZEN PARTICIPATION HAS BEEN A VERY SIGNIFICANT FEATURE OF THE PROGRAM AND ONE OF ITS STRENGTHS.

IN THE LIGHT OF THE EXPERIENCE IN THE PROGRAM SINCE ITS INCEPTION IT IS CLEAR THAT IT IS PROVIDING A VITAL AND ESSENTIAL ROLE IN REVITALIZING THE NEIGHBORHOODS OF THE CITIES AS WELL AS CONTRIBUTING TO THE IMPROVEMENT OF THE HOUSING STOCK AND THE ECONOMY OF THE URBAN AREAS. IT IS MY BELIEF THAT THE GENERAL PREMISES LAID DOWN IN THE ORIGINAL BILL SHOULD BE CONTINUED AND THAT CERTAIN CHANGES SHOULD BE MADE TO IMPROVE THE PROGRAM SO THAT IT MORE ADEQUATELY SERVES THE PEOPLE IN THE CITIES AND TOWNS ACROSS THE COUNTRY.

- FIRST- THE FUNDING OF THE PROGRAM SHOULD BE SUBSTANTIALLY INCREASED TO AT LEAST A LEVEL OF 4.5 BILLION DOLLARS A YEAR.
- SECONDLY- THE CONGRESS SHOULD APPROVE ALTERATIONS IN THE CURRENT FORMULA TO ADDRESS THE NEEDS OF THE OLDER AND MORE DISTRESSED URBAN AREAS. THE PURPOSE FOR THE UTILIZATION OF A DUAL FORMULA APPEARS TO ACCOMPLISH THIS PURPOSE.
- THIRDLY- THERE SHOULD BE A TARGETING TO AREAS OF NEED.
- FOURTHLY- THERE SHOULD BE A SEPARATE FUND ESTABLISHED FOR THE CLOSE OUT OF URBAN RENEWAL PROJECTS AND THE FUNDING SHOULD NOT COME FROM THE CDBG ALLOCATION TO COMMUNITIES.
- FIFTHLY- CONSIDERATIONS SHOULD BE GIVEN TO THE ESTABLISHMENT OF A PROGRAM FOR ECONOMIC DEVELOPMENT THAT INTERRELATES TO THE

COMMUNITY DEVELOPMENT ACTIVITIES OF CITIES. IT MAY BE APPROPRIATE TO CONSIDER THE RELOCATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION FROM THE DEPARTMENT OF COMMERCE TO HUD.

AS THE CONGRESS DELIBERATES THE REENACTMENT OF THE COMMUNITY DEVELOPMENT BLOCK GRANT IT WILL BE CONSIDERING PHILOSOPHICAL AND POLITICAL ISSUES IN THE DISTRIBUTION FORMULA TO BE DEVELOPED. THE BURNING PHILOSOPHICAL ISSUE SHOULD BE TO DISTRIBUTE THE AID TO THOSE MOST IN NEED --- AND THE FOREMOST POLITICAL ISSUE IS THE CONTINUING VIABILITY OF THE CITIES. IT IS ABSOLUTELY IMPERATIVE THAT CITIES BE STRENGTHENED IN THEIR ABILITY TO SERVE THEIR DISPARATE POPULATIONS. CONGRESS HAS DEVELOPED A NUMBER OF TECHNIQUES FOR TARGETING ASSISTANCE TO THOSE GREATEST IN NEED. IT IS ESSENTIAL THAT THE FORMULA ENACTED IN THIS PROGRAM CONTAIN THE CAPACITY TO FOCUS DUALY ON THE NATION'S AND THE CITIES' NEEDS.

Mrs. SPELLMAN. I didn't apologize to you for the length of time that we kept you waiting here today. I know that you must have other things that you must do. And you have spent quite a long time here.

Mr. SULLIVAN. That is quite all right. It was interesting.

Mrs. SPELLMAN. I am going to ask something that isn't related to your testimony, because I am sort of curious about it.

I noticed that the city government in Cambridge has grown considerably in the period from 1970 to the present.

What would be the reason for that? I see a 23-percent growth.

Mr. SULLIVAN. In the city of and in itself, in terms of personnel, you mean?

Mrs. SPELLMAN. Right.

Mr. SULLIVAN. Basically, the city government in Cambridge is an all-inclusive government, and the statistics that you have before you, I believe, are statistics that would also include the school department as well. The city runs a city hospital. And so as a continuing—the continuing requirements of program activities in the hospital or in the school department are mandated programs from the State government in Massachusetts result in the figures that I think you have before you.

Mrs. SPELLMAN. You are providing more in the way of services and more is required of you these days.

Mr. SULLIVAN. That is correct.

Mrs. SPELLMAN. I find that interesting.

I don't have any special questions.

Mr. ROUSSELOT. I have a couple.

Mrs. SPELLMAN. Mr. Rousselet.

Mr. ROUSSELOT. I might comment on your thought there, your questions regarding the increase of 23 percent in personnel in 6 years. Actually, that isn't bad compared to the State government in Georgia, which grew in 4 years by 25 percent in personnel and 60 percent in costs. So they are much better than the State of Georgia during those last 4 years.

Mrs. SPELLMAN. I am afraid in that case that, if my colleague would yield, Mr. Sullivan won't make it to become President. Is that what you're saying?

Mr. ROUSSELOT. Well, when you think about it, Mrs. Spellman, 1 year ago today our President had jumped to 6 percent in the polls because he won New Hampshire, and so Mr. Sullivan may make it after all.

Mrs. SPELLMAN. I hope he will remember he came before us.

Mr. ROUSSELOT. Mr. Sullivan, we do appreciate the fact that you come here from the Northeast and present an interesting set of suggestions from a city that has the unique problem of having several large, I think, educational institutions there, also.

Mr. SULLIVAN. There are, indeed, many fine institutions there.

Mr. ROUSSELOT. Yes; I have been there many times. I imagine that is not an easy thing to cope with, from the standpoint of providing services for a city that has a large institution like Harvard right in the middle.

Mr. SULLIVAN. We would appreciate it if they would make in lieu of tax contributions larger than they currently do.

Mr. ROUSSELOT. And also particularly because you come from the home area of our distinguished Speaker.

Let me go through a couple of your suggestions. I am very much interested in your concept, your suggestion that consideration should be given to the establishment of a program for economic development that interrelates with community development activities.

I guess what you are suggesting is that we take the Economic Development Administration now contained in the Commerce Department and move it to HUD.

Mr. SULLIVAN. That is correct.

Mr. ROUSSELOT. Well, I think that would respond to your first suggestion, if we did that, because you suggest that the funding of the program—in your first point you say, the funding of the program should be substantially increased, at least to a level of \$4.5 billion.

If we merged the Economic Development Administration into HUD, that would be a total of well over \$4.5 billion, because the Economic Development Administration gets about \$2 billion a year now, and so the add-on would then accomplish what you are suggesting.

Mr. SULLIVAN. I am not sure I am suggesting a combination of their funds. I am suggesting that it is a logical extension of the need of the central cities and the competition that we have with the Federal Government funding EDA, which in some parts of the country is encouraging development in the outlying areas at the expense of the cities and towns.

Mr. ROUSSELOT. I just thought I saw in the two suggestions a possible saving. But you're saying, then, we should fund it even higher, if we combine it.

Mr. SULLIVAN. Yes; I would say that.

Mr. ROUSSELOT. I thought we had a great reorganization plan we could recommend to the President. Because if the two were combined, it would be actually over \$5 billion. And I want to suggest to you that's a problem that we have here. When we go to combine agencies, we lose track of what the funding was for each unit. They are combined, and the cost goes way up, despite the fact that combination is supposed to provide efficiencies through economies of scale.

So you weren't suggesting that?

Mr. SULLIVAN. No; I'm suggesting that EDA—I think we are all aware of the criticisms that at least came as a result of the last public works bill.

Mr. ROUSSELOT. Only from the cities in my district that did not get it.

Mr. SULLIVAN. And from many other cities across the country that had decided needs that were not funded, as well. And what I am suggesting is that there is an opportunity, if this kind of reorganization takes place, to be able to have a coordinated approach of addressing the needs of the cities and the needs of industrial-economic development in all parts of the country.

Mr. ROUSSELOT. Well, I don't disagree with you. I think it is a clear example where the funding responsibilities are similar, and if you could just join with me in suggesting that maybe we might be able to, in combining them, achieve some efficiencies, also—

Mr. SULLIVAN. I would think that would be a logical extension. I believe the President has suggested that there should be a reorganization of many parts.

Mr. ROUSSELOT. Yes; I do not know specifically if the reorganization plan—if he did in fact suggest that EDA go from Commerce to HUD. I have not seen that. But I would not disagree with that idea, because it is true that parts of both agencies have similar responsibility. I would very much favor it, of course, if we could save some money in the transition.

Mr. SULLIVAN. Well, I am a member of the National League of Cities Community Development Task Force, and the mayor of Birmingham, Ala., is on the task force, and we had a meeting last week. And we sat beside each other, and he was probably one of the more vocal persons with respect to this particular position.

What he finds happening is that in his area, at least, EDA is funding these extension of sewer and water grants and industrial development in areas that are attracting industry and development and job opportunities from the center city, his city, to outlying areas. And he thinks that there ought to be some way where we don't try to compete with each other with different sources of Federal dollars.

Mr. ROUSSELOT. Well, I certainly agree with the thought that has gone into that proposal and cannot disagree with the ideas that you have presented on that issue. I think that if we would be sincere in not only combining them but also then concurrently reducing them by providing more efficient machinery, that would be very worthwhile.

But I thank you for taking time to come visit us. I hope when you return to Cambridge, you will say hello to my friend, Robin Schmidt, who is at Harvard University and used to be administrative assistant to my colleague, Pete McCloskey, before Robin Schmidt was moved up to Harvard by Chuck Bailey, whom I am sure you know very well, too. I understand you converse once in a while with Harvard.

Anyway, I have said enough.

Mr. SULLIVAN. I would say, I think we recognize that probably Harvard has had an influence on the activities that have taken place in Washington over the past 20 years or so. Whether or not that influence is as high today as it used to be I think is a question that we will see revolved sometime in the future.

Mr. ROUSSELOT. Do the students influence the vote in your town?

Mr. SULLIVAN. Yes; they do.

Mr. ROUSSELOT. Do you have a 1 year residency requirement?

Mr. SULLIVAN. No; we don't have that in Cambridge, and I am not sure that we would. We have a unique kind of a voting pattern in the city. We are the only city in the United States that has proportional representation, and as a result of that, the election process takes about a week for the ballots to be counted. And you can vote for as many candidates as you want. If 40 people run for the city council, you can vote for 40 people, but you vote for them in the numerical order of preference. So it results in a city council that I don't think is affected particularly by the fact that students who may be temporary residents of the community vote in the city elections.

Mrs. SPELLMAN. That's interesting.

Mr. SULLIVAN. I think you would understand the kind of meeting that I attended last night where citizens just met to express their frus-

trations, frustrations over the taxes and the tax burdens. They don't really understand the difference between local government, State government, and Federal Government. They usually just want to lynch the mayor or the county executive, or it might be the city manager, because they are just overburdened with all of that government. We ought to recognize that whatever level it is, we should provide the best kind of government at the least expense that is what our objective should be. Whatever we do here should ease your burden on the local level. The citizens' frustrations mount—and all over the country, frustrations of citizens are mounting, so that our job really is a very serious one these days. We ought to be working together to explore the very best ideas.

Mr. SULLIVAN. There is no question, I think, that the problem that cities have essentially is that in many of the older cities—and I think we are aware of this—they are tending toward insolvency.

In Massachusetts, for example, all of the communities basically are restricted to the use of the property tax as a basis for their support for municipal services, and when you look at the property tax as a basis of support, it just doesn't work out. The result is that in the city of Boston, for example, the property tax level is about \$254 per thousand. And it is a very severe problem that is faced by many Massachusetts communities.

In our own particular case, the budget of the city of Cambridge—and we have developed a gross budgeting system whereby we include not only the appropriations made at the local level, but we also appropriate for the funds that come from the Congress, that come from the Federal Government. We appropriate the money in the city budget for CETA, and we account for that in a gross budgeting process. Our budget this year in the city of Cambridge is about \$105 million. Of that \$105 million, about \$60 million is based upon the property tax. And when you consider a population of 100,000 people, and when you consider the fact that we also have two universities that also take up a substantial portion of the community land area, you get an idea of the problems that we have. About 50 percent of the property in the city is tax-exempt. And so the burden of the property tax, which is our only source of income, basically, in Massachusetts allowed, creates a serious problem for us.

In the city of Cambridge we have, for example—in Massachusetts—a process whereby the State distributes money, State aid, to cities and towns. Because the formula is biased in favor of the rural areas, in favor of the areas outside the central cities, we have a situation in Cambridge whereby when we receive what is called the cherry sheet from the Commonwealth of Massachusetts, we receive a cherry sheet and we owe the Commonwealth, from the city, \$3 million. So that there isn't State aid to the city of Cambridge in Massachusetts. There is city aid to the Commonwealth of Massachusetts. So that our only hope, basically, at least in Massachusetts—our tax system in Massachusetts is inadequate. I don't see any way that the Massachusetts Legislature is going to address that need this year. They have problems of their own, and our hope is a continuing effort on the part of Congress to fund for our needs.

One of the, I think, dramatic portions of the recommendations by the administration is that the dual formula will provide for increased



funding to cities like Cambridge. We were in the process of heading down to an entitlement of \$1.6 million, and that is coming from an entitlement of approximately—or an original hold-harmless position where we started of \$4.1 million. And as we have a diminishing return from the Federal Government, we have a diminishing ability to fund what we have to do in the city.

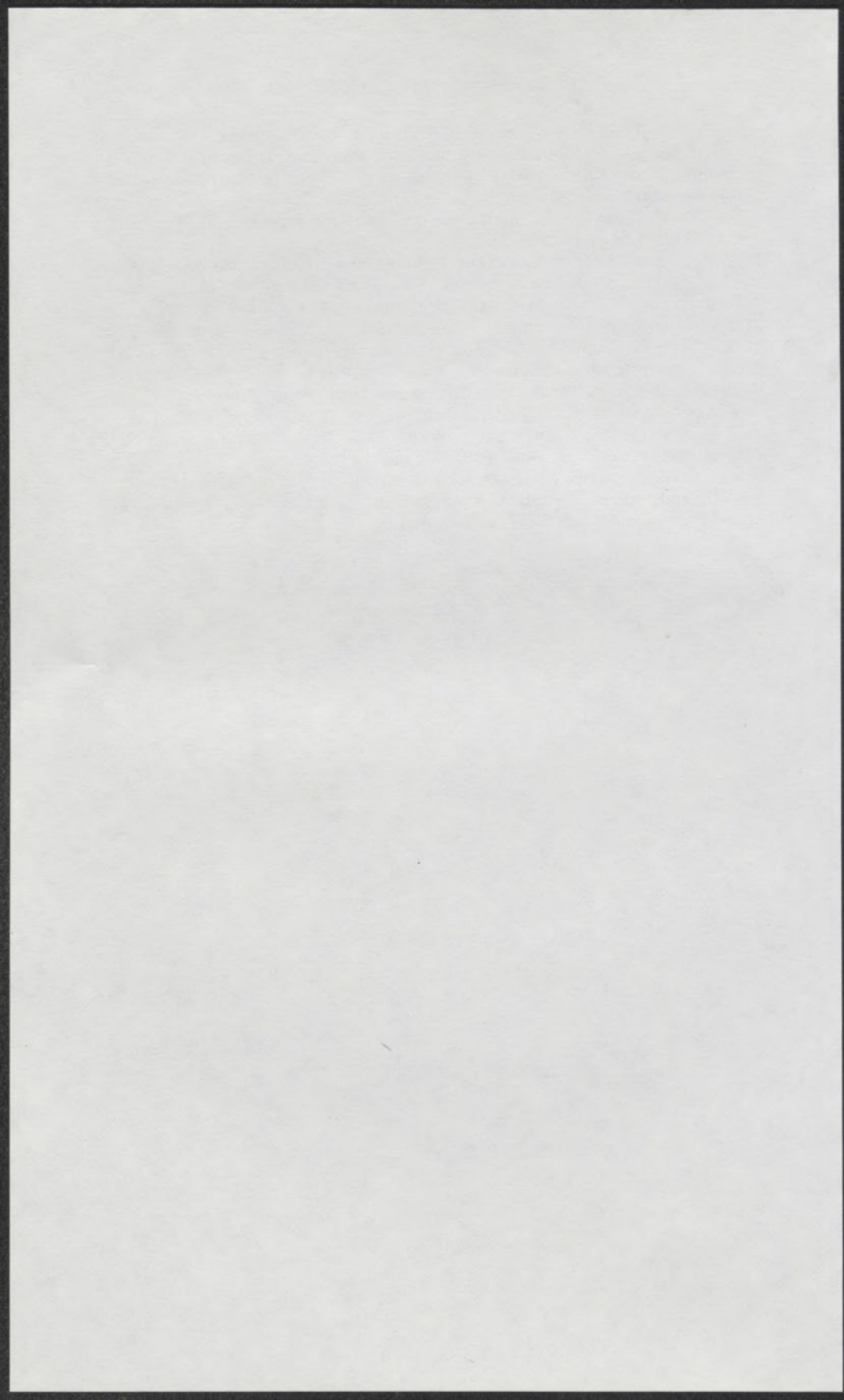
And I think that at least the recommendations of the administration is one that would be accepted by most of the cities in this country.

I do recognize the problems that were addressed concerning the smaller cities, and I am not sure what the answer to that is. I do know it is a problem. I also know that, as the Congressman from California has indicated, funding is also a problem. So I think that the program, as presented at this time, is one that would meet with the acceptance by the cities across the country.

Mrs. SPELLMAN. We are very grateful to you for having come to be with us today, and we thank you very much.

The subcommittee will stand in recess until 10 a.m. Monday.

[Whereupon, at 4 p.m., the subcommittee adjourned, to reconvene Monday, February 28, 1977, at 10 a.m.]



# HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

MONDAY, FEBRUARY 28, 1977

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
DEVELOPMENT OF THE COMMITTEE ON BANKING,  
FINANCE AND URBAN AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10:15 a.m. in room 2128 of the Rayburn House Office Building, Hon. Thomas L. Ashley [chairman of the subcommittee], presiding.

Present: Representatives Ashley, Patterson, AuCoin, Blanchard, Tsongas, Brown, and Grassley.

Mr. BLANCHARD. The hearing will come to order.

As part of our continuing analysis and evaluation of the Housing and Community Development Act and its reauthorization, we continue the hearings.

Our first witness today is Robert W. Maffin, executive director of the National Association of Housing and Redevelopment Officials.

Before we begin, on behalf of my colleagues, Mr. Maffin, let me apologize that our attendance is not what we would expect it to be. Many of the members of the subcommittee are en route back from their home districts.

Our chairman, Lud Ashley, is in an important conference with the Budget Committee, and we expect other members to be coming, probably moving in and out of here this morning.

We all have your statement, and if you wish, you can read it; or we can submit it into the record and you can summarize it. Whatever you would like to do, Mr. Maffin, is fine with us.

## STATEMENT OF ROBERT W. MAFFIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. MAFFIN. Thank you very much, Mr. Chairman. I thoroughly appreciate the fact that Congress has many things to do at any given point in time. It is our pleasure indeed to be here, and I want to thank the subcommittee for the opportunity and the honor of testifying before them.

As for the record, sir, I would like to have submitted, as you suggested, the written statement. I would also like to submit for the record, although you previously have received this, a summary of the monitoring report which our association did on the first year of the community development program.

We have a draft monitoring report on the second year which, as of now, is not ready to be submitted. We have a newsletter which I want to insert into the record, dealing with housing management and target projects program. Finally, I wish to insert a summary of our basic policy statement in the housing and community development field.

Mr. BLANCHARD. If there are no objections, that is so ordered.

[The material referred to by Mr. Maffin follows his prepared statement.]

Mr. TSONGAS. This is the monitoring of the community development program or the housing program?

Mr. MAFFIN. The community development program.

Mr. TSONGAS. Do you have extra copies?

Mr. MAFFIN. We have forwarded copies to the staff, sir.

Let me begin by simply indicating, Mr. Chairman, a few of the things which we are recommending in our written statement. And then I would like to indicate why, in general terms, we make those recommendations.

With respect to community development, we support and concur in the recommendations of the administration for a \$4 billion authorization and appropriation for community development for fiscal 1978 including therein the dual formula recommendation.

We would like to add the following comments with respect to that formula and to the community development program in general.

For those communities that suffer substantial reductions of funding as a result of the application of these two formulas, and submit acceptable programs and are otherwise qualified, we would suggest that those communities be given the first opportunity to apply for urban development action grants. We are talking specifically of those communities that experience a 20-percent or more decline.

In addition to that category, those cities which face a major loss of funding, that is 50 percent or more, and would otherwise qualify and submit acceptable applications, we would recommend priorities be given for other discretionary funds available to the Secretary.

With respect to the so-called second formula, we would suggest also that the Secretary be directed to include a cost-of-living adjustment in that formula.

For the smaller communities, we agree with the system proposed by the Secretary for allocations by States. We would suggest that the small communities be permitted—if their application is found to be acceptable—to undertake a multiyear, say 3-year program.

To the extent that funds are available out of discretionary and other funds, these small communities should be given a first priority for drawing against funds for their second- and third-year applications. Where the programs are for completing commitments already made by prior programs subsumed under community development, we suggest a further priority be given.

We commend the Department in terms of setting aside or recommending the authorization of \$100 million for each of the succeeding 3 fiscal years for urgent needs.

I would like to point out to the subcommittee, however, that the aggregate of \$300 million is still some \$153 million short of the temporary loans outstanding. Moreover, there remain some \$300 to

\$500 million in additional activities to complete those commitments which were entered into some years ago as far as communities were concerned.

We would suggest that the community development program be reauthorized for 6 years, and if possible, have advanced appropriations for 2 or 3 years, with evaluation to take place after the third year.

We commend the inclusion of economic development as a major category of eligible activity under community development. We would suggest, further, that in the interim, at least, some attempt be made to perfect the current loan provisions of the Community Development Act of 1974 in the following ways:

There is a need to eliminate or modify substantially the rather onerous and difficult task of pledging the full faith and credit of local governments to the repayment of those loans. The estimated proceeds from land value or future grants entitlements or a combination thereof can be pledged as a substitute.

With respect to rehabilitation and conservation, we commend the continuation of the section 312 rehabilitation loan program, as I understand it, at a level of some \$150 million. Not all of this amount needs to be appropriated, since some of that is available by recapture from repayment of loans outstanding.

This will over the 3-year period, eliminate the prior stop-and-go level of activity which has been the major problem with the program.

This program has been demonstrated to be a very effective and complementary one when used with community development funds and other private and local programs. We heartily urge its continuation.

We would suggest that the subcommittee and the Congress instruct the Department to more clearly require or at least encourage the coordinated activity of neighborhood conservation and property rehabilitation.

We suggest quick and early action on the Neighborhood Policies Act, and finally, with respect to the administration of rehabilitation, and conservation activities, that the subcommittee rather strongly urge that a higher level of authority and visibility be given to the administration of these programs within the Department.

On the housing production side, we urge a 2-year authorization. We urge a substantial use of a multiple of programs, including section 8, section 202, section 235, and public housing.

All of the authorization levels which we recommend, sir, are detailed in our written testimony. There are a number of other perfecting devices which we think ought to be attended to with respect to housing production:

Federal guarantees on bound obligations under section 8;

The rent comparability for section 8 be based on costs experienced in the area:

Fair market rent structure should be based and have the capacity to deal with submarket areas:

The fair market rents should include sufficient funds to take care of necessary and needed management and tenant service activities:

That flexible agreements between landlords and public agencies be permitted rather than the rather sharply defined and inflexible system now employed:

That incentives be given to the coordination of housing plans on a county-wide or area-wide basis; and that section 235 be allowed to operate under interest rate down to the 1 percent previously authorized.

On housing management, we would recommend the extension and expansion of the target projects program, which has been demonstrated to be a very effective weapon in improving the total capability of local governments to manage housing.

We would recommend and concur in the supplementary appropriation of \$20 million for the performance funding system, and the \$53 million added in fiscal year 1978, but we would continue to press for two or three more items in that connection.

First of all, there is a backlog needed in modernization totaling an estimated \$1.6 billion. We would recommend a 4-year authorization for that program to provide modernization at the rate of \$400 million a year, which, for appropriation purposes, means \$40 million a year.

And we would like to see the addition of a fund of some \$20 million a year for 2 years to amortize an estimated \$400 million in backlog deferred maintenance.

These are the general recommendations which we would make, Mr. Chairman and members of the subcommittee, and now let me take a moment to say why.

First of all, it seems to us that we are beginning to get our act together, as it were, in the housing and community development field.

The formula system, while imperfect and acknowledged to be so at the outset, is, it would appear, susceptible to change and adjustment.

The community development program has, we believe, focused attention on the formulation of consistent policies at the local level, and, to some extent, at the Federal level.

The housing assistance plans, we believe, again, have focused attention on the need to effectively plan and coordinate housing activities.

All of these steps, we believe, have helped us to isolate issues and to identify needs more sharply. But we sense that there is still a lack of policy. Certainly our monitoring report for both the first and second years on community development clearly indicates that there is a continued scatteration of activities and very often, although there has been some improvement in the second year, without a great deal of thought as to what this means in terms of an overall development strategy.

We would submit that this, in part, may be a function of the lack of clear policy in the Federal legislation, which represents a mixture of goals and objectives; some aimed at substantive program delivery, some aimed at improvement of the Federal delivery system, and others at governmental organization.

Our stop-and-go policies on housing, putting housing on the cutting edge of our entire economy, and the unfortunate and devastating moratorium of 1973 are clear evidence that we have not yet come to grips with the formulation of national policy in the housing field.

But we are making some movement in the right direction. Let us take for example the dual formula. Even in 1974, and the years preceding, when the debates were going on concerning the distribution of funds under community development, there were those who said that past

performance was indeed one way, in addition to the more mechanistic criteria of need, for recognizing capability and delivering the money to where it was needed.

It seems to me that the dual formula clearly recognizes this. But let me point out that the dual formula, in our judgement, is a point of departure. Recognizing that this entire process is an evolutionary one, the first formula was fairly simple and it rewarded growth for growth's sake. This new formula recognizes not only growth for growth's sake, but it also recognizes a very desperate need which the age of housing seems to correlate to very well.

Let me point out that both of these are fairly static recognitions, one, of growth, and the other, of a constantly aging housing stock. Having moved now in the direction of devising more adequate and responsive formulas, it seems to me that we ought to move now also—perhaps not this year except for discussions—in the direction of providing incentives.

For example, we have established a baseline of need derived from the age of housing. Now, the obvious incentive under that system is to continue to let your housing stock age, but that is not the objective. The objective is to eliminate substandard housing, either by new construction or rehabilitation.

We ought, it seems to me, to be moving toward giving incentives for removing the conditions which we are trying to reverse, as well as giving credit and funds where those conditions currently exist. Where there is inordinate growth above the median of the country, we ought to be moving in the direction of providing incentives for managing that growth better. It seems to me both of the formulas ought to move, once having been established, toward the direction of providing incentives to cure the problems which the funds are aimed at relieving.

The action grants are a step in the right direction. They permit communities to target money to capture opportunities. But unfortunately we think the development action grants program is still a quick response, although a necessary mechanism. This thrust is missing from the basic community development formula system. It still will not permit communities to point for the long-term reinvestment in selected areas in the community, particularly if they are to both capture the uses of private funds and leverage those dollars.

The urgent needs program permits us to continue to honor commitments which we have made in the past. It permits communities to continue to fulfill those occasions where they created and captured opportunities for investment and reinvestment.

For the smaller communities, obviously we need an assured continuity of funding. These communities play a very important role in our system, whether they are ancillary in the metropolitan system or isolated. They play a very important economic role, and their needs ought to be more effectively met.

We have recommended for long-term reinvestment a national development bank. For property rehabilitation and neighborhood conservation, we believe that more focus and more incentives for private investment need to occur and we recommend, in that case, a flexible program of property rehabilitation incentives which would stimulate communities to use the techniques they have learned to employ in the

last 4 or 5 years to further leverage not only community development funds and section 312 funds, but more importantly private resources.

On the housing side, housing is not just a matter of production or rehabilitation. It is also a matter of location, and the housing assistance plan helps us move in that direction. Housing location and the economies of scale and service are all part of an urban policy and strategy.

By distinguishing between a social commitment for low- and moderate-income housing and the general production of housing, it seems to me Secretary Harris has drawn a very important distinction. By fulfilling a social commitment for low- and moderate-income housing, we are meeting a basic social need.

We have plenty of tools to manipulate the basic housing market to serve our economic needs.

And, finally, there are, outside the purview of this subcommittee, many devices that need to be employed to support and encourage the private sector and individuals.

Primary among these are some important changes that need to be made in the tax laws of this country, particularly the investment tax laws and the basic income tax laws.

All of this is to say we are moving in the right direction. It is to say that, in our judgment, we are still without an urban and housing policy. What we need in this country is a policy aimed at human settlements in this country, a policy aimed at resource conservation and investment utilization.

We have preferred to describe this policy as one aimed at saving and rebuilding human settlements in America ranging from the neighborhood to the metropolitan areas.

This requires a broad-ranging focusing of all domestic programs in that direction. We think the steps that are recommended here by us today lead us in that direction, and we think this subcommittee and the Secretary of HUD have the lead responsibility in carrying forth that mission.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Maffin, on behalf of the National Association of Housing and Redevelopment Officials, along with a summary of the association's first-year monitoring report of the community development program, a copy of a September 1976 monthly newsletter of the National Association of Housing and Redevelopment Officials (NAHRO), and a summary of the association's basic policy statement in the housing and community development field, follows:]

PREPARED STATEMENT OF ROBERT W. MAFFIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS, ON BEHALF OF THE ASSOCIATION

Mr. Chairman and members of the subcommittee, I am Robert W. Maffin, Executive Director of NAHRO, the national, professional association of local individuals and agencies serving this nation's housing and community development needs for over the past forty years. I am pleased to appear before you this morning to present NAHRO's recommendations for Fiscal Year 1978 authorizations for various housing and community development programs. At the outset, let me commend this subcommittee for providing a forum over the next two weeks for the public consideration of these important funding decisions and for the efforts by both the members and staff, specifically in recent months, to seek input from local administrators with respect to the operation of ongoing programs.



My testimony and recommendations this morning reflect the local experience of NAHRO's membership in administering assisted housing and community development efforts, as well as the extensive program monitoring activities and policy deliberations undertaken by our association over the past two years. It is crucial that those responsible for the eventual local administration of programs and the delivery of Federal resources be involved as program changes and funding levels are considered at the Federal level. Such continuing consultation can help to insure, for example, that efforts designed to guarantee Federal program objectives will not result in undue and counterproductive local administrative burdens.

Local experience, however, is as varied as the range of conditions being addressed. For this reason, potentially subjective case studies of local practices must be evaluated against national trends resulting from more comprehensive and objective assessments of such experience. In the past, the lack of national program data resulted in policies which, in certain instances, were inconsistent with actual national experience. This obvious need for both types of information and data to describe local program experience, in combination with NAHRO's forty-year mission to advance the standards and practices of all phases of administration of housing and community development efforts, resulted in a commitment in 1974 by our association to undertake an extensive monitoring project of the new community development block grant program. Our first-year report—which produced in excess of 150 pages of analytical material—has been forwarded to and discussed with various members and staff of this subcommittee. Our second-year report is recently completed and I would ask permission to include in the record of this hearing a summary of findings from this second-year effort.

[A summary of the first-year report follows this statement. At the time of going to press with this hearing, a copy of the second-year report had not been received.]

My testimony this morning refers to the findings from these two reports. To a lesser, although significant, degree, our recommendations also reflect surveys of selected local experience with the production and management of assisted housing. Over the next year, we will be continuing and expanding upon these important activities. With the benefit of these experiences and data, our membership feels a responsibility and is in a unique position to translate administrative experience into policy recommendations. Early in 1976, the NAHRO Board of Governors adopted a major policy statement (The New American Realism: "Save and Rebuild America") against which public programs and private actions could be measured in evaluating their contribution to a national policy of saving and rebuilding this nation's neighborhoods, villages, towns and cities. In support of and consistent with this direction, NAHRO's policy emphasis during the past year focused on the development of new programs in the areas of housing, neighborhood conservation and city rebuilding. Our recommendations today will be consistent with both our general and detailed policy actions. I would ask also that a copy of this policy statement be included in the record of this hearing.

We feel that it is important to approach these hearings and advance our short-term programmatic and funding recommendations in a manner consistent with both longer range program needs and an overall urban policy framework. In recent years, the authorization process has been a battleground of conflicting forces and philosophies. The results have been minimal in relation to long-postponed national needs. While many of these prior differences continue to exist and will likely resurface, we are encouraged by recent initiatives of the new Administration and the Congress which extend the hope that this year's authorization process can be a positive step towards both a narrowing of the gap between local needs and resources and the development of a clear and consistent national urban policy.

#### NAHRO RECOMMENDATION FOR COMMUNITY DEVELOPMENT

Over the past two years, NAHRO's community development monitoring project has focused intensively on the following three areas:

The utilization of community development funds by localities in accordance with stated national objectives;

The allocation of community development funds and activities to the benefit of different income areas;

The degree of local coordination and concentration of community development activities.

With the completion of our second-year study, we are now able to compare first- and second-year data in order to show significant trends in these areas of activity. This comparison has been particularly useful in identifying those results from the initial year monitoring efforts which may be influenced by atypical conditions resulting from the start-up of a new program.

In general, our study findings highlight positive aspects of the new program, areas of continuing concern and several serious program shortcomings. In a positive sense, the advent of the community development program has expanded, in comparison with predecessor programs, the areas and people affected by these efforts, both within communities and as to the number of communities. The program has been adapted to address local needs through a broadened diversity of approaches. It has resulted in a simplified and, it seems, improved working relationship between the Federal government and local governments. The approval time for applications has been greatly reduced by the shift in the Federal role to evaluating performance, rather than reviewing documents submitted prior to implementation. There is an increased awareness on the part of local governments and citizens of the need to deal with local community development problems.

Our second-year monitoring study highlights improvements over the initial year in several areas. The planned locations for housing units (both new construction and rehabilitation) indicate a continuing dispersal strategy consistent with the objectives of the law. Further, there was significant improvement in the degree of coordination between housing and community development activities. In general, there was also a greater degree of coordination among community development activities.

Our monitoring effort continues, however, to isolate exacerbating areas of concern with the implementation of the block grant program. There was a significant decline in the proportion of second-year funds expended for the national objective of "the elimination of slums and blight." Further, our second-year data indicate that the tendency to locate activities away from the low- and moderate-income areas and towards moderate- and middle-income areas intensified, with the proportion in low- and moderate-income tracts dropping from 51 percent to 44 percent. Finally, block grant funds were dispersed among census tracts within a locality to a significantly greater degree than was true in the first year.

Mr. Chairman, these concerns continue to highlight the need for Congress and HUD to assure that the community development program is truly focused to give maximum feasible priority to activities benefiting low- and moderate-income persons or aiding in the prevention or elimination of slums and blight. We clearly realize that localities could expend funds in middle- and upper-income tracts that may benefit low- and moderate-income residents and that the local scattering of funds, in certain instances, can be consistent with national program objectives. Under present program requirements, national data cannot identify these situations. In order to more appropriately assess the degree of local adherence to national objectives, localities and HUD must be given clearer directions for program design and application and performance report reviews. We believe this necessary refocusing can be accomplished without any radical legislative amendments or significant increase in Federal or local administrative responsibilities. Localities are already required, as part of their three-year plan, to develop a comprehensive strategy for meeting community development needs. HUD should be directed to establish standards for review of such strategies for local conformance to the objectives of the law. Proposed annual activities should be consistent with such a strategy. Localities should be required to explain their proposed activities in relation to national objectives, with particular justifications for activities undertaken in middle- and upper-income areas or on a city-wide basis. Above all, HUD must begin to administer the spirit as well as the letter of the law. A commitment to such vigorous program administration can, in our opinion, accomplish as much as any change in law or regulation.

Efforts to sharpen the focus of the community development program must include careful consideration of the relationships between the national program objectives and the allocation system for the distribution of funds. In our opinion, the current formula system is an extremely imperfect mechanism for the distribution of funds. In the initial program years, the hold-harmless mechanism minimized the potential and obviously harmful consequences associated with a reduction of funding for many older center cities, as well as other communities which took the initiative to address problems of blight prior to community development. The hold-harmless distribution patterns, however, also evidence inequities. Cer-

tain cities can no longer justify guaranteed annual funding based on their program needs in comparison with other discretionary recipients. Many others, however, need annual funding on an assured basis far in excess of their static hold-harmless levels. In sum, resources must be allocated in accordance with needs corresponding to the primary national objectives of the program.

We applaud the efforts by both the prior and the new Administrations to develop a more rational allocation system. NAHRO supports the authorizations for community development activities proposed by the Administration for fiscal year 1978. While clearly recognizing that inequities will result from any formula allocation system, we also endorse in concept the allocation and funding recommendation recently unveiled by Secretary Harris. These proposals go a long way toward reversing many serious problems of the present system. NAHRO supports the dual formula concept as it recognizes the special needs of our older cities and mitigates the financial loss that many large cities will face with the phase-out of hold-harmless. We believe, however, that metropolitan cities which will experience significant losses (over 20 percent) in relation to prior funding levels should be given a first opportunity to receive proposed urban development action grants if such cities meet qualification standards and develop acceptable programs. In cases of severe fund loss (over 50 percent), the Secretary should also consider giving priority to these cities for other forms of discretionary funding. Finally, in addition to the new proposed formula factors, the Secretary should be directed to develop and, when appropriate, utilize a cost-of-living adjustment factor in the proposed second formula.

For cities under 50,000 population, we endorse the Administration's proposals giving priority to comprehensive programs and allocating metropolitan balances on a State basis. These cities which develop comprehensive programs to eliminate or prevent slums and blight, provide housing for lower-income persons, and improve community facilities and supporting services, should be eligible for approval of a multi-year application that would make possible predictable annual funding to complete the activities proposed in the application. Under such an approach, the Secretary would evaluate an application for multi-year discretionary grants according to certain objective factors, such as those in the dual formula, and according to the past performance of the applicant, the status of its ongoing programs, and the quality of its comprehensive plan. We believe an additional priority should be accorded to those cities proposing activities approved as part of local urban renewal and neighborhood development plans.

The Administration's proposed urban renewal completion fund is a welcomed and necessary additional funding source that responds to the moral and contractual obligations which continue to exist as a result of prior urban renewal and neighborhood development efforts. HUD estimates that \$453 million is necessary to meet currently outstanding temporary loan deficits. Additional costs associated with completing activities in accordance with local plans have been estimated at \$300-\$500 million. Completion funds should be available for both deficit financing and approved activities. In conjunction with block grant funds, this three-year completion fund will allow communities greater discretion in addressing these pending commitments and in allocating block grant funds for new activities.

We are supportive of the concept embodied in the Administration's proposal for urban development action grants. This proposal recognizes both the need for large-scale neighborhood reclamation and economic development efforts and the difficulties of pursuing these activities within the block grant context. Our initial review of the proposal, however, raises certain questions which we feel must be addressed and further detailed. While eligibility should be based on objective needs criteria, the discretionary character of the program and its basic purposes argues against sole reliance on rigid, statistical measurements. Further, we trust that grants will be allocated for activities which supplement rather than substitute for other available Federal assistance. We applaud using past performance as a review criteria. We hope that this concept can be extended to compensate for shortcomings in the block grant allocation system. For example, a community which has already taken positive steps to remove substandard housing will lose credit in the age-of-housing factor. Urban development action grants should recognize and correct these individual formula inequities.

As a final recommendation related to community development funding, NAHRO believes that to foster program continuity and comprehensive strategies, the block grant program should be extended for six additional years with an evalua-

tion after the third year. A three-year application and housing assistance plan with a brief annual amendatory submission should be substituted for the present system. Finally, Congress should consider the local administrative and programmatic benefits which would result from advanced appropriations.

Beyond these considerations of funding allocations, NAHRO believes that other elements of the block grant program need to be examined and modified. A baseline measure of a community's viability is the state of its economy, and, thus, it is fundamental to the principal objective of developing viable urban communities that local economies be strengthened. NAHRO's evaluation of the block grant program revealed that in each of the first two years, less than four percent of block grant funds were budgeted for the expansion of economic opportunities. This small figure does not reflect the expansion of economic opportunities that may have resulted from other specifically budgeted activities, such as the continuation of categorical activity. Nevertheless, we think it is a revealing finding; it suggests that the program has not been commonly perceived as a way to promote economic development, which we understand to mean those activities that will generate jobs and tax rates in a community.

We believe this is due to several things: first, the annual grant lessens the potential for the public sector to attract private involvement on a scale necessary to sustain long-term projects; second, the community development program has lacked a workable federally guaranteed loan provision that could assist localities to acquire a land inventory for economic development; and, third, the inclusion of economic development within the provision on public services has restricted it to software activities, such as job training, and has bound it to the area restriction for other public services, namely, that it be undertaken in areas where other assisted activities are being carried out in a concentrated manner. It is this last point that we wish to address.

NAHRO fully supports the proposal of the Administration to remove economic development from the confines of the provision on public services and to give it a standing of its own as a separate eligible activity. Communities need the flexibility to undertake economic development activities of a kind and in the location best suited to their individual circumstances. We firmly believe, however, that the definition of economic development should be governed by these principles: first, the beneficiaries of the activities should be low- and moderate-income persons residing in the community; second, the activities must be in support of a comprehensive community development plan and program; and, third, where appropriate and to the maximum extent possible, block grant funds for economic development should leverage other public and private resources.

Indeed, we think that the main benefit of establishing economic development as a separate activity is that it will enhance the potential of local community development programs to leverage other funds for the achievement of community economic development objectives. This is its promise, and we hope that the concept of leverage will guide the Congress in spelling out the discrete activities embraced by the term economic development. Community development funds, we suggest, should be able to be combined—either as a matching share or simply as a supplement—with other State and Federal grant-in-aid programs directed at economic development, regardless of whether the discrete activities funded by those other programs are eligible for block grant assistance. Had this flexibility been permitted in the first years of the program, it would have been possible to use block grant funds to help capitalize a MESBIC or a SBA Section 502 local development company, for example. In addition to paying costs required in connection with other economic development State and Federal grant-in-aid programs, we suggest that the definition of economic development include these activities: land acquisition for commercial, industrial, or mixed-use development, and related site improvements, including the acquisition of surplus federal property; land assembly for commercial, industrial, or mixed-use development; and financial assistance for business development, to be used for such things as plant and equipment, working capital, and seed money.

In another crucial area, the original design of the block grant program, reinforced by monitoring data and experience, documents a shortcoming of major proportions, which the Congress must address. Simply stated, the community development program is not generating major new investment in our cities. Only a very small amount (8-12 percent) of block grant funds is being allocated to acquire land for the purpose of new housing industrial or commercial development—activities closely related to large-scale, long-term development and re-

building. As previously stated, there is a significant decrease in funds allocated for the elimination of slums and blight. We believe that funds are not being allocated for uses that can, in a significant way, generate new investment, replace obsolete facilities and strengthen the local tax base. As a limited, although immediate response to this problem, the Congress should consider changes in the block grant program loan provision (Section 108) in order to make this a workable, short-term option for leveraging block grant funds for land acquisition and assembly.

The present loan provision is unworkable basically because of the requirement that a city pledge its full faith and credit (or an assured source of other local revenues). Problems with legal authority or borrowing limits, referendum requirements and the general pressure on city budgets make it difficult or impossible for cities to comply with this requirement. Moreover, it is not clear that such a revenue back-up is necessary, based on prior categorical experience. The program should be constructed to allow for loan security based on expected returns from acquired land resale and/or future entitlement grants. To safeguard the Federal exposure on the loans, standards for HUD review of applications for Federal guarantees, as well as modest limits on individual and total national outstanding loans, should be established.

Long-term financing—not possible through the block grant or such an improved loan provision—is necessary for major undertakings. Our membership believes that to bring about a major commitment to city rebuilding, a separate federal program of direct grants, loans, and loan guarantees is needed. In July 1976, NAHRO's Board of Governors called for the establishment of such a national city rebuilding effort. The purpose of this program is to promote, through the partnership of the public and private sectors, the rebuilding and revitalization of urban areas, through employment-generating activities that will stabilize and improve the tax base of cities, villages, and towns in urban areas. To accomplish this purpose, our policy calls for Federal city rebuilding assistance to be provided by a national development bank that would dispense funds and provide technical assistance to localities engaged in such undertakings. In the months ahead, we hope to pursue with the Congress the establishment of such an entity.

#### NAHRO RECOMMENDATIONS FOR NEIGHBORHOOD CONSERVATION AND HOUSING REHABILITATION

NAHRO's second-year monitoring study of the block grant program shows "housing rehabilitation" (21 percent) as the activity consuming the largest proportion of funds. It is important to note, however, that this represents only a minimal increase (2 percent) over the initial year experience. This fairly stable allocation of block grant funds for rehabilitation, in combination with the vast gap between rehabilitation goals and needs as evidenced in local housing assistance plans, highlights the need for increased rehabilitation financing from a variety of sources.

The Section 312 rehabilitation loan program should be continued as an additional, proven tool in response to this local demand. As this subcommittee is well aware, the local competition for block grant funds is intense. Many localities have or are planning to use Section 312 loans to augment or in combination with limited block grant allocations. In cases where the cost of rehabilitation exceeds the local limits established for block grant rehabilitation funds, the balance of the needed work can be financed through a Section 312 loan. This combination loan and grant concept was a most successful feature under prior categorical programs. Further, few local loan programs utilizing block grant funds provide as favorable an interest rate as is available through Section 312. This lower rate is often crucial in making rehabilitation feasible for the lowest income homeowners.

The problems with Section 312 over the past several years resulted from its "stop and go" funding pattern and an insufficient Federal administrative and financial commitment. We feel this can be corrected by extending the program for at least three additional years at an authorization level of at least \$150 million per year. We are pleased to note that this recommendation is identical to the recent proposal of the Administration. A growing portion of each year's actual program level can be met from the increasing annual amount of loan repayments. We urge this subcommittee to direct HUD to allocate sufficient administrative resources to attain this program level. From the Federal perspective, these resources could be kept to a reasonable level by increased delegation to local entities of loan processing and other administrative matters as provided for in

Section 312(f). In cases where this authority has been delegated to local agencies in the past, loan funds have been committed at an expeditious rate with virtually no history of default.

In addition to addressing the need for supplementary resources, the Congress must provide direction to insure that local block grant allocations for rehabilitation are being utilized in an effective manner. While our second-year evaluation does show an increase in the coordination of housing rehabilitation assistance with community development block grant activity within census tracts, it remains uncertain whether this coordination amounts to a comprehensive strategy at neighborhood conservation. Consistent with the objectives of the law, the Congress should direct HUD to insure that rehabilitation and conservation activities are effectively and comprehensively coordinated for the benefit of local neighborhoods. We feel this can be accomplished administratively and without additional burden on local program administration. In fact, HUD should be expressly restrained from infringing on program flexibility in the design of local rehabilitation efforts. In this regard, the Congress should direct HUD to rescind its recent prohibition against lump-sum withdrawals from the letter of credit and their deposit in financial institutions for stimulation of housing rehabilitation financing. This has been a widely and successfully used practice to stimulate private lender participation and a change in the ground rules at this date may seriously jeopardize programs already in operation. Only through the active participation of the private sector can we hope to narrow the gap between rehabilitation need and the annual level of activity.

This latter point has recently motivated NAHRO to develop and call for the enactment of legislation to establish a National Property Rehabilitation Incentives Fund within HUD. The purpose of the Fund would be to provide rehabilitation financing incentives and technical assistance to localities to aid in the undertaking or expansion of comprehensive publicly and privately assisted neighborhood conservation and property rehabilitation efforts. At present, there is no incentive in the block grant program to insure that potential private financing is being attracted and that local financing schemes are cost effective. The proposed Fund would provide "incentive assistance grants" to be used to leverage the maximum potential amount of private resources for the financing of property rehabilitation in locally designated neighborhoods. The proposed Fund would also be authorized to provide technical assistance grants to localities to aid in the design and implementation of local conservation and rehabilitation financing programs. Our monitoring effort continues to document a pressing need for such assistance.

With limited additional Federal funding, our proposed flexible "incentive assistance grant" concept, in combination with block grant, Section 312, and improved mortgage insurance resources, can provide the basis for a national conservation and rehabilitation policy. Such a policy and related programs must be effectively coordinated and continuously monitored at the Federal level. The passage of the National Neighborhood Policy Act as well as a clearer delineation and identification of the rehabilitation function within HUD can provide the focal points for these proper Federal responsibilities. Both the new Commission and HUD should take the lead to improve coordination with SBA, EDA, Interior and other Federal agencies in order to improve the delivery of Federal conservation and rehabilitation assistance, with particular emphasis on historic and commercial properties.

#### NAHRO RECOMMENDATIONS FOR HUD ASSISTED HOUSING

NAHRO strongly advocates that the Carter Administration develop new levels of housing assistance for the next two fiscal years, including a realistic assessment of what can be accomplished under an amended Section 8 program, as well as levels of activity under other existing housing assistance programs including traditional public housing, Section 202 direct loans for the Elderly or Handicapped, and the Section 235 housing assistance program for home ownership. In order to utilize the potential of these latter programs, the existing regulations should be amended to make them fully workable.

NAHRO believes that these actions are urgently required because of the critical situation created by the lack of assisted housing activity since the January, 1973 moratorium, and the short-fall in Section 8 progress. The recent report of the Comptroller General of the United States (January 28, 1977) points out: "As of

September 30, 1976 (over 2 years after the Section 8 program was established), 88,880 lower income families were receiving program assistance—84,513 in the program for existing housing and 4,367 in the new construction and substantial rehabilitation programs . . . also, The Department (of HUD) had advised the Senate Committee on appropriations that there would be 90,000 to 140,000 new Section 8 housing starts by June 30, 1976. According to September 30, 1976 Department Statistics there have been only about 20,000 housing starts." The budget figures projected by The Ford Administration for new assisted housing for fiscal years 1977 and 1978 (See attached table) continued the dependence on The Section 8 program, and anticipated new Section 8 construction starts of 110,000 units in FY 1977 and 125,000 units in FY 1978. There is no past or current experience to demonstrate that these starts can be achieved. The same attached chart indicates that in fiscal year 1971 (prior to the moratorium), other existing housing programs were achieving substantial numbers of new starts.

NAHRO strongly supports the recommended changes in the Ford Budgets for fiscal years 1977 and 1978 proposed by HUD Secretary Harris in her statement before this subcommittee on February 22, in particular the move to reach an annual level of 400,000 assisted units. In fiscal year 1977, while we still have questions as to whether Section 8 new construction can reach even the reduced levels proposed, we support the aim of bringing to construction, if possible, the Section 8 units now under reservation which have the most likely chance of procuring financing. In this connection, we also support the Secretary's request to extend the contract term from 20 to 30 years to stimulate private financing for Section 8; obviously, some additional incentive is required to stimulate private lender interest in the program. NAHRO also proposes, however, that, in order to guarantee more quickly activity to provide housing for low-income families, that 30,000 additional new public housing reservations be programmed for fiscal year 1977 so that construction can be started in fiscal year 1978.

NAHRO also believes it is essential, and strongly advocates, that the Congress authorize contract and budget authority for assisted housing on a 2-year basis, through fiscal year 1979. The long-lead time from application to construction completion requires that the development process be a continuing one, and a two-year authorization would provide for programming new activity far more effectively. NAHRO's recommendation for the level of new reservations for fiscal years 1977, 1978 and 1979 is shown in the table below. These figures differ from the new proposals by HUD Secretary Harris only in the following respects:

(1) For fiscal year 1977—the addition of 30,000 new public housing reservations; (2) for fiscal year 1978—the reduction of Section 8 new construction and substantial rehabilitation goals from 172,000 to 100,000 units, the addition of 50,000 new public housing units, the raising of Section 202 to 50,000 units, and the addition of 20,000 units for State agencies under the Section 802 interest reduction program; (3) for fiscal year 1979—an authorization to cover the same levels as proposed for 1978. NAHRO recommends that a further review of Section 8 new construction experience be undertaken after fiscal year 1978 to determine if it can be financed successfully, or if the Section 236 program should be reinstated.

NAHRO recommends the following levels of new activity in the form of firm reservations for fiscal years 1977, 1978, and 1979, which will lead to new housing construction starts beginning in fiscal year 1978.

## RESERVATIONS FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION

[Number of units; fiscal years]

	1977 supplemental	1978	1979
Sec. 8.....	116,520	100,000	100,000
Traditional public housing.....	30,000	100,000	100,000
Sec. 235.....		100,000	100,000
Sec. 202.....		50,000	50,000
State agency (sec. 802 interest subsidy).....		20,000	20,000
Total.....		370,000	370,000

<sup>1</sup> Including new allocations for State agencies.

These new reservations, coupled with the estimated new Section 8 reservations for existing housing of approximately 172,000 units in FY 1978 and 200,000 in FY 1979, would bring total assisted housing reservations to about 542,000 in FY 1978 and 570,000 in FY 1979, moving toward the 10-year goal of 6 million assisted units set forth in the 1968 Housing and Community Development Act.

In order to achieve these goals, a series of major amendments must be made to each of these programs, some legislative and some administrative. NAHRO recommends the following major amendments.

#### *Section 8 new construction:*

A legislative amendment to provide a federal guarantee on bond obligations of public agencies (state and local) sufficient to insure security necessary to market these obligations.

A legislative amendment to extend the amortization period on privately financed Section 8 obligations from 20 to 30 years.

A change in administrative regulations to relax the "rent comparability test" with other subsidized projects, and relate the projected rents to actual estimated costs in the area. The administrative change in the comparability test announced on January 19 is a step in the right direction but does not fully eliminate the problem.

Make alterations in the determination of "fair market rents" to insure that differences in sub market areas can be accommodated; to accelerate the development of large-family units; and to provide for adequate management and tenant services.

#### *Section 8 existing housing*

Review and adjust fair market rents to assure that available, standard units are made available in other than areas of low income and minority concentration; and to meet the requirements of large family units.

Review and adjust "fair market rents" to insure that adequate management and tenant services are made available.

Make more flexible the proposed responsibilities of landlords to assure that negotiations can be undertaken with landlords that can be adjusted to particular needs and circumstances, as previously demonstrated under the Section 23 leasing program.

Develop incentives, statutory if necessary, to provide for the administration of the Section 8 Existing Program on a coordinated county-wide and area-wide basis by local housing authorities. This would make possible common groundrules and regulations and less confusion for lower-income families. In addition, small rural communities and small LHAs have not been able to participate in the program because they lack staff and the small number of allocated units make participation infeasible. Steps should be taken to stimulate the creation of county-wide and area-wide housing authorities.

Reduce the complexity of the program requirements and reporting which is confusing for the low-income applicant and burdensome to the local housing authority.

#### *Traditional public housing*

The regulations just issued (February 7) for the reactivation of the public housing program, though modified from the original draft, still are restrictive and should be substantially altered. Particularly troublesome is the requirement relative to assuring operating assistance for families who cannot afford to pay operating costs, related to the requirements of achieving a cross-section of income occupancy including some families who can afford to pay higher than operating cost rents. Consideration should be given to reactivating the traditional program regulations, altered only by those new requirements clearly mandated by the 1974 Act.

#### *Section 235 homeownership*

Adjustments should be made to make available a sliding interest rate down to one percent, instead of a flat 5 percent, in order to stimulate investor interest in problem areas.



Adjustment should be made in the "band of income eligibility" for the program to insure that those eligible can support the required monthly cost.

*Section 202 direct loans for elderly and handicapped*

The regulations just proposed (January 31, 1977) by the Department for the 202 program still require modification to make them fully workable. Comments were submitted on February 24 and final regulations are now in process. Among the key changes required are an adjusted time requirement for sponsors to have site control, and a new provision related to achieving a cross-section of income in Section 202 developments which provides that each housing development have at least 20 percent occupancy by low-income elderly (income less than 50 percent of the median), supported by Section 8 assistance, with provision to go to 100 percent Section 8 assistance based on the characteristics of the project.

SUMMARY OF HUD-ASSISTED HOUSING ACTIVITY, FISCAL YEARS 1971, 1976, 1977 AND 1978—BY ASSISTANCE PROGRAM

[In number of housing units; fiscal years]

	1971 (actual)	1976 (actual, including transition quarter)	1977 (estimated)	Ford budget 1978
<b>Completions:</b>				
Sec. 8.....		92,015	200,000	235,000
Public housing.....	87,232	32,278	30,000	35,000
Below market and rent supplement.....	48,367	4,111	3,700	2,300
Sec. 235.....	139,236	3,498	39,588	75,000
Sec. 202 <sup>1</sup> .....	46,007	32,184	16,900	13,800
Secs. 115 and 312.....	17,826	6,257	8,000	1,777
Total.....	346,366	170,343	298,188	362,877
<b>New starts:</b>				
Sec. 8.....		32,284	110,000	125,000
Public housing.....	94,499	20,887	35,000	30,000
Below market and rent supplement.....	27,985	1,711	1,600	600
Sec. 235.....	137,575	531	60,000	100,000
Sec. 236.....	118,197	23,127	13,800	6,600
Sec. 202 <sup>1</sup> .....	1,430		(28,100)	(31,100)
Secs. 115 and 312.....	13,050	7,000	5,000	819
Total.....	392,736	87,591	225,400	263,019
				Ford budget
				1977
				1978
<b>Reservations:</b>				
Sec. 8.....		490,581	189,075	394,000
Public housing.....	88,707	26,140	46,725	6,000
Below market and rent supplement.....	30,408	-10,883		
Sec. 235.....	142,154	18,574	100,000	100,000
Sec. 236.....	158,892	11,515	6,600	
Sec. 202 <sup>1</sup> .....		(29,857)	(28,100)	(25,600)
Secs. 115 and 312.....	20,782	10,340	2,600	
Total.....	440,943	542,367	345,000	500,000

<sup>1</sup> Sec. 202 units are counted under the sec. 8 figures because they all receive sec. 8 assistance.

NAHRO RECOMMENDATIONS ON HOUSING MANAGEMENT

The importance of housing management has become increasingly recognized over the past five years and substantial progress has been made in identifying new, effective management techniques, particularly in public housing program

operations. It is clear that housing management and maintenance considerations must be built into new development planning, including both physical design and fiscal feasibility, for the long-term usefulness of the housing development.

A major element in housing management improvement has come through the HUD-sponsored Target Projects Program (TPP); the experience from this program involving about 150 local housing authorities is reaching the stage of transferability to the larger universe of local housing authorities, as well as to other assisted housing operations. A major element of the TPP program is a goals-oriented, performance approach to management needs. NAHRO is working closely with HUD and local housing authorities to assure maximum use of the TPP efforts to date. It is our belief that TPP should be extended to involve additional housing authorities in Fiscal Year 1978. At the present time, no new TPP programs are scheduled beyond those now underway. I would like to submit a copy of NAHRO's TPP Newsletter which indicates some of the potential efficiencies and cost benefits of the TPP program for the hearing record.

The requirements in public housing management for fiscal years 1977 and 1978 cover the key areas of operating assistance, modernization of older housing developments, and deferred maintenance, as well as the need to extend the TPP program to another round of local housing authorities.

NAHRO strongly endorses the recommendations made by HUD Secretary Harris regarding the need for an emergency, supplemental 20 million dollar appropriation in FY 1977 to cover increased utility costs due to the severe Winter. There may be some difficulty in providing the local 25 percent share related to these emergency costs, and NAHRO plans to alert HUD to situations where the status of LHA reserve funds will not provide for such a contribution. NAHRO also endorses the actions by Secretary Harris to restore public housing operating assistance for 1978 to the full level estimated under the approved formula (665 million dollars), and the modernization program to an annual contract level of 35 million dollars.

Again, however, NAHRO recommends that the committee consider a multi-year authorization that will make possible a programmed approach to clearing up the neglected, backlog of need for public housing modernization and deferred maintenance. These would be one-time efforts, after which modernization and maintenance requirements would be based only on the current needs for that year, and not an accumulated backlog.

In summary, NAHRO's recommendations for public housing management for the Fiscal Year 1978 budget are:

(1) Funding of the Performance Funding System based on the approved formula, including required adjustments to the base year for selected housing authorities, estimated at a level of 665 million dollars—53 million dollars over the 612 million dollars projected in the Ford budget based on increasing tenant rents.

(2) A 4-year modernization program to accommodate the projected need for 1.6 billion dollars in capital improvements; estimated at 400 million dollars per year, or an annual allocation of 40 million dollars in contract authority for four years.

(3) A two-year program for deferred maintenance to clear up an estimated backlog of 400 million dollars in maintenance requirements, or an annual allocation of 20 million dollars in contract authority for two years. The Performance Funding System does not include provisions for deferred maintenance, and the present backlog results from shortfalls in federal assistance dating back over 8 years.

(4) An additional round of TPP activity estimated at 35 million dollars to extend the goals management/performance approach by local housing.

# NAHRO

## Year 1 Findings Community Development Block Grants

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A SUMMARY OF MAJOR  
FINDINGS OF NAHRO'S  
COMMUNITY DEVELOPMENT  
MONITORING PROJECT

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April 1976

National Association of Housing and Redevelopment Officials  
2600 Virginia Avenue, N.W., Washington, D.C. 20037

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**I — MONITORING CD BLOCK GRANTS**


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## I — MONITORING CD BLOCK GRANTS

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### WHY IS MONITORING NECESSARY?

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**1** *The first and most compelling reason for a CD monitoring program is that the CD program authorized in the Housing and Community Development Act of 1974 was a "compromise" program, leaving a full resolution of the issues to the test of program experience.*

Title I of the 1974 act, which established the community development block grant program, was enacted into law as the culmination of a four-year debate between the Administration and the Congress, involving a full spectrum of public interest groups. In the end, the CD block grant program was a compromise between the Administration, which wanted a formula-based distribution of CD funds with little involvement by the federal government, and others, represented both in the Congress and among public interest groups, that had pressed strongly for tightly-drawn national objectives for the use of CD funds and for a federal involvement in the ultimate fate and success of the program efforts. The "experimental" quality of the CD program is reflected in the fact that, although the CD program was authorized for six years, the Congress wrote into the statute some precise requirements for reporting on program progress, culminating in a full-scale report to the Congress by the Secretary of HUD not later than March 31, 1977. In a true sense, Congress established the "monitoring" function for the CD program. The resolution of major issues that had been compromised in the enactment of the statute was left to the test of program experience. Results of the "monitoring" of program experience, as reviewed by the Congress, will determine the ultimate fate of the program in the future.

**2** *A second major reason for a CD monitoring program is that the 1974 CD block grant program represents two major directions away from past experience: an automatic entitlement of funds to a very large number of local communities, going well beyond the communities participating in the previous categorical programs, and substantial new latitude for those communities to utilize funds for rather broadly-defined eligible activities. It is not clear how these new ground rules will be used to fulfill the basic national purposes of the program.*

Title I of the 1974 act changed the basic method of providing federal CD assistance to localities. Automatic allocations of CD funds are made, based on a "needs formula," bringing funds to many local communities that had never previously made application for CD assistance. While a local community can apply for and make use of these funds in response to one specific need, it is required to identify total community development needs and objectives and prepare a three-year comprehensive program to meet them. The federal government reviews local applications

only to establish that they meet the basic statutory requirements for funding; its chief role after funding is to review an annual "performance report" evaluating the local program. Responding to these new directives, the major questions that a "monitoring" program must answer are:

Do formula-based allocations distribute federal assistance funds on an equitable basis according to need across the country?

Are the community development programs prepared by local communities fulfilling the basic national objectives set forth in the act, including the important first objective—"the elimination of slums and blight and the prevention of blighting influences and deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally to persons of low and moderate income."

Is the federal government carrying out its proper role in assuring that national objectives can be and are being achieved?

**3** *Still a third major reason for a CD monitoring program is that the 1974 act established a basic new mechanism for linking housing activity to the community development program—the Housing Assistance Plan. A local HAP must be approved in conjunction with all federally-assisted CD programs and all federally-assisted housing must be in conformance with the HAP plan. This plan requires most localities and states to develop a far more sophisticated set of housing goals and programs than they have ever had.*

While the 1974 CD block grant program did not encompass housing assistance (except for housing rehabilitation), it was clearly recognized that housing was a major and strategic element in local community improvement efforts. Cited as basic purposes of the Title I CD program are: furthering "the achievement of the national housing goal of a decent home and a suitable living environment for every American family" and fostering "the interacting of housing and community development activities in a coordinated and mutually supportive manner." Past experience among local communities in attempting to use federal housing assistance in connection with urban renewal programs indicated that often there was no firm commitment of housing assistance funds to assist in the development of new low- and moderate-income housing in urban renewal areas; they were two separate programs in which availability of funds and timing did not often coincide. The purpose of Section 104 of the 1974 act, which established the "Housing Assistance Plan," was to tie federal housing assistance to the CD program and at the same time, move local communities toward a more comprehensive and structured approach to meeting their housing needs. While simple in concept, the HAP requires a major commitment of effort and expertise at the local level in preparing the plan and in developing all of the coordinating mechanisms to implement it. A "monitoring" of experience across the country is essential to developing the HAP as a workable mechanism, rather

than a burdensome requirement that frustrates its essential objectives.

**4** *A fourth and final major reason for a CD monitoring program is to provide for the early development and sharing of local experience in carrying out the new concepts and requirements of the CD block grant program. Identification and testing of the concept and format of a "local comprehensive community development program" are essential for future progress.*

The 1974 CD block grant program places prime responsibility on general purpose state and local government for planning and implementation of the program. For many localities, this involvement represents a quantum leap from past state and local participation. Communities with extensive past experience in urban renewal have some "in-place" capacity to program and coordinate a multi-faceted community-wide development effort. But for many local communities, experience has been, for the most part, in limited project-type activities or one-purpose activities. The program techniques in the CD block grant program include the preparation of a local community development program encompassing the full range of eligible activities and interrelating of these activities in a total strategy to meet the basic objectives of the act. This process involves such difficult matters as relating physical development and supporting social service activities; programming clearance as well as preservation activities in a priority framework; and locating improvement activities in a way to support the development of the future community. The final concept and framework for this comprehensive community development program will only come through the experience of local communities and it is essential that this experience be monitored and shared as it evolves.

In addition, the 1974 CD block grant program imposes local government responsibility for other new activities related to its implementation: citizen participation, equal opportunity, environmental clearances, comprehensive planning reviews, local evaluation of program impacts, budgeting and auditing of CD fund expenditures. In all of these efforts, a monitoring and sharing of experience will contribute to future program effectiveness.

## WHY IS NAHRO INVOLVED IN A MONITORING PROJECT?

NAHRO's Board of Governors authorized a monitoring project for the CD block grant program beginning in late 1974 for multiple reasons closely associated with the four basic reasons as to "why is monitoring necessary?" enunciated above. Because of its 40-year history and experience in housing and community development, NAHRO believes it has a unique contribution to make to monitoring efforts. Further, the Association believes it is essential that monitoring of the CD program not be left exclusively to the federal government; there is a need for separate and independent evaluation. NAHRO is heartened that a number of independent groups are carrying forward monitoring of various elements of the CD program and that many of these efforts are related to a basic question as to whether the CD program is fulfilling the national objectives of the legislation, particularly meeting the needs of low- and moderate-income persons.

NAHRO's unique position is that, unlike most of the groups undertaking a monitoring effort, its interests encompass the full scope of CD program issues; its efforts are comprehensive in scope. Relating to the basic reasons for a monitoring effort cited above, the NAHRO monitoring effort is based on these considerations:

**1** *As a professional association, NAHRO's main business is to improve the standards and practices of all phases of administration of housing and community development, including the proficiency of agencies and persons engaged in these efforts. Immediately following the passage of the 1974 act, NAHRO began its efforts to assist the implementation of CD block grant activities by publishing a comprehensive review of the 1974 act and its provisions (JOURNAL OF HOUSING, August-September 1974) and by conducting a series of briefing sessions across the country on the new CD provisions (September-October 1974). Using its network of local members, NAHRO has commented extensively on the proposed HUD regulations for the CD program. Beginning in September 1974, it initiated a series of six basic guides to assist the local community in planning and developing a CD program.*

**2** *NAHRO's basic commitment is to local and state officials that carry out the day-to-day administration of community development programs. It has an important local communications network that can yield valuable information and reflections on the effectiveness of the CD program from a local perspective; on the formula-based approach to basic community improvement needs; and on the impact of the changing role of the federal government.*

**3** *Another of NAHRO's basic commitments is to public officials and others carrying out housing assistance activities at*

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the local and state levels for low- and moderate-income families and administering housing activities relating to housing conservation and rehabilitation and minimum housing codes requirements. These NAHRO members are major participants in the local efforts to develop and implement the new requirement for a local housing assistance plan. Again, this NAHRO level of local communication can yield valuable information for a monitoring project on how the HAP is working at the local level; its problems and prospects.

**4** NAHRO's 40-year commitment to community rebuilding and improvement gives it an extensive background on the issues, their importance and meaning. It worked strongly for the enactment of national objectives to guide the use of CD assistance.

All of these efforts indicate the depth and scope of NAHRO's efforts to support strong professional practices in the 1974 CD program. Together with its past experience, it gives the Association special credentials to participate in the development of local CD program concepts, as well as in the sharing of local CD experience as it evolves. This phase of "CD monitoring" is the heart of NAHRO's continuing role as a professional association.

## AREAS OF NAHRO'S CD MONITORING

For the first year of its CD block grant monitoring project, NAHRO selected four major areas for exploration: (1) community development activity, including utilization of CD funds by local communities in terms of seeking to meet national objectives and to focus on eligible activities; (2) allocation of CD funds and activities to different income tracts; (3) the coordination of CD activities and housing assistance activities within CD tracts; (4) the concentration of CD activities, in terms of "geographic" spread and the "intensity" of activity within CD tracts; and (5) CD program administration and organization covering HUD and local communities, including important questions of organization, processing, technical assistance, and problems in program implementation.

Coverage of these major areas was undertaken by NAHRO, with no outside funding. The NAHRO CD project was not a monitoring effort in the sense of spot-checking the local performance of a small number of communities but, rather, was a structured evaluation of the applications of entitlement cities, selected as a result of a thorough sampling methodology. The results of this evaluation, plus special phone polls and other surveys, comprise the bulk of this report and are a condensation of over 150 pages of analytical material.

The rationale for the selection of the basic monitoring areas is as follows:

*Utilization of CD Funds by Local Communities:* Which national objectives of the legislation are receiving the most CD money? How are localities distributing their block grant dollars among activities eligible for CD assistance? These questions are at the heart of any CD evaluation. The answers indicate how well the block grant program is responsive to both national community development objectives and to local needs.

*Allocation of CD Funds and Activities By Income Tracts:* The 1974 act specifically requires that local communities give maximum feasible priority in their use of CD funds to activities that benefit low- or moderate-income families or aid in the prevention or elimination of slums and blight. NAHRO performed a detailed census tract analysis of 86 communities to determine how much priority in the use of CD funds was given to low- and moderate-income tracts and which kinds of activities, including assisted housing, were targeted for low- and moderate-income tracts, comparing the findings with those for higher-income tracts.

This evaluation provides insight into the prospect of revitalizing the most deprived neighborhoods with the use of CD funds. It also identifies those CD activities that are emerging as most prevalent in middle-income and high-income tracts.



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## II — SUMMARY OF MAJOR FINDINGS: CD YEAR 1

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*Coordination and Concentration of CD Activity:* Community development is not supposed to be an unrelated series of activities. The ground rules for the coordination and concentration of activities are explicit in the statute: housing and community development activities are to be undertaken in a coordinated and mutually supportive manner; the locations for assisted housing are to further the objective of revitalizing the community; certain eligible activities are required to be undertaken in connection with or in support of other activities and in designated areas. NAHRO attempted to gauge whether the community development program fostered coordination of activities by charting the frequency with which housing activities were coordinated with CD activities and the frequency with which CD activities were coordinated with one another. NAHRO also studied whether activities were being concentrated, that is, whether CD activities were being targeted or dispersed in a community, and whether CD funds were being allocated in meaningful amounts, i.e., concentrated to certain census tracts or distributed in small amounts to many tracts.

*Organization and Administration of the CD Program:* The CD block grant program of 1974 brought on new methods of organization and administration by both the federal government and local communities. NAHRO's evaluation of first year CD experience provided important information on what shape new administrative mechanisms are taking, illustrating the range of local organizational frameworks now appearing as a result of, or in anticipation of, the 1974 act. In addition, NAHRO's informed opinion surveys explored experience in first year program administration.

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### SOURCES OF INFORMATION FOR NAHRO'S MONITORING PROJECT

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NAHRO's approaches to its CD monitoring project in "Year 1" were varied. It utilized a number of survey devices to assemble basic data and to gain further responses to important policy issues that emerged as the project developed. The approaches were also related to the limited funds that could be provided for the project. The first year project was supported entirely by NAHRO funds, with no outside assistance. The second year NAHRO monitoring effort (see Part IV) will build on first-year experience and will use different data-gathering methods.

The basic information sources for the first-year monitoring project were as follows:

*Basic data on federal and local program administration*

*A mail survey* involving a stratified sample of 94 entitlement communities representing large and small communities in various geographic regions—80 percent in metropolitan areas, 20 percent in non-metropolitan areas—and representative of varying degrees of previous participation in HUD programs.

*"Informed Opinion Surveys"* of local program administration conducted by mail by NAHRO's national Committee on Development and Redevelopment and involving mail and phone contact with selected communities in each geographic region of the country. These surveys were primarily "qualitative," designed to identify key problems in CD program implementation as they evolved.

*A phone poll* of 50 state community affairs and planning offices to identify changes in state laws, either passed or proposed, to enable localities to carry out new CD activities or to expand existing powers, particularly, state law changes related to housing rehabilitation loan and grant programs.

*Basic data on local use of CD funds:* a detailed computer analysis by census tract of the CD applications of 86 localities (from the total NAHRO sample, covering those communities where census tract data was available). In all, the sample was made up of 24 percent of communities of less than 50,000 population; 40 percent of communities with population from 50,000 to 100,000; 23 percent of communities with populations from 100,000 to 500,000; and 13 percent of communities with populations of over 500,000.

*Additional data on the housing assistance plan:* a phone survey of 17 local communities of 25,000 population and over, selected by size and geographic location, to assess experience with Housing Assistance Plans. This special phone poll supplemented responses from the mail survey and interviews with HUD central office staff.

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## FIRST YEAR CD ACTIVITY

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The NAHRO analysis of applications from 86 CD entitlement cities (within Standard Metropolitan Statistical Areas and having census tract data available) produced these highlights of program activity.

*Which National Objectives Received Attention?* Among the seven specific objectives of the 1974 Act (Section 101(c)), the first four objectives received 85 percent of block grant funds in the NAHRO sample. These objectives are the *elimination of slums and blight*, receiving 34 percent of funds; the *elimination of harmful conditions*, 9 percent; the *conservation and expansion of housing stock*, 23 percent, and the *expansion and improvement of the quality and quantity of community services*, 19 percent. However, 64 percent of the funds being devoted to the objective of *eliminating slums and blight* (34 percent of the total funds) is accounted for by continuing activities under urban renewal and neighborhood development programs (NDP). Of the other specific objectives, 12 percent of funds was budgeted for the *more rational use of land and better arrangement of activity centers*. Very little was allocated for the *restoration and preservation of properties of special value* and the *reduction of the isolation of income groups*.

The *expansion of economic opportunities*, cited as a primary objective of the law, was specifically budgeted at 3 percent of the block grant funds in the NAHRO sample.

*What Kinds of CD Activities Were Emphasized?* The 86 cities analyzed in detail by NAHRO are spending more money to continue and complete urban renewal, NDP, and Model Cities activities than they are for any other single activity. Twenty-two percent of funds was earmarked for urban renewal and NDP completion and 15 percent for the continuation of Model Cities.

But the CD program itself, outside of these continuation activities, does not have the markings of a development or redevelopment program. Beyond the amount budgeted for acquisition of land in urban renewal, NDP, and Model Cities projects, the NAHRO sample budgeted only 8 percent of funds to acquire land for the purposes of new housing or for industrial or commercial development.

Site improvements in the first CD year had the same importance as land acquisition; that category, too, got 8 percent of the money.

In contrast, housing rehabilitation received 19 percent of CD funds—11 percent for rehabilitation loans and grants and 8 percent for the rehabilitation of structures carried out directly by the CD agency or under contract with the CD agency.

Of the other activities, public facilities—community centers, neighborhood facilities, and firehouses as examples—led with 12 percent of the funds, followed by public works (primarily water and sewer lines) with 7 percent and public services at 5 percent of CD dollars. Code enforcement received less than 2 percent

of the funds.

*What Types of Census Tracts Benefitted Most?* NAHRO utilized a detailed census tract analysis of 86 entitlement cities to evaluate compliance with the statutory objective of giving maximum feasible priority to activities benefiting low- or moderate-income families. Census tracts with median family income of less than 50 percent of median city income were labelled low-income tracts; tracts with median family income between 51 and 80 percent of median city income were considered moderate-income tracts; tracts with median family income between 81 and 100 percent were characterized as middle-income tracts; and tracts with median family income levels greater than the city median were called high-income tracts.

Low- and moderate-income tracts got 51 percent of the CD dollars (12 percent to low-income tracts and 39 percent to moderate-income). Sixteen percent was programmed for middle-income tracts. Tracts above the city median got 13 percent of the funds. About 20 percent of CD funds was budgeted citywide and, thus, could not be attributed to an income tract category. (If Standard Metropolitan Statistical Area — SMSA — median income had been used, block grant funds in the NAHRO sample would distribute this way: 59 percent to low- and moderate-income tracts; 14 percent to middle-income tracts; 8 percent to high-income tracts.)

Thirty-four (40 percent) of the NAHRO sample communities are completing their urban renewal, NDP, and Model Cities projects. This activity accounts for more than half of the funds designated for low- and moderate-income tracts by the entire sample.

## PROFILE 1

**Community Development Year 1 Activity**  
(Based on Fund Allocations in a NAHRO Sample of 86 Local Communities)

### SEVEN NATIONAL OBJECTIVES

1. Elimination of Slums and Blight.....	34 percent
2. Conservation of Housing Stock.....	23 percent
3. Expansion and Improvement of Community Services .....	19 percent
4. More Rational Use of Land and Resources .....	12 percent
5. Elimination of Harmful Conditions.....	9 percent
6. Restoration and Preservation of Properties and .....	
7. Reduction of Isolation of Income Groups .....	
Objectives 6 and 7 combined .....	Less than 1 percent*

### ACTIVITIES EMPHASIZED

1. Completion of Urban Renewal — NDP .....	22 percent
2. Housing Rehabilitation .....	19 percent
3. Continuation of Model Cities Activities .....	15 percent
4. Public Facilities .....	12 percent
5. Land Acquisition .....	8 percent
6. Site Improvements.....	8 percent
7. Public Works.....	7 percent
8. Public Services.....	5 percent
9. All Other .....	4 percent

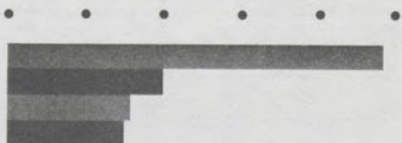
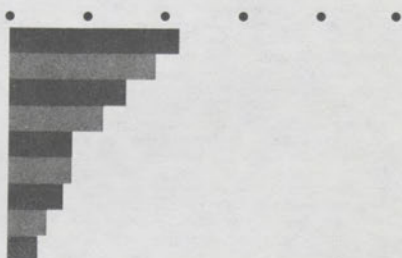
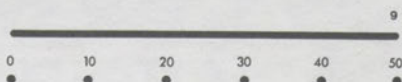
### LOCATION OF ACTIVITIES

(Excluding City-wide Activities, Based on City Median Income)

1. Moderate income Census Tracts .....	49 percent
2. Middle Income Census Tracts .....	20 percent
3. High Income Census Tracts .....	16 percent
4. Low Income Census Tracts.....	15 percent

#### Profile 1 Chart in Relationship to Continuation of Urban Renewal, NDP, and Model Cities

Seven National Objectives: 64 percent of funds allocated to elimination of slums and blight is accounted for by continuation of urban renewal, NDP.  
\*The expansion of economic opportunities, cited in the law as a primary objective, was specifically budgeted in the NAHRO sample for almost 3 percent of the funds.



Activities Emphasized: outside of amount budgeted for acquisition of land under urban renewal, NDP, and Model Cities, only 8 percent of funds were budgeted for land acquisition.

Location of Activities: 34 Communities in NAHRO sample completing their urban renewal projects (40 percent of sample) account for more than half of funds allocated to low-and moderate-income tracts.

*What were the Different Types of Treatment Among Census Tracts?* The NAHRO census tract analysis of the 86 communities shows that:

—most land acquisition activity outside of urban renewal, NDP, and Model Cities boundaries is occurring in low- and moderate-income tracts;

—70 percent of funds for the completion of urban renewal and NDP projects is flowing into low- and moderate-income tracts, as are 79 percent of funds for Model Cities continuation;

—54 percent of funds for direct housing rehabilitation (by the public agency itself or under contract with the agency) is targeted for low- and moderate-income tracts. By contrast, 16 percent of rehab loan and grant funds is aimed at low- and moderate-income tracts;

—moderate- and middle-income tracts received 55 percent of the funds budgeted for public works;

—distributed on a city-wide basis (and not assigned by census tract) are 59 percent of the funds for code enforcement, 56 percent of the monies for public services, 43 percent of the rehab loan and grant funds, and 16 percent of the monies to continue Model Cities activities;

—out of the first year's CD budget (excluding city-wide activities), low-income tracts got less than 9 percent of CD dollars in each of these categories: public works, code enforcement, rehab loans and grants, direct rehabilitation, public facilities, and public services.

*Where Was Assisted Housing Being Located?* Among NAHRO's 86 sample communities, only 4 percent of those tracts specified in housing assistance plans as possible locations for assisted housing were low-income tracts. Thirty-six percent of planned housing assistance tracts were above the median city income; 31 percent were middle-income tracts; and 29 percent were moderate-income tracts. (These data are not indicative of the volume of units but of the planned location.)

*What Kind of Housing Assistance Was Planned for Different Census Tracts?* Among NAHRO's sample communities, housing rehabilitation was favored for moderate- and middle-income tracts, with a combination of new and rehabilitated units the next preference for these income tract categories. Tracts with incomes above the city median were most frequently the planned location for new construction. The limited number of low-income tracts planned for housing assistance were about equally divided between housing rehabilitation only, and housing rehabilitation in connection with new construction.

*Were Housing Assistance and Community Development Activities Coordinated?* A stated purpose of the 1974 act is to foster coordinated and mutually supportive housing and community development activities.

In the NAHRO sample, 52 percent of all tracts specified in Housing Assistance Plans (HAP's) as the possible location for assisted units were without any type of block grant-funded activ-

ity. Of the 48 percent of the housing assistance tracts with some CD-funded activity, assisted housing was most frequently coordinated with public works, public facilities, public services, or site improvements. Eighty-three percent of CD tracts that were coordinated with housing activity had housing rehabilitation as a component (44 percent with housing rehabilitation only and 39 percent in combination with new construction).

## PROFILE 2

**Coordination and Concentration of CD Year 1 Activity**  
(Based on a NAHRO Sample of 86 Local Communities)

### COORDINATION: HOUSING AND COMMUNITY DEVELOPMENT

(Local HOUSING ASSISTANCE PLANS Designating Census Tract Locations)

Census Tracts with Housing Assistance and No CD Activity ..	52 percent
Census Tracts with Housing Assistance/ Block Grant Activity .....	48 percent
Tracts with New Construction Only .....	8 percent
Tracts with New Construction and Housing Rehabilitation .....	19 percent
Tracts with Housing Rehabilitation Only .....	21 percent

### COORDINATION: CD ACTIVITY IN CENSUS TRACTS

Tracts with One CD Activity Only .....	37 percent
Tracts with Two CD Activities .....	22 percent
Tracts with Three CD Activities .....	18 percent
Tracts with Four or More CD Activities .....	23 percent

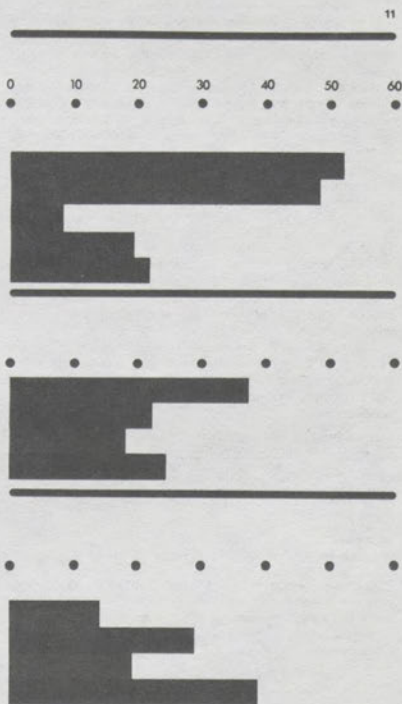
### CD INVESTMENT (DOLLARS) IN CENSUS TRACTS

(Census Tracts with CD Activity)

\$10,000 or less per CD Tract .....	14 percent
\$10,000 - \$49,999 per CD Tract .....	28 percent
\$50,000 - \$99,999 per CD Tract .....	19 percent
\$100,000 or More per CD Tract .....	39 percent

#### Profile 2 Chart in Relationship to Continuation of Urban Renewal, NDP, and Model Cities

Coordination of Housing and Community Development: all percentages based on total number of tracts with housing assistance.  
Coordination of CD Activity: 50 percent of low- and moderate income tracts—excluding those in urban renewal, NDP, and model cities areas—were one CD ac-



tivity tracts, planned principally for public services or public facilities.  
CD Investment (Dollars) in Census Tracts for CD tracts with urban renewal, NDP, and Model Cities activity: 59 percent had CD dollar investments of \$100,000 or more, 20 percent had CD dollar investments of \$50,000 to \$99,999, 15 percent had CD dollar investment of \$10,000 to \$49,999, and 7 percent had dollar investments of less than \$10,000.

*Were CD Activities Being Coordinated in Selected Areas?* Excluding urban renewal, NDP, and Model Cities tracts, where it is common for several activities to be jointly undertaken, CD tracts had the following frequency of coordination in the NAHRO sample:

One activity—37 percent of CD tracts

Two activities—22 percent of CD tracts

Three activities—18 percent of CD tracts

Four or more activities—23 percent of CD tracts

Fifty percent of low- and moderate-income tracts (excluding those in renewal, NDP, and Model Cities projects) were one-activity tracts, planned principally for public services or public facilities.

*Were CD Activities Targeted or Dispersed Throughout Communities?* Twenty-five percent of communities in the NAHRO sample are undertaking activities in over 50 percent of their total city tracts. Almost 45 percent of these cities are less than 50,000 in population.

Seventy-five percent of the sample is budgeting CD funds to 50 percent or less of their total city tracts. Twenty-two cities (26 percent) are concentrating activities on 20 percent or less of their total tracts. Concentrating their activities on 20 percent or less of their tracts are: one of the 21 cities of less than 50,000; 12 of the 34 cities between 50,001 and 100,000; four of the 20 cities between 100,001 and 500,000; and five of the 11 cities larger than 500,000. (Sixty-eight percent of the 34 cities in the sample with urban renewal, NDP, and/or Model Cities projects included 20 percent or less of their total city tracts in these project areas.)

*Did the Investment in Activities in Urban Renewal, NDP, and Model Cities Project Areas Differ from that in Other CD Areas?* Comparing planned expenditures in urban renewal, Model Cities, and NDP tracts with other CD tracts revealed the following dollar impact:

SIZE OF DOLLAR INVESTMENT IN CD TRACTS IN NAHRO SAMPLE

	\$10,000 or less per tract	\$10,000-\$49,000	\$50,000-\$99,999	\$100,000 or more
All CD Tracts	14%	29%	19%	39%
Urban Renewal, Model Cities, NDP Tracts	7	15	20	59
Other CD Tracts	16	34	19	32

A smaller percentage of CD tracts had \$100,000 or more budgeted to them than urban renewal, NDP, or Model Cities tracts, and a greater percentage of CD tracts had \$10,000 or less earmarked to them than tracts in renewal, NDP, or Model Cities areas.

## FIRST YEAR CD PROGRAM ADMINISTRATION

*How Did HUD Administer CD Assistance?* NAHRO's survey of sample communities showed that HUD adhered to its announced policy of not "second guessing" communities on the program content of CD applications; only one city reported being assisted in the selection of local priorities. Some form of HUD technical assistance was, however, provided to almost every locality surveyed, most often to assist in distinguishing between eligible and ineligible activities. Even so, some ineligible public facility and public service activities found their way into CD applications and were not identified in the course of HUD's review, which averaged 49 days.

When HUD area offices spotted what they took to be deficiencies in Housing Assistance Plans (HAP's), however, they requested quick revisions. Disapproval of the HAP meant disapproval of the entire CD application and HUD area offices were urged, under scrutiny by HUD-Washington, to approve applications. HAP's were returned to 10 of the 17 selected communities where NAHRO made a special poll by phone. The polling showed that HUD offices were not always consistent in their reasons for returning HAP's or in their standards for approval. For example, one community had to revise its HAP because HUD said it had overestimated its housing assistance needs—by 4 percent. Another locality, however, escaped rewriting its plan even though it put its existing housing goal this way: "public housing units will be filled as they become vacant."

In other cases, HAP's were sent back in order to bring housing goals in line with Section 8 units to be provided. But others were approved, even though housing goals bore little or no relationship to the potential Section 8 allocation.

Localities contacted in the special NAHRO phone poll reported that when revisions were required, HUD often supplied helpful information. Thirty-one of the 94 sample localities surveyed by mail also reported HUD assisted in data compilation for the CD application. The most difficult area for HUD review of the HAP plans was in determining the mix of housing assistance. Respondents to the NAHRO phone poll indicated that any assistance approved was consistent with the total HAP goal, since the level of available Section 8 assistance was so low. Only two of the localities in the phone survey of 17 local communities indicated that the HUD allocation of Section 8 authority was inconsistent with the type of housing requested in the HAP (new, rehab, or existing).

*How Did Local Communities Organize and Implement Their CD Programs?* Most of the 94 localities in NAHRO's mail survey used personnel from several city agencies and departments to prepare the CD application. Seventy-four percent of the sample reported that the same people will be responsible for future applications.

A team approach was popular during the first CD year: almost one-third of the surveyed localities created a special interdepartmental and interagency group for the express purpose of developing the CD application.

An officially appointed group representative of different neighborhoods or organizations was most often used to involve citizens in the preparation of the CD application.

No single type of local governmental organization for community development emerges from the NAHRO survey. Rather, communities group themselves within eight basic types of governmental organization reflecting such factors as the size of the locality, state law requirements, the type of governing body, and the kind of involvement in past HUD categorical programs. While departments of community development predate the Housing and Community Development Act of 1974, the new law has given fresh impetus to the creation of this governmental unit. Sometimes the CD department is simply an existing department renamed but, more often, the department of community development is a truly new governmental unit, combining several departments or agencies.

The department of community development had lead responsibility for preparing the first year's application in almost half of the sample.

Cities that created CD departments in response to the 1974 act treated their existing special purpose agencies differently. Cities over 100,000 that reported having recently created a CD department, in most cases merged with the CD department previously independent agencies, such as the redevelopment agency or housing authority, whereas communities of less than 100,000 reporting a new CD department most often retained their special purpose agencies as separate entities.

The 1974 law has fostered the new administrative position of CD coordinator, serving under the city manager or mayor. Cities reporting to NAHRO that they created the job of CD coordinator (cities so reporting were all over 100,000), nevertheless, reported that they had kept their old departmental and agency structure intact.

*What Were the Problem Areas in First Year Program Implementation?* By July 15, 1975, nearly all entitlement applications had been approved. (The total number in 1975 was 1321.) But by July, only 24 percent of the approved localities could spend monies for all activities in their CD programs. The overwhelming number of entitlement grantees, 86 percent, were restrained from committing funds to certain activities in their applications, primarily because that had not certified completion of environmental review requirements. These requirements, previously administered by HUD, were the new responsibility of local governments.

Local officials contacted through NAHRO's Informed Opinion Survey nearly universally characterized HUD's environmental regulations as time-consuming; burdensome; delay-producing; and, for certain types of projects—usually public service projects,

such as day-care centers—unnecessary. Forty-seven percent of the 94 cities surveyed by mail reported that environmental responsibilities had affected local government functions. The most frequently mentioned effects were the expenditures of funds for new staff or consultants, longer hours for existing staff, and changed responsibilities among government units. Another effect reported was the avoidance of projects requiring environmental clearance.

NAHRO's phone poll of 17 communities recorded difficulties in complying with the Housing Assistance Plan requirements. In particular, localities expressed frustration at the inadequacy of data upon which they could base their estimates of housing needs, particularly of persons "expected to reside" in their community and the lack of reliable methods for determining housing goals.

NAHRO's Informed Opinion Survey and the NAHRO phone poll registered general uncertainties about Section 8 and its usefulness to the CD program in general. Expressed were uncertainties related to developer interest in the Section 8 program, the adequacy of Section 8 assistance to meet housing needs, and area office procedures for advertising units and handling proposals for PHA-owned units—since these procedures varied among area offices.

Other common problems uncovered by the Informed Opinion Survey centered around complying with the Treasury Department's letter-of-credit procedures for drawing down funds and setting up the machinery for implementing a locally funded rehabilitation loan program.

Some of the NAHRO respondents mentioned problems in achieving an effective ongoing citizen participation process, while others indicated a need for "more direction" (or clarification of the objectives of the program) and greater technical assistance.

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### III — SOME BY-PRODUCTS OF NAHRO'S MONITORING PROJECT FOR THE LOCAL CD ADMINISTRATOR

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As a result of NAHRO's Monitoring Project, additional materials were generated of potential usefulness to the local CD administrator. They are to be published during the 1976 year.

*Local Community Development Organization.* This material includes:

—an analysis of the alternative ways local government has organized to carry out the community development function. Eight typical "models" were identified, with organization charts from specific local communities used to illustrate each model.

—a comprehensive compilation of changes in state laws since the passage of the 1974 act that empower localities to carry out community development, particularly rehabilitation loan and grant activity. This information is based on a NAHRO phone survey of all 50 states.

*Local CD Program Innovations.* Local innovative programs are described in the areas of rehabilitation, code enforcement, historic preservation, planning and management, and redevelopment. These programs were identified from information provided by NAHRO's sample survey of entitlement communities.



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## IV — NAHRO'S CONTINUING MONITORING EFFORT

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As the "start-up" year, the first year experience under CD block grants was subject to atypical conditions: the need to organize at the local level and meet tight deadlines for application submission; new and unfamiliar requirements, such as "environmental clearances" and "Housing Assistance Plans"; the delay in release of final regulations for the Section 8 housing assistance program, which influenced the housing activities selected for first year goals under the HAP. The range of activities selected by local communities in the first year may or may not be typical of activities that will take place as the program matures. It is clear that many communities were concerned with completing their existing community development efforts and selected activities for the first year that were reasonable of accomplishment given first year conditions.

NAHRO's second year CD monitoring effort confronts a new environment and requires new evaluation methods. It will include the following:

*1—A review of "Year 1" accomplishments*

Actual first year accomplishments will be analyzed in the light of what was proposed in first year applications. This analysis will involve an intensive review of first year performance reports for the communities in the NAHRO sample. This detailed review of the performance reports will be supplemented by structured phone surveys of selected communities to procure additional analytical information.

*2—An evaluation of "Year 2" applications*

Utilizing the base sample NAHRO used in "Year 1," supplemented by inclusion of some discretionary grant communities, NAHRO will undertake a comparative analysis of "Year 2" applications to determine trends in program activity.

*3—Surveys of Program Implementation*

NAHRO will undertake a series of structured phone interviews to selected subsamples of NAHRO's basic sample, designed to provide fuller interpretations of issues identified in the review of "Year 2" applications.

NAHRO will continue its "Informed Opinion Surveys," covering a range of local responses beyond the NAHRO sample, again utilizing structured phone interviews to determine how program experience is evolving and the key problems in program implementation.

*4—Case Studies of Selected Subject Areas*

Development of a limited number of case study reports, utilizing field surveys, to probe in detail the most useful local experience, including innovative local techniques that could be transferred to wider use throughout the country.



# tp

NAHRO  
TPP  
Services  
Program

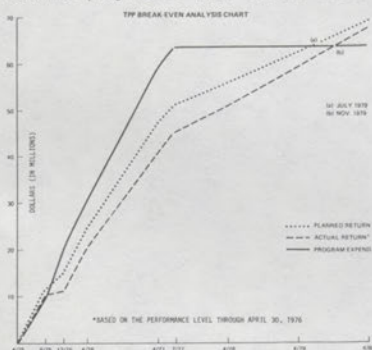
Monthly  
Newsletter

September 1976, Volume I, Number 8

## PROGRESS

### TPP COST - EFFECTIVENESS STUDY RELEASED

Coopers and Lybrand, consultants to HUD in the TPP effort, issued their third status report on August 10. This report again defines the measurable progress made by phases I and II authorities in TPP. The major focus addresses the issue of cost-effectiveness of the Target Projects Program and releases statistical data which projects that TPP could pay for itself by November 1979, if PHA's continue progress at their current rates.



Nationally, PHA's are ahead of schedule in 12 of the 17 performance measures. Over-all, the total program in phases I and II is 32 percent under-expended or 10 million dollars. Phase I actual performance during the period December 31, 1975

### TARGET PROJECTS PROGRAM Performance Summary as of April 30, 1976 (WEIGHTED BY TOTAL DOLLARS PER OBJECTIVE)

Goal/Objective Code	Objective Description	Per Cent Ahead (Behind)		Schedule Variance (Months)
		Phase I	Phase II	
1.1	Perform Training of PHA Personnel	3	4	4
1.2	Reduce Time to Satisfy Maintenance Requests	41	49	45
1.3A	Reduce Vacancy Loss (Time to Re-occupy)	(133)	(29)	(98)
1.3B	Reduce Vacancy Loss (Percentage Vacancy)	(2)	4	(1)
1.4	Reduce Average Rent Collection Time	14	(7)	6
1.5	Reduce Average Eviction Time	23	13	19
1.6	Provide Effective Management for TPP Implementation (Program Milestones)	(6)	(9)	(8)
2.1	Increase Operating Receipts	6	3	4
2.2	Increase Ratio of Operating Receipts to Expenses	12	2	7
3.0-3.12	Reduce Deferred Maintenance Backlog	(55)	(33)	(43)
4.1	Decrease Incidence of Crime	(18)	10	(3)
4.2	Decrease Cost of Repair Due to Vandalism	(5)	22	5
5.1	Increase Tenant Earned Income/Family Per Year	(7)	9	-
5.2	Increase Tenant Employment	6	(2)	1
6.1	Increase Non-PHA Support of Services to Tenants	14	(11)	1
6.2A	Increase Tenant/Community Services (Number of Services)	15	7	10
6.2B	Increase Tenant/Community Services (Percent Tenants Served)	24	18	22
TOTAL (WEIGHTED)		(23)	(2)	(11)
EXCLUSIVE OF GOAL 3		0	(10)	25

through April 30, 1976 continues behind planned performance. Phase I PHA's have reduced the variances in actual versus planned expenditure from 39 percent under-expended to 25 percent under-expended; however, the actual performance has slightly fallen further behind schedule. In contrast, phase II projects are only 2 percent behind target in achieving their various goals and objectives. Problems in goal 3 continue and, when that goal is excluded from the statistical data, the

National Association of Housing and Redevelopment Officials

over-all performance level of TPP is 5 percent ahead of schedule. Recently, the rate of reduction in deferred maintenance has increased by over 8 percent since Coopers and Lybrand's last status report -- an encouraging sign. (See table on page 1.)

In its letter of transmittal to Assistant Secretary Young, Coopers and Lybrand noted the following areas of "outstanding achievement":

--A decrease in the average time to satisfy maintenance service requests that is 45 percent better than planned.

--An increase in the number of tenants provided community services that is 22 percent ahead of the target planned for April 30, 1976.

--An aggregate increase of operating receipts of \$74,000 per month over the plan, which is in contrast to the previous status report which indicated PHA's were behind their monthly target by an aggregate of \$54,000.

Additionally, as a result of the Target Projects Program, 19.5 million dollars in non-HUD funded support is expected to be received by the PHA's and, in addition, 2.5 million dollars is anticipated from community development funds. Also, TPP will contribute to increased operating receipts, vandalism cost reduction, and reduction of deferred maintenance. Even if the non-PHA support generated by TPP is not considered and the PHA's proceed at the present rate in achieving goals and objectives, a break-even for TPP would result in 1982.

Coopers and Lybrand's comments dealing with the non-quantifiable benefits focus on the "advances in the first 13 months of TPP toward turning around deteriorating low-income housing facilities." They look to management by objectives and the opportunity that system gives TPP PHA's to plan a total program and to include management monitoring systems that are an asset in the tracking of various goals and objectives. These management improvements have contributed greatly to the quality of life residents are experiencing in TPP projects. Although these improvements are not easily measured in terms of cost-effectiveness, they are an important dimension of the over-all TPP concept. In fact, C&L states, "In the final sense, it is the attainment of precisely the hard-to-measure intangible benefits that is perhaps the greatest accomplishment of the Target Projects Program."

CITY REBUILDING—

NEIGHBORHOOD  
CONSERVATION AND  
REHABILITATION—

HOUSING:

these are the three  
major areas in  
NAHRO's 1976  
policy document

## PRIORITY NEEDS

In January 1976, NAHRO issued a bi-centennial year statement calling for "a new American realism" to save and rebuild American cities. The focus of this realism is on conservation and revitalization of the nation's neighborhoods, villages, towns, and cities as cornerstones of national domestic policy. The immediate initiative is to start conserving what is already built; the precious products of past energy and creativity, the symbols of national identity.

Conserving and rebuilding America will not succeed in isolation. Physical revitalization alone is not a sufficient response to the complexity of the problems. Nor will government programs by themselves suffice to achieve the goal. A program to save and rebuild America must also encourage private initiatives; must utilize all the capabilities of government; must serve and be served by the priority needs of the nation as it begins its third century.

NAHRO recognizes seven basic needs that must be met through national domestic policy. The specific programs for neighborhood conservation and rehabilitation, city rebuilding, and housing recommended by NAHRO can and will help meet these priority needs.

**1—Human-Scale Environment:** The ultimate success of efforts to conserve, build, and rebuild America's physical resources depends on the ability to see beyond short-term economic gains to those elements that provide individual identity for each American and that advance his or her personal hopes and aspirations. Neighborhoods, villages, towns, and cities are essentially a reflection of how Americans see themselves in relationship to the larger physical environment in which they live. Human-scale architecture and neighborhoods that enhance the natural environment must be given at least equal status with the pluses and minuses of short-term economic considerations, if the long-term balance sheet is to have a positive return. In many respects, Amer-

ica's first 200 years were focussed on achieving material prosperity. There must be a new national emphasis on improving the quality of the American experience that lies beyond material rewards. Federal assistance policies must advance this focus and channel local efforts in this direction.

**2—Improved Private Capacity:** Private initiatives, whether undertaken by individuals or by private enterprise, must be encouraged if achievement of the full measure of national goals and life is to be realized. Public policies to stimulate and assist private initiatives can be structured at the same time and in such a way as to engender public confidence that private actions are, indeed, responsive to the needs of the consumer. Private initiatives also must be encouraged to be responsive to long-term requirements for a healthful environment; to prudent use of resources; and to a national commitment to conserve the assets already built. The actions of governments must be designed to enhance the private capacity to act.

**3—Local Economies and National Economic Policy:** The well-being of local economies must be seen as building blocks of national economic policy. Economic activity related to conserving, building, and rebuilding American communities should be a prime ingredient in a national program to stimulate employment opportunities in times both of economic expansion and economic restraint. The highs and lows of recession and inflation must be evened out and federal initiatives must be advanced to provide an economy of full employment for all those who can work. Such economic policy is essential to insure the fiscal resources necessary to achieve national goals and to make it possible for all of the working population to have protection from debilitating periods of idleness.

**4—Minimum Living Standards and a National Rebuilding Effort:** An essential base for improving the quality of American life in health, education, and housing is freedom from the day-to-day struggle for minimum shelter and subsistence. Efforts to conserve, build, and rebuild American communities cannot succeed unless there is a minimum income base for all Americans, making it possible to concentrate housing and rebuilding resources on the specific problems in these particular areas. The inadequacies of current welfare policies should be replaced

by a national program of minimum income support, covering all those with incomes less than an established poverty figure, with regional variations, and with a work incentive component for those able to work. Beyond minimum income support, Americans also require a varying level of services to enable them to have access to further opportunities, including accessibility to health and medical care facilities; family budget and home-making counseling; employment counseling; care and use of housing facilities; and access to community recreation and cultural facilities.

**5—Equal Opportunity for All Americans:** The conservation, building, and rebuilding of American communities must be based on the full achievement of equal opportunity for all Americans in employment, education, and housing. This includes the following components relative to a physical revitalization effort: (1) all individuals must be able to obtain any housing without discrimination. Anti-discriminatory policies must be vigorously pursued at all levels of government and all forms of federal assistance should be denied any community that follows exclusionary practices of any kind; (2) residents must have a meaningful role in the formation and execution of plans and policies for urban improvement affecting their homes and neighborhoods; (3) the opportunities for low-income and minority persons to develop and/or own their own housing should be encouraged and expanded; (4) residents of low-income housing developments should be encouraged to assume an increasing responsibility for management; (5) opportunities for residents to serve as employees in housing and community development agencies should be expanded; (6) minority groups should be given full opportunity to obtain employment in the construction of publicly-assisted housing and community development projects. In addition, they must have the opportunity to obtain contracts for services and supplies in all aspects of housing and development programs, as well as other opportunities in the community.

**6—Metropolitan/Regional Development and a National Resource and Development Policy:** The cycle of physical change—growth, maturity, decline, decay, and renewal—has spilled over the separate boundaries of local political jurisdictions in the United States. No longer

is it possible to achieve the physical stability of individual villages, towns, and cities without reference to the areawide forces that influence their well-being. There must be comprehensive new planning and development efforts encompassing local, state, and regional levels; the federal government must provide new incentives and resources to stimulate such efforts. In a similar way, national development is no longer an isolated concern: there are no major unexplored frontiers and current development activity is rapidly consuming the remaining unexploited natural resources. Past development has resulted in a wide range of conditions across the nation. Policies must now be developed to insure a balance between the needs of those areas at the declining end of the cycle of physical change, i.e., the older cities and regions and those areas that are still largely undeveloped but are the focus of accelerating competition for investment and exploitation. It is essential that future development be carried out in the context of a national development policy that will conserve resources—particularly energy resources. Such a national policy could well begin with the development activities of the federal government but it should also encompass comprehensive new local, state, and regional planning and development by providing national guidelines for future growth.

**7—Revitalization of Local and State Government and Public Service:** Future conservation, building, and rebuilding activity will be increasingly focused on local, metropolitan, state, and regional areas and it will place major new responsibilities on these governments. The role of the federal government is changing from that of a major operating participant in these activities to that of a supporting partner in the provision of financial and technical resources. The full dimension of these changing roles is not clear but it undoubtedly will require an accelerated professionalism involving new concepts of public management, new instruments and operating techniques, and new skills for government personnel. NAHRO advocates a major federal initiative to support the development of important new functions in local and state government to assure the highest quality of public performance. Such action can also serve the larger objective of restoring the full faith of citizens in their government.

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## NAHRO PROGRAM FOR CITY REBUILDING

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**Purpose:** The purpose of the NAHRO city rebuilding program is to promote, through the partnership of the public and private sectors, the rebuilding and revitalization of urban areas, thereby fostering employment-generating activities and thereby stabilizing and improving the tax base of cities, villages, and towns in urban areas.

America's cities, villages, and towns must have continuous reinvestment if they are to be strong, viable, and progressive. The objective of a city rebuilding program is to promote private reinvestment in the cities, villages, and towns of urban areas through a public commitment to remove, in a timely fashion, blight and other harmful conditions; to construct public improvements; and to provide the incentives for private investment that will improve the employment and fiscal characteristics of cities, villages, and towns and, thereby, the quality of lives of their people.

City rebuilding takes time. It is dependent upon incentives that make cities financially attractive to business. It requires substantial investment. But the initial investment has already been made in the infrastructure that supports development: streets; sewers; utilities; public services facilities. Federal assistance is needed to assist cities, villages, and towns to preserve this initial investment and to attract private capital; this assistance is especially critical for older urban areas that have a diminishing ability to create an investment climate attractive to private enterprise.

**The Need For A New Program:** Federal assistance in the form of block grant funds for community development is being claimed by cities for immediate or short range uses but not for uses that can, in a significant way, generate new investment; replace obsolete facilities; and strengthen the local tax base. Long-term financing—not provided through the annual grant of

the community development program—is necessary for major undertakings, such as:

—the conversion of obsolete industrial districts into modern employment centers, with a competitive physical plant and a labor mix that matches local job skills;

—the creation of important institutions, such as universities, hospitals, and cultural centers;

—the revitalization of neighborhood shopping and employment centers and of neighborhood facilities; and

—the revitalization of downtown areas by introducing new office, retail, hotel, and residential facilities.

For these and other kinds of major commitments to city rebuilding, a separate federal program of direct grants, loans and loan guarantees, and tax incentives is needed.

**Financing Vehicle:** Federal assistance for city rebuilding should be provided by a national development bank that would disperse funds and provide technical assistance to localities engaged in city rebuilding. The national development bank should be staffed with professionals trained in fields related to city rebuilding.

**Local Responsibility for City Rebuilding:** Cities, villages, and towns within urban areas assisted by the national development bank should have a demonstrated need and the capacity to carry out a city rebuilding program. The public agency responsible for city rebuilding should be established on a state, regional (within a state), metropolitan, or municipal level.

The public agency responsible for a city rebuilding program should have the power to accept grants, gifts, and donations; borrow money and issue stock, bonds, and debentures; make loans and grants to private individuals for the purpose of redevelopment; acquire property by eminent domain; create subsidiaries and co-venture development with the private sector; and act as a developer of last resort.

The public agency would carry out a city rebuilding program according to a plan adopted by the applicable unit of general purpose government after public review and comment.

The public agency should prepare an application for federal assistance that would be in conformance with any applicable state, regional, metropolitan, or local plan for development, including the housing assistance plan of the applicant's

block grant program. The application for federal city rebuilding assistance should include assurances by the applicable unit of general purpose government that federal environmental laws and other laws and executive orders pertinent to city rebuilding would be complied with.

**Eligibility for Assistance:** Federal assistance should be given to localities having a demonstrated capacity and commitment to respond to, stabilize, or improve one or more of the following conditions: (1) slums or blight; (2) chronic and severe unemployment or under-employment; (3) severe fiscal difficulties that are attributable to economic and demographic factors; (4) the recent or anticipated loss of a major employer or employers; (5) the effects of a recent major disaster; (6) a minimal amount of vacant land available for development; (7) the loss or addition of a major public facility or other kind of public investment; (8) a proportion of lower-income families (80 percent of the median income or less) compared to total city population that is greater than that proportion for other municipalities of similar size within its region, sub-region, or county.

**Goals of a City Rebuilding Program:** A city rebuilding program should have one or more of the following goals: (1) creating nonresidential development or mixed use development, of which housing is a part; (2) encouraging the linkage between mixed-use development and existing or planned significant public facility investment; (3) fostering light industrial uses in manufacturing and warehousing close to or within the boundaries of the city; (4) providing mixed-use development in conjunction with transportation terminals, interchanges, or other major transportation facilities; (5) stimulating public works investment; (6) enhancing the impact of the location of federal offices or facilities or other major employers to the city; (7) reducing the impact of the loss of a major employer or employers.

**City Rebuilding Activities:** A city rebuilding program could include land assembly for industrial, commercial, and mixed use development (including housing); land banking; acquisition of surplus government property; donation of surplus government property for industrial, commercial, and mixed use development (including housing); acquisition of sites for

industrial, commercial, and mixed use development (including housing); preparation of sites for lease or sale for industrial, commercial, and mixed use development (including housing); construction of buildings and improvements for industrial, commercial, and mixed use (including housing); rehabilitation of historical buildings for industrial, commercial, and mixed use (including housing); rehabilitation and renovation of usable empty factory buildings for industrial, commercial, and mixed use (including housing); and other investments that would accelerate recycling of land and facilities for job-creating economic activity.

**Types of Federal Assistance:** Federal assistance for city rebuilding should be provided in the following manner:

1—Title I of the Housing and Community Act of 1974 should be amended to permit block grant funds to be used for the payment of reasonable administrative costs and carrying charges related to the planning and execution of community development, housing, and economic development activities;

2—Title I should also be amended to permit the Secretary's discretionary funds to be used to provide grants to units of general purpose government undertaking city rebuilding programs, for the purpose of financing public improvements and facilities necessary to and directly related to a city rebuilding program;

3—The national development bank would make grants and loans to public agencies for planning and administrative costs necessary to a city rebuilding program and for the costs of carrying out the activities of a city rebuilding program. The national development bank could also guarantee loans issued by mortgages to public agencies responsible for a city rebuilding program and could also guarantee the loans issued by such agencies for the purposes of city rebuilding.

The national development bank should give priority in assistance where the state or local governing body has demonstrated through tax policy, planning, zoning, and permit procedures or through public improvement and public investment policy a commitment to support a city rebuilding program.

Where municipalities—at least one of which is a central city—join in creating an areawide agency that has the power to operate a rebuilding program, areawide,

additional financial assistance should be provided by the bank.

The national development bank should provide technical assistance to state and local governments on such matters as tax policy, accelerating the approval process for development, and the coordination of public and private investment. The national development bank should also advise state and local governments on legislation that would enable the creation of public agencies with the necessary powers to carry out city rebuilding.

The national development bank should develop, in consultation with state and local governments, developers, and public agencies, recommended changes in federal, state, and local tax laws that could promote city rebuilding efforts.

At the outset, the national development bank should examine the desirability of the following incentives for development: (1) an investment credit to developers for cash equity in projects developed in the cities, villages, and towns of urban areas; (2) a tax exemption to lenders for all or part of the interest received on mortgages on projects built in the cities, villages, and towns of urban areas; (3) the establishment of a Federal Housing Administration-type guarantee fund, in which borrowers would put a certain percentage of the interest rate as a fee and the federal government would guarantee the insurance fund against default; and (4) an FHA-type insurance pool for office and other commercial development bonds, similar to the residential mortgage program.

The recommended federal law tax changes developed by the national development bank and their potential cost to the treasury should be submitted to the President, the domestic council, and the secretary of the treasury for consideration.

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## NAHRO PROGRAM FOR NEIGHBORHOOD CONSERVATION AND REHABILITATION

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**Purpose:** The major objective of a new national effort in neighborhood conservation and rehabilitation is to provide a comprehensive approach and set of mechanisms that will conserve sound neighborhoods as well as restore basically sound neighborhoods that are declining. Such an effort involves commercial and industrial properties, as well as residential properties.

**Major Elements:** NAHRO has identified eight major elements as essential to a neighborhood conservation and rehabilitation program:

- An assured flow of long-term mortgage credit and guarantees, loan and grant funds, and tax incentives;

- Concentration of significant amounts of rehabilitation activity in targeted areas to assure economies in physical rehabilitation work as well as sufficient impact to reverse decline;

- Sufficient public powers to gain control over properties that are being neglected and yet are key to a successful neighborhood rehabilitation effort;

- Involvement of neighborhood residents, businesses, and private enterprise, generally, in the planning, implementation, and long-term stability of neighborhood improvement;

- Access to housing assistance payments for low-income families to enable them to afford rehabilitated housing;

- Provision of essential public and recreational facilities and services to insure a sound environment in the total neighborhood;

- Guarantees for long-term management soundness to insure that rehabilitated properties will not fall into decline again;

- A supportive services program to complement neighborhood improvement, rehabilitation and code enforcement, and other related housing programs to assist area residents in meeting their needs in home maintenance, financial management,

consumer protection, and maintenance of rehabilitated housing; these services may also include health and medical care facilities, family budget and homemaking counseling, employment counseling, care and use of housing facilities, and child care facilities.

**A Coordinated National Effort:** NAHRO recommends that a coordinated national effort be undertaken to pursue national initiatives that can assist in the implementation of these eight major elements. This national effort should include:

- A coordinated and identifiable administrative component within the Department of Housing and Urban Development with responsibility for neighborhood preservation and rehabilitation initiatives;

- A special research and demonstration program: NAHRO recommends that a special provision be added to the federal statute authorizing and encouraging the Secretary of HUD, utilizing research funds, to raise the level of knowledge and practice and to assist local communities in developing comprehensive and long-term neighborhood conservation and rehabilitation functions. Special demonstrations should include but not be restricted to the following first initiatives: (1) a standardized method for evaluating neighborhood condition and structural quality that can be utilized by communities across the nation to appraise their changing neighborhood conditions and that can be assembled into a meaningful national statement of neighborhood condition and (2) development of tested administrative organization and procedures to carry forward an on-going local program of flexible housing code enforcement designed to assist neighborhood residents to maintain standards of neighborhood and housing quality.

- a new national program of neighborhood conservation and housing rehabilitation, described below.

**Statement of Need:** Existing data and correlated indices must be used to establish both the need and the potential for a national rehabilitation effort. A national index should be developed on which to measure both need and accomplishment on an annual basis. Further, revisions to census tract data should be considered, in order to fully utilize this source of information on need.

**Local Commitment:** A prerequisite to the receipt of federal funds under this

program would be a firm commitment by a locality to the investment of community development funds necessary to make required public improvements to assure a viable neighborhood upon completion.

**Program Composition:** A national neighborhood conservation and rehabilitation program should be geared to achieving sound neighborhoods that contain identifiable physical areas, i.e., areas with boundaries. Specific objectives should be spelled out and achieved and investments secured on the basis of a comprehensive neighborhood effort, as opposed to city or countywide dissipation of funds at the risk of accomplishing little or creating "islands" of improvement that cannot be supported since they are located in larger areas where more severe treatment is needed. The program should contain enough flexibility, however, to reach outside the areas of concentration to deal with particular problems on an "impact" basis or with isolated problems in areas where neighborhoodwide rehabilitation is not required. FHA minimum property standards should be utilized, at least for the present time.

**Loans:** The backbone of a neighborhood conservation and rehabilitation program must be rehabilitation loans made to owners or investors by localities through agencies empowered to make loans to private individuals. Such loans should be generated by the localities and be based on a leveraging concept, in which private tax-exempt capital is invested along with federal dollars, in order to maximize loan funds and to stretch the federal investment beyond the current one-for-one ratio of the Section 312 program. The program should include short-term investment in first and second mortgages under the rehabilitation program, with the creation of a national secondary market similar to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation to handle second mortgages under this program. The 312 formula on loan amount limitations, with provision for annual updating based on an acceptable construction cost index, should be employed under this concept.

**Grants:** The program should include grants for low-income, elderly, and/or physically-handicapped persons.

**Insurance:** Insurance similar to Federal Housing Administration Section 203 or



Title I insurance and the formulation of underwriting criteria should be included to further insure the marketability of the mortgages in a secondary market and to increase the flexibility of the program.

**Tax Benefits:** Tax provisions should include the preservation of the tax-free status of obligations by local authorities as well as the preservation of the Section 167(k) five-year write-off provisions of the Internal Revenue Code. There should be an investigation of the possibility of IRS regulation changes or, preferably, legislation separate from the Internal Revenue Code, to reflect provisions of at least one successful IRS ruling on leveraging private capital with federal dollars under the community development program. Further, a tax credit on rehabilitation equal to 5 percent of investment in addition to any energy conservation tax credits or deductions should be considered.

**Interest Subsidy:** Consideration could be given to allowing grantees (implementing local agencies) to use funding under this program to subsidize interest rates on Title I and other home improvement loans. The minimum interest rate after subsidy would be 0 percent to market rate for owner-occupants and absentee owners, with the specific rate to be determined by the locality. The grantee should approve the subsidy only where the loan amount is equal to the rehab cost and only after assurance that the financing could be used solely for the rehabilitation required. Subsidies should be provided to the lender at the front end of the loan. Limits should be developed on the types of properties and borrowers to be eligible for this type of financing. One of the limitations on recipients of this financing should be that the tenants should be guaranteed occupancy for a period of one year after rehabilitation of a project is completed, subject to the exception of eviction for cause. Priority should be given to owner-occupants for this financing.

**Rehabilitation Advances:** Part of this program should include a deferred payment loan with a limit of \$5000. This program would be available only to low-income persons and would only be used to correct health and safety hazards and code violations. Funds would also be available to low-income owner-occupants under a rehabilitation grant option. This option is similar to the one above in that

funds would be available for up to \$5000, solely for the purpose of correcting code violations or health and safety defects. In this case, however, no repayment should be required unless the property was vacated or transferred within five years of the award of financing. If the property was transferred or vacated, the amount of the grant would have to be paid according to the following schedule: if the property was vacated or transferred within the first year, 100 percent of the grant would have to be repaid; second year, 80 percent; third year, 60 percent; fourth year, 40 percent; and fifth year, 20 percent.

**Temporary Relocation:** Temporary relocation of owner-occupants and tenants during the rehabilitation process should be an eligible project expense under this program. Investor-owners would lose the benefit of the grant or loan if they did not provide the tenants the opportunity to move back into the rehabilitated unit at an increase not to exceed a sliding scale percentage of the previous amount paid for rent prior to relocation.

**Program Administration:** A major source of federal criticism has been the cost of administering the Section 312 program and the lack of necessary staff in the Department of Housing and Urban Development to handle this function. Under this program, the revolving loan funds should, in essence, be transferred to the local level along with the responsibility for administering each program. The federal contribution under the leveraging concept should come in the form of a grant in lieu of a direct loan and appropriate administrative expenses for program administration should be included as part of the total grant. Architectural services should also be included in program administrative costs.

**Historic Preservation and Abandonment:** Separate sections on historic preservation and abandonment should be included in legislation necessary to promulgate this program.

**Funding:** For purposes of correlating identifiable needs and funding requirements, the neighborhood conservation and rehabilitation program should be funded as a separate program that is designed to meet a critical, neglected need that has been identified as such by both the Administration and by the localities throughout the country.

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## NAHRO PROGRAM FOR HOUSING

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**Major Elements:** The major elements of NAHRO's recommendations on housing programs are:

—Strong incentive assistance by the federal government in support of local, metropolitan, state, and regional comprehensive development plans in order to provide the framework of facilities and services in which housing can be located and supported;

—A strengthening of the housing assistance plan as the vehicle through which local communities, metropolitan areas, states, and regions can better order their housing efforts; and

—Adoption of a consolidated federal housing assistance program that responds to the varying needs for housing assistance among low-, moderate-, and middle-income households and that encompasses, in a comprehensive package, all the elements necessary to insure long-term success of housing efforts.

**Housing and Comprehensive Development Plans:** For the future, housing locations must be more deliberately programmed as part of comprehensive policies for the future growth and development of the locality, as well as the area, state, and region. Very few localities, states, or areas have such comprehensive development plans now in place. NAHRO advocates that strong incentive assistance be provided by the federal government to encourage state and local governments to develop both comprehensive development plans and areawide development strategies. The essential systems of transportation, employment centers, public facilities, and public services are the essential framework in which housing can be located and supported. Pending the full achievement of such a comprehensive development framework, special efforts must be made to locate individual hous-

ing developments with the maximum support of existing facilities and services.

**The Local Housing Assistance Plan:**

The local housing assistance plan should be revised, expanded, and strengthened to become the vehicle through which the local community (and the state, on behalf of the smallest communities and rural areas) can identify its housing needs and locations; determine priorities of housing programming; evaluate and monitor its housing effort over time. The tie to the community development block grant program should be fully utilized and, in addition, housing opportunities related to city rebuilding and neighborhood conservation and rehabilitation should be fully explored under the housing assistance plan framework. Elements should be developed for inclusion within the housing assistance plan to provide guidance and reward for excellence in design and construction by sponsors of assisted housing and to monitor the status and feasibility of multi-family assisted housing development on a continuing basis. The federal government should provide special bonus funds for localities to develop the housing assistance plan as a vehicle to carry out these multiple housing functions.

In addition to federally-assisted efforts, the housing assistance plan should be strengthened as a vehicle of local housing policy by adoption of a program of special incentives for sponsors of low- and moderate-income housing. Such incentives should include: (1) bonuses for mixed-income communities; (2) accelerated processing of applications, including local reviews of planning and zoning; (3) waiver of locally-imposed front-end development costs, such as sewer and water hook-up fees, building permit fees; (4) tax abatement and tax credits; and (5) local guarantee of support facilities and/or services to the proposed development.

**A Consolidated and Comprehensive Federal Housing Assistance Program:**

**1—Allocation of Federal Housing Assistance:** Federal housing assistance funds should be allocated to localities and states using a formula taking into account population, poverty, age and condition of housing stock, overcrowding, families paying over 25 percent of income for shelter, and past efforts in housing low- and moderate-income families. These formula funds should be recaptured quickly, in the event that they are not to be utilized,

and additional housing assistance funds should be made available beyond the formula allocation, if necessary to support the housing program set forth in a local housing assistance plan, as approved by the Department of Housing and Urban Development. In addition, NAHRO advocates that "locational incentive grants" be provided by the federal government to assist in absorbing the increased cost of services (schools, social services programs, etc.) required by the location of new assisted housing.

**2—Eligible Housing Sponsors:** The NAHRO program recognizes the experience and competence of a variety of housing agencies and entities, public and private. Among these who would be eligible to develop federally-assisted housing are private developers, local housing authorities, local public agencies, regional or state housing agencies, nonprofit and limited dividend corporations and cooperatives.

**3—Financing For Housing Development:** In general, the financing options should include conventional financing from private lending institutions, tax-exempt bonds (with a federal guarantee equal to debt service), taxable bonds, FHA insurance, and capital grants and federal loans. NAHRO also recommends steps to make available more housing investment from the pension and welfare funds of labor unions; this will require an amendment to the federal pension act to make clear that the investment of up to 10 percent of these funds in housing is a compatible use for funds that may also generate employment opportunities for contributors to the funds. In addition, it is strongly advocated that the feasibility of a national housing development bank be fully explored, as well as other additional sources of housing investment funds.

**4—Housing Assistance For Middle-, Moderate-, and Low-Income Households:** The degree of federal assistance required to provide housing opportunities varies significantly by family income status.

**Middle-income families** (basically, families with income 80 percent or more of the median income in the area) require support only to offset the high cost of housing, particularly during periods of high inflation; here an interest rate reduction plan is proposed, based on federal payments to assume the difference between a 6 percent interest rate on a mortgage and the going market rate.

**The lowest income families** (basically, those families with incomes less than 50 percent of the median income in an area) and **moderate-income families** (basically, those families with incomes from 50 to 80 percent of the median income in an area) will require additional housing assistance.

The recommended subsidy mechanism for low- and moderate-income families is a housing assistance payments contract patterned after the Section 8 program but modified to include a guarantee of debt service attributable to the housing unit. The federal government would subsidize the full difference between the economic cost of the unit and the family's ability to pay (between 20 and 25 percent of income, depending on community standards, size of household, and income bracket). The housing assistance payment could not exceed the difference between the full economic cost of the housing unit and the rental charge utilizing the appropriate rent-to-income ratio and based on the minimum income support provided under the recommended national minimum income support program (see "Priority Need 4" above). As with the Section 8 program, the housing assistance payment would be flexible, if housing costs increased or decreased. Thus, there would be no need for separate operating subsidies.

The housing assistance payment would be available for use in existing housing as well as new construction and substantial rehabilitation.

**5—Site Acquisition:** Public agencies authorized to undertake housing activity should be encouraged to acquire housing sites and to assemble land for future housing sites using their legal powers under state law. Special opportunities exist for locating new housing or providing housing assistance to families in areas undergoing concentrated neighborhood conservation and rehabilitation. In addition, development of housing in locations supported by new facilities and services provided under the local community development block grant is also an important linkage and resource. New incentives should be provided to assure the availability of housing assistance to meet needs of rural areas and small communities. Special consideration should be given to community development block grant applications and mixed use rebuilding efforts that are arawide in scope.

*6—Design and Construction Component:* NAHRO advocates that a design and construction component be set forth in the statute and reflected in the development cost standards for federally-assisted housing. This component should include consideration of design for livability of various user households and attention to long-term management and maintenance requirements. In addition, federal legislation should encourage demonstrations to test new design and construction in federally-assisted housing, particularly to more adequately identify "housing livability" for special user groups.

*7—Management and Maintenance Component:* NAHRO advocates that a management and maintenance component be set forth in the statute, reflecting the

major elements necessary to maintain the physical structure and properties over the long-term life of the housing development. Such a component should include particular reference to standards for future-housing management, including a supportive program to encourage professional housing managers. Special programs, such as the current Target Projects Program (TPP) of the Department of Housing and Urban Development should be specifically encouraged. The statutory component should make clear that a long-term management and maintenance plan would be required for every federally-assisted housing development and that the initial plan will demonstrate that the development can be managed and maintained within the constraints of the user's characteristics and needs and of available resources.

*8—Supportive Services Component:* NAHRO advocates that a supportive services component be set forth in the statute and made applicable to the full, useful life of the housing development. A program of essential supportive services should be identified at the initiation of each housing development and long-term contracts for these services should be jointly executed between the housing sponsor, the local community, the Department of Housing and Urban Development and the Department of Health, Education, and Welfare or other federal agencies that can supply funding resources. Such supportive service funds should be made available directly to the housing sponsor, who can perform these services directly or contract with local agencies or individuals to supply them.



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Mr. BLANCHARD. Thank you, Mr. Maffin.

We have heard from several witnesses thus far, including the new Secretary of HUD. And there is one question I wanted to ask but haven't—because I don't mean to be facetious. But I think, given your experience with studying and monitoring housing programs in your organization, that I should address this to you. And that is, do you really think that \$4 billion, even if it is 3 or 4 years in a row with some sort of continuity and commitment, is really enough to begin to do all of the things that the Housing and Community Development Act speaks to?

Mr. MAFFIN. The answer is no.

I have to say, Mr. Chairman, that the last time there was any comprehensive or even purported to be comprehensive analysis of the development and redevelopment needs of this country was in 1951 to 1953, a study edited by Coleman Woodbury and funded by several organizations, called *The Future of American Cities: The Future of Urban Redevelopment in the United States*. That study is 25 years old. We have had nothing like it since. We don't have any real assessment of what we need. At this point in time, we accept the judgment, among the many needs in this country, that this level represents at least a reasonable upgrading of the priorities but in no way reflects how we can best approach total need.

Mr. BLANCHARD. I represent the northern suburbs of Detroit, and they are in varying degrees of development. We have Troy which is booming and bustling and expanding, and cities like Ferndale and Hazel Park, which are older and have an older housing stock and literally need to be saved. These are not the kind of suburbs you read about in *Money* magazine. They need to be saved just as the entire city of Detroit does. And the \$4 billion by itself, even if well-coordinated and well planned, would only be a start in that one area.

So I am wondering, when I look at the act—I have read the act a number of times. I have not been a housing administrator or HUD official, and I have not had to write rules. But I wonder if we ought not to try to consider narrowing the focus of the act without losing the coordinated approach everybody urges upon us so that we don't have a number of communities going off in a lot of different directions, and whether you have thought about making more clear the purposes of the act.

Mr. MAFFIN. Indeed we have, Mr. Chairman, on several occasions stretching back to 1967-68. As you know, this act represents the convergence of many interests and many perspectives. It was one of the few things with respect to block grants and special revenue sharing that moved forward in 1974. Given the rather general frame of reference for community development the law embraced many, many activities and sought many, many goals, some of which were conflicting.

We have from time to time expressed the proposal that perhaps the Community Development Act ought to fund primarily—given its funding mechanism—neighborhood preservation, conservation, property rehabilitation and related public investments and supporting facilities. And given the nature of the development process in this country, that perhaps we ought to also have then a more targeted development program. We would recommend that this be funded by

a national redevelopment bank. This, it seems to us, would tend to sharpen the focus.

That is why we say that it is not only the Community Development Act, but also energy policy, transportation policy, tax policy that really need to be aimed at conserving and better utilizing the investment, no realizable level of funding for community development alone, city, a small community, or a medium-sized community. The name of the game is conserving our resources, better utilizing our land and targeting our domestic policies to achieve that objective. In my judgment, no realizable level of funding for community development alone, can ever help us get there unless we have a coordinated domestic policy moving in that direction.

Mr. BLANCHARD. Thank you. I have many more questions, but we are trying to operate under what is known as the 5-minute rule. So I will defer to my colleague from Massachusetts, Mr. Tsongas.

Mr. TSONGAS. Do I assume you have been out to a number of these cities and communities and seen what they have done with this community development money yourself?

Mr. MAFFIN. As the director of the National Association of Housing and Redevelopment Officials, obviously, I have several opportunities to get around the country. Like everyone else, I don't have enough time to see all that needs to be seen in any one community. I have some personal experience in looking at what is being done around the country. We specifically undertook a carefully constructed monitoring program over the past 2 years to try to get a better sense of how the moneys were being used and how resources were being applied. We were motivated primarily on the fact that heretofore, at least, the Congress, the administration, and the public at large have always been in a catch-up game of knowing what was happening with the moneys that were being expended. We were determined, at least representative of a segment of the panoply of people who were interested in these programs, to try to have some hard data on the front end for a change.

Mr. TSONGAS. Let me review some of my prejudices and see what your response is.

I agree, one of the problems with community development funds is, there is no overall policy that is followed by local communities in general. And part of the reason for this is, obviously, community development was born with the concept of local control, local initiative, and we call it home rule in Massachusetts. I guess it is the same elsewhere as well.

One of the difficulties with that is, you then have constituencies who are louder than others who would then manage to secure their funding, and the dilemma is the local control, but at what price, and the price has been, like anything else—you know, like the wheel that squeaks, and so forth.

My concern—and I represent, in addition to many wealthy suburbs, two cities in Massachusetts who have suffered hard times for decades. And if that is any indication, it seems to me there has to be some understanding by local communities that unless there is significant investment into the downtown commercial district, that what you do to the next ring, your house and your rehabilitated housing is really academic. And the problem has been that the neighborhoods have their

constituencies and have been adequately funded, and they then surround an urban core, a commercial core, which for the most part does not have a constituency. And any funding you put in that particular geography tends to cause all kinds of political turmoil.

The problem is, how do you create among the decisionmakers an understanding that if the downtown commercial core should go the way of all flesh, that what you do to the neighborhoods is not important?

Mr. MAFFIN. I think, No. 1, it seems to us that some sharper focus of the community development program in the direction of neighborhood conservation and property rehabilitation, including nonresidential support. We take that position because we have tended far too long to underutilize the investment we have already made both public and private, in these places.

On the other hand, it is absolutely critical that we have at least a stable, if not growing, economic base of jobs tax rates and so forth to work from.

Now, conservation and rehabilitation help that in some respects. Certainly, they can arrest, if not reverse, the decline. But we also need major tools for reinvestment, whether in the central business district, in an industrial area or large neighborhood shopping area. And it is to this point that we think tax changes ought to be directed. More specifically, we ought to create some kind of development instrument which would assure some long-term financing for the undertaking of these kinds of public/private ventures.

Mr. TSONGAS. Well, absent that, which is the world we live in at the time being would you be in favor of some language included in the bill that would direct communities to at least give some thought to investing part of these moneys in their downtown commercial core?

Mr. MAFFIN. I would think, rather than suggesting the downtown commercial core, that you have an opportunity with the introduction of proposed new language to establish economic development as an eligible activity to talk about balanced conservation and development: Residential, nonresidential, commercial, and industrial.

I think you have an opportunity there to direct some attention and focus on those energies.

But it seems to me that to suggest that every community design some input into the central business district may not be in the best interest of that particular community, although in many communities that may be the case. It seems to me that broader, but nonetheless focused, language to stabilize or improving the economic base, is important. But that may be best accomplished in one particular community by strengthening a neighborhood commercial area.

Mr. TSONGAS. My concern is more for town officials or city officials who say, in essence, yes, I realize that we have to do something about the downtown, but if I put community development moneys in there, I am going to create political ripples I don't want to have to deal with. So something in the bill that—people knowing that it should be done. The problem in downtown is that people have gone through decades of decline and are not likely to reinvest unless the public sector moves first, and that may not be a very happy situation, but is the way it exists.

Mr. MAFFIN. You are absolutely correct in describing the facts and diagnosing the situation. Now, what is the remedy? Again it does seem to me that sharpening the language with respect to the use of the entire community's resources, would be the more effective way to do that.

Mr. TSONGAS. Finally, I would just like to commend you on your statement that we have no urban policy. This is exactly right. We have all of these tools in the Federal Government, many of which are working at cross purposes. And I think an enormous amount of good could be achieved if people simply, as you stated, got their act together at the Federal level as well as the local level.

Mr. MAFFIN. I think we are moving in that direction. The pace disturbs us a little, Congressman. And it seems to me that having adopted the 1974 Act and with reevaluation now taking place, that the whole business of urban policy and housing policy needs to move much quicker than it is.

Mr. TSONGAS. At the risk of offending Mr. Grassley, I would say that I think we are in a better situation when we have someone in the White House who does not look forward to either San Clemente or Palm Springs as a retirement and maybe has some concern about the cities beyond one's tenure in office.

Mr. BLANCHARD. Mr. Grassley, have you had a chance to get ready?

Mr. GRASSLEY. Yes, Mr. Chairman.

Thank you. I appreciate the opportunity to listen to your comments and to review your testimony. I just have one question at this point related to your testimony on page 11 where you define economic development and the three aspects that you feel it should have. I was particularly concerned about your first one where you mention that the beneficiaries of the act should be low- and moderate-income persons residing in the community. I don't find any fault with your goals, but I do find it very difficult to see how that relates to economic development from the standpoint—or maybe, I guess what I am doing is asking you if you can define economic development in terms of benefitting low- and moderate-income groups, and how this will still relate to accomplishing your long-term goals.

Mr. MAFFIN. That, sir, is a dilemma. But let me tell you why we said it that way.

The plain fact of the matter is that in the bulk of the central cities there is no inordinate proportion of low- and moderate-income people, who for one reason or another have difficulty getting the kinds of long-term or full-time jobs. The attempt here is to meet, in part, what we thought were the general purposes of this legislation, to focus some attention, given the relative scarcity of resources, on trying to break that cycle of poverty and focus some resources in that direction. That is the primary reason why we focused on low- and moderate-income persons. In an era of scarcity, that seems to be where the need is the greatest.

On the other hand, if that becomes the overriding goal, you continue to put those cities that have a high percentage of low- and moderate-income persons on a treadmill. We have got to find ways to break that cycle.

But for the nots, we recommend this course of action.

Mr. GRASSLEY. Well, there is nothing wrong—in fact, your goal is laudatory. But, if you are involved with this process as a local planner, somebody trying to accomplish what you want to accomplish, doing things for low- and moderate-income people, you have a chance to, through economic development, to get aid, a major industry into that community—let us say, for instance, getting an electronics plant—are you saying that before we make a determination of what sort of industry we are going to try to get to build up the economic base of the community, that we have to make a determination whether or not they are going to, say, employ low- or moderate-income people?

Mr. MAFFIN. No; I am not saying it in that sequence. What I am saying is, that if you make a determination that is what you are going to go after with some reasonable prospect of success, then you also link up some other things including studies, and employment activities that would make that employment base accessible to the low- and moderate-income people.

Mr. GRASSLEY. Well, then, till all of this long-range planning is done, are we not going to try to get plants and businesses into these areas?

Mr. MAFFIN. No, sir, not at all. It seems to me that what is being suggested here is that you link some things together. That doesn't mean that one has to wait for the other. If we were to wait until all of these things were done, then we would die on the vine. We can't do that. We have to take a calculated risk. We have to exercise good faith and energy and proceed on multiple courses at the same time. But for heaven's sake don't defer your decision on trying to attract new industrial bases until you have all of these other things worked out. You try to do them together.

Mr. GRASSLEY. Thank you, Mr. Chairman.

Mr. BLANCHARD. Thank you, Mr. Grassley.

One area that really hasn't been directly discussed in the last couple of days, but it is implicit in much of the testimony of various people, is the interplay between one of the focuses of the act, which is to benefit and help low- and moderate-income people, and the development of a housing strategy using the housing assistance plan, and then the interplay between suburban and city and black and white.

How do you see all of that fitting?

For example, I look at the Detroit area and I see a very, very depressed central city, some suburbs in similar shape, other suburbs in good shape, and other suburbs about to be boom towns. And what we might want to do for Detroit to preserve and stabilize and revitalize neighborhoods might be looked at in conflict if we were trying to develop housing opportunities in the suburbs if the act is being used as a mechanism to racially integrate the Greater Detroit area.

Now, I am not saying that is the intent, to racially integrate through this act, but I think some would probably see this as perhaps one of the cutting edges for open housing. And your group has looked at this question, I am sure. I know they have. And I don't know exactly what you've concluded. But does that require a different strategy for suburban areas or classic suburban areas versus cities?

How do they work together?

How do you think we ought to view that? Because I can see that whole notion becoming counterproductive. I can see further layers, the



layer effect in suburbs being caused by such a policy, and I can see, for example, middle-income blacks, as they already are, leaving Detroit for whatever reason, further eroding Detroit's tax base.

How should we be thinking, in your opinion, on this? How should we approach it?

Mr. MAFFIN. It would probably take me a good long while, Mr. Chairman, to address an effective response, if indeed I can to your question. It seems to me implicit in the act, and certainly in its administration to date, has been the desire to disperse the lower- and moderate-income families and individuals throughout what former Secretary Romney called the real city.

That policy which is operative does in fact cut in many, many ways. It seems to me we do have some evidence growing out of the urban county experience under community development under the fair share housing plans, and under the housing assistance plan, that an attempt is being made to more rationally deal with the distribution of the, if you will—and I don't want to be misunderstood when I say this—the economic overload of the low- and moderate-income families who usually have a correspondingly high public service demand.

That would seem to be one basic strategy. Another basic strategy would be, it seems to me, to make the kind of public investment and reinvestments and create the incentives and climate for private reinvestment in conserving the neighborhood that we have.

That, it would seem to me, increases the livability and attractability of those areas so that a wider range of people would find them accommodating. I don't have any specific language or proposals for you, but it seems to me we do have a national policy aiming in both of those directions. At least I hope we do.

Mr. BLANCHARD. I have more questions, but my senior colleague from California has just returned.

Mr. Patterson?

Mr. PATTERSON. Thank you, Mr. Chairman.

Mr. Maffin, I enjoyed that portion of your testimony I heard, and I did read it, and I appreciate it, and thank you very much for coming before the subcommittee and testifying and offering your expertise in an area that is very complicated for at least this junior member to understand.

Let me address a philosophical question first, and then I will get into a couple of problems I have with the new formula proposed by the Secretary.

I am concerned about restoring, revitalizing our cities—the urban renewal kinds of projects. But the expense is so horrendous, the commitment of public funds so horrendous that when you compare that alternative with the—I don't know if it is the new town alternative or just moving out into the suburb alternative—it is a lot cheaper for Government to just move away. And my understanding is, about 5 percent or less of the area of the United States is actually inhabited by people. And so it seems it might be a whole lot cheaper to move out of the cities and let them go and start a new one, and this is anathema. This bothers me a whole lot, and yet I see a lot of it in southern California, the urban sprawl. The city is very much in decay, while delightful, beautiful cities for beautiful people are developing all around the suburbs.

Wouldn't it be cheaper to let the private developers continue to go as they have been and just require them to amalgamate within their new towns, new cities, urban sprawl, suburban sprawl, certain proportion of low-cost—or low-income, I guess is a better word—housing.

And then, of course, what happens to the center core of the city? What alternatives are available? We can walk away from the city and just let it go, but someone can come in and possibly restore it. Should the public commitment go out to the suburbs, or should it stay in the inner-core city.

This is the problem that I feel very heavily upon my shoulders, at least.

MR. MAFFIN. Well, I'm not sure, Congressman, that I can answer the question. Certainly I am not going to be able to, I think, give you anything to relieve the burden on your shoulders. There is a perspective, I think, that is long overdue. I am reminded of this by a session I attended a month or so ago out at the Academy for Contemporary Problems. I would hope that we have reached the point in this country where it is clear that it is neither just public nor neither just private investments, but in point of fact, you have got to have both kinds of investment to make it go.

Part of the disparities of cost that you refer to are a reflection on how we have accounted for things and how they have happened in this country. I am not sure anyone has clearly toted up what it has cost us to extend the sewer lines and water lines, build a new school on the hill or the school that was just built 10 years ago or 12 years ago simply because the population shifted. At what cost have we acted because raw land was available or because it was easier to build new construction than rehabilitation.

It is how you measure the costs, I think, generally tends to equate the level of investment that takes place in one place or another.

It seems to me that the essential point that needs to be looked at here is how rapidly do we want to write off both the public and private investment that we have already made. And we ought to start talking about the depreciated value and the replacement value of those investments. We do, to some extent, but very imperfectly.

When starting to make the choices about whether we continue unregulated sprawl and scatteration or whether we balance that against a more sound and stable growth policy, it seems to me we haven't done the kind of accounting—and I would frankly think, Congressman, that if we were to do a better job of accounting, our choices might be a little clearer.

MR. PATTERSON. I think I agree with you and I appreciate your response on that.

The cost of the land obviously is cheaper as you move further out, as you referred to. It may be 1 ownership versus 100 ownerships. Lots of things like that make it very desirable. It would seem to me we would need to have some kind of goals within our national policy, decide which way we want to go, and then pursue that effort in regard to how fast we write off the investment, public or private.

This kind of gets into my formula question. One of the elements of Secretary Harris's new formula is age of housing, and I asked her—and I ask you—is that really a valid factor, just age of housing? I have

seen some of the most beautiful, gorgeous homes, built many, many years ago out of red brick construction in the East since I have come here. And those homes are in much better shape than the clapboard, drywall, tract housing built maybe 10 to 15 years ago in California.

I wonder if you would have any alternative to age of housing as a formula factor? It seems to me this is not a true measure. It might be something to do with the cost. And I am asking you because I don't have the answer.

Mr. MAFFIN. I think there are several reasons why age of housing was selected, Congressman.

First of all, in 1970 through 1974—or up to the passage of the act—there were any number of criteria that were played with, and I use that term in the best sense, in trying to arrive at the most equitable formula possible.

You can really develop a list of criteria, weighting this, that and the other, including age of housing, level of poverty, extent of vacant land, age of sewer lines, et cetera.

I think the important reason for the age of housing is that it tends to have a fairly high coordination with many other factors. It does tend to correlate generally with lower income needs. It does tend to correlate with older public investment.

There are several correlating factors of which it is symptomatic, and for that reason it tends to cover these, although imperfectly. But it has the additional advantage, because it does do that, of making the formula at least fairly simple.

Now, let me say one other thing. It seems to me that a terribly important aspect of having age of housing as an alternate formula is that with the two formulae we have now, the one which lays a fairly heavy emphasis on population growth and the other on age of housing, you are really beginning to focus in on treating two phenomena that are occurring in this country.

One is the rather rapid shift in population and therefore growth. On the one hand, and those communities need help in managing that growth. But you also have those situations where you have stagnation, if not decline, and those communities also need help. And this dual formula system at least weights both of them fairly equally and recognizes those two conditions.

Mr. PATTERSON. I see your point on that, and I appreciate it. The age of housing still bothers me a bit. I guess, in the macroeconomics of the situation it is true. In many instances there is housing that was cheaply built in the post-war years of 1945-55 that it was literally tiltup operations and there is a good deal of housing tracts in this area that are totally missed under the new formula, which goes to pre-1939 housing.

Mr. MAFFIN. There is no question about that, Congressman, absolutely no question. I can show you housing in Fresno, Bakersfield, Tacoma, Wash., all over the West which had a life expectancy on date of opening of maybe 15 years.

Mr. PATTERSON. I thank you, Mr. Chairman.

Mr. BLANCHARD. Thank you.

In grappling with the question of expected-to-reside, in the survey of your association of how community development was used and how

the application process worked, how do you think—what was the most effective way the question was addressed, and what would you suggest to us to clarify it?

There has been a lot of confusion on it, and some people feel that if you make too many projections about expected-to-reside, you create a self-fulfilling prophecy, because people will always be moving, which seems in conflict with saving and conserving what we have. Where do you think this has worked best in the most productive way?

Mr. MAFFIN. Congressman, I hate to do this, but my wits escape me. May I be permitted to respond to that question in writing, not because I am bashful about responding to it, but I think it is the kind of question that deserves a more reflective kind of answer than I can give you here today.

Mr. BLANCHARD. Fine.

Mr. BLANCHARD. Getting back to the urban action program that has been proposed by the administration and testified on by Secretary Harris, how do you see that working?

Mr. MAFFIN. Well,—

Mr. BLANCHARD. And \$400 million, do you think that can effectively start up such a program?

Mr. MAFFIN. Well, as I understand it, the urban development action grants are aimed at capturing opportunities that arise which the basic formula system either in its planning and application process or in its funding cycle really does not permit communities to take advantage of.

It would be my understanding that the urban development action grant program would be of enormous aid to many cities whether in the growth cycle or in the stagnation and decline cycle.

Responding effectively and quickly to opportunities that arise, is necessary. For example, communities do not always know of when a Federal defense establishment or a facility is going to be shut down or added to.

Having lived in Tacoma, Wash., I can speak with some authority on that question. It seems to me the urban development action grants might be able to help a community deal with the situation when it came up.

I suppose in my mind I think, since I haven't had that much time to look at it, that those are more the kinds of situations to which the grants would be applied than any other I could think of.

Mr. BLANCHARD. We would be interested in a more detailed—I realize you haven't had time, nor have we actually—

Mr. MAFFIN. We would be happy to—

Mr. BLANCHARD. We would be interested to hear in detail how you would perhaps suggest it could be most effectively used, because it is again a limited amount of money. It is a lot of money, but given the problems we have, it is a limited amount of money.

Mr. MAFFIN. I would just add one further note in that connection. The Secretary has laid heavy emphasis on capturing opportunities of the kind I just described. The urban development action grant does not seem to us to be all that well-suited, therefore, to creating opportunities over a longer period, and that's why we refer back to such things as the Development Bank.

Mr. BLANCHARD. I notice in your statement and in your testimony, you indicated your strong support for the section 312 program. How much more funding do you think we need to keep this an effective part of our overall community development strategy?

We're talking, I guess, right now of about \$70 million, which was really money unused during the last year. A lot of eyebrows have been raised on the subcommittee. How do you feel?

Mr. MAFFIN. I think it's very difficult to answer that question, because starting in 1971, the section 312 loan program was subject to all kinds of gyrations, turnons, turnoffs, go to advanced commitments, pull back, and so forth. It was played with an awful lot.

So, it is very difficult to get a clear fix on what the demand really is. We know that if we are going to move in the direction of conserving and better utilizing our existing investment rehabilitation, and conservation has to be a critical factor. And given all the other demands for community development, not all that money is going to be able to go in that direction, particularly in property rehabilitation financing. Therefore we assume, and I think properly so, that communities are capable of, and the demand exists, for far more than we have experienced in the past.

I think the funding level we suggested, with recaptured funds and appropriations is \$150 million level. At that level, we think that the direct loan program will work very well in conjunction with community development. Given the kinds of experimentation that had been going on in leveraging funds, we think the Congress ought to also enact a program to be used for leveraging all of these public and private moneys to mount an even larger effort at property rehabilitation.

Mr. BLANCHARD. Thank you.

What about—do you have any specific suggestions as to how we may make the housing assistance plan a more effective part of the Housing and Community Development Act?

Mr. MAFFIN. I have one clear suggestion immediately, and that is, I think it is entirely possible and appropriate—and indeed there were long arguments on this going back to 1970-73—to strengthen the departmental housing set-asides for its community development programs; the departmental set-asides in section 8, new and existing and major rehabilitation public housing, section 202, section 235. We have never had an effective nailing-down, if you will, of departmental commitments and allocations on housing to the local housing assistance plans and, more specifically, to the community development programs. And that needs to be strengthened. And it can in fact be mandated, I believe, allowing for effective turn-around time for those who don't get on the ball and use the allocations.

Mr. BLANCHARD. Thank you.

I will yield to my distinguished colleague, the ranking Republican from Michigan.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. Maffin, thank you for being with us this morning.

If I may comment in reverse order, would you expand a little bit upon your criticism of the "absence of adequate set-asides," and be a little more specific.

Mr. MAFFIN. Mr. Brown, as I recall the law—and I may stand corrected here—it says that the Secretary shall take into consideration—and this, I think, includes the 1976 amendments—in making allocations the housing assistance plans as developed by the localities and make allocations pro rated among the different programs on that basis.

Going back earlier, I believe the law said that the Secretary shall attempt to allocate funds to those communities in part based upon what they propose to do in their community development program. But the fact of the matter is, we have had two shortfalls. One is that the general level of available housing has not been sufficient to meet that demand. And two, there was no requirement that the Secretary in fact set aside those units even for a 6-month turnaround time, linking the community development program and the housing program, and it is that latter point that I am specifically relating to.

It seems to me it is entirely possible to make a set-aside of units as projected for new, existing, or major rehabilitation, as proposed in the community development program of a locality.

Now, everyone would have to take a prorated cut, depending upon the level of the appropriations.

Mr. Brown. Are you saying when the community development plan and the HAP plan are submitted, that to the extent that the HAP plan contemplates a certain number of housing units by type that the Secretary at that time, in connection with the approval of the plan, allocate or reserve those units for that community?

Mr. MAFFIN. I am saying something like that, yes, sir.

Mr. BROWN. The problem that has developed, it seems to me, with the implementation of the program is the problem of processing and allocating set-asides to regional and area offices. They have to keep in mind that whether they approve an application or not raises a question as to whether or not it will result in an exceeding of a statutory limitation established for all of HUD. Every time we have a set-aside of any kind, in the law, that allocation has to be reallocated to all of the regional and area offices. As a result, you may end up with certain offices being allocated funds for a particular type of set-aside that is not needed. That has been one of the real problems in administering the act.

So there are many of us on this side of the aisle that have been reluctant to have set-asides.

Now, what you are saying is not that we should have statutory set-asides but rather administrative set-asides. When a HAP plan comes in, the Secretary should have the discretion, in effect, to then allocate or reserve certain units and certain types of housing that is consistent with the community's plan. Is that what you are saying?

Mr. MAFFIN. I would opt for your recommendation. I would opt in that direction, but I recognize that the Congress may want to, based upon demonstrated performance, legislate in that area, as well.

Mr. BROWN. But as a practical matter, is the Congress in as good a shape to determine what housing is needed?

Mr. MAFFIN. I agree with you. I am very sympathetic to the problem you are pointing out, and I would agree with the direction you took in terms of the Secretary being strongly urged to exercise her discre-

tion in such a way as to assure the community that when they come on stream for that need, their need can be met to the extent that the overall resources are available.

Mr. BROWN. Almost as a practical matter, what we did in establishing the set-asides or the earmarkings was to attempt to retack the HAP requests. Now, if that is what we are doing and we want the HAP request to basically determine where the money is spent and that the local community make those decisions, it seems to me we have no business statutorily setting these kinds of allocations. Rather, I would assume that the Secretary in good faith will attempt to honor, to the extent possible and where it is feasible and proper, the request for this type of housing the communities are requesting.

Let me move on.

You talked about the guarantee program for CD to enable a community to leverage its community development funds through a federally guaranteed loan program.

Would you expand upon that a little bit.

Mr. MAFFIN. Well, as you know, Congressman, at least to my knowledge, the loan provisions of the community development program have not been used. They have not been used for a variety of reasons. One of the principal reasons is that communities are required to pledge their full faith and credit, and that has proven to be a statutory if not constitutional barrier in many cases to the effective implementation. Second, the Department has never issued detailed regulations on how a community would move in that direction.

So it seems to me, No. 1, it takes a willingness on the part of the Department to move forward, with this important tool as an adjunct to the community development grant program. And second, the Congress needs to take a look at each requirement that the full faith and credit be pledged.

Mr. BROWN. What kind of dollar authority—guarantee authority—does HUD have?

Mr. MAFFIN. There is no limit.

There used to be, as you will recall, under the title I program.

Mr. BROWN. There is none now, is there?

Mr. MAFFIN. No; there is none that I am aware of.

Mr. BROWN. But what you are saying is we should have something like that?

Mr. MAFFIN. Yes.

Mr. BROWN. I did not get a chance to carefully peruse your statement, but one thing, it seems to me, you are saying is that there doesn't seem to be the kind of interrelationship there should be, between the several programs aimed at the same goal and objective, that is, basically improving the general environment and housing in our cities.

I am talking about the interrelationship, for instance, of general revenue sharing, EDA grants, community development block grants, and housing assistance.

Do you see any way to pull that together in better shape?

Mr. MAFFIN. Well, on the legislative side—and I am just generally guessing in a way, Congressman—perhaps, through the budgetary process, you might be able to be of some help in that regard.

On the administrative side, it seems to us that if the Department of Housing and Urban Development is to fulfill its charter, then the lead responsibility lies with that Department. As a matter of fact, in creating the Department, the Congress sort of said that by giving to the Secretary a convenor role which has been difficult to exercise in such times as it has been exercised, as some people in this room can attest. But that role needs to be more carefully carried out, I think.

But again, coming back, I gather where we end up is, if we are serious about this business of taking care to conserve our resources, to wisely utilize the funds, to minimize duplicative outlays, public and private for the benefit of human settlements, it seems to me it is incumbent upon the President to take some very vigorous leadership in this direction in pulling together those policies that do impact upon virtually all aspects of human settlements.

This committee, this subcommittee, has that responsibility, but I would venture to say, sir, that in energy policies, in transportation policies, in tax policies, many times so much of what you wrestle and try to deal with is undone in other areas.

Mr. BROWN. You know, of course, that in the Housing and Community Development Act of 1974 we almost took a different approach. Remember, we provided that you could not use community development funds for certain activities where there was another Federal funding program unless you first had been denied access to the funds in that program. I think that was aimed at the very thing you are talking about, where we have a duplication of funding. But what you are saying now, is that you think this restriction probably should be relaxed and that we should not have these prohibitions, or impediments to a greater mutuality in the use of the funds.

Mr. MAFFIN. Perhaps not relaxed but reversed, so that in fact the programs complement one another instead of running and hiding from one another.

Mr. BROWN. I was especially pleased in that you advocate that economic development be an eligible activity in and of itself, and not dependent upon another eligible activity. I think that was, to a certain extent, the thrust of Secretary Harris' testimony the other day.

Speaking of Secretary Harris's testimony, I, in her presence, raised some questions about some of the rhetoric that was used in her statement which was bothersome. She stated that HUD would not be heavyhanded"; that HUD would help "prepare," and so forth, to "assure" this and "assure" that and to "check the impact" upon this and the "impact" upon that. All through it, it seemed to me that HUD was the one that was going to assure and prepare the plans, and HUD was going to determine the impact on this, rather than letting the local communities determine to a great extent how they felt these different things would impact on their problems.

Have you read her testimony, and did you get a similar feeling?

Mr. MAFFIN. Well, I have not read every word of the Secretary's testimony, since I have been out of town and haven't had a chance to. But let me comment on your observation, Congressman.

HUD, with the enactment of the 1974 act, took the deliberate posture that the Congress meant what they said about local initiatives, local



programs, local design, and so forth, and they basically took a hands-off policy. Now, for some communities that was a good position for HUD to take, because many of these communities very honestly had more continuity of personnel, had more experience in the programs than the HUD staff, and hence knew more about the programs than the HUD staff. But for the vast majority of communities it has been our experience that the greatest single criticism levied on the Department was the lack of technical assistance rendered to them, just in sheer quantity.

So what we have, it seems to me, is kind of a counterbalancing position being taken by the Secretary, which would, I hope, not produce all of the results that you expressed that it might, but at least would bring some balance back into the level of technical assistance the Department can in fact render to communities without saying, we are going to prepare your application, or we are going to attest to the certification, and that sort of thing.

Mr. BROWN. I have a few other questions, but my time has expired, Mr. Maffin. Thank you very much.

Mr. MAFFIN. Thank you, sir.

Mr. BLANCHARD. Thank you very, very much for your time, Mr. Maffin. We look forward to working with you and receiving in writing some of the additional comments that you wanted to make in response to questions or anything else you think we ought to see before we proceed.

Mr. MAFFIN. Well, we will have something to you, sir, on both the ETR and the development action grants, those two specific areas, and if we think of something else, we might throw that in, too.

Mr. BLANCHARD. Thank you very much.

Mr. MAFFIN. Thank you very much for your time, gentlemen.

Mr. BLANCHARD. Our next witnesses are two gentlemen representing the National Association of Counties, James Scott, supervisor of Fairfax County, Va., and William Dodge, director of planning and community development for Allegheny County in Pennsylvania.

Thank you very much for your patience. We probably should have a boilerplate letter to everybody that testifies which states that we are always running late. As you can see, it's so easy to get involved in a dialog with each witness that it does cause delay, but we thank you for your patience and think you for coming to offer your comments on the Housing and Community Development Act of 1974.

Now, I notice you have a statement, is that correct?

Mr. SCOTT. That's correct.

Mr. BLANCHARD. If you like, you can read it, or if you like, we can submit it into the record and you can summarize your thoughts, one or both of you, and then we can proceed to some questions, whatever is your pleasure. We will be happy to accommodate you.

Mr. SCOTT. Thank you very much, Mr. Chairman and members of the subcommittee.

I think that what I will try to do is to summarize my statement briefly and introduce Mr. Dodge and let him make his statement, and we will be available then for questions.

Mr. BLANCHARD. Fine. Then without objection, it is so ordered, that the complete statement will be entered into the record.

STATEMENTS OF JAMES SCOTT, SUPERVISOR, FAIRFAX COUNTY, VA., AND WILLIAM DODGE, DIRECTOR, PLANNING AND COMMUNITY DEVELOPMENT, ALLEGHENY COUNTY, PA., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY JOHN MURPHY, LEGISLATIVE DIRECTOR OF THE ASSOCIATION

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, on behalf of the National Association of Counties, let me thank you for inviting our testimony before this subcommittee on the very important matter of reauthorization of the community development block grant program.

I am James Scott, supervisor of Fairfax County, Va., and chairman of NACo's Community Development Steering Committee.

With me today are William Dodge, director of planning and development for Allegheny County, Pa., and chairman of NACo's Task Force on Planning and Community Development; and John Murphy, legislative representative for the National Association of Counties.

As you know, Mr. Chairman, NACo worked very hard for the passage of legislation which became the Housing and Community Development Act of 1974. As you also know, that act for the first time recognized that urban counties were evidencing similar signs of urban decay—blighted areas, substandard housing, and inadequate community facilities and services—as were metropolitan cities. Therefore, Congress, on the recommendation of this subcommittee, made urban counties entitlement communities in the same manner as entitlement cities.

Entitlement status, carrying with it the guaranteed funding, has provided urban counties with an effective resource to begin addressing housing and community development problems on an areawide basis. Urban counties have positively responded to the opportunity presented by the entitlement status under the 1973 act. During the first year of the program, fiscal year 1975, 73 of 83 potentially eligible counties ranging in size from 206,000 to 1,800,000 qualified for urban county status. These 73 counties entered into a cooperative agreement with 1875 smaller municipalities to join in housing assistance activities. Of the cooperating jurisdictions, 71 percent were under 10,000 in population; almost half were under 5,000.

Because there was little possibility for most of the smaller jurisdictions to compete successfully for limited discretionary funds, cooperation of the urban county provided them with the unique opportunity to address their housing assistance and community development needs.

In fiscal year 1976, 72 of the 73 urban counties from the first year remained eligible and were joined by three additional qualifying urban counties. In the second program year, 41 of these counties were able to increase the number of smaller communities joining with them. For fiscal year 1977 the figures are expected to be similar.

I point out these statistics because they demonstrate the stability of the urban counties and tell a very important story. In NACo's view, urban country-small community cooperative community development

programs represent an unprecedented achievement in the area of intergovernmental cooperation, one which was neither fully understood or anticipated at the time of the passage of the 1974 act.

I think that I can say there is general satisfaction among urban county officials with the program, that it has helped to foster citizen participation, and has helped to improve the quality of life for all citizens, particularly those of low and moderate income. We think that the program, however, needs an adequately financed and viable subsidized housing program to make the goal of the Housing Acts of 1949 and 1968 and the housing dispersal policies enunciated in 1974 to become a reality.

During the first year of the community development program, urban counties undertook a wide range of programs. They were involved in preservation and expansion of housing stock, expansion of community facilities and services, and more rational utilization of land and natural resources, and to a lesser extent, the elimination and prevention of the slums and blight and alleviation of detrimental conditions.

Several factors influenced the purposes for which urban counties spent funds.

First, and perhaps most significant, when you compare their participation with metropolitan cities, is the extensive prior city participation in urban renewal and neighborhood development and model cities programs.

Second, urban counties were at somewhat of a disadvantage vis-a-vis cities due to their substantially more abbreviated time frame in developing an application. Urban counties had to qualify. That took some time. As a result, less time was available the first year for actual implementation.

Third, unlike cities, which are a cohesive legal entity, all but 3 of the 73 urban counties represent an amalgamation of smaller cities, villages, and towns.

We feel it is, therefore, not unreasonable to expect the program focus of the urban county to reflect this diversity and fragmentation, particularly during the first part of the program. We believe, though, that cooperative relationships have been developed and have become a major instrument for addressing community development and assisted housing needs.

Finally, a major factor which ultimately dictates program design is money, of course, and on this point urban counties are at a distinct disadvantage. The average grant for the 26 metropolitan cities of more than 500,000 in population in fiscal 1975 was \$23.7 million. The 10 urban counties which fall into this population category received an average annual grant of \$5.4 million. If you subtract 3 of these 10 counties that had high hold-harmless grants, then the average grant was \$1.8 million. In cities with a population of 250,000 to 499,999 population classification received an annual grant of \$9.9 million, while similarly sized counties received \$1.1 million.

From that background, Mr. Chairman, we can proceed then to NACo's recommendations. We hope you would consider the following.

First, that Congress should provide a long-term—that is, approximately 5-year—reauthorization of the program with increased fund-

ing levels each year, hopefully at least \$3.5 billion to \$3.6 billion for fiscal year 1978. The increased funding level should be sufficient to meet the needs of entitlement communities presently participating in the program to compensate for inflation and insure a sufficient earmark of discretionary funds and accommodate any formula changes.

This multiyear authorization is important because it will allow longer range planning.

Second, the act's provision calling for a gradual shift of formula funding for entitlement jurisdictions after the initial 3 years of the program, that is, the phaseout of the hold harmless, should remain unchanged.

An issue posed by the phaseout of hold harmless is one of equity. Congress determined in the 1974 act that communities who were good grantsmen in the era of the categorical community development programs should not continue to enjoy this benefit permanently when the program's goal was to eventually fund everyone by a needs formula. On the other hand, observation alone is sufficient to point out the fact that some jurisdictions whose hold harmless is phasing out are experiencing significant decay and need additional, rather than fewer, funds in order to have an impact on stemming decay.

The proposed \$400-million urban development action grant program, together with the system of optional formulas being proposed by the administration, may be the appropriate approach to providing adequate funding for entitlement communities as well as those metropolitan cities and urban counties whose hold-harmless grants phase out. However, at this point the proposal raises more questions than it answers. Who would be eligible for grants? NACo could not support a program which limits funding exclusively to cities, as HUD proposes.

At the very minimum, all cities and counties should be eligible to apply for the grants.

How does this program of economic revitalization differ from the regular economic development grant loan programs administered by the Economic Development Administration? The EDA programs are designed to deal with substantial unemployment and underemployment, some of which may be related to physical decay. The programs are effective in what they attempt to do. Would the new HUD program compete with the EDA's programs in urban areas? Should not community development funds be used to leverage, not compete against, other Federal funds?

The question is, is this program intended to stimulate long-term redevelopment of inner-city areas, and if so, how does it differ from the old urban renewal program?

In light of all these questions which the proposed urban program raises, NACo recommends that consideration of it be delayed until it can be sufficiently reviewed by one of the task forces of this subcommittee established recently by the chairman. The issue is too important to be hastily considered in time to meet the timeable mandated by the congressional budget process.

Third, Congress should preserve existing urban county eligibility for entitlement status and expand it to include other counties with funding coming either from discretionary or additional funds.

As an example, I call your attention to the county across the river, Arlington, Va., which, of course, if you look at Crystal City and Rosslyn, you know it is an urban community; and if you visit, you know it has many of the problems of urban counties, but is slightly less than 200,000 people.

Fourth, Congress should expand the community development program requirements relating to the targeting of funds to benefit low- and moderate-income families and eliminate and prevent slums and blight to require certification by the recipient that the activities funded by the community development funds benefit low- and moderate-income families and/or eliminate and prevent blighted areas or conditions.

NACo is aware that substantial criticism has surfaced relating to the lack of spending a significant amount of funds for the benefit of low- and moderate-income families and/or to eliminate and prevent slums and blight. Some of the criticism, no doubt, is valid, but some may also be unjustified because the measure of determining where the funds are spent—census tract analysis—is quite imprecise. In order to insure that funds are spent for the benefit of low- and moderate-income persons and/or to eliminate and prevent slums and blight, Congress should direct that HUD require applicants to certify that all activity proposed to be funded with community development funds be for the benefit of low- and moderate-income persons and/or for the elimination of slums and blight.

Fifth, Congress should amend the Community Development Act to specifically and explicitly limit the use of community development funds for supporting social services to no more than 20 percent of a recipient's grant.

We think this follows with the Congress original intent.

Sixth, the State role in community development should be primarily that of providing technical assistance through Federal funds to small counties and cities, particularly in rural areas, as well as having the opportunity to apply for discretionary funds in conjunction with local governments.

Seventh, Congress should specifically authorize and encourage the joint undertaking of community development by urban counties and metropolitan cities.

Mr. Dodge will discuss this a little bit more in his statement. We think this is a very, very important matter and one which deserves more attention, perhaps, than it has received.

Eighth, the section 312 rehabilitation loan program should remain a separate program and should be adequately funded. Priority for the section 312 should be given jurisdictions which are undertaking housing and rehabilitation and conservation programs with community development funds in order to complement and expand these efforts.

Present HUD regulations permit rehabilitation grants and loans only "in connection with other physical development activities." Although NACo agrees with the general intent of this requirement—the concentration of resources in target neighborhoods to prevent general neighborhood decline—there is substantial evidence that more flexible procedures should be employed in some instances, particularly in urban counties, as well as in many suburban entitlement cities, where the substandard units are not located just in concentrated areas but are dispersed.

Mr. Chairman, I would like to say a word about housing.

In NACo's view, one of the most positive aspects of the Housing and Community Development Act of 1974 was the formalized linkage established between physical development and housing programs. Unfortunately, the relationship sought by the Congress in 1974 has not become a reality. In a survey conducted by NACo in May of last year, 40 percent of the urban counties indicated that they received less than 50 percent of the housing requested in their housing assistance plans. The deficiency is even more glaring due to the fact that most of the urban counties indicated that their first year assisted housing estimates were substantially lower than what has been documented in subsequent years.

The major constraint identified by the urban counties was the financing of section 8, particularly, for new construction and family housing. The section 8 existing housing program has been successful in several urban counties, such as St. Louis County, Mo., where 900 families will receive assistance by the end of the fiscal year.

The success of an existing housing program, however, is dependent upon two essential factors: a high vacancy rate with a large stock of standard housing. Very few of the urban counties exhibit these characteristics, and as a result, have few options available to meet critical housing needs.

Because the urban county represents a unique opportunity to meet the housing dispersal requirements of the 1974 act by expanding housing opportunities on a regional basis and providing housing near new industrial developments, NACo calls upon Congress to review and assess the adequacy of the present housing subsidy programs.

In this regard, special attention should be given to the price of housing in high-cost areas, and the housing needs of large, low-income families. These needs are not being met by present subsidy programs.

New Federal subsidy directives should seek to encourage and expand the growing and existing housing rehabilitation and conservation.

Finally, due to the spiraling costs of housing throughout the country, serious consideration should be given to expanding the section 235 homeownership program to qualified low-, moderate-, and middle-income families.

[The prepared statement of Mr. Scott, on behalf of the National Association of Counties, follows:]

STATEMENT BY

THE HONORABLE JAMES SCOTT

FAIRFAX COUNTY, VIRGINIA, SUPERVISOR  
CHAIRMAN, NACo COMMUNITY DEVELOPMENT STEERING COMMITTEE

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

ON

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

BEFORE

THE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

OF THE

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

FEBRUARY 28, 1977

WASHINGTON, D.C.

STATEMENT BEFORE THE HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS, SUB-COMMITTEE ON HOUSING AND URBAN AFFAIRS; ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES; ON THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM; PRESENTED BY JIM SCOTT, SUPERVISOR, FAIRFAX COUNTY, VIRGINIA, CHAIRMAN OF NACo'S COMMUNITY DEVELOPMENT STEERING COMMITTEE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo)\*, LET ME THANK YOU FOR INVITING OUR TESTIMONY BEFORE THIS SUBCOMMITTEE ON THE VERY IMPORTANT MATTER OF REAUTHORIZATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

I AM JIM SCOTT, SUPERVISOR, FAIRFAX COUNTY, VIRGINIA AND CHAIRMAN OF NACo'S COMMUNITY DEVELOPMENT STEERING COMMITTEE. WITH ME TODAY ARE BILL DODGE, DIRECTOR OF PLANNING AND DEVELOPMENT FOR ALLEGHENY COUNTY, PENNSYLVANIA AND CHAIRMAN OF NACo'S TASK FORCE ON PLANNING AND COMMUNITY DEVELOPMENT, AND JOHN MURPHY, LEGISLATIVE REPRESENTATIVE FOR THE NATIONAL ASSOCIATION OF COUNTIES.

AS YOU KNOW, MR. CHAIRMAN, NACo WORKED VERY HARD FOR THE PASSAGE OF LEGISLATION WHICH BECAME THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. AS YOU ALSO KNOW, THAT ACT, FOR THE FIRST TIME, RECOGNIZED THAT URBAN COUNTIES WERE EVIDENCING SIMILAR SIGNS OF URBAN DECAY -- BLIGHTED AREAS, SUBSTANDARD HOUSING AND INADEQUATE COMMUNITY FACILITIES AND SERVICES -- AS WERE METROPOLITAN CITIES. THEREFORE, CONGRESS, ON THE RECOMMENDATION OF THIS SUBCOMMITTEE, MADE URBAN COUNTIES ENTITLEMENT COMMUNITIES IN THE SAME MANNER AS METROPOLITAN CITIES. ENTITLEMENT STATUS, CARRYING WITH IT GUARANTEED FUNDING, HAS PROVIDED URBAN COUNTIES WITH AN EFFECTIVE RESOURCE TO BEGIN ADDRESSING HOUSING AND COMMUNITY DEVELOPMENT PROBLEMS ON AN AREAWIDE BASIS.

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\* The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government.

The goals of the organization are to:

- improve county governments;
- serve as the national spokesman for county governments;
- act as a liaison between the nation's counties and other levels of government;
- achieve public understanding of the role of counties in the federal system.



THE URBAN COUNTY EXPERIMENT

URBAN COUNTIES HAVE POSITIVELY RESPONDED TO THE OPPORTUNITY PRESENTED BY ENTITLEMENT STATUS UNDER THE 1974 ACT. DURING THE FIRST YEAR OF THE PROGRAM (FISCAL 1975), SEVENTY-THREE (OF THE EIGHTY-FOUR POTENTIALLY ELIGIBLE) COUNTIES RANGING IN SIZE FROM 206,000 TO 1,800,000 QUALIFIED FOR URBAN COUNTY STATUS. THESE 73 URBAN COUNTIES ENTERED INTO COOPERATION AGREEMENTS WITH 1,875 SMALLER MUNICIPALITIES, TOWNS AND VILLAGES TO JOINTLY UNDERTAKE COMMUNITY DEVELOPMENT AND HOUSING ASSISTANCE ACTIVITIES. SEVENTY-ONE PERCENT OF THE COOPERATING JURISDICTIONS WERE UNDER 10,000 IN POPULATION; ALMOST HALF WERE UNDER 5,000. BECAUSE THERE WAS LITTLE POSSIBILITY FOR MOST OF THESE SMALLER JURISDICTIONS TO COMPETE SUCCESSFULLY FOR LIMITED DISCRETIONARY FUNDS, COOPERATION WITH THE URBAN COUNTY PROVIDED THEM WITH A UNIQUE OPPORTUNITY TO ADDRESS THEIR COMMUNITY DEVELOPMENT AND HOUSING ASSISTANCE NEEDS.

IN FISCAL YEAR 1976, 72 OF THE 73 URBAN COUNTIES FROM THE FIRST YEAR REMAINED ELIGIBLE AND WERE JOINED BY THREE ADDITIONAL QUALIFYING URBAN COUNTIES. FORTY-ONE OF THESE COUNTIES WERE ABLE TO INCREASE THE NUMBER OF SMALLER COMMUNITIES JOINING WITH THEM IN THE SECOND PROGRAM YEAR. FOR FISCAL YEAR 1977 THE FIGURES ARE EXPECTED TO BE SIMILAR.

I POINT OUT THESE STATISTICS BECAUSE I THINK THEY DEMONSTRATE THE STABILITY OF THE URBAN COUNTY AND TELL A VERY IMPORTANT STORY. IN NACo'S VIEW, URBAN COUNTY-SMALL COMMUNITY COOPERATIVE COMMUNITY DEVELOPMENT PROGRAMS REPRESENT AN UNPRECEDENTED ACHIEVEMENT IN THE AREA OF INTERGOVERNMENTAL COOPERATION -- ONE WHICH WAS NEITHER FULLY UNDERSTOOD OR ANTICIPATED AT THE TIME OF PASSAGE OF THE 1974 ACT.

PRESENTLY, THERE IS GENERAL SATISFACTION AMONG URBAN COUNTY OFFICIALS WITH THE OPERATION OF THE COMMUNITY DEVELOPMENT PROGRAM. IT HAS SERVED TO EXPAND THE ROLE AND RESPONSIBILITIES OF LOCAL ELECTED OFFICIALS, HAS FOSTERED CITIZEN INVOLVEMENT IN THE PLANNING FOR THE FUTURE OF THEIR COMMUNITIES, AND HAS PROVEN TO BE A FLEXIBLE TOOL FOR DEVELOPING STRATEGIES TO MEET LOCALLY DETERMINED OBJECTIVES FOR

IMPROVING THE QUALITY OF LIFE FOR ALL CITIZENS -- PARTICULARLY THOSE OF LOW AND MODERATE INCOME. ALTHOUGH THERE ARE SHORTCOMINGS IN THE COMMUNITY DEVELOPMENT PROGRAM WHICH WE WILL DETAIL LATER IN OUR STATEMENT, THE MOST GLARING DEFICIENCY, AND THE CAUSE OF GREAT FRUSTRATION, HAS BEEN THE LACK OF AN ADEQUATE HOUSING ASSISTANCE PROGRAM. WE ARE ENCOURAGED BY THE STATEMENTS OF HUD SECRETARY HARRIS CONCERNING IMPLEMENTATION OF AN EXPANDED, ASSISTED HOUSING PROGRAM. WITHOUT ADEQUATELY FUNDED AND VIABLE SUBSIDIZED HOUSING PROGRAMS, NEITHER THE GOALS OF "A DECENT HOME AND A SUITABLE LIVING ENVIRONMENT" EXPRESSED IN THE HOUSING ACTS OF 1949 AND 1968, NOR THE HOUSING DISPERSAL POLICIES ENUNCIATED IN THE 1974 ACT, CAN BECOME A REALITY. WITHOUT ADEQUATE HOUSING PROGRAMS, THE POLICY POTENTIAL OF THE HOUSING ASSISTANCE PLAN WILL NOT BE REALIZED AND ITS USEFULNESS WILL BE SERIOUSLY UNDERMINED.

#### USE OF FUNDS

DURING THE FIRST YEAR OF THE COMMUNITY DEVELOPMENT PROGRAM, URBAN COUNTIES UNDERTOOK MULTI-DIMENSIONAL PROGRAMS WHICH DIRECTED FUNDS TO A BROAD RANGE OF NATIONAL OBJECTIVES OUTLINED IN THE ACT. AMONG THE OBJECTIVES ADDRESSED BY URBAN COUNTIES WERE CONSERVATION AND EXPANSION OF THE HOUSING STOCK, EXPANSION OF COMMUNITY SERVICES, MORE RATIONAL UTILITIZATION OF LAND AND NATURAL RESOURCES, AND TO A LESSER EXTENT, THE ELIMINATION AND PREVENTION OF SLUMS AND BLIGHT AND ALLEVIATION OF DETRIMENTAL CONDITIONS.

FOR EXAMPLE, URBAN COUNTIES IN FISCAL '75 ALLOCATED APPROXIMATELY 14 PERCENT OF THEIR FUNDS FOR THE ELIMINATION OF SLUMS AND BLIGHT, ABOUT 10 PERCENT FOR THE ELIMINATION OF DETRIMENTAL CONDITIONS, APPROXIMATELY 15 PERCENT FOR CONSERVATION AND EXPANSION OF HOUSING STOCK, 10 PERCENT FOR THE EXPANSION AND IMPROVEMENT OF COMMUNITY SERVICES AND NEARLY 50 PERCENT FOR THE MORE RATIONAL UTILIZATION OF LAND.

IN CONTRAST, METROPOLITAN CITIES SPENT 49 PERCENT ON THE ELIMINATION OF SLUMS AND BLIGHT, 4 PERCENT ON THE ELIMINATION OF DETRIMENTAL CONDITIONS, 17 PERCENT ON HOUSING STOCK CONSERVATION AND EXPANSION, 13 PERCENT ON IMPROVEMENT OF COMMUNITY SERVICES AND 15 PERCENT ON MORE RATIONAL LAND UTILIZATION.

SEVERAL FACTORS INFLUENCED THE PURPOSES FOR WHICH URBAN COUNTIES SPENT FUNDS IN THE FIRST YEAR. WHEN THEIR SPENDING PATTERNS ARE COMPARED WITH METROPOLITAN CITIES, STRIKING SIMILARITIES AS WELL AS DIFFERENCES ARE EVIDENT.

FIRST, AND PROBABLY MOST SIGNIFICANT, IS THE EXTENSIVE PRIOR CITY PARTICIPATION IN URBAN RENEWAL, NEIGHBORHOOD DEVELOPMENT AND MODEL CITIES PROGRAMS. SINCE THESE PROGRAMS REQUIRE A LENGTHY PERIOD OF TIME FOR INCEPTION TO COMPLETION, IT IS REASONABLE TO EXPECT CITIES TO CONTINUE MANY OF THESE ONGOING PROGRAMS WITH COMMUNITY DEVELOPMENT FUNDS. REPORTS BY BOTH HUD AND OTHER NATIONAL ORGANIZATIONS TEND TO BEAR THIS OUT. URBAN COUNTIES, ONLY EIGHT OF WHICH HAD UNCOMPLETED URBAN RENEWAL AND NDP PROGRAMS, LACKED THE UNIQUE FOCUS WHICH PREVIOUS PARTICIPATION IN THESE CATEGORICAL PROGRAMS PROVIDED. IT IS NACo'S BELIEF THAT COUNTY PROGRAMS WILL BE INCREASINGLY REFINED AND COORDINATED IN FUTURE YEARS; WHILE ON THE OTHER HAND, MANY CITIES MAY ADOPT A MORE MULTI-DIMENSIONAL PROGRAM IN SUBSEQUENT YEARS AS COMMITMENTS TO PAST CATEGORICAL PROGRAMS ARE FULFILLED.

SECOND, URBAN COUNTIES WERE AT A DISTINCT DISADVANTAGE VIS A VIS CITIES DUE TO THE SUBSTANTIALLY MORE ABBREVIATED TIME FRAME FOR DEVELOPING AN APPLICATION. THE COMPLEX NATURE OF URBAN COUNTY QUALIFICATION PROCEDURES, AS REQUIRED BY THE ACT AND ADMINISTERED BY HUD, CREATED SIGNIFICANT PROBLEMS AND LENGTHY DELAYS. MOST CITIES WERE ABLE TO BEGIN THEIR PLANNING PROCESS, DEVELOP AN ADMINISTRATIVE STRUCTURE AND DEVISE PROCEDURES FOR CITIZEN PARTICIPATION IMMEDIATELY AFTER PASSAGE OF THE ACT IN AUGUST OF 1974. HOWEVER, URBAN COUNTIES WERE SUBJECTED TO A LENGTHY CERTIFICATION PROCESS WHICH WAS NOT COMPLETED BY HUD UNTIL MARCH OF 1975. THE SEVEN MONTHS GAINED BY CITIES NO DOUBT LED TO A MORE COMPREHENSIVE APPROACH TO COMMUNITY DEVELOPMENT IN THE FIRST YEAR. IT IS OUR VIEW THAT SECOND AND THIRD YEAR URBAN COUNTY APPLICATIONS WILL REFLECT THE MORE THOUGHTFUL PLANNING AND PROGRAMMING PROCESSES THAT ONLY THE LUXURY OF TIME CAN PROVIDE.

THIRD, UNLIKE CITIES WHICH ARE A COHESIVE LEGAL ENTITY, ALL BUT THREE OF THE 73 URBAN COUNTIES REPRESENT AN AMALGAMATION OF SMALLER CITIES, VILLAGES, AND TOWNS.

BECAUSE THE URBAN COUNTY IS A MULTI-JURISDICTIONAL ENTITY, WITH EACH INCLUDED UNIT EVIDENCING WIDELY VARYING COMMUNITY DEVELOPMENT AND HOUSING ASSISTANCE NEEDS, IT IS NOT UNREASONABLE TO EXPECT THE PROGRAM FOCUS OF THE URBAN COUNTY TO REFLECT THIS DIVERSITY AND FRAGMENTATION -- PARTICULARLY DURING THE INITIAL STAGES OF THE PROGRAM. THE COOPERATIVE ELEMENT ESTABLISHED NEW RELATIONSHIPS BETWEEN COUNTIES AND THEIR INCLUDED UNITS; RELATIONSHIPS WHICH, IN MOST CASES, WERE VERY TENUOUS AND CAUSED WIDE DISPERSAL OF PROGRAM FUNDS. AS THE COOPERATIVE RELATIONSHIP BECOMES A MORE ESTABLISHED VEHICLE FOR ADDRESSING COMMUNITY DEVELOPMENT AND ASSISTED HOUSING NEEDS, MORE SUBSTANTIAL LONG-TERM PROGRAMS FOR MEETING THESE NEEDS WILL NO DOUBT BE DEVELOPED.

FINALLY, A MAJOR FACTOR WHICH ULTIMATELY DICTATES PROGRAM DESIGN IS MONEY, AND ON THIS POINT URBAN COUNTIES WERE AT A DISTINCT DISADVANTAGE. THE AVERAGE GRANT TO THE 26 METROPOLITAN CITIES OF MORE THAN 500,000 IN POPULATION IN FISCAL 1975 WAS \$23.7 MILLION. THE TEN URBAN COUNTIES WHICH FALL INTO THIS POPULATION CATEGORY RECEIVED AN AVERAGE ANNUAL GRANT OF \$5.4 MILLION. THREE OF THESE TEN COUNTIES ARE RELATIVELY HIGH HOLD-HARMLESS JURISDICTIONS, AND IF THEIR GRANT AMOUNT IS DELETED, THE AVERAGE GRANT OF THE REMAINING URBAN COUNTIES IS \$1.8 MILLION. CITIES WITH POPULATIONS IN THE 250,000 TO 499,999 POPULATION CLASSIFICATION RECEIVED AN ANNUAL GRANT OF \$9.9 MILLION; WHILE SIMILARLY SIZED COUNTIES RECEIVED \$1.1 MILLION. THERE IS NO DOUBT, THAT A SUBSTANTIAL INCREASE IN COMMUNITY DEVELOPMENT FUNDS TO URBAN COUNTIES WOULD PROVIDE THEM WITH SOME OF THE NECESSARY RESOURCES TO BEGIN TO UNDERTAKE EXPENSIVE DEVELOPMENT AND REDEVELOPMENT ACTIVITIES.

URBAN COUNTIES ARE ONLY 6 MONTHS INTO THEIR SECOND PROGRAM YEAR. ALTHOUGH A BREAKDOWN OF THEIR EXPENDITURES BY CATEGORIES IS NOT YET AVAILABLE, REPORTS RECEIVED BY NACo INDICATE SUBSTANTIAL DIFFERENCES IN WHERE SPENDING IS OCCURRING IN THE SECOND YEAR COMPARED TO THE FIRST.

RECOMMENDATIONS

AS YOU CAN SEE, MR. CHAIRMAN, THE URBAN COUNTY EXPERIENCE WITH THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM HAS BEEN A POSITIVE ONE. AS THE SUBCOMMITTEE PROCEEDS WITH REAUTHORIZATION, NACo WISHES TO OFFER FOR CONSIDERATION A NUMBER OF RECOMMENDATIONS:

1. CONGRESS SHOULD PROVIDE A LONG-TERM (I.E., AT LEAST 5 YEARS) REAUTHORIZATION OF THE PROGRAM WITH INCREASED FUNDING LEVELS EACH YEAR (AT LEAST \$3.5 - \$3.6 BILLION FOR FISCAL YEAR 1978). THE INCREASED FUNDING LEVELS SHOULD BE SUFFICIENT TO MEET THE NEEDS OF ENTITLEMENT COMMUNITIES PRESENTLY PARTICIPATING IN THE PROGRAM, COMPENSATE FOR INFLATION, INSURE A SUFFICIENT EARMARK OF DISCRETIONARY FUNDS, AND ACCOMMODATE ANY FORMULA CHANGES.

A MULTI-YEAR REAUTHORIZATION OF THE PROGRAM IS ESSENTIAL TO PROVIDE RECIPIENTS WITH A MEASURE OF CERTAINTY CONCERNING FUNDING, THEREBY FACILITATING LONGER RANGE AND MORE COMPREHENSIVE COMMUNITY DEVELOPMENT PLANNING. INCREASED FUNDING LEVELS ARE LIKEWISE NECESSARY TO ACCOMMODATE GREATER DEMANDS BEING MADE ON THE PROGRAM FOR VARIOUS PROPOSED FORMULA CHANGES, AND TO GUARANTEE A REASONABLE LEVEL OF DISCRETIONARY FUNDS, WHILE AT THE SAME TIME PRESERVING FUNDING FOR EXISTING ENTITLEMENT COMMUNITIES. IN THIS REGARD, NACo IS PLEASED TO SEE THAT BOTH THE FORD AND CARTER ADMINISTRATIONS PROPOSE A \$3.5 - \$3.6 BILLION FISCAL 1978 FUNDING LEVEL.

2. THE ACT'S PROVISIONS CALLING FOR A GRADUAL SHIFT TO FORMULA FUNDING FOR ALL ENTITLEMENT JURISDICTIONS AFTER THE INITIAL THREE YEARS OF THE PROGRAM (I.E., PHASE OUT OF "HOLD HARMLESS") SHOULD REMAIN UNCHANGED. THE LOSS OF FUNDS BY INDIVIDUAL JURISDICTIONS RESULTING FROM THE PHASE OUT OF HOLD HARMLESS SHOULD BE ACCOMMODATED THROUGH THE USE OF OPTIONAL FORMULAS OR ADDITIONAL FUNDING FOR NEIGHBORHOOD IMPROVEMENT AND REDEVELOPMENT.

THE ISSUE POSED BY THE PHASE OUT OF HOLD HARMLESS IS ONE OF EQUITY. CONGRESS DETERMINED, IN APPROVING THE 1974 ACT, THAT COMMUNITIES WHICH WERE GOOD "GRANTSMEN" IN THE ERA OF THE CATEGORICAL COMMUNITY DEVELOPMENT PROGRAMS SHOULD NOT CONTINUE

TO ENJOY THIS ADVANTAGE PERMANENTLY WHEN THE PROGRAM'S GOAL WAS TO EVENTUALLY FUND EVERYONE BY A NEEDS FORMULA. ON THE OTHER HAND, OBSERVATION ALONE IS SUFFICIENT TO POINT OUT THE FACT THAT SOME JURISDICTIONS WHOSE HOLD HARMLESS IS PHASING OUT ARE EXPERIENCING SIGNIFICANT DECAY AND NEED ADDITIONAL RATHER THAN FEWER FUNDS TO HAVE AN IMPACT ON STEMMING DECAY.

THE PROPOSED \$400 MILLION "URBAN DEVELOPMENT ACTION GRANT" PROGRAM, TOGETHER WITH A SYSTEM OF OPTIONAL FORMULAS BEING PROPOSED BY THE ADMINISTRATION, MAY BE AN APPROPRIATE APPROACH TO PROVIDING ADEQUATE FUNDING FOR ENTITLEMENT COMMUNITIES AS WELL AS THOSE METROPOLITAN CITIES AND URBAN COUNTIES WHOSE HOLD HARMLESS GRANTS PHASE OUT. HOWEVER, AT THIS POINT, THE PROPOSAL RAISES MORE QUESTIONS THAN IT ANSWERS.

WHO WOULD BE ELIGIBLE FOR GRANTS? NACo COULD NOT SUPPORT A PROGRAM WHICH LIMITS FUNDING EXCLUSIVELY TO CITIES AS HUD PROPOSES. AT THE VERY MINIMUM, ALL CITIES AND COUNTIES SHOULD BE ELIGIBLE TO APPLY FOR THESE ACTION GRANTS.

HOW DOES THIS PROGRAM OF ECONOMIC REVITALIZATION DIFFER FROM THE REGULAR ECONOMIC DEVELOPMENT GRANT AND LOAN PROGRAMS ADMINISTERED BY THE ECONOMIC DEVELOPMENT ADMINISTRATION? THE EDA PROGRAMS ARE DESIGNED TO DEAL WITH PERSISTENT AND SUBSTANTIAL UNEMPLOYMENT AND UNDEREMPLOYMENT, SOME OF WHICH MAY BE RELATED TO PHYSICAL DECAY. THE PROGRAMS ARE VERY EFFECTIVE IN WHAT THEY ATTEMPT TO DO. WOULD THE NEW HUD PROGRAM COMPETE WITH EDA'S PROGRAMS IN URBAN AREAS? SHOULD NOT COMMUNITY DEVELOPMENT FUNDS BE USED TO LEVERAGE, NOT COMPETE AGAINST, OTHER FEDERAL FUNDS?

IS THIS PROGRAM INTENDED TO STIMULATE LONG-TERM REDEVELOPMENT OF INNER CITY AREAS? IF SO, HOW DOES IT DIFFER FROM THE OLD URBAN RENEWAL PROGRAM?

IN LIGHT OF ALL THE QUESTIONS AND CONCERNS WHICH THE PROPOSED URBAN PROGRAM RAISES, NACo RECOMMENDS THAT CONSIDERATION OF IT BE DELAYED UNTIL IT CAN BE SUFFICIENTLY REVIEWED BY ONE OF THE TASK FORCES OF THIS SUBCOMMITTEE, RECENTLY BY CHAIRMAN ASHLEY. THE ISSUE IS TOO IMPORTANT TO BE HASTILY CONSIDERED IN TIME TO MEET THE TIMETABLE MANDATED BY THE CONGRESSIONAL BUDGET PROCESS.

3. THE CONGRESS SHOULD PRESERVE EXISTING URBAN COUNTY ELIGIBILITY FOR ENTITLEMENT STATUS AND EXPAND IT TO INCLUDE OTHER COUNTIES, WITH FUNDING COMING EITHER FROM DISCRETIONARY OR ADDITIONAL FUNDS.

AS THE LEVEL OF FUNDING FOR THE PROGRAM INCREASES, ADDITIONAL DISCRETIONARY FUNDS WILL BE MADE AVAILABLE. IN ORDER TO EXTEND THE BENEFITS OF GUARANTEED BLOCK GRANT FUNDING TO OTHER JURISDICTIONS, TO AID THEM IN ADDRESSING THEIR COMMUNITY DEVELOPMENT AND HOUSING NEEDS, NACo URGES THAT THE POPULATION FOR URBAN COUNTY DESIGNATION BE REDUCED BELOW 200,000.

4. CONGRESS SHOULD EXPAND THE COMMUNITY DEVELOPMENT PROGRAM REQUIREMENTS RELATING TO THE TARGETING OF FUNDS TO BENEFIT LOW AND MODERATE INCOME FAMILIES AND ELIMINATING AND PREVENTING SLUMS AND BLIGHT TO REQUIRE CERTIFICATION BY THE RECIPIENT THAT THE ACTIVITIES FUNDED WITH COMMUNITY DEVELOPMENT FUNDS BENEFIT LOW AND MODERATE INCOME FAMILIES AND/OR ELIMINATE AND PREVENT BLIGHTED AREAS OR CONDITIONS.

NACo IS AWARE THAT SUBSTANTIAL CRITICISM HAS SURFACED RELATING TO THE APPARENT LACK OF SPENDING A SIGNIFICANT AMOUNT OF FUNDS FOR THE BENEFIT OF LOW AND MODERATE INCOME PERSONS AND/OR ELIMINATE AND PREVENT SLUMS AND BLIGHT. SOME OF THE CRITICISM, NO DOUBT, IS VALID, BUT SOME MAY ALSO BE UNJUSTIFIED BECAUSE THE MEASURE OF DETERMINING WHERE FUNDS ARE SPENT -- CENSUS TRACT ANALYSIS -- IS QUITE IMPRECISE. IN ORDER TO INSURE THAT FUNDS ARE SPENT FOR THE BENEFIT OF LOW AND MODERATE INCOME PERSONS AND/OR TO ELIMINATE AND PREVENT SLUMS AND BLIGHT, CONGRESS SHOULD DIRECT THAT HUD REQUIRE APPLICANTS TO CERTIFY THAT ALL ACTIVITY PROPOSED TO BE FUNDED WITH COMMUNITY DEVELOPMENT FUNDS BE FOR THE BENEFIT OF LOW AND MODERATE INCOME PERSONS AND/OR FOR THE ELIMINATION AND PREVENTION OF SLUMS AND BLIGHT.

5. CONGRESS SHOULD AMEND THE COMMUNITY DEVELOPMENT ACT TO SPECIFICALLY AND EXPLICITLY LIMIT THE USE OF COMMUNITY DEVELOPMENT FUNDS FOR SUPPORTING SOCIAL SERVICES TO NO MORE THAN 20 PERCENT OF A RECIPIENT'S GRANT.

THE CONFERENCE REPORT ON THE 1974 ACT STATES THAT RECIPIENTS MAY NOT USE MORE THAN 20 PERCENT OF THEIR FUNDS FOR PUBLIC (SOCIAL) SERVICES (WHICH MAY BE FUNDED UNDER OTHER PROGRAMS). THE LANGUAGE OF THE ACT, HOWEVER, DOES NOT CONTAIN THIS RESTRICTION. WHILE NOT ATTEMPTING TO INSTITUTIONALIZE THE 20 PERCENT, THE RESTRICTION SHOULD BE CLEARLY STATED IN THE LAW SO AS TO AVOID CREATING DIFFICULTIES AND FALSE EXPECTATIONS WITHIN CITIZENS' GROUPS AND SOCIAL WELFARE ORGANIZATIONS.

6. THE STATE ROLE IN COMMUNITY DEVELOPMENT SHOULD BE PRIMARILY THAT OF PROVIDING TECHNICAL ASSISTANCE (THROUGH FEDERAL FUNDS) TO SMALL COUNTIES AND CITIES, PARTICULARLY IN RURAL AREAS, AS WELL AS HAVING THE OPPORTUNITY TO APPLY FOR DISCRETIONARY FUNDS IN CONJUNCTION WITH LOCAL GOVERNMENTS.

THE PREVIOUS ADMINISTRATION'S FISCAL YEAR 1978 BUDGET PROPOSED THAT STATES BE GIVEN RESPONSIBILITY FOR DISTRIBUTING ALL DISCRETIONARY FUNDS. THIS IS NOT AN APPROPRIATE ROLE FOR THE STATES IN COMMUNITY DEVELOPMENT. WHAT IS APPROPRIATE IS THE ROLE OF PROVIDING TECHNICAL ASSISTANCE IN COMMUNITY DEVELOPMENT, AND CONGRESS SHOULD PROVIDE FUNDS FOR THIS PURPOSE. BEYOND THIS, THE STATES SHOULD HAVE NO GREATER ROLE THAN THEY PRESENTLY HAVE IN THE PROGRAM, I.E., THE OPPORTUNITY TO APPLY FOR DISCRETIONARY FUNDS.

7. CONGRESS SHOULD SPECIFICALLY AUTHORIZE AND ENCOURAGE THE JOINT UNDERTAKING OF COMMUNITY DEVELOPMENT BY URBAN COUNTIES AND METROPOLITAN CITIES.

AS HUD IS PRESENTLY ADMINISTERING THE COMMUNITY DEVELOPMENT PROGRAM, AN URBAN COUNTY AND A METROPOLITAN CITY ARE PROHIBITED FROM "POOLING" FUNDS TO JOINTLY SPONSOR A DEVELOPMENT ACTIVITY UNLESS BOTH CAN PROVE THAT THE ACTIVITY IS OF "PRIMARY BENEFIT". IN ADDITION, AN URBAN COUNTY IS ADMINISTRATIVELY PROHIBITED FROM CARRYING OUT ANY COMMUNITY DEVELOPMENT ACTIVITY WITHIN AN ENTITLEMENT CITY,



EVEN AT THE CITY' REQUEST. ALTHOUGH THERE MAY BE SOME JUSTIFICATION FOR LIMITING THE USE OF FUNDS IN THIS MANNER, NACo RECOMMENDS GREATER FLEXIBILITY AND LOCAL DISCRETION IN UNDERTAKING JOINT ACTIVITIES WITH ULTIMATE APPROVAL GIVEN BY HUD ON THE MERITS OF EACH CASE; RATHER THAN THE PRESENTLY EMPLOYED POLICY OF TOTAL DISAPPROVAL.

IN MANY PARTS OF THE COUNTRY, UNINCORPORATED AREAS THREAD IN AND AMONG INCORPORATED JURISDICTIONS, MAY OF WHICH ARE ENTITLEMENT CITIES. THE PROBLEMS OF BLIGHT, POVERTY AND DETERIORATED HOUSING, HOWEVER, OFTEN SPREAD OVER JURISDICTIONAL BOUNDARIES AND CANNOT BE ADDRESSED BY A SINGLE LOCAL GOVERNMENT. IN ADDITION, FEW JURISDICTIONS CAN ADDRESS ALL OF THEIR COMMUNITY DEVELOPMENT AND HOUSING PROBLEMS AT ONE TIME.

A POLICY WHICH ALLOWED, ON A CASE BY CASE BASIS, COMMINGLING OF FUNDS OR ONE JURISDICTION TO OPERATE ON BEHALF OF ANOTHER UPON REQUEST, WOULD HELP TO ADDRESS THE TRUE NEEDS OF METROPOLITAN AREAS. AS PRESENTLY ADMINISTERED, A BARRIER HAS BEEN ERECTED BETWEEN CONTIGUOUS ENTITLEMENT JURISDICTIONS. IN EFFECT, WALLED ENCLAVES OF SPHERES OF ACTIVITY HAVE BEEN CREATED WITH LITTLE THOUGHT OR ENCOURAGEMENT BEING GIVEN TO SOLVING JOINT PROBLEMS. NACo THEREFORE URGES THE CONGRESS TO DIRECT HUD TO MODIFY ITS REGULATIONS TO PERMIT JOINT UNDERTAKINGS BY METROPOLITAN CITIES AND URBAN COUNTIES.

8. THE SECTION 312 REHABILITATION LOAN PROGRAM SHOULD REMAIN A SEPARATE PROGRAM AND SHOULD BE ADEQUATELY FUNDED. PRIORITY FOR FUNDING 312 SHOULD BE GIVEN TO JURISDICTIONS WHICH ARE UNDERTAKING HOUSING REHABILITATION AND CONSERVATION PROGRAMS WITH COMMUNITY DEVELOPMENT FUNDS IN ORDER TO COMPLEMENT AND EXPAND THESE EFFORTS.

PRESENT HUD REGULATIONS PERMIT REHABILITATION GRANTS AND LOANS ONLY "IN CONNECTION WITH OTHER PHYSICAL DEVELOPMENT ACTIVITIES." ALTHOUGH NACo AGREES WITH THE GENERAL INTENT OF THIS REQUIREMENT -- THE CONCENTRATION OF RESOURCES IN TARGET NEIGHBORHOODS TO PREVENT GENERAL NEIGHBORHOOD DECLINE -- THERE IS SUBSTANTIAL EVIDENCE THAT MORE FLEXIBLE PROCEDURES SHOULD BE EMPLOYED IN SOME

INSTANCES. IN MOST URBAN COUNTIES AS WELL AS MANY SUBURBAN ENTITLEMENT CITIES, THE MAJORITY OF SUBSTANDARD HOUSING UNITS ARE NOT LOCATED IN CONCENTRATED AREAS, BUT ARE WIDELY SCATTERED THROUGHOUT THE COMMUNITY. THIS RULE EFFECTIVELY PROHIBITS THESE JURISDICTIONS FROM AIDING MANY NEEDY HOMEOWNERS AND DISCOURAGES THE UNDERTAKING OF HOUSING REHABILITATION ACTIVITIES. NACo RECOMMENDS THAT PRESENT GEOGRAPHICAL RESTRICTIONS BE REMOVED ON A CASE BY CASE BASIS, IF THE APPLICANT CAN DEMONSTRATE THAT "CONCENTRATION" CANNOT BE UTILIZED AS AN EFFECTIVE REHABILITATION CRITERION. URBAN COUNTIES HAVE USED A SIGNIFICANT AMOUNT OF THEIR COMMUNITY DEVELOPMENT FUNDS FOR HOUSING REHABILITATION. IN THE FIRST YEAR, 4400 UNITS WERE REHABED, 12,000 IN YEAR TWO. IN THE FIRST YEAR, 5 URBAN COUNTIES PARTICIPATED IN THE 312 PROGRAM AND 9 IN THE SECOND YEAR. THESE EFFORTS SHOULD BE ENCOURAGED THROUGH PROVIDING 312 AS A COMPLEMENT TO REHAB ACTIVITIES UNDER COMMUNITY DEVELOPMENT.

MR. CHAIRMAN, LET ME SAY A WORD ABOUT HOUSING.

IN NACo'S VIEW, ONE OF THE MOST POSITIVE ASPECTS OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 WAS THE FORMALIZED LINKAGE ESTABLISHED BETWEEN PHYSICAL DEVELOPMENT AND HOUSING PROGRAMS. UNFORTUNATELY, THE RELATIONSHIP SOUGHT BY THE CONGRESS IN 1974 HAS NOT BECOME A REALITY. IN A SURVEY CONDUCTED BY NACo IN MAY OF LAST YEAR, 40 PERCENT OF THE URBAN COUNTIES INDICATED THAT THEY RECEIVED LESS THAN 50 PERCENT OF THE HOUSING REQUESTED IN THEIR HOUSING ASSISTANCE PLANS. THE DEFICIENCY IS EVEN MORE GLARING DUE TO THE FACT THAT MOST OF THE URBAN COUNTIES INDICATED THAT THEIR FIRST YEAR ASSISTED HOUSING ESTIMATES WERE SUBSTANTIALLY LOWER THAN WHAT HAS BEEN DOCUMENTED IN SUBSEQUENT YEARS.

THE MAJOR CONSTRAINT IDENTIFIED BY THE URBAN COUNTIES WAS THE FINANCING OF SECTION 8 PARTICULARLY, FOR NEW CONSTRUCTION AND FAMILY HOUSING. THE SECTION 8 EXISTING HOUSING PROGRAM HAS BEEN SUCCESSFUL IN SEVERAL URBAN COUNTIES SUCH AS ST. LOUIS COUNTY, MISSOURI, WHERE 900 FAMILIES WILL RECEIVE ASSISTANCE BY THE END OF THE FISCAL YEAR. THE SUCCESS OF AN EXISTING HOUSING PROGRAM, HOWEVER, IS DEPENDENT UPON TWO ESSENTIAL FACTORS: A HIGH VACANCY RATE AND A LARGE STOCK OF STANDARD HOUSING. VERY FEW OF THE URBAN COUNTIES EXHIBIT THESE CHARACTERISTICS AND, AS A RESULT, HAVE FEW OPTIONS AVAILABLE TO MEET CRITICAL HOUSING NEEDS.

BECAUSE THE URBAN COUNTY REPRESENTS A UNIQUE OPPORTUNITY TO MEET THE HOUSING DISPERSAL REQUIREMENTS IN THE 1974 ACT, BY EXPANDING HOUSING OPPORTUNITIES ON A REGIONAL BASIS AND PROVIDING HOUSING NEAR NEW INDUSTRIAL DEVELOPMENTS, NACo CALLS UPON THE CONGRESS TO REVIEW AND ASSESS THE ADEQUACY OF PRESENT HOUSING SUBSIDY PROGRAMS. IN THIS REGARD, SPECIAL ATTENTION SHOULD BE GIVEN TO THE PRICE OF HOUSING IN HIGH COST AREAS AND THE HOUSING NEEDS OF LARGE LOW INCOME FAMILIES. THESE NEEDS ARE NOT BEING MET BY PRESENT SUBSIDY PROGRAMS. NEW FEDERAL HOUSING DIRECTIVES SHOULD SEEK TO ENCOURAGE AND EXPAND THE GROWING INTEREST IN HOUSING REHABILITATION AND CONSERVATION. FINALLY, DUE TO THE SPIRALING COSTS OF HOUSING THROUGHOUT THE COUNTRY, SERIOUS CONSIDERATION SHOULD BE GIVEN TO EXPANDING THE SECTION 235 HOME OWNERSHIP PROGRAM TO QUALIFIED LOW, MODERATE, AND MIDDLE INCOME FAMILIES.

MR. CHAIRMAN, WE THANK YOU AGAIN FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY AND WE URGE YOUR FAVORABLE CONSIDERATION OF OUR RECOMMENDATIONS.

Mr. SCOTT. Mr. Chairman, I would like to introduce now Mr. Dodge, who will present his statement as the Chairman of the NACo Task Force on Planning and Community Development.

Mr. ASHLEY [presiding]. Mr. Dodge, if you would care to be extemporaneous in your testimony, your statement can be included at this point in the record.

We have some time constraints, as I am sure you are aware.

Mr. DODGE. Very good, Mr. Chairman, I would just like to briefly excerpt from that statement. I would like to emphasize in the comments I make the importance from the perspective of one who is responsible for a program in Allegheny County the importance for urban county participation. Also to share with you a bit of the experience in Allegheny County, Pa.

I would first, though, like to commend the subcommittee for sending staff out to visit in the field and commend especially Mr. James and Mr. McMurray for a very thoughtful set of questions and an interesting visit to Allegheny County.

We, the urban counties, have had a fantastic first and second year in the community development program. We have demonstrated the importance of urban counties in the program and have well-earned the entitlement that was extended to us by the Congress to participate.

First, we demonstrated that we have the same community development needs as our city brethren. The problems of central cities, like deteriorated housing stock, are rapidly becoming the problems of other suburbs, and in some cases, entire metropolitan areas.

In Allegheny County, for example, the problems of the county's milltowns are as old and severe as those in the city of Pittsburgh.

Moreover, indexes of the community development needs, the numbers of needy individuals and families in blighted housing has demonstrated the county has a great or greater need than the city of Pittsburgh, and this is demonstrated by a comparative table that is included in the text of the prepared statement.

That shows that Allegheny County has a greater number of families below the poverty level, a greater number of elderly units, elderly individuals, and a greater number of housing units built before 1939, houses with low assessed values, and houses without city sewers than the city of Pittsburgh.

Second, we have demonstrated that we could work with the municipalities in our midst in developing housing and community development plans.

Previous Federal and State government assistance programs have often encouraged more competition than cooperation in urbanized areas. Lack of cooperation leads to fragmented local efforts that we know all too well in dealing with community development programs and municipalities are usually overwhelmed by the problems in surrounding areas.

Competition, even worse, leads to wasted resources as neighboring jurisdictions promote similar residential or industrial development efforts and have one or all fail.

Beggar-thy-neighbor has often been the predominant urban policy. The community development program encourages cooperation, which results in effectively dealing with housing and community develop-

ment problems. The urban county is often the only unit of local government that can achieve this cooperation by developing and implementing the cohesive housing and community development plan which includes small and medium size municipalities and the unincorporated areas in between.

This cooperative programing could be the most important experiment in the community development program. We are not just passing community development dollars onto municipalities. We are developing priorities with the over 2,000 municipalities that are participating with us and targeting funds accordingly.

And I go on to point out that in Allegheny County we have selected areas for concentration for community development funds, targeted those funds, and then asked the municipalities to compete for the use of those funds.

In fact, in the third year of the program, I think we are doing something that is especially interesting, and that is we are in turn providing blocks of funding to the Council of Governments that exists within our boundaries and encouraging them to jointly program programs that benefit all of the municipalities served by that Council of Governments.

This cooperative approach, resulting in more effective targeting of housing and community development funds, could not previously occur under the shotgun approach of the categorical grant-in-aid programs.

The achievement of a joint programing and implementation between urban counties and municipalities in their midst alone justifies the participation of urban counties in the community development program and the provision of additional funds to future years.

The special community development needs of Allegheny County and other counties further justify our participation in the urban development action grants and small city strategy proposed by the Carter administration.

One of our legislative recommendations encourages further cooperation in joint programing between entitlement cities and urban counties. As we become increasingly aware that the problems of our urban areas are not restricted to central cities, we are also discovering that the solution cannot be achieved by central cities alone.

If we are to solve the problems of our central cities, we need to have the understanding and support of urban counties where the majority of our urban population now reside.

If we are to discourage competition between central cities and the remainder of urban counties, we need to encourage joint efforts that support that which is unique and critical in central cities and surrounding county areas respectively.

To do this we recommend that a bonus be provided of 10 to 25 percent of their allocations to entitlement cities and counties that jointly plan and implement their housing and community development funds, establishing priorities across the entire area served by these programs.

And for this idea I would like to credit Congressman William S. Moorhead, who made the suggestion first in Allegheny County at the first annual conference of urban counties in community development.

Finally, I would like emphasize an important point made by Jim Scott. In spite of the limitation of funds available to urban counties, we have managed to undertake numerous projects to eliminate or prevent slums.

In Allegheny County, again, for example, four neighborhood preservation projects with over 1,000 units were undertaken in our first-year program.

Three neighborhood preservation projects and modernization of a public housing project, for an additional 1,000 units, are being undertaken in our second-year program.

And six new neighborhoods, with over 1,000 units, will be undertaken in our third-year program, or for the first 3 years, over 3,000 units.

I would be happy to answer any questions you have on our full testimony or the full NACo statement and provide further information on the urban counties and the community development program.

[The prepared statement of Mr. Dodge, on behalf of the National Association of Counties, follows:]

PREPARED STATEMENT OF WILLIAM R. DODGE, JR., DIRECTOR  
OF PLANNING AND COMMUNITY DEVELOPMENT, ALLEGHENY  
COUNTY, PA.

My name is William Dodge. I am Director of the Allegheny County Department of Planning and Development and Co-Director of the Committee for Progress in Allegheny County. I chair NACo's Urban Counties in Community Development Task Force, composed of community development directors from urban counties across the nation. I am representing the National Association of Counties and the 75 urban counties and over 125 other counties participating in the Community Development program. I bring greetings from Commissioners Jim Flaherty, Tom Foerster, and Bob Peirce of Allegheny County.

We--the urban counties--have had a fantastic first year under the Community Development program. We have demonstrated the importance of urban counties in the Community Development program and have well-earned the entitlement that was extended to us by the U. S. Congress to participate in the program.

First, we have demonstrated that we have the same community development needs as our city brethren. The problems of the center cities--blight and deteriorated housing stock--are rapidly becoming the problems of older suburbs and in some cases entire metropolitan areas. In Allegheny County, for example, the problems of the County's mill towns are as old and severe as those of the City of Pittsburgh. Moreover, indices of community development need--numbers of needy individuals and families and blighted housing units--demonstrate that the County has as great or greater need than the City of Pittsburgh. As presented in the exhibit, following this page, the County outside the City of Pittsburgh has greater numbers of:

- . Families with incomes below the poverty level

## EXHIBIT I

COMPARATIVE INDICES OF  
COMMUNITY DEVELOPMENT NEED:  
CITY OF PITTSBURGH AND REMAINDER  
OF ALLEGHENY COUNTY

	<u>City of Pittsburgh</u>	<u>Remainder of Allegheny County</u>
<u>Housing</u>		
Number of units of owner-occupied housing of less than \$5,000 value	3,223	5,802
Percent of housing units with sewers	99%	86.7%
Number of housing units built before 1939	141,164	150,663
<u>Elderly Population</u>		
Number of citizens over 65 years of age	70,034	105,927
<u>Income</u>		
Number of families with incomes under \$2,000	5,526	6,453
Number of families under poverty level income	14,195	14,831
<u>Education</u>		
Number of citizens with no formal schooling	5,750	7,616
Number of citizens with 1-4 years of formal schooling	10,444	13,581



- . Elderly individuals
- . Housing units built before 1939, houses with low assessed values, or houses without sewers.

Moreover, the blighted areas of Allegheny and other counties are often in as great a need as the central cities since they do not have the concentration of commerce and industry required to attract new investment into their closed mills and new families into their residential neighborhoods.

Second, we have demonstrated that we can work with the municipalities in our midsts in developing housing and community development plans.

Previous federal and state government assistance programs have often encouraged more competition than cooperation in our urbanized areas. Lack of cooperation leads to fragmented local efforts that deal ineffectively with community development problems of individual municipalities and are usually overwhelmed by the problems of surrounding areas. Competition leads to wasted resources as neighboring jurisdictions promote similar commercial, residential, or industrial development efforts and have one or all fail.

The Community Development program encourages cooperation that results in effectively dealing with housing and community development problems. The urban county is often the only unit of local government that can achieve this cooperation by developing a cohesive housing and community development plan that includes small and medium sized municipalities and the unincorporated areas in between.

This cooperative programming could be the most important experiment in the Community Development program. We are not just passing Community Development dollars on to municipalities; we are developing priorities with the over 2,000 municipalities that are participating with us and targeting funds accordingly.

In Allegheny County, for example, we targeted funds on neighborhood preservation, municipal recreation, flood control, and municipal emergencies in the first and second year programs and distributed funds to over 50 municipalities and others on the basis of need. In the third year, we are also targeting funds to councils of governments throughout the County, further encouraging cooperative housing and community development efforts among groups of municipalities. A summary of the allocation of funds for the first, second, and tentative third year programs in Allegheny County is presented on Exhibit II, following this page. Other examples of counties can be cited--such as Tarrant County, Texas or Franklin County, Ohio--that are jointly programming greater amounts of community development funds among municipalities with each passing year of the program.

This cooperative approach is resulting in more effective targeting of housing and community development funds than previously occurred under the shotgun approach of the categorical grant-in-aid programs. The achievement of joint programming between urban counties and municipalities in their midsts alone justifies the participation of the urban counties in the Community Development program and the provision of additional funds to urban counties in future years. The special community development needs of Allegheny and other counties justify our further participation

## EXHIBIT II

SUMMARY OF FIRST, SECOND,  
AND TENTATIVE THIRD YEAR  
COMMUNITY DEVELOPMENT PROGRAMS  
IN ALLEGHENY COUNTY, PA

<u>Program Areas</u>	<u>Allocation of First and Second Year Program Funds</u>	<u>Percent of First and Second Year Program Funds</u>	<u>Tentative Allocation of Third Year Program Funds</u>	<u>Percent of Third Year Program Funds</u>
<u>Housing</u>	\$ 3,585,000	25.5%	\$2,000,000	23.9%
Neighborhood Preservation	2,300,000	16.4	1,450,000	17.3
Public Housing Rehabilitation	600,000	4.3		
Technical Assistance for New Housing Development	185,000	1.3		
Turtle Creek Housing Development Corporation	500,000	3.5		
Congregate Elderly Housing			200,000	2.3
Countywide Energy Conserva- tion Program			350,000	4.1
<u>County Development Activities</u>	<u>3,806,000</u>	<u>27.2</u>	<u>3,000,000</u>	<u>35.8</u>
County Recreation Activities	1,200,000	8.5		
County Development Activities	2,606,000	18.6	3,000,000	35.8
<u>Closing Out of Model Cities</u>	<u>2,397,000</u>	<u>17.1</u>		
<u>Municipal Development Projects</u>	<u>1,596,180</u>	<u>11.3</u>	<u>1,000,000</u>	<u>12.0</u>
Flood Control	750,000	5.3		
Municipal Recreation	446,180	3.2		
Municipal Urgent Needs	400,000	2.8		
<u>Human Services</u>	<u>825,851</u>	<u>5.9</u>	<u>354,968</u>	<u>4.2</u>
Senior Citizen Centers	689,851	4.9	299,968	3.6
Removal of Architectural Barriers	100,000	.7		
Neighborhood Facilities Expansion			55,000	.7
Valley Health Center	36,000	.2		
<u>Economic Development</u>	<u>451,000</u>	<u>3.2</u>	<u>700,000</u>	<u>8.4</u>
<u>Local Option Activities</u>	<u>14,969</u>	<u>.1</u>	<u>458,000</u>	<u>5.5</u>

## EXHIBIT II(2)

<u>Program Areas</u>	<u>Allocation of First and Second Year Program Funds</u>	<u>Percent of First and Second Year Program Funds</u>	<u>Tentative Allocation of Third Year Program Funds</u>	<u>Percent of Third Year Program Funds</u>
<u>Special Citizen Partici- pation Communication Program (Third Year)</u>			<u>100,000</u>	<u>1.2</u>
<u>Auditing of Community Development Program</u>			<u>150,000</u>	<u>1.8</u>
<u>Administration/Mandated Activities</u>	<u>1,362,000</u>	<u>9.7</u>	<u>600,000</u>	<u>7.2</u>
TOTAL	<u>\$14,038,000</u>	<u>100.0%</u>	<u>\$8,362,968</u>	<u>100.0%</u>

in the Urban Development Action Grants proposed by the Carter Administration.

One of our legislative recommendations encourages further cooperation in joint programming--between entitlement central cities and urban counties.

As we become increasingly aware that the problems of our urban areas are not restricted to central cities, we are also discovering that their solution cannot be achieved solely by central cities. If we are to solve the problems of our central cities, we need to have the understanding and support of urban counties where the majority of our urban population and wealth now reside. If we are to discourage competition between central cities and the remainder of urban counties, we need to encourage joint efforts that support that which is unique and critical in central cities and surrounding county areas, respectively. To do this, we recommend that a bonus be provided of 10 to 25 percent of entitlement allocations to entitlement cities and counties that jointly program their housing and community development funds, establishing priorities across the entire area served by these programs.

I would like to credit Congressman Bill Moorhead for this suggestion which he made in Allegheny County at the First Annual Conference of Urban Counties in Community Development.

Finally, I would like to briefly highlight our experience in the first year of the Community Development program as well as indicate how we are building upon that experience in the second year of the program.

1. Over 70 of us qualified to participate in the first two years of the Community Development program although only 15-20 of us had originally been expected to meet the qualification requirements.

We surprised and impressed ourselves and others by being such a large number of urban counties, demonstrating both the interest and powers necessary to qualify to participate in the Community Development program. Collectively, we represent over 60 million citizens; individually, we range in size from slightly over 200,000 population to over 7 million population. In the first year, we used over 26 million of our population to qualify as urban counties, preparing applications that included over 1900 municipalities within our boundaries. Since over 70 percent of these 1900 municipalities have populations of under 10,000 and 50 percent under 5,000, it is unlikely that many of them would have had the staff or program knowledge to otherwise prepare applications to participate in the Community Development program. In the second year, 75 of us qualified to participate in the Community Development program and included over 2,000 municipalities in our applications.

2. Our first year Community Development programs address the full range of legislative objectives for the Community Development program in spite of the limited funds available to urban counties.

Urban county applications for the first year of the Community Development program present projects that are directed at meeting all of the objectives of the Community Development program. Our

city brethren have focused more of their funds on the elimination and prevention of slums and blight for two very good reasons:

- . First, many of them are closing out urban renewal projects that were initiated prior to the Community Development program when large amounts of dollars were available for individual renewal projects. Whereas 13 of the urban counties had previously participated in the urban renewal program--often undertaking redevelopment for municipalities in our midsts--and 6 more in the Model Cities program, few have had urban renewal projects to be closed out as part of the Community Development program. Over half of the urban counties have been active participants in the public housing program (over 60,000 units in the urban counties) and even more had participated in the open space and sewer and water programs. It is our understanding from recent Department of Housing and Urban Development studies, however, that new commitments to Community Development program activities by both central cities and urban counties are more similar.
- . Second, and more importantly, the funds made available to urban counties compared to cities is significantly smaller making major redevelopment projects difficult if not impossible. For example, the average county with over 500,000 population received only 1/5 as much funding as the average city of the same size in the first year of the program (\$5.4 million as compared to \$23.7 million). The disparity increases if one looks at smaller communities. The average county of 250,000-500,000

received only 1/9 as much funding as the average city of the same size (\$1.1 million compared to \$9.9 million). In spite of the limitation of funds, however, numerous projects to eliminate or prevent slums have been undertaken by the urban counties. In Allegheny County, for example, four Neighborhood Preservation projects with over 1,000 units were undertaken in our first year program. Three Neighborhood Preservation projects and modernization of a public housing project for an additional 1,000 units are being undertaken in our second year program and 6 new neighborhoods with over 1,000 units will be undertaken in the third year program. In addition, we have made funds available for critical county economic development projects and municipal flood control, recreation, and emergency projects. And finally, we have used our countywide housing assistance plans to target housing so as to reduce the isolation of our low and moderate income groups from our other citizens.

I would be happy to answer any questions you have on my testimony or the full statement and provide any further information on urban county participation in the Community Development program.



Mr. ASHLEY. Thank you, Mr. Dodge.

Mr. BROWN?

Mr. BROWN. Thank you, Mr. Chairman.

Let me go back, Mr. Scott, to your statement first, if I may. You seem to stress the inability of counties to work with other units of government, especially entitlement cities, and you point out that this is prohibited under the regulations.

Is there a statutory basis for that? I don't recall that. I thought we attempted to stress in the 1974 act the concept of cooperation, of mutuality in projects that would benefit more than one community. We do that clearly by saying the smaller communities in an urban county can sign off and have the county do the work and so forth. Is that an interpretation of the law by HUD, or is there language in the act?

Mr. SCOTT. Mr. Congressman, I am going to ask Mr. Dodge and Mr. Murphy to respond to that. I think Mr. Dodge from Allegheny County is more familiar with that particular provision than I.

Mr. DODGE. Let me start out and try to respond as the one who has attempted to do this in one situation. I don't think there is an absolute, outright prohibition against—and I know there isn't. For example, Allegheny County—

Mr. BROWN. Well, it is not in the law.

Mr. DODGE. Right. And Allegheny County can carry out projects, for example, that are located in the city of Pittsburgh. But it is a more elaborate process that we have to go through to demonstrate that what we do in the city of Pittsburgh benefits citizens who live outside of the corporate limits of the city of Pittsburgh. And it's not an outright prohibition. It is just an extremely difficult process to go through to get that sort of approval from the HUD area office.

Mr. BROWN. Let me stop you there. Why?

Mr. DODGE. I can understand the explanations that are provided to us. It is the demonstration of the benefit of the program that we are carrying out going toward those citizens who live outside the city of Pittsburgh in the remainder of the county and that the funds that the city of Pittsburgh spends go primarily to those citizens who live in the boundaries of the city of Pittsburgh.

Mr. BROWN. In other words, then, you are saying that we have provided a basis in the law for HUD to extrapolate somewhat to require that there has to be a direct benefit to the counties if county funds are being used.

Mr. DODGE. Exactly, and there are areas where we could benefit from participation in each other's program. I will cite one example. The county does a fairly extensive neighborhood-based rehabilitation program where we select neighborhoods and carry out concentrated activities. The city on the other hand, has a home improvement loan program that is available fairly, —almost throughout the entire city itself. The two programs have slightly different approaches.

The point is that probably some aspects of what the county is doing could be done in the city and some aspects of what the city is doing could be done in the county. We could go much beyond what I think we are now doing and actually probably jointly participate in joint programs.

Mr. BROWN. But, one of the prime thrusts of the 1974 Act certainly was the elimination of slums and blight. It was somewhat revealing,

I thought, in Secretary Harris's testimony the other day, that I don't think the words "elimination of slums and blight" ever occurred in her testimony. She was constantly talking about low- and moderate-income families or lower income families.

Obviously that language concerning the elimination of slums and blight, hasn't been strictly interpreted. So, you have to show that somehow you are going to eliminate slums and blight. Why has there been such a strict interpretation about the intermingling of city and county funds?

Mr. DODGE. I don't really think I could venture a good explanation. I don't think I have heard a totally adequate explanation, and this is probably a question that would more appropriately be directed at those in the Department of Housing and Urban Development. But in practice it has created difficulties at the local level in attempting to undertake joint programs between entitlement cities and counties.

Mr. BROWN. Mr. Scott, in your statement you advocated that the population limit could possibly be reduced to qualify as an urban county. Don't you think that if that population figure were changed in any way that there ought to be a density requirement also?

Mr. SCOTT. Well—

Mr. BROWN. I mean, if you drop the figure down to 100,000, and have a geographic area that is tremendous, there really would not be an "urban" condition. If you're going to be an urban county, you might not have to have the population of 200,000, but you should at least have to have a certain density to qualify under the lower figure.

Mr. SCOTT. Well, it seems to me that density might very well be one factor to be considered in looking at the question of what is an urban area and what are its needs. Certainly the county I mentioned across the river would qualify, I think, under most formulas; and it would qualify, I suppose, under most criteria for density.

And I think what we are simply saying is that the current criteria don't really distinguish properly between urban communities and suburban communities, or communities and counties which are supplying essentially urban services, the full range of services which cities are supplying.

Mr. BROWN. To what extent has there been cooperation in these rural or less urban communities in dealing with funds from HUD and from the Farmers Home Administration? Is there a certain overlapping of availability of funds?

Mr. DODGE. If I could comment on that question from the perspective of Allegheny County. The county does have rural areas. There are a few hundred farms in the county that are rural by almost any definition, including those in the Department of Agriculture, but it's my understanding to date there has not been the first unit of Farmers Home Administration housing in the county.

We've now begun to enter into a debate with the Farmers Home Administration about getting a prototype housing project into the county.

One area where this creates somewhat of a difficulty and a bias against us as an urban county comes in attempting to put together a regionwide housing assistance plan, because whereas we can enter into a dialog about the distribution of those units that are under the control of the Department of Housing and Urban Development, we cannot as

easily enter into a discussion of the distribution of units that are provided by the Department of Agriculture.

So, we end up talking about a fair share of housing units from HUD and not talking at all about the additional units that go into the more rural counties from the Department of Agriculture. And one idea, I think we certainly should consider, is if we are attempting to put together housing assistance plans, as we are in our region that is region-wide, we ought to include all the subsidized housing programs that are available in that region.

Mr. BROWN. Well, why has it been so difficult for FmHA? Is it because of their population limitations and their strict adherence to those limits?

Mr. DODGE. I think it is a shared sort of responsibility. The Farmers Home Administration tends to carry out what is perceived from those rural areas as a very personal program. Having that agent in the county who is there to talk about the programs, talk them up and make sure they are taken advantage of, is a very important element in determining whether any FmHA housing goes into that county.

But there is no agent in Allegheny County for the Farmers Home Administration, so that is missing. On the other hand, I have to fault the county to some degree, also. It is only now within the last 6 months to a year that we have actively begun to get conversations going between, as it turns out, the Farmers Home Administration agent in the adjacent county and the interest the Allegheny County government has in doing a prototype program.

Mr. BROWN. The county extension agent pretty much acts as a representative of the Farmers Home Administration, doesn't he? Does the community development block grant director of the county sit down with him and attempt to work some of these things out?

Mr. DODGE. That has not happened until recently. It only appears to work effectively where that agent has some training in the programs, the Farmers Home Administration programs themselves.

Mr. BROWN. We are on a tight time constraint. I would continue this colloquy, but my time has expired.

Mr. ASHLEY. Mr. Patterson.

Mr. PATTERSON. Thank you, Mr. Chairman.

Mr. DODGE, let me describe an urban county to you, and you either agree with me or disagree. Many of us think an urban county is the central city with a big, large, dominant city that has all of the urban blight and all the urban problems which is surrounded by a whole bunch of suburbs. With the white flight and the wealthy moving out there is contention that those suburbs in fact are the urban county areas represented by your gentlemen and that you are not investing funds in the central city. Is that a correct assessment? That isn't an assessment. I would like to have you rebut that.

Mr. DODGE. I suspect I would have to be the first to admit that there is a wide variety in what characterizes an urban county, possibly even more than what characterizes a city, and there are urban counties that very closely approach the definition that you have provided of urban counties.

There are other urban counties which, I think, more represent smaller pockets, smaller concentrations of population scattered over a fairly large piece of geography that collectively, across that piece of geography, merit participation in the community development program because there is an ongoing need to address the community development needs that they have, whether they be blighted housing, or whatever, in those areas.

So, I don't think there's a single definition of urban county. I think more meet the model that you are speaking of, though, than ones that have a more general distribution of small concentrations of population across them.

Mr. SCOTT. Mr. Congressman, if I can respond to that, as well, if you look at this metropolitan area, you will find a range of urban counties. You will find the county which Mrs. Spellman represents, which certainly cannot be characterized as a typically wealthy suburban community but in fact has many of the same characteristics as the city of the District of Columbia, with a very, comparatively large supply of garden apartments and a low- and moderate-income housing stock.

In this region, as in other regions, the urban counties have entered in with the city in cooperative arrangements called in this area a fair-share arrangement, which distributes the subsidized housing according to formulas, based on the concept of dispersal as well as other factors.

In this situation, what it means is that most of the subsidized housing, or almost a majority of the subsidized housing, will be going into what are recognized as the two wealthier counties in this area, Montgomery County, Md., and Fairfax County, Va.

Mr. PATTERSON. For either of you gentlemen: What proportion of the so-called urban counties do you think have any kind of need for long-term redevelopment?

Is it a large or small number of the 70 or 73 urban counties?

Mr. DODGE. I think one of the interesting aspects of the experiment—is, I guess, a good way to refer to it—that has been extended by the Congress that allows the participation of urban counties in the community development program is that we are finding out more and more about ourselves which we ourselves did not even appreciate, by virtue of participation in this program. And whereas a year, a year and a half ago, when I became involved in urban county participation in the community development program, I would have answered your question with a very small number. I am not exactly sure how large that would be, but it would be on the basis of the counties I knew and would probably be a number less than a dozen. Now, a year later, I realize that number is definitely approaching 30 to 35, and the number is probably even larger than that.

It is surprising when one realizes now that even in counties where suburbanization has been a fairly recent phenomenon, and that makes up the greatest amount of their population, that some of the neighborhoods now are 25 years old, 30 years old, 35 years old, and their commercial areas are equally as old or older, and therefore, definitely, they are approaching that time where the long-term redevelopment

is going to be needed. And the sooner—as I am sure the subcommittee is aware—the sooner those problems are addressed, the more effective the solution will be for those problems.

Mr. PATTERSON. Do you think that urban counties should be allowed to participate in the urban development action grant programs?

Either or both of you may comment.

Mr. SCOTT. Yes, we think so. And we think that we need some more time to consider this new initiative. And we feel that because urban counties are providing the same kind of services as metropolitan cities, that we should not be shut out.

Mr. DODGE. If I might add to that response, I hope the example cited, of Allegheny County, and the extent of need that exists in the county in the various milltowns and old suburbs throughout the county very much demonstrates that the need is there for the same sort of long-term redevelopment tool or special development tool that is being talked about in the urban development action grants.

I think maybe we have reached the point in time where the easy reference to city or county, as far as eligibility in various types of programs, is increasingly difficult to make. Cities are no longer monolithic, and counties are no longer monolithic, and problems exist both places.

Rather than have legislation that says cities or counties, I would rather see something that says local governments, the emphasis being on those local governments that demonstrate the greatest need for a program of this type.

Mr. PATTERSON. Are you suggesting that in the action grant area, Allegheny County then would get together with the city of Pittsburgh and propose a joint kind of action grant proposal?

Mr. DODGE. I would not be at all opposed to that in Allegheny County's and Pittsburgh's case at all. I do not feel I can comment for all of the urban counties, though.

Mr. PATTERSON. Do you think that would be a wise approach to the action grant program, to have the choice?

Mr. DODGE. I certainly think it would create an incentive for that cooperation.

Mr. PATTERSON. You don't think blight stops with the end of the city limits?

Mr. DODGE. Not at all.

I often make the point that in some cases the blight of the milltowns in Allegheny County has spread over into the city of Pittsburgh, and that is very much the case.

Mr. PATTERSON. Thank you, gentlemen.

Mr. ASHLEY. Mr. Grassley. ;

Mr. GRASSLEY. Yes, Mr. Chairman. I just have one short question.

You haven't said so directly, but isn't part of your testimony here based on a fear that there are going to be more decisions made in Washington and less made at the local level? And your organization traditionally has sort of opposed too much concentration of decision-making in Washington. I assume you are going to see this as an effort to discourage local participation.

Mr. SCOTT. If decisionmaking is further removed, obviously, we would have some reservations about that.

We are concerned not only, however, with taking some of the decisionmaking from the local to the Federal level, but also the possibility that the local governments may be—their efforts may be undermined by placing more decisionmaking at the State level, as well, which we are not certain is the appropriate role for the States.

Mr. GRASSLEY. Traditionally, though, more of it has gone to Washington than has gone to the State level. It seems like State governments have been passed over pretty much in going directly from Washington to local communities, particularly to urban governments. You see the trend, then, to include more involvement by States with the suggested changes in these programs?

Mr. SCOTT. I think we are apprehensive that that might come about, and we are saying that we think the State role ought to be rather carefully limited to technical assistance, and that the local determination about the use of funds should be enhanced.

Mr. GRASSLEY. Thank you, Mr. Chairman. That is all I have.

Mr. ASHLEY. Gentlemen, thank you very much for your testimony.

Mr. BROWN. May I ask one more question?

Mr. ASHLEY. Sure.

Mr. BROWN. I recall in your statement, Mr. Scott, that you thought that the hold-harmless provisions of the present law should be permitted to continue.

Mr. SCOTT. We are really asking for a phasing out.

Mr. BROWN. In other words, that the provisions of present law not be changed?

Mr. SCOTT. That's right.

Mr. BROWN. The dual formula concept, you say will take care of any gross inequities that would occur through the phasing out that is provided for in present law.

Have I interpreted you correctly?

Mr. SCOTT. We would hope so.

Mr. DODGE. I think a key proviso there being that so long as the dual formula is not at the expense of existing participants in the program.

Mr. BROWN. In her testimony before, Secretary Harris said that—and I find it kind of difficult to believe—that with the \$3.5 billion funding level, you could use the dual formula and still not have entitlement cities getting any less than they would be entitled to under the current formula; and keep hold-harmless cities as though you did not phase out hold-harmless.

I don't know how the figures gel on that, but it seems rather difficult. It wasn't contemplated that the \$400 million action grant program would be used to supplement hold-harmless communities, but that these funds would be for individual project-by-project, city-by-city approvals on a purely discretionary basis on the part of the Secretary, with what appeared to me to be something less than ideal guidelines.

Mr. DODGE. I think our concern would be that whatever formula is put forward responds truly to what the housing and community development need of municipalities are, and from what we can perceive, the dual formula appears to be a step in that direction. But I think we, like you, would like to see what the impact of that dual formula would be on the participants in the program.

Mr. BROWN. I think the chairman asked for them to provide a print-out on what would happen under each formula; what would happen with respect to cities that would opt for one or the other; and what would be the ultimate result.

Am I not correct, Mr. Chairman?

Mr. ASHLEY. Yes.

Mr. BROWN. So, we should have that available before too long, and then I think we would all be in a better position to judge the formula approach.

I have no further questions, Mr. Chairman.

Thank you very much, gentlemen, for being with us this morning.

Mr. ASHLEY. We appreciate your testimony very much today. It has been most constructive.

The subcommittee will stand in recess until 2 o'clock this afternoon.

[Whereupon, at 12:25 p.m., the subcommittee recessed for lunch.]

### AFTERNOON SESSION

Mr. PATTERSON [presiding]. The Subcommittee on Housing and Community Development is in session, and we are honored and privileged to have a panel of distinguished witnesses this afternoon.

We would like to invite them to come forward, take a place opposite a microphone.

From the National Association of Regional Councils, James R. Williams, city councilman from Akron, Ohio; and from the American Institute of Architects, Mr. William Slayton, executive vice president; and from the Ad Hoc Committee on Adequate and Assured Community Development Program Funding, Michael J. Lonergan, chairman.

I hope we have space for each of you gentlemen. On behalf of the Subcommittee on Housing and Community Development, we welcome you this afternoon, gentlemen. Our chairman is otherwise engaged at this moment in the conference on the Third budget resolution, another necessary process in the governmental procedure and will join us later.

I would like to proceed in order of the agenda unless there is a preference which you might otherwise have. We will ask Mr. Councilman Williams of Akron, Ohio, you may proceed either by reading your testimony or, if you would like, we will enter your written testimony in the record and make it a part of the complete record, and you may extemporize on the matter as you wish.

Mr. WILLIAMS. Thank you very much, Mr. Chairman.

### STATEMENT OF JAMES R. WILLIAMS, CHAIRMAN, METROPOLITAN DEVELOPMENT COMMITTEE, MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF REGIONAL COUNCILS, ACCOMPANIED BY JOHN BOSLEY, COUNSEL

Mr. WILLIAMS. We certainly appreciate the opportunity to appear this afternoon on behalf of the National Association of Regional Councils.

I am here in my capacity as chairman of the Metropolitan Development Committee of the Regional Council and also a member of the board.

We would ask that the document that we have submitted to the committee be entered into the record, and we will only take a few minutes in an attempt to summarize it.

Mr. WILLIAMS. We have indicated some background material. On behalf of myself I would like to make a couple of other comments which I think are relevant.

In addition to being a councilman in the city of Akron, I have been involved in housing for a number of years. I spent 5 years with the department of planning and urban renewal in that city, and as such I was involved in the third largest urban renewal development in the country, which was one of the large clearance projects called Opportunity Park.

I am also chairman of the board of a large section 236 development, a 551-unit, section 236 development for senior citizens and family units in Akron, Ohio, and I always like to point out most importantly that when I went to Akron, Ohio, in 1955, my first home there was in public housing. I was a student with my family, and my little boy and I lived in the traditional public housing as I attended college there.

I think that is something that has helped me to understand Government's involvement and Government's role in providing housing for those in need.

I would like to comment on several areas that we think are pertinent. There are many others that are included in the material that you have before you.

The regional council, of course, the National Association of Regional Councils, represents more than 300 councils throughout the country. There are more than 600 councils throughout the country. All of the metropolitan areas are represented on the National Association of Regional Councils.

The points that we would like to make include the following. Some of the staff was present, and we reviewed the testimony with the Secretary of HUD from last week, and we are very pleased to note that some of the concerns that she has and some of the items that are included in the legislation considered by the subcommittee represent some of the concerns that we have, especially in terms of certain coordination difficulties that presently exist in Government and that regional councils have so often had to struggle with.

Even within HUD the Secretary noted the need for better links in coordinating the housing program; the community development efforts, I think she mentioned in particular, and we would like to elaborate briefly on several of those.

To focus on a narrow area, needed coordination, I would cite three HUD-sponsored planning programs for housing which involve regional council, the housing element requirement of the section 701 program, the areawide housing opportunities plan, which of course is the one where the incentive bonus funds are involved and the housing assistance plan which many regional councils have been involved in helping their local government members to develop under the community development block grant program.

It has been only recently that HUD has moved to try to require some coordination and some program compatibility between these programs. The National Association of Regional Councils would urge the



establishment of a requirement that local housing assistance plans not be inconsistent with areawide plans, along with a minimum requirement that areawide plans establish a general framework of principles for the region as a whole.

This does not mean a quantitative plan, but a statement of the aspirations, the goals, and the objectives for regions which can serve as a framework for those who do not want to join in a unified regional plan—those who do—I beg your pardon.

Some councils have developed very sophisticated plans, workable plans, probably more workable than those that could be devised by HUD, and yet they find that because of the limited dimensions of the current regulations, those plans in many cases are unworkable.

And, along that line the National Association of Regional Councils urges that where there is an adopted fair-share plan for a region, or an adopted areawide housing assistance plan, this plan should be the guide for all current program allocations, not merely the limited sum of bonus money. In other words, we are saying that there should be incentive for local governments to become involved in these programs, more so than the \$20 million which was made available during the program year.

Now, this does not mean that HUD should abandon the incentives for these kinds of programs. We feel that many local officials in the past have not felt it necessary or thought it too difficult to get involved in these areas would probably become more involved and would in fact attempt to develop programs in this particular area.

In this line, the National Association of Regional Councils also urges that the subcommittee, in renewing the legislation, to add regional councils as eligible recipients of block grant funds.

Now, we hasten to add here that we are not talking about funds other than the discretionary fund, but, like in the case with counties and other divisions of Government, we feel that there are some situations where the local governments who cannot for one reason or another develop programs for themselves or where there is a planning element that needs to be developed along the specific program lines, that regional councils might be able to do that better than anybody else. And we certainly would urge that the legislation consist of such options—and we indicate that that should be an option—and local government should make that determination if they want regional councils to do that. It should not be something that's mandated; it merely should be an option.

And, finally, with regard to the block grant programs, we would like to comment on the A-95 process briefly. The staff report of the subcommittee has certainly, we feel, reflected correctly that this had been one of the workable programs in the HUD package, that the A-95 process has been effective, in many cases not so directly from what you see when you look at the results, but in many cases from causing communities to do a better job because they know that down the road they are going to be reviewed and they will have to face up to a review at some point. And we certainly feel that it should be continued, and we also feel it could be strengthened.

And, just briefly, we have listed in the report a number of areas that we feel the A-95 process should be restricted to, and not things that

are of a solely local nature but those that have some regional impact. And I will not attempt to list them now, but they are in the report.

Now, along that line, we also feel that the process, where it does affect regional programs, should be strengthened, and that in fact it should not be just a review process that will note comments, but that it will be taken seriously and that at some point either local communities are going to have to resolve the problems if they are inconsistent with regional plans or they will have to take the funds and put them into some other kind of program.

We want to emphasize that. We never say, take the funds away from the community, whatever the allocation might be. But we might say that the process—to say that they should not use it for such a certain function and encourage them to do something else with it if that is inconsistent with the regional plan, or they do not feel that they want to go ahead with that particular plan.

We feel that this would be consistent with the development of regional planning. At the same time it would provide the local option for local decisionmaking on the part of local government.

Quickly, in the section 701 comprehensive planning assistance, we could note a number of reasons why the program should be continued and strengthened with increased funding, and we have noted a number of those in the report.

We are asking that \$150 million be allocated for this program. Now, we realize that in the opinion of some that some of the planning can be done through the block grants that come to the local communities, but it is our experience that where there are priorities at the local level—and I think I can speak as a local elected official—and you have to go into certain kinds of things, hardware-type areas, housing elements, things like that—you tend to do that more often than you do planning, and therefore we feel that the section 701 program should be continued and strengthened to emphasize planning. And we hope that the subcommittee will read carefully the comments that we have made along that line.

We noted that the Secretary in testifying before the subcommittee emphasized the inclusion of economic development in the community block grant program.

We, too, would agree with that concept, and we think it is something that should be done. When the metropolitan development committee met in February to develop this action program for the year, we noted the importance of economic development in our cities, especially our urban areas; and we feel that it should be included in the block grant program.

We would like to point out, though, several possible pitfalls and note them to the subcommittee.

First—and in most major cities—such programs are economic programs, are subject to the budgetary crisis of local leaders, pretty similar to what I just mentioned a few minutes ago about planning.

Second, in most metropolitan areas, the economic development effort of the various subdivisions may not be coordinated with each other, leaving each jurisdiction to go its own way.

The National Association of Regional Councils would urge that the subcommittee incorporate such linkage of community development and economic development, which we support.

We would also urge that as a requirement for community development block grant program applicants, the economic development objectives be subject to an A-95 type of area-wide review. This would allow each jurisdiction to assess the economic development aspirations of all and their total impact on the area.

We believe the results would be to promote development of a rational, overall strategy for the particular district. I think otherwise you could have one community developing something that might not be necessarily in the best interest of his neighbors and this is the problem of course we have run into in many programs in the past, federally assisted programs. And, frankly, that is what regional council is all about, to try to avoid that.

We have some comments that we would like to make on energy and on its relationship to housing. I know one thing we have spent a lot of time discussing at the Metropolitan Development Committee's meetings was, with the cost of housing, the acceleration in cost with the fuel cost including automobile gasoline costs and the cost of transportation itself, the cities would appear to be more desirable today, the urban centers, the inner cities, than ever before. And we should, therefore, at the same time that we go about developing the areas, developing communities, and providing area-wide planning, continue to emphasize the preservation and rehabilitation of our older areas. And would like to see, in any kind of an incentive program to stimulate the economy, consideration of programs dealing with energy conservation, whether that is in terms of insulating homes or providing other means of conservation.

At this time we would gladly answer any questions that the chairman might have.

[The prepared statement of Mr. Williams, on behalf of the National Association of Regional Councils, along with an attached paper regarding the section 701 program, follows:]

PREPARED STATEMENT OF JAMES R. WILLIAMS,  
NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mr. Chairman, I am James R. Williams, City Councilman-at-large in Akron, Ohio, immediate past chairman of the Summit County Council of Governments, and a member of the Board of Directors of the National Association of Regional Councils.

I serve as chairman of the NARC Metropolitan Development Policy Committee, which met earlier this month and addressed many of the problems confronted by the legislation to be considered by your subcommittee in the weeks ahead.

Regional councils are areawide organizations of general purpose local governments which involve more than one local government and encompass a total regional community. They exist both in densely populated metropolitan areas and in sparsely populated rural areas. Some encompass regions which cross state lines, such as the area served by the Council of Governments in Washington and its Maryland and Virginia environs. Their prime purposes are to increase communication, cooperative decision-making, and coordination among local governments; to review and comment on certain federal grant applications; and to develop policies and programs to meet mutual problems and guide orderly development.

More than 600 such regional councils have been established to deal with area-wide problems such as growth, land use, transportation, community utilities, manpower, public safety, and environmental quality.

Regional councils, to the extent of their limited resources, try to confront the entire areawide mix of problems and potential solutions. In considering the metropolitan area or rural region as a single community, regardless of

historic geographical boundaries, we are in the business of formulating development policies for the greatest overall benefit of these areas.

We are working to make program dollars - whether for economic development, transportation, environment or community development - do the most good for all the citizens whose lives and work are mutually bound in the progress of that area as a whole.

I am pleased to note that Secretary Harris is concerned with the same kind of coordinative difficulties that regional councils have so often struggled with. For example, in Baltimore, one of the problems that now faces the city's Department of Housing and Community Development is the proposed route for a major highway which will send heavy streams of traffic rolling past a promising rehabilitation project area, and which has already seriously undercut efforts to attract new homeowners.

Even within HUD, the Secretary noted the need to better link housing and community development efforts, and she has rightly chosen to emphasize the importance of coordinating housing community development with parallel economic development efforts. I would like to return to this later, and point out some potential pitfalls to the Subcommittee.

To focus on a narrow area needing coordination, I would cite the three HUD sponsored planning programs for housing which involve regional councils; the housing element required under the 70] program, the areawide housing opportunity plans (HOP) solicited for bonus funds, and the housing assistance plans (HAP) which many regional councils have helped draft for member local governments

under the Community Development Block Grant legislation. Only recently has HUD begun to move toward making these planning programs compatible, and the process could be greatly aided by legislation which would permit voluntary merger of the three processes to the extent attainable within each region.

Presently, no direct relationship is required, except for the statistical conformity of expected-to-reside data used in the HAP and in the 701 housing element. EFR does not plan, and there is no compatibility requirement to link the two efforts.

NARC would urge the establishment of a requirement that local HAPs not be inconsistent with areawide plans, along with the minimum requirement that areawide plans establish a general framework of principles for the region as a whole. This does not mean a quantitative plan, but a statement of the aspirations, goals and objectives for the region which can serve as a framework for those who do not want to join in a unified regional plan.

Some councils have developed their own areawide plans for expanding housing opportunity, carefully adapted to their areas, and far more sophisticated than could ever be prescribed nationwide by HUD regulations. Yet they find they are unable to effect these plans because of the limited dimensions of those very regulations. NARC urges that where there is an adopted fair share plan for a region or an adopted areawide HOP, this plan should be the guide for all HUD program allocations, not merely the limited sums of bonus Section 8 or CDBG funds. This could be achieved through the voluntary approach cited above.

This does not mean, however, that HUD should abandon its incentives for such plans. If the funding were to be increased beyond the present sums - \$20 million

in Section 8 funds, \$1.5 million in CDBG funds - there would be a major growth in the number of such plans on the part of those who now feel that the difficult political and technical effort is not worth the likely reward.

In line with this, NARC also urges that the Subcommittee in renewing the legislation to add regional councils specifically as eligible recipients of discretionary block grant funds. Despite its problems, the Block Grant program has proven to be a major advance for local governments who have been hamstrung by HUD categorical program requirements in the past. However, HUD interpretations of the definitions section of Title I have led to the exclusion of such areawide associations of local government, although other sections of the act clearly anticipate the ability of local units of government to act jointly with block grant funds, and although the Act's statement on purpose includes the aim of encouraging "community development activities which are consistent with comprehensive local and areawide development planning." (Sec. 101 (d) (2))

The option for local governments to apply for and receive discretionary block grant funds under the aegis of an areawide council of governments would foster the development of programs now foreclosed to those governments as individual applicants. For example, I would suggest establishment of a metropolitan areawide revolving fund for insurance of rehabilitation loans, to serve those moderate income families who neither can receive federal subsidies nor find funds through the private market. Also, I would refer to the examples given by Secretary Harris for the proposed Urban Community Development Action Grants. Each of the problems is neatly encompassed within a city's borders,

but I have no doubt there are many such problems which do not quite fall within political boundaries so neatly, and which could only be attacked effectively through an areawide grant. NARC hopes that the Subcommittee will permit such an option, if the local government participants in regional councils so choose, for an areawide agency's direct participation in both the regular block grant program and the new Action Grants proposed by the Secretary.

Finally, with respect to the Block Grant program, a note about the A-95 process. In the staff report to the Subcommittee, issued earlier this month, it was correctly deduced that the A-95 review and comment mechanism works mostly at the local and regional levels, and works best before the formal part of the process begins. The possibility of a negative A-95 review is often sufficient to cause a reworking of a grant application, especially if HUD offices are willing to be supportive of the negative reviews. The preliminary consultation leads to the resolution of problems before the formal process takes place. A-95 at its most effective is a silent process.

In the case of disputes which are not resolved, leaving the applicant in conflict with areawide goals and subject to a negative A-95 comment, NARC would propose a strengthening of the process, which involves both streamlining the review process and avoiding unnecessary program delays.

We feel this could answer two criticisms of the process - lack of clear demands in the present law for regionwide consistency, and concern on the part of local governments for their continued autonomy with respect to projects of purely local significance.



In our opinion, the regional review should be limited to those community development activities that affect adopted regional policies and plans or impact directly on neighboring jurisdictions. It is suggested that the regional review agency be required to follow these criteria in determining whether a proposed community development project or activity is subject to regional review:

- (1) Activities which are of a multijurisdictional nature. The multijurisdictional nature would be determined if the activity:
  - is funded, operated or owned by more than one jurisdiction;
  - is located on or adjacent to the boundaries of one or more neighboring jurisdiction;
  - has significant impact on shared facilities or activities of more than one jurisdiction; or
  - results in substantial use by citizens of more than one jurisdiction.
- (2) Activities encompassed within adopted areawide plans and policies, and
- (3) Activities requiring areawide policies and planning under federal law (e.g. air and water quality, mass transit, highways, etc.)

We suggest that only activities which fall within these criteria should be subject to areawide planning requirements in the community development title.

A logical question then follows from this requirement. What happens if there is a conflict between local proposals and areawide policies and plans? In other words, who decides? We do not propose to pass the buck to the federal government. Such inconsistencies for the most part will be resolved in the discussion and review process. But in these isolated cases where this process fails, we feel that the best solution is for the applicant local government to

have an option. Our preference would be for the local governments to arbitrate differences through their regional council. But the application should not be held up pending resolution of the dispute. We suggest that the application should go to HUD for funding of all elements except those that are in conflict, and the local government should be allowed to expend its formula funding for all but the disputed items pending a decision on the disputed matters.

However, at any point, the applicant should always have the option to reprogram the disputed activities into community development activities which are strictly local in nature. In effect, this unilateral action would dissolve the dispute.

The mechanics of this approach could simply be the provision in the law that the regional council issue a certification of all elements that are found to have regional impact under the criteria I have just cited.

Mr. Chairman, this procedure meets the increasing needs of returning more decisionmaking back to local governments. At the same time, it recognizes that parochial interests should not interfere with sound and balanced growth and development policies in our metropolitan areas and rural regions. Indeed, as local elected officials, we feel that if we cannot work together to solve our interjurisdictional problems, the time may well come when we will lose much of our authority over our own local decisions.

701 Comprehensive Planning Assistance

The 701 program has been the only source of funding for general development planning and most innovative projects of many regional councils, despite severe funding restraints of recent years. Currently NARC member councils report that much of their 701 funding is tied up in the accomplishment of special functional needs of HUD, through the land use and housing element requirements. One activity which suffers due to 701 cutbacks of recent years is the number and quality of A-95 reviews, which the Subcommittee's staff report indicates may be a quite force for the achievement of one goal of the Block Grant program, consistency of local community development with local and areawide comprehensive development planning.

In addition, the failure of Congress to fund the planning sections of the Rural Development Act makes 701 the only available funding for non-metropolitan planning agency activities. Non-metro regional councils have played a vital role in helping small local governments with technical assistance in managing their affairs and in participating in federal grant-in-aid programs.

Far more important, 701 funds have been the only funds available at the local and regional level for the kind of comprehensive planning that provides some order to otherwise unrelated federal and local development. The careful coordination of transportation planning with housing, water and sewer needs, or manpower planning requires many man-hours and technical expertise which are not fundable under most federal agency programs. Through its support of such cross-functional coordination of these planning programs, 701 has served as

the glue by which elected local government officials, through their areawide agencies, can confront such problems before they act to cripple or subvert potentially valuable programs. Housing, transportation, recreation, clean air and water, and jobs are all part of the regional web, and an oversight in one area can undercut expensive efforts in another.

A frequent criticism of requests for federal planning funds in the past is that local officials on their own have not felt it necessary to free funds for planning from their own budgets. I must point out that a local elected official is right on the firing line, operating a budget that is based on a property tax system now delivering just about all the taxpayer will tolerate. The same bind also affects local support of regional council planning activities. He is under direct pressure to get any available funds out to a neighborhood, and even those who would fight for the ability to plan some years down the road find it impossible to set aside funds in the face of current emergencies which already overwhelm the resources at hand. Leadership in the planning area must come from those who can take a longer view.

The need for 701 funding or its equivalent is even more important, however, in light of the need for developing a mechanism such as that proposed in the Intergovernmental Coordination Act, which the Chairman has sponsored in the House. NARC believes that this measure would provide local government, acting at the level of the real regional community, with the means to take control of its own destiny and give real thrust to the application of federal programs to meet the goals of that region. Pending action on that bill, it is especially

important not to lose the time required for capacity-building at the local level for comprehensive planning activities.

One example, and a highly pertinent one, is the regional capital planning now being done in a few areas. The process calls for ranking a region's proposed capital projects within functions, such as transportation, sewers, and other facilities, and then ranking them cross-functionally, so that the governments of the region have a plan not simply for some distant future, but for setting priorities for next year's bond issues. The most interesting thing about the process is that when the categories are combined for the final prioritizing, the number three transportation project, for example, may become the first priority because of its importance to other goals within the area.

The fact that such a program is still an innovative one shows how far we have to go, not just in setting priorities but merely in being able to calculate our needs on the basis of a true regional community.

A recent op-ed page article in the Washington Post by Phyllis Myers of the Conservation Foundation notes that "tough decisions have been passed on the local governments, which was probably a better idea than many experts thought at the time. But sending out power to the people has also meant that precious little information has been coming back to policy-makers." I hope that Congress will come to see that it needs assessments not just from the cities, or from the suburbs, as if their problems stopped at their borders, but instead a way to read directly the greatest needs of entire metropolitan, and rural, areawide

communities as judged by the communities themselves.

The Metropolitan Development policy committee of NARC has urged that a stronger evaluative role be built into the A-95 process, as one step toward the areawide development plan proposed in your Intergovernmental Coordination Act. But for this kind of activity or for the expansion of regional capital planning, there must be greater support through 701, the only vehicle now available for such activities. NARC urges the committee to consider an increase in the authorization level to \$150 million, as a necessary investment in the capability of local elected officials to make federal programs, and their own, more efficient and more effective in the years ahead.

#### Economic Development

In her presentation to the Subcommittee last week, Secretary Harris said that encouragement of urban economic development is a major thrust of the HUD strategy. She rightly points out that the present block grant program does not encourage local governments to integrate community development and economic development, nor does it encourage programs which fit together development funds from many sources.

NARC would certainly support the goal of expanding block grant eligibility to include commercial and industrial development activities.

The NARC Metropolitan Development Policy Committee earlier this month urged much stronger efforts to tie housing and economic development, including programs which seek to involve private sector funds as part of a general program of community development. For years, development has gravitated toward the cheaper land and less stringent requirements of the suburbs, as city governments have adopted

a go-it-alone approach. This is the kind of thinking that must come to an end if we are to accomplish anything more than a few cosmetic changes in a few concentrated areas. Government and private development must work together, and it may be the kind of innovation which HUD would like to see will show disbelievers that such a partnership can work for both the public and the private interest.

However, I would like to point out some pitfalls for HUD and the Subcommittee. In major cities, such programs are subject to the budgetary crises of local leaders.

Second, in most large metropolitan areas, the economic development efforts of the various subdivisions may not be coordinated with each other, leaving each jurisdiction to go its own way. NARC would urge that the Subcommittee incorporate such a linkage of community development and economic development, which we support.

We would also urge that as a requirement for community development block grant program applicants, the economic development objectives be subject to an A-95 type of areawide review. This would allow each jurisdiction to assess the economic development aspirations of all, and their total impact on an area. We believe the result would be to promote development of a rational overall strategy for the region.

In conclusion, I would like to say that despite differences, elected officials who serve on regional councils have long understood that the development of an entire area hinges upon the health of the central city. Suburban leaders understand that their enlightened self-interest is in the viability of urban life. However, we also

have learned that not all of a city's problems can be solved within its own borders, and we urge the Subcommittee to share this perspective. We hope that a proper re-emphasis on the solution of major urban problems does mean a return to inward-looking programs and a go-it-alone mentality which only exacerbates city-suburban tensions. Rather, we urge that, in many specific ways, the committee provide incentives for both city and suburb to work together for their mutual well-being, in recognition of the certainty that success, or failure, of one will be shared by all.



Mr. PATTERSON. Thank you, Mr. Williams.

I think what we will do is go to the other members of the panel, and after everyone has submitted their testimony, then we will get into the questions and answers. And I do have some questions for you.

Mr. WILLIAMS. Thank you very much.

Mr. PATTERSON. Thank you very much, Mr. Williams.

Mr. Slayton, if you would proceed in the same fashion—you may either read your statement or enter it into the record in its entirety and then put in oral testimony or comment on it in whatever fashion you would like.

Mr. SLAYTON. I think I will read the statement, if that is alright, Mr. Chairman.

#### STATEMENT OF WILLIAM L. SLAYTON, EXECUTIVE VICE PRESIDENT, AMERICAN INSTITUTE OF ARCHITECTS

I am William L. Slayton, executive vice president of the American Institute of Architects, which is the national society of the architectural profession, representing 26,000 licensed architects.

We are here today to express our views on the housing and community development issues pending before you, with particular emphasis on the community development block grant program. Our statement is divided into three sections. The first is a general commentary on the new administration's approach to housing and community development. The second is our analysis and recommendations of the community development block grant program. The third is a commentary on HUD's research program and its relationship to the President's 1978 Report on National Growth and Development.

We are encouraged by the new administration's approach in the housing and community development area. Specifically, we are pleased with, one, the administration's recognition that the Federal Government should support a steady volume of housing for low-income families of 400,000 dwelling units; two, the administration's support for continuity in the housing and urban development programs rather than proposing new programs and reorganization; and three, the administration's establishment of a high priority for housing and urban issues.

In regard to funding, we strongly support the administration's request for supplemental funding in the order of \$508 million for section 8 contract authority for fiscal 1977, a level that would fund 400,000 units, including assistance for State housing agencies. We strongly support the requested increase of \$500 million in the community development block grant program, including the new \$400 million initiative to aid particularly distressed central cities. I shall speak on this in greater detail later. We strongly support the restoration of public housing operating subsidies and modernization funds. We strongly support the continuation of section 312, the rehabilitation loan program. And finally, we strongly support the administration's request for section 701 the comprehensive planning grant program.

At this time we would like to submit for the record the AIA's housing policy in its complete form. If you have questions about our basic policy or would like us to elaborate upon it, we will be pleased to do so now or later in writing.

[The material referred to follows Mr. Slayton's oral statement.]

Mr. PATTERSON. Thank you.

Mr. SLAYTON. Evaluating the community development block grant program has been difficult because of the lack of reliable information. We would, however, like to contribute the architect's perspective based on the profession's particular concern that human needs be related to the physical environment.

I shall summarize briefly our comments, both negative and positive, on the existing community development block grant program and then draw from these comments a set of criteria for making changes in community development programs.

We believe there are four basic criticisms of the community development block grant program. They are: public purposes are diluted; institutional reform is stymied; regional aspects are questionable; and the formulas are not working.

First, on the public purposes being diluted, the categorical grant programs, which the community development block grant program replaced, were heavily targeted to improving the physical environment of the poor and disadvantaged. The community development block grant program, as it has been structured and operating for the first 2 years, has lost this sense of targeting.

The question here is whether this national objective can be served by a local political process that makes basic budget allocations on the principle of political demand. Both the Brookings/HUD and NAHRO studies show that funds are moving away from serving the poor in the areas formerly served by the categorical grant programs, and that there is a decrease in physical capital community improvements. Local governments tend to spread money in order to achieve local political consensus rather than targeting funds to groups in need. This is not a condemnation of local government for their use of community development funds but rather an acknowledgment of the political process.

The unique role of the community development block grant program is to fund the renewal of wornout neighborhoods. Thus the program should emphasize the creation of the infrastructure for housing, commerce and industry at the neighborhood level. The community development block grant program seems to be losing sight of the need to restructure neighborhoods for those whose needs are the greatest.

On the question of institutional reform being stymied, we feel that one need not elaborate on the case for a metropolitan approach to many of the problems we face in community development. Housing transportation, air quality, waste disposal, water supply, and other urban services are metropolitan-wide problems. Yet most metropolitan areas are governed by several fragmented political jurisdictions whose pursuit of self-interest frequently frustrates not only the metropolitan scale public interest but national purpose as well.

In addition, we have the disparity between central cities and the suburbs in the operation of the community development block grant program. The Brookings study shows that through 1980 central cities will be the jurisdictions to receive less. Their share of community development grants will drop from 72 to 42 percent, while the suburbs would gain substantially.

Thus the community development block grant program has the effect of strengthening parochialism in local government.

Some minimal efforts, however, have been made to require local governments to take a broader view of their responsibilities in these areas. The housing assistance plan is an example. Unfortunately, the previous administration apparently did not enforce those provisions requiring a metropolitan housing needs study. A tightening up of the application review process would help considerably.

However, the fundamental question remains: can an entitlement system that spreads money thinly among 4,800 local governmental units really ever achieve a metropolitan or national perspective?

Third, regional effects are questionable. There also appears to be evidence that regional disparities will develop with those areas in greatest need having their proportionate share reduced. The Brookings study shows that as the "hold-harmless" clause expires, the community development funds will move away from the Northeast where the greatest need exists and move to the South and West where the needs are less. If this in fact does occur, the program should be modified to address need more directly.

And four, the formulas are not working. When Congress adopted the Community Development Act of 1974, it directed 80 percent of the funds to metropolitan areas. It also attempted to send most of the funds to the large cities on the basis of a complex formula which took into account population, housing overcrowding, and the extent of poverty. The formula, however, does not seem to be channeling resources to the areas where the greatest needs exist. The population factor does not seem to help the bulk of the distressed cities in the Northeast, many of which are middle sized and many of which are suffering loss of population.

Since many of the same cities are also suffering housing abandonment, the overcrowding factor is no longer an accurate measure of housing conditions.

As a consequence, many organizations have been studying additional factors to include in the formula, such as the age of the housing stock and loss of population. The emerging response appears to be a dual formula so that entitlement communities can use the most advantageous of the two.

Our conclusion is that the formula certainly can be improved, quite possibly by a dual approach or the consideration of other factors. However, for the long pull, no formula can automatically target funds to those areas in greatest need.

Secretary Harris has recommended an additional \$400 million be added to the block grant program to aid particularly distressed cities. She said, and I quote:

This will allow HUD to assist in a frontal attack on the myriad of social, economic, and developmental problems in a given city.

She also said that the program would be—and I quote again:

... directed to the most distressed cities as a means to create discrete but dramatic initiatives in improving their economic base and quality of life.

We endorse this approach to aid such cities. It is a simple means of adjusting the inequities of a fixed formula.

The community development block grant program does have some advantages over the categorical grant programs it replaced. These advantages fall into three categories: it is simple; it provides funding continuity; and it has a potential tie-in with national economic policy.

Following is a discussion of each of these advantages.

There is little doubt that the community development block grant program delivers money to local governments with less redtape than the categorical programs it replaced. It also provides flexibility to local governments in the use of funds. Simplicity also reduces administrative costs at both the Federal and local levels. In simplicity there is also impartiality; grantsmanship and political influence are diminished and perhaps even eliminated under an entitlement program.

#### FUNDING CONTINUITY

The 3-year authorization of the block grant program provides local governments with funding continuity albeit for a limited time. It would be better if the authorization could be 5 years.

Another approach is the AIA proposal made in 1973 during the hearings that established the community development block grant program. We proposed a community development fund to provide long-term capital assistance to local governments for community building. Local governments would have to meet certain performance criteria to be eligible.

#### POTENTIAL TIE-IN WITH NATIONAL ECONOMIC POLICY

The community development block grant program is also a major component of the administration's program to revitalize the economy. The construction industry over the last 3 or 4 years has experienced a depression within the national recession. Unemployment rates in the construction industry today are around 20 to 25 percent. At the same time there is a tremendous need for community development projects in our cities. In our view there is no sounder economic investment than rebuilding the neighborhoods where people live. The community development block grant program can play an important role in providing the needed investment for community development.

These, then, are our recommendations.

One, the legislation should emphasize the importance of physical improvements, and the importance of improving those neighborhoods inhabited by the poor and disadvantaged.

Two, the program should strengthen metropolitan and regional approaches to housing, transportation, air and water quality, and solid waste disposal.

Three, the formula for the distribution of funds should be refined to provide the greatest assistance to those who need it most. In the short run, increasing the discretionary aspects of the community development block grant program could ease substantially disparities stemming from the formula system. Ultimately, what is needed is a creative merging of the block grant program with categorical programs.

Four, the authorization should be extended to 5 years to strengthen the continuity of funding.

Five, the administration and the Congress should recognize that the community development block grant program is still evolving. More definitive evaluation of the program can be made in the next 3 to 5 years. In the meantime, adjustments and refinements should be made.

#### POLICY DEVELOPMENT AND RESEARCH

The research and development community within the United States has grown very large since World War II. About 90 percent of the Federal research and development funds over these years have been devoted to atomic energy, weapons systems, and space programs. Only a very small proportion of the Nation's research budget has been devoted to advancing the state of the art of building construction, housing, or the urban fabric. In fact, until about 10 years ago, the research budget of the Department of Housing and Urban Development—and its predecessor organizations—was less than \$0.5 million. Since that time the HUD research budget has grown rapidly in dollar amount, but only a small portion has been devoted to research, as the term is generally understood.

Basic research, which would be directed toward the increase of knowledge, has constituted less than 2 percent of the research expenditures. An analysis by the AIA Research Corporation of HUD's research contracts over the past two administrations indicates that no more than 20 percent was devoted to applied research which would attempt to expand the potential of new discoveries in technology, materials, processes, methods, devices and techniques—or to say it another way, to advance the state of the art. Most of the funds were used to analyze the supposed failures of previous HUD programs—generally called policy development—or to support programs like the housing allowance program, which were not really research projects so much as demonstrations of what HUD would propose later on.

More telling than the content of the research programs has been the organizations with whom HUD contracted to spend its research and development funds. The AIA Research Corporation analysis indicates that 32 percent of the funds were simply transferred to other Federal agencies and 33 percent of the funds were given to local governments. About 20 percent of the funds were spent on contracts with six large research organizations. This left about 15 percent of the research budget to be used for building the institutional capability of the United States research and development community to work on housing and urban development problems.

For example, a highly neglected potential target for HUD research is the President's Biennial Report on National Growth and Development, the next report being due in February 1978. HUD has played a key role in developing this report. To date, however, it has been somewhat inadequate. One of its inadequacies is the insufficient identification of growth and development problems through a research program. Mr. Chairman, with your permission, we should like to submit for the record a report sponsored by the National Forum on Growth Policy, of which AIA is a member. This report discusses in depth the problems we see in this area.

Mr. PATTERSON. Without objection.

[The report follows Mr. Slayton's oral statement.]

Mr. SLAYTON. We believe that the basic and applied research issues within the domain of HUD's concern are enormous. To address these concerns successfully, the Nation needs a research capability that is geographically dispersed and institutionally diverse. Our universities have long been used as research institutions. There are a very large number of applied research organizations in the private sector which are eager and able to work on urban growth and development problems. The design professions are diversifying their practices to include applied research. We need to harness this capability through the wise management of the HUD research program.

Mr. Chairman, the American Institute of Architects has appreciated this opportunity to offer our views of the administration's budget proposals, the community development block grant program, and the Department of Housing and Urban Development's research policy. We would be pleased to answer any questions you or the committee may have about our statement. Further, we offer you and your staff the assistance of AIA in any way you feel we could be helpful. Thank you.

Mr. PATTERSON. Thank you very much, Mr. Slayton. We will incorporate into the record the two documents which you referred to.

[The documents referred to consist of "National Housing Policy: The American Institute of Architects," prepared by the AIA Housing Committee and a report sponsored by the National Forum on Growth Policy entitled "A Critique of the President's 1976 Report on National Growth and Development," and they follow:]

**National  
Housing Policy:**

**The American  
Institute of  
Architects**

The following statement on a proposed national housing policy was prepared by the AIA Housing Committee and formally adopted by the AIA Board of Directors in May, 1976.

## SYNOPSIS OF RECOMMENDATIONS

The policy statement identifies and discusses the major obstacles to progress in solving America's housing problems and sets forth recommendations for overcoming those obstacles. The following lists major, persistent and recurring problems and briefly summarizes the Institute's recommendations for overcoming them.

### A. Wide Fluctuations in Housing Credit and Housing Production

In order to provide a steady flow of mortgage credit, Federal policies and programs should be designed to:

1. Reduce inflationary pressures.
2. Continue income tax incentives for investment in housing.
3. Utilize Federal secondary mortgage market supports.
4. Increase use of housing subsidies when needed.
5. Restore the Federal government's mortgage insurance capacity.

### B. Inability of Persons of Low Income to Obtain Decent Housing

1. Make the current housing assistance programs work.
2. Provide production subsidies when there are few vacancies in good existing low-cost housing.
3. Make housing subsidies available to serve a wide range of personal needs.
4. Make some subsidies available to permit lower income families to become homeowners.
5. Provide special attention to housing problems peculiar to rural residents, racial minorities, elderly or handicapped persons, and large families.

### C. Persistence of Urban Slums and Ghettos

1. Explore new ways to provide Federal revenues to states and localities to deal with urban problems.
2. Monitor experience of the Community Development Block Grant Program to determine its effectiveness in serving high priority needs and develop remedies for any inefficiencies.
3. Extend and fund existing Community Development Programs.
4. Encourage coordinated public and private conservation and renewal efforts.
5. Improve and reoccupy or else demolish abandoned urban properties.

### D. Resistance to Needed Development

1. Continue to provide Federal grants for state and local planning agencies, encouraging them to undertake comprehensive land use planning.
2. Develop local machinery, permitting local land use decisions that have a major impact on neighboring communities to be reviewed by metropolitan or state level agencies.
3. Encourage professional staffing of local public agencies concerned with housing development.
4. Reduce the burden of local real property taxes.
5. Create and provide forums in which competing claims of conservation and growth can be rationally considered and accommodated.

### E. Rise in Housing Costs in Relation to Incomes

1. Make efforts to identify and eliminate requirements or standards that needlessly add to the cost of housing.
2. Find ways to increase the productivity of all involved in the housing development process.
3. Amortize the initial cost of public facilities needed to support new housing, and provide Federal subsidies as needed to serve unusually rapid growth.
4. Make governmental funding available for experimentation, research and development relating to housing and community betterment.

### F. Disillusionment

1. Urge Americans to join in seeking a renewed consensus on how to solve our housing problems.
2. Be flexible as to means, but firm in a new national commitment to achieve our housing goals.

### G. Conclusion

The importance of good homes as necessities of life, as sanctuaries of the human spirit and as a critical national resource, and the persistence of slums and ghettos and serious housing deprivation require a strong and steadfast national commitment to meeting widely agreed-upon housing goals. This commitment should be commensurate with the vital contribution that good housing and good neighborhoods make to the general welfare of our people and the quality of our civilization.



## PREFACE

In 1972, the American Institute of Architects, through its National Policy Task Force, its Board of Directors and its members in annual convention, adopted a national growth policy report. The Institute recommended that the building and rebuilding of communities be planned and carried out at neighborhood scale, with special attention to the facilities and services essential to good neighborhoods. Concern was expressed for the condition of those trapped in the poverty and blight of old slum areas. It was also emphasized that the natural and man-made environment at the edges of urban growth should be shaped to meet urgent needs without sacrificing the welfare of future generations and their chance to build to higher standards or to enjoy and conserve unique resources.

Through its Housing Committee, the AIA then undertook to review the ways in which national housing policies may best advance the goal of good homes in neighborhoods and communities that nourish civic life. Basic to the Institute's work was the high value placed on increasing the choices as to where and how people of varying incomes, races, needs and preferences may live. The recognition that housing must be viewed in the context of larger social, economic, and environmental systems and that national programs should be sufficiently flexible to meet varied conditions in local housing market areas was implicit throughout AIA's deliberations.

This paper sets forth the Institute's findings and recommendations. It is intended as an aid in gaining support for renewed national betterment efforts that will reflect the importance of our homes as a necessity of life, as a sanctuary for the human spirit, and as a critical national resource.

### Commissioners on Environment and Design:

Willard C. Pstier Jr., AIA, Chairman  
Kenneth Klindworth, AIA — Housing Committee

### Housing Committee:

Walter J. Richardson, FAIA, Chairman  
Arthur C. Danielian, AIA, Vice-Chairman  
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## I. PAST AND PRESENT

### A. PAST HOUSING PROGRESS

With glaring exceptions which will be discussed later, the American people are well housed by any standard that looks either to this nation's past or to other regions of the globe. The residential building industry has, by and large, served the American consumer well and with increasing efficiency. The unfulfilled housing needs of the urban and rural poor and the blight and segregation that mark many old areas of central cities are primarily failures of the economy and of national purpose and priorities, rather than failures of one industry.

The period since the end of World War II has seen gradual yet significant technological progress in the design and construction of homes. Increasingly sophisticated and efficient methods have been brought to bear on the production and assembly of the components that go into a house. Increased productivity has been attained both by producers who rely very little on prefabrication of major components and by those who rely very much on prefabrication. And while the typical home builder is still a small local entrepreneur who produces a relatively small number of homes each year, there has been a substantial increase in the past several decades in the percentage of production that is accounted for by builders who are able to apply currently available technology or to achieve economies of scale.

Ample evidence of remarkable housing progress is to be found in each decennial census after 1940. The percentage of households living in substandard housing dropped from 48.6 percent in 1940 to 35.4 percent in 1950, 16 percent in 1960, and 7.4 percent in 1970. Crowding dropped from 9 percent to 2 percent over the same period (if crowding is defined as more than 1.5 persons per room); and the percentage of families sharing their dwellings with another family dropped from 6.8 percent to 1.5 percent. During this period, the percentage of owner-occupied units rose from 43.6 percent to 62.9 percent, thereby marking the fulfillment for many persons of psychological or economic aspirations that go beyond their desire for good shelter.

### B. PRESENT STATUS

The continued progress in bettering housing conditions revealed by the Census of 1970 and the record high number (6.52 million) of new housing units started in the three years that followed induced in many casual observers a sense of complacency that was at no time justified. A series of set-backs culminating in a disastrous drop in housing production in 1974 and 1975 shattered that complacency and induced in many an equally unwarranted pessimism.

Since neither complacency nor pessimism, when unwarranted, is conducive to constructive formulation of policy, a brief review of recent housing history is necessary if only to clear the way for a

discussion of remaining problems and possible long-range solutions.

#### 1. Persistence of housing deprivation

The very real and gratifying improvement in housing conditions since 1940 did not justify a relaxation of effort. Rapid progress was accounted for partly by the low base against which measurements were taken — the period of the depression of the 1930's and of World War II. The problems that remain are likely to be less tractable.

##### a. Increase in Dilapidations

At the same time that ground was being gained through the elimination of housing units that lack customary items of plumbing, ground was being lost by an increase in dilapidation. Although much of this loss is traceable to recent deterioration of entire neighborhoods in older cities, the Census Bureau reports that the number of dilapidated units with all plumbing had actually risen between 1960 and 1970 in all areas, including rural and metropolitan areas outside central city cores. Thus, in spite of plumbing improvements, the nation seems to be undergoing a substantial decrease in the rate at which substandard housing is reduced.

##### b. Measures of Housing Deprivation

Substandard housing even at 7.4 percent means that 4.74 million American households were, at the time of the 1970 Census, still living in housing that was either dilapidated or lacking in one or more of the usual items of plumbing. People who live in such housing during periods of general national prosperity take little comfort from knowing that the percentage was once much higher. If inadequate heating is also taken into consideration, then, as estimated by the Joint Center for Urban Studies of M.I.T. and Harvard, 6.9 million households were occupying physically inadequate housing in 1970. If overcrowding and paying an unduly burdensome proportion of income as rent are also taken into consideration, then, according to the Joint Center, over 13 million American households, or more than one out of every five, were suffering in 1970 from some form of serious housing deprivation.

Even this last figure understates the problem if otherwise satisfactory housing units are considered to be unsatisfactory because they are located in slum and ghetto neighborhoods beset by crime and lacking adequate commercial, social and recreational facilities.

##### c. Populations Most Deprived

Returning to the 7.4 percent of households living in units which were either dilapidated or lacking in some usual plumbing item, we find that the burden evidenced by that percentage is unevenly and inequitably distributed. The proportion of black households occupying substandard units was 23 percent as compared with only 5.7 percent for others. For rural residents it was 15.5 percent as compared with 4.6 percent for urban residents. For one-person households — many of them elderly — it was 13.1 per-

cent and for households of six or more persons it was 11.5 percent as compared with only 4.7 percent for four-person families.

Clearly, the nation has a long way yet to go to overcome extensive deprivation and inequity in the provision of housing.

## 2. Low housing production

Over 2 million new housing units were started in 1971 and almost 2.4 million in 1972, an all-time high. These figures reveal the productive capacity of the residential building industry under favorable conditions. By 1974, however, housing starts had fallen to 1.35 million units and by 1975 to 1.17 million, a drop of more than 50 percent in only three years. Not since 1946, or almost three decades ago, when our population was only two-thirds as large, had there been fewer units started than in 1975.

Construction industry business failures in 1975 were up about 40 percent from the already high 1974 rate; unemployment among residential construction labor during 1975 reached a shockingly high level of more than 40 percent; and the severity of these problems contributed heavily to the deep recession suffered by the economy as a whole. The real significance of this recent experience, however, is not to be found in its severity, but rather in the fact that violent fluctuations in housing production and in the availability of housing credit are not unusual, but rather a part of a historic pattern. Extreme fluctuations in credit availability and in construction activity contribute to delay, inefficiency, and waste in the production process. The public ultimately bears these losses in the form of lower housing quality, higher costs and the inability of many to obtain even minimally decent shelter. The basic causes of these fluctuations and procedures by which they might be moderated will be discussed later in this statement, along with the difficult problem of rising housing costs and shrinking effective demand.

## 3. Controversy surrounding housing subsidies

Contributing to current discouragement about the ability of the nation to cope with its housing problems is the recent history of Federal housing subsidy programs for persons of low or moderate income.

### a. The Housing Act of 1968

This Act reaffirmed the Congressional 1949 goal of a decent home and a suitable living environment for every American family, expanded it by the addition of quantitative targets, and supplemented it by the enactment of new housing subsidy programs. Older housing programs were retained, including low rent public housing, and new authority was granted (Sections 235 and 236) to subsidize mortgage interest rates so that many more lower income families could buy or rent decent housing.

Actions taken by the Department of Housing and Urban Development to carry out the 1968 law radically changed the operations of HUD's Federal Housing Administration, FHA, as distinct from other HUD units, first became directly involved in federally subsidized housing in 1961. In the years 1962 through 1967, fewer than 75,000 new subsidized housing units were started with FHA aid. In 1968 alone, almost 90,000 such units were

started, and in 1970 and 1971 over one-half million more. This expanded activity coincided with several administrative reorganizations within HUD, both in Washington and in the field. The reorganizations were criticized as harmful by many knowledgeable observers. Criticism was also directed at the failure to expand administrative staff to reflect the sharply increased workload.

### b. Program Criticism and Suspension

Many abuses and failures in the FHA programs soon came to public notice, with criticism mounting during 1971 and 1972. Many of the newly subsidized private housing units, particularly old rehabilitated units in central city areas, were found to be of low quality. Foreclosures were common, causing hardship to the occupants and financial losses to the Federal government. Abandoned units in some cities accelerated neighborhood blight. Some of the more flagrant abuses, including criminal fraud, occurred in non-subsidy programs, and these abuses were mistakenly assumed to also reflect the state of the subsidy programs. In addition, much assisted housing, both public and private, had been located in blighted urban areas or in outlying areas that lacked adequate neighborhood facilities. In January, 1973, HUD abruptly suspended almost all new approvals under its housing subsidy programs. Two years were to pass before the slow implementation of a substitute program was begun.

### c. Debate on Design of Housing Subsidy Programs

Throughout the first four years of this decade there was extensive national debate concerning the merits and design of housing subsidy programs. Some, citing past progress, questioned the need for continued subsidies. Others, citing the persistence of housing deprivation, advocated a major expansion of subsidy funds in order to finish the job. But proponents of subsidies disagreed among themselves as to the form that the aid should take.

The proponents of the suspended programs pointed out that some HUD field offices had compiled far better records than others, and that a grossly disproportionate percentage of the losses had occurred in those relatively few localities where abuses were concentrated or where, as in Seattle, there had been a sharp drop in the local economy. They attributed most of the admitted failures to excessive emphasis on rapid production, to under-staffing and inadequate training in HUD's field offices, and to disruptions precipitated by hasty and frequent governmental reorganizations. It was argued that better HUD administration, especially with respect to site selection, real property appraisals and inspections, and consumer credit and counseling, would have eliminated most of the abuses and failures.

HUD officials contended that the problems were not primarily administrative, but were inherent in the programs. The Department stated that the subsidy costs were frequently high in relation to benefits received even in projects that suffered no default, and that inefficiencies were built into the programs by two of the features of their design.

One was identified as excessive reliance on new housing, which — other things being equal — tends to be more costly than existing housing.

The other feature was identified as the need to rely on relatively few Federal employees who were required to make difficult judgments in valuing thousands of housing units of varied age, design, and construction in changing neighborhoods in scattered localities. Critics of the programs also maintained that the intended beneficiaries of the programs were not given sufficiently strong inducement to obtain full value for every dollar of Federal subsidy. Instead, each prospective tenant or buyer of a subsidized unit was presumably motivated to accept whatever unit might be offered at a net savings to that family even though the value of that savings might be as little as one-half or one-fourth of the subsidy cost to the government. To reject the unit would result in receiving no benefit at all.

Two additional criticisms were directed at "inequities" in the programs. Critics noted that in the many decades which had gone by since the 1930's, when Federal housing production subsidies were first authorized, high aggregate cost and consequent rationing of funds had led to only a small proportion of persons in need of help being reached. They also pointed out that some who had benefited were thereby housed in new units that were better than the housing available to many others (including neighbors) whose higher incomes (even though barely higher) made them ineligible for Federal aid. An issue of fairness was raised. Proponents of the programs countered by pointing out that no program could possibly do quickly all that needed to be done. They contended that we should therefore continue to do as much as we could to meet urgent needs.

The debate culminated in the enactment by the Congress of a new housing subsidy program (the so-called Section 8 program) authorized by the Housing and Community Development Act of 1974.

#### **d. New Subsidy Program**

Under the new program, Federal rental subsidies are available to households with incomes too low to enable them to afford decent unsubsidized housing. Tenants who receive aid are generally required to pay 25 percent of their incomes as rent. The Department of Housing and Urban Development contracts to pay the difference between the tenant's payment and the full rent. Larger families with lower incomes may pay a lower percentage of their incomes toward rent. Other tenants permitted to pay less than

25 percent of their incomes toward rent are those who succeed in finding modest but decent housing at unusually low rentals. This exception is intended to induce tenants to shop more carefully to their own advantage and that of the Federal government, which would otherwise pay higher subsidy amounts.

The units to be occupied under the 1974 act may be sound existing housing or substantially rehabilitated or newly constructed housing, thus providing for subsidies on both the demand side and the supply side of the housing market. The owners may be individuals, profit or non-profit corporations, state housing agencies, or local public housing agencies.

In effect, the law provides for a housing allowance program when used in connection with existing units and a housing production subsidy program when used in connection with new or substantially rehabilitated units. Under this law, however, the Federal government provides no direct financing. Owners must obtain financing needed to pay for new construction or substantial rehabilitation themselves, but may do so through privately made mortgage loans that are Federally insured under other laws.

Many prospective lenders do not consider the Federal subsidy sufficient inducement to provide the needed loan funds for new construction or substantial rehabilitation. Many of them have expressed concern about the continued availability of subsidy funds that may be needed to provide a margin of financial safety. Although mortgages on multi-family housing are often written for as long as forty years, the HUD commitment to pay subsidies for tenants is generally limited to only twenty years. Commitments of up to forty years are authorized for projects owned or financed by State or local public agencies, but these agencies have recently found borrowing difficult because of the generally unfavorable market for their revenue bonds.

Although the Section 8 program was authorized in August, 1974, and the several implementing regulations were issued between January and April of 1975, very little new or substantially rehabilitated housing has as yet been produced under the program. Accordingly, the design of a housing assistance program for persons of low and moderate income is again the subject of debate; active consideration is being given to modifying the new program, reviving old programs, or devising new alternatives.

## II. GOALS

Against the mixed background of remarkable progress, disheartening failures, and continuing controversies, what are the most basic housing policy challenges to which we as a nation should respond? Toward what major goals should we strive, and what paths—visible or obscure—are most likely to lead us where we want to go, avoiding pitfalls and quagmires along the way?

It is not enough in a democracy to design good policies and programs. It is also necessary to obtain and maintain public support for them without arousing the unrealistic expectation that extremely difficult tasks can be easily and speedily accomplished. The pendulum blade that swings between excessive optimism and pessimism can repeatedly preclude intelligent and sustained public action.

### A. AREAS OF CONSENSUS

There are few who would disagree that our major housing goals should include:

- the conservation of our present stock of good housing;
- the upgrading or replacement of remaining occupied substandard housing units in both urban and rural areas;
- the renewal of slum and blighted neighborhoods; and
- the production of new housing built to standards which are likely to be acceptable to future generations, at costs which most customers can now afford, and in a volume adequate to meet the needs of our growing and mobile population.

To the extent that these goals can be met, an even more basic goal will be served—that of expanding the freedom of choice offered to all our people as to where they will live and in what type of home and neighborhood. One mark of a great civilization is its ability to multiply the choices which it offers its people.

### B. AREAS OF DISAGREEMENT

As efforts are made to refine these goals, debate will surely continue as to:

- the speed with which we should move and the sacrifices which should be made in order to provide special assistance to those who cannot afford decent housing without some form of subsidy;
- the means which should be employed to overcome housing discrimination against racial and ethnic minorities and the segregation that has resulted from such discrimination;
- the balance which should be struck between the need to provide shelter quickly and inexpensively and the value placed on raising housing standards and on preserving the natural and the urban environment; and
- the balance which should be struck between the claim

that housing production makes on the nation's credit resources and the claims of other segments of the economy.

Disagreements concerning these many issues are reflected in conflicts over numerical goals. The number of dollars that should be devoted each year to housing subsidies is debated in the Congress and elsewhere, as is the number of new housing units that should be built annually to replace hopelessly substandard housing. Inability to predict the future results in additional disputes as to numerical goals, experts differ in their estimates of new housing units needed because of natural increases in the population, immigration, and the rate at which the elderly and the young form their own households. They also disagree about the volume of construction that will be needed to replace units removed from the existing supply as a result of fire, flood or other disasters, or to make way for other forms of development.

Recent estimates of housing construction to be needed during the ten year periods ending in 1978 and 1980 have varied from 1.8 to 2.9 million new units annually, depending on the assumptions made. In mid-1975, HUD estimated that from 1.9 to almost 2.4 million new housing units would be needed annually just to respond to net additional household formation, household mobility, and net housing inventory losses. It should be noted, however, that even the low estimate of approximately two million new units required annually far exceeds the 1974 and 1975 figures of 1.35 and 1.17 million new units respectively.

### C. DIVERSITY

Even when agreement is reached on a list of basic housing goals, differences arising as to the relative priorities to be assigned to them contribute to difficulties in formulating national housing policies. Housing goals are necessarily diverse and conflicts among them are inevitable because a house is itself many-faceted. It is simultaneously:

- functional shelter from the elements, meeting minimum standards of health and safety while possibly omitting desirable amenities;
- an extension of the occupant's personality that should reflect individual needs and life styles and provide emotional and aesthetic satisfaction, as well as shelter;
- part of a neighborhood, a community, and a natural environment, impinging on all three and affected by all three;
- a product of residential building, mortgage financing and real estate industries, that affect and are affected by the overall economy;
- the result of the same complexly interrelated social forces that give rise to wealth and poverty, justice and injustice, mobility and immobility; and
- the subject of attention from the legislative, executive, and judicial branches of Federal, State, and local governments, and thereby affected by changing political and legal crosscurrents.

Policies which are formulated without regard to each of these housing facets are unlikely to be realistic. Inevitably, some desirable goals will be pursued to the temporary neglect of others, either because the others are considered less important or because they are, for the time being, less attainable. Additionally, the very existence of so many diverse goals ordains that consultation and compromise be involved in the formulation of housing policies.

The American Institute of Architects is primarily concerned with housing as shelter, as an expression of users' needs and preferences, and as a part of the urban and natural environment. As members of a design profession, our contribution to the formulation of housing policies and programs focuses on housing stand-

ards and on the process by which the standards may be changed in response to changes in technology, life styles, and the physical environment. As citizens, however, our housing concerns transcend our professional interests. In Part III, which deals with obstacles to achieving housing goals and contains our recommendations for overcoming the obstacles, we address social, economic, and financial issues. We recognize that our recommendations may benefit from modifications made as a result of further experience and future consultations with the many other groups that share our basic goals. We look forward to working with other groups in an effort to perfect and to implement our national housing policy.

### III. OVERCOMING OBSTACLES

#### A. PERSISTENT AND RECURRING PROBLEMS

**1. Wide fluctuations in housing credit and housing production**  
Earlier in this statement we noted that wide fluctuations in housing production are part of a pattern that has long contributed to inefficiency in the residential building industry and thus to higher housing costs and lowered quality.

Production interruptions and delays increase carrying charges and labor and management costs. Extended periods of unemployment and underemployment in the work force tend to encourage compensatory increases in basic wage rates among skilled construction workers when they do work, along with premium pay for overtime. Restrictive labor practices which prevent the use of less costly materials and techniques would be more easily removed if the labor force no longer needed to use them as a disguised form of unemployment benefit. The high risk of loss by builders occasioned by production interruptions and delays is ultimately paid for by consumers in the form of higher profit margins or lower production.

Extreme production fluctuations are usually traceable to wide swings in housing credit availability. The basic reasons why the housing industry, more than any other major industry, is adversely affected by rising interest rates and credit shortages are inherent in the peculiar nature of a house: It is the most expensive and least moveable of consumer goods.

Because a home is relatively expensive, the residential mortgage loan tends to be the consumer's single largest and longest indebtedness. Therefore, any increase in interest rates or shrinkage of credit more severely reduces a family's ability to obtain housing credit than its ability to obtain lesser amounts of credit for such other purchases as automobiles or electrical appliances.

The fact that housing is fixed to the ground and supported by a complex infrastructure of neighborhood facilities reinforces the largely local nature of the homebuilding industry. It thus remains less concentrated and powerful than other industries of comparable size, and therefore less able to use its own business credit in support of the credit needs of its customers.

These difficulties are deeply entrenched in the marketplace and not readily amenable to elimination. Nor would it be in the interest of housing consumers to use the credit of the Federal Treasury in order to eliminate housing credit fluctuations. Because uncontrolled inflation is harmful to all consumers, including the housing consumer, some Federal counter-cyclical policies that permit or result in moderate reductions in the flow of housing credit are nevertheless consistent with national housing goals. That is, the housing industry may well find it prudent, and of benefit to consumers, to resist rising interest costs by postponing a reasonable proportion of planned construction until credit costs are lower.

Both producers and consumers may benefit from such sensibly timed borrowing within the context of moderate, rather than ex-

trême, reductions in the flow of housing credit. Unfortunately, national monetary policies for combating inflation have all too often been adopted without balanced consideration being given to the devastating impact of extreme and sudden withdrawals of credit on housing production and on vital housing needs. Indeed it is because housing is less able to compete for credit than other industries that restrictive Federal monetary policies have had such a disproportionately adverse impact on housing production.

#### Recommendations:

Federal policies and programs should be designed to induce a steadier flow of residential mortgage credit and to maintain a level below which housing starts would not be permitted to fall through:

- fiscal and budgetary measures designed to reduce general inflationary pressures;
- continued income tax incentives for investment in residential mortgage loans and in rental housing at least until such time as the entire tax system is overhauled and other incentives for housing investment are substituted;
- timely use of Federal secondary mortgage market supports under which mortgage purchase commitments are made during periods of mortgage credit shortages at prices favorable to the borrower;
- increased use of housing production subsidies for low and moderate income persons whenever housing starts fall below an agreed-upon annual level; and
- restoration of the Federal government's capacity to provide timely and efficient residential mortgage insurance and thereby spread the risk of loss inherent in the private investment that serves a broad spectrum of housing needs in both urban and rural areas.

#### 2. Inability of persons of low income to obtain decent housing

The economic remedies put forward for eventually reducing poverty and the welfare reforms proposed for ameliorating its effects provide no excuse, in a nation as prosperous as ours, for the continued failure to deal directly and vigorously with the housing needs of the poor. These needs are too clear and too urgent to wait for the long range housing betterment that will flow from structural improvements in the economic or welfare systems. If and when a national income maintenance plan has been placed in full operation, it can be expected to serve the housing needs of many of the poor who are badly served under present welfare programs. But such a major reform in Federal, State and local laws and practices will clearly take a long time to authorize, implement, and adequately fund. In the interim, the partial and avoidable failures which occurred in some past housing programs for the poor provide no rationale for not attempting improvement.

#### Recommendations:

- The Federal program of housing assistance for persons of low or modest income which was authorized in August of 1974 should be modified or supplemented in whatever

ways are necessary in order to make it work. It should be made capable of utilizing the housing production capabilities of profit-motivated private enterprise, non-profit organizations (including those which serve the elderly), local public housing agencies, and State housing agencies; alternatively, the program should be supplemented or replaced by restoring earlier suspended programs or adopting new ones.

- b. Substantial subsidies should be made to flow, in three unclogged channels, to new, substantially rehabilitated, and existing housing. Existing decent housing should be used to the fullest extent when it is available in sufficient supply, but new or substantially rehabilitated housing should be provided through production subsidies when there are few vacancies in good existing low-cost housing. In rapidly growing areas, partial reliance must be placed on production subsidies for new housing so that lower income persons are not denied the mobility, and the fresh employment opportunities that come with mobility, enjoyed by the general population.
- c. Housing subsidies should be made available to lower income families in varying amounts, with the deepest monthly subsidies going to the poorest and largest families and the most shallow subsidies going to those who need only a little financial help to enable them to obtain minimally decent housing. The inclusion of shallow subsidies permits a larger number of persons who need help to be served and a larger volume of new construction or rehabilitation to be encouraged with a given aggregate amount of subsidy funds. The availability of shallow subsidies provides assurance to the poorest families that they may incrementally increase their income without jeopardizing their access to decent housing.
- d. A carefully administered program of subsidies should be made available to permit lower income families who are able to benefit from homeownership to do so, and counseling should be provided as needed to novice homeowners who receive the subsidy.
- e. The housing problems peculiar to rural residents, racial minorities, the elderly or handicapped, and large families should receive special attention in the design and administration of housing assistance programs.

### 3. Persistence of urban slums and ghettos

The slums and blight in our old central cities and in many smaller towns in economically depressed areas are, paradoxically, a heritage of both the successes and the failures in our national history. Rapid technological progress in agriculture, manufacturing, transportation, and communications has given rise to rapid population growth and to vast migrations from farms to cities, across regions of the nation, and from central cities to suburbs and back to rural areas. The heritage of urban decay is in part a product of this rapid—although uneven—economic progress, of mobility, and of the wasteful use of economic resources and the persistence of poverty and racial discrimination. While these issues transcend the subject of this paper, several significant steps to combat blight and segre-

gation can be taken primarily within the framework of housing and community development programs. Some of these have already been dealt with in the preceding section since housing subsidies for the poor, and particularly housing rehabilitation subsidies, will benefit not only the families aided but also the neighborhoods in which they live.

#### Recommendations:

- a. The Congress should undertake a thorough study of alternative ways in which Federal revenues may be returned to States and localities. In the meanwhile, it should monitor experience under the General Revenue Sharing program (under which some Federal revenues now flow to State and local governments for their general governmental purposes) in order to determine whether modifications in the formula by which funds are allocated would be desirable in order to channel the funds into areas of greater need.
- b. The Congress should monitor experience under the Community Development Block Grant program (under which Federal grants flow to State and local governments for a wide range of community betterment purposes) in order to determine whether reasonably high proportions of the funds are being devoted to a) the improvement of public services and the rehabilitation of housing in blighted areas, b) the implementation of local Housing Assistance Plans which, as required by Federal law, assess the housing needs of lower income persons and specify programs for meeting them, and c) the reduction in the isolation of low income groups and of minority racial and ethnic groups within communities. If these needs are not being met, the Congress should take corrective action by earmarking a portion of the Block Grant funds for these purposes or by re-enacting selected categorical loan and grant programs designed to serve these ends.
- c. In the meantime, since the programs of General Revenue Sharing and Community Development Block Grants serve important local needs formerly served by categorical grant-in-aid programs, the Congress should extend and generously fund them.
- d. Federal, State, and local laws and programs that directly or indirectly affect investment in central city areas should be frequently reviewed in order to find ways to encourage coordinated public and private conservation and renewal efforts. Expenditures by municipalities on public facilities and services, particularly in central city areas that have not yet been seriously affected by blight, should complement private equity and mortgage investments in commercial and residential properties. Mortgage lenders can spread the risk of loss among themselves by creating pools of mortgage funds for high risk loans in support of renewal efforts. The risk of loss can also be spread between private lenders and governmental lending or mortgage guaranteeing agencies. To this end, State as well as Federal mortgage guaranty capabilities should be expanded.



- e. Abandoned urban properties, because of their severely blighting influence on surrounding neighborhoods, should be improved and reoccupied or demolished. State property and foreclosure laws and local housing ordinances should be modified as necessary to permit municipal officials to take early appropriate action. If an abandoned house has deteriorated beyond the point of salvation or if a decline in the central city population has resulted in a demonstrable absence of demand for an abandoned house of obsolete design or undesirable location, the law should provide an orderly procedure for its demolition.

## B. NEWER PROBLEMS

### 1. Resistance to needed development

The ugly and wasteful heritage of past uncontrolled urban growth has led many localities to adopt unduly restrictive development controls. These controls artificially inflate the cost of land and either block urgently needed housing production or increase its cost through lengthy delays in the planning and production process.

Some opponents of development are motivated by a desire to preserve the natural environment, familiar or historic neighborhoods, or low population densities. Others are motivated by a desire to exclude their fellow citizens on the basis of race or income.

Clashes between proponents and opponents of development will inevitably continue to occur in many localities. In the absence of informed governmental leadership, primarily at the State and local levels, the outcome will too often continue to be the result of mindless chance, rather than of a judicious attempt to serve the overall public interest.

Decisions that block desirable housing development, needlessly add to its cost, or deny mobility to the poor or to minorities may be made in many forums for a variety of narrowly-based reasons. Construction may be blocked by failure to provide needed sewer or water or other supporting facilities, or it may be permitted to go forward, but under onerous conditions that greatly add to its cost. Housing production for low and moderate income people may also be inhibited by outdated or inequitable building, zoning or subdivision controls, or regressive local property taxes which unduly add to the cost of acquiring or maintaining a house. Inequitably designed or administered or unduly prolonged local rent controls may similarly inhibit additional investment in needed rental housing, thereby creating shortages and the high rents that the controls are intended to combat.

### Recommendations:

- Federal grants should be provided to State and metropolitan planning agencies and to metropolitan-wide councils of government to encourage them to undertake comprehensive land use planning, including housing components, and improve their institutional capacity to make and implement such plans.
- States should adopt authorizing legislation and provide the administrative machinery needed to permit local land use decisions which have a major impact on neighboring communities to be reviewed at the metropolitan or State level.
  - Localities should make provisions for staffing their housing, building, zoning, subdivision control, and public facility offices with professionally trained personnel.
  - Additional school, welfare, and environmental protection costs should be funded from Federal and State revenues, thereby lessening the burden of regressive local real property taxes.
  - Local chapters of the AIA and of the American Institute of Planners should join with local civic, consumer, and environmental protection groups to provide forums in which the legitimately competing claims of conservation and growth can be considered and accommodated, instead of being resolved by the force of emotion, selfish interest, or inertia.

### 2. Rise in housing costs in relation to incomes

As already noted, the nation's housing conditions have greatly improved and home ownership has substantially increased during the past three and one-half decades. This was made possible by a rise in incomes that exceeded the rise in the cost of living. While housing costs—especially the cost of land—rose steadily, a greater increase in incomes during this period afforded most Americans an opportunity to obtain better housing.

More recently, the wide and favorable spread between rising incomes and rising housing costs has been eroded. If 1967 is used as the base year for a comparison with 1975, increases in the cost of home ownership have overtaken increases in median family incomes. The recent sharp increases in interest rates, property taxes, and maintenance and repair costs contributed to the relative change. More recently still, homeowners' energy costs almost doubled between 1970 and 1975.

As a result of these changes, many persons of moderate income, especially younger families not yet financially established and retired elderly persons whose fixed incomes are being eroded by inflation, have been priced out of the housing market. It is no longer only the poor who are unable to afford a modestly designed new home in a growing locality of their choice.

While measures addressed to the economy as a whole, the level of family incomes, the rate of inflation, and the price of fuel on international markets are beyond the scope of this statement, actions can be taken within the framework of a national housing policy to combat rising housing costs. Because the cost of either acquiring a home or living in it is made up of a multitude of contributing costs, these actions will necessarily be diverse and will need to be taken—some of them repeatedly—by many people in many places.

A major reduction in any one cost element will normally result in a relatively minor reduction in the ultimate cost to the housing consumer. The cost of unsubdivided land is usually the lesser part of the cost of an improved building lot and the cost of the improved building lot is usually the lesser part of the cost of the home.

Similarly, the costs of lumber or masonry, mechanical equipment, on-site labor, the homebuilder's profit and overhead, financing, or selling and title settlement are each important, but relatively small, parts of the overall costs of acquiring a home. The costs of occupying a home are also varied; mortgage payments, property taxes, insurance, utilities, and maintenance and repairs are each significant, but not necessarily predominant.

The cost problem therefore permits no single easy solution. The recommendations which follow call for a variety of efforts commensurate with the variety of cost elements. Our recommendations relating to fluctuating credit, local resistance to low and moderate income housing production, and local property taxes were also, in effect, recommendations addressed to the cost problem.

#### Recommendations:

- a. In each locality, efforts should be made to identify and eliminate those requirements or standards imposed by local laws, codes, or regulations that needlessly add to the cost of housing—the dwelling unit itself, its supporting infrastructure and its maintenance and operation.
- b. The practices of builders, land developers, mortgage lenders, real estate dealers, and title companies; of suppliers of materials and equipment; of the construction trades; of planners, architects, engineers and lawyers; and of local agencies that provide public facilities and services to housing should be reviewed to find ways in which to increase their productivity.
- c. The public facility infrastructure needed in newly developed areas should be provided before—or at the same time as—the housing, but the cost should be spread over a period of time so that it does not fall as an undue burden on the first occupants of the new housing or cause a sharp increase in taxes payable by persons already residing in the community. In cases of special need arising from rapid growth, Federal subsidies, which may flow as part of Block Grants or as low-interest-rate public facility loans, should be available.
- d. In order to improve the capabilities of public and private institutions concerned with lowering of housing costs, the Federal government should adequately fund experimental-

tion and research concerning housing and community betterment, and should fully implement the provision of law, enacted in 1974, that authorizes the creation of a National Institute of Building Sciences.

#### 3. Disillusionment

Widespread disillusionment concerning the nation's ability to deal with its more difficult problems is yet another recent obstacle to the solution of housing problems. This obstacle is as real as it is intangible. Unlike skepticism, which tends to inhibit hasty action, disillusionment tends to inhibit all action.

Major resources can be wasted if there is a failure, or even a partial failure, in a national housing program. But not to act at all will surely condemn millions of American families to housing conditions that are intolerable by any civilized standard. And housing deprivations formerly suffered only by the poor are increasingly being suffered by persons of moderate income. Unless we move forward, we are in danger of slipping backward.

#### Recommendations:

- a. The American Institute of Architects urges all those who wish to better the housing conditions of the nation to join in seeking a renewed consensus concerning the best ways in which to start.
- b. The selection of means as we proceed should be marked by flexibility that takes account of unfolding experience, but a new national commitment to attain our housing goals should be strong and steadfast, reflecting the urgency and magnitude of our unmet housing needs.

## IV. CONCLUSION

The importance of good homes as necessities of life, as sanctuaries of the human spirit, and as a critical national resource and the persistence of slums and ghettos and of serious housing deprivation require firm and unwavering national commitment to meeting widely agreed-upon housing goals—a commitment that is commensurate with the vital contribution that good housing and good neighborhoods make to the general welfare of our people and the quality of our civilization.



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# A Critique of the President's 1976 Report on National Growth and Development

1976 Report  
on  
National Growth  
and  
Development

The  
Changing Issues  
For  
National Growth

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## I. Introduction

The President's biennial report on National Growth and Development is the first concerted effort by the United States federal government to come to grips with national growth and development problems since the demise of the National Resources Planning Board (NRPB). The NRPB was part of the Office of the President from 1934 to 1943.<sup>1</sup> It accomplished much important work particularly in the human settlements and natural resources areas but never enjoyed Congressional sanction. Many feel that this lack of Congressional participation together with the pressures of World War II, led to the untimely demise of the NRPB. In contrast the present effort is based on Congressional initiatives and a growing public understanding of the limited nature of national resources.

Regardless of the branch of government from which the concern emerges and the public perception of the nation's circumstances, a fundamental and profound question remains: can the federal government in a highly pluralistic democratic society with a relatively "free" economy plan for and coordinate national growth and development? The members of the National Forum on Growth Policy believe it is possible, highly desirable, and long overdue. This paper sponsored by the Forum is intended to stimulate national discussion on this fundamental question.

The National Forum on Growth Policy is an organization of national organizations, 25 in

number, whose constituencies and leadership are concerned about national growth and development.<sup>2</sup> The Forum organizations who represent the professions, public interest groups, and business, fully appreciate the difficulty in conceiving what a national growth policy for the United States ought to be, let alone implementing one.

Title VII of the 1970 Housing and Urban Development Act directs the President of the United States to make a biennial "Report on Urban Growth" to the Congress on the growth and development of the nation. This report is to include "recommendations for programs and policies for carrying out such a policy, including such legislation and administrative actions as may be deemed necessary and desirable."<sup>3</sup> Title VII in effect places responsibility for leadership in formulating national growth and development policy in the Office of the President. The Forum members recognize, however, that a three way partnership needs to be forged among the Administration, the Congress, and the private sector to get the job done. These relationships and processes are in a state of evolution. One thing, however, is certain — we must manage with increasing wisdom and purpose our nation's finite physical resources, both natural and man-made.

This critique is offered in full understanding of the difficulties and complexities of formulating a national growth policy process. The Forum members believe that only through the active participation of diverse organizations and individual citizens will a valid national policy evolve. This critique is a positive attempt by a collection of national organizations to be both supportive and constructive in the title VII process.

1. For establishment of the National Resources Planning Board see Executive Orders 6777 June 30, 1934 and 7065 June 7, 1935.

2. See Appendix I for description of National Forum on Growth Policy.

3. Title VII of the Housing and Urban Development Act of 1970 (Public Law 91-609), Urban Growth Report (84 Stat. 1791; 42 U.S.C. 4501) Approved December 31, 1970.

## II. Overview of Process

### a. History of Title VII

Events during the 1960s directed public attention to 1) the deterioration of our urban areas; lack of housing, congestion, poor public services and facilities, social discontent, unemployment, economic stagnation, and physical obsolescence; and 2) serious environmental problems, loss of agricultural land to urban sprawl, polluted air and water and the rapid exploitation of limited natural resources. Two publications stand out among the rich literature of the 1960s which seemed to catalyze Congressional concerns which led up to the landmark Title VII 1970 Housing and Urban Development Legislation; legislation which was to be the first major effort at developing a national growth policy since the experiments of the 1930s and 1940s with the National Resources Planning Board. In 1968 the National Commission on Urban Problems published its report "Building the American City"<sup>4</sup>, and also in 1968 the Advisory Commission on Intergovernmental Relations published its report "Urban and Rural America: Policies for Future Growth."<sup>5</sup> Both of these reports called on federal leadership to address problems of urban growth and stagnation. Today, eight years later, the problems these reports described are still largely with us and their recommendations remain on the national agenda.

In 1969 the House Committee on Banking and Currency, which has jurisdiction over Housing and Urban Development programs, established

an Ad-hoc Subcommittee on Urban Growth, chaired by Representative Thomas Ashley of Ohio. The Ad-hoc Subcommittee conducted 35 days of hearings from June 1969 to December 1970, receiving testimony from 50 expert witnesses. The major subjects covered were: 1) population trends, 2) the amount and location of growth through the end of the century, 3) urban/rural/suburban balance, 4) life style choices, 5) the severe problems of the inner-city, and 6) the conditions that make urban living desirable or undesirable with regard to housing, transportation, education, employment opportunities and cultural richness. Out of this subcommittee emerged part A of Title VII of the Housing and Urban Development Act of 1970, "Development of a National Urban Growth Policy." On December 31, 1970 President Nixon signed these provisions into law (P.L. 91-609).

The legislation requires that . . . "in order to assist in the development of a national urban growth policy, the President shall utilize the capacity of his office . . . to collect, analyze, and evaluate such statistics, data and other information . . . as will enable him to transmit to Congress during the month of February in every even numbered year, beginning with 1972, a report on urban growth." The President's report is to include the following elements:

- (1) Information and statistics describing characteristics of urban growth and stabilization and identifying significant trends and developments;
- (2) A summary of significant problems facing the United States as a result of urban growth trends and developments;
- (3) An evaluation of the progress and effectiveness of Federal efforts designed to meet such problems and to carry out the national urban growth policy;

4. 91st Congress, 1st Session — House Document No. 91-34 "Building the American City", Report of the National Commission on Urban Problems to the Congress and to the President of the United States.

5. "Urban and Rural America: Policies for Future Growth", by Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575, April 1968, No. A-32.

(4) An assessment of the policies and structure of existing and proposed interstate planning and developments affecting such policy;

(5) A review of State, local, and private policies, plans and programs relevant to such policy;

(6) Current and foreseeable needs in the areas served by policies, plans, and programs designed to carry out such policy, and the steps being taken to meet such needs; and

(7) Recommendations for programs and policies for carrying out such policy, including such legislation and administrative actions as may be deemed necessary and desirable.

Congress intended this legislation . . . "to place the federal government in the role of substantial responsibility for the development and coordination of national growth policy . . . (and) to provide the framework for the development of inter-state, state and local growth stabilization policy."<sup>6</sup> The legislation was not intended to assign to the President responsibility of developing a comprehensive master plan for national growth and development. Rather it asks the President to report on important trends and developments in national growth and to take the lead in making recommendations to Congress on the formulation of policy that would serve as a guide in making specific decisions at the national level which affect the pattern of urban growth. The 1970 legislation marked the beginning of a process through which the Executive Branch, the Legislative Branch and the private sector could begin to evolve a framework for a national growth and development policy. Prog-

ress has been substantial. Each report of the President has been an improvement on the one before. The process of preparation as well as the contents of the reports are improving.

In the years ahead Title VII itself could improve along with the reporting process. Several observations and assumptions stated in section 702 "Findings and Declaration of Policy" tend to date the approach and to some extent confuse the issue. Specifically, the assumptions about continued rural decline, the lack of precision in defining national "urban" growth policy as opposed to national growth policy, the lack of language integrating existing national goals and policies into the biennial report framework, the lack of recognition of basic conflicts between national goals (and in many cases conflicts between the secondary impacts of programs), and the lack of a clear time frame are areas for potential improvement. Further, some thought should be given to changing both the month and year for the President's report — the month to fit in better with the Congressional Budget Cycle and the year to avoid the numerous distractions of "political" years. Meanwhile Title VII remains a farsighted and basically very constructive piece of national legislation.<sup>7</sup>

Congressional hearings, editorials, newspapers and magazine articles, and organizational attitudes indicate that few are completely satisfied by the progress so far.<sup>8</sup> Hopefully the dissatisfaction and the impatience will lead to constructive criticism and improvement rather than frustration and disillusionment. The authors of this critique believe that the biennial reporting process can be a very effective tool in the evolution of national growth policy.

6. Ashley, Thomas L. in U.S. Congress. House Committee on Banking Currency, & Housing. Subcommittee on Housing & Community Development. National Growth & Development. Hearings Sept. 4, 5 & 8, 1975. Wash., U.S. Govt. Printing Office, 1975 (94th Congress, 1st Session) P. 373.

7. In addition to the Committee on Banking and Currency, other committees of the Congress, as well as individual senators and congressmen have taken actions enlarging the discussion on national growth policy. For example, since 1972, Senator Hubert H. Humphrey, as chairman of the Joint Economic Committee, has requested annual research by the Library of Congress and conducted hearings on "federal and state developments toward a national growth policy" including a summary and analysis of federal legislative and executive action, innovative state legislation, and significant "decisions that affect the elements of a national growth policy." Senator Humphrey, Senator Jacob Javits and Representative Augustus Hawkins have sponsored legislation to develop a national economic strategy relative to growth under the title of "The Full Employment and Balanced Growth Act."

8. Center for Responsive Technology: *Toward a Comprehensive Growth Policy Process: How Non-Governmental Organizations Respond to the 1974 President's Report on National Growth and Development*, 1975.

## b. The 1972 and 1974 Reports

The President's 1972 report covered urban and rural growth. It described the growth and shifting distribution of the nation's population and some of the basic problems associated with population growth. The recommendations included in the report were the Administration's previously introduced 1972 package of legislative proposals regarding government reorganization, general and special revenue sharing, rural development credit, planning and management assistance, national land use policy, power plant siting, tax policy, and welfare reform. It is interesting to note that both the Douglas Commission and the Advisory Commission on Intergovernmental Relations reports men-

tioned earlier, called for government reorganization, revenue sharing and to some extent national land use policy. In regard to the latter it is noteworthy that the Administration withdrew its support for national land use planning legislation in 1974.

Perhaps the most revealing and disappointing position enunciated in the 1972 report was the statement that "... is not feasible for the highest level of government to design policies for development that can operate successfully in all parts of the nation." The report also tended to dismiss the importance of federal programs in the nation's growth and development and discounted federal responsibility for the local impacts of federal programs. Almost all of the witnesses that appeared before the House Housing Subcommittee which received the report thought that the report demonstrated that the Administration did not intend to exercise any leadership in formulating national growth policy. In sum the report was very poorly received, which may explain the lack of interest by both the Administration and the Congress of using the report as a mechanism to increase and improve the quality of public debate on growth policy matters.

Another shortcoming of the 1972 report was in the preparation. Participation by interest groups from both the public and private sectors, informed citizens and academia was altogether lacking. The Congressional hearings on national growth policy indicated that many of the witnesses had their own well thought out conceptions of what the first Presidential report on national growth policy should contain. This information certainly would have assisted the Administration in the preparation of the report and could have, to some extent, possibly diffused the high level of disappointment in the final product, particularly if some of the suggestions were incorporated.

The 1972 report was a first faltering step. It established a base line, a point of departure, a product and process to improve upon.

The 1974 report was delivered to the Congress in December, almost a year late. The delay can be largely attributed to the state of siege the Administration experienced over the Watergate scandals.

Significantly, the report acknowledged that ... "conflicting national policies and lack of adequate policy coordination have been the two principal obstacles to better balance the quality of life among various parts of the country — an obstacle made more significant by the large size

of the federal outlays and the high degree of federal involvement." By implication the 1974 report makes the case for the need for a national growth policy. It pointed out that of the 130 billion dollars in total public and private construction put into place in 1973, 10% was federal dollars, and this excludes defense. This is evidence that the Administration was beginning to understand the impacts of federal programs and the need for policy coordination, precisely what the Congress was asking them to study in the biennial report.

The 1974 report contained a peculiar tension, however, between its basically laissez-faire ideological stance and its recognition of the need for coordinating federal programs. Regarding the former the report says ... "it is always important to reaffirm the nation's fundamental position on growth. Most of the time a competitive private decision economy that effectively utilizes its capacity to produce will provide a geographic and functional distribution of people activities and resources that is more efficient and more desirable than alternative methods."

The major criticisms of the 1974 report expressed in the Congressional hearings included a lack of discussion of the implications of basic growth trends described in the report. Public policy options in functional areas such as housing, transportation, education and public works were not discussed. Moreover, the report seemed to ignore the substantial existing research in urban and rural development problems which would have been very helpful in formulating the analysis. Finally, the 1974 report did not propose programs, policies or legislative and administrative actions to overcome problems discussed or alluded to in the report.

The 1974 report called for an increased role for states in growth management and program coordination. It is interesting to note that both the Douglas Commission and the Advisory Commission on Intergovernmental Relations report cited earlier, also called for an increased role for the states. Ironically, what has happened in the ensuing years has been quite the opposite. General revenue sharing and community development block grants (special revenue sharing) have weakened the role of the states in coordinating growth and development particularly in metropolitan areas and strengthened the role of municipal and county governments.

Here again it should be reemphasized that one of the great shortcomings of the process



through 1974 was the lack of participation by informed citizens, private and public interest groups, and scholars in the process of developing the report. The 1974 report, like the 1972 report, was not well received by those looking for leadership. Perhaps, thankfully, the report was not the focus of any extensive public debate on national growth policy.

### c. Preparing the 1976 Report

The 1976 report was prepared during our nation's second most severe economic recession. Public concern about the scarcity of natural resources, inflation, and unemployment was peaking. The report states . . . "in all specific policy areas of national growth examined in this report there is a growing recognition of the limited nature of both fiscal and natural resources. Harder choices among alternatives will face citizens, the private sector and government at all levels in guiding national growth."<sup>9</sup> This statement indicates that the Department of Housing and Urban Development which prepared the report and hopefully the White House are increasingly aware of the importance of federal policy in guiding national growth and development.

The 1976 report also represents the Administration's first serious attempt at involving other levels of government and the private sector in the preparation of the report. In October and November of 1975 five seminars were held across the country to get "grassroots" input for the report from public interest groups, professional organizations and local governments. The lack of lead time and quickness with which these seminars were held leaves much to be desired. However, the Administration must be complimented on at least getting started in evolving a broader cross-section of opinion in the development of its report.

The White House Domestic Affairs Council also held a series of conferences in various locations of the country on domestic policy issues in general. The Vice President was in charge of these conferences. It is unclear what if anything came out of these conferences which directly contributed to the preparation of the 1976

growth report. Again the Administration's attempt to see what is on the minds of grassroots interest around the country on growth issues is very important.

One source of advice, the Congressional hearings held on the 1972 and 1974 reports, seems to have been overlooked. Of the three major recommendations coming out of these previous hearings on earlier reports, only one seems to have been acted upon. The consensus of these earlier Congressional hearings were:

- 1) the reports lacked a clear picture of policy alternatives,
- 2) the reports lacked recommendations in the administrative and legislative areas to redress the problems described, and
- 3) the analysis was of insufficient depth and not policy directed.

The 1976 report represents a significant improvement in information base and analysis.

In the introductory material of the 1976 report, there is indication that the Administration plans to make a greater effort for the 1978 report to include public interest groups, trade groups, state and local governments, representatives of area wide organizations, and the Congress in the preparation of the 1978 report. The first six years of Title VII, then, have seen some improvement not only in the quality of the report, but the methods by which it is prepared. We are hopeful that the 1978 report will be another step along the long and difficult road toward the establishment of a national growth and development policy.

### d. Use of the 1976 Report

It is the Administration's intent to use the 1976 report as one of its major contributions to the International Conference on Human Settlements (HABITAT) sponsored by the United Nations in June of 1976 in Vancouver, B.C., Canada. The exposure of this national report to the international body can and should lead to a higher level of public awareness of the lack of urban growth policy in the United States. The President's report should be in the hands of the leadership of state, metropolitan, county and city government officials. It should be studied by business, private citizens and professional societies. We recommend that the 1976 report be disseminated widely. This is an essential part of the process in developing an effective 1978 report.

9. 1976 Report on National Growth and Development — The Changing Issues for National Growth, February 1976 — The White House.

**e. Observations on the Process**

1. The President's 1976 Report on National Growth and Development is another step in the improving process to deal with growth and development problems.
2. The required biennial report of the President contained in the Title VII of the 1970 Housing and Urban Development Legislation is working and is making a contribution to the necessarily difficult task of formulating national growth and development policy.
3. The preparation of future reports should include opportunities for more input from various governmental levels, private business, professional groups, public interest groups, scholars, and individual citizens.
4. The most significant achievements of the first three reports are: 1) the revelation of the laissez-faire attitude of the Administration toward growth and development problems, 2) a vehicle for administration efforts at inter-agency communication at the federal level, 3) the establishment of a common information base for those interested in growth policy analysis.
5. Roles of future reports hopefully will include: 1) significant public participation in the process of developing the report, 2) beginning of a national dialogue between various interests over what national growth policy should be, and 3) a display of Administration leadership and resolve in dealing with national growth and development problems.

### III. Critique of the 1976 Report

#### a. Introduction

The evaluation of a document as complex, diffuse, and massive as the President's 1976 Report on National Growth and Development can be an exercise in futility, unless the evaluation itself is pointed. This evaluation focuses on two major issues 1) how the report will be perceived by leaders from other governments at the HABITAT Conference, and 2) what the substance of the report means in the evolution of a national growth policy. In regard to the latter, the report will be examined with respect to its definition of terms, its basic assumptions, its theoretical framework, and its goals. Section IV of this paper deals with the prospects for the 1978 report. It suggests the framework we would like to see in the 1978 report.

#### b. International Perspective

The government of the United States has elected to submit the President's third report on National Growth and Development as a major element of its presentation at the HABITAT Conference. It is well to anticipate the likely response of other nations, both from the developed and developing world to a document of this kind. Few could fail to be impressed with the scope of the information and the depth of analysis presented. In a world where growth management has become an increasing concern at the national level, the information and analytical base of the 1976 Growth Report should be a matter of considerable interest.

However, this report has been intended by Congress to serve as a policy making and policy

generating document. It was established to elicit the national administration's position on the future of urban and regional development in the United States. But nowhere in this document are such positions or policies to be found. Many of those attending the HABITAT Conference will be astute observers of governmental activity. They will be puzzled at the American report. They will wonder about the lack of direction given, particularly since the American assistance programs and those of other international agencies have consistently urged that countries in the developing world establish policies towards the location and support of physical development and growth.

Many Western European nations have had such policies for some time. They have been controversial, but sufficiently well articulated to serve as a focus for national debate. Many of the developing countries have been adopting growth policies as the only effective means of guiding national resources allocation, regardless of the political systems involved. The American report, therefore, will be a source of puzzlement to its international readers. While excellent on stating the issues, and outlining the options, it gives no guidance whatsoever on what options should be taken. While of great importance through its encouragement of public debate, it is totally lacking in providing some focus around which the debate may range.

A second but no less important omission to the international community is the perception of the United States of its own role in the family of nations. How are international influences expected to affect U.S. domestic growth and development policy? Foreign policy in its political and economic aspects has a great influence upon growth and development of the United

States. The history of this impact is easily found. There should be some indications in the report of what it may be in the future. For instance, the shift in rate of economic growth from the Atlantic to the Pacific Ocean will have negative consequences for the Eastern seaboard states and positive consequences for the Western states. Such states as California, Washington, and Oregon are already affected while states like Montana, Utah, and Arizona, among others, are opening up economic and cultural relations with the Pacific countries. Cotton textiles from the People's Republic of China threaten the Southern textile industry. Alaska could be the centerpiece of this new economic configuration, with consequences for the future growth and development of the Western part of the United States.

Africanization of Africa, a continent with vast natural resources, will surely result in a reordering of the priorities among the new nations of that area. American reluctance to recognize the revolutionary movement among these people will affect the availability of those resources as far as this nation is concerned.

Foreign investments have had an impact upon certain states, such as South Carolina where large amounts of European capital and technological capability have been introduced. What is to be the policy of the United States on such foreign investment? In South Carolina, this is a major public issue.

Global trends that are already underway will have a tremendous impact on growth and development in this country. What are they? Can they be reversed? Can they be diverted? The report does not deal with this aspect of national growth and development.

### **c. Definitions and Assumptions**

A basic concern of the Congress in asking the President to deal with urban growth is a recognition of the role of urbanization and its relation to economic growth and social development. Unfortunately, none of the three reports submitted in response to the request of the 1970 Act has emphasized urban growth nor has any defined the terms growth and development and pointed out the differences between them.

The terms "growth" and "development" should not be used interchangeably. Growth means an increase in scale and size. It is a quantitative idea. Development, conversely, implies a change in structure or in behavior, a qualitative idea. As Edgar Dunn suggests, "Growth is a scale concept and development a behavioral concept. Growth implies an increase in scale, development an increase in the complexity of behavior."<sup>10</sup> These distinctions are important and should have been kept in mind in preparing the 1976 report. For example, there is little attention to behavior or to change in social institutions in the report; yet, social change is one of the great generators of growth. The language in Title VII is also confusing on this point.

The assumptions underlying the 1976 report appear to be different from those assumed in the 1972 and 1974 (1975) reports. One of the assumptions of the present report appears to be an acceptance of the "limits to growth" hypothesis of the Club of Rome group. The Administration apparently accepts the "age of scarcity" concept and views growth and development from that perspective. This suggests there will be a shortage of basic resources and a slowdown or retrenchment in all our activities. The Club of Rome report is only one of a number of possible scenarios for future growth. The Club of Rome report, for example, assumed that the rate of technological growth would be constant. However the discovery of a new technology or new ways to use a natural resource could radically change the Club of Rome hypothesis. We question whether a free enterprise society should accept such an assumption about the future of the country without a thorough review of alternative growth scenarios and their attendant economic, political, social, and environmental policy issues.

Unquestionably, certain constraints are converging on the United States to constrict or, at least, to change the nature and direction of growth and development. However, it may be unwise to accept such consequences — rather, we might need new policies and new programs to counter such trends.

The report should have stated its assumptions about the impact of growth and development on the patterns of human settlements and should ultimately have suggested what should be done about countering the constraints with policy if analysis showed this to be desirable to achieve national goals.

10. Edgar S. Dunn, Jr. *Economic and Social Development*. Baltimore, The Johns Hopkins Press, 1971, P. 9.

#### d. Theory and Goals

There seems to be little theoretical framework for thinking about growth and development in the 1976 report. There is considerable information, not as much as one would expect from the size of the report, nor as relevant as one would wish. But the data are not organized or unified by any theoretical framework. The meaning is missing. In this context it is revealing to note that the report was prepared primarily by consultants. Is there not interest or capacity in the Cabinet Departments to develop an information base for policy analysis?

There are certain forces that determine the kind, the rate, and the amount of growth, and the same is true of development. What are they? Except for the excursus into the role of populations, the report does not state how it assesses the sources of growth today or anticipates the determinants of growth tomorrow.

A report on growth and development needs a theoretical framework for thinking about growth and development in order to give meaning to the data. What model of growth and development was being used in making judgments or in selecting the data of the report?

Then, where are the goals for national urban development? What is the purpose of growth and development? Where is the nation headed? Where will the activity system suggested in the report take us? While a nation such as the

United States is inescapably a multi-goaled system, where are the goals? How do we know whether we are losing ground or gaining? The report seems to sense a nation which, if not in decline, is at least threatened. Is this true? Why? While policy without programs is useless, programs without policy are purposeless.

Finally, the authors of the report point out that the administration's recommendations are to be found in the Budget message, the State of the Union message, and other legislative proposals pending before the Congress. These vehicles are too short-range to be genuinely useful in guiding the administration, the Congress and the nation in the growth policy field. Unfortunately, the opportunity and indeed the intended purpose of the report to take a longer view and to coordinate such recommendations is consciously avoided.

#### e. Summary of Critique

1. The President's 1976 Report on National Growth and Development does not contain recommended national goals, policy or programs.
2. The report lacks a theoretical framework needed to interpret the meaning of the analytical information.
3. The report fails to clearly articulate its assumptions and define its terms.

## IV. Directions for the 1978 Report

### a. Expanding the Institutional Base

It is easy and incorrect to place the responsibility for the lack of a national growth policy exclusively on the Administration. The responsibility goes beyond the Administration to the Congress, to private industry, to interest groups, and even to the electorate. How then can a biennial report which in many ways epitomizes our national ineptness become a more useful and productive document?

We suggest that the 1978 President's report be much more than a statistical bible and focus on ways to improve the process of evolving and coordinating federal policies and programs which impact the nation's growth and development.

In just one year, proliferating federal legislative and administrative initiatives that address ingredients of urban growth policy comprise a veritable kaleidoscope. These developments range from transportation and housing programs, to tax law. Even anti-crime legislation might be included in this mix, because insecurity has a marked impact on the economic decay of many urban areas.

Does the use of "urban growth" terminology add anything to an understanding of these separate policies? Do their impacts come into clearer focus by putting them into a broader context?

Implicit in the notion of viewing now separate policies through the "lens" of urban growth policy is the need to create some institutional means for continuously monitoring these now fragmented efforts in order to place them sensibly into some general policy framework.

The creation of the Council of Economic Advisers, under the Employment Act of 1946, is

generally regarded as one of the most inventive steps taken in the organization of the federal government to evaluate the economic impact of the allocation of its resources and power.

Perhaps this is partly so because income policy, tax policy, employment and manpower policies, monetary policies all operate (with some exceptions) without regard to geographical subdivisions of the nation. They proceed from a functional rather than a territorial basis. If the economy is to be stimulated by investment credits, for example, the credit is earned whether the plant expands in the inner city, in suburbia or in the rural hinterland. If social security benefits are increased, or veterans benefits, the residence of the recipient is irrelevant. The dormant proposals for reform of the existing welfare program, for example, stem in large part from the recognition that disparities in welfare benefits because of place of residence is not an equitable or rational policy.

There is, however, no analogue to the Council of Economic Advisers with regard to *area development policies*. The absence of an institution (perhaps like the National Resources Planning Board), capable of analyzing urban growth trends with the dignified status of the Council, remains as a major gap in the formulation of urban growth policy.

The Domestic Council, created by President Nixon, was temporarily regarded by the Administration as the institutional means for this purpose. The Administration took this position and opposed the creation of a separate Urban Growth Council originally advanced by the proponents of the 1970 legislation. As a result, an Urban Growth unit of the Domestic Council temporarily bore the responsibility for issuing the report required by the 1970 Act. At that time

it was noted that the mandate of the Council on Environmental Quality, established in 1969, was similar to that of the Urban Growth unit of the Domestic Council and that some combination of the two might have been desirable.

Institutional reform is needed in the Congress as well as the Executive Branch if national growth policy is to be developed. The allocation of resources along functional lines is subject to political constraints quite different and more easily clarified than those affecting the transfer of federal resources under some area development criteria. The Congress through its committees and staff is organized territorially, and the allocation of federal resources among competing areas (cities v. rural areas and small towns, one urban region v. another, or central cities v. suburbs) is subject to irrational political compromises.

"Pork barrel" is not a term that appears frequently in connection with the consideration of tax policy or the reform of the welfare system. The oil depletion allowance is available in Alaska and Texas. But it is a term that too often appears when area development policies are carried out, because in the absence of an articulated growth policy it is politically difficult to concentrate federal resources in one city or one area without offering the same benefits to a host of other claimants. The result is that resources, which are never sufficient, tend to be dissipated or thinly spread for political reasons and do not have a noticeable impact anywhere. (This is the lesson of Model Cities, which — it should be recalled — was originally to be limited to six "Demonstration" cities.) This tendency can be overcome only by the development of policy in the Executive Branch and the appropriate reorganization of committee jurisdiction in Congress.

A national growth policy can be fashioned only by an official institution whose sole mandate would be to develop a rational framework for the allocation of national resources for area development and to recommend effective means for implementing the policy.

## b. Setting Priorities

With or without some formal public institution to dignify and clarify a national urban growth strategy, the current task for non-governmental institutions, in fleshing out their own view of national policy, may lie in looking at the range of existing fragmented policies to

see how they should be refashioned to serve some overarching goals. If the development of comprehensive national policy is to supplant the aimless, haphazard and piecemeal policies that have characterized the national government's role in influencing urban growth, the basic principles underlying a new policy must be explicitly articulated.

We assert the following basic principles:

1. Any policy worthy of the name requires new methods of allocating substantial resources of which only the national government is capable. The mere aggregation of local and state policy does not make a national policy; it merely reflects the absence of a national policy. At the same time, new ways of decentralizing the implementation of national policies are essential.

2. National policy must emphasize the marshalling of power and resources to achieve explicit goals rather than their dissipation over a wide array of often contradictory or self-defeating programs. These goals must be designed to reduce or reverse forces that contribute to anti-social or environmentally damaging patterns of growth.

3. The concentrated allocation of resources in accordance with a national urban growth policy requires a healthy growth in the overall economy and a more equitable distribution of the benefits of that growth. National urban growth policy must therefore also seek new ways to assure that the benefits of overall economic growth can be more equitably distributed.

With these underlying premises, and given the broad range of matters which such a policy must address, we are concerned that certain key aspects which deeply affect the whole structure of our national existence receive adequate emphasis in the formulation of growth policy.

## c. Major issues

The 1978 report in addition to covering the process of formulating policy should be narrowed to deal specifically with three major substantive issues.

### 1. Revitalizing the Central City in Its Metropolitan Frame

Over 80% of the nation's population today lives in metropolitan areas varying in size from 50,000 people to many millions. Diverse though these metropolitan areas may be, most of them share a common problem — internal imbalance of population, resources, and facilities. How we

may reshape our metropolitan condition is the crucial urban growth policy issue. The movement of the middle class to suburbs, along with the growth of suburban employment, continues to leave central cities as catchment areas for the disadvantaged, as the 1976 report recognizes. A wall of hostility is being built between suburb and central city in many areas. Access to suburban jobs is increasingly difficult, even where these jobs exist, because of the long commuting distances between central city ghetto and suburban employment center. Residence near places of employment is prevented by the barriers of zoning and other exclusionary measures erected by communities on the urban fringe. America cannot hope to thrive so long as this pattern of exclusion remains, and we unduly stress our judicial institutions to leave them as the sole initiator of reform in this regard.

Profound economic forces operate to make suburban areas more attractive to new development. For that very reason, national urban growth policy must impress upon these market forces in suburbia the capability to meet our social needs as a metropolitan nation. In the absence of strong national policy the urban fringe will continue to develop in ways that both ravage the natural environment and "lock out" lower income and minority households who might choose to move from central cities.

National policy must at the same time be sensitive to the reduction or withdrawal of private investment in the older built-up portions of our metropolitan areas. All too often the federal government has reduced its own investments after private decisions to do the same. Instead, it should strive to recreate economically viable activities in older built-up areas through its own investments and the creation of new incentives for private investment.

The older built-up urban areas within the metropolitan areas remain the real challenge for the innovative design of urban services and an urban environment. Moreover, this is where the homes, streets, public facilities and other monuments to our past creativity exist to be refurbished and renewed. It is a serious reproach to lack of urban growth policy that we abandon large areas of potentially usable housing and urban structure while sprawling into rich farmland with low density urbanization.

Growth policy must therefore open up options for those who may wish to live in the urbanizing pattern on the fringes of existing settlement, or in the older, closer-in suburbs, or who wish to remain in a re-invigorated, secure,

relatively more densely settled setting of the built-up city.

The renewal of older urban areas is still an item of unfinished business on the nation's agenda, and we have learned in recent years that it cannot be sustained politically, economically or legally unless it is couched in the context of strategies for reshaping metropolitan development.

## 2. National Housing Policy

Residential development is the bulk of urban growth, and federal policy affects residential development in many direct and indirect ways. The national government is deeply enmeshed in assisting most Americans to obtain better housing, through the creation of secondary mortgage markets, the insuring, regulation and chartering of savings and lending institutions, federal income tax homeowner deductions and the direct subsidization of rents, construction, or both. Yet only the least affluent must suffer the intervention of local public action to become beneficiaries of federal largesse, while the non-poor obtain the benefits of national policy through private intermediaries underwritten by federal involvement.

At the present time the national government acts largely as a passive financier of low- and moderate-income housing. It leaves to each locality the basic decision as to whether it will accept any low- and moderate-income residents, many of whom are minorities. Those localities that work affirmatively to meet metropolitan housing needs, on the other hand, too often find that federal resources are too limited to offset their added social services costs.

This economic and, ultimately, racial distinction in federal policy must be eliminated. It undergirds racial and economic isolation in metropolitan areas and cuts the rural poor off from national benefits while middle and upper income households benefit more or less automatically.

## 3. Environmental Quality and Growth Policy

The time has come for the national administration to establish the federal role for efforts to enhance environmental quality as the urban pattern grows and changes. Too often the twin objectives of environmental protection and continued development have clashed without equitable compromise and resolution. Guidance must be afforded at the national level as to how both objectives may be pursued to the benefit of the country.



In the six years since passage of the "National Environmental Policy Act of 1969", considerable experience has been gained both in the use of environmental impact statements as a tool for approving major public and private capital projects, and in the application of standards for air and water pollution control. The lessons of this experience should be distilled dispassionately and the relative achievements assessed. Are the standards realistic? Has the environmental impact statement process actually led to improved project design? Are the costs of implementing current environmental control measures commensurate with the actual benefits derived?

Examples exist where environmental protection measures have been misused to exclude poor and minority people and necessary development from communities and to actually encourage urban sprawl. Costs have significantly increased due to bureaucratic ineptitude and delays affecting both governmental and private undertakings. These costs are usually passed back to the ultimate consumers — the public. Local jurisdictions have often undertaken growth control measures without relation to the policies of neighboring communities or to re-

gional needs for housing and services.

If the movement for environmental protection is to survive, it must become capable of co-existing with efforts to meet housing, industrial, commercial and other physical needs. On all of these matters the country needs national leadership. Environmental protection should not become another passing fad, waning for lack of realistic underpinnings.

#### **d. Summary of Recommendations for 1978**

1. The President's 1978 Report on National Growth and Development should evaluate and recommend new institutions to improve the process of policy development.
2. The report should focus down on three high priority growth and development issues: (1) Revitalization of the Central City in Its Metropolitan Frame, (2) National Housing Policy, and (3) Environmental Quality and Growth Policy.
3. The preparation of the report should include maximum participation by public and private sector interests.

## Appendix I

### A Brief History of the National Forum on Growth Policy

For the last three years the National Forum on Growth Policy has provided a locus in the private sector for the debate on national growth policy issues. In its three years of existence it has grown from a handful of organizations to over 40 participating organizations. These organizations have constituencies of close to two million individuals, most of whom are in leadership roles in their local communities. The members of the Forum are a diverse group including all the major design professions, the business community, the banking community, civil rights groups, state and local government officials, environment and other public interest groups. The bringing together of this group is in itself a unique and remarkable achievement.

It all started back in 1970 when the American Institute of Architects embarked upon an ambitious program to develop a National Growth Policy and a strategy for the implementation of its policy. The AIA's National Policy Task Force produced its first report in 1971. This report became official AIA policy by action of national convention. This was the first report of its kind emanating from a national professional organization.

On October 30, 1972, the AIA brought together a working group of representatives of organizations and recognized individual experts on urban policy to evaluate the AIA report, particularly "the constraints" to achieving its recommendations. This two day meeting was held at Harvard University and was assisted by a Ford Foundation grant. The basic idea was to see if the AIA report could stand up to the criticism of economists, politicians, social scientists, and special interest groups. The report did hold up, probably due to AIA's diverse consultations in evolving the report.

At the end of "the constraints" conference, the participants indicated a strong interest in continuing to work as a body on national growth policy issues (conference participants listed in Attachment 1). To focus this interest the AIA sought the assistance of this group in the preparation of its next report, "Structure for a National Growth Policy." Other national organizations also brought their policies to the group for comments and criticism. This informal group called themselves The Interdisciplinary Coalition for a National Growth Policy (ICFNGP). Some 39 organizational representatives met four times. (See Attachment 2 for list of organizations). The AIA's second report was published in December 1973 having benefited substantially from the assistance of the ICFNGP.

In January 1974, the Interdisciplinary Coalition for a National Growth Policy decided that the subject matter and their interest would suggest the formation of an informal organization established outside of AIA to continue the work. A steering committee was formed which drafted the "Founding Resolution" (Attachment 3) and an organizational structure. These were approved by the whole body on November 4, 1974. Hence the National Forum on Growth Policy became the successor organization to the ICFNGP.

The National Forum on Growth Policy now has 25 members (Attachment 4) who adopted the founding resolution. There are 28 additional participating organizations which are not members but send their representatives to the Forum meetings. A continuous search goes on for additional members for the purpose of increasing the diversity and constituency of the Forum.

Under the charter each member organization

has established their representation by official Board action. There is no membership fee. Each member organization has appointed an official representative to the Forum. A Steering Committee of 8 members has been formed, whose function it is to establish the general format and content of the meetings. The Steering Committee also serves as a nominating committee for chairmen and other officers, as appropriate. The original plan called for the secretariat functions to be rotated annually among the members, so as to fairly distribute the financial and other burdens. All meetings of the Forum are open, except by majority vote of the members. Since the Forum became an independent organization, there have been 10 meetings.

The following are the formal objectives of the National Forum on Growth Policy:

- a. To encourage constructive debate by individual leaders and their organizations on issues affecting national growth.
- b. To exchange information and ideas on the pressing problems and emerging solutions attendant to national growth.
- c. To foster realization among government officials of the need for achieving sound public policies which properly balance national growth, the use of resources, and the preservation of the natural environment.
- d. To increase public awareness of growth problems and various solutions.
- e. To enlarge the opportunities of the member institutions so that they can better cope with society's demands for a higher quality environment with expanded options for individual choice.

The National Forum on Growth Policy is intended to undertake the following functions:

- a. Identify major policy materials on national growth, including governmental papers and hearings, university research, and materials produced by the Forum members and other organizations, and serve as a continuing clearinghouse and distributor of major policy references, abstracts and other pertinent materials.
- b. Prepare abstracts and summaries of major national growth policy issues from existing materials, and organize programs for the Forum members to discuss these issues. The end product of such activities could be published in a manner so as to be

used by other organizations and public forums.

- c. Analyze and abstract major federal, state and local legislation for information and use by the Forum members.
  - d. Prepare model formats and case studies for the discussion of national growth issues for use by individual organizations of the Forum members and local chapters.
  - e. Identify knowledgeable spokesmen on various functional aspects of the national growth issues (such as environment, energy, transportation, taxation, etc.), for purposes of organizing workshops and seminars.
  - f. Establish contact with key individuals in the Federal Government and other major policy institutions, with important roles relative to national growth policy, and encourage them to make use of the Forum in exploring national growth issues.
- The meetings have focused on many aspects of national growth policy. Listed below are some items from recent agendas.
1. Report from the Domestic Council on National Growth Policy issues.
  2. National Land Use Legislation.
  3. President's 1972, 1974 and 1976 Reports on National Growth and Development.
  4. Energy and the Built Environment.
  5. Policy Development Processes of member organizations.
  6. Major position of member organizations.
  7. How member organizations operate, lobbying, etc.
  8. Balanced National Growth and Development Act.
  9. Transportation and Growth Policy.

Speakers representing the Administration, the Congress, and state and local governments have made presentations exploring these issues. The White House has had either a participant or observer at each meeting. Representation of member organizations has continued to be at the highest level. Executive Vice Presidents, Presidents, Board members, and top staff typically attend. The press has been allowed to sit in unless specifically excluded by vote of the members. Minutes of all the meetings have been kept and are available on request.

April 1976

**Attachment 1  
List of Participants  
"Constraints" Conference —  
Harvard University  
October 30, 1972**

Thomas L. Ashley	Melvin A. Mister
Richard F. Babcock	Robert Nash
Michael B. Barker	Raymond D. Nasher
Seymour Baskin	Grace Olivarez
Norman Beckman	Nathaniel A. Owings
Van B. Bruner, Jr.	leoh Ming Pei
Anthony Downs	William K. Reilly
Marian Wright Edelman	Jacquelin T. Robertson
Gordon Edwards	Jack Robin
Harold B. Finger	Archibald C. Rogers
Harold Fleming	Nathaniel Rogg
Herbert M. Franklin	Thomas Seesell
Charles E. Fraser	William L. Slayton
Clifford Goldman	Stanley Surrey
W. Wilson Goode	H. Ralph Taylor
Frederick O'R. Hayes	Dempsey J. Travis
Maurice Kilbridge	Max O. Urbahn
Arthur T. Kornblut	Stanley Waranch
Richard C. Leone	Bernard Weissbourd
Peter Libassi	Louis Winnick
Edward J. Logue	Robert C. Wood
Louis R. Lundgren	Paul N. Ylvisaker
M. Carter McFarland	Hugh M. Zimmers
Floyd B. McKissick	

**Attachment 2**  
**List of Member Organizations of**  
**The Interdisciplinary Coalition for a National Growth Policy**

American Bar Association  
American Chamber of Commerce Executives  
American Institute of Architects  
American Institute of Interior Designers  
American Institute of Planners  
American Society of Civil Engineers  
American Society of Consulting Planners  
American Society of Landscape Architects  
American Society of Planning Officials  
Associated General Contractors of America  
Association of Students Chapters, AIA  
Chamber of Commerce of the United States  
Conservation Foundation  
Consulting Engineers Council  
Council of State Governments  
Industrial Designers Society of America Inc.  
International City Management Association  
International Downtown Executives Association Inc.  
Junior League of Washington  
League of Women Voters of the United States  
Mortgage Bankers Association of America  
National Association for the Advancement of Colored People  
National Association of Counties  
National Association of Home Builders  
National Association of Housing and Redevelopment Officials  
National Association of Real Estate Boards  
National Committee Against Discrimination in Housing Inc.  
National Housing Conference  
National League of Cities  
National Organization of Minority Architects  
National Retail Merchants Association  
National Society of Interior Designers  
National Society of Professional Engineers  
National Urban Coalition  
National Urban League  
The Potomac Institute  
The Urban Institute  
Urban Land Institute  
United States Conference of Mayors  
United States Savings and Loan League

**Attachment 3**  
**Resolution to Establish**  
**"The National Forum on Growth Policy"**

1. WHEREAS, the population of the United States is now growing at the rate of 1,800,000 per year and population experts predict a minimum addition of 60,000,000 by the year 2000; and
2. WHEREAS, over 75% of the population now lives in urban regions occupying one-sixth of the mainland United States and by the year 2000, 83% of the population is expected to live in these regions; and
3. WHEREAS, the rapid growth of urban regions in the past frequently has resulted in urban sprawl, traffic congestion, environmental degradation, exclusionary zoning, increased taxes and reduced services; and
4. WHEREAS, the careless and frequently excessive use of natural resources to support these urban regions is increasingly damaging to our quality of life; and
5. WHEREAS, these conditions and problems are not ordained by destiny, but rather can be changed and alleviated for the general welfare by public policy and action, therefore, be it

RESOLVED, That the undersigned hereby establish "The National Forum on Growth Policy" to undertake analysis and *recommend programs* for the purpose of guiding national growth.

Revised November 4, 1974

MEMBERS OF  
THE NATIONAL FORUM ON GROWTH POLICY

1. American Institute of Architects
2. American Institute of Planners
3. American Society of Civil Engineers
4. American Society of Consulting Planners
5. American Society of Interior Designers
6. American Society of Landscape Architects
7. Associated General Contractors of America
8. Consulting Engineers Council
9. Industrial Designers Society of America
10. International Downtown Executives Association
11. League of Women Voters of the United States
12. Mortgage Bankers Association of America
13. National Association of Housing and Redevelopment Officials
14. National Committee Against Discrimination in Housing
15. National Housing Conference
16. National League of Cities
17. National Organization of Minority Architects
18. National Recreation and Park Association
19. National Society of Professional Engineers
20. National Urban League
21. Potomac Institute
22. United States Conference of Mayors
23. Urban Land Institute
24. United States Chamber of Commerce
25. Junior League of Washington

Mr. PATTERSON. We turn now to Mr. Lonergan. Mr. Lonergan, do you have a microphone? Maybe we can slide those down.

**STATEMENT OF MICHAEL J. LONERGAN, CHAIRMAN, AD HOC COMMITTEE FOR ADEQUATE AND ASSURED COMMUNITY DEVELOPMENT PROGRAM FUNDING**

Mr. LONERGAN. Thank you, Mr. Chairman.

In order to stay within the time limits, I will give an abbreviated version of the written presentation.

I deeply appreciate the opportunity of presenting the concerns of the large and small towns which are faced with reduced funding under section 106(g)(2) and section 106(h)(2) of the Housing and Community Development Act. Our ad hoc committee was formed in October 1975 to seek redress from the prospect of reduced funding which affects some 200 large cities, and some 750 smaller urban places. I might add, in the State of California, some 39 communities are affected by the issue.

Approximately 400 members have enrolled in our committee, 308 from municipalities under 50,000. Individual members are principally elected officials of their towns, or members of the community development department or agency responsible for administering the program.

Obviously, the two-formula system is a superior system to the simple extension of hold harmless for large cities. We endorse this concept. However, for the 79 large cities which will be faced with substantial reduction under the two-formula system, we urge that statutory assurance be written into the \$400-million urban development action grants proposal, to give those cities the first opportunity for these discretionary funds.

Unfortunately, there are no proposals before Congress which are actively being pursued to grant relief to the 750 nonmetro cities which are facing a funding reduction in assured annual grants to a zero dollar level by 1980. For them, it is not a question of which is the better of two formulas. Their prior program involvement is the only recognized statutory basis for annual funding. It is this area to which I wish to direct the bulk of my testimony.

I believe that the plight of the small towns has resulted through oversight, and not by design, as I am sure Congress does not intend to deny the full benefits of the Housing and Community Development Act to the small communities.

The community development block grant program was to provide assistance on an annual basis with maximum certainty and minimum delay, upon which communities can rely in their planning. Unfortunately, the discretionary funding system for communities under 50,000 simply does not provide any basis upon which these towns can rely, as it is basically designed for short-term projects or single-purpose activities.

Moreover, with the phasing out of hold-harmless entitlement, no nonmetro city will be able to plan and program activities to overcome the critical social, economic, and environmental problems with which they are confronted, with assurances that they will receive funds to carry them out. For there is no predictability in the discretionary funding system for programs with long-term implications.



There is no way a community can count on consecutive yearly approvals of its application for discretionary grant. What is needed is an annual entitlement system for smaller cities with critical needs. However, such a system is yet to be proposed. Therefore, the one course of action that will provide some relief is to continue hold harmless for the 750 small towns.

Legislation was introduced on January 6 which would prevent the statutory reduction in funding for both large and small cities. The bill is H.R. 1522, and was introduced by Mr. Reuss. An identical bill, H.R. 2638, was introduced on January 27, and happily added 19 additional sponsors to Mr. Reuss' bill.

The housing legislation of 1977 should at least contain the language of H.R. 1522 as applies to small towns. Specifically, the deletion of subsection 106 (h) (2) should be enacted.

The total appropriation required to keep all 750 towns at their 1977 level of funding is \$425,800,000. There is \$905 million in the HUD budget request for small cities. Thus, no large city nor urban county budget earmarks need to be affected.

I would also like to recommend two alternatives to the simple extension of hold harmless for small towns. The first, continue hold harmless at the 1977 level of funding for those small towns which can demonstrate to the Secretary that they have needs requiring funding beyond fiscal year 1979. In the first quarter of fiscal year 1978, these communities would identify areas of their town where physical development activities are being, or should be, carried out in a concentrated manner.

A tentative timetable for phaseout of each town's hold harmless would then be made by the Secretary, in light of the assumption that at least the full 1977 level of hold harmless would be made available on an annual basis for carrying out the program in the identified areas. A draft of a bill which would grant this flexibility is submitted herewith, and marked exhibit A.

[The exhibit referred to follows Mr. Lonergan's prepared statement.]

Mr. LONERGAN. No additional budget increase would be needed to fund this proposal. However, the proposed budget set aside for hold harmless under section 103(a) (2) would have to be revised.

The second alternative, allow hold harmless to phase down or out, but provide a basic grant to all small towns with critical social, economic, and environmental problems. Under this approach, if the Secretary agrees with the need for funding and determines there is the capacity, a basic grant amount will be established upon which these towns can count on annually until their programs are completed.

It is recommended that the Secretary should use at least 50 percent of the metro and nonmetro discretionary balances to fund this basic grant proposal. In addition, that much of the metro and nonmetro hold harmless allocation would also become part of the funding. Thus, about \$600 million of funds could be made available without disturbing any of the budget estimates for fiscal year 1978.

After the Secretary reviewed and determined which of the 750 hold harmless small towns would be accorded a basic grant, a calculation could then be made as to how much money would be available in basic grant programs in the metro and nonmetro areas for other communities to apply. The Secretary should be allowed to set the initial level

of the basic grant at an amount that is meaningful in terms of the size of the town, the program identified, the capacity to perform, and other factors such as age of housing, poverty, and population lag. Such grants could very well range from \$200,000 to \$1 million annually. If the average grant were around \$400,000 annually, it would allow some 1,500 small towns to participate in its basic grant program.

There are some 3,800 urban places identified in the 1970 census with populations between 5,000 and 50,000 in number, with a total population of some 50 million. These are almost evenly divided between the metro and nonmetropolitan areas of our country. Those that have the highest needs would be approved out of the funds remaining after the hold-harmless towns were analyzed. Information on those towns with a need for annual basic grants which were not funded could be utilized to measure how much in future years should be allocated to smaller towns out of metro and nonmetro discretionary balances.

In addition to providing a system of assured annual funding, the other benefits of this system are:

First, to greatly reduce the HUD processing workload that increases in the discretionary balances will dictate. The 1980 budget projection would indicate \$1 billion in discretionary funds, and at a \$200,000 average grant level, this would mean some 5,000 categorical types of application processes. This is some three times the size of a discretionary program that the past administration considered manageable.

Second, a system that is far superior than turning over the nonmetro discretionary balances to the State, as was suggested in the past administration's budget for fiscal year 1978. There is not a single mayor of a small town with whom I have talked who desires to see the States substituted for the role of the Federal Government in the funding process.

And third, the targeting of an increase in jobs, to the extent of 50,400 on a long-term basis to some 1,500 towns. I have drafted suggested language that, if enacted, would provide the statutory basis for this approach. The suggested bill is marked exhibit B.

[The exhibit referred to follows Mr. Lonergan's prepared statement:]

Mr. LONERGAN. In summary, I urge this committee, in developing your authorization bill for community development, to provide for the long-term funding needs of all small units of government which are faced with critical problems. At a minimum, provide for assured annual funding for those 750 small communities with prior program experience by deleting subsection 106(h)(2) of the Housing Act.

I might add, as a concluding remark, I learned this morning that the Senate did introduce a bill, S. 801, which would have that effect on the Senate side of the ledger; to preserve hold-harmless for small towns. Thank you, Mr. Chairman.

[The prepared statement of Mr. Lonergan, on behalf of the Ad Hoc Committee for Adequate and Assured Community Development Program Funding; with attached exhibits, along with a letter from Mr. Lonergan dated February 7, 1977, addressed to small communities that are members of the committee, a copy of H.R. 1522 as introduced, tables showing the distribution of community development block grant funds and letters from different communities responding to Mr. Lonergan's February 7, 1977, letter follows:]

## AD HOC COMMITTEE

for

Adequate &amp; Assured Community Development Program Funding

February 28, 1977

## PRESENTATION TO THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

BY: MICHAEL J. LONERGAN, CHAIRMAN OF THE AD HOC COMMITTEE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, LADIES AND GENTLEMEN:

I DEEPLY APPRECIATE THE OPPORTUNITY OF PRESENTING THE CONCERNS OF THE LARGE AND SMALL TOWNS WHICH ARE FACED WITH REDUCED FUNDING UNDER SECTION 106(G)(2) AND SECTION 106(H)(2) OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974.

OUR AD HOC COMMITTEE WAS FORMED IN OCTOBER OF 1975 TO SEEK REDRESS FROM THE PROSPECT OF REDUCED FUNDING WHICH AFFECTS SOME 200 LARGE CITIES AND 750 SMALLER URBAN PLACES. APPROXIMATELY 400 MEMBERS HAVE ENROLLED IN OUR COMMITTEE FROM 91 CITIES OVER 50,000 AND 308 FROM MUNICIPALITIES UNDER 50,000. THE INDIVIDUAL MEMBERS ARE PRINCIPALLY ELECTED OFFICIALS OF THEIR TOWNS OR MEMBERS OF THE COMMUNITY DEVELOPMENT DEPARTMENT OR AGENCY RESPONSIBLE FOR ADMINISTERING THE PROGRAM.

OBVIOUSLY THE TWO FORMULA SYSTEM IS A SUPERIOR SYSTEM TO THE SIMPLE EXTENSION OF HOLD-HARMLESS FOR LARGE CITIES. WE ENDORSE THIS CONCEPT. HOWEVER, FOR THE 79 LARGE CITIES WHICH WILL BE FACED WITH SUBSTANTIAL REDUCTION UNDER THE TWO FORMULA SYSTEM, WE URGE THAT STATUTORY ASSURANCE BE WRITTEN INTO THE \$400,000,000 URBAN DEVELOPMENT ACTION GRANTS PROPOSAL TO GIVE THESE CITIES THE FIRST OPPORTUNITY FOR THESE DISCRETIONARY FUNDS TO THE EXTENT THEY CAN DEMONSTRATE TO THE SECRETARY THAT THEY HAVE NEEDS WHICH WOULD WARRANT A LEVEL OF FUNDING HIGHER THAN THE AMOUNT GENERATED BY EITHER FORMULA.

UNFORTUNATELY THERE ARE NO PROPOSALS BEFORE CONGRESS WHICH ARE ACTIVELY BEING PURSUED TO GRANT RELIEF TO THE 750 NON-METROPOLITAN CITIES WHICH ARE FACING A FUNDING REDUCTION IN ASSURED ANNUAL GRANTS

TO A ZERO DOLLAR LEVEL BY 1980. FOR THEM, IT IS NOT A QUESTION OF WHICH IS THE BETTER OF TWO FORMULAS. THEIR PRIOR PROGRAM INVOLVEMENT IS THE ONLY RECOGNIZED STATUTORY BASIS FOR ANNUAL FUNDING. IT IS THIS AREA TO WHICH I WISH TO DIRECT THE BULK OF MY TESTIMONY.

I BELIEVE THAT THE PLIGHT OF THE SMALL TOWNS HAS RESULTED THROUGH OVERSIGHT AND NOT BY DESIGN, AS I AM SURE CONGRESS DOES NOT INTEND TO DENY THE FULL BENEFITS OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 TO THE SMALL TOWNS. SMALL TOWNS, UNDER 50,000 CONSTITUTED OVER 75% OF THE COMMUNITIES INVOLVED IN URBAN RENEWAL, CODE ENFORCEMENT, NEIGHBORHOOD DEVELOPMENT PROGRAMS AND THE LIKE, ACCORDING TO THE HUD URBAN RENEWAL DIRECTORY DATED JUNE 30, 1974.

IN THE VERY FIRST SENTENCE OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974, THE NEEDS OF ALL CITIES, INCLUDING SMALLER ONES, ARE RECOGNIZED. SECTION 101(A) STATES:

"THE CONGRESS FINDS AND DECLARES THAT THE NATION'S CITIES, TOWNS AND SMALLER URBAN COMMUNITIES, FACE CRITICAL SOCIAL, ECONOMIC AND ENVIRONMENTAL PROBLEMS  
....."

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM WAS TO PROVIDE ACCORDING TO SECTION 101(D) "ASSISTANCE ON AN ANNUAL BASIS, WITH MAXIMUM CERTAINTY AND MINIMUM DELAY, UPON WHICH COMMUNITIES CAN RELY IN THEIR PLANNING." UNFORTUNATELY, THE DISCRETIONARY FUNDING SYSTEM FOR COMMUNITIES UNDER 50,000 SIMPLY DOES NOT PROVIDE ANY BASIS UPON WHICH THESE TOWNS CAN RELY AS IT IS BASICALLY DESIGNED FOR SHORT TERM PROJECTS OR SINGLE PURPOSE ACTIVITIES. MOREOVER, WITH THE PHASING OUT OF HOLD-HARMLESS ENTITLEMENT IN FISCAL YEAR 1978 AND 1979 FOR THE SOME 750 SMALLER COMMUNITIES WHO WERE ACTIVE IN HUD PROGRAMS PRIOR TO 1974, NO NON-METROPOLITAN CITY WILL BE ABLE TO PLAN AND PROGRAM ACTIVITIES TO OVERCOME THE "CRITICAL SOCIAL, ECONOMIC AND ENVIRONMENTAL PROBLEMS" WITH WHICH THEY ARE CONFRONTED WITH ASSURANCES THAT THEY WILL RECEIVE FUNDS TO CARRY THEM OUT FOR THERE IS NO PREDICTABILITY IN THE DISCRETIONARY FUNDING SYSTEM FOR PROGRAMS WITH LONG-TERM IMPLICATIONS.

THERE IS NO WAY A COMMUNITY CAN COUNT ON CONSECUTIVE YEARLY APPROVALS OF ITS APPLICATION FOR DISCRETIONARY GRANT, NOR IS THE AMOUNT OF DISCRETIONARY GRANTS SUFFICIENT TO MOUNT SERIOUS EFFORTS TO UNDERTAKE RENEWAL OR COMPREHENSIVE NEIGHBORHOOD PRESERVATION PROGRAMS.

WHAT IS NEEDED IS AN ANNUAL ENTITLEMENT SYSTEM FOR SMALLER CITIES WITH CRITICAL NEEDS. HOWEVER, SUCH A SYSTEM IS YET TO BE PROPOSED. THEREFORE, THE ONE COURSE OF ACTION THAT WILL PROVIDE SOME RELIEF IS TO CONTINUE HOLD-HARMLESS FOR THE 750 SMALL TOWNS AS THE GREAT MAJORITY OF THESE TOWNS HAVE COMMUNITY DEVELOPMENT PROBLEMS WHICH WILL NOT BE SOLVED WITH THE REDUCED FUNDING THEY WILL RECEIVE IN FISCAL YEAR 1978 AND 1979. THESE 750 ARE THE TOWNS WHICH WERE ACTIVE WITH HUD PRIOR TO THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 AND THEY WERE WILLING TO PARTICIPATE WHEN GRANTS WERE ONLY 75% OF COSTS.

LEGISLATION WAS INTRODUCED ON JANUARY 6, 1977 WHICH WOULD PREVENT THE STATUTORY REDUCTION IN FUNDING FOR BOTH LARGE AND SMALL CITIES. THE BILL IS H.R. 1522 AND WAS INTRODUCED BY MR. REUSS. AN IDENTICAL BILL, H.R. 2638 WAS INTRODUCED ON JANUARY 27, 1977 AND HAPPILY ADDED 19 ADDITIONAL SPONSORS TO MR. REUSS'S BILL.

THE NEW ADMINISTRATION IS PROPOSING A DUAL FORMULA SYSTEM, URBAN DEVELOPMENT ACTION GRANTS AND INCREASED URBAN RENEWAL COMPLETION FUNDS WHICH WILL RESULT IN THE GREAT MAJORITY OF THE LARGE CITIES RECEIVING INCREASED FUNDING. THUS, H.R. 1522 IS NO LONGER APPLICABLE TO THE GREAT MAJORITY OF THEM. BUT THE HOUSING LEGISLATION OF 1977 SHOULD AT LEAST CONTAIN THE LANGUAGE OF H.R. 1522 AS IT APPLIES TO THE SMALL TOWNS. SPECIFICALLY THE DELETION OF SUBSECTION 106(H)(2) SHOULD BE ENACTED.

THE TOTAL APPROPRIATION REQUIRED TO KEEP ALL 750 TOWNS AT THEIR 1977 LEVEL OF FUNDING IS \$425,800,000. THERE IS \$905,000,000 IN THE HUD BUDGET REQUEST FOR SMALL CITIES, THUS NO LARGE CITY NOR URBAN COUNTY BUDGET EARMARKS NEED TO BE AFFECTED TO ACCOMPLISH FULL FUNDING. ALL THAT IS NEEDED IS THE STATUTORY REVISION TO CONTINUE THE FUNDING LEVEL ESTABLISHED FOR THE 750 TOWNS AT THEIR

1977 LEVEL INSTEAD OF AT THE 2/3 LEVEL IN FISCAL YEAR 1978, THE 1/3 LEVEL FOR 1979 AND A 'ZERO' DOLLAR LEVEL IN 1980.

I WOULD ALSO LIKE TO RECOMMEND TWO ALTERNATIVES TO THE SIMPLE EXTENSION OF HOLD-HARMLESS FOR SMALL TOWNS. IF EITHER ONE OF THEM RECEIVES LEGISLATIVE SUPPORT, I BELIEVE THE GREAT MAJORITY OF THE 750 TOWNS WOULD BE IN FAVOR.

- (A) CONTINUE HOLD-HARMLESS AT THE 1977 LEVEL OF FUNDING FOR THOSE SMALL TOWNS WHICH CAN DEMONSTRATE TO THE SECRETARY THAT THEY HAVE NEEDS REQUIRING FUNDING BEYOND FISCAL YEAR 1979.

IN THE FIRST QUARTER OF FISCAL YEAR 1978 THE COMMUNITIES WOULD IDENTIFY AREA(S) OF THEIR TOWN WHERE PHYSICAL DEVELOPMENT ACTIVITIES ARE BEING OR SHOULD BE CARRIED OUT IN A CONCENTRATED MANNER. CONCENTRATED MANNER WOULD BE GIVEN THE SAME MEANING AS DEFINED IN 24 CFR, 570.200(A)(8) OF THE REGULATIONS, NAMELY, "THAT THE PHYSICAL DEVELOPMENT ACTIVITIES ARE BEING CARRIED OUT IN A COORDINATED MANNER TO SERVE A COMMON PURPOSE OR STRATEGY IN A GEOGRAPHICALLY DELINEATED AREA SUCH AS URBAN RENEWAL, A CONCENTRATED CODE ENFORCEMENT AND REHABILITATION AREA, OR SIMILAR AREA WITH A COMPREHENSIVE PHYSICAL DEVELOPMENT PROGRAM FOR NEIGHBORHOOD IMPROVEMENT, CONSERVATION, OR PRESERVATION." A PRELIMINARY BUDGET FOR UNDERTAKING AND COMPLETING THE PHYSICAL DEVELOPMENT ACTIVITIES IN ALL OF THE IDENTIFIED AREAS WOULD ALSO BE SUBMITTED TO HUD.

A TENTATIVE TIMETABLE FOR PHASE OUT OF EACH TOWN'S HOLD-HARMLESS WOULD THEN BE MADE BY THE SECRETARY IN LIGHT OF THE ASSUMPTION THAT AT LEAST THE FULL 1977 LEVEL OF HOLD-HARMLESS WOULD BE MADE AVAILABLE ON AN ANNUAL BASIS FOR CARRYING OUT THE PROGRAM IN THE IDENTIFIED AREA(S). EVERY YEAR THE SECRETARY WOULD REVIEW THE TOWN'S PROGRESS AND AS PART OF THE APPROVAL LETTER WOULD INDICATE WHETHER THE INITIAL TARGET DATE FOR

PHASE OUT OF HOLD-HARMLESS IS STILL VALID OR WHETHER IT SHOULD BE ADJUSTED BECAUSE OF OTHER INPUTS SUCH AS ADDITIONAL AWARDS OF DISCRETIONARY FUNDS TO THE TOWN. OBVIOUSLY THE SECRETARY COULD TERMINATE THE EXTENSION OF HOLD-HARMLESS IF THE TOWN FAILS TO SUBSTANTIALLY PERFORM OR FAILS TO FILE A TIMELY APPLICATION.

A DRAFT OF A BILL WHICH WOULD GRANT THIS FLEXIBILITY IS SUBMITTED HEREWITH AND MARKED "EXHIBIT A",

BASED ON THE ESTIMATES OF FUNDING CONTAINED IN THE HUD BUDGET FOR FISCAL YEAR 1978, \$254,890,000 WAS EXPENDED IN FISCAL YEAR 1977 FOR NON-METRO AREAS. FROM THE HUD DIRECTORY OF ALLOCATIONS DATED OCTOBER 1976, \$170,933,000 IS THE MAXIMUM AMOUNT THAT THE 1977 LEVEL OF FUNDING FOR FISCAL YEAR FOR METROPOLITAN AREAS WOULD EQUAL. SINCE THE HUD REQUEST FOR FISCAL YEAR 1978 HAS BALANCES IN BOTH THE METRO AND NON-METRO AREAS IN EXCESS OF THESE AMOUNTS, NO ADDITIONAL BUDGET INCREASE WOULD BE NEEDED TO FUND THIS PROPOSAL. HOWEVER, THE PROPOSED BUDGET SET ASIDE FOR HOLD-HARMLESS UNDER SECTION 103(A)(2) WOULD HAVE TO BE REVISED.

- (B) ALLOW HOLD-HARMLESS TO PHASE DOWN OR OUT BUT PROVIDE A BASIC GRANT TO THOSE SMALL TOWNS WITH CRITICAL SOCIAL, ECONOMIC AND ENVIRONMENTAL PROBLEMS.

UNDER THIS APPROACH, IN THE FIRST QUARTER OF FISCAL YEAR 1978, ALL OF THOSE COMMUNITIES WITH HOLD-HARMLESS WOULD SUBMIT DATA AND BUDGET ESTIMATES FOR AREA(S) OF THEIR TOWN WHERE PHYSICAL DEVELOPMENT ACTIVITIES ARE BEING OR SHOULD BE CARRIED OUT IN A CONCENTRATED MANNER AS THAT TERM IS DEFINED IN 24 CFR 750.200 (A)(8). THEY WOULD DESCRIBE WHY THE PROGRAM CANNOT BE CARRIED OUT WITH FUNDING EARMARKED THROUGH FISCAL YEAR 1979. IF THE SECRETARY AGREES WITH THE NEED FOR FUNDING AND DETERMINES THERE IS THE CAPACITY, A BASIC GRANT AMOUNT WILL BE ESTABLISHED UPON WHICH THESE TOWNS CAN COUNT ON ANNUALLY UNTIL THEIR PROGRAMS ARE COMPLETED, ABANDONED BY FAILURE TO APPLY, OR TERMINATED BY THE

SECRETARY FOR LACK OF SUBSTANTIAL PERFORMANCE. THE SECRETARY WOULD ALSO BE EMPOWERED TO MAKE ANNUAL ADJUSTMENTS UPWARDS OR DOWNWARDS OF NOT MORE THAN TEN PERCENT IN THE BASIC GRANT. THIS PROCESS WOULD BE SIMILAR TO THE FUNDING PROPOSAL CONTAINED IN BILL S.3066 AND PASSED BY THE SENATE ON MARCH 11, 1974.

IT IS RECOMMENDED THAT THE SECRETARY SHOULD USE AT LEAST 50% OF THE METROPOLITAN AND NONMETROPOLITAN DISCRETIONARY BALANCES TO FUND THIS BASIC GRANT PROGRAM FOR SMALL TOWNS. IN ADDITION, THAT MUCH OF THE METRO AND NON-METRO HOLD-HARMLESS ALLOCATIONS WOULD ALSO BECOME PART OF THE FUNDING IF THE HOLD-HARMLESS TOWN IS DETERMINED TO BE ELIGIBLE FOR A BASIC GRANT. THIS WOULD MEAN THAT THERE WOULD BE IN FISCAL YEAR 1978 APPROXIMATELY \$87,000,000 OF METRO DISCRETIONARY BALANCES AND APPROXIMATELY \$114,000,000 OF METRO HOLD-HARMLESS FUNDS AND \$225,000,000 OF NON-METRO DISCRETIONARY FUNDS AND \$167,000,000 OF NON-METRO HOLD-HARMLESS FUNDS AVAILABLE. THUS, ABOUT \$600,000,000 OF FUNDS COULD BE MADE AVAILABLE WITHOUT DISTURBING ANY OF THE BUDGET ESTIMATES FOR FISCAL YEAR 1978.

AFTER THE SECRETARY REVIEWED AND DETERMINED WHICH OF THE 750 HOLD-HARMLESS SMALL TOWNS WOULD BE ACCORDED A BASIC ANNUAL GRANT AND THE AMOUNT, A CALCULATION COULD THEN BE MADE AS TO HOW MUCH MONEY WOULD BE AVAILABLE IN BASIC GRANT PROGRAMS IN THE METROPOLITAN AREAS AND NON-METROPOLITAN AREAS FOR OTHER COMMUNITIES TO APPLY. THIS WOULD BE NECESSARY BECAUSE THERE ARE SEVERAL HOLD-HARMLESS TOWNS WHICH SHOULD HAVE THEIR BASIC GRANT AT A HIGHER LEVEL THAN THEIR HOLD-HARMLESS. FURTHER, SOME OF THE HOLD-HARMLESS TOWNS WITH CURRENT FUNDING ABOVE THE BASIC GRANT WOULD BE PHASED DOWN IN FISCAL YEAR 1978 AND 1979 SO THAT BY 1980 THEY WOULD BE AT THE BASIC GRANT LEVEL.

THE SECRETARY SHOULD BE ALLOWED TO SET THE INITIAL LEVEL OF THE BASIC GRANT AT AN AMOUNT THAT IS MEANINGFUL IN TERMS OF SIZE OF THE TOWN, THE PROGRAM IDENTIFIED, CAPACITY TO PERFORM AND OTHER FACTORS SUCH AS AGE OF HOUSING, POVERTY AND POPULATION LAG. SUCH GRANTS COULD VERY WELL RANGE FROM \$200,000 TO \$1,000,000.



THERE ARE OVER 3800 URBAN PLACES IDENTIFIED IN THE 1970 CENSUS WITH SOME 50,600,000 IN POPULATION, ALMOST EVENLY DIVIDED BETWEEN METROPOLITAN AREAS (1872) AND NON-METROPOLITAN AREAS (1966) WITH POPULATIONS BETWEEN 5,000 TO 50,000, THIS REPRESENTS TWENTY-FIVE (25%) PERCENT OF THE NATION'S POPULATION. THE SECRETARY COULD TRULY MEASURE THE NEED FOR BLOCK GRANT FUNDS ON A BASIC GRANT CONCEPT BY ASKING THOSE MUNICIPALITIES THAT ARE INTERESTED AND BELIEVE THEY HAVE LONG TERM CRITICAL NEEDS TO SUBMIT SUCH EVIDENCE TO THE SECRETARY, TO SPREAD THE WORKLOAD, THE NON-METROPOLITAN AREAS COULD BE SCHEDULED TO SUBMIT IN THE SECOND QUARTER OF FISCAL YEAR 1978 AND THE METRO-AREAS IN THE THIRD QUARTER OF FISCAL YEAR 1978. THE SECRETARY IN EVALUATING SUBMITTALS COULD SUGGEST THE PROBABLE AVERAGE GRANT DEPENDING ON POPULATION SIZE, THOSE THAT HAVE THE HIGHEST NEEDS WOULD BE APPROVED OUT OF THE FUNDS REMAINING AFTER THE HOLD-HARMLESS TOWNS WERE ANALYZED. INFORMATION ON THOSE TOWNS WITH A NEED FOR ANNUAL BASIC GRANTS WHICH WERE NOT FUNDED COULD BE UTILIZED TO MEASURE HOW MUCH IN FUTURE YEARS SHOULD BE ALLOCATED TO SMALLER TOWNS OUT OF METROPOLITAN AND NON-METROPOLITAN DISCRETIONARY BALANCES.

IN ADDITION TO PROVIDING A SYSTEM OF ASSURED ANNUAL FUNDING FOR SMALL TOWNS WITH CONTINUING NEEDS ON A PREDICTABLE BASIS, THE OTHER BENEFITS OF THIS SYSTEM ARE:

- (A) TO GREATLY REDUCE THE HUD PROCESSING WORKLOAD THAT INCREASES IN THE DISCRETIONARY BALANCES WILL DICTATE. THE 1980 BUDGET PROJECTION WOULD INDICATE \$1,000,000,000 IN DISCRETIONARY FUNDS AND AT \$200,000 AS AN AVERAGE GRANT, SOME 5000 CATEGORICAL TYPE OF APPLICATION PROCESSING WOULD BE INVOLVED, THIS IS ABOUT THREE TIMES THE SIZE OF A DISCRETIONARY PROGRAM THAT THE PAST ADMINISTRATION CONSIDERED MANAGEABLE.
- (B) A SYSTEM THAT IS FAR SUPERIOR THAN TURNING OVER THE NON-METROPOLITAN DISCRETIONARY BALANCES TO THE STATE

AS WAS SUGGESTED IN THE PAST ADMINISTRATION'S BUDGET FOR FISCAL YEAR 1978. THERE IS NOT A SINGLE MAYOR OF SMALL TOWNS WITH WHOM I HAVE TALKED WHO DESIRES TO SEE THE STATES SUBSTITUTED FOR THE ROLE OF THE FEDERAL GOVERNMENT IN THE FUNDING PROCESS.

- (c) THE TARGETING OF INCREASE IN JOBS TO THE EXTENT OF 50,400 ON A LONG TERM BASIS TO SOME 1500 TOWNS. (THIS JOB PROJECTION IS BASED ON 84 JOBS PER MILLION DOLLARS OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.)

I HAVE DRAFTED SUGGESTED LANGUAGE THAT, IF ENACTED, WOULD PROVIDE THE STATUTORY BASIS FOR THIS APPROACH. THE SUGGESTED BILL IS MARKED "EXHIBIT B"

IN SUMMARY, I URGE THIS COMMITTEE IN DEVELOPING YOUR AUTHORIZATION BILL FOR COMMUNITY DEVELOPMENT TO PROVIDE FOR THE LONG TERM FUNDING NEEDS OF ALL SMALLER UNITS OF GOVERNMENT WHICH ARE FACED WITH CRITICAL SOCIAL, ECONOMIC AND ENVIRONMENTAL PROBLEMS. AT A MINIMUM, PROVIDE FOR ASSURED ANNUAL FUNDING FOR THOSE 750 SMALL COMMUNITIES WITH PRIOR PROGRAM EXPERIENCE. TO ACCOMPLISH THIS YOUR AUTHORIZATION BILL SHOULD CALL FOR DELETION OF SUBSECTION 106(H)(2) OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974.

THANK YOU :

ATTACHMENTS:

- EXHIBIT "A" - A PROPOSED BILL TO CONTINUE HOLD-HARMLESS FOR THOSE NON-METROPOLITAN CITIES WITH CRITICAL NEEDS.
- EXHIBIT "B" - A PROPOSED BILL TO CREATE AN ANNUAL GRANT PROGRAM FOR NON-METROPOLITAN CITIES WITH CRITICAL NEEDS.
- EXHIBIT "C" - ESTIMATED CDBG FUND ALLOCATIONS BASED ON THE ALTERNATIVES FOR SMALLER COMMUNITIES
- SEPARATE EXHIBIT - PROFILES OF TWO TYPICAL SMALLER TOWNS WITH CRITICAL NEEDS IN A METROPOLITAN AND NON-METROPOLITAN AREA

## A B I L L

To amend title I of the Housing and Community Development Act of 1974 for the purpose of providing that units of general local government which are not metropolitan cities or urban counties and which receive grants under the hold-harmless provisions of such title I be entitled, after fiscal year 1977, to continue to receive the amount to which they are presently entitled, if the Secretary determines that such unit of general local government has critical social, economic and environmental problems requiring assured annual funding.

1           Be it enacted by the Senate and House of Representa-  
2           tives of the United States of America in Congress  
3           assembled, that subsection (h) of section 106 of the  
4           Housing and Community Development Act of 1974, is amended  
5           by adding the following:

6           At the end of paragraph two, immediately after the  
7           word "zero" the following:

8           "except if such unit of local government demonstrates  
9           to the Secretary that the funding available through fiscal  
10          year 1979 would be inadequate to initiate or complete the physical  
11          development activities which should be carried out in a  
12          concentrated manner to serve a common purpose or  
13          strategy in a geographically delineated area(s) such as  
14          urban renewal, concentrated code enforcement and rehab-  
15          ilitation area or similar area with a comprehensive  
16          community development program for neighborhood improve-  
17          ment, conservation or preservation, then such unit of  
18          general local government shall be entitled to receive  
19          the level of funding allocated to it in fiscal year 1977  
20          on an annual basis for such number of years as determined

1 by the Secretary to be sufficient to complete physical  
2 activities in the geographically delineated area (s)  
3 of the community."

## A B I L L

To amend title I of the Housing and Community Development Act of 1974 for the purpose of providing basic grants on an annual basis for units of general local government with critical needs which are not metropolitan cities or urban counties and to provide that such basic grant shall be considered as the unit's share for the purposes of calculating reduced funding for hold-harmless communities.

1 Be it enacted by the Senate and House of Representa-  
2 tives of the United States of America in Congress assembled,  
3 That subsection (h) of section 106 of the Housing and  
4 Community Development Act of 1974 is amended by adding  
5 the following:  
6 (a) At the end of paragraph (2) immediately after the word  
7 "zero" the following:  
8 "except if such unit of local government is approved by the Secretary  
9 for a basic grant under paragraph (3), then the basic grant  
10 determined by the Secretary shall be considered the unit's formula  
11 share for the purpose of applying subsection (g)(2).  
12 (b) by adding a new paragraph (3) to read as follows:  
13 "(3) Beginning in fiscal year 1978, any unit of general local  
14 government which is not a metropolitan city or urban county and  
15 which receives approval of an application which indicated that the  
16 unit of general local government has critical social, economic and  
17 environmental problems requiring physical development activities  
18 which should be carried out in a coordinated manner to serve a  
19 common purpose or strategy in a geographically delineated area(s)  
20 such as an urban renewal, a concentrated code enforcement and re-

1       habilitation area, or similar area with a comprehensive physical  
2       development program for neighborhood improvement, conservation  
3       or preservation, which will require funding on an annual basis  
4       for three or more years, and which application is funded pursuant  
5       to subsection (d)(2) and (f)(1)(B) shall be entitled to a basic  
6       grant for each subsequent fiscal year in an amount equal to the  
7       level of funding approved pursuant to the first year application,  
8       except the Secretary may adjust the amount each fiscal year upwards  
9       or downwards by no more than ten percent, until such time as either  
10      the general unit of local government completes its community develop-  
11      ment program activities, abandons the program by failure to file a  
12      timely application for subsequent year funding, or has its program  
13      terminated by the Secretary for lack of substantial performance.  
14      The Secretary in developing this basic grant program shall utilize  
15      at least one-half of the funds available under subsections (d)(2)  
16      and (f)(1)(B) and all the entitlements allocated to units of govern-  
17      ment under paragraph (1) which are approved by the Secretary for a  
18      basic grant under this paragraph. Such basic grant amounts shall  
19      also be considered as hold-harmless needs by the Secretary for sub-  
20      sequent fiscal years in allocating funds for grants pursuant to sub-  
21      sections (d)(1) and (f)(1)(A), and be set aside by HUD before  
22      allocating funds for grants pursuant to subsections (d)(2) and (f)(1)(B).  
23      The Secretary shall first approve units of general local government  
24      which are eligible for funding under paragraph (1), and which meet  
25      the criteria of this paragraph. "

## EXHIBIT "C"

ESTIMATED CDBG FUND ALLOCATIONS  
BASED ON THE ALTERNATIVES FOR SMALLER COMMUNITIES

Recipient Categories	Administration Budget FY 1978	Maintain 1977 Hold-Harmless	Exhibit "B" Basic Grant Program
<u>SMSA's</u>	<u>2,820,000,000</u>	<u>2,820,000,000</u>	<u>2,820,000,000</u>
1. Metro Cities	2,186,000,000	2,186,000,000	2,186,000,000
2. Urban Counties	346,000,000	346,000,000	346,000,000
3. Small Hold-Harmless	114,000,000	171,000,000	-
4. Discretionary Balance	174,000,000	117,000,000 a/	87,000,000
			201,000,000 c/
<u>Non-Metro Areas</u>	<u>617,000,000</u>	<u>617,000,000</u>	<u>617,000,000</u>
Small Hold-Harmless	167,000,000	255,000,000	-
Discretionary Balance	450,000,000	362,000,000 b/	225,000,000
			392,000,000 c/
<u>Secretary's Fund</u>	<u>63,000,000</u>	<u>63,000,000</u>	<u>63,000,000</u>
<u>Total Basic Program</u>	<u>3,500,000,000</u>	<u>3,500,000,000</u>	<u>3,500,000,000</u>
<u>Urban Renewal Completion Fund</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<u>Urban Development Action Grants</u>	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>
<u>Total CDGB Funds</u>	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>4,000,000,000</u>

## Footnotes:

- a/ The 1977 level of funding for metro discretionary balances was \$100,000,000 and for fiscal year '76 \$82,000,000. The average grant for fiscal year '76 was \$127,500. Out of fiscal year '76 funds, 653 applications were approved or scheduled to be approved.
- b/ The non-metro discretionary balance for fiscal year 1977 was \$323,000,000 and for fiscal year '76 \$254,000,000. The average grant in fiscal year '76 was \$198,100. 1329 applications were approved or scheduled to be approved in fiscal year '76. Out of fiscal year '76 funds 1329 communities were approved or scheduled to be approved.
- c/ This line item represents one-half of the discretionary balances and all of the small harm-less being transferred to fund the basic grant program as outlined in Exhibit "B". In the metropolitan areas there would be funds for 500 basic grant programs and 600 discretionary applications, assuming an average basic grant of \$400,000 and an average discretionary grant of \$127,000. In the non-metropolitan areas, there would be funds for 980 basic grant programs and 1130 discretionary applications, assuming a \$400,000 basic grant and \$198,700 discretionary grant averages.

## SEPARATE EXHIBIT

PROFILES OF TWO TYPICAL SMALLER TOWNS WITH CRITICAL  
NEEDS IN A METROPOLITAN AND NON-METROPOLITAN AREAMETROPOLITAN AREA

- I. City of Washington, Pennsylvania
- II. Population - 19,827 (1970 Census)
- III. Annual Community Development Block Grant - \$952,000
- IV. Participation in Previous HUD Categorical Grant  
in Aid Programs:
  1. Highland Erie Urban Renewal Area
  2. Central City Urban Renewal Area
  3. General Neighborhood Renewal Program
- V. Activities Underway at Present Time and Cost Estimate  
to Conclude These and Other Activities:
  1. Highland Erie Urban Renewal Area \$18,000,000  
 Highland Erie was identified as an urban renewal area and a conventional Part I Application was prepared. However, changes in the renewal legislation subsequent to the Application submission prohibited funding. Nonetheless, the City had identified an aggressive program over a five year period that would have required an estimated \$18 million to implement. The primary goals of the Highland Erie project as presented were to remove substandard structures and blighting influences, and to construct essential improvements in the public rights-of-way. This area contains the highest concentration of minority households with well over a 95% minority population. Redevelopment in this area would include construction of elderly high rise housing and public family housing. At present, the Community Development Program hold harmless amount for the City of Washington is being used in two small portions of the Highland Erie Urban Renewal Area.
  2. Central City Urban Renewal Area and Extensions \$15,000,000  
 The City is also carrying out site improvements and redevelopment activities in extensions of the Central City Urban Area which is expected



to close-out May, 1977. While Highland Erie is housing oriented, the Central City Project and the Main Street Community Development Target Area (which represents an extension of Central City) is intended to revitalize the central business district/municipal center area of the City.

Both the Highland Erie and Central City Urban Renewal Areas have been identified in the General Neighborhood Renewal Program (GNRP). The research and data collected provided the basis for the projected activities and costs. The GNRP also provided a rational approach to solving the City's problems of declining neighborhoods and a weakening economic base. The City of Washington's population approaches 20,000; however, it represents a trade area of well over 120,000. The City recognizes that its economic and housing base is dependent upon the roughly 40 major industries serving the Washington Area. Conversely, the City must be able to continue to attract new industry and promote expansion of existing industry by having available high quality housing and public facilities, and commercial/retail services. The GNRP provides this basic analysis of need, has been a guiding factor to date in urban planning, and is the source for projected activities for the future which are necessary and are presented in the budget summary which follows:

	<u>Total Project Costs</u>	<u>Funds Available</u>	<u>Capital Grants Required to Complete Projects</u>
1. Highland Erie Project	\$18,000,000	\$ 3,000,000	\$15,000,000
2. Central City Project and Extensions	<u>15,000,000</u>	<u>12,000,000</u>	<u>3,000,000</u>
TOTAL:	\$33,000,000	\$15,000,000	\$18,000,000

Despite the funding already received through HUD categorical grants or Community Development Grants, substantial areas will remain neglected without considerable infusion of additional Federal dollars. Having developed its plans in advance of federal programing, the City is

in an advantageous position in that it is prepared to move into future phases of the Highland Erie Program Area and other areas rapidly. Based on these plans, the City can project that at least \$15 million will be required to conclude housing upgrading and related activities and permit new construction in the Highland Erie area which represents a substantial portion of the City. An additional \$3 million is needed to complete the Central City Area and its extensions.

The City has taken calculated and deliberate actions in initiating these programs. To date this careful planning and execution has been effective. However, without the continued commitment of funds or at least current C.D. funding levels, the impact and benefits are diluted and perhaps negligible. In conclusion, the City of Washington projects the amount to complete present activities in these urban renewal areas is estimated at \$18 million.

There remains several other areas in the City, outside of the Urban Renewal Boundaries which require remedial treatment. These areas are included in the geographical boundaries of the General Neighborhood Renewal Area as well as outside the GNRA. In order to continue urban renewal and community development type activities the City will require an estimated \$23 million.

NON-METROPOLITAN AREA

- I. City of Bradford, McKean County, Pennsylvania
- II. Population: 12,109 (1973 Census Estimate)
- III. Annual Community Development Block Grant Fiscal Year 1975, 1976  
1977 - \$1,325,000
- IV. Participation in Previous HUD Categorical Grant in Aid Programs:

	<u>CAPITAL GRANT</u>
1. Commercial Center Urban Renewal Area (R-168)	\$ 958,160
2. Allison Street Urban Renewal Area (R-260)	\$1,113,073
3. Robert C. Denning Urban Renewal Area (R-261)	\$2,596,167
4. Renaissance Urban Renewal Area (A-9)	\$4,080,261
5. Fifth Ward Urban Renewal Area (A-9)	
TOTAL	<u>\$8,747,661</u>

It should be noted the City has also participated in five State/Local renewal, energy conservation, recreation, and demolition programs. These State grants have permitted the City to carry out these special activities at a total funding level of \$599,870.

Therefore, the total State and Federal Program Commitment principally prior to the inception of Community Development is approximately \$9,347,531.

- V. Activities Underway At Present Time and Cost Estimates to Conclude These and Other Activities:

The Housing and Community Development Act of 1974 provided the City of Bradford with an opportunity to initiate a significant and successful neighborhood preservation effort in the 5th Ward of the City. Community Development Block Grant type funding is providing an opportunity for orderly planned execution for residential rehabilitation, demolition of substandard structures and upgrading of the areas' utility systems. Recognition of the fact that a significant amount of money would be available during this time period removed the problems often associated with funding uncertainty and permitted planning program development and implementation.

The central problem for the City of Bradford is the reduction of our community development block grant applications during 1978 and 1979 and their elimination by 1980. The \$883,000 available for 1978 and the 442,000 available 1979 will be used primarily for our efforts in the 5th Ward.

The need to continue and complete existing community development projects is only overshadowed by the need to implement new projects. A review of our planning activities as established in the Community Renewal Program reveals that \$3,674,000 is needed to complete ongoing community development activities and only \$1,325,000 is expected to be available through Fiscal 1978 and 1979. It will be necessary to obtain \$2,349,000 additional

funds just to complete our ongoing projects. The following is a summary analysis of those projects initiated and remaining to be completed:

<u>NAME OF PROJECT AREA</u>	<u>DESCRIPTION</u>	<u>PROJECT COST</u>
Fifth Ward	Neighborhood Preservation	\$2,575,000
Euclid Avenue	Neighborhood Preservation	0
Willard Avenue	Neighborhood Preservation	650,000
Pitt-Bradford Project	Recreation Development	0
Northgate	Subdivision	<u>449,000</u>
	TOTAL :	\$3,674,000
	Minus FY '78 & '79 Expected Grant :	<u>1,325,000</u>
	TOTAL ADDITIONAL FUNDING REQUIRED TO COMPLETE EXISTING PROJECTS :	<u>\$2,349,000</u>

Based on findings and conclusions reached in the Community Renewal Program the City can readily project new projects that can be implemented immediately which will require \$14,162,000 to complete. The following is a list of the new projects and brief description of funds needed:

New Projects for Immediate Implementation

Hilton Street - Clearance and Industrial Development	\$ 876,000
Terrace-Cliff - Neighborhood Preservation and Abandonment	1,993,000
West Washington Street North - Neighborhood Preservation	6,850,000
South Avenue - Retaining Wall Reconstruction and Neighborhood Preservation	1,781,000
South Side - Neighborhood Preservation	<u>2,662,000</u>
TOTAL:	<u>\$14,162,000</u>

In summary, the City of Bradford has applied all material and financial resources available to date in the overall upgrading of its neighborhoods. Nonetheless, an additional federal commitment to cover:

(a) To Complete Projects Underway	\$ 2,349,000
(b) To Initiate New Projects	\$14,162,000

and totaling \$16.5 Million will be essential to the overall redevelopment of the City's housing, commercial and industrial resources.

## AD HOC COMMITTEE

for

Adequate &amp; Assured Community Development Program Funding

4620-26 Longshore Ave. Phila., Pa. 19135 215-333-1717

February 7, 1977

RE: CALL FOR LEGISLATIVE SUPPORT

TO ALL MEMBERS FROM SMALLER MUNICIPALITIES:

This letter is addressed to the some 308 small communities who are members of our Committee. A separate letter was sent to the 91 large city members as there is an alternate for them.

Based on a series of meetings in Washington from January 27, 1977 through February 4, 1977, it is quite clear that there are no proposals being made to prevent the reduction in assured annual funding for the 751 smaller towns under 50,000 in population. Section 106(h)(2) of the Housing and Community Development Act of 1974 will cause the phase out of hold-harmless resulting in your receiving 2/3's of your funding in 1978, 1/3 in 1979 and zero dollars in 1980.

The past administration recommended the phase out of hold-harmless for small towns and the creation of only a \$160,000,000 discretionary fund for metropolitan areas. For those towns in non-metropolitan areas it recommended that all the balance of the discretionary funds be grants to the states to administer. The new administration has not had the time to evaluate the plight of the small towns as it has been working feverishly to resolve the way of granting relief to the large cities.

H.R. 1522 was introduced on January 6, 1977 into the House of Representatives. A copy of this Bill is enclosed. This Bill would prevent the phase-out of hold-harmless for both large and small towns. The reference to "striking out paragraph (2)" of subsection 106(h) of the Housing Act is the language that would prevent the phase-out for small towns. The rest of this short bill deals with metropolitan city and urban county hold-harmless. H.R. 1522 is not expected to go anywhere unless the small towns push it, because of the interest of the new administration in the two formula system for large cities.

## RECOMMENDATIONS:

(a) Everyone must write their Senators and their Congressmen now! Do it as soon as you finish reading this letter. Do it again if you wrote a letter following my January 27th letter. Let them know how important these assured annual funds are to your town. Let them know that since there are no recommendations for a program for small cities that would give you assured annual funding upon which you can rely in your planning, that H.R. 1522 as it calls for striking subsection 106(h)(2) should be enacted if you are to retain assured annual funding.

(b) Urge them to contact their colleagues in the Senate Subcommittee on Housing and Urban Affairs and the House Subcommittee on Housing and Community Development and express their support for H.R. 1522, but especially for that part that strikes 106(h)(2).

(c) In writing to your Senators, ask them to see that H.R. 1522, at least as it applies to small towns, gets introduced into the Senate during February. In order to be enacted into law it must be passed by both bodies.

(d) Be sure to stress that there are 750 towns affected throughout the country. Further, since only 1/3 of the reduction was to occur this year, that the budget authorization need only to be increased by approximately \$57,000,000 under Section 103(a)(2) to take care of the 301 small harmless units of government in metropolitan areas. The additional \$84,000,000 needed to take care of the 450 towns in the non-metropolitan areas can easily be taken out of non-metropolitan discretionary balances. Thus the budget implication is only finding \$57,000,000 out of the total budget of the new administration which has tentatively been placed at \$4,000,000,000.

(e) In order to insure that everyone conveys the same message to Congress, send a copy of this letter with your own individual statements.

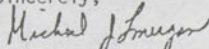
(f) Please send me a copy of your correspondence to your Senators and Congressman so that I can measure the support and response.

After writing, be sure to follow up with personal contacts during February and again in early March. The House and Senate Committees will be holding hearings in late February or early March. All indications are that this issue will have been decided before March is out.

A list of all towns in your State which are affected by hold-harmless is enclosed. This list has certain towns underlined. These are members of our Committee. Some places have a "C" or "CC" after their name. These are the big cities. I would urge that you contact as many of the small towns who are not members and ask them to help in this vital issue. Feel free to send them a copy of this letter.

As matters develop, I will keep you advised.

Sincerely,

  
Michael J. Lonergan  
Chairman

MJL:db

Enc: H.R. 1522  
List of Hold-Harmless Towns

95TH CONGRESS  
1ST SESSION

# H. R. 1522

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1977

Mr. REUSS introduced the following bill; which was referred to the Committee on Banking, Finance, and Urban Affairs

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## A BILL

To amend title I of the Housing and Community Development Act of 1974 for the purpose of providing that units of general local government receiving grants under the hold-harmless provisions of such title shall be entitled, after fiscal year 1977, to continue to receive at least the amount to which they are presently entitled under such provisions.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That (a) subsection (g) of section 106 of the Housing and  
4       Community Development Act of 1974 is amended by strik-  
5       ing out "(1)" immediately after "(g)", and by striking  
6       out paragraph (2).

7       (b) Subsection (h) of section 106 of such Act is  
8       amended—



1           (1) by striking out “(1)” immediately after  
2           “(h)”;

3           (2) by striking out “subsection (g) (1)” each  
4           time it appears and inserting in lieu thereof “subsection  
5           (g)”;

6           (3) by striking out paragraph (2).

7           (c) Subsection (i) of section 106 of such Act is re-  
8           pealed.

Community Development Block Grant monies for communities of  
less than 50,000 inhabitants:

MAINE (dollars x 1,000)

	<u>'75</u>	<u>'76</u>	<u>'77</u>	<u>'78</u>	<u>'79</u>	<u>'80</u>	<u>TOTAL</u>
✓Bangor	1,174	1,174	1,174	783	391	0	4,696
✓Caribou	320	320	320	213	107	0	1,280
✓Fort Fairfield	122	122	122	81	41	0	488
✓Presque Isl.	142	142	142	95	47	0	568
✓Sanford	72	72	72	48	24	0	288
✓Waterville	778	778	778	519	259	0	3,112
TOTAL:	2,608	2,608	2,608	1,739	869	0	10,432

Community Development Block Grant monies for communities less than  
50,000 inhabitants in the northeast (dollars in thousands)

	<u>'75</u>	<u>'76</u>	<u>'77</u>	<u>'78</u>	<u>'79</u>	<u>'80</u>	<u>TOTAL</u>
Conn.	9,357	9,357	9,357	6,240	3,117		37,428
✓Maine	2,608	2,608	2,608	1,739	869		10,432
Mass.	7,715	7,175	7,715	5,142	2,573		30,860
N.H.	3,022	3,022	3,022	2,014	1,008		12,088
Rhode Island	4,512	4,512	4,512	3,008	1,504		18,048
Vermont	2,421	2,264	2,106	1,246	571		8,608
TOTAL	29,635	39,478	29,320	19,389	9,642		117,464

Bangor, Maine — New England Growth Center



City of Bangor, Maine

EXECUTIVE DEPARTMENT

February 11, 1977

Honorable William S. Cohen  
412 Cannon House Building  
Washington, D. C. 20515

Re: Community Development Block Grant Program  
Phase-Out of Hold-Harmless Funding

Dear Bill:

As I understand, Congress presently is considering legislation which would extend the Community Development Block Grant program authorized by Title I of the Housing and Community Development Act of 1974. Unless changes are made at this time in the allocation formula of this program, some 750 communities, including the City of Bangor, will have their Hold-Harmless funds phased out beginning in 1978. As the Act now stands, the City of Bangor will have its basic grant amount of \$1,172,000 reduced to approximately \$781,000 in FY 1978 and to \$391,000 in FY 1979. In 1980, the City of Bangor will receive no funding under the Hold-Harmless provision, and, if Bangor is to continue its Community Development efforts, it will be forced to compete with all non-metropolitan communities in Maine for a share of an estimated \$6,171,000 in Discretionary funds. This is also true for the other non-metropolitan Hold-Harmless cities in Maine including Westbrook, Caribou, Fort Fairfield, Presque Isle, Sanford, and Waterville.

In addition to creating a greatly increased administrative workload at the Federal level, this situation of phasing out Hold-Harmless funding, while increasing the funding levels

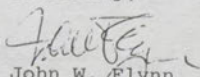
Honorable William S. Cohen

February 11, 1977

of Discretionary grants, will make it nearly impossible to carry out a comprehensive community development program at the local level in the following years. Funding uncertainty will act against undertaking any significant, long-term developments and will make it difficult for cities such as Bangor to concentrate and coordinate funds for neighborhood preservation.

The City of Bangor has been very satisfied with the Community Development Block Grant program and has been successful in its community development activities during the first two years of operation. However, the City has many other pressing community development needs and must have assurances of continued long-range funding, at least at present levels, in order to quickly and effectively meet these needs. The Hold-Harmless funds that will be made available to the City of Bangor in the next two years, 1978 and 1979, are not adequate to remedy our housing and community development problems. It is for this reason that I am urging you, and the other members of the Congressional Delegation, to support H. R. 1522 introduced on January 6, 1977 into the House of Representatives which, if enacted, would eliminate the phase-out of Hold-Harmless funds for non-metropolitan communities.

Sincerely,



John W. Flynn  
Acting City Manager

JWF/RGM/hp

World's Largest Potato  
Producing Town

Gateway To Canada

Opportunities For Industry,  
Business, Homes

Always Ready To Serve You

## TOWN OF FORT FAIRFIELD

P.O. Box 451  
FORT FAIRFIELD, MAINE 04742  
Tel. 472-3801

February 22, 1977

The Honorable William S. Cohen  
United States House of Representatives  
Washington, D. C. 20515

Dear Congressman Cohen:

It has been brought to my attention that you are keenly aware of the phase out of hold-harmless for small towns under the Community Development Block Grant Program. The current Community Development Legislation will result in our receiving two-thirds of our funding in 1978; one-third in 1979; and zero thereafter unless legislation is adapted to prevent such.

Fort Fairfield has been such a community and as a result of this program has substantially enhanced the living conditions of many low and moderate income families. However, we still have a long way to go and the prevention of this phase out of hold-harmless for small and large towns will do a great deal in meeting the needs of deserving people.

On January 6, 1977, Bill H.R. 1522 was introduced into the House of Representatives which would prevent this phase out by striking out paragraph two (2) of subsection 106 (h) of the Housing Act.

As you are well aware, programs insuring annual funding for small communities are almost non-existent, and since this phase out will affect some 308 small towns around the country, we in Fort Fairfield solicit your support for this new legislation to prevent phase out of hold-harmless, and ask that you contact your colleagues in the Senate Subcommittee on Housing and Urban Affairs and the House Subcommittee on Housing and Community Development and express your support to them for H.R. 1522; especially that part striking out 106 (h) (2).

It is realized that this is a lengthy statement of my concerns, but I earnestly ask your interest and support on behalf of our community.

It would be greatly appreciated if we could be advised of your interest in this matter, and look forward to your reaction.

Sincerely,

Louis E. Ayoob, Town Manager  
Town of Fort Fairfield

LEA/ic

FEB 17 1977

CITY OF SALEM  
MASSACHUSETTSW. GREGORY SENKO  
CITY PLANNERPLANNING DEPARTMENT  
ONE SALEM GREEN  
01970**IMPORTANT**

February 11, 1977

Maine MAY LOSE \$10,432,000 IN COMMUNITY DEVELOPMENT  
FUNDS IF YOU DO NOT ACT IMMEDIATELY:

Dear Representative Cohen:

Cities and towns under 50,000 population in your state will receive the above mentioned sum through the Community Development Block Grant Program (C.D.) between 1975 and 1979.

However, by 1980 under the current C.D. legislation there will be no further funding; rather, these communities of less than 50,000, with limited grantsmanship capabilities, must compete for discretionary monies, on an annual basis.

Three hundred communities across the nation do not feel this is an equitable situation, and have already formed the AD HOC COMMITTEE for Adequate & Assured Community Development Program Funding. This group is attempting to generate support for the position that until a more equitable solution is arrived at for communities under 50,000, funding should be continued at realistic levels.

Please read the enclosed position paper and relevant information for your state. Then please support the position that would insure equitable C.D. funding for communities under 50,000.

I will be calling you personally during the week of February 22-26, 1977 to discuss this urgent matter with you.

Sincerely yours,

*W. Gregory Senko*  
W. Gregory Senko  
City Planner

WGS/pw  
Enclosures

Mr. PATTERSON. Thank you, Mr. Lonergan, and thanks to all the members of the panel.

I will have a few questions for you, and would ask any of you to address any question that I ask, if you feel like it, although some questions, I think, are more appropriate for specific individuals. I think I will go back to Mr. Williams since he was first, and we will go back in that order rather than in reverse order.

In your testimony—I don't know where it is right now—but you referred to where local governments have problems they can't resolve in arbitration process. Is this something that has taken place, or is taking place? How do you visualize the method whereby different local governments will arbitrate their differences before the regional council? As a further part of that, I am assuming SCAG, Southern California Association of Governments, is a regional council. Is that correct?

Mr. WILLIAMS. I am sure they are, yes.

Mr. PATTERSON. I am sure they are. So I am within the framework; I just want to make sure I know what I am talking about, too. SCAG, for example, is made up of elected officials. I think 18 members serve on their board of directors. Each county and city is represented in some fashion.

Would you see this arbitration system between two different localities taking place before the board of directors of such a group?

Mr. WILLIAMS. Well, we made reference to it in line with the A-95 review. On the other hand, we are asking that some teeth be put into it. And if there were conflicts—which there possibly could be on funding a given program—then the matter be resolved at that level, and not at the Federal Government level. I guess that is the point that we wanted to make.

Now, we think the process—if you come to the point that this particular program will not be funded unless you can get acceptance, that it would either have to be resolved and compromised in that area, or the local or community—the proponent—would have the option of using those block grant funds for something else. I think this is the context in which we had it.

Now, in terms of your specific question, I am not that familiar with the makeup there and I am not sure I could really comment. I am vice chairman of a four-county council of governments, and I am immediate past chairman of a county COG. Now, we have had occasions where there were differences. But usually, if one of the counties is in conflict with another, those who are not affected will sort of leave it up to those two to resolve it. And usually, we can sit down and work out the differences. But in most cases, representatives from those areas that are not affected will not impose their wishes upon the others and sort of tell them to work out their differences.

I am not sure whether that helps or not.

Mr. PATTERSON. I see. Well, I think you helped a lot when you said you were referring in the arbitration process to the A-95 process. You're not referring to—

Mr. WILLIAMS. Other kinds of conflicts? No.

Mr. PATTERSON. I see.

[Pause.]



Mr. PATTERSON. Mr. Williams, we have also received much testimony that the housing assistance plans have had in reality little relationship to local community development activities. Should this have not been flagged by the A-95 reviews?

Mr. WILLIAMS. I think they very well might be, but once again, when you look at the A-95 review, it is merely a comment process. And once again, if it is for regional application—if we had real teeth in it, it possibly could become more of a means of noting inconsistencies. And of course the local communities that come in with a housing assistance plan, right now they only do it for that particular area, and they are not relating it to the housing development plan, which is required under the section 701 planning process. And that is what we are saying.

I am trying to adjust this to the total picture, nationwide, as opposed to my own district. I chaired a committee, a housing committee, of this one COG that I mentioned, for 2 years. As we went through the process of developing a housing plan, which went as far as to actually allocate units for the district—and we did that on the basis of available services, whether there were sewers and water and police protection, fire protection, classrooms, that sort of thing.

This did provide the opportunity for local communities to quickly get into the community block grant program, because we already had a plan for them to work from.

Nevertheless, the city of Akron that I represent came in with their own plan. The county came in with still another housing assistance plan, because that is all that was required under the program.

It would have been much better if that housing plan that we had adopted for the county had been required to be related to the community development program, and it wasn't necessarily followed. If that had been the case, I think we could have received better results, certainly less duplication, and some long-range housing plan for the county.

Mr. PATTERSON. Again, Mr. Williams, you support the inclusion of the economic development in the community development program. Can you give us some examples of where public economic development activities have been successful?

Mr. WILLIAMS. Well, of course, I guess you are talking basically about economic development. How broadly are we going to look at it? Of course, under the old open door program, we went from a process of first housing and then to the commercial district. I think we can point to some areas where that provided help for cities.

Again, Akron, Ohio, we have several very successful urban renewal areas that dealt with—well, it wasn't exactly economic development but it was commercial development. We did provide the land. We provided the opportunity. We provided the relocation. And we have an industrial park that I think is outstanding in the city, and it certainly did what it was supposed to do. It provided a sound tax base, and a place for small industry to locate.

We also have the downtown renewal, which of course had been. I guess you could say, a plus in some cities and not too successful in others.

But as we look to a city like Akron—and I hate to do this because I am here representing the National Association of Regional Councils,

and yet I come from a typical community— we have lost almost 20,000 industrial jobs in the last 15 years. We have the four major rubber companies in that city, and yet we have no areawide community development plan.

If we could have, or if funds had been available, to do some things which I certainly couldn't give you the specifics on right now, but to encourage those industries to locate there, to put land areas together, to get local officials together and eliminate some of their differences that they have over services like water and sewers and taxes and things like that, I think we could have done a better job in that respect.

And I think this is seemingly what the Secretary is suggesting that we do now, is along with housing improvements and assistance, that we also make jobs available and that we improve the total community. NARC supports that concept.

Mr. PATTERSON. Are you aware of anywhere that such economic development activities have been successful on an areawide or regional-wide basis?

Mr. WILLIAMS. Let me consult John Bosley, here, and see if he knows anything.

Mr. BOSLEY. Mr. Chairman, yes, I think we can say that there have been many successful endeavors of that nature. But most of them have been in smaller metropolitan areas or rural regions. They are generally those areas which have received some assistance from the Economic Development Administration under the Public Works and Economic Development Act that it has responsibility to administer.

I think, outside of the Seattle area where there has been a multijurisdictional effort, but less than the total metropolitan area, there are no multijurisdiction economic development programs in our large urban areas. The cooperative effort in Seattle has proven to be very successful in restoring some of the attractiveness of that area after the very severe problem that was created when the aircraft industry went through a retrenchment.

I think on general terms, some of the smaller metropolitan areas— Chattanooga would be an example, Fort Smith in Arkansas, Texas is another—those regions have received, since the latter part of the 60's, significant amounts of planning assistance under the EDA program, and that has proven to be quite a viable approach to getting some economic activity going in those regions.

In fact, it probably has caused some of the problems that we now see, a large amount of movement out of the Northeast corridor into some of the areas of the Sun Belt. Fortunately for those areas, they are very concentrated in their economic development activities, and have in some States virtually wall-to-wall EDA-type of regional planning activities for economic development.

Mr. PATTERSON. Thank you.

Mr. WILLIAMS. I think toward the end of your testimony, you urge specific ways in which the committee provides incentives—or our subcommittee should provide incentives for both city and suburbs to work together for their mutual well-being and recognition of the certainty that success or failure of one will be shared by all. That is a great statement.

Mr. PATTERSON. Could you give us some of the specific ways in which you suggest that this recognition of mutual well-being can be achieved?

Mr. WILLIAMS. I think the fair-sharing plan is one example. We placed a lot of emphasis on that, and certainly we have emphasized the importance of having economically and racially and socially integrated neighborhoods. We have required that certain plans be developed, including going as far as to put down anticipated numbers of new people relocated in the community and this sort of thing.

We think the incentive program in the eight communities that were provided grants is in the right direction, and we would encourage that as the sort of thing that we do on a more widespread basis.

But Government officials are very conscious of money, and frankly if you make funds available, usually a community will take advantage of it. And somehow we can overcome concerns and overcome strong feeling in many cases to do that. I think that is one reason, is to make available to those communities that are willing to sit down and work on urban problems and mutual problems.

Increased funds in the form of incentives, in the form of grants, I think that is one area. And I use the fair-sharing as an example, that could go, I think, to other areas, whether you are talking about area-wide, emergency medical systems or health systems, or whether you are talking about some basic things like soil and water grants, along those lines.

Regional councils we feel can play a major role in helping to bring the official together. Economic development is another area which we find—I am leaving home today with one community fighting with another over annexation, and it comes right down to taking in a large part of a township for industrial development and where the tax base will be transferred to a suburban city from a further suburban township. And we think that we can avoid that sort of thing, and one way to do that would be to provide the incentive.

Mr. PATTERSON. Thank you, Mr. Williams. I appreciate your comments.

I served as mayor of the city of Santa Ana in California, and also served as a member of the board of directors for SCAG regional council. Now, serving in Congress, it is a different perspective. And each point of view—and I think Mr. Slayton indicated in his testimony you tend to vote your constituency. This makes it difficult to cooperate on a regional basis.

It is highly desirable but not always achievable. I appreciate your comments for the record. And I appreciate your input, because many of these problems just simply are regional, and the self-interest of the local suburb, city, or town is, or ought to be, outweighed at times by the regional interest.

Mr. WILLIAMS. We could incorporate much of Mr. Slayton's testimony in support of the position that we were taking.

Mr. PATTERSON. I might add, if I switch to Mr. Slayton for a minute, if any of you do want to comment on any of the questions, don't feel slighted when I am directing them to one or the other. If we get a little dialog of agreement or disagreement, all the better for the record.

Mr. Slayton, one of the major objectives of the community development program has been to encourage neighborhood preservation through encouragement of rehabilitation. To what extent is the architectural profession involved in housing rehabilitation?

Mr. SLAYTON. Well, on an individual basis, I don't think the architecture profession has been involved a great deal. It's been primarily a builder-developer operation rather than an operation where the architectural services are called upon. But we have been involved in larger projects, certainly in some of the more exciting ones—this is not housing, particularly, I'm thinking of—Ghiradelli Square in San Francisco and the things that they have done recently in Seattle which have been exciting.

But we have been pushing very hard as a policy to encourage rehabilitation, to apply our skills where we can to get rehabilitation underway, and to preserve the existing stock, particularly those housing developments that have a good deal of character architecturally and historically, and to take those structures which are still sound and adapt them to current uses rather than to tear them down.

We would like to be much more involved; put it that way.

Mr. PATTERSON. Do you foresee that rehabilitation can fulfill a substantial portion of this Nation's housing needs?

Mr. SLAYTON. Well, I guess I would have to think about what substantial portion is. Do you mean the majority? That gets to be pretty difficult.

You have to begin to sort out existing housing in terms of those housing units that are really capable of rehabilitation, that are basically sound structures, to begin with, and which deserve or warrant a very substantial investment so that their life will be continued for some time, as contrasted with those structures that are so poor that a modest amount of fixing-up will be adequate to preserve them for just a short period of time, for 2 years.

There is some scale of rehabilitation in terms of the quality of the structure, to begin with, and the amount of investment that has to be put into it. So you have a spectrum here. Certainly, in the short run, we can do a great deal more in improving the quality of housing than we have done, than we should liked to have done. But I think we pay insufficient attention to the environmental considerations in urban rehabilitation to encourage people to invest on their own in rehabilitation. We have emphasized Government programs to provide rehabilitation money. The 312 program is a good example, which we support very, very much.

But the best rehabilitation, I guess—unfortunately, in a way—has been economic betterment and people willing to invest beyond what would be considered an economic investment in order to develop a house, a living accommodation which satisfies them psychologically rather than looking upon it as a solid economic investment.

I know of many areas where people have put substantial money into houses which probably they will not regain, and this is what they want to do. And I think sometimes you forget about that as an important incentive in our rehabilitation operation.

And rehabilitation is encouraged as soon as you begin to put in a decent infrastructure. You have decent schools, you have a decent en-

vironment, you have a decent recreation area. You try to pay attention to the lighting and the safety of the neighborhood. These things are those things that encourage private investment in rehabilitation, and we think that is worth supporting.

Mr. WILLIAMS. Mr. Chairman, I would like to comment.

I certainly think that the process has run in a circle and that we are coming now to recognize what can be done in terms of rehabilitation and preservation of the current housing stock. And I think we started realizing that a couple of years ago when gasoline went up to 60 cents a gallon, and all of a sudden, driving an hour and a half a day wasn't so romantic as it may have been a few years before.

Also, with the housing costs, which as you know during the last few years have just brought housing construction almost to a standstill, complicated by many other factors, but I know that in cities that had neighborhoods that were very unstable and that were changing rapidly from older families to younger families, racial change, and all of a sudden those communities took on a greater stability, and when people started paying 9, 9½ percent for money, and the cost went up 20 or 30 percent—I, in my travels, have gone to cities like St. Louis, for instance. I have driven through just block after block of structures that could be rehabilitated, many of these made out of some kind of brick structure, stone structure. And yet for social reasons, because of crime, because of fear, because of other things, they were just abandoned.

Now, these are developed neighborhoods with sewers and services and everything else. It is very costly, and I just think it is a tremendous waste—we must continue to build new housing to meet the demands, and we do not house all of our people adequately, as you know—I don't have to tell you that—and we do have housing needs growing every year. We must continue to provide that housing. But at the same time, we find that the housing in the city right now—and I suppose pretty soon we can even start talking about the periphery areas of the city, the suburbs—is a resource that we should not overlook.

Mr. SLAYTON. An architectural comment.

The fact that a structure is brick is no indication that it is sound, and you want to take a look at a brick structure. You think it's pretty good, but frequently it is not.

Mr. WILLIAMS. I will take a look at my 38-year-old home when I get back home.

Mr. LONERGAN. Mr. Chairman, on the rehabilitation field, in Pennsylvania they did a study in the late 1960's which indicated that some 800,000 housing units in the Commonwealth needed to be fixed up in some degree or another. And, therefore, rehabilitation has to be a major component of any housing program. At the same time, that study indicated that there was an absolute need for 50,000 new units every year for the next 10 years just to keep pace with the variety of the demands of the citizens of the Commonwealth of Pennsylvania.

And, also, with respect to the small town you will find that basically their housing programs are primarily rehabilitation, they simply cannot command the market to develop large-scale new housing projects.

Mr. SLAYTON. What we need is continued maintenance so we don't have to have rehabilitation.

MR. PATTERSON. Well, I gather at least some of what you gentlemen have said is something I usually say when I speak to groups, and that is that people don't just buy a home; they buy a neighborhood. And the desirability of the neighborhood oftentimes determines whether people stay and the property values remain or whether it becomes abandoned.

Your discussion there a minute ago hit on something I am interested in. In the formula that Secretary Harris has, the new formula she suggested which refers to the age of housing as being one of the conditions.

Now maybe, Mr. Slayton, I could call upon your expertise, if I may, at least in the beginning. I know of personal situations in, say, southern California, southwest areas, where from 1945 to 1955 the great housing boom that put every veteran and his or her family in a house, they threw up a lot of rat traps, if you will, a lot of housing that is really blighted by today's standards. On the other hand, the east coast here and a lot of areas you see have the brick construction, much, much older and very, very, very desirable. Of course, I am sure there is a mix of it.

But what I am concerned about is that the simple term, age of housing, doesn't seem to be a justifiable measure of the formula. And I am wondering, is there something else we can deal with here to create the environment that all of you have referred to that makes it a neighborhood, a place you wouldn't mind living, as opposed to a ghetto, or a barrio, as we sometimes call it in the Southwest, or an area that would be undesirable housing? Is there some other way we can measure this? Because if we stick to a formula of aged housing, frankly, the age that they are picking is pre-1939, and in many areas, at least that I come from, there simply was little or no housing pre-1939. So you are not talking about much housing, as opposed to some housing that might have been built in the 1945-55 era that needs to be bulldozed over or rehabilitated.

MR. SLAYTON. Well, certainly, age of housing is an imprecise index. It has been used—I will back up a little bit—going back to the 1930's—Public Health established a series of measures on the quality of housing, and the age of housing was just one of them. And it is a very imperfect measure. There has been some general correlation between age and deterioration, but it really is not an accurate measure at all. In fact, measuring the quality of housing is one of the most difficult problems we have, and we really haven't solved it. I should think there would be other ways. In looking at the way housing has been maintained, in trying to judge—and this gets to be fairly subjective—the quality of life within that neighborhood and those community facilities, the lack of community facilities in the neighborhood, where their addition or improvement could begin to change the quality of the neighborhood itself. If is the way people treat their houses, it is the way they regard them, it is the way they regard their neighborhood that establishes the quality of that neighborhood and encourages investment in that neighborhood.

And in some cases it can be very old housing. It can actually be, by our standards, very poor housing. I have seen very low-income neighborhoods, very modest houses that have been kept up quite well because of the great interest and desire in maintaining that neighborhood and the great interest and desire in maintaining the house.

So I agree, it is a very imprecise measure. I have nothing ad hoc to propose as a substitute, but there has been a great deal of work and a great many studies made of it.

Mr. PATTERSON. It is simple. And I think your testimony said the formulas aren't working. They are simple and cut down on redtape. I was hopeful there might be some other magic cure that you could add to our discussion, another simple formula that would help be a little more precise in the area of age of housing.

We have used the terms blight and that sort of thing. It does bring in a lot of subjective thinking.

Mr. SLAYTON. Well, at the Urban Renewal Administration we did have a rather elaborate method of examining the quality of housing, the quality of structures within a neighborhood primarily because, since eminent domain was going to be used by the county, the evidence of blight or slum conditions had to be supported to the courts; and this got to be a very elaborate, very detailed, quantifiable measurement. But even here one did not always reflect the quality of that neighborhood merely by toting up the quantifiable measures.

Mr. PATTERSON. Mr. LONERGAN, I think you wanted to say something.

Mr. LONERGAN. Yes, Mr. Chairman.

There is no question that we must recognize that the formula is simply an arbitrary way of allocating public funds with a preordained public policy backing up whatever numbers you want to generate. by the fact it is retained is another form of hold harmless. Otherwise Look at the advent of the new dual formula system, the old formula everybody should be required to go to the new formula. They know it's not politically wise, so they allow communities to opt for whichever one generates the most dollars.

But we must recognize that the new formula is based on arbitrary standards to arrive at an end result of trying to target money to those cities with the largest and most pressing needs. I think that is the only way in which you could justify the formula. If you don't subscribe to that position, then you can always attack any formula that anyone wants to devise.

I would like to say, though, with regard to long-term solution for small towns, I think we avoid the problem of the formula. We don't suggest a formula for small towns. We say, those small towns that have critical needs that require long-term funding, submit your evidence to the Secretary. If the Secretary agrees, then she will give you a basic grant which will range, depending on your population size and type of program identified, from somewhere between \$200,000 to \$1 million annually, the actual grant would be more reflective and more responsive to the actual specific programs and types of problems that you have identified to the Secretary in competition with other communities similarly situated. We are not saying every small town, just like there is no reason why every big city, should have an automatic entitlement.

Mr. PATTERSON. To get into the question of greatest need, and we all agree that that is where the money should go, it begins to go downhill from that point. Greatest need might mean greatest numbers, that is, New York City or Los Angeles, or it might mean a middle American city, such as you might represent, and either one—we went into this a bit in the public employment bill where the question was rate versus

numbers—in other words, you can have a very high unemployment rate in a town of 25,000, and that high unemployment rate is a severe problem to that town. But in the national statistics of things it is just a drop in the bucket. And there may be a somewhat lower unemployment rate in a larger city involving more people. That brings about a formula that sends more money to maybe the larger city as opposed to the smaller city.

We talked about the new action program funds, and Mr. Slayton, would you see this, we have got \$400 million budgeted, and the concept is a great one. Almost everyone said, isn't that nice. Then where would you put that money. I might ask each of you to comment on that, because that is where the crunch begins. You were the one that said, we spread money and we spread it too thin. We tend to spread it by consensus as opposed to need. And I concur with exactly what you said.

Now, let us say the new action program is going into effect. How are we going to decide, how is the Secretary going to decide, and have, of course, the support of the Congress and the President to allocate \$400 million, which really is probably a drop in the housing bucket?

Mr. SLAYTON. Yes, it is a drop in the housing bucket. I think she is going to do it with difficulty.

I must say, though, that the fact that it is a difficult decision to select cities among those in need and to make a determination as to who is going to get the money and how much, even though that is a difficult decision, my feeling is that I would rather rely upon the Secretary's judgment than an entitlement situation.

We have had programs in the past where applications were made under the category of the programs, and judgments had to be reached on which cities got how much money and for what kind of projects. There had to be some overall judgment as to whether this is being distributed in an equitable way. Certainly, there were certain inequities, but I think for an evaluation process of the needs of those cities, and I can't at this point say what that evaluation process ought to be or what the criteria ought to be. I think a judgment approach is better than an entitlement approach.

I am not sure that that answers your question or not.

Mr. PATTERSON. A judgemental approach will lead to the political, that is, spreading-it-thin approach, as well as the entitlement approach, which does the same thing.

Mr. SLAYTON. Well, Mr. Chairman, I was for 5 years Urban Renewal Commissioner under President Kennedy and President Johnson, and we allocated a great deal of money to cities throughout the United States for urban renewal projects, and there was political pressure—political pressure from the mayors, political pressure from the Congress—to get the projects approved. But the pressure was, really, please take a hard look and don't forget us.

But I never had my arm twisted to the extent that I had to change my judgment on the basis of what should be done, and I think it's possible to run a program on good judgment. And there is going to be pressure, but I think that the Congress and the mayors recognize when a program is being administered honestly and without special attention or being responsive to political pressures, and I think they respect that. And I think that can be done.



Mr. PATTERSON. Do you think it would be helpful if it had its standards set forth by Congress or would you visualize that to be set forth only by the administration, by Secretary Harris, in terms of, you know, policies saying this is where the money ought to go and maybe a criterion of 10 or 20 different factors that would be taken into consideration that areas would have to meet?

Mr. SLAYTON. Certainly there ought to be policies established in the legislation of the basis on which that money is going to be allocated. When you say a 10 or 20 factor criteria, I get a little uneasy. I think there ought to be say, five broad criteria, off the top of my head, so that Congress does not try to write the detailed way in which the need is going to be adopted, to give clear direction to the administration that there should be an evaluation, that these are the major factors that ought to be taken into consideration.

Mr. PATTERSON. Thank you.

Mr. Williams?

Mr. WILLIAMS. Of course, this is a very difficult subject to deal with, mainly because when you start talking about need, we all know that need is so great and so widespread on the part of just about all of our communities in one form or another.

I suppose that after what we have gone through during the past few years, a slowdown of the economy and things like that, that a number of factors could be developed.

Actually, the guideline or the public works legislation was supposed to do these kinds of things, the projects that you are ready to go with and that you can put into effect right now. Whatever it is, please don't do that.

Mr. PATTERSON. It worked fine in my home district. I must say it was a national disgrace.

Mr. WILLIAMS. The National Association of Regional Councils got involved in them. I mean, we processed all these packages and we sent them all in for them, and one of our suburban communities, one of our member agencies, got a half million dollars. That was it for the county, and we are an urban county.

But anyway, I think that there are a number of standards that could be set, and I suppose it depends on what the Congress wants to do. If the idea is to get the money there to make some improvements now in the housing area, then certainly you could look to communities that have the ability to do it, to do it quickly, and they have demonstrated the ability to do it along with the need.

But it is a tough decision to make. The simplest thing to do, of course, is just to allocate it as we have been tending to do during the last few years or some kind of—a little bit for everybody. I am not sure what result—that has a special appeal at the local level, naturally, but other than that that I am not sure how much good it really does in helping to preserve our cities and our communities, and I am very concerned about that.

I don't think we do a very good job of it. I have been discussing it in the city council right now, and required inspection of sales of housing—and there is a lot of opposition to it because there is opposition from the real estate industry. They are concerned about the redtape and Government intrusion into the field.

But my argument simply is that if we are going to continue to have to spend millions and millions of dollars to try to rectify the wrongs and the misdeeds from the past, that we had better try to use private resources and good planning to keep things going at some kind of a logical pace and not wait until we get down the road and have all kinds of problems that we have to come back with large Federal expenditures to rectify them.

And I suppose it is along that line that I would like to see us place more emphasis on some sort of preservation and at the same time help those communities that have the greatest need because some of them certainly do. Many of them didn't get much help from the public works legislation.

Mr. PATTERSON. Mr. LONERGAN, did you want to comment?

Mr. LONERGAN. Yes, Mr. Chairman. The overall basic objective should be in economic development and neighborhood preservation, I believe that should be the total framework without Congress attempting to define what the details of that objective are.

However, I would say that the criteria for approval should be: First, need; second, capacity to perform; and third, prospect for likely success, and not simply putting all the money into one area where the need is there and the capacity, but there is really no chance for success.

And then, I would add, an additional priority as we mentioned in our direct presentation, for those large towns that are hold harmless but will be losers under the dual formula. There are 79 substantial losers. There are actually 121 losers between 1977 and 1980. They lose some \$230 million in their entitlement under hold harmless over what either formula will generate for them by 1980. Certainly if those communities have a need, have the capacity, and could demonstrate the likelihood for immediate success, I would think they should be given the first opportunity for funding such projects under the urban development action grant program. This priority should at least be part of the Congressional Record, but preferably written into the legislation.

Mr. PATTERSON. Mr. LONERGAN, I am probably less well aware of the issues that you brought before us today, and so excuse me if I don't know what a nonmetropolitan city is. I am assuming that is a jurisdiction under 50,000.

Mr. LONERGAN. Yes; we are using that. It is actually not a very good common usage of the term. Simply any city that is not entitled to a formula share.

Mr. PATTERSON. I see. So as long as there is hold harmless, there are some cities getting something, and hold harmless phases out over a 3-year period. Then, in essence, the community that you represent, the organization, would be zeroed out: is that it?

Mr. LONERGAN. Yes; they would lose any entitlement to assured annual funds. Small cities would be phased out with the large cities unless there is statutory relief.

Mr. PATTERSON. Now, could they also go to counties under the urban county program?

I am curious as to how many of the cities that you refer to—I think you said 750—would fall within an urban county.

Mr. LONERGAN. There are some 450 which clearly are not, since they are in what we call the nonmetropolitan areas of the country. Now, as to the remainder, it is difficult to give a precise figure on how many are in urban counties and how many are not. I do not have any statistical correlation on it.

Of the some 300 that are considered in the standard metropolitan statistical areas, hazarding a guess, I would say at least half are not in an urban county. But even if they all were in urban counties, the very nature of urban county programs is such as to militate against any type of long-term projects being undertaken by small towns. There is simply not enough dollars generated at the urban county level to make it realistic that an urban county could assure a small town that it would have for several years the level of funding in order to carry out a program with long-term implications.

For example, I believe you will find the urban county shares are somewhere around \$8 to \$12 per capita. Take a town of 5,000 with a \$12 per capita formula. They would only get \$60,000. There is no way you can think of doing urban renewal or a neighborhood preservation project with that type of your fair share of your county's allocation. It simply doesn't work. It does work for the short-term projects, the neighborhood parks, the—some urgent community problems, some scattered demolition—but it does not respond to geographically delineated areas with their concentrated needs. There is just no way of generating enough dollars.

Mr. PATTERSON. Certainly, the present allocations for urban counties are inadequate. I think in the original legislation it was anticipated that about a dozen counties would qualify as urban counties. In fact, there are about 73, I believe, urban counties. And so they are spreading a lot of money much thinner. I mean, not very much money, a lot thinner than originally viewed by the legislation. But I am concerned that small towns not be forgotten, and on the other hand, I think Mr. Slayton's testimony really goes to the heart of this. You can't spread it too thin, because the more you spread it, the less there is available for the concentrated areas.

And I am trying to—or I am wondering if there isn't a way that at least a number of your nonmetropolitan cities that need it the most could in fact realize funding through the urban county system. If it is not too much difficulty and you could supply us with that information, it would be helpful. If we would know how many of the nine metropolitan cities could come within urban counties and what proportion on a population basis that might be, it could be helpful.

There is no question, it would require increased funding, I think, at the county level, but in many of the urban counties they are addressing problems of a countywide nature that are outside of the, say, dominant city, if there is a dominant city, like Los Angeles in Los Angeles County. The county would be addressing issues outside of the city limits, in most cases.

I am wondering if that would reach the smaller cities, the Torrance or whatever—and Inglewood, and different cities that aren't maybe large enough to be recipients under the 50,000 population standard.

Mr. LONERGAN. Mr. Chairman, I would be glad to develop that information for you, but I do want to point out one thing. Although

initially urban counties were underfunded, by this year of 1978 they are in full funding under the initial formula, so that they will be getting \$346 million. But that still translates only a little bit better than \$10 to \$12 per capita, and you will still have that same difficulty when they try to further act as a conduit down to the smaller towns under them.

I also want to emphasize that our proposal for small towns does not attempt to "raid the pot" of urban counties or metropolitan cities; we are simply saying, hey, you can make a viable program out of those funds that are already earmarked for small towns. Right now, in this year's budget, there is \$905 million earmarked. We are saying, using the discretionary funding technique is not the route. It simply does not allow the communities a system of funding that they can rely on for projects or programs with long-term funding implications. It is fine for the short term. What we really urge is that you split the pie in half, allowing half the discretionary balances to go for short-term projects to small towns and the other half on a basic grant concept to small towns with long-term problems. And between the two of them you would be able to accommodate roughly 1,700 discretionary applications and about 1,500 basic grant program applications, a total of 3,200. I think it would be a much better system of giving out the money to the small towns than we presently have.

Mr. PATTERSON. That is the \$905 million that you referred to, is what the Secretary is proposing for small towns anyway on a discretionary basis, and you are saying—

Mr. LONERGAN. It is not totally on a discretionary basis, Mr. Chairman. It is the balances for the small towns. And this year, \$114 million is earmarked for metropolitan areas for small hold-harmless towns, with \$174 million is being earmarked for metropolitan discretionary balances, whereas in nonmetro areas there is \$167 million earmarked for small hold-harmless and \$450 million for discretionary. Full funding would require \$171 million in the metro areas and \$225 million in the nonmetro areas in order to keep the 1977 level of funding, because this is the year they start reducing. It is two-thirds off this year—one-third off this year, two-thirds in 1979, and zero dollars in 1980.

Exhibit C in the material we presented to you, which would be the last page on your handout, does show the allocations and how we clearly do not impinge upon the budget earmarked for urban counties and metro cities. All we propose is to either maintain hold-harmless for small towns or develop a basic grant program. Reallocate dollars already earmarked for small towns and come up with something which we believe would be significantly better for the smaller towns.

Mr. PATTERSON. Well, gentlemen, this has been a stimulating experience for me, and I hope you have received your nickel's worth as far as presenting to the subcommittee your views. If there is anything you feel you have overlooked and you would like to put in the record at this time, the Chair will entertain your statement.

[In response to the request of Congressman Patterson and in regard to the matter discussed above the following letter was received by the subcommittee from Mr. Lonergan for inclusion in the record:]

## AD HOC COMMITTEE

for

Adequate &amp; Assured Community Development Program Funding

4620-26 Longshore Ave. Phila., Pa. 19135 215-333-1717

March 4, 1977

Honorable Thomas L. Ashley  
 Chairman, Subcommittee on Housing and  
 Community Development  
 Rayburn House Office Building 2129  
 Washington, D. C. 20515

Dear Congressman Ashley:

During the hearings of your subcommittee on February 28, 1977, I was requested to present additional data on whether urban counties would be the best alternative to continuing hold-harmless for the 750 smaller towns.

The purpose of this letter is to provide pertinent information relating to this point.

- a) According to Volume IV of the HUD Transition Books, at page C-4, in 1976, 75 urban counties were funded by HUD and 2152 units of local government were included under these urban counties.
- b) Of the 750 smaller towns with hold-harmless, 451 were located in non-metropolitan areas and 299 were within S.M.S.A.'s. Therefore by the very definition of an urban county under section 102(a)(6), the 451 non-metropolitan towns could not be part of one of the 75 urban counties.
- c) The 75 urban counties only include 2152 units of incorporated governments. The U. S. Census (1970), Table 4, indicates that there are 2914 urban places within the S.M.S.A. areas. Since Townships are not considered as urban places, the actual units of local government would probably be doubled as there are 16,887 townships and 18,834 municipalities in the United States according to the U.S. Dept. of Commerce on Table "B" of their report entitled "Taxes and Intergovernmental Revenues of Counties, Municipalities and Townships: 1974-75," S.F. 75 No. 9, issued April, 1976. Thus urban counties would probably contain only 35% of all incorporated units of government.
- d) From the HUD Directory of Allocations for Fiscal Year 1976, Community Development Block Grant Program, there were 30 states in our country which do not have any urban counties at all. These States are: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, West Virginia, Wisconsin and Wyoming.

From the same HUD Directory, by counting all small hold-harmless communities in metropolitan areas that are not in S.M.S.A.'s which have an urban county, 158 other metropolitan hold-harmless communities could not be in an urban county. Therefore, it will only be necessary for research to determine which of the remaining 141 small towns are in fact in urban counties. Thus, my ball-park statement, as part of my testimony of February 28, 1977, was conservative when I guesstimated that at least one-half of the metro hold-harmless communities were not in urban counties.

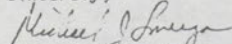
Congressman Thomas L. Ashley

Page 2  
March 2, 1977

Based on the above, I believe there is ample evidence that would indicate that urban county funding would not solve the small towns' hold-harmless issue. Furthermore, even for the small hold-harmless towns within urban counties, there is not the level of funding which could be assured to them if they were to continue programs in concentrated areas with long term implications. The political realities of the urban county funding system would militate against such preferential treatment as almost all included units of government have short-term needs.

Your entering this material in the record of the hearings would be appreciated.

Sincerely,

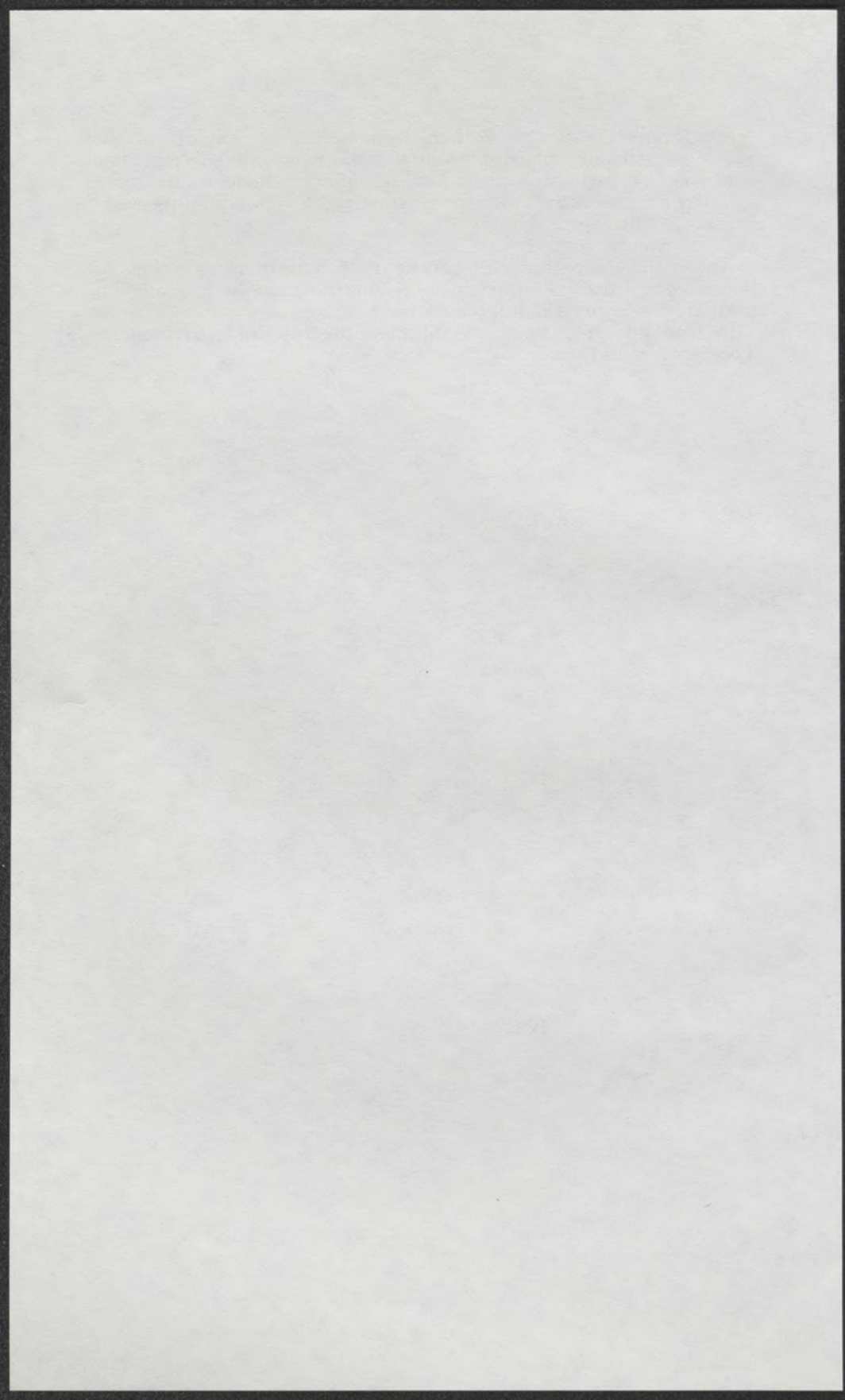
  
Michael J. Lonergan  
Chairman

Mr. PATTERSON. I want to thank you, each, every one of you, for your fine testimony, your response to the questions of the subcommittee. And you have certainly helped, I think, improve the legislative process by your testimony today, and raised the level of intelligence of the subcommittee considerably.

Thank you for coming.

And if there is nothing further, no one I have to ask questions of, the subcommittee will stand in recess until tomorrow morning immediately following the full committee markup.

[Whereupon, at 3:45 p.m., the subcommittee adjourned, to reconvene Tuesday, March 1, 1977.]





# HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1977

TUESDAY, MARCH 1, 1977

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
DEVELOPMENT OF THE COMMITTEE ON BANKING,  
FINANCE AND URBAN AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 11:45 a.m. in room 2128 of the Rayburn House Office Building; Hon. Thomas L. Ashley [chairman of the subcommittee], presiding.

Present: Representatives Ashley, Fauntroy, Patterson, Spellman, Blanchard, Tsongas, Hannaford, Lundine, Brown, Kelly, and Grassley.

Mr. ASHLEY. The Subcommittee on Housing and Community Development is continuing its testimony—the taking of testimony on the fiscal 1978 housing and community development authorizations and related matters.

The first witness is from the Brookings Institution, Mr. Richard P. Nathan; and Mr. Paul R. Dommel and Ms. Sarah F. Liebschutz.

If you will come forward, please, we will proceed as promptly as we can.

Mr. Nathan, we are pleased to have you with us this morning to testify on behalf of the Brookings Institution and its monitoring study of the community development block grant program.

We are jammed for time, as you are fully aware of, so if you will proceed as you wish, sir.

Mr. NATHAN. Thank you very much, Mr. Chairman.

I am not going to read my testimony I would ask that it be put in the record, and I will review highlights of the testimony and indicate how our study has been organized.

Mr. ASHLEY. Without objection, the Brookings Institute study will be inserted in the record.

## STATEMENT OF RICHARD P. NATHAN, BROOKINGS INSTITUTION, ACCOMPANIED BY PAUL R. DOMMEL AND SARAH F. LIEBSCHUTZ

Mr. NATHAN. Thank you very much.

Our study, Mr. Chairman, is being performed under contract with the Department of Housing and Urban Development. For the Brookings Institution it is a large project involving 62 jurisdictions in every major region of the country and many people at the Brookings Institution.

I am happy to be here today, and I would like to introduce, on my left, Mr. Paul R. Dommel of Holy Cross College in Worcester, Mass., and on my right, Ms. Sarah F. Liebschutz, a member of the staff at the Brookings Institution. Mr. Dommel and Ms. Liebschutz are currently working on the Brookings study. We have been assisted by other Brookings staff members, Milton Morris, a coauthor of the first report, and Margaret Wrightson, a research assistant at the Brookings Institution, who is here with us today. Our study is based on reports from a field research network; the names of the 35 field researchers and the places in which field research has been conducted are contained in appendix A of the study. The sample includes 51 cities and 11 counties. It covers 22.7 percent of the money distributed in the first year of the community development block grant program.

The findings of our research, Mr. Chairman, are summarized in 10 points listed in the study.

The report also contains information about specific cases so that in addition to the findings which are summarized in the study there is treatment in the report on a case study basis of what actually happened in some of the cities studied.

One of the main points of our research methodology is that it is the function of this kind of monitoring research to present data on the most policy-relevant effects of this new program and to let the reader, the person doing the assessment, look at these data and determine whether this is a good program or a bad program, or in what ways it should be changed.

We see as the central issue of our research the question of what kinds of projects and what kinds of jurisdictions should be aided in the use of community development block grant funds. Should these funds be focused on the poorest areas of the community, or should they be used in marginal or transitional areas where growth is possible, or to improve the overall tax and job base of the community? This debate was out in the open in a number of communities, the question of the mix between investments in the poorest areas versus what are considered transitional or salvageable neighborhoods. It is in a way reassuring that this same debate has been conducted at the national level and in the academic literature, of whether the Nation's strategy for dealing with the often poorly defined "urban crisis" should emphasize the physical and social development of the most seriously distressed urban areas or concentrate instead on neighborhood conservation and growth potentialities.

In keeping with the decentralization purpose of the block grant, this debate between growth-potential areas and poverty-impacted areas was found to be shifting from the national level to the local level, based on data for the places in which we have filed researchers.

Mr. Chairman, I would like to turn now to the formula portions of our study.

The strong conclusion of our study is that changes are needed in the formula for allocating community development block grant funds; we are very pleased to see a consensus emerging on the need for changes.

In our report—and this work was particularly the responsibility of Mr. Dommel—we presented what we have referred to as a dual-form-

ula approach. Since I know how hard it is to explain and work with these ideas in a short time, I will make only a brief reference to the dual formula, which is discussed in chapter 6 of our report. I would simply state, for the benefit of the subcommittee, that of the several dual formulas which have been tested, including our own, we think the administration's proposal, presented to your committee by Secretary Harris, is the best approach.

Mr. Chairman, also in our study, we deal with the question of whether there should be a supplement to the basic block grant program. One of the main points of our report is that once you provide funds on a broad basis to all cities which qualify, the next question to be asked is whether it would be appropriate to have some funds in addition to the basic program focused on the most urgent urban needs. Our report suggests in chapter 12 that there be a supplement to the block grant; in our study and in our report we suggest that this supplement be distributed on a formula basis.

In this respect, there is a distinction to be made between the administration's proposals and our report. The supplemental grant proposed by Secretary Harris of \$400 million is to be distributed on a discretionary basis by the Department, whereas we suggest distributing these funds on a formula basis, on a basis which reflects the index of urban hardship developed by staff members at Brookings.

Mr. Chairman, the most important new point in our study probably is the penetrating footnote at the bottom of page 10 where we suggest that there is a middle ground which your subcommittee may want to consider. That is that you might use an eligibility index such as discussed in our testimony as a way of defining the conditions of urban need for cities to be eligible for the so-called "action grants," and then have the grants to these cities be discretionary to the Secretary.

If 80 percent of the action grant funds could be used for cities which meet this admissions test and then 20 percent for any other cities, that that would be a way of assuring an urban focus in allocating these additional funds.

I would like to conclude by asking that there be inserted in the record a table that shows the patterns and uses of CDBG funds in the Brookings monitoring field sites, according to the nature of the target areas. It shows the way in which funds were to be used by the recipient cities in the first year of the program in terms of whether they had a defined neighborhood development strategy or a generalized strategy, used funds citywide or mainly for the completion of urban renewal projects. It applies to the 50 cities in our sample.

[The table referred to follows:]

STRATEGIES AND PATTERNS IN THE 1ST-YR USE OF CDBG FUNDS FOR 50 CITIES—BROOKINGS MONITORING STUDY, JANUARY 1977

Geography of allocations	Numbers of jurisdictions, strategy of community development			Citywide
	Completion of urban renewal	Defined neighborhood conservation	Generalized neighborhood conservation	
Existing target areas only.....	3			
Existing and new target areas.....		20	13	
New target areas only.....		7	1	
No target areas.....				6

Source: Field research data.

Mr. NATHAN. We are now at work on the second report under contract with HUD to produce another, hopefully not as thick, possibly blue volume for you to read 1 year from now. In that second volume we intend, also, to include case studies. We will have separate chapters on what has happened to the block grant program in Chicago, Houston, Pittsburgh, Phoenix, and Carbondale, Ill. I would note, in this connection that Mr. Victor Bach who is on your panel following this study is one of our associates and will be writing the chapter on Houston in the second Brookings report on the community development block grant program.

We would be very happy to answer questions. I have tried to restrict these remarks to highlights.

[The study referred to by Mr. Nathan throughout his oral statement entitled "The Brookings Monitoring Study of the Community Development Block Grant Program," follows:]

The Brookings Monitoring Study of  
the Community Development  
Block Grant Program

Richard P. Nathan  
Paul R. Dommel  
Sarah F. Liebschutz

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The material presented here is the work of the authors; it does not represent the views or findings of the trustees, officers, or other staff members of the Brookings Institution. The testimony is based on findings presented in the report, Block Grants for Community Development, First Report on the Brookings Institution Monitoring Study of the Community Development Block Grant Program, Prepared Under Contract H-2323R, U.S. Department of Housing and Urban Development, Washington, D.C., January, 1977. The field research Associates for this study are listed in Appendix A.

The Brookings Monitoring Study of  
the Community Development  
Block Grant Program

Over the past four years, an important objective of the Governmental Studies Program of the Brookings Institution has been to develop a methodology for monitoring the implementation of new domestic programs of the federal government. By and large, the social science community has not devoted much effort to these kinds of studies. Longitudinal research on what happens to policies once they are enacted requires not only a major investment of time, but for a nation as large as the United States, a network of researchers equipped to tackle the many aspects of program impact. Once a new law is enacted, the tendency among social scientists has been to turn their attention to the next hot issue, rather than conduct research on how well any given piece of policy is or is not converted into its intended results.

The Brookings studies of both the general revenue sharing and Community Development Block Grant Program (CDBG) are organized on a

broad-gauged basis to examine the most policy-relevant effects of these new programs. Findings have been presented under three main headings involving: (1) the distributional or formula effects of the program (who wins, who loses?), (2) the uses of funds and their fiscal and social impact, and (3) the political effects of the new program (who decides?). Data on the uses and political effects are from field studies in sixty-two jurisdictions which received CDBG funds in 1975.

#### The Field Research Network

Reports from a network of thirty-five field research Associates, appointed by the President of Brookings, are based on a uniform framework reviewed at two conferences held in Washington for this research. (See Appendix A.) Responses are based on available governmental data, budget and program documents, and extensive interviews conducted by the Associates.

The sixty-two communities under study are a representative sample which includes thirty central cities, twelve satellite cities, and ten urban counties. In addition, the sample includes ten non-metropolitan jurisdictions that received CDBG aid in 1975.

For the first year of the program the sample contained 8.2 percent of all central cities, 7.9 percent of satellite cities, 13.7 percent of participating urban counties, and about 1 percent of the non-metropolitan jurisdictions included in the CDBG program. The units selected for monitoring were chosen to take into account:

(1) type of CDBG recipient, (2) geographical distribution, (3) pop-

ulation size and density, (4) poverty and income characteristics, and (5) previous categorical grant experience--that is, pre-1974 involvement in the programs folded into the new block grant system.

Altogether the sample units, which include the nation's four largest cities, account for 22.7 percent of the CDBG funds paid out in the first year of the program.

#### First-Year Findings

Our work to date considers the first year of the program. Nevertheless, a number of important findings have emerged, among them:

1. The basic idea of the block grant appears to be working to the extent that its proponents sought to combine two principal elements--(1) an emphasis on capital expenditures for community development and (2) features to promote greater flexibility for recipient governments in determining their communities' needs and priorities.
2. Capital spending clearly predominated in the first-year allocations of CDBG funds. This involves a combination of new capital spending (in large measure for relatively short-term purposes) and the continuation of pre-existing and longer-range urban renewal projects. See Appendix Table B to this testimony for a summary on the fiscal effects and uses of CDBG funds.
3. The emphasis in the first-year allocations of CDBG funds has been on neighborhood conservation strategies and programs intended to prevent urban blight. These strategies tend to focus on housing rehabilitation and related public improvements in transitional or growth-potential neighborhoods.
4. The majority of CDBG first-year allocations were classified by the field research associates as benefitting low and moderate-income persons, with about one-quarter of the funds allocated for community-wide purposes and the rest either classified by the Associates as unallocable on this basis or allocated to other income groups.



It should be noted that 28.7 percent of these allocations were assigned for the poor; this should be compared to the fact that 25 percent of the folded-in funds were from the model cities program.

5. Attempts were made by many jurisdictions to use block grant funds to leverage private funds as well as other public funds. The leveraging effects that can be observed, however, are not large and are characterized by implementation delays. Housing rehabilitation is the largest functional area for combined public-private activities undertaken with CDBG funds.
6. Generalist officials, particularly chief executives, have played a prominent role in community development decisionmaking, both on procedural and substantive matters. Their role tends to be much more important under the block grant program than it was under the pre-existing federal grant programs for community development, which in the case of urban renewal and model cities generally were administered by quasi-autonomous or independent local agencies or authorities.
7. Citizen participation, contrary to what some observers anticipated, has been a very significant feature of the program's implementation in the first year, especially in those cases in which local officials demonstrated a strong positive attitude toward these activities.
8. Our data for the first year indicate that the CDBG program did not significantly contribute to the legislative objective of encouraging "spatial deconcentration" of housing for lower-income persons. In almost all of the sample sites, Associates reported that local officials did not consider this objective in preparing their applications, and furthermore that the related requirements for a housing assistance plan (HAP), as indicated in our report, were not emphasized or consistently enforced.
9. A similar situation was found to apply to the A-95 requirement for metropolitan planning and coordination, a clearance system closely related (or at least potentially so) to the "spatial deconcentration" objective in the law. Pro forma signoffs predominated under the A-95 requirement.

10. The analysis in our report of the distributional effects of the CDBG program demonstrates that in relative terms the allocation system favors small and suburban jurisdictions; it disadvantages older and distressed central cities. We propose specific changes in this allocation system and show how they would affect all major units entitled to CDBG funds, as well as a formula supplement for needy cities.

#### Assessing the Data

The answer to the question of whether these first-year findings indicate success or failure for the CDBG program depends upon the values and perceptions of the individual doing the assessment.

Those who view this block grant as primarily a decentralization device are likely to regard the first year as a success. Generalist officials played a much larger role than was the case under the folded-in programs. Citizen participation was a prominent feature of CDBG decisionmaking, although its focus shifted from lower-income persons and target areas under the folded-in programs (especially model cities) to broader, often community-wide, participation. These political changes are closely related to findings for the first year on the uses, income-group, and spreading effects of the CDBG program.

#### The Central Issue

Putting the process and outcome points together, we can identify a social dimension of local impact analysis. As contrasted to some urban renewal projects and most model cities programs, there appears to have been a shift both in the income-incidence of benefits and the people involved in the decision process, away from the poorest

people and areas to a more mixed pattern. In many ways, this is the essential question for analysis. The debate was out in the open in a number of communities--the question of the mix between investments in the poorest areas versus what are considered transitional or salvageable neighborhoods. It is in a way reassuring that this same debate has been conducted at the national level and in the academic literature of whether the nation's strategy for dealing with the often poorly-defined "urban crisis" should emphasize the physical and social development of the most seriously distressed urban areas or concentrate instead on neighborhood conservation. In keeping with the decentralization purposes of CDBG, this debate can be said to be shifting from the national to the local level.

#### The Future

All of these first-year findings, it must be remembered, are as of a point in time. There are a number of forces in place and matters still unresolved, such that the effects of the CDBG program in future years could be different from what we have observed so far. Federal strings could be pulled much tighter by the Carter administration, perhaps based on the performance-monitoring responsibility assigned to HUD under this program. There is also the possibility that social objectives (especially income redistribution and integration of the suburbs) will be advanced more aggressively under CDBG either by administrative action or as a result of litigation.

The coming to fruition of these various forces and pressures could decidedly affect the strength of the decentralization and social impacts of the block grant program. On the whole, however,

we are surprised by the clarity of the findings for the first year; and, while we may subsequently regret saying so, we would be surprised if the findings of the research shift substantially in the second year of the program. That is to say, we would expect relatively short-term capital spending to continue to predominate, generalist officials to continue to have a strong role along with many citizen organizations, and for benefits to be spread out on a geographic basis within recipient jurisdictions.

#### Formula Changes Needed

Many observers both in the Congress and the Executive Branch had come to the conclusion that changes are needed in the CDBG allocation system as currently structured. We strongly agree.

The existing distribution system has a spreading effect, just as we observed at the local level, following what might be called a natural law of federal grants--"Something for Everyone." This distributional pattern is a consequence of formula criteria which base allocations on population and poverty-based need (poverty and overcrowded housing) and the mixed system of formula and discretionary funding.

Our conclusion is that, both practically and substantively, it would be difficult at this stage to devise a single formula to measure the needs of all participating communities. We therefore suggested a dual-formula approach, one formula weighted by poverty measures alone and one oriented also toward community age. This dual-formula approach retains the existing CDBG formula and adds a

second formula to measure community age through the use of a pre-1939 housing criterion. Each formula entitlement area would receive the greater of the amounts provided by the two formulas; no community presently entitled to formula funding would receive a lower allocation. The community-age formula favors older, declining central cities which tend to be concentrated in (but are not exclusive to) the Northeast and Midwest. The existing population and poverty-weighted formula, on the other hand, tends to favor the southern and western regions.

We see this dual-formula approach as a reasonably feasible and equitable way to deal with the fact that communities have different development needs and that the existing allocation system fails adequately to consider physical need. We do not see the dual-formula approach, or this particular version of it, as representing an "ideal" way to define urban need. Put another way, we have chosen to consider both feasibility and need, rather than starting from scratch to develop an ideal allocation system to replace the current one.

#### Supplemental Funds for Needy Cities

Once a program exists for distributing money for community development on a broad basis, as a practical political matter there would appear to be a much better opportunity than would otherwise be the case (i.e., "starting from square one") to concentrate some amount of additional funds on the cities with the most acute development needs. We therefore would raise the

possibility that one option that should be considered this year should be an add-on for the neediest cities. If this were done, it could be done so as to obviate any need to consider a hold-harmless guarantee, because these additional funds could be focused on the communities that, from an urban focus point of view, one would not want to be affected by the hold-harmless phase-out currently in the law. For purposes of illustrating how such supplementary funds might be distributed, we assume in this testimony, as in our report, that an additional \$500 million is added to the CDBG program for supplemental funding. This contrasts to Secretary Harris' proposal for a discretionary CDBG supplement ("Action" grant) proposed at a level of \$400 million in fiscal 1978.\*

Step One: Constructing an Eligibility Index. The first step in allocating supplemental CDBG funds is the determination of eligibility. We confine eligibility to metropolitan cities. The next question is which metropolitan cities should receive supplemental funding. The equation below is used to rate the needs of metropolitan cities on the basis of the three factors--poverty, age of housing, and population change from 1960-70.

$$\text{Eligibility Index} = \frac{(\text{Percent of pre-1939 housing}) \times (\text{Percent of poverty})}{100 + \text{rate of population change}}$$

An eligibility index number was computed for all CDBG metropolitan entitlement cities scaled from highest to lowest. The next decision

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\* A middle-ground position would be to use the "eligibility index," as described below, as an admission test and then have the CDBG supplemental grants be discretionary.

is the determination of how far down the eligibility list to go for participation in supplemental funding. If the eligibility threshold is set at the mean, as we have done, 196 cities qualify.

Of these 196 cities eligible, 122 (62 percent) are below 100,000 population; nineteen are satellite cities. Regionally, the Northeast Quadrant (the Northeast and North Central Regions combined) have 121 participating cities (61.8 percent). It is important that seventy-five southern and western cities are also included--accounting for 38.3 percent of the eligibles.

Step Two: Calculating Individual Allocations. The next step is calculating individual allocations for the eligible cities. In calculating individual formula amounts for the supplemental funds, a coefficient based on relative shares of population, poverty, and pre-1939 housing units is used for each of the 196 eligible cities. (This is similar to the second part of the dual formula used in our analysis.) However, before applying this coefficient to the \$500 million for the 196 eligible cities to determine individual allocations, they were further adjusted as described below:

- a. Population Change Adjustment. For the 196 eligible cities, the average population change was -2.1 percent between 1960 and 1970. A population change ratio is calculated as follows:

$$\text{Population Change Ratio} = \frac{100 + \text{rate of change for individual city}}{100 + \text{mean rate of change for all participating cities (i.e. 97.9)}}$$

- b. Scaling Adjustment. The second adjustment is to increase the spread between the highest and lowest city for the CDBG supplement and thereby reduce the "notch" problem

(i.e., for the 197th city). This is done by multiplying the number derived above for each eligible city by a scaling adjustment, which is the ratio of an individual city's index to the mean index of the eligible cities. It produces a steeper curve, based on need, for the allocation of CDBG supplemental funds and, as noted, reduces the "notch" problem.

$$\text{Scaling Adjustment} = \frac{\text{Individual city eligibility index}}{\text{Mean eligibility index of eligible cities}}$$

Thus the final allocation is determined:

$$\text{Supplemental Allocation} = \text{Allocation Coefficient} \div \text{Population Change Ratio} \times \text{Scaling Adjustment} \times \$500 \text{ million}$$

Using this approach, Appendix Table C at the end of this testimony shows the estimated supplemental allocations for the 196 cities above the mean threshold, assuming a \$500 million supplemental fund.

Two further points are worth noting. First, if these supplemental amounts are added to the allocations produced under the dual-formula approach, sixty-nine of these 196 cities would still receive less funding than they received under the categorical grants. In many of these cases, this is the result of very successful grantsmanship under the folded-in programs. In others, it could be a basis for urging that there should be a larger supplemental fund or perhaps a somewhat different approach to its distribution. The last column of Appendix C shows the percentage relationship between the combined allocations and hold-harmless funds.

Second, if the dual formula and supplement are added together, forty of the 196 cities shift from a net "loser" to a net "gainer"



position compared with what they would get if the dual formula alone were adopted. These forty are marked with an asterisk (\*) in the last column of Appendix C.

These formula ideas are intended as illustrative of the ways in which the present law could be changed. We have tried to make these changes in a straightforward manner. Our basic approach has been that the law provides a framework of movable parts which can be changed in ways that achieve different people's objectives as to how urban needs should be met. To us, the most important points are the dual-formula and the provision of supplemental CDBG funds for "needy" cities. Secretary Harris' formula proposals announced last week move strongly in this general direction, in order to place more emphasis on the urban needs of older, declining cities in the allocation of CDBG funds.

Appendices to Testimony  
for March 1, 1977

Three appendices are attached to this testimony. Appendix A. is a list of the field research Associates for the sixty-two field locations. Appendix B. shows the uses and fiscal effects for the first-year CDBG allocations of the sample jurisdictions. (A discussion of the categories used here can be found in Chapter 7, pages 246-247, of the report, Block Grants for Community Development, HUD, 1977.) Appendix C. shows the effects of the formula suggestions made in this testimony for both a dual-formula system and a supplemental or "bonus" of CDBG funds for needy cities. It shows only cities eligible for the supplement. Their total allocation can be found by adding the dual-formula and supplemental columns, which, in turn, can be compared to their projected sixth-year funding under the CDBG law as currently written (in the third column of Appendix C).

FIELD SITES AND RESEARCH ASSOCIATES

The sixty-two research jurisdictions and the names of the Associates who provided data and supplementary information from each appear below.

Jurisdictions are grouped by state and listed alphabetically.

<u>ARIZONA</u>	Casa Grande Phoenix Scottsdale	<u>John S. Hall</u> Assistant Professor of Political Science and Director of Research at the Center for Public Affairs Arizona State University
<u>CALIFORNIA</u>	Huntington Beach Orange County	<u>Catherine Lovell</u> Assistant Professor Graduate School of Administration University of California (Riverside)
	San Jose Santa Clara	<u>Dale R. Marshall</u> Associate Professor of Political Science University of California (Davis) assisted by <u>Rufus Browning</u> Professor of Political Science San Francisco State University and <u>David Tabb</u> Associate Professor of Political Science San Francisco State University
	El Monte Los Angeles Los Angeles County	<u>Ruth Ross</u> Assistant Professor of Political Science Claremont Men's College
<u>COLORADO</u>	Denver Lakewood	<u>John C. Buechner</u> Professor of Political Science and Director of Community and Local Government Relations University of Colorado
<u>FLORIDA</u>	Dade County Jacksonville Miami Miami Beach	<u>John DeGrove</u> Director of the Joint Center for Environmental and Urban Problems Florida Atlantic-Florida International University assisted by <u>Deborah Athos</u> Joint Center for Environmental and Urban Problems Florida Atlantic-Florida International University

<u>GEORGIA</u>	Atlanta DeKalb County	<u>Tobe Johnson</u> Professor of Political Science and Director of the Urban Studies Program Morehouse College
<u>ILLINOIS</u>	Carbondale Pulaski County	<u>John S. Jackson, III</u> Associate Professor Department of Political Science Southern Illinois University
	Chicago Cook County Evanston	<u>Leonard Rubinowitz</u> Associate Professor of Law and Urban Affairs Northwestern University
<u>IOWA</u>	Sioux City	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota
<u>MAINE</u>	Auburn Bangor Portland	<u>Kenneth T. Palmer</u> Associate Professor of Political Science University of Maine and <u>David Wihry</u> Associate Professor of Economics University of Maine
<u>MASSACHUSETTS</u>	Marlborough Worcester	<u>Paul R. Dornel</u> Associate Professor of Political Science College of the Holy Cross
	Boston Cambridge	<u>Lawrence E. Susskind</u> Associate Professor of Urban Studies Massachusetts Institute of Technology
<u>MICHIGAN</u>	Alma East Lansing Lansing	<u>Paul H. Conn</u> Associate Professor of Political Science Michigan State University
<u>MINNESOTA</u>	Hennepin County Minneapolis	<u>James E. Jernberg</u> Associate Professor School of Public Affairs University of Minnesota
<u>MISSOURI</u>	St. Louis St. Louis County	<u>Robert Christman</u> General Assignments Reporter <u>St. Louis Post-Dispatch</u>

<u>NEW JERSEY</u>	East Orange Newark	<u>Robert Curvin</u> Associate Professor of Political Science Brooklyn College of the City University of New York
<u>NEW YORK</u>	Mt. Vernon New York City	<u>Henry Cohen</u> Dean of the Center for New York City Affairs New School for Social Research and <u>Julia Vitullo-Martin</u> Assistant Professor Center for New York City Affairs New School for Social Research
	Greece Rochester	<u>Sarah F. Liebschutz</u> Research Associate The Brookings Institution
<u>NORTH CAROLINA</u>	Durham Raleigh Roanoke Rapids	<u>Lester M. Salamon</u> Associate Professor Department of Political Science Institute for Policy Sciences Duke University
<u>OHIO</u>	Cleveland Cleveland Heights	<u>Steven A. Minter</u> Foundation Associate The Cleveland Foundation and <u>Dolores Minter</u>
<u>PENNSYLVANIA</u>	Philadelphia	<u>Stephen Schechter</u> Assistant Professor Department of Political Science Temple University
	Allegheny County Pittsburgh	<u>Leon L. Haley</u> Associate Dean, Graduate School of Public and International Affairs University of Pittsburgh
<u>SOUTH CAROLINA</u>	Columbia Florence	<u>C. Blease Graham</u> Assistant Professor of Government and Research Associate Bureau of Governmental Research University of South Carolina
<u>SOUTH DAKOTA</u>	Sioux Falls	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota

TEXASHarris County  
HoustonVictor E. Bach  
Assistant Professor  
Lyndon B. Johnson School of  
Public Affairs  
University of TexasLubbock  
PlainviewJames Clotfelter  
Associate Professor of Political  
Science and Director of the  
Center for Public Service  
Texas Tech University  
and Albert K. Karnig  
Assistant Professor of  
Political Science  
Texas Tech UniversityVIRGINIA

Charlottesville

H. Owen Porter  
Assistant Professor of  
Political Science  
University of VirginiaWASHINGTONKing County  
SeattleDorothee S. Pealy  
Lecturer in Political Science  
University of Washington

Net Fiscal Effects of CDBG Allocations in the Sample Jurisdictions, by Type of Recipients;<sup>a/</sup> in Mean Percentage Indices<sup>b/</sup>

Fiscal effect	Metropolitan Jurisdictions			Non-metropolitan jurisdictions	All jurisdictions
	Central cities	Satellite cities	Urban counties		
New spending	49.1	52.9	44.9	74.0	53.3
New capital	34.8	33.3	27.2	57.9	37.1
New or expanded operations	14.3	19.6	17.7	16.1	16.2
Program maintenance	44.0	25.1	17.3	19.3	31.9
Community development program continuation	42.1	11.3	16.3	17.8	27.9
Non-community development federally aided program continuation	1.1	.2	1.0	c/	.7
Other program continuation	.8	13.6	0.0	1.5	3.3
Substitution	3.4	16.7	5.9	4.3	6.6
Increased fund balances	2.4	5.3	2.5	0.0	2.6
Avoidance of borrowing	.7	10.0	3.1	4.2	3.5
Tax stabilization	.3	1.5	.3	.1	.5
Tax reduction	c/	0.0	0.0	0.0	c/
Other	c/	0.0	1.5	0.0	.3
Unallocated	3.5	5.3	30.4	2.4	7.9

Source: Field research data.

a/ For purposes of this table, the sample includes twenty-nine central cities, twelve satellite cities, ten urban counties, and nine non-metropolitan jurisdictions. Two jurisdictions in the sample (Florence and Columbia, South Carolina) are not represented in this table because data from them was not available at the time this table was prepared.

b/ The mean percentage indices of fiscal effects are unweighted; that is, they are not weighted to reflect different population sizes of sample units.

c/ Mean percent index less than .1.



Table C. CDBG Cities (196) Eligible for Supplemental Funding Using the Suggested Eligibility Index and Allocation Method, Estimated Supplemental Grants Based on a \$500 Million Funding Assumption

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
E. St. Louis, Ill.	431.86	3,492	2,362	2,362	2,974	150*
San Benito, Tex.	411.79	27	744	744	686	5,300
Augusta, Ga.	372.13	1,042	1,823	1,823	2,099	370
Atlantic City, N.J.	362.34	3,340	1,061	1,485	1,749	90
Wilmington, Del.	360.77	4,490	1,712	2,237	2,603	110*
St. Louis, Mo.	351.92	15,194	14,793	17,604	19,764	240
Harrisburg, Pa.	351.01	2,482	1,321	2,022	2,174	160*
Providence, R.I.	333.96	9,110	3,338	5,218	5,181	110*
Camden, N.J.	333.86	5,554	2,260	2,649	2,812	90
Johnstown, Pa.	321.74	977	729	1,199	1,231	240
Newark, N.J.	321.62	20,513	9,807	9,864	9,502	90
Elmira, N.Y.	319.19	1,610	665	1,115	1,053	130*
Covington, Ky.	307.43	1,507	1,150	1,496	1,342	180*
Chester, Pa.	300.30	2,303	1,183	1,391	1,323	110*
Buffalo, N.Y.	292.24	11,685	7,523	13,026	11,018	200
Williamsport, Pa.	292.33	1,080	619	1,065	866	170*
Asbury Park, N.J.	292.10	297	399	459	390	280
Cleveland, O.	291.73	16,092	14,250	19,456	17,615	230
Trenton, N.J.	288.56	5,097	1,959	2,778	2,283	90
Huntington, W.Va.	280.57	1,518	1,393	1,930	1,648	230

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDEG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Easton, Pa.	280.34	3,108	486	829	636	40
New Orleans, La.	274.50	14,808	16,753	16,753	12,604	190
Wheeling, W.Va.	260.69	1,547	823	1,296	962	140*
Savannah, Ga.	260.45	7,264	3,055	3,055	2,674	70
Muskegon Hghts., Mich.	260.29	676	387	391	332	110*
Pittsburgh, Pa.	260.06	16,429	8,997	13,532	10,584	140*
Laredo, Tex.	257.91	2,663	3,089	3,089	1,403	160
Boston, Mass.	257.87	32,108	11,609	17,085	12,359	90
Chattanooga, Tenn.	257.51	6,526	2,976	2,976	2,370	80
York, Pa.	255.66	1,234	804	1,413	979	190
Wilkes Barre, Pa.	255.45	8,088	888	1,656	1,125	30
Altoona, Pa.	254.00	1,225	960	1,691	1,193	230
New Haven, Conn.	252.85	18,162	2,600	3,441	2,575	30
Petersburg, Va.	252.11	733	896	896	639	200
Portland, Me.	250.22	5,272	1,102	1,738	1,239	50
Lancaster, Pa.	248.55	4,208	922	1,540	1,036	60
New Bedford, Mass.	246.52	10,138	1,736	2,768	1,753	40
Battle Creek, Mich.	246.35	9	656	992	730	19,150
Poughkeepsie, N.Y.	242.68	10,830	497	869	626	10
Reading, Pa.	242.10	4,186	1,224	2,545	1,665	100*

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Charleston, W.Va.	241.52	1,385	1,303	1,699	1,360	220
Anniston, Ala.	236.32	0	868	868	572	-
Troy, N.Y.	235.40	1,414	974	1,632	1,049	180
E. Chicago, Ind.	233.22	2,161	947	1,097	831	80
Fall River, Mass.	232.88	5,442	1,625	2,607	1,573	70
Charleston, S.C.	230.82	897	1,762	1,762	1,088	310
Binghamton, N.Y.	229.99	5,414	909	1,713	1,154	50
Utica, N.Y.	229.91	1,551	1,382	2,388	1,526	250
Paterson, N.J.	228.73	4,036	2,997	3,563	2,177	140*
Jersey City, N.J.	226.62	6,485	4,874	6,764	4,139	160
Cincinnati, O.	226.56	18,828	9,275	10,858	7,521	90
Jackson, Mich.	225.91	1,062	693	1,168	742	170
Baltimore, Md.	224.54	32,749	18,264	20,712	13,670	100*
Holyoke, Mass.	224.54	2,942	871	1,337	805	70
Hartford, Conn.	223.58	10,267	3,208	3,945	2,420	60
Albany, N.Y.	221.54	2,109	1,755	3,024	1,900	230
Youngstown, O.	220.84	3,730	2,306	3,196	2,249	140*
Passaic, N.J.	219.94	163	1,048	1,430	796	1,360
Cambridge, Mass.	219.61	4,035	1,575	2,707	1,588	110*
Birmingham, Ala.	218.30	5,040	7,186	7,186	4,896	230
Philadelphia, Pa.	216.18	60,829	33,506	47,118	27,920	120*
St. Joseph, Mo.	215.19	1,715	1,244	1,854	1,123	170

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Scranton, Pa.	213.21	7,747	1,444	2,763	1,554	50
Superior, Wis.	212.70	10	486	801	457	12,590
Syracuse, N.Y.	210.04	11,861	3,028	4,871	2,907	60
Galveston, Tex.	209.23	628	1,401	1,401	919	360
Marietta, O.	208.62	0	259	416	227	-
Rochester, N.Y.	205.81	14,684	4,427	7,619	4,225	80
Detroit, Mich.	201.18	34,187	26,525	34,165	20,702	160*
Chicago, Ill.	201.05	43,201	62,870	80,192	45,167	290
Berkeley, Calif.	197.67	2,812	2,171	2,879	1,490	150
Louisville, Ky.	195.95	8,639	7,380	7,907	4,777	140*
Bridgeton, N.J.	194.69	283	351	470	252	250
Lawrence, Mass.	194.04	1,578	1,001	1,761	891	160
Steubenville, O.	193.78	1,418	511	701	391	70
Terre Haute, Ind.	193.30	323	1,140	1,697	882	790
Ashville, N.C.	192.26	3,238	1,484	1,484	897	70
Wilmington, N.C.	190.38	961	1,131	1,131	581	170
Union City, N.J.	190.15	108	1,115	1,557	674	2,060
San Francisco, Calif.	188.77	28,798	12,564	19,112	9,415	90
Saginaw, Mich.	188.44	3,608	1,586	1,997	1,101	80
Alexandria, La.	184.77	92	1,206	1,206	536	1,890
Somerville, Mass.	183.08	247	1,248	2,312	1,092	1,370
New York, N.Y.	180.45	102,244	153,850	184,920	88,482	260
Lynn, Mass.	179.20	3,227	1,295	2,312	1,070	100*
Hazleton, Pa.	177.26	7	393	784	358	16,320
Duluth, Minn.	176.46	3,386	1,435	2,369	1,142	100*

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 ODBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Oakland, Calif.	176.06	12,738	6,887	8,345	4,118	90
Port Arthur, Tex.	175.59	1,324	1,269	1,269	705	140*
Minneapolis, Minn.	174.58	16,793	6,211	10,564	5,213	90
Muskegon, Mich.	172.74	1,108	708	1,035	487	130*
Hopkinsville, Ky.	172.24	0	506	506	224	-
Schenectady, N.Y.	170.98	1,488	979	2,075	898	190
Brownsville, Tex.	170.84	155	2,384	2,384	719	2,000
Springfield, Mass.	170.63	9,096	2,529	3,626	1,758	50
Spartansburg, S.C.	168.77	4,434	1,020	1,020	471	30
Ashland, Ky.	168.15	6	483	632	314	15,770
New London, Conn.	167.50	6,418	461	677	330	20
Pawtucket, R.I.	167.34	5,850	1,146	1,811	821	40
Canton, O.	167.22	1,109	1,669	2,519	1,141	330
Bay City, Mich.	166.11	1,318	707	1,131	523	120*
Lewiston, Me.	164.12	2,936	653	957	403	40
Auburn, Me.	164.02	701	359	570	241	110*
Lowell, Mass.	162.98	3,542	1,418	2,201	902	80
McAllen Tex.	162.71	116	1,512	1,512	436	1,670
Perth Amboy, N.J.	161.10	1,441	647	884	367	80
Niagara Falls, N.Y.	160.88	1,571	1,254	1,783	918	170
Lynchburg, Va.	159.91	1,537	902	1,124	511	110*
Yakima, Wash.	158.75	256	804	993	427	550
Springfield, O.	158.42	666	1,279	1,781	766	380
Erie, Pa.	158.01	4,485	1,833	2,794	1,249	90
Worcester, Mass.	156.21	6,044	2,381	4,034	1,697	90

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Salt Lake City, Utah	155.44	4,176	2,939	3,696	1,723	120*
Washington, D.C.	155.26	42,748	16,147	16,147	7,072	50
Parkersburg, W.Va.	155.25	244	700	969	412	560
Roanoke, Va.	154.95	2,629	1,517	1,895	877	110*
Dayton, Ohio	154.65	6,822	4,134	4,925	2,319	110*
Spokane, Wash.	154.61	577	2,611	3,644	1,650	910
East Orange, N.J.	154.55	2,519	1,105	1,829	732	100*
Greenville, S.C.	153.16	2,205	1,327	1,327	606	80
Gadsden, Ala.	152.85	14	1,128	1,128	533	11,870
Pensacola, Fla.	152.19	162	1,357	1,357	542	1,170
Pharr, Tex.	150.35	110	806	806	201	910
Haverhill, Mass.	147.53	1,976	604	1,136	413	70
Monroe, La.	147.13	1,415	1,651	1,651	535	150
Lima, Ohio	146.56	0	845	1,174	435	-
Sioux City, Ia.	146.42	3,929	1,237	1,879	745	60
New Brunswick, N.J.	145.74	1,399	689	852	329	80
La Crosse, Wis.	144.90	605	742	1,098	397	240
Fitchburg, Mass.	144.68	566	604	1,005	365	240
Muncie, Ind.	143.90	52	1,148	1,369	555	3,700
Kalamazoo, Mich.	143.32	64	1,267	1,713	660	3,700
Elizabeth, N.J.	141.91	146	1,889	2,496	890	2,320
Portland, Ore.	141.76	8,760	5,483	8,611	3,175	-130*
Akron, Ohio	139.79	10,979	3,990	5,643	2,264	70
Bridgeport, Conn.	138.81	4,113	2,575	3,308	1,234	110*
Mt. Vernon, N.Y.	138.62	2,590	1,107	1,662	608	80

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Richmond, Va.	137.92	10,068	4,839	4,967	1,808	60
Manchester, N.H.	137.81	2,500	1,250	1,931	693	100*
Texarkana, Tex.	137.10	2,812	639	639	248	30
Grand Rapids, Mich.	134.99	4,815	2,853	4,265	1,386	110*
Bayonne, N.J.	134.50	500	997	1,672	576	440
Texarkana, Ark.	134.37	2,372	503	503	165	20
Gary, Ind.	132.76	6,974	3,708	3,708	1,281	70
Bristol, Tenn.	130.56	365	351	402	134	140
Harlingen, Tex.	129.96	183	1,313	1,313	425	950
Daytona Beach, Fla.	129.25	675	1,042	1,042	319	200
Winter Haven, Fla.	128.86	64	354	354	127	750
Hamilton, Ohio	128.68	597	1,075	1,313	498	300
Pine Bluff, Ark.	127.88	2,168	1,515	1,515	377	80
Waco, Tex.	127.79	5,704	2,026	2,026	740	40
Milwaukee, Wis.	127.67	13,383	10,935	14,181	5,137	140
Montgomery, Ala.	126.95	2,484	3,178	3,178	1,042	160
Malden, Mass.	126.36	4,546	681	1,304	417	30
Evansville, Ind.	124.98	2,878	2,254	2,719	967	120*
Rock Island, Ill.	123.16	2,482	709	1,023	350	50
Norwich, Conn.	121.41	1,478	559	887	260	70
Shreveport, La.	121.35	473	4,256	4,256	1,210	1,150
Allentown, Pa.	121.05	2,426	1,313	2,424	739	130*
Kansas City, Mo.	120.58	17,859	8,048	10,428	3,249	70
Denison, Tex.	119.74	179	451	484	154	350
Lakeland, Fla.	119.34	162	798	798	278	660

Table C (continued)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDEG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Edinburg, Tex.	118.31	4,198	713	713	174	20
Atlanta, Ga.	118.01	18,780	11,207	11,207	3,324	70
Waterbury, Conn.	117.61	5,688	1,577	2,218	682	50
Pontiac, Mich.	116.89	3,198	1,523	1,525	505	60
St. Paul, Minn.	116.58	18,835	4,152	6,446	1,985	40
Bloomington, Ill.	116.23	2,169	543	877	239	50
Tacoma, Wash.	115.68	2,459	2,284	3,069	949	160
Irvington, N.J.	114.60	297	748	1,393	394	600
W. Palm Beach, Fla.	113.48	131	1,135	1,135	366	1,140
Council Bluffs, Ia.	113.46	251	986	1,156	336	590
Des Moines, Ia.	113.22	3,692	2,792	3,986	1,263	140
Mobile, Ala.	113.13	2,014	4,600	4,600	1,315	290
Ogden, Utah	112.92	655	1,155	1,256	416	250
Flint, Mich.	112.73	5,881	3,173	3,449	1,153	70
Pueblo, Colo.	112.47	1,016	1,751	1,751	541	220
Portsmouth, Va.	111.14	4,570	2,296	2,296	704	60
Springfield, Ill.	110.49	4,513	1,367	1,945	515	50
Santa Cruz, Calif.	110.43	164	553	666	170	510
Beaumont, Tex.	109.83	25	2,327	2,327	716	12,170
Long Branch, N.J.	109.17	55	535	639	161	1,450
Durham, N.C.	107.28	2,384	2,004	2,004	487	100*
Miami, Fla.	106.08	3,165	9,712	9,712	1,833	360
Denver, Colo.	105.78	15,805	8,246	9,493	2,823	70
South Bend, Ind.	105.14	3,547	1,683	2,388	717	80
Tampa, Fla.	105.10	8,577	5,613	5,613	1,618	80



Table C (concluded)

Eligible community	Eligibility index (percentage above national mean)	Hold harmless (\$000)	1980 CDBG (\$000)	Alt. I (Dual formula) (\$000)	Supplemental grant (\$000)	Alt. I plus supplement as percent of hold harmless (rounded)
Norfolk, Va.	104.81	17,766	5,842	5,842	1,695	40
Pasadena, Calif.	104.69	2,584	1,663	2,215	661	110*
Oshkosh, Wis.	104.63	85	661	1,069	251	1,550
Mansfield, O.	103.84	339	800	1,081	266	390
Toledo, O.	101.19	11,831	5,350	7,622	1,742	70
Pittsfield, Mass.	100.53	1,342	654	1,164	303	110
Waterloo, Ia.	100.38	1,182	1,136	1,377	369	140
Jackson, Miss.	100.36	2,253	3,891	3,891	870	210
Seattle, Wash.	100.21	11,641	6,809	10,608	2,996	110

\* Cities which shift from a net "loser" to a net "gainer" position relative to their hold-harmless level, compared with what they would receive if the dual formula alone were adopted.

Mr. ASHLEY. Mr. Nathan, I wonder if you would amplify a little on your findings with respect to the kinds of projects and kinds of communities. That is a central issue. I am sure that there are certain conclusions that appear in your study that I don't believe you touched on in your extemporaneous comments. If you could give me a synthesis of these findings that, as you point out, go to the central issue, I think that would be constructive.

Mr. NATHAN. I would be happy to, and I would like to have Ms. Liebschutz, if I could, supplement my remarks.

We found that in the first year of the program—and there wasn't much time to get going—there was a strong emphasis on capital projects, particularly on housing rehabilitation and related kinds of capital improvements.

We found, also, that there was substantial activity, as the testimony indicates, in terms of continuing and following up on urban renewal and model cities programs that were already in place.

We also observe in our report—and I think this is quite important—that there tended to be a spreading effect. That is to say, more funds were spent in a variety of neighborhoods, but concentrated in low- and moderate-income neighborhoods, with the emphasis being on a neighborhood conservation or a neighborhood rehabilitation approach to community development.

I think Sarah Liebschutz should comment and add some specifics.

Ms. LIEBSCHUTZ. We found a strong emphasis on capital projects in all of our communities. These took the form of street improvements, sewers, improvements to recreational facilities, senior citizen and community centers, parks.

In addition to the kinds of allocations for housing rehabilitation that Mr. Nathan mentioned, we found that social services were found most frequently for cities which formerly had a model cities program.

We also found allocations for code enforcement types of activities.

Many of the operating expenses as well as the capital improvements were geared to what we have called a neighborhood conservation strategy.

In some cities we found closer coordination between capital improvements and social services, code enforcement, housing rehabilitation, targeted in specific neighborhoods within the city. In others we found that allocations for these kinds of capital improvements were more widely dispersed to various neighborhoods throughout the city.

Mr. ASHLEY. I am interested—and I am sure the other members are—in what apparently was a recommendation that the supplementary funding be approached on a formula basis. Was that a recommendation, Mr. Nathan?

Mr. NATHAN. Well, we held back in our report from saying that we necessarily proposed this. But I would say it would be fair to call it a recommendation. What we did was develop an illustrative formula, which is described in chapter 12 of our report. Appendix C to the study shows how it would work. That table which is attached to the study shows. Under our formula 196 cities would have been eligible. The column marked "Supplemental Grants" shows how much they would receive in thousands of dollars out of the \$500 million supplement.

Now, this would concentrate the money on entitlement cities. We tested various different ways of doing this. We think it is entirely feasible, Mr. Chairman, if the subcommittee wished to do so, to have these added grants, or this bonus grant, distributed on a formula basis, targeted on urban need, if that was desired.

Mr. ASHLEY. Did you take into account urban counties? Are these included in your list?

Mr. NATHAN. They are not in the way we developed the formula.

Mr. ASHLEY. So we are talking first of all about \$500 million, rather than \$400 million, and we are talking about the central cities that are eligible for annual block grants, but not urban counties?

Mr. NATHAN. Central cities and satellite cities, Mr. Chairman. That is correct.

Mr. ASHLEY. So the amounts obviously would be substantially less than is indicated here, were those other communities to be included and taking into account the movement from \$500 million to \$400 million?

Mr. NATHAN. That is correct. This shows you how much cities might receive out of a bigger pot which is restricted only to cities. A smaller pot which includes other governments would undoubtedly mean many cities would have to get less than this.

However, if the Secretary could provide these funds on a discretionary basis, the pattern could be quite different from what is reflected here.

Mr. Dommel has worked on this. Perhaps he would want to add—and he might show how this approach works for Toledo.

Mr. ASHLEY. Well, that is always a source of interest to me. I have already found that in your appendix C. I just am surprised that you come up with a formula for distribution of these particular supplementary dollars, and I say that because the funding is limited. I don't find the criteria listed for eligibility for the supplemental grants.

Mr. DOMMEL. Let me speak to that, Mr. Chairman.

The criteria for eligibility are poverty, age of housing, and population change. Those are the three elements that are the eligibility formula.

Having determined eligibility, then all of those above the mean (196 cities) are eligible. Then the supplemental money is allocated under a different formula. So, there are two pieces. One is how you become eligible. Second is how much money you would get.

Mr. NATHAN. I would add, Mr. Chairman, that at the end of our study, in the very last sentence, what we said is that to us the two most important concepts are the dual formula and the idea of a supplement.

I, myself, would have to say that while the supplement could be distributed on a formula basis—or part of it—that it seems to me fully appropriate and reasonable to have the supplemental funds to a significant extent be discretionary as the Secretary has proposed.

But we would suggest that you consider some form of an eligibility or admissions test, such as Mr. Dommel has just indicated, to be sure that the cities with the deepest needs are the cities that are going to be candidates for those discretionary grants.

Mr. ASHLEY. Well, I am happy to hear you say that, because I think that a straight formula really flies in the face of the purpose of the

supplementary grant, and even with the cities that you include—that is excluding the other eligible entities—we find that they get certain number of dollars, and that may or may not be enough to address the kinds of needs and the scope of the activities that was suggested in the Secretary's testimony.

I mean, what she was really talking to was the need for supplementary funds, so that whether it be Flint, Mich., or Toledo, Ohio, or any place in between, a community would be able—having met the eligibility standards—to embark upon either a residential type of undertaking on a larger scale than is possible with community development funding alone, commercial or a combination of residential-commercial, or an industrial type of investment.

Now, the examples that she gave suggested quite strongly that what might well be involved here are undertakings of a rather major scope and rather expensive. And I hate to think that a community would be put in the position of being back under the old categorical program, where they got what they could get, or even under a formula block grant, where they got a sum certain and were obliged to shape their activities accordingly.

That seems to be not the kind of rationale or justification that was suggested in the Secretary's program. So, I am glad to hear you say that you aren't wedded to this and that you are thinking in terms of perhaps partially a formula basis for distribution and partially discretionary. That seems to me to just skew it a little more and to tell you the truth, that seems to me to be the worst of both worlds, not the best.

Let us have a comment on that.

Mr. DOMMEL. Mr. Chairman, you have correctly reflected our thinking on this. Our main emphasis would be on the determination of eligibility for the supplemental funding as opposed to the specific mechanism of allocation. The previous discussion in the markup session indicates the kind of problem you can get into if the eligibility becomes too loose.

The backup material that HUD prepared on the action grant program refers to cities. Some of the discussion in the markup of what a city is presents the kinds of problems you face, because a city is a difficult thing to define. You find, as Mr. Hanley said, many large urban townships. I think that in focusing on eligibility, whether it be through legislation or subsequent regulation, considerable attention ought to be paid to the precise eligibility test, so there is not a dissipation of the \$400 million in a kind of broadcast fashion.

Mr. ASHLEY. I quite agree. Let the Chair say that it is his intention to continue the hearings. We have witnesses coming on at 2 o'clock, and we will continue with these witnesses and the next panel, and those that may wish to check in for this quorum call can do so, and I would hope they would come back.

Mrs. SPELLMAN. If the chairman would yield, I do have to meet with my other chairman right here at the time of the quorum call, but I do intend to return. I did want to reserve some time to talk about just this subject that we're talking about when I do return.

Mr. ASHLEY. Indeed.

Mr. NATHAN. Mr. Chairman, if I could elaborate a little more on the last question, two things are on my mind.

One is that our research on cities has led us to the quite strong conclusion that some of the older cities are in particularly deep trouble, and we think that there needs to be some way to have this supplement focus on these older, declining cities, most of which remain in the Northeast and the Midwest.

Mr. ASHLEY. Well, then, let's not talk about the formula, because you can't have it both ways, I don't think, Mr. Nathan. I mean, really and truly, if we are going to target on the basis of meeting the most extreme needs, then we can't talk about distribution on a formula basis very well, because there won't be enough funds available to target effectively.

If we come up with another program that lacks impact sufficient to really address the problems, we opt in favor of giving a little bit to everybody instead of targeting and doing so effectively, then we have lost an opportunity that may not come back again very quickly.

Mr. NATHAN. Let me, if I may, try to convince you that the idea of an admissions test for the supplement may do what you want to do. What I worry about is that if everyone is eligible for the supplement, the pressure on the Department would be so great that there won't be a way of focusing these funds in whatever amounts are determined on the older, declining cities since these presumably are additional funds for that purpose.

If, for example—and I would offer this as an illustration—you said that 80 percent of the \$400 million was to be used for a fund for cities that meet a test of urban need and 20 percent for the other jurisdictions, that would enable the Secretary, it seems to me, to do what you want and reduce the pressures to do what I hear you saying you don't want.

I would like to add one other point. In my own personal view, what is also needed and has to be taken into account is an urban development bank of some sort as part of the way in which we meet the needs of these older cities which are losing population.

When you have a program that aids all cities, it seems to me appropriate and possible for the Nation to say, what we need to do now is to focus on the older, declining cities which is a condition that you can isolate. It is definable by various statistical indicators. You can avoid problems with this admissions-test idea for the Secretary in putting her in a position where she may not be able to do what you want.

And that is why we would be happy, frankly, to retreat all the way to saying we could see the new money as appropriately discretionary with some kind of admissions-test mechanism for say 80 percent of the money as a way to make sure that these older cities are the particular beneficiaries of this additional funding.

Mr. ASHLEY. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Now, at the outset, Mr. Nathan, let me say that I for one quite concur with what you have come up with. I am a little surprised by my chairman's arguments. I am amazed by the vehemence of them.

Mr. ASHLEY. Well, I am always that way when I am equivocating.

Mr. BROWN. I am likewise somewhat astonished that he is raising the question of urban counties after hearing Secretary Harris' testimony the other day. He did not raise it then, and to refresh his recol-

lection, I would refer to pages 17 to 19 of her testimony, where she starts out by saying, "The provisions of the proposed action grants would make it possible for the really distressed cities to alleviate \* \* \*" et cetera, et cetera. "Action grants will be restricted to cities", et cetera, et cetera. Next paragraph, "Eligible cities", et cetera, et cetera.

Then, look at the criteria that is established for the program she has proposed:

Action grants will be restricted to cities that have successfully provided housing for low- and moderate-income and have a proven record of opportunity. Additional criteria for eligibility measure the conditions of housing stock, tax base median income levels, jobs lost to the community, and unemployment exceeding the national average \* \* \* the housing assistance plan and overall economic development plan.

The Department will judge the proposed action plan, using the criteria such as performance in housing and community development programs, impact on special problems of low- and moderate-income persons and minorities, financial participation by public or private entities, and comparative levels of distress among applicants.

To compare what she has proposed with what you have said this morning is no comparison at all. You can't compare them. I think you are quite on target in suggesting there ought to be an eligibility test. Otherwise, what is to stop every city in this country from applying for an action grant under this criteria?

They would be very busy—especially when you get down to that part where it says, "and comparative levels of distress among applicants." You can't compare them until you have them all in front of you, can you?

Mr. NATHAN. Yes.

Mr. BROWN. I commend you for your suggestion. I think that maybe, as oftentimes happens, when you put these things in a political arena, that to make your point solid you engage in a little overkill. The eligibility formula, I am sure, would not have provoked the kind of discussion that the allocation formula does amongst the eligible cities, but I think you are quite right. We need a formula to determine what cities will be eligible, because otherwise you are going to be spending all of your time analyzing applications for special action grants and supplemental funds.

Another thing that bothers me somewhat, is that when we talk about housing, we go back to 1939. Is that a fair year to use for determining housing stock impact on the formula?

Mr. NATHAN. My colleague, Mr. Dommel, is an expert on that.

Mr. DOMMEL. Yes; the Census Bureau breaks out the age of housing—they have 1950—how much housing stock was built prior to 1950, and then the other period is pre-1939. When you're talking about 1939 you really are talking about 1929 because of the low housing construction level during the Depression. Therefore, you are really talking at this stage about housing that is nearly 50 years old.

We also want to emphasize that when we use age of housing, it is in effect a proxy for a city's age. What you are really trying to get at is age of infrastructure, such as water lines, sewer lines, sidewalks. We are not saying pre-1939 housing is all bad, all deteriorated, therefore it is a reasonable measure. We were looking at a census-based data element that would somehow get at measuring the age of a city; this seemed to be the best one.

Mr. BROWN. What I am trying to say is, is it fair to say that the age of the community can be reasonably judged by the age of the housing?

Mr. DOMMEL. There are other ways of measuring them. You could say, as some people do, that you can measure the age of the city by the year or decade the central city core first had 50,000 people. That is another way that people have measured it, in which case you get back into the 19th century for many cities.

Well, given the fact that what we're really after is the age of public facilities, pre-1939 housing comes closest to that kind of a measurement.

Mr. NATHAN. I think, too, Mr. Brown, a point that has to be added and is implied in what Mr. Dommel has said, is that when you want to apply a formula to 2,000 or 3,000 governments, you have to look for the best statistic that is available, and pre-1939 housing, which really does reflect pre-Depression housing, is the best age indicator that we could use after many tests and much analysis.

Our basic thinking, and we are very happy to see this reflected in the administration's dual formula proposal, which we like, is that the age dimension of urban need is one that does need to be incorporated into the program and wasn't properly reflected in the initial legislation. Fortunately, there now is an opportunity this year to amend and improve the law and we see, as we have said, many positive signs that the kinds of changes that seem to us good and sensible changes are being widely considered. So, it looks promising from our vantage point.

Mr. BROWN. I guess the thing that concerns me is, there are many neighborhoods where pre-1939 housing is still good and actually better than some 1939 and subsequent housing.

So I am just wondering, how good a test is it?

Let me ask, is there any correlation between housing age and cost of living?

Mr. NATHAN. I thought you were going to ask us an easier question, Congressman.

Mr. DOMMEL. I would say no to your question off hand, because cost of living tends to be lower in the South. It is regional. So there might be a correlation, but how strong it is, how they move together, we haven't looked at.

Mr. BROWN. I thought when I asked the question I got diametrically opposed answers.

Mr. NATHAN. Oh, no.

Mr. DOMMEL. There is one indication, if you use poverty instead of cost of living, there is not a good correlation between age of housing and poverty. We regard that as a strength, the fact that they are not correlated, because then in fact it does what we are seeking to do, and that is, measure two different things. That is, we are trying to measure poverty and we are trying to measure a physical dimension of need. The fact that poverty and age of housing do not correlate well is one of the reasons that we find those two elements compatible for assessing urban needs.

Mr. BROWN. Well, I suppose Williamsburg would fit very well into your housing test, and they would have a significant impact on the formula, so far as the allocation of funds is concerned.

Mr. NATHAN. I think the important point is that it is the best proxy indicator for not only housing age but the public facilities of a community. That dimension of urban need—old age and old facilities—is an element we found to be important in our analysis of the social and economic conditions of cities.

When we look at cities and look at urban needs using the hardship index we have been working with at Brookings, we find it is the older cities that have the deepest needs. That's clear on the hardship index as referred to in our report.

Old age does correlate with the hardship needs of cities. That is something we feel is quite evident; that is essentially what led us in our original dual formula back in the summer using pre-1939 housing as one of the formula factors.

Mr. BROWN. I don't want to misuse my time. I like the last sentence in the first paragraph on page 7 where you say: "In keeping with the decentralization purposes of the community development block grant program, this program can be said to be shifting from the national to the local level."

And to the extent that it is, I think that is what we intended.

Mr. NATHAN. Well, I can say it for myself, personally. I have seen heartening evidence that this is happening.

I would cite Phoenix and Atlanta as two of the most dramatic cases in our field research where this debate has been a very prominent debate between city council members, citizens, and the mayors—what should we do—and the community development program has had prominence, more so in some places than others, in looking at this basic problem of priorities.

Mr. BROWN. I just want to say, I think that is a good political development, too. I think it is about time we paid more attention to who we elect to city commissions and State legislatures and what have you. And, I see that happening at home, because I can now say, when you are talking about whether the community development funds should be used for this, that, or the other thing—have you talked with your city commissioners. And when they say, well, they don't listen. I say, well, change them.

So I think that is a good development.

I appreciate very much your report. As an overview of it I get the impression that you feel that not everything is all right, but certainly things are better.

Mr. NATHAN. The basic philosophy of our study is that we state what we found. If you ask us, well, what do you think of it, Mr. Nathan, what do you think of it. Ms. Liebschutz, each of us will be happy to say. I would say I think there are many encouraging signs that in terms of the kinds of decentralization objectives that you have mentioned, that this kind of debate is going on and it is healthy.

Now, there are some things about the program, the formula, particularly, and other facets of the program that I have concern with. But I would say that of all the block grants—and I am a block grant watcher—this is the best one.

Mr. BROWN. Thank you very much.

Mr. ASHLEY. Mr. Patterson.

Mr. PATTERSON. Thank you, Mr. Chairman.



Good morning. I want to say that I was impressed with your testimony and with the concept of a formula for determining eligibility. I may differ with my chairman to some extent.

With regard to the aspect of the eligibility of cities, I am not sure I understand exactly what you are suggesting. It sounds like you are saying either middle ground being discretionary or another formula.

Are you pushing the formula first as a backoff from that—the middle ground, or did I misread or misunderstand?

Mr. NATHAN. I guess my personal preference would be to say that some significant portion of these funds, like maybe two-thirds, should be on a full-formula basis, just as we proposed. This I would have to say, is predicated on the idea that I have, that eventually there will be some kind of an urban development bank that can undertake some of the projects that Secretary Harris suggests the supplement would enable us to do.

But as a fallback position—and you correctly identify how I think about it—as a fallback position I think that, some significant portion of the funds ought to be reserved only to cities that qualified by passing an admissions test as cities with significant conditions of urban need, the kinds of urban distress conditions that many of us have been concerned about and have studied for a long period of time. I feel most strongly because of what is happening up here, about the fallback position, because I guess I don't see much promise of a full formula for the supplement.

But I do think that you need some kind of an admissions test, or else the pressures to do things that don't focus on urban need are going to pull away from what I see as the main function of the supplemental or bonus funds.

Mr. DOMMEL. Just very briefly, Mr. Patterson, and that is, that between the eligibility test and the formula approach, we feel—or at least I feel, and I think this is where we are at—that we would like to reduce the discretion on the eligibility and allow the discretion on the allocation.

Mr. PATTERSON. I agree with that completely, and that was my understanding of what you said, and I appreciate that.

Now I want to address the formula, for whether it be in determining eligibility under the new action grant program or whether it be the formula under the basic community development program, I am not at all happy with the age-of-housing concept. And if you know where I come from, I guess you would understand why. There just isn't any pre-1939 housing.

But I am not just thinking of a particular congressional district. I think we have to rise above our own district problems and stress where the problems are. I have seen so many really poor housing developments, say, built from 1945 to 1955, that just are ready to fall down right now, and some pre-1939 housing that is of such great quality that it is a very desirable place to live even today. And yet the Secretary is stressing a 50-percent weight to that part of the formula.

So I am asking you, can Brookings come up with a better way?

I know it is easy to go by age of housing. It is simple. But isn't there some way we can deal with the quality of construction or character of the neighborhood or some other factor that we could come up with other than the simple which, I think, is very close to not being useful in the South and the West? It is fine for the Northeast.

Mr. DOMMEL. I think there is, but I hesitate to say this, that is you create another index. You could form a composite index about housing which incorporates pre-1939 housing, overcrowded housing, substandard housing, all census data-base elements. By putting those together, you can come up with another kind of figure which represents those three dimensions of housing instead of just age itself.

However, I would like to state again—and just emphasize—that the age of housing is not a measure of the quality of the housing; it is a proxy for age. Actually we are really trying to get more at the infrastructure problem than we are at the housing.

Mr. PATTERSON. Well, if that is the case, then why do we give so much weight to age of housing?

My understanding of what we should be doing is addressing the needs, particularly low-income housing and particularly substandard quality of life and living environment and related kinds of issues. And I just don't think that age of housing has anything, or very little, to do with these issues. You said yourself that poverty and age of housing have no correlation. Why don't we give 50 percent weight to poverty and come up with a quality measure for 25 percent instead of age of housing? This is what I would ask.

Mr. DOMMEL. Poverty is really a measure of some of those other things you're talking about. There is a high correlation between overcrowded housing and poverty. Therefore if you have in the existing formula a double-weighting of poverty, you are in fact measuring, also, overcrowded housing conditions, and also substandard housing conditions. This is what we regard as one of the problems with the present formula. By the use of overcrowded housing and the double-weighting of poverty, you are in fact almost triple-weighting poverty, because poverty correlates so closely with overcrowded housing.

What is not reflected in the formula—and this is what Secretary Harris in her formula and our proposal add, is the physical dimension. Everything else—the poverty factor, the overcrowded housing—are more a reflection of income factors. Given the emphasis of the law on urban blight, it seems to us that there is a need to have a strong data element oriented toward measuring physical needs. This is where pre-1939 housing fits in.

Mr. PATTERSON. I hear you, but I don't understand you. It seems to me that pre-1939 housing, if high-income people are living in that housing, they don't need any assistance from the Government.

Mr. DOMMEL. Well, I would not want to pretend—

Mr. PATTERSON. I mean, Georgetown is a perfect example. Do we need to go in there and urban renew it? I think people in a private capacity are coming in and reordering that into a delightful place to live in many respects, even though it might be substandard by the 1939 housing concept. But it makes no sense to me to amass Federal funds for that when you have clapboard housing somewhere else that is ready to fall that was built in 1947, let us say.

Mr. DOMMEL. Georgetown is not your run-of-the-mill urban rehabilitation area.

Mr. PATTERSON. No, but it would meet the pre-1939 test.

Mr. DOMMEL. Granted. But I would strongly suspect that where you find deteriorated, clapboard post-1939 housing, that you will find

it existing in the same urban area that you find old housing. In short, the quality of housing, whether it be by age or by degree of dilapidation, is measured reasonably well by the age factor. While I am not pretending we have measured this, I think you will find both together in substantial quantity in a city.

Mr. NATHAN. I would like to comment on that too. Reiterating a point made earlier, when we look at the urban hardship condition of America's cities, we find a high correlation between urban hardship and old age. All that we are seeking to do here is to add age as one of the factors. And I would point out about our dual formula, which we don't like as much as the administration's, that there are thousands of iterations of dual formulas. We like the idea of a dual formula. In ours pre-1939 housing is not weighted heavier; it is weighted at one-third. It is weighted, you might say, equally.

I would point out that all of these weights—a man once said, one is an arbitrary number—can be any way you want. And the key to me, as far as the research community is concerned, is that our response to you should be, there are many different ways to design these formulas. We have tested some, and we would be happy to advise you, as Mr. Dommel just did, about ways in which other factors might sensibly be used. Rather than conclude by saying we think our particular tested formula has the most advantages, while we think it works out well from the point of view of our values. I would rather turn it around and say, we know how to work with the formula factors, and if at any time you would like, or a member of your staff would like, us to advise you on how the different formula factors might be used, we would be happy to do that, in going beyond what is possible to do here.

Mr. PATTERSON. Let me just say one other thing. The population change is always referring to a decrease, isn't that correct?

Mr. NATHAN. No.

Mr. DOMMEL. No. As a matter of fact, this is one of the great leaps forward between the outgoing administration's dual formula, and the present administration. That is, the previous administration did deal only with population decline in their population factor. The Harris alternative deals with population change. It takes care of the slow growers as well as the decliners.

So it is not just decline that is being measured.

Mr. PATTERSON. That is correct. Secretary Harris's formula.

As I read this quickly, your median was a minus 2.5 percent population change. So I assumed your formula was all decrease. Is that right?

Mr. DOMMEL. No, that is not so. We deal with population change differently. We don't weight it at 20 percent as the administration proposal does. We simply use it as a denominator. And whatever it is, it is weighted accordingly. If you have high population decline, it modifies the other factors, the population and housing factor. We don't get the extremes that the administration formula has.

Mr. BROWN. Will the gentleman yield?

Mr. PATTERSON. Certainly.

Mr. BROWN. I guess I don't understand. Under your eligibility index you use percent of pre-1939 housing times percent of poverty, and the denominator of 100 plus population change.

Now, then, if you have a growing community, the denominator is going to be greater. If you have a declining community—if your population change is negative, you will have a smaller denominator. Then what is your quotient?

Mr. DOMMEL. What we are saying is, if you are growing and you have a higher denominator, what you are doing then is reducing the coefficient at the end, that you are reducing the coefficient against which you apply the money, so that a growing city, in fact—that is the difference between—

Mr. BROWN. So your higher quotient is good.

Mr. DOMMEL. Right, the higher quotient is good because it is a quotient against  $x$  number of dollars.

Mr. BROWN. All right. Thank you.

Mr. PATTERSON. Just one last question, if I may, Mr. Chairman.

Well, I will pass it this time.

Mr. ASHLEY. If you come up with it, we will come back to you.

Mr. Blanchard?

Mr. BLANCHARD. Yes. Thank you, Mr. Chairman.

Let's get away from the formula for a moment and talk about some of the purposes of the Housing and Community Development Act.

You indicated in one of the points you made, Mr. Nathan, on page 5 of your testimony, point No. 8, that the program did not significantly contribute to the legislative objective of encouraging spatial deconcentration of housing for lower-income persons.

I have read that a lot of other places, also. And I am trying to figure out what is an intelligent way to pursue that objective, which I recognize, as stated in the act, is one of its purposes.

What is an intelligent way to pursue that without simply creating islands of low-income housing in a suburb which may, if the experience that I have seen in Detroit is any indication, start the disposable community trend all over again.

Mr. NATHAN. There is no question but that is as basic a domestic issue as we have to deal with. There have been many attempts to put provisions in the law like the provision in this law. I would have to say to you in all honesty that a significant part of the answer to your question is the way in which we interpret and administer the law. The law has in it quite a strong statement and requirement in this connection. The provisions for a housing assistance plan are an instrument to bring about integration in the suburbs. But on the ground, a political problem dealing with this issue and the political tension that it raises are such that I would have to say that rather than look at the law and how you might change the law, it seems to me that your attention might be on oversight with the agency as to how the agency behaves in administering this law.

The formula factors are fun to work with because they are so clear. But these questions are so highly varied from place to place that a formula or a more rigid provision in some way, it seems to me, would not get at what you are talking about. It is very much a question of how do we behave as a government? Again I would urge looking at the way the agency administers these provisions.

Mr. BLANCHARD. My concern is not so much with deciding that it is a good thing to have integration, which isn't actually mentioned in the

act, or housing opportunities for low- and moderate-income people, or to have our cities and metropolitan areas spatially deconcentrated—that is all well and good—it is how we do it.

What is it from your experience you would suggest to HUD to be done? I'm not willing to leave it to HUD either, because you or myself can't think of ways to pursue this, only to have someone at HUD perhaps who has less experience or some court through a lawsuit deciding this matter.

I know it's a tough question. Let me give you an example. Expected to reside is a question which has come up among most of the housing administrators as to how to handle that in good faith, not only to get the money but to satisfy their own consciences as to complying with what are the intents of the law.

One of my communities decided, a community which borders Detroit, a community which is largely all white and middle- and lower-middle income, decided that the best thing to do, rather than concoct some prediction of further flight from the city, would be to ask those who worked in that city who did not live there if they would like to live there, given the opportunity, either with subsidies or some other mechanism.

HUD would not accept that as a measure, which then turned off a number of other communities in the immediate area, and then they all went through the motions of submitting a plan which, as you have pointed out, I think, pro forma was approved. I subsequently learned that HUD did not accept that index because they did not trust any community in the Detroit area to come up with their own data, which then cuts into a conflict with one of the other purposes of the act, which is to allow local participation and flexibility.

I don't mean to give a speech. I am trying to zero in on a very real problem I have. And I am not willing to abdicate those decisions to somebody whose name I don't know or to a court of law.

Mr. NATHAN. Well, I am sure Ms. Liebschutz would like to make a comment. I think she could help. And we would like to help you with what we have learned. But I would reiterate that administrative oversight, just what is the agency doing, and who makes these decisions is something I would want to look at to begin to answer your question.

Ms. LIEBSCHUTZ. As indicated in our study on page 5, the housing assistance plans were not regarded by our associates as well enforced in the first year; they apparently were not taken very seriously in terms of rejecting or accepting applications.

We are also finding as our reports for the second year's experience come in that the HAP's tended to be regarded much more seriously at the local level in the second year. There was considerable discussion of the "expected-to-reside" requirement, considerable discussion at the local level with HUD of what that meant.

There are three arenas where decisions are being considered with respect to spatial deconcentration. One is the local community. The other is the regional context, and here, even though we found in the first year, also indicated in our testimony, that the A-95 areawide clearinghouses were not very influential in terms of the application, that nonetheless is a leverage opportunity in terms of expanding opportunities for housing in the suburbs.

And then of course, there is the question of HUD's role, both with respect to accepting an application and in terms of its continual oversight. HUD does have funding in section 8—the section 8 program—which it can use as leverage to move housing opportunities in ways that will mitigate against the kinds of disposable cities that you are talking about.

Here again we have to look at the nature of a suburb, whether it is fully developed, whether existing housing under section 8 to supplement rentals could be utilized to offer housing opportunities, or whether you are talking about new construction and whether you are talking about new construction with a mix of low and moderate and other types.

In sum, there is no definitive answer, but it seems to me there are lots of areas where these considerations can be taken into account, and coupled with section 8 funding, which we understand from particularly our second-year monitoring reports is totally inadequate for what the HAP's are indicating, the problem can be attacked.

Mr. BLANCHARD. Thank you. Regarding the overall thrust of the act and the way the money in the first 2 years has been spent, I know in my area the majority of moneys are spent as your study showed, although they weren't included in the study for neighborhood revitalization housing rehabilitation capital improvements.

With \$4 billion per year, which is a lot of money, but given the crisis of the cities and neighborhood of a limited sum, I am wondering if we ought not ask HUD or recommend that they narrow the focus of the act somewhat to focus in on revitalizing and saving neighborhoods which are now, wherever they may be, in a marginal kind of situation, in terms of the quality of life in a neighborhood, the quality of the structure, and perhaps some meaningful integration, which can be stabilized so we don't always have cities in transition. Focus our money in these marginal areas right now that aren't totally down and out, but if trends continue, would be.

And then address the hardcore of urban problems which are overwhelming everywhere through the action grants, maybe even a bigger action grant program, plus some entitlements. I just think we spread out \$4 billion. I just see it trickling into pieces.

Ms. LIEBSCHUTZ. You make a very good point. But I would add that even concentrating the bloc grant in the marginal or transitional neighborhood may not result in salvation of that neighborhood. When we have talked about housing rehabilitation, at least the way we have discussed it in our report, we have talked about loans for bringing buildings, homes, up to code enforcement standards. There are many cities where in the marginal neighborhoods you have abandoned housing, where you need substantially more money than can be supplied out of the bloc grant. There is a question even as to whether with a bloc grant you can save the marginal neighborhoods.

Mr. ASHLEY. The Chair is going to have to advise that it going to be necessary to move on. We have another panel, and we have additional witnesses at 2 o'clock. I am sure the gentleman from Michigan understands.

Mr. BLANCHARD. Absolutely.

Mr. ASHLEY. Let the Chair say that the panel has provided great assistance and great stimulation to the deliberations of the subcom-

mittee. I think it is entirely likely that we will want to invite you back, because Mr. Patterson asked a number of questions that reflected an interest which I share, and possible alternatives; at least we would like to look at some of the data that you have considered in coming up with both a formula change as far as community development is concerned, and the eligibility threshold as far as the discretionary grants are concerned.

So on that basis, I do want to thank you every so much and assure you that we can very happily and productively spend another hour with you, but we have additional witnesses before our 2 o'clock panel shows up. So we are just in that kind of a time constraint.

Mrs. SPELLMAN. Mr. Chairman, before you close, may I make a point that I would like very much to explore; one on urban counties, and the direction you feel they might be going. And, second, to call to the attention of the panel that the State of Maryland is unique.

Some years ago I served on the Advisory Commission on Intergovernmental Relations when we studied the various States. We felt that far more of the States ought to be moving in the direction that Maryland finds itself in, where they have large units of government, instead of the proliferation of the tidy little units of government that you find in so many other places. Time and time again I find that the State of Maryland is penalized by terminology.

We talk about cities and counties, which normally would be classed as cities, are penalized. They are not put into that list when the criteria are being discussed. So I did want to call that to your attention. And I hope we will be able to get into that kind of a discussion when you do come back.

Mr. NATHAN. We would certainly like to do that.

Mr. ASHLEY. Again, many thanks to you for your testimony this morning.

We will now call on our final panel of this morning. From the Lyndon B. Johnson School of Public Affairs at the University of Texas, Mr. Victor Bach. From the Harvard-MIT Joint Center for Urban Studies, Bernard Frieden, and Marshall Kaplan.

Gentlemen, I don't have to explain to you that we have had some legislative hangups which are not infrequent. I do apologize on behalf of the subcommittee for being somewhat behind our schedule. We are delighted to have you here this morning; and I know I speak for the other members of the subcommittee when I say we can look forward particularly to having your testimony.

How do you choose to proceed?

**STATEMENT OF VICTOR BACH, ASSISTANT PROFESSOR, LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS, UNIVERSITY OF TEXAS AT AUSTIN, TEX.**

Mr. BACH. I am Victor Bach. I teach at the Lyndon B. Johnson School of Public Affairs in Austin, Tex., where we have been conducting a comparative study of the community development bloc grant program since 1975 in the center cities of six major metropolitan areas.

I will compress my comments because of the press of time and submit a longer written statement for the record.

Mr. ASHLEY. Yes, that will appear in the record without objection.

Mr. BACH. My comments, because of the focus of our study, will probably be most relevant to the central city context rather than to other kinds of participating jurisdictions. The statement includes a brief discussion of the merits of the community development bloc grant program that argue for its further extension.

What I would like to start with is a capsule description of the changing character of the bloc grant program from the earlier categorical programs. Basically we have done more, I believe, than just change the Federal-local arrangements and responsibilities for community development efforts. What seems to be emerging is a program of an entirely different character, that can be described briefly in terms of three major effects.

First, the hardware effect, the emphasis on capital improvements and housing rehabilitation, which has already been commented on by the previous panel. Second, a dispersion effect, a tendency to invest in many, many areas, and neighborhoods of the city, rather than concentrate investment in a few target areas as occurred under the earlier programs.

And third, a triage effect. That is, a tendency for local priorities to focus on the more salvagable moderate-income areas rather than the more impoverished sectors of the city.

The basic and fundamental question, I think, is not whether the bloc grant is doing different things from the earlier categorical programs. Considering some of the inadequacies in past programs, that may be in its favor. The fundamental question to be asked, I think, is whether critical purposes are being served by the bloc grant program.

In the preamble to title I of the 1974 act, Congress articulated its recognition that "The Nation's cities \* \* \* face critical social, economic, and environmental problems." In the sense that the concept of critical urban problems frames the intent of the legislation, it is appropriate to ask whether the emerging pattern of local community development efforts represent a set of coherent local strategies addressed to such critical problems.

The recent urban literature is replete with death images of the cities; and we are presently at a time when we should judge our policies by some standard of criticality, rather than by mere standards of compliance with the legislation. Even programs which are doing some good and little harm may represent a serious diversion of scarce Federal resources that might be used more strategically to deal with more pressing problems.

The prepared statement discusses our observation that the bloc grant program is not addressing the low-income sector problems of the cities. Yet there is general agreement that the most critical urban problems to be faced are those resulting from the high concentration of poor and disadvantaged within the central cities.

We also question whether the bloc grant is indeed going to conserve neighborhoods, considering the rather dilute and dispersed pattern of investment currently taking place under the program.

Fourth, we question whether there is any significant degree of local innovation occurring presently as a direct result of the program, and



whether it is being encouraged under present administrative practices.

I would conclude with a set of recommendations that I would like to bring to your attention, that might improve the productivity of the bloc grant program in addressing some of the more pressing problems of the city while retaining some of its present assets.

First, we think that there is a need to focus program efforts on the low-income sector problems of the cities, rather than permit the more flexible targeting of benefits under the maximum feasible priority provision at low- and moderate-income residents. We believe the provision is somewhat too inclusive and discourages local concentration of investment where it is most badly needed.

As a result, we would recommend that the extension of the program go along with tighter income-related legislative restrictions, as a way of helping city officials to deal with local pressures to spread the funds more thinly across a wider constituency, pressures which prevent a more strategic concentration of resources on the most pressing needs.

Legislative revisions might specify a more restrictive income threshold, such as percentage somewhere over 100 percent of the poverty level adjusted by area cost-of-living indices. Alternatively, the legislation could prescribe that some portion or percentage of the block grant be clearly allocated toward low-income sector needs.

Second, we would recommend greater legislative clarity on the flexible use of the block grant for nonhardware programs related to economic development and human services types of activities. I believe that is a serious stumbling block in allowing cities to undertake more innovative strategies which require both soft and hard kinds of program activities.

If there were no restrictions on the block grant at all, concerning nonhardware efforts, it is not likely that program outcomes would be severely distorted as a reflection of Congress intent. If one looks at the priorities expressed by local communities, they generally cut across both hard and soft activities. Often, the needs for physical neighborhood improvements are the most keenly felt. To the extent that local officials or mavors are responsive to community priorities, the result would be, I think, a fairly balanced undertaking of a variety of program activities within the block grant.

Short of such a laissez-faire attitude toward nonhardware program activities, there would be much benefit to be derived from the legislative setting of a clear upper limit on nonhardware activities as a percentage of the block grant, an upper limit within which the cities could flexibly set priorities, unfettered by administrative confusion or questioning, or by the fear of post-audit vulnerability.

Software programs would have to be justified in terms of their congruence with local development objectives, but restrictions concerning or implying a necessary relation to physical development activities should be stricken.

We would also recommend the consideration of alternative Federal initiatives and incentives beyond the block grant that will more effectively support and encourage local innovation in dealing with critical problems.

I believe that HUD Secretary Harris has taken a step in the right direction in proposing the urban development action grants. I would

take some issue with the earlier panel on the question of an admissions test, or an eligibility formula on the following grounds. We tend to overlook that some of our more prospering cities, such as those stereotypically in the Sun Belt, which is where I happen to be coming from, are large cities and the magnitude of their problems tends to get lost in the consideration of percentages.

In Houston, a 5-percent unemployment rate is an indication, given its population size, of a rather large pocket of unemployed people, whose needs have to be addressed. The relative growth of the so-called Sun Belt, in terms of population and industry, is, I believe, largely white collar, middle and upper class growth. It has not done much to change the problems of structural unemployment in the Sun Belt that have preexisted, and the low wage levels that prevail at the bottom of the labor market, which contrast unfavorably with higher wage levels in the North.

As a result there is a need for those cities to address their sizeable pockets of poverty, unemployment, and subemployment, and to undertake innovative developmental strategies that get at the economic issues that affect the ghettos and slums of those areas.

I would hope that we not get lost in indicators or percentages that overlook the scale of the problem in southern cities, regardless of the fact that the percentages are not as high. Indeed, the size of the unemployed and subemployed population in Houston is probably several times the size of those sectors in the smaller cities of the Northeast, which are by most indicators more economically depressed. In any case, I would certainly urge that the urban development action grants be rapidly implemented. I think it will help create the Federal-local dialog on fundamental urban issues that so long has been missing.

[The prepared statement of Mr. Bach, along with an attachment, "The Community Development Block Grant Program: Local Experience in Six Major Center Cities," follows:]

PREPARED STATEMENT:

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for presentation to:

Legislative Hearings  
Subcommittee on Housing and Community Development  
Committee on Banking, Finance and Urban Affairs  
U.S. House of Representatives  
Washington, D.C.

March 1st, 1977

I am pleased to appear before the Subcommittee to present some of the observations we have made of the new generation of housing and community development programs in a study we have been conducting at the LBJ School of Public Affairs since 1975. Our work comprises a comparative field study of the local dynamics of the block grant program and its resulting outcomes within the center cities of six major metropolitan areas: Baltimore, Birmingham, Hartford, Houston, Kansas City, and San Francisco. In that sense, these comments may be more relevant to the central city context than they are to other kinds of jurisdictions participating in the program.

#### Revision of the Allocation Formula

To begin with, I would like to lend support to changes in the allocation formula which I understand are now under consideration by the Committee. It is well recognized that the present formula largely follows the population size of a jurisdiction rather than the extent of income poverty or of community development burdens faced by the jurisdiction. The imminent phase-out of the hold-harmless provision would, in the absence of an appropriate formula revision, provide fewer federal resources to many jurisdictions with declining fiscal capacity and increasing development needs, particularly in the central cities of the Northeast and Midwest.

#### What the CD Block Grant Program Has Accomplished

In subsequently pointing to some of the policy concerns that are raised by the emerging pattern of local community development efforts, I do not want to overlook the accomplishments of the program thus far that argue for its extension. The advantages of the block grant format are well recognized in the cities---its adaptability to differing local conditions, the greater autonomy for local priority-setting, less federal red tape, and a degree of certainty of funding over successive years. In the cities we have observed, by and large the benefits of the program are being directed within areas of low- and moderate-income residents in compliance with the "maximum feasible priority" provision of the legislation, with only rare exceptions. Most importantly, the CDBG program is channeling federal resources into capital investment---for housing rehabilitation, streets and lights, public facilities, sewage and drainage, and so on---in many subareas and neighborhoods that have long been sorely neglected by the cities, as they preferred to make their investments in more tax-profitable growth areas. These efforts are generally responsive to strongly felt needs in the communities involved.

Moreover, making city hall the locus of decision-making under the program has yielded some benefits in terms of local process. In a number of our cities, it has accorded greater influence to neighborhood-based organizations in setting program priorities within their communities, bounded only by external program constraints, leading to a form of decentralized priority setting at the community level.

In our view, the slow rate of expenditures under the program seems to be a transitional problem. In most cities, the CDBG program was located in a new division of the Mayor's office rather than in an established agency or authority. The newness of the office, and the problem of securing effective coordination of effort with established city agencies, which tend to follow their own agenda priorities, created temporary delays in the orchestration of program implementation. Then there are the normal delays associated with physical development---engineering reviews, developing specifications, environmental reviews, going through normal bidding procedures, and the like. In half of our cities, the implementation of rehabilitation loan and grant programs by city government raised legal questions that delayed their start. But the cities have addressed these problems and have been improving their implementation capabilities.

In short, if the CDBG program is to be questioned in policy terms, it is not on the grounds of what it has done---it is likely to accomplish worthwhile ends---but on the grounds of what it has not done or can not do.

#### The Changing Character of Community Development Under Block Grants

The pattern of community development activity at the local level that seems to be evolving under the program is one which differs sharply from the earlier categorical programs. The new pattern can be characterized in terms of three major outcomes or effects:

1. The hardware effect: Despite the broad functional objectives subsumed in the 1974 Act, and the comprehensiveness usually associated with the concept of community development, local community development activity is nearly exclusively "hardware-oriented", consisting largely of short-term physical infrastructural improvements, housing rehabilitation, and public facility development.

2. The dispersion effect: The flexibility of the block grant program has resulted in a highly dispersed pattern of local development activity, diluted across many subareas and neighborhoods of the city, unlike the concentrated investments in a few target areas that characterized the earlier categorical programs.
3. The triage effect: Local priorities being articulated under the block grant represent a pattern of disinvestment of federal resources from some of the most impoverished, low-income areas of the city toward a favoring of investment in the less seriously declining moderate-income areas. This represents a complete reversal of the Model Cities concept which attempted to concentrate resources where they were most needed.

Given the many inadequacies in the older categorical programs, the fact that the outcomes of the block grant program deviate sharply from the past may be substantially in its favor. But it needs to be recognized that in moving to block grants, we have done more than just change federal-local arrangements and responsibilities for local community development efforts. In terms of current program outcomes, we have created a program of an entirely different character which we need to judge freshly on the basis of what it can produce. In this short statement, I will not go into the local dynamics that account for this characteristically new pattern of community development activity that emerges from the program. A discussion of them is included in a supplementary report for the record.

#### Are Critical Purposes Being Served?

In its preamble to the CDBG program, the 1974 Act articulated Congress' recognition that "the Nation's cities...face critical social, economic, and environmental problems." In the sense that the concept of "critical urban problems" frames the intent of the legislation, it is appropriate to ask whether the emerging pattern of local community development efforts represents a set of coherent local strategies addressed to such critical problems. The recent urban literature is replete with death images of the city, and we are presently at a time when we should judge our policies by some standard of criticality, rather than by standards of mere compliance with legislation. Even programs which are doing some good and little harm may represent a serious diversion of scarce federal resources that might be used more strategically to deal with critical urban problems. In brief, we need to ask what critical

functions are being served by the block grant program?

How well does it address low-income sector problems of the city?

It is well recognized that the most telling problems faced by our central cities---unemployment, general physical impoverishment, crime, fiscal pressures---are associated with the increasing socio-economic polarization of our metropolitan areas, which has served to bring about major concentrations of the poor and disadvantaged within the confines of the central city, often as a result of urbanizing trends among the rural poor. Increasing suburbanization and regional shifts in industry and population have exacerbated the disparity between the capacity of the city to provide opportunities for upward mobility and the numbers of lower-income persons who remain at the margins of urban society.

Do our present community development efforts address low-income sector problems at the local level? The pattern of triage which community development activities presently manifest is one in which local physical development priorities are, by and large, ignoring the worst slums of the city while federal resources are being used to bolster capital investment in the more conserveable moderate-income areas. This trend is an inherent consequence of the local political dynamics of the block grant mechanism, in which the responsiveness of city hall to diverse constituencies and neighborhoods particularly the most vocal or influential ones, results in a dispersed and diluted pattern of investment. These forces prevent the concentration of resources that would be required for large-scale reconstruction or resettlement strategies that would address the residential deprivations of the urban poor.

It has been argued, and I would agree, that under scarce resources a major investment in physical capital in the worst-off slum areas is inappropriate, wasteful, and often counterproductive; and that economic development and service delivery strategies are more responsive to needs. Although such "software" objectives are explicitly incorporated into the objectives of the 1974 Act, and understood as a natural part of community development, the pervasive hardware orientation of the block grant program is a telling indication that the program is not converging on critical low-income sector problems.

In large part, this is the result of the anti-software posture taken by many HUD area offices, which has thwarted those cities attempting to develop economic and social development strategies under the block grant. An ambivalent legislative mandate and unclear administrative guidelines from HUD

central offices have worked to reinforce the prerogative of the area offices to follow their own hardware preferences, and have induced a cautionary attitude on the part of cities or rationalized local preferences for hardware activities. Human services programs provided under the block grant have been largely a continuation of Model Cities efforts, and, as such, are threatened with extinction, particularly in fiscally hard-pressed cities that cannot support them with local revenue or in prospering cities that will not sustain them without federal support. If such is the case, then the term "community development" applied to the block grant may be somewhat of a misnomer.

#### Is CDBG Going to Conserve Neighborhoods?

1. If CDBG were likely to conserve some of our urban neighborhoods in simply physical terms, it could be considered to be serving a critical function. However, the pattern of spot neighborhood improvements and housing rehabilitation, spread across a relatively large number of subareas, was the most evident trend in the first and second year programs. Although CD funds have proved to be effective bait in stepping up lagging capital improvement priorities in the targeted neighborhoods, in that sense they have simply substituted for normal city functions, such as the repair of streets, installation of sewage and drainage lines, and so on, without any particular additive effects of concentrated investment. HUD has taken steps to press local priorities toward greater concentration of effort in fewer neighborhoods, but such concentration is politically difficult to manage, and, so far, we see little evidence of the kind of long-term planning and areal concentration of resources that would lead to more comprehensive conservation strategies beyond the present short-term spot renovation activities.

More fundamentally, it is unclear that cities can ignore their worst slums while thinking they can conserve their moderate income areas, in accordance with the triage model. The problems of urban slums are not isolated, but epidemic in nature, and diffuse to other areas of the city. As slums are increasingly abandoned by disinvesting property owners and by the poor themselves, the very areas we would like to think have been conserved through the CD program are likely to be affected.

#### Is CDBG Fostering Local Innovation in Dealing With Critical Urban Problems?

It was hoped that the flexibility of the block grant would promote a degree of local innovation that constituted a significant response to particu-



lar local conditions, which could not have been formulated under universal federal categorical prescriptions. Except for the kinds of ingenuity involved in leveraging housing rehabilitation loans, there seems to be only rare evidence of strategic or innovative planning that is expanding our vocabulary of useful local interventions. Apart from rehabilitation, most program efforts constitute piecemeal public works types of activities that do not add up to a coherent, long-range development strategy for the city.

Nor is the lack of innovation thus far symptomatic of a lack of will or capability on the part of the cities. In part it resides in the political locus of the program in city hall, which produces a pattern of diluted investment toward visible but minimal needs of many subareas as a natural outcome of a healthy local pluralist process. In part it resides in aspects of the federal administration of the program. Innovative strategies usually call for a wide spectrum of program activities, both hard and soft, that complement one another--- as in attempts to expand industrial facilities and provide employment-related services that would increase low-skilled employment, or in attempts to provide greater access from the central city to employment and housing opportunities in outlying areas. The presence of unfamiliar or questionable activities in the application leads to questioning or flat rejection by HUD, and the cities recognize they undertake such programs at the risk of a post-audit exception for which they would have to pay out of their own revenue pockets. Some administrative decisions have been too parochial to allow for promising local approaches. I understand that in Oakland, the city's attempt to expand and improve its port facilities under block grant funding---the port being a major employer of low-skilled workers---was rejected on the grounds that the port was not located in any of the targeted low- and moderate-income neighborhoods. There is a need to go beyond thinking exclusively in terms of neighborhood units of physical improvement toward the kind of advanced sectoral thinking appropriate to many cities at present. In any case, the forces operating in the program encourage caution and frustrate innovation while they foster the proliferation of less significant and more conventional program activities.

#### Recommendations

We would submit the following recommendations for the Committee's consideration in extending the CDBG program, that might improve the program's productivity while preserving its present values:

1. Focusing program benefits on the lower-income sectors of the city.

The current designation of low- and moderate-income is too inclusive to assure

the channeling of block grant funds where they are most needed. We have reason to believe that some Mayors would welcome tighter income-related restrictions as a way of dealing with local pressures to spread the funds more thinly across a wider constituency. Legislative revisions might specify a more restrictive income threshold, such as a percentage---somewhere over 100 percent---of the poverty level adjusted by area cost of living indices. Alternatively, the legislation could prescribe that some percentage of the block grant be allocated toward clear low-income sector needs.

2) Legislative clarity on the flexible use of the block grant for economic development and human services activities. It is unclear whether the purposes of the CDBG program would be significantly distorted if cities were allowed to decide for themselves on the distribution of funds across hard and soft activities, provided the programs proposed were justifiable in terms of demonstrable development objectives. In our observations, priorities expressed at the community level cut across both neighborhood physical improvements and improved services. To the extent that cities are responsive to the demands of the communities in the formulation of their applications, such responsiveness might ultimately lead to a balance between the two kinds of activities, without erring too much in either direction.

Short of a laissez-faire attitude toward non-hardware program activities, there would be much benefit derived from the legislative setting of a clear upper limit for such activities---as a percentage of the block grant---within which the cities could flexibly set priorities, unfettered by administrative confusion or questioning and the fear of a subsequent post-audit. Software programs would have to be justified in terms of their congruence with development objectives, but restrictions concerning a necessary relation to physical development activities should be stricken.

We would also recommend that alternative federal initiatives and incentives be considered that go well beyond the CD block grant to support and encourage local innovation in dealing with critical urban problems. Since such innovation is a matter of local will, vision, and capability rather than a matter of entitlement, we would recommend the creation of a parallel federal fund for urban innovation that would make awards to localities selectively, possibly coupled with a portion of the block grant. I understand that HUD Secretary Harris has already taken steps in that direction which deserve support. These initiatives should help create the federal-local dialogue on fundamental urban issues that has so long been missing.

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM:  
LOCAL EXPERIENCE IN SIX MAJOR CENTER CITIES

Written testimony for submission to:

Legislative Hearings,  
Subcommittee on Housing and Community Development  
Committee on Banking, Finance and Urban Affairs  
U.S. House of Representatives  
Washington, D.C.

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Submitted by:

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LBJ School of Public Affairs  
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The Community Development Block Grant Program of 1974 represents a major shift in the locus of planning, decision-making, and implementation processes to meet local housing and development needs with federal assistance. Although it is still too early to determine the long-range impact of the changing federal role in urban housing and community development programs, the study which is being conducted at the LBJ School of Public Affairs has as its objective an "in-process" field reconnaissance and assessment of the dynamics of local program performance and their influence on current program outcomes, specifically within the context of the center cities of major metropolitan areas. The study effort, conducted by three faculty and 15 graduate students, is intended to shed light on the changing character of local housing and community development efforts, as well as to identify issues and problem areas that currently need attention and to recommend policy adjustments and changes---both administrative and legislative---that might contribute to improved program expectations.

Since such an approach required concentrated field efforts and detailed case studies within limited resources, the scope of the study was confined to six diverse center city contexts: Baltimore, Md.; Birmingham Ala.; Hartford, Conn.; Houston, Tex.; Kansas City, Mo.; and San Francisco, Calif. The choice of center city jurisdictions reflected the fact that they continue to occupy a central role in metropolitan functioning and that recent economic and demographic trends have tended to place higher housing and community development burdens on them than on their sibling suburban jurisdictions, while declining revenues and inflating costs constrain their ability to be responsive to these needs. As a result, it was perceived that center cities occupy a priority concern in federal efforts and that it was in the center city context that the CD block grant program faced its most crucial tests. Our observations, which covered the local experience of the program from its initiation to the submission of the second-year application, are therefore confined to a center city context characterized by large concentrations of lower-income and minority populations, the presence of established and often cohesive neighborhood communities, high physical development burdens represented by numerous older subareas in a state of relative disrepair, and sharp contrasts running from the most impoverished slum neighborhoods to those occupied exclusively by higher-income urban residents. Moreover, nearly all the cities we studied had been strong participants in the previous categorical programs subsumed by CDBG.

#### General Value of the Block Grant Approach

To begin with, the general values of the block grant approach to urban aid need to be acknowledged. Special-purpose urban block grants---like CDBG and CETA---have particular advantages as forms of federal assistance to cities: They focus federal aid and local effort on particular functional concerns. They permit local flexibility in setting program priorities and in program innova-

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\*other study participants included faculty: James E. Hartling and Barry R. Lovelace, and graduate students: Dan Carter, Lynn Cooksey, Cleteal Davis, Larry Eisenberg, Rodney Ellis, Robert Farley, Dan Friedhoff, Mark Hendrickson, Ken Leonczyk, David Perry, Brian Petraitis, Gary Rose, John Schillingburg, Gwen Winnig, and Frances Zorn.

tion, that is, they are more adaptive to differing local contexts, conditions, and needs than are more rigid categorical programs. They minimize federal red tape and delays. Funding uncertainties are eliminated through predictable allocations, in that cities know how much money they will have to work with. These advantages were generally recognized in the cities we studied.

#### CDBG Funding and Formula Allocations

In general, CDBG funding at the local level is not adequate to a city-wide program attempting to meet the needs of numbers of competing low- and moderate-income areas, many of which have been long ignored through a pattern of local investment in newer, more tax profitable, growth areas. Funding inadequacies are especially the case in fiscally hard-pressed cities and in cities which have large numbers of low- and moderate income households. Since the CD block grant is small in comparison to local revenues and capital improvement budgets, the success of the program will depend on how CD planning comes to be strategically tied to the local budget process and to local capital improvement programming. This kind of coordinated planning has not been achieved in most of the cities studied.

It is well known that the present CDBG formula allocation is badly in need of revision. Once the hold-harmless provision phases out, if it is permitted to, there are many high-need center cities which will undergo drastic cuts in funding according to the formula. In its present structure, the formula tends to follow the city population factor in its distributive effects, while the overcrowding and poverty factors make for only small differences in what one jurisdiction receives over another. The poverty factor itself tends to reward those jurisdictions with low public assistance levels. Overcrowding is a poor indicator of substandard housing or of poor physical condition of the city. As a result, the present formula bears little relation to the size of the low-and moderate-income population of a city, to the physical condition of the city, to local effort or to local fiscal capacity. By treating all jurisdictions alike, whether they are suburban or central jurisdictions, the formula also ignores the high physical and infrastructural burdens on center cities serving large numbers of suburban commuters and fails to accord any priority to this central role in metropolitan functioning. In short, the formula needs serious reconsideration in terms of its distributive effects; in the absence of any rapid changes in the formula over the near future, we would recommend that hold-harmless levels be retained.

#### The Changing Character of Community Development

What emerges at the early stages of the program is a natural layering of the old and new programs as community

development undergoes a transition from the previous categorical program structures to the newer, more flexible strategies permitted under the block grant program. On the one hand, a portion of the block grant funds are being used to phase out the categorical programs in an orderly fashion. On the other hand, a substantial majority (63%) of jurisdictions with categorical commitments report a shift in their funding priorities away from the categorical programs. In short, the program is experiencing considerable shifts in funding allocations which augur a possible change in the character of local community development activity. To make that determination, it is probably best to set aside ongoing categorical commitments and examine where and how the more flexible funds are being allocated.

In the larger center cities which were strong participants in the categorical programs, the changes are probably sharpest. Both urban renewal and Model Cities constituted the lion's share of funding in the pre-block grant period. Although the two categorical programs are very different, they had in common a unitary conception of community development, in that they focused on specified subareas or neighborhoods as units of planning and programming. And they shared a comprehensiveness of vision, however misguided it was at times, as to what the future of these neighborhoods should be. As such, they represented a concentration of federal funds toward long-term neighborhood development in selected subareas. Under Model Cities, they served some of the most severely declining and poverty-stricken areas of the city.

The emerging character of local community development under the block grant is substantially different. The flexibility of the block grant program has resulted in a highly dispersed pattern of community development activity--a dilution of funding across a somewhat broader or near city-wide area of concern, consisting largely of short-term, rapidly visible "spot" improvements and private housing rehabilitation through loan and grant programs. Priorities are being accorded to the more transitional, modest-income areas, where the degree of deterioration calls for relatively marginal public improvements, rather than to the severely deteriorating neighborhoods. In any given neighborhood, the scope of activity is likely to be characteristically incremental rather than the result of a staged plan for neighborhood improvement over the longer range. Perhaps the best image that captures this pattern is Anthony Downs' conception of "triage" as applied to community development: the practice of ignoring those areas doing well on their own as well as those requiring major surgical intervention, while bandaging the intermediate group as rapidly as possible.

This pattern of dispersed, incremental, selective neighborhood conservation seems to be the overriding characteristic of the new federalist version of community development. In part, it is the result of the prevailing climate of cynicism

in federal-local relations. In a period of fluctuating federal commitments and lasting program moratoriums, cities are loathe to commit themselves to longer-range, more comprehensive efforts under federal encouragement for fear that the block grant program may ultimately be abandoned. The recent debate over the continuation of general revenue-sharing underlines the reality of local concerns about the durability of federal commitments.

In large part, the pattern can be seen as the inevitable outcome of local forces and local process under the block grant program. Under the categorical programs, hard choices had to be made in selecting those few subareas that would receive concentrated effort; locally-elected and appointed officials could rationalize those choices on the basis of federal constraints over which they had little control. The latitudes for local decision-making under the block grant program offer no such rationalization, and there is little incentive and much political risk for local officials who would decide to concentrate funds in a few areas rather than dilute efforts in order to spread program benefits to a wider number of needy areas representing a broader city-wide constituency. That local chief executives tend to prefer to keep the community development program within their own offices, rather than delegate responsibilities to city departments or local redevelopment authorities, is a reflection not only of the responsibilities they bear under the CD block grant program but also of the necessity to maintain close control over a politically sensitive program in which they feel particularly vulnerable.

The most politically vulnerable mayors have probably overseen the program with the greatest care, both with regard to the areal distribution of program benefits and with regard to key political parameters of the local planning process. In one city that I have closely observed, the mayor consciously chose to appoint representatives to a citizen participatory task force from among city-wide public interest groups--e.g. the League of Women Voters, councils of churches, the Urban League--rather than risk taking on the "turf" conflicts he felt would result from area representation. Moreover, the boundaries distinguishing one CD area from another and the staging of the first-year target areas received the close scrutiny of the mayor. Once the first-year application was submitted, a permanent citizen participation body was elected by area representation, and the program has since changed dramatically from a predominant area-wide macrostrategy of housing rehabilitation loans and grants to a more neighborhood-oriented program of incremental public improvements, which are listed in the second-year application neighborhood by neighborhood. In addition, a set of funding quotas were developed which determine how much of the block grant will be expended on neighborhood-proposed efforts as opposed to city-wide program efforts.

Neighborhood associations and neighborhood-based organiza-

tions have emerged with some force on the community development scene. Among them are ethnic neighborhoods--some of them highly-organized, "backlash", working-class communities--previously excluded from federal funds under the categorical programs and often neglected by local public improvement priorities, who are fierce in their determination to get their share of the community development pie, and understandably so. The power of the neighborhood associations, particularly those with strong grass-roots support, is in the number of votes they potentially represent. In that sense, they are likely to be strong influences on the program whether or not they are involved in the formal participatory mechanisms.

In this kind of political environment, the dilemma of the mayor is one of achieving consensus and avoiding conflict in the distribution by area of CD funds, while at the same time making it clear that the funds are insufficient to satisfy the needs and demands of each area. The form of political equilibrium that will likely result will involve an agreement on the distribution of CD funds by neighborhood, without regard to specific, substantive program objectives, and a process that will allow communities some degree of autonomy in deciding toward what efforts the funds will be used. Although this process is likely to crystallize most rapidly in those cities with a high degree of neighborhood political organization, what is likely to emerge is some form of decentralized decision-making offering a degree of community control over priority-setting for a limited portion of the block grant funds, while a certain amount of the funds are set aside for city-wide efforts at the discretion of city hall.

Many urbanists, myself included, will view the local decentralization effects of the block grant program, in themselves, as a promising development in local process which is likely to have spill-over effects beyond community development to other functional areas of city decision-making. But the gains in process will be accompanied by a substantially changed pattern of community development activity, one that is more likely to meet the conservation needs of marginally deteriorating areas than the needs of the lowest-income communities of the city.

With respect to the funding of human services programs, CDBG seems to be having a negative impact. Neighborhood meetings and other participatory activities related to CDBG have uncovered a strong demand for human services---day care centers, health clinics, multi-service centers---particularly in areas outside of the Model Cities neighborhoods, areas where services have been sparse. As a result, most cities are interested in according a high priority to human services under the CD block grant. That interest has been frustrated by uncertainties in the legislation and the regulations concerning the eligibility



of service programs, and by active discouragement on the part of many HUD Area Offices. Some HUD offices have objected to any human services funding under CDBG; others have imposed a 20 percent limitation in accordance with the original Senate conference report. In cities with ongoing Model Cities programs, the 20 percent limit has had the effect of forcing cutbacks in existing Model Cities service programs; others have phased out Model Cities and attempted to fold the service programs into city agencies responsible for human resource programs. Although this has encouraged a number of efficiencies in Model Cities programs, even the continuity and viability of some Model Cities programs is in question. And there are little if any CD funds remaining for services in other target areas of the city. One positive outcome in this regard is that many cities seem to be consolidating their human services management functions in a way that facilitates improved program evaluation and service coordination. Despite these efforts, funding of services remains a problem in a number of cities.

#### Structure of the Local CD Process

Management of the CD decision-making process has been clearly centralized under the local chief executive, usually the mayor or a powerful council member. The more sensitive political decisions---e.g. the choice of first-year target areas---are made directly in consultation with the mayor; others are left to key staff. CD departments are usually embedded within the mayor's office, rather than functioning as independent departments. Planning functions previously carried out by local redevelopment agencies have been largely absorbed by CD staff. Consequently, LPAs are in decline, and function largely as implementing bodies for bringing urban renewal activities to a suitable close. Model Cities departments are being phased out except where the program has not reached its final action-year.

The orchestration of CD planning and implementation efforts across related but independent city departments has been a continuing problem in most cities, causing delays in implementation and in the expenditure of funds. Established city departments will not readily set aside their own agendas to give high priority to CD programs for which they are not directly responsible. However, CDBG funds have been successfully used, in some cases, as incentives to departments for stepping up CD priorities (with some substitution effects.) The usual way of attempting to improve interdepartmental coordination is through the use of interdepartmental task forces, or technical policy committees, as part of the CD process. In two exceptional cases, the cities had developed "superdepartments" in advance of the legislation, which subsumed most of the CD and housing functions of the city and thereby alleviated the implementation problems experienced by other cities.

### Influence and Participation

Informal access to elected officials rather than formal participation, is a major channel of citizen influence on the program, particularly for neighborhood-based groups in sub-areas of the city and for minority groups. Competing demands for a portion of the CDBG funds pose a major political dilemma for mayors, who in turn attempt to satisfy as broad a constituency as possible. This results in a tendency to dilute funds across a broad number of diverse CD target areas.

Although citizen participation in the cities complied with the minimal requirements, formal citizen input during the first-year planning process was generally weak. Cities used either previously existing participation mechanisms or interim mechanisms until permanent participation structures could be developed. However, the lack of familiarity with the block grant program and the short time available for submission of the first-year application tended to minimize the effectiveness of formal citizen involvement. By the second-year planning cycle, citizen groups and participants in most cities had become more familiar with the program and subsequent participation was substantially greater.

By the end of the first year of implementation, three of the six cities had developed an elective participation structure specifically for the CD block grant program and based on subarea representation; two cities relied on the structure of Project Area Committees that had existed under the urban renewal program; and one city maintained an appointed participatory body. But regardless of the form which participation took, the effectiveness of the citizen participation mechanism was largely dependent on the attitudes and efforts of the mayor and city staff. The design of the formal citizen participation mechanism itself generally reflected the attitudes of the mayor and the effectiveness of formal and informal citizen influence was highly dependent on the responsiveness of the mayor. By and large, a small number of key city staff influenced the choice of participation mechanism, the extent of citizen input, and the orientation of the community development application. Moreover, lack of adequate technical staff assistance has hampered effective performance by the formal citizen participation mechanisms. Citizen participation bodies have had a difficult time determining eligible activities, imagining the options open under the Act, designing development programs to meet perceived needs, and developing effective presentations of their proposals.

The influence of neighborhoods on CD planning initiatives seems to be growing stronger as the program progresses. This influence is exerted either through subarea representation on elected participatory bodies or through the independent action of neighborhood-based organizations and associations representing substantial voting constituencies. The multiplicity of active neighborhoods in most of the cities and the resulting problems

of political management in resolving competing demands seem to be leading to an emerging pattern of consensus building through the dispersion of CD funds among many neighborhoods rather than attempting to concentrate funds more strategically in fewer subareas or in the most impoverished neighborhoods. As a result, there is an emerging trend toward decentralized CD decision-making at the neighborhood level. In one city, CD funds are allocated to neighborhoods on the basis of the federal allocation formula and the neighborhoods determine their own CD priorities. In some other cities, there is a tendency to set aside "pass-through" funds for each of the CD target neighborhoods, in a sense providing each of them with its own block grant.

#### HUD Administration of the Program

Most of the cities viewed their interactions with the Area Offices as frustrating and unsatisfactory. Contention centered on the following issues: determination of eligible activities; clarity on human services funding; support of local HAP efforts; Section 8 allocations; and environmental clearance requirements. It was difficult to extract timely decisions from the Area Offices. The relative sophistication of the cities led to their increasingly bypassing Area Offices and attempting to obtain decisions directly from Washington. Area Offices often complained that the cities were informed of decisions before the word came down from Washington to the Area Office.

More importantly, there were inexplicable and serious inconsistencies in the way the CD block grant program was administered from one HUD Area Office to another. Administrative discretions varied widely among Area Offices over issues that should have been handled equitably among all participating entitlement jurisdictions. Some HUD offices objected to any human services funding under the block grant; others set a 20 percent limit; while others seemed to exercise no limit at all. In one region, jurisdictions were discouraged from including any new construction or rehabilitation under Section 8 in the housing assistance plans (HAPs), regardless of local housing needs and tight local housing markets with low vacancy rates. Some regions requested changes in the HAPs in accordance with pre-set Section 8 allocations. As a result, the value of the local HAP process has been undercut by HUD interference and cities have reacted by taking the HAP process less seriously than they did from the start. Furthermore, there seems to be no consistent framework used across the Area Offices for distributing Section 8 allocations---whether in numbers or by housing types---to local jurisdictions within a metropolitan area. It is unclear what factors or housing objectives are being taken into account by each of the HUD offices.

We believe the current decentralized structure of HUD administration is antagonistic to the concept and objectives of the block grant program. The presence of two layers of political appointment, at the HUD Regional Office and Area Office levels, has led to an administrative balkanization of the program which leaves much to the discretion of the Office Directors. Guidelines from HUD-Washington are unenforceable or unenforced. The decentralized structure seemed appropriate to the administration of relatively inflexible categorical programs, as a way of encouraging more flexible, locally adaptive administration within tight legislative constraints. However, present administrative inconsistencies produce unnecessary and unproductive inequities among participating jurisdictions as a result of differential HUD treatment. The block grant program places a premium on local priority setting and flexibility within the context of central, universal guidelines. Strong administrative discretions taken at the Regional and Area Office level interfere with the implied local autonomy intended under the CDBG program.

#### Major Problems in the CDBG Program

##### 1. CDBG funds are not being concentrated on the needs of the lowest income groups.

The issues of urban poverty, which the community development programs of the 1960's attempted to address, are still fundamental to the question of urban viability. They reflect themselves in an already familiar syndrome: lowered fiscal capacity in many major cities, increased service and public assistance burdens with declining employment, the incidence of crime and self-destructive behavior, and the general impoverishment of once vital urban centers. The "maximum feasible priority" provision of the CDBG legislation was in part an expression of an intent that the local programs attempt to address the broad-aimed community development needs of the city's lowest income groups and its most impoverished communities.

Although local CDBG fund allocations seem generally to be in compliance with low- and moderate-income guidelines and are addressing the short-range, strongly felt needs for public improvements in many marginally deteriorated neighborhoods that have been ignored by the cities, the funds are not being concentrated where they are most needed or being used strategically to address more basic questions concerning urban viability. Only one of the cities attempted to address pressing local economic development issues; most followed the neighborhood improvement pattern and tended to target efforts at the more conserveable subareas of the city. The political management problem inherent in a city-wide block grant program, which must be responsive to the competing demands of large numbers of deserving neighborhoods, are clearly leading to a wide dispersion and dilution of effort and a local incapacity to

concentrate the funds more strategically and innovatively on the major community development issues faced by cities.

## 2. Slowness of Implementation

The CD block grant program raises the question of local capacity to mobilize community development efforts within the context of city government. Most cities had expended only a small portion of their first-year funds at the point they submitted their second-year applications. The problem seems to be related to the way city government is structured in relation to community development efforts and to the difficulty of gaining responsive cooperation and coordination from independent departments used to functioning on their own agendas. In addition, half of the cities have experienced legal problems with housing rehabilitation loan and grant programs, which were originally given high funding priorities. However, we believe these problems are gradually being resolved as cities gain experience with the program.

## 3. Decline in human services support at the local level.

Universally, the demand for human services is very high in the cities. Neighborhood meetings and other participatory activities related to CDBG have uncovered a strong demand for human services, particularly in areas outside of the Model Cities neighborhoods where service provision has been sparse. The result is that CDBG has stimulated a greater demand for human services at the same time that funds are being diluted and dispersed to fill a variety of physical development needs. Even the largely service-oriented Model Cities programs are being phased out in preference for other fund allocations. Although cities are making attempts to fold Model Cities service programs into human resource departmental efforts where that is possible, and have been able to press for greater efficiencies in the Model Cities efforts, fiscal constraints at the local level augur a decline in local support of human services as a whole. Our observations tend to confirm the view that the expressed priorities of neighborhoods reflect a balance between physical development and human services efforts. As a result, we see no reason to impose any restrictions on eligible human services activities under the CDBG program.

## 4. Citizen participation needs strengthening.

In some cities, residents and community-based organizations in affected areas have little or no opportunity for formal participation in the CD decision-making process. To strengthen participation in such jurisdictions, we recommend that the program require that in each participating jurisdiction an elective citizen body be formed on the basis of subarea representation, including all targeted CD subareas. Our observations indicate that the more effective citizen participation

mechanisms are based on elected subarea representation. However, the setting of subarea boundaries for the purposes of such an election should be a matter of local determination.

5. Inadequacies in HUD administration.

Alternative interpretations of the CDBG regulations at the Regional and Area Office levels of HUD, as well as discretionary policy-setting at these field offices, have resulted in inequities in the treatment of entitlement jurisdictions, which we believe are antagonistic to the concept of local autonomy and flexibility intended by the CDBG program. As a result, we recommend a move on HUD's part toward centralization of all authority for policy setting under CDBG in HUD-Washington, with universal dissemination of all central office decisions as rapidly as possible to participating jurisdictions. This does not preclude continued decentralization of operations.

The value of the HAP process has been undercut by Area Offices through pressures to make it consistent with Section 8 allocations and by ignoring the HAP as a basis for further planning and negotiation. We recommend that Area Offices be required to divest themselves of any role in the HAP process, and restrict themselves to comment once the application is submitted.

In setting jurisdictional allocations of Section 8 funds and housing types, HUD Area Offices are assuming responsibility for setting regional housing policies. There is little consistency or accountability on HUD's part with regard to these decisions, which would form a basis for negotiation with participating jurisdictions. HUD should take steps to develop a consistent framework within which such decisions can be made across all Area Offices, taking into account local housing market conditions and a clear perception of federal housing assistance objectives. Where regional "fair share" plans have been arrived at by neighboring jurisdictions, every attempt should be made to honor them to the maximum extent possible.

6. Are block grants enough?

The emerging pattern of community development outcomes at the local level seems to be one which is limited in scope to short-range, small-scale neighborhood improvement and conservation efforts dispersed among numbers of low- and moderate income neighborhoods across the city. While such programs are popular and visible, and meet some of the felt needs of long-neglected areas of the city, they fall short of addressing more fundamental problems of urban viability, or in providing incentives for cities to mount well-planned, long-range program

innovations that respond to the problems of their lowest income communities. The basic question at the federal level is not whether the program is at present accomplishing worthwhile objectives, but whether its accomplishments will reflect primary national objectives on the urban agenda. To a great extent, the limited potential accomplishments of the program are inherent in the block grant approach and its tendency to catalyze a local pluralist process which can not readily bring itself to address more basic issues. If the Act of 1974 represents a serious federal commitment to amelioration of the problems of the most impoverished urban communities, then it needs to be recognized that the CD block grant is not an effective means of concentrating local and federal resources toward those ends. As a result, we believe that federal policy should not continue to rely exclusively on the block grant approach, and that other parallel federal initiatives be taken to complement the CDBG program with a new generation of federal policies that create incentives for locally-innovated programs that have higher aspirations and more strategic impacts on the future urban agenda.

Mr. FRIEDEN. Mr. Chairman, may we proceed with our presentations and then take the questions all together?

Mr. ASHLEY. I don't think so, unless you want to be talking essentially to an empty room. Because we have a vote right now. We will go and vote and come back. And then you can present your paper. I think that would be the better course to take.

Let me say I appreciate your paper very much indeed, and you raise a number of points that I will look forward to exploring with you.

[Recess.]

Mr. ASHLEY. The subcommittee will resume.

Do you want to pick up—let me just say how nice it is to have representatives from the Harvard-MIT Joint Center for Urban Studies here and if you would, proceed with the testimony in any way you wish.

Mr. FRIEDEN. Thank you very much, Mr. Chairman.

**STATEMENT OF BERNARD J. FRIEDEN, MEMBER, EXECUTIVE COMMITTEE, HARVARD-MIT JOINT CENTER FOR URBAN STUDIES**

My name is Bernard J. Frieden. I am a professor of urban studies and planning at MIT, and a member of the executive committee of the Harvard-MIT Joint Center for Urban Studies. I am here today with Marshall Kaplan to report on a study of the community development block grant program that we did that was published by the joint center.

I would like to request permission to submit our paper for the printed record, and just comment briefly about it in the time that we have.

Mr. ASHLEY. That would be fine. Then without objection, that will be entered in the record at this point.

[Working paper No. 42, entitled "Community Development and the Model Cities Legacy," prepared by Mr. Frieden and Mr. Kaplan, follows:]



November 1976

COMMUNITY DEVELOPMENT  
AND THE  
MODEL CITIES LEGACY

Bernard J. Frieden  
and  
Marshall Kaplan

Working Paper No. 42

This paper was originally prepared for the conference, "Toward New Human Rights: The Social Programs of the Johnson and Kennedy Administrations," held at the Lyndon B. Johnson Library, Austin, Texas, September 12-16, 1976. It will be included in a book of conference papers to be published by the Lyndon B. Johnson School of Public Affairs, University of Texas.

Joint Center for Urban Studies of MIT and Harvard University

## COMMUNITY DEVELOPMENT AND THE MODEL CITIES LEGACY

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## URBAN AID COMES FULL CYCLE

Federal aid for community development has raised troublesome issues from the New Deal to the New Federalism. Allocating money fairly to the cities, channeling it into projects that serve both national and local needs, giving federal direction while allowing local flexibility, above all minimizing delay and red tape--these are chronic problems. Each generation of program designers and public officials deals with them in its own way.

The more basic issues of purpose--who is to be served, what types of programs shall be funded--are defined mainly by the priorities of each administration in Washington and by the political contexts of the cities themselves. On these fundamental questions, we have come almost full cycle since the 1930s.

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At that time, as the recent best-selling biography of Robert Moses reminds us, federal aid for community development meant support for municipal public works, with the benefits going mainly to well-off citizens and their neighborhoods. Even in Fiorello LaGuardia's "city of opportunity," a massive program of playground construction did little for the tenement and slum areas but concentrated on the more prosperous parts of New York. Lowest priority, in fact, went to the three large areas where most of the city's black population lived. Of the 255 playgrounds Robert Moses built in New York during the 1930s, Harlem got one, Bedford-Stuyvesant got one, and South Jamaica got none at all. Many of his buildings contained sculptural embellishments supposedly appropriate to their use or setting: The wrought-iron trellises in the one playhouse comfort station that Harlem did get in Riverside Park were decorated with monkeys--an indication perhaps of Mr. Moses's biases and then prevalent social attitudes.<sup>1</sup>

#### From Public Works to Model Cities

The combination of federal money and local public works construction did little to improve conditions in slum neighborhoods even after the invention of later federal aid programs for urban renewal, highway construction, water and sewer facilities, and open space. Public officials and city residents both recognized that the great suburban boom of the 1950s left in its wake inner city neighborhoods suffering from poverty, physical deterioration, and civic neglect. When Lyndon Johnson's Great Society

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1. Robert Caro, The Power Broker (New York: Vintage Books, 1975), pp. 509-510 and p. 560.

was ready to take new federal initiative in the cities during the 1960s, this was the perception that gave rise to the Model Cities Program.

Model Cities dealt head-on with the problem of how to move federal dollars into the poorest urban neighborhoods, but by then the notion of what help was appropriate went far beyond the neighborhood parks and swimming pools of the thirties. The nation had rediscovered poverty in the early 1960s and had found its causes to be varied and complex, requiring a wide variety of solutions. The spirit of the Great Society called for a more ambitious approach to community development, one that would go beyond the hardware of cities and give equal priority to raising the performance of school children, improving health conditions, training the unemployed for jobs, and bringing the poor fully into the political and economic life of the community. To this already formidable set of goals, the designers of the Model Cities Program added another that was close to the hearts of both federal and local officials alike: streamlining and reforming the federal grant-in-aid system.

#### And Back to Public Works for the Well-Off

Before the Model Cities Program could move very far, it met with resistance from the federal agencies whose cooperation was essential for its success. Then it came under attack from within the Nixon White House. Although the program continued to be funded at roughly the levels promised, repeated threats to close it down created a climate of great uncertainty which frustrated both federal and local efforts to make it work. Ultimately, the Housing and Community Development Act of 1974 replaced Model Cities with a different strategy for the 1970s: Community Development Revenue

Sharing. The new approach, now being implemented, involved consolidating the major federal community development aids, including Model Cities. It provided a single grant allocated to localities on a formula basis. Washington imposed very few restrictions on how or where the money was to be spent, so long as expenditures were in accord with the broad purposes of the replaced programs and met several generalized objectives, one of which called for benefits to low- and moderate-income families.

Initiation of Community Development Revenue Sharing represents more than a reform of managerial practices and a retreat from the unrealistically ambitious objectives of the Model Cities Program. Early evidence suggests that local governments have used their freedom to shift funds quickly from poverty neighborhoods to other parts of the city, with at least tacit federal approval. And despite the rhetoric of local control, national policy is once more encouraging the use of federal money for public works projects and discouraging its use for public services.

From the poverty neighborhoods' point of view, the changes of program and strategy surely approach a no-win situation. During the thirties, they were unable to get their share of public works funds for street improvements, playgrounds, and swimming pools because they lacked political clout at the local level and because federal programs did not give them special priority. During the sixties, when federal requirements worked in their favor and funds were available, hardware improvements went out of style. Instead, the money went for a diffuse range of public service activities such as educational and manpower projects that were more fashionable because they were seemingly innovative, experimental, and ambitious. However, they were also high risk in terms of their

own ambitious objectives, and they still left most poverty neighborhoods impoverished in terms of community facilities. Today hardware expenditures are again fashionable; but in many areas the poor lack the political clout to get the facilities they want, and there are no federal programs that send money directly into their neighborhoods. When will they ever get their parks, playgrounds, and swimming pools?

To give the urban poor a fair share of resources for community development and a chance to help decide what kinds of projects are appropriate, it is neither necessary nor desirable to return to the Model Cities or categorical grant approach. Community Development Revenue Sharing, however, has rejected not only the unworkable administrative features of the Model Cities Program but it has rejected its valid purposes as well. In some areas of the country, Community Development Revenue Sharing is becoming a wasteful public works program with no evident purpose of its own. In other cases, leakage of funds beyond the neighborhoods of the poor minimizes the already rather fuzzy social priorities in the statute.

Early legislative attention is needed to redirect Community Development Revenue Sharing to its declared goal of helping low- and moderate-income people. The Model Cities Program has generated ideas and experience that can be helpful in reshaping current community development activities and in making overall federal urban policy more consistent with key urban problems. We turn now to its history with this aim in mind.

## MODEL CITIES AND ITS CONTEXT

If any one program represented or epitomized the Great Society (and its New Frontier inheritance), it was Model Cities. Here was an urban aid effort befitting, at least in concept, the emerging commitment of the Kennedy administration to respond to urban poverty and the Johnson administration's commitment to convert laudable objectives to action. Here was an urban effort that was directed, not at replacing, but at extending and coordinating the numerous, hard won, categorical programs passed in the sixties. Finally, here was an urban aid effort whose very genesis reflected the alliance between liberal academic and liberal politician, between the Halls of Ivy and the White House.

Model Cities was partially the response of a rather open political system to outside events. Among them:

1. Civil rights movement/ Rediscovery of poverty: Martin Luther King's "I have a dream" speech in 1963 symbolized the spiritual content of the civil rights movement. Its political strength was reflected not only in the growing numbers of people taking to the streets, but also in the emergence of a committed religious/liberal/labor coalition--a coalition ready to do battle for federal intervention in a range of economic and welfare problem areas.

Because of the overlap between issues related to discrimination and problems related to poverty, the "movement" supported, indeed helped to generate, the rediscovery of the poor. Concern over racial and income issues, while not yet table-talk conversation, apparently had become an im-

portant White House agenda item at the time of President Kennedy's assassination.

2. Racial violence: Numerous cities in all parts of the country erupted in racial violence during the early and middle sixties. While not as extensive and destructive as the riots which paralleled and came after the inception of Model Cities, racial troubles seemed all pervasive. Because there appeared to be a direct link between what key elements of the public considered to be the legitimate demands of civil rights activists and the response of state and local officials to these demands, racial violence, at least initially, prompted many people to favor a more active role for the federal government. Certainly, TV exposure of Bull Connor's dogs attacking kids, and fire hoses turned on peaceful marchers, did much to create public support for civil rights laws.

3. Criticism of categorical programs: Stimulated by the liberal mood of the country after the assassination and pushed by the new president's activist predilections, between 1963-1966 Congress significantly increased the number and coverage of categorical aid programs. It established over 219 new grants-in-aid or assistance programs, more than doubling the total on the books prior to that time. By the mid-sixties, the aggregate volume of categorical monies was \$12 billion.

No systemic overview guided program developers. To the contrary, most assumed that problems could best be attacked if they were defined discreetly and handled with tailor-made strategies. This approach fit the pragmatism of the era and was politically acceptable. Also, it responded well to the many constituent groups yearning for federal atten-



tion and federal dollars. As important, it promised a reasonable local response to nationally determined needs. Would-be recipients were asked to meet legislative and administrative prescriptions concerning how, when, and on what to spend federal funds.

Even before the ink had dried on the presidential signatures below the new aid programs, many found fault with them. Some, according to their liberal detractors, were under-funded; too few, suggested others, were directed at changing local institutions or the way they treated the poor and minorities.

Resolution of the cities' complex problems was impeded, indicated many, by the absence of a comprehensive, coordinated, federal urban aid effort. Cities could not easily make sense out of the confusing and fragmented federal inventory. Always complicated, sometimes onerous federal ground rules and program regulations were alleged to block locally innovative projects. The long delays caused by federal reviews, the void between statutory objectives and administrative guidelines, and the weighty paper requirements associated with many programs, provided critics (both those in favor of federal involvement and those opposed) with legitimate arguments in favor of reform.

4. Dissatisfaction with urban renewal: The most visible federal program for cities at that time, urban renewal, had few friends by the mid-sixties. Critics viewed it as exacerbating the difficulties of cities and of the poor by displacing taxable property and housing. On the right, those who disliked the program saw it as a threat to private ownership and labeled it "the federal bulldozer;" on the left, it was seen as a means to rid urban areas of the poor and minority groups.

Even for those who supported the program its record was not a good one. From 1949 to 1963 almost 240,000 housing units were demolished in urban renewal areas and only about 70,000 were built or under construction in these same areas.<sup>2</sup> The poor and the minority family unquestionably received short shrift: "At a cost of more than three billion dollars the Urban Renewal Agency...has succeeded in materially reducing the supply of low cost housing in American cities."<sup>3</sup>

In the process, federal relocation regulations were not always met and very little attention was given to ameliorative social services.

5. Problems with the War on Poverty: Immediately after President Kennedy's death, the new administration drew on work of the Council of Economic Advisors and the Bureau of the Budget to develop a bold new program for the nation's poor. The War on Poverty, administered by the Office of Economic Opportunity, was in part a response to the critique of earlier federal programs. But it had trouble resolving its own inconsistent legislative mandates. Little wonder. The War's generals and troops were asked, on the one hand, to coordinate the operations of numerous federal and local institutions and, on the other, to create parallel structures and encourage countervailing pressure groups. When faced with a choice between the two, key OEO personnel generally made coordination a low priority item on their agenda.

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2. US Advisory Commission on Intergovernmental Relations, Relocation: Unequal Treatment of People and Businesses Displaced by Governments (Washington, D.C., 1965), p. 24; William L. Slayton, Commissioner, Urban Renewal Administration, Statement in U.S. Congress, House Subcommittee on Housing, Hearings on Urban Renewal, 88th Cong., 1st sess., 1963, pp. 421, 428.

3. Scott Greer, Urban Renewal and American Cities (Indianapolis: Bobbs-Merrill, 1965), p. 3.

Despite, or perhaps because of, OEO's visible success in creating thousands of Community Action Agencies around the country, the White House continued to feel the need for a new handle on urban policy. To the rising chorus of those who complained about the still unwieldy nature of urban aid programs were now added the angry voices of many mayors demanding that Washington reduce the role of the poor in the War on Poverty.

#### Designing a New Program

President Johnson's massive electoral victory in 1964 gave him a mandate for strong leadership plus a receptive Congress. His success in securing the establishment of the Department of Housing and Urban Development prompted renewed White House efforts to create agendas to be tried out in HUD for coping with the problems of cities.

In the fall of 1965, the president appointed a Task Force on Urban Problems, chaired by Robert Wood. Looking for new ideas by bringing together advisers from outside the established federal agencies was typical for the Johnson White House. In Lyndon Johnson's view, the bureaucracy was "too preoccupied with day to day operations...too...dedicated to preserving the status quo....Moreover, the cumbersome organization of government is simply not equipped to solve complex problems that cut across departmental jurisdictions."<sup>4</sup> This particular panel had nine members, each with a well-known pedigree from academia, politics, labor, or the private sector. All were believers; that is, all shared a positive attitude about

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4. Lyndon B. Johnson, The Vantage Point (New York: Popular Library, 1971), pp. 326-327.

the ability of government to intervene successfully in the domestic sector. As important, most felt that the president and his White House staff could play a leading role in first defining and then carrying out urban policies and programs, particularly by applying presidential power to move recalcitrant agencies. None of the active members, however, had had much experience with federal agencies. Unfortunately (in retrospect), no one was around to remind them of the obstacles most agencies would place in the way of reform and change--especially when their turfs were invaded or their programs tampered with.

After a few months of very private deliberations, the task force proposed a new "demonstration city program." It was premised on several guiding principles, all seemingly reasonable in light of the current criticism of categorical aid efforts.

To resolve urban problems, the Demonstration Cities Program, or Model Cities as it was soon called, would go further than the War on Poverty and require "the coordination of all available talent and aid...the mobilization of local leadership and initiative." To participate in the new program, cities would be asked to compete against each other. Competition would help limit program participants and allow the concentration of funds. Ostensibly it would permit the selection process to be based on visible commitments to the purposes of the program and local capacity to act effectively.

If initial local commitments to improve living conditions for low-income citizens passed federal review and won approval, city hall would receive planning funds and ultimately a hefty allocation of discretionary "supplementary" funds as well as an assumed priority in tapping existing

categorical monies. Hopefully, after a relatively short time (five years), the results would generate major and visible improvements in the quality of life in designated Model Neighborhood areas.

Despite the perceptions of some on the task force that city capacity was marginal and that federal abilities to respond to city needs in a "co-ordinated" manner were untested (presidential commitment or not), the task force laid on both a heavy agenda. For example, cities, assumedly led by aggressive elected officials, were to pick a neighborhood, engage in an extended, orderly, and comprehensive planning process, and implement a series of mutually supportive projects and activities. Rational and logical, the proposed federal prerequisites proved difficult to respond to because they were politically out of sorts with local resources, conflicts, and needs.

For their part, the feds, encouraged by an involved White House and orchestrated by HUD, were to:

- ° monitor and assure meaningful resident participation--a feat (irrespective of the statutory "widespread citizen participation," a substitute for OEO's "maximum feasible participation") not entirely without peril given the tensions in most poverty neighborhoods and the wary attitudes of most local officials toward citizen groups.
- ° earmark existing grants-in-aid for participating cities--a task not calculated to please either noninvolved cities or federal program managers jealous of their prerogatives.
- ° provide technical assistance to hard-pressed city halls--a seemingly legitimate assignment without, however, clear de-

finitions or available staff resources.

- ° develop performance criteria that would give cities maximum freedom in the use of Model Cities funds but that would still guarantee their use for the benefit of the poor.
- ° evaluate overall program results--a doubly difficult assignment because of the broad range and number of program objectives, and because of the program's continuing dependence on the very agencies to be evaluated.

Surprisingly little was lost in the translation of the task force concept into legislation. While Congress quickly let it be known that political facts of life meant that more than a few demonstration cities would have to be involved, the task force itself had begun the dilution process when it recommended a total of 66 cities be included in the program.<sup>5</sup> Further, although Congress watered down administration language requiring "measures to eliminate social and racial segregation," they left in language emphasizing the proposed program's concern for social priorities. Not too surprisingly, given limited funds, they joined with administration spokesmen in obscuring the extent to which the new program could or would grant priority to participating cities for the use of the existing federal inventory.

As finally enacted, the Model Cities program was a significant departure from previous federal efforts at urban aid. Taken as a whole, the legislation provided considerable latitude but not complete freedom

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5. Bernard J. Frieden and Marshall Kaplan, The Politics of Neglect: Urban Aid from Model Cities to Revenue Sharing (Cambridge, Mass.: The MIT Press, 1975), p. 49.

for participating cities. For example, although the statute restricted the use of Model Cities funds to projects detailed in a city-prepared, HUD-approved plan and projects in or related to a defined model neighborhood, it did not (unlike most existing categorical programs) require that funds be spent on any one kind of problem or by any specific type of sponsor. While not the millennium, the new program came close to offering cities a flexible block grant for poverty neighborhoods.

#### City Response

Extensive evaluations are not needed to confirm the fact that the Model Cities Program did not meet President Johnson's lofty expectations or even the more modest ones implicit in the statute. A casual tour of most model neighborhoods would show that unemployment remains a problem; that many families still live in substandard housing; and that individual poverty is matched by the poverty of public services.

But a gross comparison between hopes and dreams and actual results is not enough to tell the Model Cities story. While the accomplishments fell far short of the promises, Model Cities did chalk up several noteworthy successes, especially in comparison with earlier federal urban aid efforts. Among them:

1. Numerous job opportunities were opened to the poor and to minorities:

Model Cities offered sustained employment opportunities to several thousand lower-income and minority individuals. Even during its early planning stages, close to 40 percent of all local agency positions were filled by model neighborhood residents. After the 1970 HUD guidelines

firmed up resident employment requirements, close to 60 percent of all local agency positions were filled by model neighborhood residents, most of whom were poor. According to one analyst, city demonstration agencies on the average generated one job for every \$10,000 in program funding.<sup>6</sup>

City involvement in the Model Cities effort opened up a broad range of city government positions to minorities. One recent California study has found that minority employment in city government increased faster in Model Cities communities than in other places; that many of the positions offered were at senior levels; and that minority employment in local government jobs continues to remain at higher levels in communities which are former Model Cities.<sup>7</sup>

2. Low-income and minority communities increased their political strength:

Model Cities was in part a response to the problem many mayors and congressmen had in confrontations with OEO-funded resident groups fighting the War on Poverty. More restrained Model City guidelines concerning resident involvement and a HUD staff that was less ideologically inclined on this subject than OEO's led to different forms of citizen participation than occurred in the War on Poverty.

In some instances, like Atlanta, city staff moved quickly and dominated the program, using residents to legitimize the results of their ef-

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6. Model Cities Services Center, Model Cities: A Report on Progress (Washington, D.C., June 1971), p. 61.

7. Rufus Browning and Dale Marshall, "Implementation of Model Cities and Revenue Sharing in Ten Bay Area Cities: Design and First Findings" (Paper delivered at the American Political Science Association Annual Meeting, September 1974).



forts. In other cases, as in Dayton, Ohio, residents pushed for and won the right to control the fate of the city's program. Parity, or "double green light" situations, like those in Reading, Pennsylvania and Richmond, California, however, in which city hall and resident groups each had an informal veto over the other, seemed to produce the most promising plans for matching program resources to local needs.<sup>8</sup>

Life was not easy for most Model Cities participants. Hostility, anger, and frustration often pervaded discussions among residents and city officials. Federal deadlines and guidelines combined at times to block city efforts to define feasible work programs and, in the process, reduced mayoral involvement to ceremony and resident involvement to legitimizing local submissions.

No matter which system was used, the end result of most Model Cities efforts was an increased awareness on the part of residents of how to "play the game" and "get in the action." Political visibility and neighborhood organization resulting from Model Cities programs strengthened many resident groups to the point where they were able to win at least modest demands from city hall. Among the tangible outcomes were the following:

- ° Numerous residents were encouraged to run for political

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8. Numerous studies of the Model Cities effort by the firm of Marshall Kaplan, Gans, and Kahn illustrate the effect of resident organization. See The Model Cities Program: A Comparative Analysis of the Planning Process in Eleven Cities (Washington, D.C.: HUD, 1970), and The Model Cities Program: A Comparative Analysis of the Planning Process in Twenty-One Cities (Washington, D.C.: HUD, 1972). See also Sar A. Levitan and Robert Taggart, The Promise of Greatness (Cambridge, Mass.: Harvard University Press, 1976), pp. 169-187.

office (national, state, and local), and many won. The growing ranks of the elected black and Spanish-speaking officials throughout the nation contain many who entered politics through Model Cities positions and Model Cities training.

- ° While the data are not overwhelming, interviews with mayors of many Model Cities communities suggest that the program generated increased pressure to remedy disparities in public expenditures among city neighborhoods. As a result, model neighborhoods in many participating cities received increased budget allocations.

Equally important, a number of mayors acknowledged the fact that without federally imposed performance criteria, they would not have been able to spend as much as they did in poverty neighborhoods and still survive politically. In effect, Model Cities ground rules provided a shelter which permitted them to share responsibility with HUD for monies spent in poverty areas.

- ° Although no startling breakthrough occurred to improve the quality of public services, most participating cities were led first to acknowledge (often publicly for the first time) and then to address service problems. Some ventured as far as challenging the monopoly of traditional (sometimes archaic) public institutions in delivering local services; some added programs and funds to the budgets of local institutions willing to experiment with new

services.

- Reputable evaluations of local impact were never made. Unfortunately, we must rely only on anecdotal evidence and local judgments. Perhaps, given the distance which must be travelled before public services meet even threshold criteria, plus the relatively short life of Model Cities, the most telling comment is that Model Cities went farther than other federal aid programs in promoting self critique and new action. Indeed, resident insistence, combined with local perceptions of what was favorable to HUD, resulted in a budgetary turnaround with respect to social services. Formerly, most cities relied on state and county agencies and nonlocal monies to provide social services; but in the Model Cities program, aggregate data indicates that more than 80 percent of local budgets went for social services.

#### Federal Management

Implementing the Model Cities Program put the administrative capacity of the federal government to a severe test. The most impressive accomplishment, particularly in light of the subsequent debate over whether federal strings should be attached to revenue sharing and community development funds, was HUD's success in limiting program reviews to broad performance criteria covering the most important federal objectives. Only about two dozen out of the nearly 2,000 local projects submitted for HUD review were vetoed for lack of conformity to statutory guidelines. In effect,

the review process, by substituting general objectives concerned with the purposes and beneficiaries of projects for administrative standards that prescribe the content of categorical programs, allowed cities considerable discretion yet assured expenditure of limited Model Cities funds for relevant purposes.

Most of the other lessons learned do not generate much confidence in the ability of either the federal bureaucracy or the Congress to mount a coordinated attack on urban problems. Indeed, failure of the Model Cities Program to live up to its promises must be attributed mainly to the various federal participants.

For example:

1. The program was overcommitted and underfunded: As indicated earlier, both the original Wood task force and Congress initially supported expansion of the program from a demonstration in a relatively small number of cities to an element of national policy in cities of all sizes and types around the country. While the ultimate extension of the program to 150 cities may have pleased those who wanted to spread the benefits of a new approach, it was not accompanied by any significant expansion of resources beyond the \$2.3 billion proposed by the task force for only 66 cities. More important, there never was a legislative commitment to grant categorical program priority to participating cities. To the contrary, both the House and Senate committees involved in reviewing the initial legislation indicated clearly that Model Cities communities should not receive favored treatment with respect to existing aid programs. The House group was emphatic:

Your committee...wishes to make very clear its intent that the demonstration cities program will not in any way change the flow of funds, as among cities, under existing grant-in-aid programs. The demonstration cities program does not provide any priority in the use of existing Federal grant-in-aid programs for cities which participate in the demonstration program.

2. Other departments did not support the program: Initially, hopes were high that the Model Cities effort would take up where the War on Poverty ostensibly failed. That is HUD, in administering the new program "in conjunction with" other agencies and under the direction of the president, was expected to develop a workable method of interagency coordination, particularly with respect to the use of other grants-in-aid.

Despite the intervention at times of both the Johnson and Nixon White House, statutory constraints combined with overwhelming departmental resistance produced little in the way of earmarked funds, flexible program guidelines, or technical assistance. Certainly, the Model Cities Program taught us something about the power of the Presidency. The "Imperial Presidency" may be a phenomenon of foreign affairs, but it has little bearing on domestic matters. The White House is not capable of providing sustained attention to a single urban program; it is not able to cut through bureaucratic rivalry, red tape, and statutory and administrative criteria. While most secretaries respond to White House pressure, most staff and programs are well insulated and they often outlive the tenure of the occupant of 1600 Pennsylvania Avenue.

Although precise figures are difficult to come by, it appears that in any one year HEW could scrape up only \$65 million, the Department of Transportation \$9 million, the Economic Development Administration \$4 million,

the Department of Labor \$20 million, and HUD \$400 million from their extensive inventories for use in the Model Cities Program. Similarly, although most departments articulated a willing intent, most were not really able to overcome program manager, client group, and in some cases secretarial objections to simplifying federal aid guidelines.

Technical assistance from the feds never became a fact of life, either. Most federal personnel had problems understanding or dealing with varied city needs, priorities, and idiosyncrasies; understaffed agencies found it difficult to put good people in the cities long enough for them to be helpful. A good deal of subversion went on under the guise of technical assistance; that is, many agencies used requests for technical assistance to strengthen the resolve of local groups they funded to avoid Model Cities coordination.

3. The program was shackled by unworkable planning guidelines: Many supporters of the Model Cities Program were convinced that without a federally prescribed planning process, participating cities would not or could not develop the capacity to spend funds wisely. Conversely, others who acknowledged the problems of federally imposed requirements in earlier aid efforts and were more sanguine about the abilities of municipal government were committed to minimal federal involvement. Out of the continuous but rarely clear-cut debate between these two different factions there emerged an overly rational, often academic, and almost always unworkable set of HUD Model Cities planning guidelines.

Federal requirements directed cities first to create a new planning mechanism responsible to municipal chief executives. Subsequently, the

new group was asked to prepare a comprehensive development plan incorporating a sequence of intensive problem analyses, a study of underlying causes, a comprehensive statement of goals, program approaches, projects and activities, and definitive budgets. Finally, HUD's approval could not be won without building citizen involvement, innovation, local coordination, and concentration of resources into local plans.

Political realities in the cities, combined with constraints of time, budget, and technique, led most participants to respond in form not substance to HUD's guidelines. Indeed, the process most cities used was closer to a system for "muddling through" than it was to HUD's concept of rational comprehensive planning. "Comprehensivity" diluted already limited expertise and made coordination and concentration difficult. Resident involvement, which generally translated into an understandable concern for basic services, often ran counter to federal and staff concern for innovation. In this situation, much time and money were wasted and local priorities were often obscured.

The Bottom Line: What was the Local Impact?

Even if federal support had been more generous, less burdensome, and more predictable, could the local programs have delivered on their promise to improve living conditions and opportunities for poor people? Available evidence suggests that in many cases they could not. Although there are no systematic evaluations of the impact of local Model Cities Programs, we do have studies of similar projects undertaken as part of other federal programs. Their findings are mostly negative.

The field of education offers the clearest example. More Model Cities funds were spent for local education projects than for any other purpose. We can make some judgment about how successful they were by looking at the far more ambitious Elementary and Secondary Education Act of 1965. Title I of this program provided more than a billion dollars a year to meet the special educational needs of disadvantaged children. Funding was both large and consistent. The program had widespread congressional support and by the mid-seventies was spending on the order of \$1.5 billion per year. Yet every national evaluation that was made found the program had virtually no effect in improving the education of poor children.

In 1967, HEW commissioned a private consulting firm to evaluate the impact of Title I compensatory education. The results proved disastrous. In the eleven school districts selected for study because of their reputed success, average pupil achievement showed a very slight decline after a year of compensatory education. The only good news was that the lowest 10 percent of the pupils in school showed a slight improvement.

The 1967 findings were so threatening to federal officials and school administrators alike that they blocked all subsequent efforts to collect national data on program results. In 1968 HEW attempted to conduct a survey of compensatory education which asked school districts participating in Title I to return questionnaire forms supplying achievement data. Out of 180,000 questionnaires mailed, fewer than 10,000 came back with usable data, and even these were too unrepresentative to permit any reasonable conclusions on achievement to be drawn. The following year, HEW's survey produced even poorer data than in 1968.

Recognizing the political realities that prevented any systematic na-



tional evaluation, federal staff instead used the bureaucratic technique known as "mining for nuggets." They searched carefully for successful local programs that could be described in case studies. The result was an account of some "selected exemplary programs" and an "It Works" case study series. These nuggets, gathered in 1968, were used repeatedly to justify budget requests--as late as in 1972. However, follow-up studies have found that even the nuggets tarnished quickly, since most of the carefully selected programs failed to show positive results beyond the first year.

How effective compensatory education was may also be gauged from the fact that state and local education agencies refused to supply even the most basic data on their operations. In 1972, fifteen states sent in no reports at all, and federal evaluation staff did not know how many children were, in fact, participating in the Title I program. The commissioner of education, reporting to Congress in 1972 after six years and several billion dollars in Title I funding, had to search hard to find accomplishments worth mentioning. He claimed only that the data showed disadvantaged students progressing at a rate approaching the norm for other students, but he had to concede that even with a normal rate of progress, disadvantaged pupils would still remain behind others who had no learning deficits in the first place.<sup>9</sup>

Another favorite Model Cities strategy, the use of community development corporations to create jobs for the poor and to earn profits that

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9. Information on Title I evaluation from Milbrey W. McLaughlin, Evaluation and Reform (Cambridge, Mass.: Ballinger Publishing Co., 1975), Chapters 3, 5, and 6.

could be used for neighborhood services, has also not fared well. In a similar program funded by OEO, of thirty community development corporations, only a fifth were in the black at the end of 1972. Even so friendly a critic as Sar Levitan has concluded that community development corporations were "no more successful in establishing viable businesses in poverty areas than other establishment-run efforts."<sup>10</sup>

The failure of many Great Society programs to show demonstrable success in improving urban services or helping people learn new skills reflects a fundamental lack of knowledge of how to proceed. Model Cities, like other programs that emphasized innovation, uncovered problems faster than it could find solutions for them, even though it had some success in building a new political awareness and creating jobs for the poor.

With hindsight, this experience suggests that federal programs should not try to steer local efforts away from activities that have a high probability of success into other fields with a high probability of failure. Without federal pressure to design comprehensive programs to get at the "root causes" of poverty and without similar federal pressure on local communities to be highly innovative, most cities would probably have struck a different balance, giving greater weight to doing what they already knew how to do or what residents felt needed to be done.

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10. Sar A. Levitan and Robert Taggart, The Promise of Greatness, p. 266.

## COMMUNITY DEVELOPMENT UNDER THE NEW FEDERALISM

President Nixon's major initiative in community development grew directly out of his strategy for dismantling the Great Society. In his State of the Union message in 1971 he drew on the rhetoric of power-to-the-people in presenting revenue sharing as his program of federal aid to the cities:

The time has come now in America to reserve the flow of power and resources from the States and communities back to Washington, and start power and resources flowing back from Washington to the States and communities and, more important, to the people all across America....So let us put the money where the needs are. <sup>11</sup> And let us put the power to spend it where the people are.

The underpinning of President Nixon's new approach, general revenue sharing, became law in October 1972. During its first five years it will provide \$30 billion allocated on a formula basis to all 38,000 units of state and local government in the country. These governments can spend the money in almost any way they see fit, subject to very few federal restrictions.

Accompanying general revenue sharing as a part of the New Federalism were proposals to consolidate previous categorical aid programs into a series of new block grants. Local governments would be able to use these grants with great flexibility in general functional areas such as manpower training, education, and law enforcement. One of the block grant programs, for community development, was included within the Housing and

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11. President Richard M. Nixon, The State of the Union Message, January 22, 1971 (Washington, D.C.: Office of the Federal Register), pp. 92-94.

Community Development Act of August 1974. It replaced the Model Cities Program, urban renewal, water and sewer grants, grants for open space, urban beautification, historic preservation, neighborhood facilities, and loans for public facilities and for housing rehabilitation--all of which were formerly administered as separate categorical programs. This special revenue sharing program is the New Federalism's major thrust in community development. It embodies the philosophy of the Nixon-Ford administrations as surely as the Model Cities Program represented the philosophy of President Johnson's Great Society.

Community development block grants are too new to have produced much action in the field. Their evaluation, then, must be based on the plans that cities have rather than projects underway. Even from scattered and incomplete evidence, however, the way the program will work is already clear enough. The important news is: 1) there is less federal red tape than in the older categorical programs; 2) hardware expenditures and public works are back in fashion; 3) poor people and minorities are no longer in fashion.

#### Cutting Red Tape

Community Development Revenue Sharing has unquestionably made it easier and simpler for cities to do business with the federal government. It consolidates seven different programs, each of which formerly had its own complicated application and review procedures. Now a single local application and HUD review are enough to start the federal funds flowing for all the purposes of the seven predecessors. The new annual applications

have been averaging about 50 pages per city, compared with an average of 1,400 pages per year under the earlier categorical programs.

HUD processing time has also been much quicker. Under Community Development Revenue Sharing, the total time from preparation of the local application to HUD approval and execution of a federal contract has averaged only eight months. All the previous categorical programs for community development averaged more than a year for this process, and urban renewal averaged two-and-one-half years.<sup>12</sup>

But if the purpose of cutting red tape is not only to reduce uncertainty and frustration among municipal officials but also to speed the time it takes for federal money to "hit the streets," then community development block grants must be rated as only a modest success so far. By the late spring of 1976, local governments had not yet spent the bulk of funds made available to them under the block grant program. Despite the financial squeeze in many towns and the repeated pleas for greater federal aid, by mid-April 1976 the cities had been able to spend only a third of the \$1.9 billion made available to them.<sup>13</sup> This record is comparable to the chronic underspending of funds under the Model Cities Program, except that, in the latter instance, onerous federal planning regulations were at least partly responsible for the delay. Under the newer program, although some federal regulations remain burdensome or confusing, red-tape cutters should next look to city hall administrative and decision-making procedures.

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12. US Department of Housing and Urban Development, Community Development Block Grant Program: First Annual Report (Washington, D.C.: Government Printing Office, 1975), pp. 13-16.

13. Community Development Digest, June 8, 1976, p. 4.

A Return to Hardware

Model Cities, reflecting the spirit of its times, relied mainly on public services to achieve its community development objectives. Only a small amount of local expenditures under this program were for physical facilities, including housing and neighborhood equipment. The bulk of the money went for projects in education, health, manpower training, economic development, public safety, recreation, and miscellaneous social services.<sup>14</sup> This emphasis on software resulted from: federal pressure to be comprehensive; innovative attempts to provide a wide balance of projects seemingly responsive to the interests of different resident groups; and widespread belief among urban technicians that previous programs had failed to help the poor partly because they were too concerned with physical rebuilding and not concerned enough for the social needs of residents.

As Community Development Revenue Sharing went into operation, it did not offer the cities a free hand in deciding on the mix of hardware and service activities. According to the law, public services may be funded only if they are related to a physical development activity in the same area and only if the community has been unable to get support for them under other federal programs. In addition, the joint House-Senate Conference Committee stated its understanding that no more than 20 percent of any community's funds were to be allotted to support services for community development projects.

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14. The Urban Institute, "Survey Research Related to the Evaluation of the Model Cities Program: Second Quarterly Progress Report," (Washington, D.C., 1969), pp. 125-149; and Model Cities Service Center, Model Cities: A Report on Progress (Washington, D.C., 1971), pp. 41-76.

While the federal government has been requiring special justification for social services, pressure from another source has been pushing cities to invest heavily in physical development once again. Almost 1,000 urban renewal projects and 400 related neighborhood development programs (NDPs) approved in the past have not yet been completed. Because HUD still has \$4.7 billion in loan guarantees outstanding for urban renewal and neighborhood development projects, that agency has been urging local governments to use community development aid funds to complete these projects. Under the law, the Secretary of HUD has authority to deduct up to 20 percent of a community development grant to apply it toward the repayment of these temporary loans.

Not surprisingly, then, cities are choosing to concentrate 42 percent of their community development block grant funds in urban renewal and NDP areas in the first year. Similarly they report that 42 percent of their total funds are "clearance related." Even outside urban renewal and other clearance projects, the great bulk of all the spending under Community Development Revenue Sharing is for hardware. According to approved first-year plans, only 4.3 percent of total funds will be for public services and another 7.7 percent for service-related facilities and equipment.<sup>15</sup> Significantly, former Model Cities communities account for 80 percent of the proposed public service expenditures.<sup>16</sup>

The new popularity of hardware expenditures goes beyond the comple-

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15. Department of Housing and Urban Development, Community Development Block Grant Program, pp. 38-40.

16. *Ibid.*, p. 31.

tion of urban renewal projects. An analysis of community development plans in California cities shows that even those communities which never before received any categorical funding under HUD programs are also concentrating their outlays on physical facilities and are investing virtually nothing in social service programs.<sup>17</sup> Hardware projects are attractive locally because they are one-shot investments followed only by maintenance costs. Service programs may create clienteles that demand high budgets for years into the future. Further, hardware projects are tangible and visible and, therefore, traditionally good politics.

Beyond even these considerations, there has been a general disillusionment with human service programs as their failure to deliver anticipated results has become increasingly well known. The pendulum can swing too far, however, particularly since the need remains to improve basic community services. As important, in some cities poverty neighborhoods are reasonably well equipped with community facilities while important social services are unavailable or underfunded.

#### Who Benefits from Community Development?

The central question about Community Development Revenue Sharing (and also about the New Federalism at large) is whether it is bringing power to the people or power to the powerful. As a federal aid reform it has succeeded in simplifying grant applications and in giving greater flexibility

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17. Richard DeLeon and Richard LeGates, Redistribution Effects of Special Revenue Sharing for Community Development, Institute of Governmental Studies, Working Paper no. 17 (Berkeley: University of California, 1976), p. 30.



to local communities, but it has bought these merits at the expense of the poor.

First, the legislative history tells us something about the degree of commitment to the poor embodied in this program. The original Nixon administration proposal was concerned almost entirely with grant-in-aid reform and would have allowed local governments virtually complete freedom to decide on the use of community development funds from the federal government. As a result of objections from many congressmen and urban interest groups, the law that finally emerged in 1974 moved farther in the direction of establishing, as a national priority, aid to people of low and moderate income. This commitment was clearest in the provisions that Congress made for the allocation and distribution of funds. While keeping the total grant authorization at about the same level as categorical program outlays of the early 1970s, the law provided a new formula for distributing grant funds to eligible communities. The formula was to be based on the population of each city and on two other factors chosen to emphasize the social purposes of the program: the extent of poverty (given double weight) and the extent of overcrowded housing conditions in each eligible community.

As far as the local uses of funds are concerned, the legislation does attach strings, but they are loose ones. The declarations of purpose have the ring of a bold commitment, such as "the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income." But the application and review requirements are more equivocal. They call for each city to certify that its community development program "has been developed so as to give maximum feasible pri-

ority to activities which will benefit low or moderate income families, or aid in the prevention or elimination of slums or blight." But the law also authorizes the secretary to approve applications for activities which the applicant certifies as meeting "other community development needs having a particular urgency." Similarly, the law requires each community to meet certain requirements for citizen participation, but these have more to do with providing information and holding hearings than with assuring a significant role for citizens in policy making.

Since these requirements are vague and difficult to enforce, it is clear that local officials will make most decisions on the final use of funds subject only to a limited amount of federal prodding. Why, then, should anyone expect local governments to give higher priority to poor people in this program than they did with their own community development funds in the past?

Proponents of the New Federalism strategy countered with two major arguments. One was that during the 1960s the poor and minority groups, because of federal requirements attached to various federal programs, became better organized and more effective in local politics and that local government, in turn, became more responsive to them. This argument neglected the fact that Model Cities Programs were limited to relatively few cities and that most of the time low- and moderate-income residents, without the certainty of federal funds or federal legitimacy, have to compete for resources in an unfriendly majority environment.

The second argument was that special revenue sharing funds would go directly to elected officials who, being directly accountable to voters, were in turn subject to political pressure from their constituents. Under

the earlier categorical programs, in contrast, the bulk of federal funds went to special purpose agencies such as local renewal authorities. These were not directly accountable to the voters and had their own special pipeline to Washington. This second argument neglected the importance of federal prerequisites in beefing up the courage of many mayors. As one mayor indicated, "without being able to blame the feds, I couldn't propose spending funds in ghetto areas....The politics would kill me...."

#### The Allocation Formula

Despite congressional intentions to distribute community development funds according to established poverty indicators, the legislative formula is actually shifting money away from cities with concentrations of poor people and into communities which are more affluent. The full effects will not be felt until 1980, because cities whose funding is being reduced will receive transitional grants during the first five years of the program. The new pattern, however, is already becoming clear. The Southern Regional Council's study of Community Development Revenue Sharing in the South<sup>18</sup> found that major new beneficiaries of the act include 75 urban counties consisting primarily of suburban communities with strong tax bases, low operating expenditures, and populations with incomes well above the low to moderate level. Most of these counties did not use the earlier categorical programs to undertake community development activities for the poor, and the council reports growing concern

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18. Raymond Brown, Ann Coil, and Carol Rose, A Time for Accounting: The Housing and Community Development Act in the South (Atlanta: Southern Regional Council, 1976).

over whether they will spend the \$100 million they received in fiscal 1975 to meet the needs of low- and moderate-income people.

A more definitive study of California cities which looks ahead to 1980 formula entitlements demonstrates clearly that the allocation formula does a poor job of carrying out congressional intentions for targeting funds. The authors, DeLeon and LeGates,<sup>19</sup> have identified 15 California "new-money" cities that never received categorical urban development aid but will have community development funding; 41 additional "phase-in" cities that will get more aid than previously, and 23 "phase-down" cities that will get less than before.

The allocation formula actually shifts funds away from areas of black concentration. The new-money cities are 0.6 percent black. Phase-in cities are 3.7 percent black, while phase-down cities are 13 percent black. Cities that are older and have more substandard and overcrowded housing, as well as a higher percentage of people below the poverty line, are hurt by the allocation formula. As an example, the proportion of the population below the low-income level of 1970 was 5.4 percent for new-money cities, 7.1 percent for other phase-in cities, and 9.3 percent for phase-down cities.

DeLeon and LeGates found that a city's allocation formula depends almost entirely on a single factor: total population. The formula gives about the same results as one that would distribute resources on a per capita basis. This is because the present formula fails to measure the number of poor people in a particular city as a proportion of that city's own

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19. DeLeon and LeGates, Redistribution Effects, p. 30.

population. A city's characteristics measured in total number rather than proportional share--such as number of poor people or number of overcrowded housing units--are highly correlated with the size of its total population. Even the congressional stipulation that the poverty measure be given double weight makes virtually no difference. In an alternate formula, DeLeon and LeGates gave the poverty component 20 times the weight of other factors and found only minor differences from the present distribution. Their simulation of other formulas shows that using a proportion of local population that is in poverty or inadequately housed to total local population will produce allocations that match resources to needs much more closely.

#### City Spending for the Poor

Once federal money reaches a city, are poor people and minority groups now capable of competing against other interests to get a fair share of the money? Early experience with general revenue sharing is enlightening in testing the view that, thanks to what they've learned under Great Society programs and thanks to newly established federal aid channels operating through elected officials, the poor and the minorities can now look after their own interests at the local level. Under general revenue sharing no federal agency attempts to steer local expenditures toward poor people or poverty neighborhoods. Although it is difficult to know who precisely benefits from most local expenditures under general revenue sharing, the Treasury Department's Office of Revenue Sharing has reported that through June 30, 1973 the category of social services for

the poor and the elderly received only 3 percent of total local spending.<sup>20</sup>

One of the very few strings attached to general revenue sharing requires nondiscrimination in programs paid for out of revenue sharing dollars. Many local groups have brought complaints of discrimination to the Office of Revenue Sharing. Where ORS records show the type of discrimination alleged, about half concern disparities in local services, such as segregated locations of park and health facilities or unequal levels of service for street repair, sanitation, or water utilities in black and white neighborhoods. These complaints come from seventeen states across the country, and ORS investigators have found substance to the complaints in at least half a dozen cases so far.<sup>21</sup>

Another insight into how well the poor are doing on their own comes from a California study in which the investigators interviewed public officials in 97 cities to ask them what percentage of their general revenue sharing expenditures they thought benefited the poor. Officials in two-thirds of the cities said they spent nothing at all on programs aimed specifically at benefiting the poor. In the other third, local officials claimed that some revenue sharing expenditures were intended to help low-income groups but, of these, three quarters said that they spent 5 per-

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20. National Clearinghouse on Revenue Sharing, Revenue Sharing Clearinghouse, May-June, 1974, p. 2.

21. Morton H. Sklar, William L. Taylor, et al., "Civil Rights under General Revenue Sharing," General Revenue Sharing Research Utilization Project, vol. 2, Summaries of Impact and Process Research (Washington, D.C.: National Science Foundation, 1975), p. 8; and Center for National Policy Review, General Revenue Sharing: The Case for Reform (Washington, D.C.: Catholic University Law School, 1976), p. 8.

cent or less of their funds for this purpose.<sup>22</sup>

Under Community Development Revenue Sharing the poor are not left entirely on their own to fight for a share of the funds. Provisions of the law and of HUD's administrative processes that direct local funds toward low- and moderate-income people are weak, but they are not totally useless.

For an overview of the results nationally, it is possible to locate locally planned expenditures in specific census tracts and then to characterize these tracts according to the median income of their residents. HUD's first annual report follows this procedure; however, it uses a questionable yardstick. It classifies census tracts according to the relationship of their median income to the median income of the entire metropolitan area in which they are located. Those tracts with median incomes 80 percent or less of the metropolitan area median are considered to be low and moderate income. According to this analysis, local communities plan to spend approximately two-thirds of the funds in low- and moderate-income neighborhoods.<sup>23</sup>

The problem with this measure is that in most large metropolitan areas the entire central city has a median income well below the metropolitan median. To determine whether a city is using its community development funds for low-income residents, a better yardstick would be the median income of the individual central city by itself, rather than the median income of the metropolitan area including its suburbs. The National Associ-

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22. John L. Korey and Catherine H. Lovell, "Implementation of Conflicting Goals: The Policy Impact of General Revenue Sharing in 97 Southern California Cities," (Paper prepared for the Western Political Science Association Annual Meeting, April 1-3, 1976).

23. HUD, Community Development Block Grant Program, Table 4.1, p. 38.

ation of Housing and Redevelopment Officials surveyed first-year applications from 86 entitlement cities and found that only 12 percent of the community development funds were headed for low-income census tracts where median incomes were less than half of the city's own median earnings. According to the NAHRO study, another 39 percent of the funds are to be spent in moderate-income neighborhoods having between 51 and 80 percent of the city's median income.<sup>24</sup>

A closer look at the data in HUD's first-year evaluation confirms that low-income neighborhoods are getting only a small share of the funds for new community development activities. Within the low- and moderate income census tracts as defined by HUD nearly half the planned expenditures are for land clearance activities. The bulk of this money is undoubtedly going to complete existing urban renewal projects. Land clearance usually means the uprooting of low-income families and their relocation to other parts of the city. Demolition and relocation can hardly be considered benefits for poor people, especially at a time when the housing subsidy programs that might conceivably provide them with better places to live are either in suspension or not yet working. If we exclude money planned for clearance-related activities in low- and moderate-income areas--as defined generously by HUD--we find these neighborhoods will get only 34 percent of community development funds for the first year.<sup>25</sup>

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24. Housing and Development Reporter 3 (April 19, 1976), 119-120.

25. Calculated from Table 4.1, in HUD, Community Development Block Grant Program, p. 38.



Further, HUD's analysis of community development strategy in its 151 sample cities reveals a shifting of funds from the neighborhoods in the worst condition to those that are somewhat better off. In comparison with recent expenditures under categorical programs, there is now:

...a greater emphasis on preventing and eliminating blight in the early stages of decay...Recipients are placing greater emphasis on activities in neighborhoods beginning to decline and those with decline clearly in progress. Those neighborhoods accelerating into major decline and nonviable, heavily abandoned neighborhoods receive less emphasis.<sup>26</sup>

#### Local Controversies

Several local controversies illustrate the difficulty that low-income people are having in making the new community development system work to their advantage. For example, the Southern Regional Council reports that in Gulfport, Mississippi local officials actively directed community development funds away from projects that would help the poor. In response to a questionnaire from the city, residents listed the most important community development needs as housing rehabilitation, clearance of dilapidated buildings, storm drainage, street paving and lights, and new sidewalks. Dissatisfied with these answers, local officials sent out more questionnaires. The new returns gave higher priority to building a central fire station, which then became the feature of Gulfport's first-year community development program.<sup>27</sup>

In Little Rock, Arkansas, a Southern Regional Council Investigator

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26. Ibid., p. 30.

27. Raymond Brown, et al., A Time for Accounting, p. 51.

asked the director of the Department of Human Resources how the city could justify spending \$150,000 in community development funds to build a tennis complex in an affluent neighborhood. He first claimed that 99 percent of the money was going to low- and moderate-income areas, but then added: "you can't divorce politics from that much money...we must remember the needs of the people who vote...because they hold us accountable....Poor people don't vote."<sup>28</sup>

The Department of Housing and Urban Development, in a review of charges brought by the Southern Regional Council, explains that the central fire station in Gulfport and the tennis court in Little Rock, as well as a civic center and parking garage in Spartanburg, South Carolina, are all legally eligible for community development funding. As for the contention that Gulfport failed to follow the results of its own citizen survey, the HUD review notes simply that, "The statute makes very clear who makes the final decisions after it has followed the citizen participation process."<sup>29</sup>

In Alhambra, California, legal service attorneys representing three local citizens have gone to court in an attempt to stop the city from spending \$100,000--half of its total first-year community development grant--to enlarge a municipal golf course from nine to eighteen holes. The city proposed the golf course under the statutory provision allowing HUD to fund activities certified by a community as having "a particular urgency," even though those activities do not directly benefit low- or moderate-income families or help prevent blight. Not only did Alhambra's own first-year application

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28. *Ibid.*, p. 53.

29. US Department of Housing and Urban Development, "Review Comments: Southern Regional Council Report," unpublished (Washington, D.C., 1976).

not support this claim of special urgency, but, in fact, it ranked the goal of improving existing parks below seven other needs of higher priority. Since the statute gives the secretary of HUD final authority to determine whether a local certification of particular urgency is justified, the suit now in court charges that, in this case, it was HUD which abused its discretion.<sup>30</sup>

In Honolulu, a proposed community development block grant budget presented to the city council consisted mainly of public works and recreation projects that had little discernible relationship to the needs of low- and moderate-income people. The proposal included a flood control project, several new bridges and road improvements, sanitary landfill operations, sewage facilities, and expenditures for the Honolulu zoo, several regional parks, and other recreation areas. During city council hearings in March 1976, an attorney from the Hawaii Legal Aid Society argued that, under the federal statute, community development block grant funds are intended to benefit low- and moderate-income people, not to finance public works projects for the community at large. He threatened legal action if the council adopted the proposed program. The council then decided to revise Honolulu's plans.<sup>31</sup>

No matter how strong local resident groups are, the statutory definition of eligible activities allows them only limited and occasional leverage to influence the content of local programs. Further, current HUD re-

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30. Garcia, et al, v. Hills, No. 76-1014 (D. Cal., March 29, 1976).

31. Robert M. Harris, Legal Aid Society of Hawaii, "Testimony before the city council of the city and county of Honolulu regarding the annual budget bills and program of the city and county of the fiscal year, July 1, 1976 to June 30, 1977."

quirements for citizen participation offer no more than a small opening into the local political system. As we discussed above, guidelines require that each community provide citizens with adequate information about the program and hold at least two public hearings to obtain their views. The community also must provide citizens "an adequate opportunity to participate in the development of the application." But, the law is explicit in giving final authority for local decisions to elected officials.

One measure of resident involvement in decision making is the amount of community development funds used to pay for citizen participation activities. Although no national data are available, two surveys covering most California cities found that four-fifths of them spent no money at all for this purpose. Most outlays for citizen participation in California were for continuation of former Model Cities activities.<sup>32</sup>

In short, cities can have about as much or as little citizen participation as they want and still receive their community development block grants.

At this time, we know that there are many variations in the use of these grants from one community to another. However, local experience has not been studied extensively; and, furthermore, judgments made in the first year of any national program must be considered tentative. Still, the incomplete and early evidence at hand strongly backs the following conclusions of the Southern Regional Council:

The 1974 Act, with the New Federalism approach it embraces rests on the theory that local governments can be relied upon

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32. DeLeon and LeGates, Redistribution Effects, p. 30.

to carry out urgent national goals--in this case, the goal of improving the living conditions of urban persons of low and moderate income. But the fact is that local governments are not carrying out this goal with any consistency. Instead, they have been permitted to deviate at will from the national responsibilities that the 1974 Act supposedly places upon them.

...The very mixed achievements of Southern cities have shown that local diversions from the national purpose are not just occasional abuses, but rather form a pattern inherent in the implementation of the Act.

Clearly the most serious difficulty with the Act is that it fails to assure the channeling of funds to its low and moderate income target populations....The most important reason for this difficulty is the lack of political influence that low and moderate income groups exercise in the local community development decision-making process. Consequently, with an Act that relies so heavily on local political processes to carry out national objectives, legislative changes must be directed primarily toward strengthening the influence of low and moderate income persons in local community development decision-making."<sup>33</sup>

#### Comparing Community Development Strategies

Early returns show that community development block grants are operating very differently from the Model Cities Program, but they are no more effective in achieving national purposes. The purposes of the block grant program are, in fact, hard to identify. Our reading of the legislative background suggests that the following objectives are legitimate points of comparison for evaluating the two programs: keeping red tape to a minimum, giving local communities flexibility to select their own projects, delivering federal resources to the low- and moderate-income groups for whom they were intended, and funding projects that are of benefit to their users.

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33. Raymond Brown, et al., A Time for Accounting, pp. 102-104.

The Model Cities Program never succeeded in its attempt to simplify federal aid management or to cut processing time for local applications. Model Cities gave cities greater freedom to design their own projects than did the categorical programs that preceded it; however, federal policy set the basic direction with an emphasis on social action and public service delivery. The program was a conspicuous success in channeling its resources into city neighborhoods where poor people and minority groups were concentrated. At a time of great urban unrest, local Model Cities projects were important symbolically, but our best judgment is that the services they offered were of little substantive value. They were more effective in helping the poor and minority groups to get public service jobs and to enter city politics.

Community development block grants are a success in cutting federal red tape, although the cities are still unable to spend federal funds without long delays of their own. Under the new arrangements, cities are much freer than before to design their own programs. Nonetheless, Washington continues to shape the character of local expenditures, this time favoring physical facilities and hardware investments. The block grant program is failing to target its funds into projects for low- and moderate-income neighborhoods: cities are taking advantage of the wide loophole the law provides to support activities that have nothing to do with families of below-average income. And, as we have seen, HUD has readily given its approval to this diversion of funds.

Community development block grants, as they are now operating, approximate a general revenue sharing program for public works. Cities are not funded on the basis of need but according to a formula that is virtually

tantamount to per capita grants. Nor are the cities required to allocate their federal funds to neighborhoods or projects on the basis of need: HUD relies heavily on the cities' own good faith in complying with the statutory purpose of assisting people of low and moderate income.

If the overriding national purposes in urban development are to cut red tape and to encourage cities to spend more money on public works than they might otherwise choose to do, then this program may be a great success. What remains of a national commitment to improve living conditions in poor neighborhoods, however, is rapidly becoming a casualty of the legislative shuffle.

## SALVAGING COMMUNITY DEVELOPMENT AND NATIONAL COMMITMENTS

Our assessment of both the Model Cities Program and Community Development Revenue Sharing assumes that a continuing commitment to improve city slums and marginal neighborhoods is still the main reason for any federal involvement in local community development projects. This assumption may be wrong. If it is, community development block grants already may have served admirably to accomplish several political objectives: At a minimum, this program has given good cover to a retreat from the objectives of the Great Society and has extricated federal officials from troublesome local controversies across the country. Yet, even from a political point of view, the Community Development Revenue Sharing program could turn easily into a major liability. It will soon be vulnerable to charges that it is little more than a \$3 billion public works fund disguised by admirable statements of purpose while giving local governments free reign to spend federal dollars however the most influential local citizens see fit.

Instincts for political preservation as well as residual social commitments--particularly among congressional supporters of community development legislation--should argue for early revision of the community development block grant program. We have some suggestions toward that end.

A guiding principle emerging clearly from Model Cities experience is that the American political system requires complementarity among programs for different interest groups. That is, programs for the poor are feasible politically only if there are, at the same time, similar but bigger programs for majority interests.

To this extent, a comparison of Model Cities with community develop-



ment block grants is not entirely fair. Model Cities was only one of a handful of community development programs under the Great Society; and, of these, it was the only HUD program designated explicitly for the poor. Community development block grants, on the other hand, wrap together virtually all of HUD's federal aid activities for urban development. Politically, it is close to impossible for HUD to turn its back on constituents who used most of its former categorical programs and, instead, to channel all-embracing community development funds primarily into slum neighborhoods. Even the lofty declarations of purpose in the legislation itself do not call on HUD to do this.

Still, as indicated earlier, Community Development Revenue Sharing is doing less than it could and much less than Model Cities did to give poor people a piece of the action. Between 1968 and 1972, the Model Cities Program sent 18 percent of HUD's total community development aid budget into poverty neighborhoods.<sup>34</sup> According to the NAHRO study cited earlier (note 24), only 12 percent of current community development funds are going into comparable low-income census tracts, and much of these funds will be for clearance activities of questionable value to neighborhood residents.

Nor does our analysis of HUD data show that citizens of moderate income will be the prime beneficiaries of the new program. Excluding clearance activities, only a third of first-year community development funds are allocated to areas inhabited by moderate-income households. Most of

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34. Calculated from HUD, Community Development Block Grant Program, Table E.5, p. 142; and Frieden and Kaplan, The Politics of Neglect, Appendix C, p. 271.

the money will go for a combination of unfinished urban renewal projects, public works in the better neighborhoods, and facilities to serve an entire city, such as downtown parking garages. If the program continues on this course, the average citizen will benefit about as much as the average New Yorker did from 25 years of generously funded urban renewal projects in that city--which is to say that there will be some benefits, but they will not be very great.

#### Next Steps

We suggested in our book, The Politics of Neglect, that the three basic components of the present federal inventory--general revenue sharing, special revenue sharing, and the remaining categorical grants--meet the requirement for complementarity many times over and are capable of responding, in combination, to the political and administrative needs highlighted by the Model Cities experience. What is needed is a deliberate federal strategy that recognizes the continuing, special claims of poverty populations to a fair share of national resources and a willingness to deploy the three types of federal aid according to this strategy.<sup>35</sup>

Among our specific recommendations:

1. Consolidate local planning: The federal government should use its leverage to make cities draw up spending plans for a broad combination of federal aids as part of a single operation. Special purpose allocations

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35. See Frieden and Kaplan, The Politics of Neglect, pp. 234-257. This chapter describes the authors' proposals for amending federal urban aid programs and their administration,

to the poor and to families of average income are likely to be more defensible if they are seen as a small part of the total flow of federal funds for a community, rather than if each individual federal program is up for grabs before the city council. For this purpose, HUD and the Office of Revenue Sharing in the Treasury Department should consolidate the local reporting requirements for general revenue sharing and for Community Development Revenue Sharing. Further, their guidelines should encourage local communities to treat these as complementary programs, to plan their budgets for both on the same schedule, and to hold public hearings on the two programs together.

2. Permit categorical grants to be used as incentives: Categorical programs remain a primary source of federal aid. They offer numerous opportunities to meet the objectives of "complementarity." Some aids, continuing current practices, could be provided to cities on the basis of existing criteria. Others, however, after being restructured to provide for less complicated administration and more strategic use, could play an important role in helping cities respond to the commitments of reducing poverty, eliminating discrimination, and improving local government's capacity for management. We would propose, in particular, that cities which illustrate clear-cut efforts to attend to the problems of the poor and their own administrative deficiencies receive priority in the allocation of categorical aids for social services.

3. Specific income criteria and minimum budget allocations for community development grants: A most important step is the tightening of legisla-

tive requirements that community development block grants be spent primarily for activities demonstrably benefiting low- and moderate-income families. The law should set realistic standards for measuring low and moderate income relative to the median income for each community taking part in the program. Further, in order to provide mayors and councils with the political ability (shelter) to allocate funds to poverty areas and to provide low-income residents with a firm basis for claiming their rightful due, the law should establish a specific minimum percentage of funds awarded to be used for low- and moderate-income families--on the order of the 80-percent requirement contained in the Senate version of the 1974 Act, which was deleted by the Conference Committee. Correspondingly, the law itself should set a low ceiling on the percentage of funds that can be used for local exceptions--that is, for other community needs unrelated to low- and moderate-income people.

4. Tighten standards for resident involvement in community development programs: To promote greater consistency between community development projects and the people for whom they are intended, we believe Congress should also tighten the requirements for citizen participation. The citizen role should remain, in our view, an advisory one. The law should not prescribe specific procedures but should state performance standards similar to those drawn up for the Model Cities Program. They should require cities, for example, to offer residents of low- and moderate-income neighborhoods opportunities to comment on city proposals.

5. Let the cities decide on the mix of hardware and service projects:

The extreme diversity of American cities argues against any attempts from Washington to prescribe the kinds of projects that will be most useful to local residents. Federal pressure in the Model Cities Program led to an overemphasis on human service activities; counterpressure in Community Development Revenue Sharing is likely to lead to an overemphasis on public works construction. Many of the older cities in the country are deficient in community facilities for their poverty neighborhoods while many newer cities are reasonably equipped with hardware but have only marginal public services. City governments, with advice from their residents, are best equipped to decide what kinds of projects make sense to them and to be held accountable for the results. We believe the law should not continue to set more demanding requirements for service activities than for hardware.

Can these requirements for spending priorities and resident involvement be carried out without imposing the red tape burdens that made the Model Cities Program so difficult to administer? We believe they can. In fact, the current application and review process is unnecessarily complicated and should be simplified: The law now requires each eligible community to submit an annual application containing a three-year plan, a comprehensive strategy, short- and long-term objectives, a one-year community development program, a program to prevent blight and provide improved community facilities, and a housing assistance plan, together with a program budget and several other local certifications.

If the statutory criteria determining who the beneficiaries are and establishing a resident role are stated clearly as performance standards,

it should be feasible to do away with some of the current administrative requirements without sacrificing important national purposes. In place of the current community development plans, programs, and comprehensive strategies, each city should be required to submit only a brief statement of its objectives consistent with statutory criteria and an annual statement of proposed projects. The federal review should rest mainly on a post-audit after each year of operations and should focus on the consistency of actual expenditures with the community's annual statement and with the statute. If these requirements are to carry weight locally, the post-audit must be a serious one, carrying with it the threat of reduced subsequent grants if a city's expenditures violate statutory purposes.

6. Revise the basic community development allocation formula: In addition to these changes which would affect local uses of community development funds, the formula by which block grants are distributed among communities is badly in need of revision. The factors Congress included as indicators of local need actually have only a small effect on aid allocations under the existing formula. As part of an effort to redirect this program in line with its stated purposes, the formula should scale federal aid for community development according to the proportion of poor people among a city's residents and the degree of obsolescence of community facilities.

Although Community Development Revenue Sharing is off to a poor start, in our view, if the above recommendations are accepted, it would provide a legitimate format for federal aid to urban areas. Unlike Model Cities, it does not make unrealistic demands on a large number of federal departments for support and coordination, nor does it call on local officials to sup-

ply a degree of coordination unavailable in Washington. The program is simple and straightforward to administer. Its aims are modest and realistic. Linked strategically, as we have suggested, to other complementary elements of the federal inventory, Community Development Revenue Sharing could yet offer cities increased opportunities to improve the quality of life for low- and moderate-income people.

Mr. FRIEDEN. In our study we compared the community development block grant with the last major initiative of community development that came before it, and that was the model cities program. If I could summarize our conclusion very briefly, it is that under model cities, Government did a clumsy job of helping people who were in great need. Under community development block grant, Government is doing a more efficient job of helping people who are better off and need the help less.

The basic issues in our study all had to do with purposes. And we identified the main purposes of community development block grants as three. First, keeping redtape to a minimum, simplifying the delivery of Federal aid. Second, giving local communities flexibility to design their own projects. And third, improving living conditions for low- and moderate-income people.

The last we take to be a partial fulfillment of the promise in the 1949 Housing Act of a decent home and a suitable living environment for every American family—and although there have been many programs in the past that addressed the housing part of that goal, this is one of the few that addresses clearly the question of how to provide a suitable living environment.

How well is it succeeding in comparison with the earlier programs that it replaced? And we think that comparison is the basic test. On the first point, is it cutting redtape? We think it is; and it should get high credit for its achievements on that score. It merged together seven programs, each of which used to have its own complicated application and review procedures, and now there is only one and it is less complicated. The pages for applications submitted per year have gone down from 1,400 under the old programs to 50 or less under community development block grants. The processing time from an application to a contract has also been cut substantially.

However, it is true that the money still remains slow to hit the streets, and if the purpose of cutting the redtape is get the money out into the neighborhoods, then that purpose still hasn't been fully achieved. As of last summer when we saw the last data on the rate at which expenditures were being made; the cities had been able to spend only about a third of the first year funds that were made available to them without further restrictions.

What this suggests to us is that the Federal Government does not have a monopoly on redtape, and that there is a good deal in city hall that needs to be coped with also.

On the second question: Is this program letting the cities set their priorities? In some ways, yes. But in some important ways, it is not. Other speakers have already commented on the hardware emphasis in this program, which is a very sharp contrast to model cities, where most of the spending was for so-called service programs, particularly in fields such as education, manpower, and job development.

Federal policy is still setting the basic directions for how the money can be spent locally. The 20-percent limit on spending for public services is an important restriction that local governments have to follow. Besides that, there is both pressure and authority brought to bear on the cities to complete unfinished urban renewal and neighborhood development projects.



As a result, in the first year more than 40 percent of the community development funds were for the completion of urban renewal projects and neighborhood development projects. And also, as a result of the limits on public service activities, only 4 percent of the money went for public services and most of this was to former model cities communities, where we expect some special pressures were operating.

A more fundamental question is who benefits from this program. First of all, which cities. Much has been said about the allocation formula this morning and we won't go over old ground, but it seems to us from reading the legislation, the intent of that formula was to favor cities where poor people and bad housing were concentrated. The measures, however, were poor ones. They clearly did not work out the way they were intended to.

After the hold-harmless provisions expire, the program will be shifting funds away from cities with a high proportion of poor people and poor housing and into communities with lower proportions of both poor people and poor housing. The money distributed under the present formula amounts almost to a per capita grant. The overriding factor is the size of the city.

Who within cities is benefiting? Under this program, the poor have to compete with other interest groups for a share of the money. Conflicting claims are being made about what kinds of neighborhoods the funds are going into. According to HUD's first year report, two-thirds of the funds will go into low- and moderate-income areas.

We find their definition of low- and moderate-income areas to be very suspect. A similar study by the National Association of Housing and Redevelopment officials found 12 percent of funds going to low-income areas, 39 percent going into moderate-income areas.

Now, the accounting is further confused by 40 percent of the money going into the completion of urban renewal projects, and most of that was reported as clearance-related activities. That is not the kind of project that is likely to be of much benefit to low-income neighborhoods, because what it means is that people will be displaced from their houses at a time when housing subsidy programs such as section 8 are either not working or barely off the ground.

Even using HUD's data, if one recalculates and does not count urban renewal funds as being helpful to low- and moderate-income neighborhoods, only about one-third of the money in the first year went into such neighborhoods. Much of the money is going into facilities that serve an entire city, such as fire stations, downtown parking garages, convention centers, and so on.

Some is also going to affluent neighborhoods in the form of a tennis complex in Little Rock, that the Southern Regional Council commented on, or, in California, the expansion of Alhambra's golf course from 9 to 18 holes.

Our conclusions, then, are that there is less redtape in this program than its predecessors. There is continued steering of Federal-local outlays in a particular direction, and that is toward hardware.

Compared with the models cities program, there is much less money going to cities where poor people live and less for the poor overall, and not much for moderate-income neighborhoods either.

If we were to judge this program by its performance, more than by the declared purposes of the legislation, we would have to describe it as a general revenue-sharing program for public works.

The money is not allocated either to cities or neighborhoods on the basis of need. The major restriction is not that the money be spent for specified income groups, but that the money be spent on public works.

If the purposes of the program are to cut redtape and to encourage cities to spend more on public works than they otherwise would, then this may be a great success.

But at the same time the program is very vulnerable to charges that it is little more than a public works fund, and when the first scandals come to light as they inevitably seem to in these programs, it is going to be very difficult to defend this program if it stays on its present course.

One thing I would add to what we reported in the study: As a result of some new annual housing surveys undertaken by the Bureau of the Census and the Department of Housing and Urban Development, we do have a first measure of the extent of what might be called the "neighborhood problem," that is, families living in neighborhoods where either public services or street conditions are so inadequate that they want to move because of them.

In both 1973 and 1974, a total of about 10 million families, about 15 percent of the Nation, described their neighborhoods that way on the annual housing surveys.

This is a significant part of the country's housing problem, and it affects middle-income families to about the same extent as low-income families.

Furthermore, it doesn't call for a housing remedy, it calls for a community development remedy. The widespread extent of dissatisfaction with neighborhood conditions might help to explain why there are some sharply competing claims for the money in the community development program.

But it also argues that the program deals with what is a very important national problem and one that has received inadequate attention in the past.

Incidentally, the most frequent sources of inadequacy, according to the annual housing survey, have had to do with public transportation, street noise, heavy traffic, streets needing repair, inadequate street lighting, and crime in the neighborhood.

We pose the question, then, of whether it is possible to restructure community development block grants so that they can deal more effectively with these problems, and especially deal with these problems as they affect low- and moderate-income people? And, more so, can this be done without returning to the troublesome approach of categorical grants?

I would like to turn to Marshall Kaplan to present our findings on that score.

#### STATEMENT OF MARSHALL KAPLAN

Mr. KAPLAN. I want to thank the subcommittee and its chairman for allowing the chance to talk. I would also like to thank the Lyndon B. Johnson School of Public Affairs and Mrs. Johnson, who hosted a

conference in September, under whose auspices our initial paper was done.

We did look at how to link our critique to a set of alternatives. Anyone who is absolute in this area of clairvoyance I think in a suspicious fashion, so I will deal primarily with broad themes rather than specific formulae, although we are prepared to talk about the formula issue with you if you ask.

I think it is important to realize that what is emerging or has emerged in the past few years is a tripartite inventory. We first have the general type revenue-sharing program, and we have the block grant programs, of which the community development block grant program is an element. And then we have the original categoricals.

Unfortunately, while these three types of assistance programs do lend themselves to a strategy, they are not being administered as a broad strategy. And in the broad thrust, we would suggest to the committee that the revenue-sharing program remain free of much restrictions, except those that relate to fiscal audits in general categories that are now in the statute.

We would, however, suggest that the block grant program approach, the community development type of funds, be reevaluated to add back in stronger poverty-based criteria. In effect, these funds could still be free of what Mr. Frieden has suggested, the onerous categorical program criteria, but would have performance criteria to assure the flow of funds to the needy. We would then use the categorical programs as incentives for cities that are high performers.

In that context of a broad tripartite strategy, we would suggest the following types of amendments to the community development program.

First, we would think that in a national distribution sense the problems with the present formula is that it comes out in effect a per capita grant.

We would suggest that the formula be changed and that the formula give greater weight to poverty. We would suggest that an amended formula take the proportion of people who have low income in a city rather than at present to the metropolitan area, and that it be proportionate instead of in terms of aggregate numbers.

We would also suggest that once the funds get into the city, cities be required to spend 80 percent or 85 percent or 75 percent—again, there is no magic, but at least some high proportion of their areas that are defined as—that are occupied or defined as poverty areas.

Again, still free of categorical program restrictions as to content and as to projects, but clearly earmarking the funds to areas of high need.

We would also suggest that you go back to the statute and amend the performance criteria that we think are quite weak at the present time in terms of citizen involvement. Most of our data suggest that the present criteria can be met with only nominal hearings and in effect the citizens are not being involved to the extent they were under prior programs in a meaningful way in the community development block grant program.

We would also suggest the same thing occur with respect to the chief executives of the city. If CDBG is an attempt to build up the capacity

of city hall, then we think that the formula that actually directs the funds to the mayor or the elected chief executive officer ought to be strengthened.

At the present time our data suggest that there is excessive delegation of funds to outside agencies, outside of city hall, with only the nominal signoff and review of the chief executive.

We hope, too, that community development block grant programs would be opened up to both hardware and software projects. These should be determined by the city itself with no prior prescriptions either on the part of the Congress or on the part of HUD.

Last, in order to permit cities and the Congress and HUD to judge the complementarity of the present Federal inventory and what is emerging again as a strategic inventory, we would suggest some thought be given to the reporting dates on revenue sharing, community development block grants, and categorical programs, so that the three can come out of the cities at one time in terms of presentations and proposals, that they can be evaluated at a single time, and they can be postaudited, hopefully, at a single time.

Again, getting at the strategic nature of the federal inventory as it now exists, we do not think we need to go back to administrative categorical program criteria.

We do think, in summary, that we can, based on the model cities experiences and its problems, begin to define performance criteria to get at some of the issues that Mr. Frieden and I have talked about.

Thank you.

Mr. ASHLEY. Thank you, Mr. Kaplan.

Gentlemen, I must say that, coming from as far apart as are Texas and Massachusetts, the findings with respect to the operation of the community development block grant program seemed to me to be remarkably the same.

Is this because you are working with the same data, or is this because you have been in touch? How do you explain that?

Mr. KAPLAN. I think it is probably that I am from Texas also, and we outvote Mr. Frieden two to one. But we are working essentially from the same data, Congressman, and I think the critique of the community development block grant program would suggest perhaps there is wisdom in it.

Mr. BACH. Also, where we live is not where we are coming from.

Mr. FRIEDEN. What Mr. Bach means is we all studied at MIT.

Mr. ASHLEY. Did you get into the second year, or were you confined to the first year of community development operations?

Mr. FRIEDEN. Our study was based entirely on the first-year reports.

Mr. BACH. We are currently looking at the second-year program in the six cities that form our comparative sample.

Mr. ASHLEY. Well, it is basically a first-year data base that you are speaking from?

Mr. KAPLAN. At the present time, yes.

Mr. ASHLEY. I wonder how accurate that would be as far as a reflection on spending patterns since the end of the first year?

Mr. KAPLAN. In a reconnaissance of several cities that we are working in at the present time, the pattern seems very similar, that is urban renewal projects continuing to be closed out and receive an awfully

large share of these types of programs. The restrictions on social services seemingly are forcing or generating more concern for hardware than software issues.

Again, we're not arguing that it ought to go the other way. All we're saying is that the cities ought to have the flexibility to make the choices locally.

I think what you will see, Congressman, is that at the end of the second year the pattern will be very similar to the one at the end of the first year.

MR. BACH. I would like to take issue with that. What we are observing—and I don't have the hard figures in front of me yet—is that there's an increased rate of spending in the cities during the second year, that makes us believe that the earlier rate of expenditure may only be a transitional startup problem. Most community development offices were new divisions of the mayor's office, had startup problems in coordinating with established city agencies, who tended to follow their own agenda priorities.

Half of our six cities have had legal problems with housing rehabilitation, which seem to be in the process of being solved.

Also, I think we forget that physical development activity requires a long leadtime. Engineering studies, developing specifications, going through established bidding procedures, all of those things suggest kind of leadtime problems that would make rates of expenditure slow during the first year but somewhat higher during succeeding years.

MR. ASHLEY. I don't know if you've had an opportunity to look at the staff study that was completed recently and published just in the last 10 days or 2 weeks or so. This was on a rather updated basis. I think that visits were made, onsite visits, to 133 communities, metro cities, urban counties, nonurban local jurisdictions, participating in discretionary funding.

I think that your explanation is probably a sound one. I am not willing to accept the fact at this juncture, based on my reading of this report, that the out-year—that is to say, subsequent to the first year—that there haven't been some changes and it may well be that your findings are, from your perspective and perhaps from the subcommittee's perspective, valid, that is to say that there should be a targeting of them, of funds, for activities addressing better the needs of low and moderate income, but that is something we will address. That is not an easy proposition to take on.

I think that we might have difficulty asking 535 representatives of very different types of communities, the length and breadth of the country, to narrow the focus as far as community development is concerned, and also to make available some \$400 million or \$500 million of discretionary funds that would very specifically, with the eligibility threshold, be directed to the larger scale residential, commercial, industrial types of activities that demonstrably are necessary to meet the needs of lower income families. It just seems to me that might be asking a little much.

MR. KAPLAN. The urban action program, which the Secretary gave in her testimony, is a legitimate step forward. Perhaps the problem with it that we see is that the level appropriation for that type of program, given the competition—whether or not it is defined in terms of

eligibility or formula—would end up allowing cities in need far less than they got from the first- or second-year appropriation from the model cities effort.

The intent is well spoken. It probably could be achieved with a larger type of dollar volume, if the formula with respect to community development were changed in order to get back to what we thought or had hoped was the initial intent of the legislation.

Mr. ASHLEY. Well, I follow your question, it would seem to me that if we are going to have the closer focus and the concentration of funds on activities supporting the needs of low- and moderate-income families, then unless I misread the political situation, it would be necessary to increase funding for the community development block grant program, because, as we have heard from others, the needs of a Houston, where you only have 5 percent unemployed, are going to be insisted upon in the legislative halls, aren't they?

But the needs in Toledo, Ohio, in directing funds to neighborhoods, mixed neighborhoods such as our old West End, which might be in a moderate state of decline and deterioration, the city fathers I think might not unwisely suggest that some of our community development funds be directed to that kind of a neighborhood, which, comparatively speaking—is substantially better off.

Mr. FRIEDEN. This is what I meant to suggest by bringing the results of those housing surveys which do suggest that a very large number of families of average income also feel they have very serious neighborhood problems. I think that, to, is a legitimate use of the funds. This would be the moderate part of the low- and moderate-income phrase. But it did appear in the first year that not a very great deal of the money was going into neighborhoods where people of average income are living.

Mr. ASHLEY. Well, some of that, in all truth, is because 40 percent of the funds were going for urban renewal programs, and those aren't going to go on forever. And we have a request for money from the Secretary now to close them out promptly so that you would free up the use of community development funds that otherwise would be going, I think legitimately, for closeout purposes. Those people were promised that 10 and 12 years ago, that something good was going to happen in their neighborhoods, and those projects haven't been closed out, and there has been a very serious loss of faith as a result thereof. And what people see in my community, quite honestly, is the use of community development funds going for new purposes as distinct from the older urban renewal closeouts. And this causes considerable problems.

Very often the people in those neighborhoods don't have the political clout in city hall—and you have found this, I'm sure.

Mr. FRIEDEN. That is why we argued for tightening the performance criteria in the program: that is, not for a return to the situation in which HUD must approve individual projects, which might possibly have been implied by the Secretary's statement, but rather for a cleaner definition of what proportion of the funds must be used in low- and moderate-income neighborhoods, and what measure do you use to decide what is a low- and moderate-income neighborhood.

Mr. BACH. I would like to add that I have spoken with several mayors who would welcome greater income restrictions as a way of

being able to deal with some of the pressures to spread the funds more widely.

In the past they have had the Federal crutch, being able to say that the money is targeted at neighborhoods eligible for model cities grants, or those that fall under urban renewal. That is no longer the case.

Mr. ASHLEY. One of the problems in that regard, of course, is that people will tell you privately to put a gun at their head.

Mr. KAPLAN. We had many mayors who refused to be quoted, who indicated they enjoyed and welcome the shelter of the Federal performance criteria. But as you correctly state, when they come before you, I assume they change their mind.

Mr. FRIEDEN. I must correct one misimpression.

Mr. ASHLEY. Well, let me ask this quickly, because we have got another panel coming on.

How does the dual formula strike you? Does this begin to address some of the concerns that have been raised by virtue of the work and the data that has been assembled by virtue of your work?

Mr. KAPLAN. I would think that the dual formula, again, is a step forward. We haven't had an opportunity to examine it in depth. We would hope that the final formula does reflect a higher proportion—does give greater weighting to a low-income indicia.

Mr. ASHLEY. Well, that second part of the dual formula, presumably, would. And I say presumably because I am not satisfied that that is exactly what we are looking for.

But what seems to be said is that population and poverty counted twice the extent of overcrowding housing—it may be all right for some cities, but it is not as good as it should be for others, principally in the Northeast and the Midwest. The older cities, as we all know, are suffering from outmigration and from age. This is the kind of compromise or trade-off that we have seen before. I think it is interesting that that is appreciated to the extent it is by the Brookings people and the others who have done some groundwork as far as the dual formula is concerned.

I think that what is important is to address ourselves to the finding that you three gentlemen bring before us today. I am not so sure that that can be done easily, as far as the community development program is concerned, other than through a kind of change in formula that is suggested. And I suppose I say that because we tried in 1974 to fashion a program that would be responsive to the different kinds of needs reflected in different cities, different communities, right across the board.

And as you know, we relied upon—and I think rightly so—on the decisionmaking, the problem articulation from the local community rather than from Washington, but within constraints represented by the articulation of various congressional objectives. And that certainly left room for some flexibility. There is no question about it. And I can see where the program, if left on its current path, might downstream cause some considerable question as to where the money is being spent and whether we in fact are sufficiently addressing the problems that are contained in the statement of purposes.

Mr. BACH. I would certainly support changes in the allocation formula, as I understand them to have been recommended.

But there is no reason to expect that under a new formula allocation, that the internal pattern of distribution of block grant funds within a jurisdiction is likely to change sharply; even those cities that gain funds through a new formula are likely to distribute their priorities in a fashion similar to the way they have been distributed in the recent past.

Mr. ASHLEY. Well, of course, you are entirely right, that the formula changes without some concomitant in the eligible activities and/or in the amounts that have to be directed to the low and moderate income would not accomplish that objective.

Mr. KAPLAN. There is one other major dilemma which I think you and HUD face, and I don't think anyone is at fault. That is the relationship between the housing assistance plans and the community development block grants. It is a tough nut to crack, unless you on the one hand can argue for more physical hardware emanating out of the community development block grant program and tying it directly to the housing assistance program.

The fact is, however, that the housing assistance programs, or HAPs, have not been tied to the extent that has been prescribed by HUD to the community development program, and so you find cities submitting their HAP's without any ongoing relationship either on the part of HUD, in terms of earmarking other housing programs to these strategies, or on the part of the cities themselves. So they become a paper requirement.

Mr. ASHLEY. But what about the percent of community development funds used for rehabilitation? That has been reasonably substantial.

Mr. KAPLAN. It has been reasonably substantial, particularly in the merging of programs.

Mr. ASHLEY. You see, that is the one area that the mayors and the others have a handle on. They don't have a handle on the delivery of housing units, as promised by the legislation. And the idea in creating the linkage between community development and housing was to allow the communities to come up with a plan responsive to their housing needs. And the only ability that the mayors and the others have is to earmark a certain percentage of their community development funds for rehabilitation. We made that possible, but there is no way in the world they can insist to HUD that more units of section 8 be available, as called for in their HAP plans.

This is a failure not on the part of the locals but on the part of the Federal Government, it seems to me. And I think we are going to have to see what happens when we begin to deliver 400,000 units a year, as promised. Then we can test the linkage and see what is happening.

It does seem to me, in this regard, that it is very constructive to cause the city fathers to take an interest in the location of housing for lower income families. After all, the accessibility to schools and to markets and so forth is fundamental. And this was not called for or insisted upon, as far as our section 235 and section 236 housing was concerned, and even the section 202 program. And you get real aberrations as a result thereof.

So I am not dissatisfied or discouraged. But I am not entirely satisfied, but I am not discouraged to the point of throwing up my hands



with regard to the linkage situation at all. I think that we are going to be able to tell in another year or so the extent to which there may be some remedies required.

Mr. FRIEDEN. We would agree with that very much. And actually, in connection with the entire program, although our report may sound very critical, based on first-year experience, where we really come out is saying that the act built a very good structure—in fact a better structure than the model cities program—for addressing some of these problems, and that what it needs is a small amount of change at this point to try to make a midcourse correction. But we are not saying more than that.

Mr. ASHLEY. Well, I appreciate that. And I gather that from your statement, which we will review very thoroughly. There is going to be an analysis of your statements that will be available for all of the members of the subcommittee when we go to markup, precisely the direction of your recommendations which, I think, have been very constructive.

— You know, we are embarking on some rather consequential changes. We are going to go to 3-year funding, and we are going to come up with about a half a billion dollars in special assistance to communities in most dire need. If we are going to make the community development program work from the standpoint that we all understand, then two things are clear: That we have got our work cut out for us, and second, that yours has been a very positive contribution this afternoon, and I am grateful for your testimony.

Mr. FRIEDEN. Thank you very much.

Mr. KAPLAN. Thank you.

Mr. ASHLEY. The subcommittee is going to stand in brief recess. We are running, by virtue of legislation on the floor, somewhat behind time. The Chair is going to get just a bit to eat. But I'll try to be back here in about 10 minutes.

[Whereupon, at 2:05 p.m., the subcommittee recessed for lunch.]

#### AFTERNOON SESSION

Mr. ASHLEY. The subcommittee will come to order.

The first witness at this juncture will be the National Council for Urban Economic Development, Walter D'Alessio, executive director, the Philadelphia Industrial Development Commission.

Good afternoon. We appreciate your being here. If you would introduce those who are with you, we would appreciate it.

#### STATEMENT OF WALTER D'ALESSIO, NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT; EXECUTIVE DIRECTOR, PHILADELPHIA INDUSTRIAL DEVELOPMENT COMMISSION, ACCOMPANIED BY JAMES E. PETERSON AND LUCY WELLS OF THE COUNCIL

Mr. D'ALESSIO. Mr. Chairman, I am executive vice president of the Philadelphia Industrial Development Commission. I have with me James Peterson and Lucy Wells of the National Council for Urban Economic Development staff. If you have no objection, I would like them to join me.

I have a rather extensive statement which I don't plan to read. With your permission—

Mr. ASHLEY. It will be inserted at this point in the record in its entirety.

Mr. D'ALESSIO. In that case I would just like to summarize it and save your time.

As my title would indicate, I am what is known in the vernacular as a local economic development practitioner, although I do come, just by way of background, from a long number of years—it seems longer at times—of experience in urban renewal as the former director of the Philadelphia Redevelopment Authority. And I appreciate the opportunity to comment on urban economic development in the context of these hearings on the community development block grant reauthorization.

We think that some of the things that have been said here already are quite important, but to put them into the context of economic development, let me tell you a little bit about what we do in Philadelphia, some of the benefits of the existing programs and some of the concerns we have that I think you ought to consider as you go through these hearings.

We are interested in Philadelphia, as economic development practitioners are in all the rest of our large cities where agencies such as mine operate, in keeping our eye on the development of permanent employment opportunities in the city, and of course, consistent with that, the development of tax revenue producing improvements. Jobs and tax ratables, that is what we are interested in, and that is what we try to keep as our objectives as we implement economic development programs.

In order to really deal with this rather complex process—and it is a complex one—it is not a job for amateurs, it is one that requires a fairly thorough knowledge of financing techniques, and of how businesses make their decisions. In effect, you have to understand as well as the corporations you deal with how they get to the bottom line, because what you are trying to do is to make your city's development opportunities, those urban development opportunities that we all work with, attractive enough. You are trying to provide the incentives that are necessary, to leverage whatever public activities we are managing into much larger private investment.

There is no question, there is not enough public money anywhere, I don't think, to achieve the kinds of development objectives we have in our cities. So the trick is to use what is available to its maximum leveraging capacity and to get the kinds of private participation that is necessary to have development occur and to get those jobs and tax ratables in our city. Leveraging private investment is the key to economic development.

We do that in Philadelphia in a number of ways, and I won't bore you with a lot of examples, but just to give you one: Using community development block grant funds, we have a program that we developed in our model cities area—it was developed initially under the model cities program and then funded through our community development block grant program—a program of providing financial assistance to businesses located in our model cities area, which happens to be the

north Philadelphia core area, which has the highest unemployment and all the usual social ills associated with that in the city. We use these Federal funds, in effect, to encourage and even in some cases attract new businesses to locate in the core area, an area that had been characterized by the flight of industry rather than development activity. What we have done, then, is to use the community development block grant funds as leverage. We used it to provide space for expansion. We use it as direct grants in rehabilitating properties. We used it to provide offstreet parking, lighted loading areas, all the sorts of things that would result in additional jobs in those areas.

And we used the funds with a condition. We, in effect, said to the private developer, we will put the money in from our community development block grant funds based on the amount of jobs you are going to produce. We are interested in permanent jobs, not just construction jobs. And, in effect, what we got for our investment—and it is about \$1.2 million that we have put into that one relatively small program—is one new job for every \$585 of community development block grant funds.

And that is what I mean by leveraging.

I also mean by leveraging that we have got \$20.5 million of private investment in the space in north Philadelphia that we made available through land acquisition or in the additional investment that was made in those buildings where we put the grant funds. So we leveraged that relatively modest amount of money—it was actually a little over a million dollars, about \$1,200,000—into a \$20.5 million of private investment, into about 4,000 new jobs, into a situation that really achieved those initial objectives that I outlined.

Now, it is programs like that all around the country—we have in our statement examples from Dayton, examples in Bedford-Stuyvesant as well as a number of other success stories—which demonstrate the leveraging effect of economic development.

I think the real problem we have is that these kinds of economic development and leveraging programs aren't typically permitted, I guess is one term, or encouraged, let us say—is a better term possibly—in the regulations and the administrative guidelines of the community development block grant program as we have it today. And there are obviously reasons for that. The community development program is a program budgeted on an annual basis and most economic development projects require more than an annual allocation of funds. Normally and typically it takes 3 years from the date that you convince the guy he ought to move his plant until the date that he actually moves it. It is a long process. It is a process that requires the money to be there at the end of the line when you start that negotiation. And the type of funding program we have had under CDBG up to this point hasn't been conducive to that sort of process.

It is also difficult in the sense that the leveraging techniques aren't always permitted under CDBG because a lot of the activities that we have to take on under economic development put us into an almost coninvestor position with the private sector, and obviously there are limitations on what you can do with public funds in that context.

We have found ways to work with the current community development regulations to encourage private investment participation and to

leverage the actual lending and the investment on the part of the city. But the regulations ought to be more flexible, and we ought to be able to get the maximum amount of investment, the maximum amount of jobs, out of whatever public funds are available.

As I say, I have prepared a rather extensive statement, and I won't bore you any further with that. I would just make one more comment, if I might.

The Council for Urban Economic Development has worked with HUD in the past. In fact, I commend HUD for the efforts they made about 2 years ago when they entered into a contract with the National Council for Urban Economic Development to explore some of the linkages of the federally funded development programs—particularly the CDBG, EDA, and CETA programs—that were available in cities, how they were being used and how they could be linked in cases where they were not. And especially exploring the—I guess I can use the term “linkages”—the relationship between the public and private sectors to achieve this leveraging that I referred to. Several reports, including extensive case studies, have been published as a result of that research effort.

That program, CUED's work for HUD, in part, I guess, had some impact on the creation of a coordinated development demonstration program for 10 cities, of which Philadelphia is one, where each is using up to \$500,000 over a 2-year period funded through HUD, the Department of Commerce, (EDA) and the Department of Labor, cooperatively to put these programs together locally and to improve the coordination linkages. And I think we can do it locally if the kind of example that we have now started in the 10 cities is worked with carefully.

The experiences that we are gaining in the 10 cities can be used to take that concept and do it on a national basis.

There are a lot of programs that we use now in our cities funded by each of these three departments that don't even seem to know the other is there, and I think there is a responsibility on us local practitioners to coordinate them to use them to the maximum benefit and achieve that leveraging I keep referring to in my statement.

Mr. Chairman, that is generally what I was going to say in a much longer statement. I would be happy to go into more detail in any particular area, or answer any questions you might have.

[The prepared statement of Mr. D'Alessio, on behalf of the National Council for Urban Economic Development, along with an attached project summary of the council prepared for the Office of Policy Development and Research, Department of Housing and Urban Development, follows:]

STATEMENT OF WALTER D'ALESSIO  
EXECUTIVE VICE PRESIDENT  
PHILADELPHIA INDUSTRIAL DEVELOPMENT CORPORATION  
BEFORE THE SUB-COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES  
MARCH 1, 1977

Mr. Chairman, Ladies and Gentlemen of the Sub-Committee:

I am pleased to appear before you today to discuss economic development in cities. I am especially pleased to explore this subject in the context of a hearing on the reauthorization of community development because in my mind, there is an important connection between the two.

As you know, I am the Executive Vice President of the Philadelphia Industrial Development Corporation (PIDC), a quasi-public nonprofit development corporation created in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. Its Board of Directors includes city officials and representatives of the business community.

In the vernacular, I am a local economic development practitioner whose efforts are guided by two central objectives: one to create permanent private sector jobs for the residents of Philadelphia, and the other to produce economic return including tax revenues for the City of Philadelphia.

In my experience, sound economic development must be based on a solid understanding of the city's economy, and an economic development strategy based upon that understanding must be implemented throughout the city in order to maximize the city's economic potential. To be specific, efforts to retain the industrial sector of Philadelphia's economy are central to providing employment opportunities for the city's low and moderate income residents but, based on economic factors such as land use, it may be unwise in some cases to locate manufacturing facilities in or even near the neighborhoods where these residents live.

There are many components of a comprehensive economic development strategy. In Philadelphia, economic development is directed primarily toward retention of the manufacturing base still located in the city and to attract new industrial activity. Retention is both more important and more feasible than industrial attraction in Philadelphia and in most other older industrial cities in the northeast and upper-mid-western regions. Examples of our work in this area include a massive effort to retain the city's garment industry, consolidation and relocation of our food distribution industry to new modernized facilities, and a fully-developed 650-acre in-city industrial park providing employment for 15,000 workers, leveraging over \$90 million in private investment and generating \$8.5 million annually in wage and property tax revenues for the city.

Another Philadelphia priority is commercial development including revitalization of our central business district and downtown shopping areas. In this regard, a new 200,000 square foot \$35 million commercial mall is being constructed on Market Street, our primary downtown retail area, and, contrary to the prevailing trend of retail facilities moving to suburban locations, a new 500,000 square foot Gimbels department store costing \$30 million is nearing completion in the same area. In addition, one-third of the city's 30 million square feet of Center City office space has been added within the last six years; the vacancy rate is now 5-1/2% and is projected to drop sufficiently over the next two years to stimulate new construction.

In addition to this work, we have focused on neighborhood economic development efforts, in particular commercial strip development in four older, impacted neighborhoods of the city. This work is crucially important to revitalizing and stabilizing these neighborhoods since the local shopping area serves as a central hub holding these residential communities together.

Conceptually, economic development is a "public investment" program designed to leverage private sector capital in job creating projects while the Community Development Block Grant (CDBG) Program has largely engaged in "public expenditures" to address the gap in residential and physical needs of urban neighborhoods. Thus,

the Community Development Program has not generally shared the objectives and methods of economic development programs.

The fundamental process of economic development involves investing a relatively small amount of public resources to leverage or attract a much larger amount of private funds which, when combined, yield the desired product of jobs and expanded municipal tax base. For example, in Philadelphia PIDC administers a city land bank created in 1958 with an initial public investment of \$17 million, \$10 million in bonds and \$7 million in land, which over the past 19 years has been the basis for the development, marketing, and financing of \$400 million in privately held industrial and commercial properties. In another instance, PIDC has used \$1.2 million in CDBG funds to leverage \$20.5 million in private investment for industrial relocation and expansion in Philadelphia's Model Cities area. A total of 2,000 private sector jobs has thus been retained and another 2,000 new jobs created yielding a cost per new job of \$582 and \$4 million in annual tax returns.

While the goals and the concept of economic development are relatively simple, the techniques and the expertise required are not. This is not a business for amateurs -- effective economic development in cities is a tough proposition even for seasoned professionals.

Since interaction with the private sector seeking to affect their investment decisions is central to urban economic development, a thorough understanding of the private investment process is essential -- what factors make a deal profitable enough to the private investor to make it go, and how can those factors be changed to tip the balance in favor of investment?



Required also is competent analysis of the local economy including its current status, recent past, resources or factors of production such as land, labor, capital, and infrastructure. On the basis of this analysis, there must be an economic development strategy worked out which plots how the city will step-by-step work toward achieving that potential. Without such a strategy, economic development efforts degenerate into "smokestack-chasing" -- frantic activity that is wasteful in terms of time and financial resources and unproductive in terms of expanding jobs or tax base.

Since financing -- both dollar amount and type -- is most often the key ingredient in making a project succeed or fail, a thorough knowledge of a wide variety of financing techniques is necessary to effective economic development. Knowledge of land acquisition, banking and development are also required. Finally, I would point out that economic development in cities is characterized less by headline catching "deals" and more by slow, steady work with members of the business community ranging from presidents of Fortune 500 corporations to owners of neighborhood stores. Taken together, it all means that competent urban economic developers and effective development institutions with appropriate powers are essential to urban economic development. Federal

government support to build and maintain this critical local economic development capacity has been insufficient, even though when available, usually through the Economic Development Administration, it has played an important catalytic function in the city's development efforts.

The state-of-the-art in urban economic development has grown impressively especially in the last seven years. Yet, results have not grown as impressively, primarily because public funding has been extremely scarce. For that reason, I applaud the initiatives spelled out by HUD Secretary Harris last week before this Committee. If enacted, they will mean greatly expanded resources for urban economic development.

As we move into this important new area of concern, linking community development more closely with economic development, I think it is helpful to look at factors which over the first three years of the CDBG program have hindered such linkages.

In this regard, I will be speaking primarily to the use of CDBG entitlement funds and will be drawing on the findings of a study which the National Council for Urban Economic Development has been carrying out under contract with the Office of Policy Development and Research at HUD to investigate and analyze the linkages which occur among the three federally supported programs of manpower, economic and community development and between the

public and private sectors in the nation's largest cities. The first phase of this study resulted a year ago in a two-volume report, one of which described the linkages identified in 16 selected cities, and the other of which provided case studies of development practices in those cities. Copies of this two-volume report can be made available to each member of the Sub-Committee in the event you are not familiar with it.

The second phase of the project now nearing completion will result in a catalogue of over 20 notable examples of coordinated economic development found in cities across the country classified into eight general categories. Although the final report on this second phase will not be published for another month, I have brought along summaries of the report for the information of the Sub-Committee. In my opinion, this study is a valuable resource to development professionals in any city and to the members of Congress as well since it provides first hand information regarding innovative development practices at the local level. I commend the Department of Housing and Urban Development for the foresight to invest two years ago in the concept.

Building on the work done by NCUED, HUD, along with the Department of Labor and the Economic Development Administration, is now in the early stages of a jointly funded, \$10 million demonstration project in which ten cities, selected competitively, are to receive roughly \$500,000 each over a two year period to

improve the quantity and quality of development linkages in their communities. The National Council for Urban Economic Development will participate along with the National League of Cities and U.S. Conference of Mayors to gather, analyze and disseminate information as the demonstration progresses.

Perhaps the primary issue which NCUED's research work identified as a hindrance to broader use of CDBG funds for economic development activities results from the political realities of decision-making coupled with citizen participation requirements. Local allocation responsibilities fall now to the chief elected official. For those elected officials, there is a natural and wholly understandable inclination to spread the funds fairly thinly among the many constituencies and neighborhoods vying for assistance. This tendency is especially true in cities with declining entitlement levels and with well developed and vocal constituency groups established during the earlier days of categorical federal assistance. Without commenting on the wisdom of this local allocation pattern, it is not conducive to economic development projects which require large sums of money.

Similarly, the fact that CDBG is tied to an annual appropriation process means that a city can be certain of its entitlement level only on an annual basis. Again, this is not conducive to economic development activities which require long-term financial

commitments. Since cities, especially now, cannot afford to fund such activities without federal subsidies, they turn to other less locally desirable substitutes such as tax increment financing, which mortgages the tax benefits of development.

In addition, HUD has distributed its entitlement funds to recipient communities on a "draw-down" basis; that is, as CDBG money is spent the community is reimbursed by the federal government. This procedure limits the recipient's ability to leverage those funds in the investment framework characteristic of economic development. For example, in the City of Milwaukee a proposal to deposit CDBG funds in a number of local banks in return for revised lending patterns was rejected by HUD because the plan required that all of the city's entitlement be transferred to Milwaukee at one time, while HUD required a gradual draw-down procedure.

The management of the CDBG program has often reflected a relatively narrow perspective regarding the use of CDBG to help revitalize the urban economic base. A number of cities have had to fight to secure approval for economic development activities which were clearly within the scope of the program. An example of this sort of narrow approach was the earlier administrative decision to bar the use of CDBG funds to support the capitalization of local development corporations by providing equity or venture capital. This decision has limited the leveraging capacity of CDBG funds.

Yet even taking into account these restrictions, many of which can be minimized or eliminated through administrative actions of the new Secretary of HUD, the National Council for Urban Economic Development in its research work has identified and analyzed a variety of local program activities which demonstrate that coordinated development projects are being carried out.

Philadelphia, for example, presents a good case of public and private sector coordination to achieve common development objectives. In 1974 business and financial executives, labor leaders and public officials formed a joint institution in order to combine their talents and resources to carry out the revitalization of the city's garment industry, a key anchor of the city's employment base. A council initiated by a union official undertook to promote a positive new image of the garment industry so as to recruit new and younger people to the trade. A building and finance committee that I chaired, carried out the financing, construction or rehabilitation and leasing of space for the garment industry. This space includes the Garment Center, a new \$4.8 million multi-use center to provide modern manufacturing space for garment firms. The city's Commerce Director facilitated public improvements and increased public services to the garment district. The Council developed programs for the procurement of government contracts for Philadelphia firms.

The Dayton City-Wide Development Corporation, which is capitalized primarily with HUD funds, exemplifies an ongoing program

of innovative economic development in concert with the more traditional residential and community development activities. Specifically, Dayton City-Wide funds commercial revitalization, small business assistance, and housing rehabilitation programs as part of a comprehensive neighborhood development and preservation strategy. The Oregon Historical District project provides an example of how Dayton City-Wide operates at the neighborhood level. The Oregon District was a severely deteriorated residential area located adjacent to the city's central business district. Early plans to clear and redevelop the land were dropped in favor of a preservation/rehabilitation approach because of the historic value of the architecture in the area. Dayton City-Wide and a leading local bank jointly sponsored a program supporting housing and commercial rehabilitation in the district which consisted primarily of short-term loans for property acquisition and rehabilitation. Dayton City-Wide also assumed some second mortgages on commercial property to bolster the equity position of neighborhood businessmen. This public/private financing program has succeeded in turning around the private investment climate in the district. For example, 56 properties funded under the program have recently been accompanied by 30 additional rehabilitation efforts without special assistance. At this time, approximately 50% of the homes have been restored.

A case demonstrating coordination of community and economic development objectives at the neighborhood level is the Bedford-Stuyvesant Restoration Corporation, a federally-supported community development corporation in Brooklyn which is implementing a comprehensive strategy of physical, social and economic redevelopment of a severely depressed urban community. Its physical development efforts involve both construction and rehabilitation of residential townhouses and apartment buildings to provide housing for both low and moderate income persons, and construction of new commercial facilities to attract private commercial investment to the area and provide quality goods and services to neighborhood residents. The corporation is the developer and manager of a new 170,000 square foot commercial and retail center being leased by national retail chains, local entrepreneurs, and branches of city banks, utilities and government agencies.

Economic development efforts are centered around providing capital in the form of loans and equity investment in local business and manufacturing enterprises in order to support job creation and pump needed capital into the area's business sector. Local businesses which lease space in the new commercial center are supported by loans from the corporation.

On the social service side, the corporation operates community centers which organize numerous social programs, manpower training programs, and a home exterior renovation program carried out by



local workers. Only by integrating a strategy of physical development with business development, job creation and training, and human services does the Restoration Corporation believe that any of these problems can be effectively solved.

I should point out that in each of these cases as well as the other cases cited in the NCUED study, a variety of federal assistance programs such as those of the Economic Development Administration, the Department of Labor, the Small Business Administration, the Community Services Administration and others have been joined with local public and private resources to achieve the desired result. The coordination burden has in most cases fallen to local officials who often find they must deal with conflicting program objectives and procedures in linking these related federal development programs. One would hope that the federal agencies, with guidance from this and other congressional committees, will work together to mesh their various programs more neatly and to facilitate local coordination.

These examples demonstrate how, in my opinion, development can and ought to occur in urban areas. Realistically, there will never be sufficient public funds to alone reverse the trends of deterioration found in most major urban centers. Leveraging of private investment to accomplish this objective is absolutely essential, and the best way to achieve that is through the federal support of local development institutions capable of the coordinated use of resources in the framework of investment rather than expenditure. This kind of coordinated development has begun to occur in isolated local instances around the country. It is my strong hope that as this Sub-Committee deliberates the reauthorization of the Community Development Block Grant Program, it will seek to facilitate such coordinated development.

CATALOGUE OF COORDINATED  
ECONOMIC DEVELOPMENT INSTITUTIONS,  
PROGRAMS, PLANNING AND TECHNIQUES

PROJECT SUMMARY

Research and Policy Analysis Program  
Victor A. Hausner, Director

National Council for Urban Economic Development  
James E. Peterson, Executive Director

Prepared for the Office of Policy Development and Research  
U.S. Department of Housing and Urban Development

The second phase of NCUED's research project on coordinated urban economic, community and manpower development efforts has involved the preparation of a catalogue for local development practitioners.

The purpose of the catalogue is to provide transferable information regarding representative and innovative practices of coordinating economic, community and manpower development. A particular concern of this second project, as with the first, is the coordination of public and private development efforts, and innovative and effective local public efforts to leverage private sector investment in central city economies.

The catalogue contains the following chapters:

1. Coordination of Public Development Institutions
2. Comprehensive Economic Planning and Analysis
3. Coordination of Community Development and Economic Development Programs and Projects
4. Neighborhood Economic Development Programs and Projects
5. Coordination of Manpower and Economic Development
6. Public/Private Institutional Coordination for Development Purposes
7. Public/Private Program and Project Coordination
8. Financing Techniques

Each chapter contains an introductory section defining terms and reviewing the range of issues surrounding each topic. Approximately three in-depth case studies are presented to exemplify the coordination of institutions, techniques and planning in local situations. An attempt has been made to select representative case examples which can provide transferable information to other practitioners. There is also an analysis of the case examples from the perspective of the effectiveness of different institutions and tools, and the limits of transferability to the cities.

The following are descriptions of each chapter-- the general focus and some of the relevant issues.

## CHAPTER I

Coordinated Public Development Institutions

## INTRODUCTION

City governments have traditionally been designed around the provision of services rather than the development of the city's economy. However, as municipalities have come to recognize that they must take an active role in retaining and/or improving their economies in order to provide jobs and incomes for their citizens and a sound fiscal base for their governments, the institutional arrangements of many cities have undergone reorganization to assist such development efforts.

This chapter will discuss various approaches to coordinating public development efforts through new institutional arrangements. Included will be a discussion of relevant issues and urban case studies exemplifying a range of coordinated public development institutions.

## ISSUES

Cities have historically been primarily organized around the provision of services. As federal assistance for local development efforts became available in the form of categorical grants, cities often set up new institutions to administer the programs funded by these grants; for example, housing and Model Cities funds led to the organization of housing and model cities agencies. The manpower and community development block grants in many cases were the impetus for the creation of comprehensive community development and manpower departments.

The block grant programs, by transferring funds directly to the chief elected officials, have resulted in a recentralization of authority for development in many cities. Separate departments or agencies working in the same program area have been brought under the control of the chief executive. Chief elected and administrative officials are also obtaining financial control over such public authorities as housing and urban renewal, which had been deliberately placed outside the city bureaucracy for purposes of promoting institutional flexibility and which were financed directly by HUD categorical programs.

Thus, institutional reorganization of city development agencies is occurring, resulting in part from the provision of more centralized and flexible federal development assistance. In a number of cities the chief executive has devised a mechanism for pulling together all programs previously funded with HUD monies, and the same is true for programs previously funded under DOL categorical grants.

There are various methods of organizing a comprehensive development institution. These may include development cabinets, joint departments or coordinated line agencies, development coordinators directly responsible to the chief executive, and mayors' development councils or committees.

The structure of the city government and local political factors will also influence the means of organizing a coordinated public development institution. The approach in a city manager form of government may vary from that in a strong mayor form, and the political power of the chief executive is also an important variable in determining the type of institution which will result.

This chapter of the catalogue examines several coordinated public development institutions and explores the significance of institutional reorganization for the integration and improved effectiveness of public economic development activities. Can public administration reforms significantly improve the effectiveness of urban economic development efforts and the utilization of development resources? How can the utilization of block grant and EDA categorical funds be improved by local organizational and administrative changes?

#### CASE STUDIES

##### A. Milwaukee, Wisconsin

The Department of City Development (DCD) in Milwaukee is one of the most integrated development institutions in the nation for coordinating economic development, community development and planning activities. DCD consists of seven major divisions: Comprehensive Planning and Programming; Division of Economic Development; Project Operations; Community Housing Operations; Project Services; Fiscal Control and Administrative Services. In addition, DCD provides staff support to the Housing Authority, the Redevelopment Authority and the City Plan Commission, and the Commissioner of DCD serves as the executive director or secretary of these authorities.

DCD is an operating line agency which reports directly to the mayor and city council. The council has a Special Committee on Economic Development which works with DCD to solve problems which individual businesses may have with the city and to operate the city's major industrial development programs.

#### B. Chicago, Illinois

The Mayor's Council of Manpower and Economic Advisors was appointed by the mayor in 1972, and has the responsibility of coordinating and developing goals, strategies and programs to strengthen the city's economy. The mayor's assistant on Manpower and the executive director of the Committee for Economic and Cultural Development, who serve as council co-chairmen, provide linkages to other economic development units in the city. Other council members include officials of the budgeting, planning, urban renewal and public works departments, and local business and labor leaders.

Staff assistance to the council is provided by three existing agencies - the Department of Development and Planning, the Mayor's Office of Manpower and the Mayor's Committee for Economic and Cultural Development. This staff sharing arrangement is directed at achieving unified goals and policies among local development units.

The future of these institutions, however, is at question after the recent establishment of a quasi-public development institution, the new Chicago Economic Development Commission.

#### C. Portland, Oregon

Portland is in the middle of a transition period -- developing new institutions which can enable it to more effectively conduct planning and development activities within the city's bureaucracy. The Office of Planning and Development (OPD) was instituted by the city's mayor in 1973 primarily to coordinate the planning and program activities of development-related bureaus and to act as a liaison between them and the mayor.

## CHAPTER II

Coordinated Economic Development Planning

Planning for development is becoming an increasingly critical issue in an economy which is characterized by resource shortages, environmental problems, fiscal crises, high unemployment, inflation, and major population shifts resulting in rapid growth problems in some communities and decline in others. The recent economic, environmental and energy problems which the nation has experienced have highlighted the interdependence of various development processes. Trade-offs exist at the local level between maintaining high employment levels and environmental conservation, between providing an adequate level of public amenities and maintaining fiscal solvency, and between development programs which promise short-term gains and the long-term development of an area's economic base. Public officials are becoming more aware of the need to integrate public policy with private sector investment planning and market forces. The economic interdependencies among central business districts, neighborhoods, and the overall urban economy are also becoming more apparent.

The coordination and overall planning of disjointed public and private development programs should be a matter of high priority. Unfortunately, most comprehensive development planning at the local level is very new and rather undeveloped. Because much of the development planning that does take place is ad hoc in character and does not necessarily relate to city planning departments, it is difficult to distinguish comprehensive development planning from the normal program planning and administrative activities associated with urban development programs. A few cities, however, such as Chicago, Milwaukee, and several of the EDA 302 funded cities, have established or are in the process of developing comprehensive economic development planning programs.

Underlying this chapter are some of the following questions: What is or should be the character of planning in support of community economic development efforts? How should local economic planning be related to other urban planning, e.g., community development, land use, capital improvements? What should be the relationship between public economic development planning and private sector development projects?

Case studies describe the comprehensive economic development program in Milwaukee, Wisconsin and Chicago, Illinois. The descriptions and analyses cover the integration of data collection and economic analysis with public works investment policy, land use policy and economic development programming. The case studies trace the planning process through its various stages -- background analysis, problem identification, resource identification, priority setting, policy formulation and finally, the development of specific projects.

## CHAPTER III

Coordination of Community Development/Economic Development Programs and Projects

The Community Development Block Grant Program is designed to assist local government in its efforts to revitalize declining areas and to improve the welfare, principally of low and moderate income persons. Funds may be used for physical improvements, public works investments, neighborhood facilities and supportive public services which meet the needs of residents in areas where physical activities are undertaken. Contrary to the categorical approach of traditional community development programs, the emphasis of the Block Grant Program is on systematic action - a comprehensive local strategy and coordinated programming for addressing the city's needs.

A more comprehensive approach to community development necessarily involves attention to incomes and jobs as well as housing. In the past some community development programs, specifically urban renewal and model cities, have linked economic development activities and housing programs. The Block Grant Program provides cities with the opportunity to magnify these linked efforts. With its emphasis on flexibility and comprehensive planning and programming, CDBG funds can be an important development tool for assisting the city in revitalizing its economy. This chapter discusses the methods and processes of CD/ED linkages at the programmatic level.

The first section presents a general overview of:

- \* the range of public and private institutions involved in community development activities;
- \* statistics on the percentage of CDBG funds linked to ED activities and concise examples of the range of these activities, including clarification of those activities which HUD has ruled ineligible;
- \* those issues which affect CD/ED linkages, such as legislative intent and administrative policy, lack of local constituency and presence of interest groups organized around the old categorical programs, awareness of the political and administrative leadership, fragmentation of the local planning and programming structures, and the one-year grant process; and
- \* the various community development strategies and policy issues and their relationship to economic development activities (i.e., neighborhood vs. city-wide; growth vs. stabilization)



The second section presents three case studies which exemplify good program packaging of CD/ED activities. The case studies give consideration to the following factors and program possibilities.

- \* The range of community development strategies, for example,
  - a growth strategy represented by an industrial development project using CD funds for land acquisition and site improvements, exemplified by Baltimore's Carroll Industrial Park;
  - a neighborhood preservation strategy represented by neighborhood commercial redevelopment using CD funds as the non-federal match for an EDA technical assistance grant or as capitalization for a revolving commercial rehabilitation loan program, exemplified by the St. John's Business Improvement Program, Portland;
  - a neighborhood development strategy represented by the development of new commercial and residential facilities using CD funds for acquisition, clearance and relocation, exemplified by the Oregon project in Dayton;
  - a city-wide strategy represented by central business district renewal
- \* The degree of coordination and the extent of the linkages
- \* The degree of innovation

## CHAPTER IV

Neighborhood Initiated Development Planning and Implementation

Neighborhood economic development is what some people would say "still an idea." It is a field in which it is still too early to say what processes or techniques are or will prove to be successful; and, in fact, there is confusion as to purposes.

This chapter focusses on the activities of neighborhood organizations which are coordinating public and private resources to promote the economic development of their neighborhoods. Different institutional and programmatic approaches which neighborhood groups have adopted to try to find solutions to the problem of economic blight and decline are analyzed.

Institutions formed by neighborhood residents include community development corporations, local development corporations, local business development organizations, and neighborhood businessmen's associations. Although these organizations vary in their methods and theories about how to induce economic development in declining or blighted areas, there is one point upon which they all agree -- stabilization of one aspect of a neighborhood is not enough. Experience has proven that the most effective approach is a comprehensive program which encompasses all forces affecting neighborhood residents -- commercial services, housing, jobs and social services. Thus, while this chapter focuses on the economic development programs of neighborhood organizations, it must be kept in mind that these programs are only one facet of neighborhood development.

The Neighborhood Economic Revitalization program conceived by the National Center for Urban Ethnic Affairs has outlined a number of goals which seem to comprise the priority areas of concern for most neighborhood economic development organizations. These areas are:

- \* to increase the number of jobs for community residents
- \* to increase the local ownership of business
- \* to reverse the patterns of disinvestment in neighborhood businesses and real estate, i.e., reclining
- \* to stimulate the environmental preconditions to profitable business operations in the neighborhoods such as adequate facilities, public safety, public transportation, parking and zoning

- \* to provide new opportunities and incentives for desirable commercial and industrial businesses to move into the neighborhood and strengthen its employment base
- \* to increase the net cash flow into the neighborhood, including public and private capital investment
- \* to enhance the competitive positions of neighborhood businesses and their ability to recapture the indigenous market and attract a share from outside the community
- \* to create a partnership among community, public and private sectors to strengthen the neighborhood economic development process

Three case studies illustrate different approaches and techniques adopted by neighborhood development institutions with the focus on one economic development project which these organizations have facilitated or developed, rather than an in-depth discussion of the entire institution.

#### CASE STUDIES

##### A. Black Economic Union of Greater Kansas City, Missouri

The Industrial Development Component of the Black Economic Union, is working on retaining industry in the Special Impact Area of Kansas City in which BEU operates, the creation of jobs for SIA residents, and working closely with the city, state and federal governments to utilize all available resources for the creation of industrial development in the SIA.

Since 1974, BEU has been involved in the process of identifying a potential site for an industrial park in the SIA. As a result of BEU's promotional efforts, a 60-acre site in the Truman Road/Terminal Tracks renewal area has been approved as a site for an industrial park and the city is proceeding to market the sites.

In concert with the industrial development, BEU has succeeded in having the city agree to develop with the community a comprehensive plan for a 600-acre area within the SIA inclusive of the industrial park. Other development projects in the planning stages are a revitalization of a historic commercial district, construction of a skill training and business management education center, new housing construction and social service development.

#### B. Bedford-Stuyvesant Restoration Development Corporation, Brooklyn

The Bedford-Stuyvesant Restoration Development Corporation (RDC) was incorporated in 1972 as a for-profit subsidiary of the Bedford-Stuyvesant Restoration Corporation, a CSA-supported community development corporation, to "plan and implement major development in Bedford Stuyvesant involving land acquisition and new construction for residential, commercial and industrial purposes." This case study focuses on a new \$7 million shopping center consisting of 175,350 square feet of leasable space for retail and office use which was developed and is currently managed by RDC. The center is adjacent to BRC's offices, a new housing complex, and will also coordinate with a day care center, outdoor recreation area, and the banking and cultural facilities presently located within the corporation's offices.

The case study details the development of the project with regard to feasibility, legal structure, financing, tenant leasing and coordination with surrounding development projects. It is presented here as an example of a community corporation initiating an economic development project to fill the retail void in its community.

#### C. Providence Business Development Organization

In contrast to the Bedford-Stuyvesant case study, the Providence case study describes the revitalization of a commercial strip in the Italian Federal Hill neighborhood of Providence, which was in the past a profitable commercial strip. The Providence BDO, through the assistance of OMBE and EDA, is working with neighborhood representatives, neighborhood businessmen's associations and the city on this project.

In contrast, PBDO is also trying to catalyze commercial revitalization in an adjacent low-income neighborhood and is experiencing the tremendous difference in degree and type of need between these two neighborhoods.

## CHAPTER V

Manpower and Economic Development

## INTRODUCTION

A critical element in any urban economic development strategy is the provision of jobs for city residents. Manpower programs have the same goal in mind--to develop and implement employment and training activities which are designed to enhance the employability of the unemployed, underemployed or disadvantaged worker. However, there are major differences in emphasis between economic development and manpower programs as they now exist; the former concentrates on the demand side of the labor market, while the latter caters to the supply side. A coordinated local development program can make an effort to reconcile these differences and relate the creation or expansion of jobs through the local economic development program to the supply and training of workers through the city's manpower programs.

This chapter discusses how manpower programs, exemplified by activities conducted under the Comprehensive Employment and Training Act (CETA), can be oriented toward an economic development strategy. The CETA legislation is summarized and issues regarding the linkage of CETA and economic development programs is discussed. The chapter also highlights case study examples of ways in which localities used their manpower programs for economic development purposes.

## COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

The great majority of local manpower programs are funded by the Comprehensive Employment and Training Act of 1973 (CETA). CETA provides a flexible decentralized system of manpower activities under which federal funds are made available to state and local government prime sponsors (i.e., any unit of general local government whose population is 100,000 or more). CETA replaces the categorical manpower programs formerly funded under the Manpower Development and Training Act of 1962 (MDTA), the Economic Opportunity Act of 1964 (EOA), and the Emergency Employment Act of 1971 (EEA). These laws created such national programs as the Neighborhood Youth Corps, Public Service Careers, Concentrated Employment Program, MDTA classroom and on-the-job training, and the Public Employment Program. The bulk of CETA funds goes to state and local prime sponsors for various manpower activities, with the design and mix of services left to the discretion of the prime sponsor.

Title I established comprehensive manpower service programs, including recruitment, orientation, counseling, testing, placement, classroom instruction, institutional and on-the-job training, allowances for persons in training, supportive services and transitional public service jobs. Title II provides for transitional public service employment programs in areas

having an unemployment rate of 6.5 or higher, Title III specifies federally-supervised manpower programs for Indians and migrants, and supplementary manpower services for other special target groups such as youth, offenders and ex-offenders, older workers, persons of limited English-speaking ability, and those with particular labor market disabilities. Title IV contains the Job Corps program. Title V establishes a National Commission for Manpower Policy. Title VI, which was authorized under the Emergency Jobs and Unemployment Assistance Act of 1974, establishes a temporary program of public service jobs for workers who are unemployed during a period of aggravated unemployment and who are not eligible for compensation under any state or federal unemployment compensation law.

The CETA legislation specifies that each prime sponsor appoint a Manpower Area Planning Council (MAPC) which is representative of the geographic area to be served. The business community is named as one group which should be represented on the council. Although this council usually acts as a solely advisory body, every CETA prime sponsor may be linked with local economic development activities through the business representative on the MAPC. The business representative may also orient CETA programs toward economic development if that aspect of manpower activity is lacking in the particular jurisdiction.

#### ISSUES REGARDING CETA AND ECONOMIC DEVELOPMENT

Traditionally, federally funded manpower programs have not had an economic development orientation (one exception was Section 241 of MDTA which attempted to link manpower and economic development activities through cooperation with EDA by relating manpower training to public works and industrial development projects). Prior to CETA, manpower programs were determined by the federal government in the form of the aforementioned categorical programs. The primary emphasis of these programs, most of which were conceived in the "Great Society" era of the 1960's, was on services for the disadvantaged worker.

This history may pose a problem when attempting to use CETA as an economic development tool. Through the years manpower programs have created a constituency which is social-service oriented. Both community-based organizations (e.g. SER, OIC, Urban League, CAA's), many of whom receive CETA sub-contracts from prime sponsors to perform client services, and the CETA clients themselves may view using CETA for a developmental strategy as not directly benefitting those whom CETA was designed to serve. Additionally, many of the CETA administrators themselves came out of the anti-poverty programs and may be skeptical of an economic development orientation for CETA.

Although CETA Title I activities allow funding for private sector on-the-job training programs, many CETA programs remain void of any significant private sector job creation and economic development in the private sector. With the twin crises of recession and local government fiscal shortages, CETA has become a counter-cyclical tool to alleviate unemployment with short-term public service jobs. Even Title I funds have been used for this purpose to some extent. The effect of the recession has shifted CETA's emphasis from employment training activities to work experience and public service employment, hence placing an economic development orientation for CETA on an even lower priority in many communities.

The private sector may view CETA programs with as much suspicion as those who administer CETA may view the private sector. Historically, most job training and development has been done by the private sector for its own purposes and to suit the needs of each particular industry. The private sector is often very skeptical of the capacity of program agents who contract with CETA to deliver a trained work force which will meet entry level requirements. Thus it may be necessary that CETA either have a track record of delivering capable skilled personnel to point to, or that the private sector participate in the design of training programs and the recruitment of clients for the training programs.

If manpower programs are oriented toward the private sector and meeting employers' demands, the character of those being served may change somewhat from the original focus of CETA. It may be that in order to use CETA as an economic development incentive, the participants must be the more skilled, marginally unemployed, rather than the hard-core disadvantaged. However, this may not always be the case, as there can be successful OJT programs which are oriented toward the disadvantaged.

CETA is an integral part of the local political process. Economic development is inherently a long-term procedure, one which does not produce quick results. Both mayors, whose time in office is often short, and CETA administrators may opt to use CETA in ways which will produce quick results--for instance, public service employment, whose product is immediately evident in that more people acquire jobs.

It has been discovered that CETA programs which are economic development related are more often found on the state level than on the local level. This may be due to differing political circumstances. In a city, where the disadvantaged are more concentrated, CETA may have to meet the needs of various community-based organizations through sub-contracts or social service oriented programs. In a state, where the program is dispersed over a wider area, the CETA administrator may have more freedom to design the program toward meeting employer needs. Moreover, the CETA clientele tend to be less disadvantaged on the state level than on the city level, since the bulk of the disadvantaged are city prime sponsor residents.

The political milieu in which CETA is located is thus a very real constraint on an economic development orientation for CETA, and perhaps is the most difficult obstacle faced by anyone wishing to use CETA as an economic development tool.

#### CASE STUDIES

##### A. Albuquerque, New Mexico

Albuquerque was the first city in the nation to have a decategorized manpower program under the Comprehensive Manpower Program, which was the administrative forerunner of CETA. Albuquerque's manpower programs have always had a development focus, including programs such as customized training to attract or assist industry and close coordination with the private sector.

A major development agency in Albuquerque is the Albuquerque Industrial Development Service, Inc., and Industrial Foundation of Albuquerque, Inc. (AIDS/IFA). The primary activity of AIDS/IFA is to improve the local economy

by attracting industry to the Albuquerque area. AIDS/IFA works with the CETA program through the National Alliance of Businessmen, and uses CETA training programs as incentives in its industrial attraction activities.

The manpower office is cooperating with a private realtor to develop a neighborhood industrial park in a Model Cities area. CETA monies were used to support the relocation of a skills center into this area, both to respond to the needs of businesses locating in the industrial park and to serve the neighborhood residents. CETA is also expanding other skills centers in response to business needs.

Albuquerque has no official city economic development office, so the manpower office has taken on some economic development functions. The Manpower Area Planning Council prepared the city's OEDP, and the manpower office is developing a proposal for EDA Title X money to renovate an existing building for use as a skills center.

#### B. State of Rhode Island

The state of Rhode Island is the CETA prime sponsor for the entire state, excluding the city of Providence. The CETA program has been developed within the framework of the state's economic development efforts, with the Manpower Affairs Office being a division of the Department of Economic Development. The emphasis is on providing CETA clients with transferable skills and a strong training effort directed toward guaranteed jobs.

Rhode Island's Title I manpower training programs are being used to induce industry to locate in the state. Businesses and employers receive assistance from the Manpower Affairs Division in the areas of recruitment and training. Utilizing OJT, classroom, and classroom-OJT training programs, Manpower Affairs provides employers with the skilled help they require, while at the same time substantially reducing employer training costs. Instruction is performed by the employer's personnel to insure accurate course content. In return for these services, employers are contractually obligated to hire the trainees on a full-time basis, so long as they prove acceptable. Thus, all training leads to guaranteed employment since training programs are initiated only when job openings with particular firm can be identified.

One component of Rhode Island's development approach to manpower is the Ocean State Training Center, formerly an abandoned naval air base. The center was created in December 1973 when Manpower Affairs began training welders, burner-grinders, shipfitters, pipe-fitters and inspectors for a new submarine component building operation which the Electric Boat Division of General Dynamics had established. Of the 1258 persons trained, General Dynamics hired 1201 (95.5%), and most others found employment with related industry, giving the center a placement record of 99.6 percent.

The training center is a flexible facility designed to adapt to training for a variety of job skills, and training can be tailored to specific industry needs at any time, even within 24 hours. A primary objective of the center is to build a pool of manpower skills which have a degree of transferability from one industry to another.



### C. Labor-Management Committees

Labor management committees have been organized in a number of U.S. cities to promote more harmonious labor-management relations and create an economic climate conducive to industrial retention and attraction. This case study focuses on the economic development objectives of labor-management committees and their effectiveness in sewing economic development needs in several U.S. cities.

INTRODUCTION  
(Chapters VI & VII)

Public/Private Cooperation for Development Purposes

The scale and complexity of today's urban economic problems are so great that public-private cooperation is becoming increasingly necessary for their attempted resolution. Both sectors are suffering the effects of urban obsolescence and decline. At the heart of public economic development efforts is the attempt to leverage multiples of private sector investment.

Municipal governments' number one responsibility traditionally has been to provide select services in areas such as health, recreation, and fire and police protection. Demand for these services has risen rapidly with the shifting incomes and racial composition of cities. Meanwhile, the changing and shrinking tax bases of cities have severely hampered their ability to deliver these services. Local governments are, therefore, attempting to broaden their tax bases and revitalize their economies to provide the needed revenues.

Municipalities on the whole, however, are not geared to providing development-related services, and, therefore, are not equipped to undertake extensive revitalization tasks involving development and redevelopment efforts. Essentially there is a lack of an adequate institutional framework in most cities to perform the necessary tasks and develop clear objectives and policies concerning revitalization. Oftentimes there is an absence of the necessary expertise, but more frequently there is insufficient coordination between departments and agencies and an isolation from political decision-makers.

The private sector too is affected by the growing problems of urban areas, and is unprepared or unwilling to deal with them effectively. Businesses are finding that the decay of urban centers with shrinking retail sales and property values is adversely affecting their profits. Those businesses whose profits are most directly tied to urban growth are among those most concerned, such as commercial banks, savings and loan associations and life insurance companies that invest heavily in mortgages as well as municipal bonds. In addition, businesses are experiencing more difficulty in recruiting top executives because of poor housing and inadequate public services.

While municipal governments lack the resources to tackle urban problems independently, private businesses are hesitant to risk investor's funds in an attempt to rebuild a city. Businessmen's commitment to making profits for their investors precludes the possibility of the private sector undertaking highly risky economic development projects involving relatively poor chances of success. Moreover, many businessmen consider urban redevelopment to be a primary task of municipal governments, in which private assistance is offered when requested and feasible.

Since neither sector has the ability to undertake extensive urban economic development projects single-handedly, a joint co-operative and co-ordinated effort is necessary, in which resources are pooled. Both sectors have potentially powerful resources at their command, which when used together in a creative way could leverage investment by the other. In this way, costs and risks can be shared, and thereby reduced for each participant.

Basically, municipal governments have at their command the powers of taxation, eminent domain, tax-exempt financing and police protection. In addition, cities can acquire and own land and rights of way, develop land for public purposes, and construct and operate public facilities and services. The private sector, on the other hand, has access to investment capital, can speculate, and in some cases assume greater financial risk. Private enterprises can build and operate facilities for non-public purposes. Businesses have a greater degree of flexibility in their dealings than the public sector, because they are not obligated to obtain a citizen mandate. The private sector also possesses significant development and financial expertise.

Once both sectors agree on a need for a co-ordinated economic development effort and a firm commitment is obtained from both, negotiations of a joint solution can begin. The next two chapters discuss the ways in which public and private cooperation can be achieved on a project basis and through institutional means. Included is a discussion of the various methods and techniques used by both sectors as problems are encountered.

At issue are effective modes of public-private economic development cooperation which focus on specific development objectives and maximize the resources of each sector. How can public development powers and resources be best integrated with private resources, expertise and investment decisions to achieve public economic development objectives?

CHAPTER VIPublic/Private Institutional Coordination for Development Purposes

One of the major problems involved in coordinating public and private sectors for development purposes has been determining the roles and responsibilities each sector should assume in the process of trying to maximize available resources. While many public officials and private sector leaders have recognized that the task of development demands their mutual support and commitment, a difficult task has been to develop a proper mix of resources.

One of the first steps in the coordination process has been the establishment of organizational structures to provide the means for public and private leaders to come together to discuss mutual needs and concerns, and to plan and implement a strategy of action. The institutional arrangements which have been set up vary widely with regard to purpose, objectives, legal powers, activities, financing, and staffing. Because of the broad range of scope and purposes, in many cities there are numerous organizational arrangements involving the public and private sectors.

This chapter describes institutional arrangements which have been set up to coordinate public and private plans, ideas and actions. Some examples of these are:

- \*Mayor forms a committee or "blue ribbon" task force of key civic, business, and public officials to conceive an economic development program for the city or specific area of the city; this may be set up for a specified period of time, or be on-going and advise on a city's development strategy.
- \*A joint city chamber planning organization which conducts feasibility studies using both city and privately-paid staff, performs promotional activities for the city, and act as a facilitator and mediator for implementation of jointly agreed upon plans and/or specific projects.
- \*Development or planning commission which includes private sector commissioners nominated to serve a set term, generally with no monetary compensation, for the purpose of providing expertise to the city and devising development plans, strategies and programs.
- \*Development authority set up by the public sector with a variety of legal powers, one of the most important being to issue revenue bonds which are not bound to the city debt; private sector persons are appointed as commissioners on an oversight board.

\*A non-profit, tax-exempt citywide economic development corporation governed by a board of public and private sector officials each appointed by the respective sector they represent, and jointly funded from each sector. The corporation may be a city's designated agent to carry out development activities and may assume some public powers in select areas. It also may be the city's vehicle for state financing programs.

There are advantages and disadvantages to these forms depending on the purposes and expectations for institutional coordination at the outset and the actors involved. The informal, non-corporate forms provide a forum for communication between the public and private sectors and promote an exchange of expert advice and counsel from the private sector. They are limited in their ability to implement projects and see them through to completion, since they generally operate only on a policy planning level and leave the actual implementation to a private developer or city agency. The corporate forms have the flexibility of not being a part of the city bureaucracy and the ability to operate in the private financial market, although they are instituted to work for the public interest.

#### CASE STUDIES

##### A. Philadelphia Development Corporation (PIDC)

PIDC is a non-profit, tax-exempt corporation governed by a board of directors appointed jointly by the City and Chamber of Commerce. PIDC is engaged in a full range of economic development activities including administering citywide land banking program, assisting businesses in taking advantage of two state financing programs, and operating as the city's commercial and industrial marketing and development agency. PIDC receives some assistance from the city and private sector, but principally operates on its own contracts and fees.

##### B. San Diego County Economic Development Corporation

The San Diego County Economic Development Corporation is a private nonprofit corporation which is affiliated to the county's Chamber of Commerce. Since 1971, the EDC has been under a contract with the city to manage the city's industrial properties, a city land trust, and conduct industrial attraction and retention activities for the city. The EDC is presently coordinating with the city and the Urban League on the development of an industrial park in a low-income neighborhood as part of its consultant duties to the city.

## CHAPTER VII

Public/Private Projects and Programs

Historically most urban development projects were undertaken independently either by the private sector or by the public sector with minimal cooperation between the two. Municipalities usually constructed public facilities on public lands with public funds, most often raised through the sale of general obligation bonds. Private businesses, meanwhile, erected buildings for private uses on private land with private funds, which had been generated internally or borrowed in private markets.

This independent and fragmented approach to urban development, however, has become more difficult and less efficient as development projects have become larger in scale, and more costly and complex. In addition, declining tax bases and volumes of economic activity in central cities have hampered the ability of each sector to independently undertake extensive development and redevelopment projects. These conditions have prompted greater coordination and cooperation between the public and private sectors in which projects are jointly planned and executed. Through joint efforts, risk and financial burden can be shared, and therefore, more ambitious projects can be undertaken.

Initially most cooperative efforts focused on the redevelopment of CBD or adjacent lands, using the urban renewal process. The urban renewal process involves state and federal assistance to cities or authorized agencies to facilitate the acquisition, clearance, assemblage and write-down of land by cities for sale to local or outside developers. Sometimes, this process also involved the construction of a public facility adjacent to the private development site. While this process involves considerable cooperative effort during the physical planning and land sale stages, there is relatively little joint effort during the remainder of the project. The first task of acquisition and preparation of the land for development, including the relocation of former occupants, is the sole responsibility of the municipal authority. Similarly, the final task of financing, constructing and managing the facility, after the land is purchased from the city authority, is the sole responsibility of the private developer.

Recently, however, more complex arrangements for undertaking urban development projects have emerged in which a greater degree of coordination and cooperation is sustained throughout the project. Moreover, the major participants are usually the city and local firms, both of whom have suffered from the deteriorating physical, economic and social conditions of the city. Also both have strong vested interests in revitalizing the economy and expanding business activity and the tax base.

Out of necessity, both sectors are becoming more flexible in their dealings with one another. Both sectors are learning more about the operations, capabilities, and limitations of the other, and are searching for new

ways to leverage assistance from the other. Most importantly, each side is expanding its own range of economic development tools as well as its expectations of what the other can provide. For instance, cities are assuming a broader role in financing, while the private sector is working more closely with city agencies and departments to compliment and reinforce the city's technical expertise.

To facilitate this increased cooperation and coordination, each sector has established or reinforced existing channels of communication, altered modes of operating to accommodate the other's needs, and developed new legal and financial tools.

Channels of communication often exist between the sectors through joint participation in various institutional activities such as Manpower Area Planning Councils and task forces of Chambers of Commerce, regional councils of government, and downtown councils. While these channels provide a means for mustering support for a project, they are not designed to serve as meeting places for participants. It is necessary, therefore, for direct contact between participants to take place. The concensus of opinion of both private and public participants seems to be that involvement of top executives is necessary at least in the early stages of negotiation for they alone have power to make on-the-spot decisions and commitments. As needed department heads and staff members join the team of negotiators.

Three areas of expertise stand out as those most commonly needed; legal, financial and public relations. Public relations includes the knowledge of and ability to influence public as well as business opinion on a project. Cities with established public/private committees or task forces to address urban development problems appear to be better prepared to initiate new development ideas and seize opportunities as they present themselves.

While the public sector is becoming more attuned to the needs of the private sector, businesses are becoming better acquainted with the operations, capabilities and limitations of cities. In general, since businesses are very concerned with professionalism, they are taking steps to ensure that their new partners (city governments) are fully informed, equipped and committed to fulfilling their obligations in economic development projects. Businesses sometimes provide the necessary expertise by loaning an executive or by encouraging a municipality to up-grade its capabilities and efforts within a particular area.

Along with altering modes of operation, new tools are being developed by each sector and the use of old tools is being rationalized. In addition, the legal framework is created to allow these innovative ways of handling specific problems. For example, the Massachusetts legislature passed legislation (chapter 121A) giving municipalities a new leveraging tool and allowing a greater diversity in the use of existing powers. This legislation was largely intended to provide Boston with the necessary array of incentives to ensure the successful negotiation of the Prudential Center development. The new tool provided was a property tax stabilization agreement in which the city and developer agree on a formula to tie the property assessment to the occupancy rate of the structure rather than the fair market value for the life of the mortgage. The legislation also allowed the cities to grant variances on building codes and transfer powers of eminent domain to private developers if the developer agrees to limit profits for a fixed period of time.

Despite efforts to facilitate public/private cooperation, both sectors share similar apprehension about dealings with one another. Both sectors, therefore, are concerned that each brings to the negotiating table a total commitment to the project, a well-informed, well-equipped and open-minded negotiating team, and a sense of what is expected of both parties. Concern about the commitment to the project has been expressed many times by both sides. The private sector is apprehensive about the public sectors apparent lack of understanding and appreciation of the private investment process and its need to act decisively and quickly to ensure a profit for its investors. A major worry is that a firm's long term commitment to a project may be met with a short-term commitment by the city which is subject to the vicissitudes of politics.

On the other hand, public sector concern centers on the conflict between the profit motive and protection of the public interest. This conflict is especially felt to be acute when the participating company is a local office of a large parent firm whose interest in the community's needs is questionable. To alleviate this situation, some mayors have proposed greater communication and negotiations with the parent firm to align the full weight of the firm behind the project.

To ensure a successful exchange of ideas, both sides see a need for innovative thinking backed up by technical expertise so that each side can leverage maximum support. Both sides must look beyond what is traditionally expected of each and explore new means of soliciting assistance.

#### CASE STUDIES

##### A. Hartford, Connecticut - Civic Center Complex

Hartford's Civic Center Complex is an example of sustained public-private interaction to integrate public and private complimentary uses in one structure. The complex includes a city owned coliseum, assembly hall and garage; privately-owned office space, shops, restaurants, and hotel; and a jointly owned court yard. The idea of a joint venture was originally conceived in 1965, and after 6 years of negotiations, ground was broken in April, 1971. Because of the complexity of the project, a joint maintenance contract still has not been agreed upon. The first facilities opened in January, 1975.

Negotiations depended heavily on real estate and legal expertise provided by both sides, but included city councilpersons to represent the public interest. What emerged from the negotiations was a complex arrangement of overlapping liens, unique leasing agreements and a joint public/private maintenance contract. The city has retained ownership of the land and leases air rights over the city's parking garage and on city land beginning 14 feet underground. The terms of the lease are 60 years with options to renew for 10 year increments. The city raised \$30 million by municipal bond sales to finance its portion of the project, and Aetna, the prime developer, invested \$38 million. The area adjacent to the site is being redeveloped by private interests and the city, according to an agreed-upon plan. Adjacent buildings are being connected to the center by walkways.



### B. Minneapolis, Minnesota - Nicollet Mall

The Nicollet Mall, a large pedestrian mall area in the heart of CBD, was a joint public-private project initiated by the Downtown Council, an organization of downtown businessmen. The Council conceived of the project in the late 1950's and funded the initial planning and design efforts. With the plan, city interest was generated, and at the same time, the city was encouraged to upgrade its planning activities so that it could participate fully in the development project. Final planning and execution of the project were conducted jointly by the Council and city.

Front-end money for financing the mall was provided by the city, but it will be repaid by participating firms in the form of raised assessments, and, therefore, higher property taxes. The city and businessmen developed a 2-benefit zone assessment system whereby downtown properties on the mall bear a larger proportion of construction and maintenance costs than those off the mall.

Changes were necessary in two state laws to allow restricted use of public streets by vehicles and to permit mall financing under special assessment laws.

### C. Charles Center-Inner Harbor Baltimore

Charles Center is a 33 acre mixed-use redevelopment site strategically located between the retail and financial districts in the heart of the CBD. It was undertaken in 1959 to catalyze a reinvigoration of Baltimore's deteriorating core. Some 250 parcels of land were consolidated into 16 disposition lots for redevelopment by individual developers and all but 5 buildings were demolished. The project is currently about 85% completed.

The Inner Harbor project which was begun in 1966, lies south and east of Charles Center and serves as its successor. Inner Harbor was the logical next step in the revitalization effort for it links the port with Charles Center. Furthermore, it greatly enhances and expands central Baltimore's range of activities by providing residential, tourist and cultural facilities, in addition to hotel and commercial space of Charles Center. It is considerably larger than Charles Center, encompassing 240 acres and will require an infusion of about \$490 million in public and private funds. Since the project is so large and will require 20 to 30 years to complete, Inner Harbor has been divided into 5 stages.

Charles Center and Inner Harbor are presented as one case study because they were part of a single plan for an on-going program of downtown revitalization. Moreover, they serve as interesting contrasts in types of public/private projects. Charles Center is a public/private project with the emphasis on "private", while the emphasis in Inner Harbor is on "public".

In general, the private sector carried out much of the planning, management and marketing for the projects while working closely with city departments. The City of Baltimore handled policy decisions and implementation functions, such as land assemblage and provision of physical amenities. Management of the project and negotiations between the developer and the City were handled by a \$1-a-year businessman on contract to the City, but this function was later institutionalized into a non-profit corporate form, Charles Center-Inner Harbor Management, Inc.

## CHAPTER VIII

Financing Development

The financing of urban development projects covers a wide range of activities involving a myriad of public and private organizations and financing mechanisms. Joint public/private development packages often rely upon private sources of money in the form of loans, mortgages, partnerships, and stock issues as well as public support such as the provision of land, property, grants, bonds and tax financing. Funding development activities often requires the participation of various parties such as renewal authorities, development corporations, public agencies, banks, and private developers for several reasons:

- 1) Financial constraints limit the amount of capital which any single organization can contribute;
- 2) The threat of failure or default on a development project further limits the extent to which institutions are willing to invest; and
- 3) Due to legal constraints on public and private financing activity, no single institution possesses the powers to use the variety of financing tools needed to complete many projects.

For all these reasons, it is usually advantageous to pool the resources, expertise, and legal powers of many organizations in order to accumulate sufficient development capital, spread risk, and legally package the resources needed for development.

## POOLING RESOURCES AND SPREADING RISK

The public sector possesses neither the resources nor the market expertise to unilaterally redevelop our urban economies. The private sector, on the other hand, is often reluctant to invest in areas which threaten high risk and low return and it also lacks key powers as a developer, such as eminent domain.

In an economy which is no longer characterized by rapid expansion and virtually limitless resources, but rather by chronic resource shortages, fiscal crises and stagflation, investment capital is now more scarce than ever. The sharply increasing costs of energy, minerals, labor and services have put an unprecedented squeeze on our national resources and have diminished the capacity to invest in our productive capacity, especially in competitively disadvantaged locations such as older central cities.

Pooling resources and spreading risk, therefore, is crucial at this time, particularly with respect to those development activities involving heavy construction, real estate development, and minority business development.

The private sector has traditionally used a variety of investments for pooling the resources of different organizations. Among these are 1) consortiums or participation agreements in which banks and corporations agree to participate in a development project subject to terms specified by contract. One institution generally takes the lead in day-to-day administrative affairs but the group generally shares responsibility for overall management, often according to a development plan. 2) Management agreements which are similar to participation agreements but under which all funds are transferred to a single party which manages and invests according to an agreed upon investment policy. This type of arrangement places somewhat more responsibility on the lead institution. 3) Partnerships in which two or more partners share ownership of a business venture. Limited partnerships are a special form which allows a person to invest in a business venture and share the profits from that venture without being liable for more than the amount of the original investment. 4) Corporations, which obtain capital through the issue of corporate stock and equity investment.

It is now becoming more common to see these arrangements being used in joint public/private development ventures. Participation agreements now often include quasi-public development corporations and even city agencies, a variety of management agreements between the public sector and local banks exist in several cities (these include linked and reserve deposits) and, finally, non-profit development corporations are themselves becoming depositories for a variety of funds.

Somewhat more sophisticated financing techniques, most of which are common to the private market, are now becoming the vehicles for spreading risk and pooling resources in public/private ventures. Guarantees, for example, are being used not only by SBA, but other public and quasi-public entities, usually development corporations, to leverage private investment in moderate to high risk areas. A wide variety of guaranteeing techniques have been developed by various users.

Subordinated lending and leasing is also becoming a more common practice in financing development. A subordinated loan involves at least two lenders -- a prime lender and a subordinated lender who is paid back after the prime lender and, thus, assumes more risk than the prime lender. Prime lenders will often make investments they would not ordinarily risk if a subordinated lender also contributes. Other techniques being used to spread risk include interest subsidies, which reduce the cost of lending and borrowing, and secondary market financing (discounting) which, in effect, transfers a loan or other security from one party to another to recapitalize the first party. Wealthy banks, for example, can purchase a

loan (in the form of a note) from a minority owned bank to replace the working capital of the minority bank. This technique can be particularly useful as minority banks are typically undercapitalized and, therefore, must be more conservative than their richer counterparts.

#### LEGAL STRUCTURE FOR FINANCING

Legal constraints upon public and private financing arrangements limit the extent to which any single institution can use a variety of financial tools. Public agencies, for example, can use the power of taxation, the power of eminent domain, issue tax-exempt bonds and, of course, receive public grants. Private institutions, on the other hand, are much more free to perform typical market transactions such as loan equity investments and are not encumbered by public hearings and city council approvals, etc. A variety of quasi-public institutions, generally development corporations, combine some of the powers of public and private institutions and, consequently, can put together more flexible and complex financing packages. These organizations can also serve as an intermediary between the public and private sectors.

The legality of various financing arrangements differs widely from state to state according to current legislation. In some states, it is possible to use traditional public powers such as taxation, bonding and eminent domain in fairly innovative ways. Tax increment financing, various types of tax abatements and write-downs and the transfer of eminent domain powers to quasi-public and private parties are typical of some of the tools which states such as Missouri and Ohio have adopted from urban development. The role of state legislation will be discussed in each of the case studies to be performed for the financing chapter.

#### OTHER ISSUES AND CASE STUDIES

The financing of development activity raises other important issues which are best handled in a case-study format. Some of these are a) how to combine a variety of financing tools, institutions and resources in an imaginative way; b) how to assure that the use of financial incentives really does leverage additional risk capital; and c) how development of long standing relationships between public and private officials and how skillful negotiating and "diplomacy" contribute to changing the complexion of private investment patterns in a city.

The three case studies relating to the financing chapter examine all of the above-mentioned issues and provide examples of how various techniques, institutions and resources can be put together to finance development.

Two of the case studies focus upon relationships between municipalities and local banks. Milwaukee, the first case, has set up an interesting management agreement between its neighborhood development corporations and the city's major banks using a system of reserve deposits, loan guarantees, and interest subsidies in order to stimulate private investment in moderate to high risk development activities. This program involves the financing of industrial, commercial and residential development.

Several of the major banks and corporations in Minneapolis, the second case, have set up a Downtown Development Corporation in order to refinance a major project which has experienced financial difficulties. The development corporation plans to continue funding downtown development activities on an ad hoc basis.

The final case study, the Courthouse Square Plaza in Dayton, involves the use of a very wide variety of tools and institutions including land acquisition, write-downs, the lease of air rights, a major tax abatement, revenue bonds, a limited partnership of banks and corporations, public construction, insurance company financing, a contract between a major developer and the City of Dayton and more. This example illustrates how a large number of public and private interests can creatively combine resources using a variety of tools, some simple and some quite sophisticated, to put together an effective financial package.

Mr. ASHLEY. Well, you have had an opportunity, I take it, to review, if not the testimony, the context of the testimony offered by Secretary Harris in which she requests an additional authorization of some \$400 million in the form of an action grant program which, among its other purposes, would seek to beef up the ability of a city or other political subdivision meeting the eligibility requirements to engage in economic development activities.

Are you familiar with that?

Mr. D'ALESSIO. Yes, I am generally familiar with the Secretary's testimony. I think she is saying exactly what I would propose; the kind of flexibility that she referred to, the kind of eligibility requirements that she discussed are just exactly the kind of thing I referred to.

I have only one concern. I suppose it is not really a concern. I would say there is one area that I think we should be careful about as we deal with programs of this sort, and that is local capacity to deliver.

As I said earlier, this is a program for professionals. The amateurs can get eaten up in a very short period of time. We need the kinds of technical-assistance funding and things of that sort to develop the local expertise to carry out the programs.

But I certainly agree with Secretary Harris' suggestions.

Mr. ASHLEY. Well, of course, if you define local capability to deliver in a way that only includes Philadelphia, then you are going to be in pretty good shape.

Mr. D'ALESSIO. You have seen through my plot. [Laughter.]

Mr. ASHLEY. This capacity to deliver is interesting. As a professional, I wonder if you are able to comment on this availability—on this capacity in cities the size of Philadelphia or larger or smaller.

Mr. D'ALESSIO. It is obvious, Mr. Chairman, that it is a spotty sort of thing. There are programs about the country—and, again, as I say, some of them are referred to in the testimony and some are included in the study report case studies—where I think that the programs are being managed as well as any thing can be done on the public or the private side.

I think the real problem we have is the startup and slowdown nature of the programs which has discouraged a lot of professionals who started out in the urban development business, let us call it urban renewal, which became model cities, which became economic development and the works. A lot of those people have not stayed with the programs. The "stop and start" nature of the programs has not encouraged that.

I do think that there is in most large cities a capacity to deal with the economic development problems. I think there is an expertise. I think that organizations, such as the National Council for Urban Economic Development, the National Association of Housing and Redevelopment Officials, do a lot to encourage that and can get out the kinds of technical reports that are necessary to shore the expertise around to the place where they have less experience.

Mr. ASHLEY. Now, with regard to the startup/slowdown problem that we find in a number of Federal projects, is that really kind of built into this action grant program? The idea isn't for Philadelphia or other cities that have the competence to be the beneficiary of funds

on a year-in, year-out basis. So as I visualize it—at least as I understand the program, having met the eligibility threshold requirements of a community, would describe specific area of activity, put a dollar amount to it, and hopefully there would not be amendatories the way there was in the urban renewal, and you would finish the undertaking probably on a multiyear basis, and that would be it. There may be others in the city that command attention, but on \$400 million a year, with the number of cities, particularly in the Midwest and Northeast, and elsewhere that might well meet the eligibility standards.

All I am saying, of course, is that there isn't any assurance in the program structure, and in fact, quite the contrary, that this would be the kind of program that does offer continuity of funding on a city-by-city basis. You would have to agree with that.

Mr. D'ALESSIO. Yes, I certainly would agree.

Mr. ASHLEY. You don't have to like it, but you do have to agree that's the situation.

Mr. D'ALESSIO. I agree. And I would add a point or two. The types of programs that were suggested in the Secretary's statement and the kinds of programs we have been managing in Philadelphia are the sorts of things that with the initial funding then could continue on almost under their own steam. We have established revolving funds for our land development programs. We started off with a \$10 million local bond issue back in the early 1960's and have leveraged it into a \$20-million revolving fund for land development locally.

Mr. ASHLEY. Let me interrupt and ask you whether you think out of this action grant program there are going to be moneys available for establishing a high-risk fund or some kind of a rotating fund? Is that how you think the program is going to be structured, or should be structured?

Mr. D'ALESSIO. Well, in part, yes, because I think that the two critical things we have to deal with locally in this business of creating permanent jobs through development activities is land and capital availability. And to do that most effectively in the cities, you establish land banks with revolving funds to acquire land and to put in the streets and the improvements and so forth. And as you sell that or lease that land to the private users, you should be able to put those proceeds back into the fund and repeat the process again.

The same thing with the encouragement of capital availability through lending institutions. We should be able to guarantee mortgages. We should be able to loan on a second mortgage basis. But all that should be able to come back into the fund again, managed locally, so we can repeat it again.

And as I go back to that early example in Philadelphia of our revolving fund, we have never had to go back for another public dollar since 1961 for our industrial land development activity. And as I understood the Secretary's testimony, I think you can do those kinds of things under her proposal, and I think that is the sort of thing you have to do to have continuity. And if you do that, I think once you get it going, you also establish another very important local measure, and that is credibility, the ability to say, we are going to deliver a 150-acre industrial park, and we are starting now, and it is going to be 1½ to 2 years to produce that, even if we are

going to have a change in administration along the way and some new city council will be elected, and that sort of thing. But a continuity from front to back in these programs, and a track record that will encourage the banks and the private investors and others to come in and participate with you. If you don't have that, that credibility and that track record, you have a devil of a time in this business.

Mr. ASHLEY. Well, I agree with you. I am just thinking as this program goes forward, that the Secretary will avail herself of somebody of your experience to run it, because it does take somebody that has that added dimension of experience related to economic development as distinct from residential-commercial-central business district type experience that we find in HUD.

But I am just not entirely clear on the matter such as the revolving fund, on the establishment of financial techniques in part or entirely financed by these Federal dollars that would be available generally.

My understanding of the program was that it would be a targeted program in two respects: first of all, for needy cities, and second, with respect to those areas of undertaking within those cities. And it wasn't my understanding—in the rather general statement that Secretary Harris deliver to us—it wasn't particularly detailed that it was meant to go very much beyond that.

Mr. D'ALESSIO. I recognize the limitation you speak of, but there are some specific examples in the testimony that I saw which would give me encouragement for this continuation, and one is the intent to fund what is called local development corporations to provide the 10-percent local share of a financing program available through SBA which provides 90 percent of each loan. The other 10-percent share could come from this grant to the local development corporation, who in turn links it with the SBA portion and loans it to the business. The 10-percent part of his transaction—the other part of which is financed through the Small Business Administration—that 10 percent gets returned back to the local development corporation over the term of the loan. And the corporation can loan it out again and again, assuming they make wise loans and don't dissipate the principal amount.

So in that kind of way, there are elements of that proposed program that can have continuity over a relatively long term, and, if well-managed, can grow.

Mr. ASHLEY. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Thank you very much for being with us today.

Economic development is an eligible activity under the community development block grant program, but it certainly is a subordinated one.

What would be wrong, instead of passing a \$4-billion public works bill that is administered by the Economic Development Administration, with folding that into the community development program and emphasizing economic development through that program. In this way, it becomes a more significant eligible activity and in fact an emphasized activity?

Mr. D'ALESSIO. I could not say I would have any objection to that sort of approach. I am mainly concerned with the kind of elements we talk about, the flexibility of the program to permit loans, to permit



land acquisition for economic development, to establish these revolving fund kind of activities.

If that can be done as part of the normal program, having grown up in part through the categorical programs, NDP and community development block grants, fine.

Mr. BROWN. You talked about the on-again, off-again programs. It seems to me that we got away from that in part with the 1974 Act. It seems to me there is greater continuity and reasonable expectation, for communities than when they were getting year-by-year funding under a categorical grant program, don't you agree?

Mr. D'ALESSIO. Well, it provided some. The old categorical grants under title I had some continuity advantages to them in the sense that you outlined the project; if you had done your job well, if you had budgeted wisely, even if you were in for the long haul, you had the funds to get it done. And that was an important ingredient. You could produce the land, and much of the land for which I am now redeveloper in our city, since my corporation acts as redeveloper for all the industrial land, was assembled by the redevelopment authority through the old title I process.

But one of the great difficulties we faced under that program—and we were one of the first cities to recognize it and go along with the NDP program—was inflexibility. With this sort of transitional NDP program that came in, we, in effect, cashed in the grants that we had sitting on the shelves that we couldn't use for 6, 7, 8 more years down the road because of litigation or delays of one sort or another, and used those funds for immediate effect, for immediate impact, and that was good. We achieved more in 2 or 3 years under NDP, I think, than we did in maybe the previous 6 or 7 years under the categorical grant programs. You got stalled and you were really stalled in that area. You could not spend the money anywhere else.

I think that the idea of the annual funding program with some sort of a mark you could depend on for a 2-, 3-, or 4-year period is probably the ideal. The difficulty you get into in part with the community development funding process is the tendency to spread it awfully thin and to spread it into things that have an immediate application that year, that funding period. The kinds of pressures that are on the delegate agencies in the city to use up their money, to use it up in such a way that can be quickly and easily seen by the legislators in that district, by the chief executive of the city—does not encourage an attention to the longer range economic development program, development of a land bank, development of a revolving fund for loan purposes, that sort of thing. So we need a little bit of a balance in there and a little bit of encouragement in that kind of activity.

We are in the right direction. I just think we are tinkering now.

Mr. BROWN. What is to stop the new action grant program that the Secretary has advocated from becoming a program like urban renewal with all the amendatories, and so on, that went with it?

Mr. D'ALESSIO. Well, based on the kinds of activities that the Secretary described, land acquisition, of course, is one of them, and that probably can get you as closely as possible to the old categorical grant title I urban renewal programs.

With the amount of money you are speaking of, though, frankly, there is not going to be a whole lot of land acquisition. It is going

to be primarily working with land that is already available to you that you can bring on line for a relatively modest expenditure. It might be improvement costs that you are going to have to put into it. It might be transferring it from one public entity to another. But you certainly can't mount a major, classic urban renewal program with that amount of money in the United States. So I don't think you are going to see the use of the funds in a classic urban renewal fashion. I think you are going to see it used for leveraging loans, for leveraging investment activity, and I do think that you will see shorter term impact, at least initially, because there is a lot of pent-up investment opportunities, a lot of them generated by the old urban renewal program that could be set loose by some of this freer use of the money.

Mr. BROWN. But under the program, as I recall the Secretary testifying, it would be a one-shot deal. If you compare it with the old urban renewal program—that averaged around \$15 million and up, and the same thing today would probably be \$20 million or so, that means you would have 20 cities getting the grant the first year, 20 the second year, and 20 the third year.

Mr. D'ALESSIO. Well, I would hope that it would have at least a 3-year horizon, and I think that what you are going to see is the establishment of the kinds of activities that I was describing earlier that give you a longer range impact. If you put those—a portion of those funds, let us say, into the local development corporation activity where you take 10 percent of community development money and leverage it to borrow 90 percent guaranteed by the Small Business Administration, and you are loaning that out on 15-, 20-, and 25-year mortgages, that money is going to be flowing back in and revolving over that same period of time.

And I tend to think that a lot of the funds will be going to those kinds of activities, because the opportunity to spend it there is there now. A lot of the cities have been using the Small Business Administration title II program. A lot of the cities, like Milwaukee and Dayton and others, have been building up their land bank. I think that the tendency to use the money would be in those revolving and recurring kinds of activities where the money flows back into the fund that you established and can be applied again locally.

Mr. BROWN. Thank you.

Mr. ASHLEY. Do you think that the success of this program might require the recipient entity to be some kind of a public or quasi-public authority or corporation?

Mr. D'ALESSIO. Well, Mr. Chairman, I have sort of a bias in that direction. I favor the nonprofit quasi-public corporation approach that we use in Philadelphia because of one very important characteristic. It provides the place for the public and private sides to come together on the board that can deal with transactions in a very businesslike fashion.

My board includes the mayor of the city, the president of the city council, the chairman of the city planning commission, responsible public officials of that sort, and a greater number of the private sector leadership, of businesses in the city. I think it gives us flexibility to deal more directly with the development business. It gives us the capacity, at least in Philadelphia because of the nature of our city

charter and regulations under which we operate to actually participate in projects. The public side participation through our quasi-public organization is one step removed from city government which faces legal restrictions. PIDC can actually participate in the project with the private side as an equal partner still functioning legitimately and properly under our local regulations.

So I tend to favor at least keeping in the capacity to use the quasi-public and the nonprofit corporations as part of the local delivery system. Parts of it are going to have to be done through the public agencies and through the authorities.

Mr. ASHLEY. Well, I am curious about this, especially from the urban renewal experience. Certainly in most cities it was not a quasi-public corporation or authority that handled the urban renewal activities. It was directly from the council chambers. The commitments that were made were not very binding. Land was acquired and cleared. A use plan was developed. There were contracts that were entered into that in many instances weren't delivered on, it being in the developer's interest to walk away. Isn't that so?

Mr. D'ALESSIO. Yes, I think you focused on the weakness of the urban renewal process as it was established and managed. It was a very good system for assembling the real estate, for achieving the relocation requirements for meeting the social and neighborhood goals in many of the areas. But it was a lousy system to dispose of the real estate and have development take place.

And there are a lot of reasons for that, not the least of which are some of the processes that the private side developer had to go through in order to be approved as a redeveloper and the limitations of the financing commitments that he could get based on the time it took to process his contract.

So contracts were written very loosely in the event that his financing commitment fell out of the process somewhere along with the 9 months that it took from the date he said, I will take it, to the date he said, I can get it.

And what we have done in Philadelphia is said, well, we will take you out of that process. We are going to have a much more binding contract with you, because when you say, I will take it, we can settle, say—is 30 days fast enough? Would you like 60 or 90 days? So you can prepare your plans. We are saying we can get to the settlement table faster than he can by making ourselves, the local nonprofit corporation, the redeveloper. We have gone ourselves through the 9-month process, the public hearings, the financial responsibility, public disclosure forms, all of that sort of thing. City council looks to us when they are looking for accountability. I have to go back in before them on a regular basis for funding and things of that sort, so they know they are going to see me again. They don't know whether they are going to see that redeveloper again.

So the process puts us in the place of that long and extensive period where the flexible contracts had to be written, and puts the private-side guy in the position where he can look at the deal, understand it, and say, I will take it, and settle it, all within his capacity to finance it. I think that works a lot better.

Mr. ASHLEY. Well, I appreciate your testimony very much, indeed.

Mr. Brown and I are very interested in this new program from the standpoint of how it meshes with the community development block grant program to the extent that it may represent a new category in which there may be problems downstream. We are interested in the proposed threshold eligibility requirements that would, in our view, be necessary in order to target according to need and to be fair with cities that in the absence of pretty clear articulation may think that, here is another program that they are going to be able to plug into when in fact they are not going to be able to do so, at least for some considerable period of time.

I am also interested in this matter of local accountability that you have addressed yourself to, because I am going to be very reluctant to proceed with this legislative proposal absent some kind of structure at the local level, which assures that kind of accountability and which, I think, is in the public interest.

We are talking about taxpayers' dollars, and \$400 million each year for 3 years. And absent some kind of greater assurance as to accountability, I think that this proposal may find slow going.

To put it another way, it is going to find a good deal more response as the proposers of this program are able to come up with some assurances that to date they have not.

Mr. Brown?

Mr. BROWN. Before concluding, I would feel remiss if I did not say, it does make any sense to me, to have a \$4-billion public works program where the funds are distributed and the projects approved, with basically no relationship whatsoever to a community development plan. I know in my own community, it just doesn't make any sense. It seems to me we must be suffering from a little intellectual schizophrenia, at least, in doing these kinds of things. Here we come up with \$400 million, which is basically for economic development done in a planned, sensible, reasonable, prioritized way. Then, we spend 10 times as much money, \$4 billion, helter skelter, catch-as-catch-can. I wish some of you would have been a little more vocal in talking to the public works committee, and some of my good friends on the other side of the aisle, when they came up with such a program. I don't think it makes any sense at all.

I think what you and the Secretary are talking about, a \$400-million action grant program aimed at a set of goals and objectives, is much more sensible than what we have in the public works bill. There is no comparison.

Thank you very much, Mr. Chairman.

Mr. ASHLEY. I have no rebuttal at all. The point that Mr. Brown makes is beyond question valid.

We appreciate your testimony very much indeed. And if we have additional questions, I hope it will meet with your approval if we could direct them to you so you could respond in time for the full subcommittee to have such additional thoughts prior to markup of this legislation.

Mr. D'ALESSIO. I look forward to that. And thank you for the opportunity to testify.

Mr. ASHLEY. Finally, we conclude this afternoon's session with a panel comprised of the Southern Regional Council, Wayne A. Clark.

Second, the Working Group for Community Development Reform; Andy Mott. And the Potomac Institute, Herbert Franklin.

I am going to ask you gentlemen to introduce your associates for the record. Before doing so, let me say that I would appreciate it if it meets with your approval, if we have entered in the record at this point your prepared statement, so that we can proceed with the shorter version. We are under some time constraints and I suppose that reflects your situation as well. So if there is no objection from you, we will proceed on that basis.

Mr. Clark, why don't you proceed?

**STATEMENT OF WAYNE A. CLARK, ASSOCIATE DIRECTOR, SOUTHERN GOVERNMENTAL MONITORING PROJECT, SOUTHERN REGIONAL COUNCIL, ATLANTA, GA., ACCOMPANIED BY RAYMOND H. BROWN, HOUSING AND COMMUNITY DEVELOPMENT CONSULTANT FOR THE COUNCIL**

Mr. CLARK. Thank you, Mr. Chairman.

I am Wayne Clark, associate director of the Southern Regional Council project. Accompanying me is Raymond H. Brown, a housing and community development specialist. Mr. Brown is the author of this report which I believe the subcommittee is familiar with, "A Time for Accounting." His testimony today is based on a more recent study of the same—basically the same material. It is in fact an update of this report which was published in April of last year.

[The prepared statement of Mr. Clark, on behalf of the Southern Regional Council, follows:]

PREPARED STATEMENT OF WAYNE A. CLARK

SOUTHERN REGIONAL COUNCIL  
ATLANTA, GEORGIA

BEFORE THE

SUBCOMMITTEE ON HOUSING  
OF THE  
COMMITTEE ON BANKING AND CURRENCY

March 1, 1977

Mr. Chairman, thank you for the invitation to appear before this Subcommittee today. My name is Wayne Clark, Associate Director of the Southern Governmental Monitoring Project of the Southern Regional Council. Accompanying me today is Raymond H. Brown, our Housing and Community Development Consultant.

Last April The Southern Regional Council released a report assessing the implementation and the administration of the Community Development Block Grant Program (CDBG). The report, one of several efforts to assess the impact of "New Federalism" on the lives of poor Southerners, was sharply critical of the Ford Administration's "no-strings approach: This narrow approach has significantly undermined the full impact of community development activities on the lives of lower income residents. We were particularly concerned with the manner in which applications were approved by HUD without any regard to the objections and criticisms levied by local citizens.

It was hoped that these programs, unlike the specialized and federally-administered categorical grants, would encourage local officials and citizens, particularly lower income citizens affected by activities, to become partners in an effort to revitalize their neighborhoods. Similarly, these programs promised a dramatic shift of planning and administrative responsibility from Washington to recipient states and local governments,

in an attempt to encourage comprehensive planning and to coordinate housing and community development activities. However, these provisions have been mere pen and paper stopgap measures.

Our reading of the House and Senate Committee Reports and the Conference Report, is that Congress clearly intended that community development funds be used to promote the national objectives of improving housing, attacking blight, and creating viable urban communities, primarily for the purpose of aiding lower income persons. Judge Blumenfield in the Hartford case takes the same view. Yet, Congress and HUD have allowed an interpretation of these national objectives that permit the construction of tennis courts, swimming pools, baseball parks and other frivolous activities as "urgent needs," while other more pressing priorities such as code enforcement and housing rehabilitation have not been encouraged.

It is equally clear that Congress intended that recipient governments be allowed more flexibility in choosing types of community development activities to be funded and that the front end application requirements and red-tape that characterized the categorical grants be eliminated. Congress did not, however, intend for the CDBG program to become another "revenue sharing" program. The Act established broad national objectives and performance standards, and re-affirmed the national commitment of a decent home and a suitable living environment for



each American family. Congress also intended that Housing and community development activities be coordinated through use of the Housing Assistance Plan (HAP).

To demonstrate its importance the legislation specifically prohibits the Secretary from waiving the HAP. Hence, it was contemplated that recipient governments would utilize funds from a variety of sources including the private sector to meet a portion of the housing needs in the HAP.

According to our on-the-spot investigations in twenty-six communities the first year of the program, and an additional twenty cities the second year, we can conclude that the Act has failed significantly in achieving its primary objective of developing viable urban communities. There are several important factors that led to this conclusion. First, the de-concentration of or diffusion of activities throughout the community have dissipated any substantial blight removal efforts. The problem of diffusion of funds has been exacerbated by the absence of sound comprehensive planning. The applications are replete with activities that, if coordinated with other efforts, will begin the crucial process of urban revitalization.

Second, The absence of adequate performance standards and monitoring have also contributed to the Act's failure. The lack of accountability has resulted in activities that have a marginal, if any, impact on the needs of lower income residents. We are

not seeking a return to massive front-end application requirements and additional red tape that will unduly delay the process, but we strongly believe that local officials should be held more accountable for taxpayer's dollars through additional performance standards. More importantly, in light of limited federal resources, it is essential that activities benefit the segment of the community demonstrating the greatest needs. In many smaller rural areas of the South, worthwhile projects are being rejected because of limited funding, while in other cities, activities such as decorating public buildings with expensive metallic substances are permitted. This is clearly inconsistent with national priorities.

Third, the lack of governmental capacity building has vitiated the intent of the Act. Recipient governments have not been required to coordinate 701 planning grants with funds reserved for planning in the CDBG application. In many communities we surveyed, vigorous competition for control of the program existed between area-wide planning bodies and local officials.

Finally, even though all communities surveyed technically complied with or, in some cases exceeded the citizen participation requirements of the Act, there was some concern over the reluctance of low income and minority persons to vocalize their needs. This should not be an unexpected pattern for low income persons and others who have traditionally been outside the inner circle of local governments, who have few personal connections

there, and who are often unfamiliar with local governmental operations. BUT the pattern of reticence, while not surprising, points to a special need to ensure the inclusion of such persons in community development advisory bodies and other citizen participation devices and to a special need to provide adequate information and staff support for their use. Very few of the cities we surveyed expended the bulk of their community development allocations on projects that were of the greatest benefit to the largest possible numbers of low and moderate income citizens. Those that did so - and there were a few - are to be congratulated on their efforts. But the test of New Federalism is not whether some governments have carried out national purposes, but whether all have done so with exceptions so occasional as to constitute no more than infrequent abuses. With the CDBG program, however, the abuses have become a pattern.

In testimony before this committee last Thursday, Secretary Patricia Harris pledged to take action to direct community and housing programs toward low and moderate income citizens. "I do not consider this to be an objective of the Block Grant Program," she said, "it is the highest priority of the program, and we in the Federal government must see to it that the thrust of the program serves that objective". She also pledged to make monitoring of CDBG a continuous effort. "Monitoring will be a continuous process of HUD involvement with cities. We will be knowledgeable about the progress and problems of participating cities and we will be able to and willing to make objective

judgments of local performance."

However, Secretary Harris did not propose what we consider adequate legislative amendments to enable HUD to fully achieve the primary objectives of the legislation. Moreover, we strongly oppose the proposed efforts to broaden the eligibility of activities that would permit cities to undertake commercial and industrial development activities with Block Grant funds. We believe that this purpose can best be achieved through the proposed "Urban Community Development Action Grants". We also believe that the impending Public Works legislation will enable cities to undertake industrial and commercial development activities.

The legislative recommendations that follows were developed in conjunction with the Working Group for Community Development Reform, a coalition of Civil Rights and Public Interest Organizations. We firmly believe that the regulatory changes outlined in the group's report, Community Development Block Grants-Implementing National Priorities, if implemented, can achieve some of the desirable changes, however, this Committee still has a legislative obligation to ensure that funds are being spent consistently with intent. This is especially true in light of the findings of your Subcommittee staff in their report, Community Development Block Grant Program. This report reiterated many of the same concerns raised in reports by NAHRO, The National Urban League, and our report, A Time For accounting.

The following legislative amendments, coupled with increased monitoring efforts by HUD will be the first steps directing the Community Development Block Grant toward achieving the mandate first articulated by the Housing Act of 1949: A decent home and a suitable living environment for every American.

Recommendations:

1. Strengthening the Priority on Low and Moderate Income Families and Blight.

Section 104(b) (2) should be amended as follows:

"Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will wholly and directly benefit low - or moderate - income families or aid in the prevention or elimination of slums or blight. Programs to prevent or eliminate slums or blight must respond to the priority needs of low or moderate income families and must be designed to either eradicate severe physical decay, dilapidation, and abandonment or ward off the imminent danger of such decline. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are to meet other community development needs having a particular urgency because present conditions pose a serious threat to health, safety, or public welfare, require immediate treatment, cannot be addressed through the use of other financial resources, and outweigh in severity the needs of low or moderate income persons and the need for projects which prevent or eliminate slums or blight.

Section 104(c) (3) should be amended by adding:

"with specific regard to the primary purpose of principally benefiting persons of low and moderate income."

## 2. Strengthening Planning and Linkage Requirements.

The introductory sentence in Section 105(a) should be amended to read:

"A Community Development Program assisted under this title must contain activities which are part of a comprehensive strategy of mutually supportive programs to benefit persons of low and moderate income and their neighborhoods and may include only..."

Section 104(a)(1) should be amended to read:

"sets forth a summary of a three-year community development plan which identifies community development and housing needs, demonstrates a comprehensive strategy for meeting those needs, including establishing needs priorities for persons of low and moderate incomes and their neighborhoods, and specifies both short - and long-term community development and housing objectives, especially for persons of low and moderate incomes and their neighborhoods, which have been developed in accordance with area-wide development planning and national urban growth policies;"

Section 104(a)(2) should read as follows:

"formulates a program which (A) includes the activities to be undertaken to meet its community development and housing needs and objectives, with specific regard to those priorities and objectives formulated, pursuant to Section 104(a)(1), for persons of low and moderate incomes and their neighborhoods, together with the estimated costs and general location of such activities," (B) same to end of Section 104(a)(2).

Section 104(a)(3) should be amended as follows:

"describes a program, principally for persons of low and moderate incomes and their neighborhoods designed to..."

Section 104(a)(4) should be amended as follows:

- add clause at end: "with specific regard to each identifiable low and moderate income neighborhood."

- add a new: "(iii) describes in a narrative form a comprehensive strategy of how the applicant will meet these needs."
- "indicates the general locations of proposed housing-related expenditures for lower-income persons, with the objective of...."

### 3. Strengthening Citizen Participation

Section 104(a) (6) should be amended to read as follows:

- (6) "provides satisfactory assurances that, prior to submission of its application, it has (A) prepared and followed a detailed citizen participation plan in consultation with existing community groups and citizens organizations which plan is geared to maximize the opportunity for citizens to participate in the development of the application, with special attention to measures to encourage the statement of views and the submission of proposals by low and moderate income people and residents of blighted neighborhoods, including arranging for groups representing such people to have access to independent advice and assistance in preparing needs assessments and proposals, (B) provided citizens with..... and (C) held public hearings..."

The last clause in Section 104(a) (6) should be eliminated.

Section 104(b) (4) should be amended to include the following statement:

"Notwithstanding the provisions of this paragraph, the area office shall investigate all written complaints to insure to its satisfaction that the applicant has complied with paragraphs (5) and (6) of subsection (a)."

### 4. Nonmetropolitan Areas

Section 101 should be amended by adding the following new subsection:

- (e) It is recognized that balanced national growth requires assistance to nonmetropolitan areas in meeting their

community development needs. In administering the assistance thus provided for in Section 106(f) of this title, the Secretary shall make appropriate allowances for the special needs and problems of non-metropolitan areas.

5. Performance Reports

Section 104(d) should be amended to read:

"The Secretary shall make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection and take such other action including, but not limited to, refusal to accept certifications in subsequent program years preference or the recapture of past funding."

6. Other Desirable Changes

Section 105(a)(4) Specific Eligible Activities

Add as an eligible activity:

The creation of a mortgage guarantee program in neighborhoods suffering from a lack of conventional mortgage availability

Section 105 (a)(13) Administrative Costs

Add:

"Such costs shall not exceed 10% of the total grant except where the Secretary makes a specific finding of a need for a greater amount."

Section 104(f) Time for Approval/Disapproval

Add a sentence:

"Notwithstanding the provisions of this subsection, the Secretary may, with the approval of the applicant, extend the period of application review for an additional thirty days."



Mr. RAYMOND BROWN. Last spring the SRC released a report, "A Time for Accounting", in the Housing and Community Development Act in the House. The report was based on on-spot investigations in 26 southern communities. The report basically is an assessment of the implementation and the administration of the Housing and Community Development Act in the South. My comments will be basically a summary of some of the things in the report and additional investigations last summer.

Our reading of the House and Senate committee report and the conference committee reports—well, from our reading of that conference committee report, it is clear that Congress intended that community development funds be used to promote national objectives of improving housing, attacking blight and creating viable urban communities, primarily for the purpose of aiding lower income persons.

Judge Blumenfield in the *Hartford* case takes the same view. In light of this view, the Congress and HUD have allowed an interpretation of these national objectives that permit the construction of tennis courts, baseball fields, swimming pools, and other such frivolous activities as urgent needs, while other pressing priorities such as code enforcement, housing rehabilitation, and others have not been encouraged.

It is equally clear, we believe, that Congress intended that recipient governments be allowed more flexibility in choosing types of community development activities to be funded, and the application requirements and the redtape that characterized the categorical grants be eliminated.

I don't think Congress intended that the community development block grant program become another revenue-sharing program. Because the act established broad national objectives and performance standards and reaffirmed the national commitment of a decent home and a suitable living environment for each American family.

Congress also intended that housing and community development activities be coordinated through use of the housing assistance plan. To demonstrate its importance, the legislation specifically prohibits the Secretary from waiving the HAP. Hence, it was contemplated that recipient governments would utilize funds from a variety of sources, including the private sector, to meet a portion of the housing needs.

According to our on-the-spot investigations in 26 cities the first year of the program and an additional 20 cities the second year, we conclude that the act has failed in achieving its primary objective of developing viable urban communities.

There are several important factors that led to this conclusion. First, the deconcentration of, or diffusion of activities throughout the community have dissipated any substantial blight removal efforts. Second, the absence of adequate performance standards and monitoring have also contributed to the act's failure. Third, the lack of governmental capacity building has also vitiated the intent of the act. And finally, the manner in which citizen participation was carried out in many of the communities that we surveyed certainly has undermined the intent of the act.

The recommendations that follow in our testimony are based on, or were developed in conjunction with the community development

block grant, the Working Group for Community Development Reform and they will deal more specifically with the recommendations.

And I will certainly gladly answer any specific questions from the report. And I would certainly like to apologize for my lack of coordination here.

Mr. ASHLEY. Well, Mr. Brown, there is no need whatsoever for apology. Let me assure you that very few of the members on this panel are any more articulate than you. And I think your testimony has been very understandable and quite persuasive.

We will move on in any order that strikes the panel.

Mr. RAYMOND BROWN. Thank you, Mr. Chairman.

**STATEMENT OF ANDREW H. MOTT, VICE PRESIDENT, CENTER FOR COMMUNITY CHANGE; SPOKESPERSON FOR THE WORKING GROUP FOR COMMUNITY DEVELOPMENT REFORM**

Mr. MOTT. Mr. Chairman, I am Andrew Mott, vice president of the Center for Community Change. I am appearing today as a spokesman for the Working Group for Community Development Reform.

Our organization has been working together with the Southern Regional Council and a number of organizations on preparing thorough recommendations to HUD and to the Congress for changes in the regulations under the community development block grant program. Our recommendations are geared toward trying to turn the block grant program into a more effective instrument to meet the most pressing needs of low- and moderate-income people and blighted areas, and to make sure that the statutory safeguards which were passed by the Congress are in fact enforced.

Our various organizations have worked extensively with the block grant program, both at the local level and the national level, and we have had a series of concerns on a number of issues over the last 2 years.

As a working group or coalition, we were delighted with the testimony by Secretary Harris last Thursday in which she stated in strong, unmistakable terms that she intended to toughen up the regulations under the program, and to make sure that the program achieves the basic identified statutory objectives, including the priority on low- and moderate-income people and blighted areas. We are delighted with this statement. We feel that it is long overdue. And we hope that the program will improve and that we will not see some of the problems which have existed in the past continue in the future.

Ms. Brooks, after I finish talking, will address herself to some of the administrative recommendations which we have made to HUD. I have a document which your staff has seen, which we have called the "Community Development Block Grants—Implementing National Priorities." It is an extensive series of recommendations on changes in the regulations, and with your permission, I would very much like to have it entered into the record.

Mr. ASHLEY. Without objection, it will be entered.

[The document referred to follows Ms. Brooks' prepared statement.]

Mr. MOTT. In terms of legislative recommendations, I will just concentrate on two recommendations which we have and skip several other concerns that we have also focused on.

Our first concern has been with the vagueness of the language about the maximum feasible priority on low- and moderate-income people and projects which tend to eliminate or prevent slums and blight. We feel that that phrase—

Mr. ASHLEY. Is that in the statute or the regulations?

Mr. MOTT. That is in the statute in section 104.

Mr. ASHLEY. The reason I ask is that you said a moment ago that you were proposing changes in the regulations, and I didn't know whether you meant the regulations or the statute.

Mr. MOTT. Well, we have proposed in this document a series of changes in the regulations. We also have some suggestions for changes in the statute to lead to greater clarity on a number of questions, and particularly this question of the maximum feasible priority on low- and moderate-income people, which has been a source of great confusion and conflicts and great consternation at the local level, as your own staff report has shown.

There is, I think the phrase that your staff used was that local officials are in a quandry about how to interpret the phrase maximum feasible priority, and also the phrase about principally benefiting low- and moderate-income people—the two questions that come together addressing the question of the overall priorities of the act.

The GAO audit report as you know has also pointed out that there are great differences in interpretation among the various area offices in interpretation of those phrases. In my prepared testimony, we have suggested changes in the statutory language to try and clarify the key definitions of maximum feasible priority, the benefit of low- and moderate-income people, the question of what kinds of urgent needs should be justifiable under the act. And the question of what kind of blight and slum prevention and elimination activities are eligible.

I think it is on page 4 of my testimony that we have suggested changes in section 104(b)(2) to try and tighten up some of the definitions there, and to try to make sure that there is clarity and uniformity of application among the various area offices so that we don't have some activities proscribed in certain areas, and allowed in other areas under different area offices.

The second overall concern we have is with the strategy or comprehensive development plan issue. In many jurisdictions where we have worked, we have seen no sign that local jurisdictions have prepared comprehensive strategies to address the regional community development and housing needs. Because of HUD's very vague regulations and because of the application forms that have been developed by HUD and used by local jurisdictions, there has been no real emphasis on making sure that cities and counties and rural areas were pressed to think through carefully what kinds of strategic choices would make a difference in terms of the viable urban communities or viable living environments which they are supposed to be promoting.

As a result of the lack of emphasis on close linkage between housing and community development and the lack of a strong emphasis on strategy and planning questions, we all have seen, as your staff has seen, the tendency for more and more of the money to be scattered on various miscellaneous—many of them good, some of them bad—projects, which in toto will not have the kind of impact that \$4 billion really ought to have.

We have suggested some changes in the statutory language, particularly in section 105(a) and in section 104(a)(1), on pages 5 and 6 of my testimony, which are to tighten up the requirements on the development of community development programs. The specific language we suggest for section 105(a) is that the language read as follows, "A community development program assisted under this title must contain activities which are part of a comprehensive strategy of mutually supportive programs to benefit persons of low- and moderate-income and their neighborhoods," and to go on from there. And to suggest that section 104(a)(1) add some language which says with the additions, "sets forth a summary of a 3-year community development plan, which identifies community development and housing needs, describes in narrative form a comprehensive strategy for meeting those needs, and specifies both short- and long-term community development and housing objectives, especially for persons of low and moderate incomes and their neighborhoods."

We feel that the whole question of strategy and planning is integral to the interest in this Congress and in HUD in building the capacity of local government to be effective on the most urgent community development needs. And we feel this deserves real attention, including clarification in the statute.

One other item which I did not include in my prepared testimony, which I would like to comment on. I gather this morning there was a brief discussion about the possibility that the urban community development action grant program might be distributed on a formula basis rather than in accordance with the suggestion from Secretary Harris, that it be for relatively few communities on the basis of careful plans. We feel that it is extremely important that the money be concentrated in a few places and not distributed on a formula basis, in order to have impact.

To conclude, we feel that the program should be extended for 3 years only if the legislation is clarified, or the regulations are clarified to eliminate some of the ambiguities and conflicts which existed in the administration of the program in the past.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Mott, on behalf of the Working Group for Community Development Reform, follows:]

STATEMENT OF ANDREW H. MOTT  
SPOKESPERSON FOR THE WORKING GROUP FOR COMMUNITY DEVELOPMENT REFORM  
BEFORE THE HOUSE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT  
HEARINGS ON HOUSING AND COMMUNITY DEVELOPMENT AUTHORIZATIONS  
MARCH 1, 1977

Mr. Chairman and Members of the Committee, my name is Andrew Mott, and I am Vice President of the Center for Community Change. I am appearing today as a spokesperson for the Working Group for Community Development Reform, a coalition of ten national and regional organizations which have had extensive experience with the Community Development Block Grant program. Our organizations share a commitment to a redirection of the program which will:

- maximize its impact on the most pressing urban and rural community development problems, and especially the needs of blighted areas and low and moderate income people; and,
- effectively enforce the safeguards written into the law by the Congress.

Appearing with me today are Ms. Mary Brooks of Suburban Action Institute and Ms. Harriet Barlow of Rural America, Inc. The other formal members of the Working Group are Mr. Petkus' organization, the Southern Regional Council, the National Urban League, the Center for National Policy Review, the Coalition for Block Grant Compliance, the Housing Research Group, National Peoples Action, and the New Jersey Department of the Public Advocate.

Since enactment of the Community Development program in 1974, it has been administered by a Department which had fought for a no-strings revenue-sharing approach, compromised with the Congress for a block grant program with federal safeguards but little redtape, and then introduced Regulations and administrative procedures which adhered as closely as possible to pure revenue-sharing. This administrative approach has undermined many of the national priorities and standards established by Congress. It also has led to abuses in several jurisdictions, and reduced the beneficial impact of the program.

In particular, the Ford Administration's "hands off" approach has undercut the statutory priority on programs benefiting low and moderate income families and blighted areas. It has failed to require or even encourage sound local planning and capacity-building. It has vitiated the impact of federal standards on civil rights and equal opportunity, citizen participation, housing assistance planning, and other important statutory objectives.\*

Shortly after the November elections our organizations came together to develop detailed recommendations for changes in the Regulations for and administration of the Block Grant program. We are convinced that a substantial rewriting of the current Regulations coupled with a series of administrative improvements can greatly strengthen the program. Such changes can be introduced while still allowing local governments great discretion and restricting paperwork, but they will require more thoughtful planning at the local level and stricter adherence to statutory standards. The program can still rely primarily on performance monitoring rather than highly detailed prior review requirements for evaluation and enforcement of those standards. There must, however, be some increase in the specificity of the applications so that HUD and local citizens have sufficient information upon which to judge whether federal standards are being followed and proposed expenditures are eligible for CD funds.

Our Working Group has prepared a paper entitled Community Development Block Grants -- Implementing National Priorities, which sets forth our administrative recommendations in detail. This paper has been endorsed by a number of organizations which are not formal members of the Working Group.\*\* We have discussed the recommendations with Secretary Harris, members of her staff, and members of the

\* These weaknesses in implementation have been documented in a number of studies and hearings, including: the June 23, 1976 GAO Report; the August, 1976 Senate Oversight hearings; and studies by the Southern Regional Council, the National Urban League, Potomac Institute, and the National Association of Housing and Redevelopment Officials.

\*\* The endorsements include the League of Women Voters, United Presbyterian Church in the U.S.A., Community Services Society, Ad Hoc Low Income Housing Coalition, National Center for Urban Ethnic Affairs, National Housing Law Project, and the Department of Community Affairs of the Commonwealth of Pennsylvania.

staffs of your Committee and the Senate Housing Subcommittee. Ms. Brooks will review our major administrative recommendations with you in her testimony.

We were very much encouraged by Secretary Harris' testimony before this Committee on February 24. We especially welcome Ms. Harris' statement that she will "reorient the Department's management procedures so that all our efforts will be directed toward the achievement of basic identified statutory objectives, particularly those objectives that speak to the interests of low and moderate income people." This statement indicates a dramatic shift in the management of the program so that the priorities and safeguards written into law by Congress will, in fact, be followed. We strongly support the Secretary's strong emphasis on low and moderate income people, citizen involvement, equal opportunity, fair housing, and more careful planning and coordination between housing and community development. We hope to work with Secretary Harris and her staff on these long overdue reforms.

We are especially anxious to see these issues addressed soon in clear, precise regulatory language and review standards which will eliminate the ambiguities and differences in interpretation which have characterized implementation of the Act in the past. We feel strongly that the Regulations should be rewritten to eliminate these problems and to reflect Secretary Harris' commitment to national priorities and the statutory safeguards before the legislation is extended for three years so that the Congress will know the precise nature and likely effect of the program which they are being asked to extend for such a long period of time.

Although we feel that administrative reforms can do much to improve the program, we believe that legislative changes should be made on two key questions -- the statutory priority on projects which benefit low and moderate income people, and the requirement of a comprehensive community development strategy which links housing and community development spending plans with each other and with a substantive analysis of needs.

Low and Moderate Income Persons

There has been considerable debate and confusion about the statute's priority on projects benefiting low and moderate income persons. The Act specifies that local governments must certify that they are giving "maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight." The Ford Administration simply repeated this language in its Regulations, leaving interpretation up to local officials and Area Offices.

The August GAO report pointed out the confusion which has resulted. It found great differences in interpretation of the phrase "maximum feasible priority" among the various Area Offices, and thus great variations in the review standards which local officials faced in different parts of the country.

Similarly, the statute repeated four times that funds should be spent "principally" for low and moderate income families. However, as your staff report points out, local officials have been in a quandry as to the interpretation of this term because of the absence of HUD guidelines.

The Ford Administration's failure to define these terms precisely has had two consequences. First, because of inconsistencies in interpretation among Area Offices, activities proscribed in some areas have been permitted in others. Second, and even more seriously, much of the money has been diverted from projects benefiting low and moderate income persons, and analyses show that this trend is increasing. According to HUD's own figures, only 63.6% of the first year CD funds were spent to benefit low and moderate income persons, and this figure declined to 57.3% in the second year. Figures developed by NAHRO, Brookings, and MIT and discussed this morning show a considerably worse picture, a picture which is reflected in the experience which our organizations have had throughout the country.



We strongly recommend that the Congress revise the current legislation to clarify the priority on low and moderate income families and to provide specific definitions of the key terms. In particular, we recommend that Section 104(b)(2) on certification standards be amended as follows:

"Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will directly benefit low- or moderate-income families or aid in the prevention or eliminations of slums or blight. Programs to prevent or eliminate slums or blight must respond to the priority needs of low or moderate income families and must be designed to either eradicate severe physical decay, dilapidation, and abandonment or ward off the imminent danger of such decline. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines after careful review are to meet other community development needs having a particular urgency because present conditions pose a serious threat to health, safety, or public welfare, require immediate treatment, cannot be addressed through the use of other financial resources, and outweigh in severity the needs of low or moderate income persons and the need for projects which prevent or eliminate slums or blight.

Section 104(c)(3) on approvals should be amended by adding the following language on compliance with the statute:

"with specific regard to the primary purpose of principally benefiting persons of low and moderate income."

#### The Community Development and Housing Strategy

Studies of community development expenditures have shown that limited funds available under the Community Development Act are being scattered over a wide number of

census tracts. Further, many cities have not linked CD projects and their housing activities in thoughtful comprehensive strategies. The Congressional goal set forth in Section 101 of the Act -- that communities engage in serious, long-range planning about the physical improvement of low income areas -- has been given only lip service in many areas. Relatively few jurisdictions have set priorities for specific projects based on clear, long-term development strategies.

HUD has done virtually nothing to bring about the formulation of meaningful community development programs. Its regulations are vague. Its application forms encourage haphazard planning by requiring no more than terse lists of needs and objectives. Its review of applications has utterly ignored the overall coherence of the municipal or county proposals. The results have been the scattergun approach already mentioned and the degradation, in some instances, of community participation into an inter-neighborhood competition for local pet projects. This result benefits neither the poor nor the cities as a whole.

In our paper on administrative reforms, we have suggested a number of changes which would alleviate the situation. We have suggested that HUD press local officials to develop the thoughtful Community Development and Housing Assistance Plans which will be needed if local governments are to develop the institutional capacity to meet local needs -- the great dream of the drafters of this legislation. We favor a substantial increase in HUD's own capacity to provide useful technical assistance and information to local governments, as well as implementation of Section 811 to enable state governments to play a key role in building the community development capacity of local governments.

In addition to these administrative changes, we recommend that Congress strengthen the legislation by amending a number of sections of the Act which relate to planning. We recommend that the introductory sentence in Section 105(a) be amended to read:

"A Community Development Program assisted under this title must contain activities which are part of a comprehensive strategy of mutually supportive programs to benefit persons of low and moderate income and their neighborhoods and may include only..."

We further recommend that Section 104(a)(1) be amended to read:

"sets forth a summary of a three-year community development plan which identifies community development and housing needs, describes in narrative form a comprehensive strategy for meeting those needs, and specifies both short- and long-term community development and housing objectives, especially for persons of low and moderate incomes and their neighborhoods, which have been developed in accordance with areawide development planning and national urban growth policies."

We also favor an increase in the Innovative Grants fund to an annual level of \$100 million to be used for innovative projects designed to encourage reinvestment, rehabilitation, and overall revitalization in now-redlined areas. These funds should be allocated on a 50:50 matching basis to those jurisdictions which submit proposals which show the greatest potential for revitalizing neighborhoods. Proposed programs should be judged in large part upon their ability to marshal active support from local grassroots community organizations and private lenders. This "double dollars" approach would do much to encourage innovative approaches to reinvestment and revitalization.

To summarize, the Working Group for Community Development Reform favors a three-year extension of the Community Development Act if, and only if, the legislation or the Regulations are amended to clarify the priority on low and moderate income people, require the development of thoughtful Community Development Plans, and enforce the safeguards enacted by the Congress to assure equal opportunity, fair housing, active citizen involvement, and the generation of job and business opportunities for limited income families. We feel that a long term extension of the legislation without such changes would result in continuing confusion, conflicting interpretations, and the scattering of resources.

Mr. ASHLEY. Now we will hear from Mary Brooks of the Suburban Action Institute.

**STATEMENT OF MARY E. BROOKS, DIRECTOR OF RESEARCH AND PLANNING, SUBURBAN ACTION INSTITUTE**

Ms. BROOKS. Thank you. My name is Mary Brooks, and I am from the Suburban Action Institute. I appreciate your permitting me to join Mr. Mott in providing his testimony.

I will touch only briefly on some of the key recommendations of this coalition. While they may seem overwhelming in this brief testimony, as a whole we believe the recommendations could be implemented without excessive administrative or procedural burdens, either on HUD or the recipients.

In addition to these recommendations, however, we highlight the suggestion that the Department of Housing and Urban Development call upon this coalition as a task force or an advisory committee to work with the Department in considering regulatory changes pursuant to the act. And we offer our assistance in this important endeavor.

The first major area—and there are 10 that we have proposed, changes within the regulations under the existing statute—is that the use of funds meet statutory national priorities and aid low-income persons. We suggest that the national priority for benefiting the poor be implemented by regulations requiring that three-quarters of each block grant application and three-quarters of those funds certified as combating blight directly benefit low- and moderate-income persons.

Blight should be closely defined as severe physical decay, and blight prevention be limited to instances of imminent danger of such decay.

Funds certified as meeting other community development needs of a particular urgency must be sharply restricted to problems which require prompt solution for which no other funding is available.

Our second major point is directed—or the recommendations are directed—to planning requirements and priorities. Since we believe better planning is the key to more effective community development programing, we recommend strengthening the requirements governing the community development plan summaries that must be submitted in each application. Rather than the terse listing of needs and objectives that applicants now submit, we propose a general needs assessment of the principal low- and moderate-income neighborhoods and specific segments of the low income citizenry. The priorities proposed should be explained with the proviso that principal priority be given to the needs of lower income persons.

Comprehensive strategies for meeting these priority needs should also be set forth, and for their efficacy in meeting needs briefly explained.

The third area is expanding housing opportunities. Our proposals for improving the housing component in community development are directed to coordination between housing and community development, and we propose first that the community development plan summary contain an analysis of the use of title I funds to meet housing needs.

We also recommend that the community development program utilize available resources, including title I, to support assisted housing

projects and that residential rehabilitation be undertaken where there is an appreciable number of occupied substandard housing units.

We suggest several specific changes in the housing assistance plan itself, including a proposed new requirement that each year's goal be 10 percent of the needs, and that the 3-year goals be at least 30 percent of those needs. These goals should be supplemented with a description of available housing resources and an explanation of any abstaining from the use of these resources.

We recommend that the current assisted housing location information requirements in the housing assistance plans be strengthened by adding an evaluation of proposed locations in light of HUD's site criteria.

Finally, we recommend changes in the urban county housing assistance plans as well, including a recommendation that each participating municipality which receives title I funds must also provide locations for the siting of assisted housing of some kind.

The fourth area is neighborhood revitalization.

Our proposals for neighborhood revitalization reemphasize the planning and rehabilitation concerns that recur throughout the first three sections. We reiterate our concern for thoughtful analysis of neighborhood conservation needs and for comprehensive, concentrated programs and expenditures which can realistically meet these needs.

The fifth area is citizen participation and complaint review procedures.

To provide more consistent citizen input into the community development, we reject a mechanical two-year hearing approach and recommend requiring several different types of hearings.

We also recommend strengthening of requirements for outreach to citizens.

We also recommend that recipients give prompt and complete written responses to citizens' proposals and requests for information.

Outreach should also be accomplished by the establishment of a city-wide citizen participation team composed of at least two-thirds of low- and moderate-income persons through neighborhood teams in targeted community development areas and through the provision of technical assistance to such teams and to recognized citizen organizations. Followup monitoring of community input should be accomplished by local assessments in the HUD area office. The area and regional offices should establish special complaint review committees which would have the authority, subject to central office oversight, to withhold funding pending resolution of a citizen or A-95 complaint.

The sixth area is equal opportunity under the Housing and Community Development Act of 1974.

This section deals mainly with the need of strengthened affirmative action requirements in the provision of municipal services and housing opportunities. We believe that the equal opportunity requirements of the act, together with the affirmative action mandate of title VIII of the Civil Rights Act of 1968, should be implemented in several new ways.

First, the Secretary should be required to reject an application where past performance has shown noncompliance with affirmative action requirements.

Second, affirmative action criteria should be included in the post-application monitoring process.

Third, title VIII remedies for individual citizens should be added to the sanctions available to HUD for program deficiencies uncovered during the monitoring process.

Finally, we suggest requiring rather than permitting that any imbalances in the provision of municipal services or facilities eligible for title I assistance be remedied through the use of title I funds.

In this section we also make a procedural proposal of general applicability—that citizens with a stake in the outcome should be given the right to participate in all administrative adjudications initiated by HUD under its compliance review powers.

The seventh area is expanding economic opportunities.

We would implement this objective in part through the community development plan summary, which should be expanded to incorporate lower income economic opportunity plans and strategies, including job training, recruitment, and so forth.

Contracts given to carry out community development projects should be reviewed by HUD to insure that satisfactory volumes of jobs and business opportunities are being generated for low- and moderate-income persons as a result of community development funded activities.

The eighth area is monitoring.

Our recommendations are directed to creating a more independent community development block grant monitoring process.

The ninth area is special needs of nonmetropolitan areas, and the third member of this panel will direct her testimony to that area.

The tenth area is Freedom of Information Act requirements.

The Freedom of Information Act and HUD's implementing regulations require up-to-date indexes of current regulations, staff instructions, and administrative decisions. This has not been done. Such violation of statute and regulations must be remedied.

Thank you.

[The prepared statement of Ms. Brooks, on behalf of the Suburban Action Institute, along with a document entitled "Community Development Block Grants—Implementing National Priorities," follows:]

TESTIMONY  
of  
MARY E. BROOKS  
SUBURBAN ACTION INSTITUTE

before the

SubCommittee on Housing and Community Development  
of the  
Committee on Banking, Finance, and Urban Affairs  
of the  
United States House of Representatives

on the

1974 HOUSING AND COMMUNITY DEVELOPMENT ACT

March 1, 1977

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Thank you for the opportunity to testify at these hearings on the 1974 Housing and Community Development Act. My name is Mary E. Brooks and I am Director of Research and Planning for the Suburban Action Institute, located in New York City.

Suburban Action Institute is a non-profit organization created in 1969 to focus public attention on the contribution suburbs could make toward solving fundamental urban problems. Our purposes are: (1) to enable all citizens, regardless of class or race, to choose where they shall live within metropolitan areas, and (2) to create a situation in which suburbs share responsibility equally with cities for solving problems of poverty, discrimination, and lack of opportunity.

The community development block grant program, as presently administered, is not sufficiently achieving the national objectives set forth in the Housing and Community Development Act of 1974. This fact has been amply documented by citizens and civil rights groups from every region of the country as well as by published reports from national organizations. Even the annual reports from the U.S. Department of Housing and Urban Development confirm these facts.

The deficiencies in the present program have led a coalition of organizations to recommend a series of administrative changes which would improve the block grant program within the current statutory framework. These proposals, which cover ten subject areas, are described in full in a January 7, 1977 document entitled, "Community Development Block Grants--Implementing National Priorities." While we have submitted the full report to this Subcommittee, as a representative of the coalition, I intend to summarize the sixty pages of the basic document.

In addition to these recommendations, however, we highlight a suggestion that the Department of Housing and Urban Development call upon this coalition as a task force or advisory committee to work with the Department in considering regulatory changes pursuant to the 1974 Act. We believe the civil rights aspects of the administration of the 1974 Act and the extent to which lower economic groups are benefiting from these funds are important concerns to the Department. The coalition's like concern with and wide experience in these areas is such, we believe, that the Department would benefit from the assistance the coalition can offer. Given the poor performance exhibited by the Department in these areas in the past, we believe, the new administration of HUD could indicate its intent to improve performance by developing such a mechanism.

I. Use of Funds to Meet Statutory National Priorities and Aid Lower Income Persons

We suggest that the national priority for benefiting the poor--set forth in the Act by the phrase "principally for persons of low and moderate income," and used repeatedly in Section 101(c)--be implemented by regulations requiring that three-quarters of each block grant application directly benefit low or moderate income persons. Further, to prevent an objective of eliminating or preventing blight from becoming an excuse for aiding wealthier rather than poor areas, three-quarters of those funds certified as combatting blight should



benefit lower income persons as well. In addition, these projects as a whole, each year, must respond to the needs of the poor as set forth in the Community Development plan summary. "Blight" should be closely defined as severe physical decay and "blight prevention" be limited to instances of imminent danger of such decay. Finally, funds certified as meeting "other community development needs of a particular urgency" must be sharply restricted to recently arisen problems which require prompt solution for which no other funding is available.

## II. Planning Requirements and Priorities

Since we believe better planning is the key to more effective community development programming, we recommend strengthening the requirements governing the community development plan summaries that must be submitted in each application. Rather than the terse listing of needs and objectives that applicants now submit, we propose a general needs assessment of the principal low and moderate income neighborhoods and specific segments of the lower income citizenry. Such needs assessment should be based on appropriate data and have components dealing with housing needs, blight elimination and economic opportunity. The needs of the non-poor pursuant to 101(c)(5) and 101(c)(7) as well as urgent needs should also be assessed. The priorities proposed should be explained with the proviso that principal priority be given to the needs of lower income persons except in those rare situations where there exists an urgent other need under our narrowed definition of that term.

Comprehensive strategies for meeting the priority needs should also be set forth and their efficacy in meeting such needs briefly explained. Finally, the year's program activities should be described and their relationship to the comprehensive strategies and underlying community needs indicated.

Our total proposal for needs assessments, priority establishment, strategy formulation and program description should result in a more fully unified and efficient use of block grant funds.

## III. Expanding Housing Opportunities

Our proposals for improving the housing component in community development are directed to coordination of housing and community development activities in the community development programs and better assessment of needs, goals and assisted housing locations in the housing assistance plans. Some special recommendations for urban counties have also been set forth.

As to coordination between housing and community development, we propose

first that the community development plan summary contain an analysis of the use of Title I funds to meet housing needs. We also recommend that the community development program utilize available resources, including Title I funds, to support assisted housing projects and that residential rehabilitation activities for both rental and owner occupied properties be undertaken where there is an appreciable number of occupied substandard units.

We suggest the current HAP needs assessment process be augmented by requiring applicants to indicate those persons or families paying more than one-quarter of their income for rent. We also propose that the expected to reside need be calculated on the basis of fair share plans or demographic data, not just employment data. Housing assistance goals for existing units should be restricted to places where the vacancy rate is 3% or more. Exceptions could exist where these units will satisfy needs for in-place rent supplements or in places where an existing housing approach is shown to support an objective of spatial deconcentration of housing opportunities. The current leeway in proportionality between needs and goals for the elderly and families should be reduced, and a new proportionality test between owners and renters adopted. This new proportionality test is directed to promoting the use of Title I funds for rehabilitation of rental properties. Perhaps most important of our housing goal changes, however, is a proposed new requirement that each year's goal be ten percent of needs and that three year goals be at least 30 percent of needs. These goals should be supplemented with a description of available housing resources and an explanation, where applicable, of any abstaining from the use of these resources.

We recommend that the current assisted housing location information requirements in the HAP's be strengthened by adding an evaluation of proposed locations in light of HUD's site criteria. Housing assistance for existing units should be included in this explanation, so that support for the deconcentration objective can be accurately evaluated when the HAP is reviewed.

Finally, we recommend two changes in urban county HAP's. First, urban county expected to reside needs should be calculated as an aggregate of participating municipal expected to reside needs so that cross-commutation and population shifts between cities and towns within a county are taken into account. We also propose that each participating municipality which receives Title I monies must also provide locations for the siting of assisted housing of some kind.

#### IV. Neighborhood Revitalization

Our proposals for neighborhood revitalization re-emphasize the planning and rehabilitation concerns that recur throughout the first three sections of the document. Thus, we reiterate our concern for thoughtful analysis of neighborhood conservation needs and for comprehensive, concentrated programs and expenditures which can realistically meet these needs. We also encourage leveraging of private investment by recommending that restrictions on deposits of rehabilitation funds in local banks be revoked, and by requiring an analysis of mortgage investment data compiled pursuant to the Federal Home Mortgage Disclosure Act.

#### V. Citizen Participation and Complaint Review Procedures

To provide more consistent citizen input into community development, we recommend a series of new procedures which will help to encourage citizen participation. Since many of these procedures are already in place in a good number of cities, our aim is to bring all applicants closer to the higher standards set in some places. First, we reject the mechanical "two hearing" approach and recommend requiring several different types of hearings, including initial educational meetings to explain the Act, then neighborhood hearings to ascertain citizen's views on priority needs, and finally hearings on the draft applications. Subsequent hearings should be held to discuss substantial amendments to the draft application. Language interpreters should be provided where needed. We also recommend strengthening requirements for outreach to citizens by providing for timely and understandable public notices of hearings and other information (in foreign languages where appropriate) and for solicitation of citizen proposals. Further, prompt and complete written responses to citizen proposals, especially regarding those rejected, and requests for information should be required, as well as maintenance of open public files at city hall and at public libraries. Such files should contain all important documents and correspondence.

Outreach should also be accomplished by the establishment of a city-wide citizen participation team composed of two-thirds of lower and moderate income persons, through neighborhood teams in targeted CD areas, and through the provision of technical assistance to such teams and to recognized citizen's organizations. The assistance can be given by city staff or by financial support to staff hired by the teams or citizens groups. Such groups, along with other

citizens who so request, should be mailed copies of important community development materials.

Once the application process is over, follow-up monitoring of community input should be accomplished by local assessments and the HUD area office which should establish remedial procedures where necessary. The area and regional offices should establish special complaint review committees which would have the authority, subject to central office oversight, to withhold funding pending resolution of a citizen or A-95 complaint.

#### VI. Equal Opportunity Under the Housing and Community Development Act of 1974

This section deals mainly with the need of strengthened affirmative action requirements in the provision of municipal services and housing opportunities. We believe that the equal opportunity requirements of the Act, together with the affirmative action mandate of Title VIII of the Civil Rights Act of 1968, should be implemented in several new ways. First, the Secretary should be required to reject an application where past performance has shown non-compliance with affirmative action requirements. Second, affirmative action criteria should be included in the post-application monitoring process. Third, Title VIII remedies for individual citizens should be added to the sanctions available to HUD for program deficiencies uncovered during the monitoring process. Finally, we suggest requiring rather than permitting, that any imbalances in the provision of municipal services or facilities eligible for Title I assistance be remedied through the use of Title I funds.

In this section we also make a procedural proposal of general applicability-- that citizens with a stake in the outcome should be given the right to participate in all administrative adjudications initiated by HUD under its compliance review powers.

#### VII. Expanding Economic Opportunities

According to its Section 101(c), the Housing and Community Development Act seeks not only housing, but also expanding economic opportunity for low and moderate income persons. We would implement this objective, in part, through the Community Development Plan Summary which should be expanded to incorporate lower income economic opportunity plans and strategies, including job training, recruitment, etc. We recommend ensuring lower income benefits from jobs and business opportunities created by community development projects by requiring the greatest feasible use of an applicant's low and moderate income citizens,

and similar use of subcontractors who employ such persons. This necessitates a re-definition, under Section 3 of the Housing and Development Act of 1968, of the current emphasis on employment in projects for residents to include the entire class of lower income persons who are supposed to benefit from community development activities.

Contracts given to carry out community development projects should be reviewed by HUD to ensure that satisfactory volumes of jobs and business opportunities are being generated for low and moderate income persons as a result of community development funded activities.

#### VIII. Monitoring

Recommendations are directed to creating a more independent community development block grant monitoring process. We believe that HUD should contract with responsible local community groups to monitor and evaluate the operation of community development programs in their localities. This approach to project monitoring would ensure participation of a non-official but responsible and concerned voice in the evaluation of the community development program.

Allocation of monitoring contracts by the Office of Consumer Affairs and Regulatory Functions ensure objectivity since that office, which has been developing a unique network of community contracts, does not usually participate in evaluation of community development applications.

#### IX. Special Needs of Non-Metro Areas

Some of the administrative difficulties evident throughout the community development program occur with particular severity in rural areas. For example, rural applicants and their citizens may have a greater need for technical assistance and, in order to reduce their dependence on expensive private consultants, we recommend that HUD make special efforts to provide such assistance both to official bodies and to private citizens. We also believe that the one year nature of rural community development funding precludes comprehensive development planning, and that multi-year discretionary allocations should therefore be favored by HUD in such areas. The current HUD priority system for discretionary grants, which makes no provisions for comprehensive multi-year projects, should be changed.

Finally, non-metro areas have less developed social service structures than urban areas, and their expressed desire to use community development funds for

social services should receive greater administrative support in the discretionary fund priority ranking system.

X. Freedom of Information Act Requirements

The Freedom of Information Act and HUD's implementing regulations require up to date indexes of current regulations, staff instructions and administrative decisions. This has not been done. Such violation of statute and regulations must be remedied.

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COMMUNITY DEVELOPMENT BLOCK GRANTS --  
IMPLEMENTING NATIONAL PRIORITIES

January 7, 1977

1000 Wisconsin Avenue, N.W.  
Washington, D.C. 20007

COMMUNITY DEVELOPMENT BLOCK GRANT --IMPLEMENTING NATIONAL PRIORITIES

Since enactment of the Community Development program in 1974, it has been administered by a Department which had fought for a no-strings revenue-sharing approach, compromised with the Congress for a block grant program with federal safeguards but little redtape, and then introduced Regulations and administrative procedures which adhered as closely as possible to pure revenue-sharing. This administrative approach has undermined many of the national priorities and standards established by Congress. It also has led to abuses in several jurisdictions, and reduced the beneficial impact of the program.

In particular, the Ford Administration's "hands off" approach has undercut the statutory priority on programs benefiting low and moderate income families and blighted areas. It has failed to require or even encourage sound local planning and capacity-building. It has vitiated the impact of federal standards on civil rights and equal opportunity, citizen participation, housing assistance planning, and other important statutory objectives.\*

Our organizations\*\* formed a working group soon after the election to discuss in detail ways in which the Carter

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\* These weaknesses in implementation have been documented in a number of studies and hearings, including: the June 23, 1976 GAO Report; the August, 1976 Senate Oversight hearings; and studies by the Southern Regional Council, the National Urban League, Potomac Institute, and the National Association of Housing and Redevelopment Officials.

\*\* Center for Community Change  
Center for National Policy Review  
Coalition for Block Grant Compliance  
Housing Research Group  
National Peoples Action  
National Urban League  
New Jersey Department of the Public Advocate  
Rural America, Inc.  
Southern Regional Council  
Suburban Action Institute  
(Continued on next page)



Administration might redirect the Community Development Block Grant program in order to achieve its objectives. Each of our organizations has had extensive experience working with the Community Development Block Grant program at the local and national levels. We share a commitment to a redirection of the program which will:

- maximize its impact on the most pressing urban and rural community development problems;
- and effectively enforce the safeguards insisted upon by the Congress.

We are convinced that both these objectives can be achieved without new legislation. A substantial rewriting of the current Regulations coupled with a series of administrative improvements can greatly strengthen the program. Such changes can be introduced while still allowing local governments great discretion and restricting paperwork to a minimum, but they will require more thoughtful planning at the local level and stricter adherence to statutory standards. The program can still rely primarily on performance monitoring rather than highly detailed prior review requirements for evaluation and enforcement of those standards. There must, however, be some increase in the specificity of the applications so that HUD and local citizens have sufficient information upon which to judge whether federal standards are being followed and proposed expenditures are eligible for CD funds.

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\*\* Several other organizations have expressed considerable interest in seeing the issues raised in this paper addressed through administrative changes and in being included among the groups consulted by HUD on these matters. These include the AFL-CIO, Ad Hoc Low Income Housing Coalition, NAACP, League of Women Voters, and National Committee Against Discrimination in Housing.

We have prepared the attached papers on each of our major concerns in the belief that they will be a useful starting point for a rapid, thorough review and rewriting of the Regulations and redirection of the program. We feel strongly that redirecting the Community Development Block Grant program should be a central and immediate priority for the Department, and that the offices of Community Planning and Development, General Counsel, Equal Opportunity, Consumer Affairs and Regulatory Functions, and other key sections of the Department should assign high level staff to this task. That staff should have firm, early deadlines for completing this task. We believe that it is vital that that staff work in close consultation with community, civil rights, and public interest organizations, such as our own, as well as with local government officials in developing these reforms and in periodic review of the program.

PROPOSALS TO INSURE THAT BLOCK GRANT PROGRAMS FUNDS  
ARE USED TO MEET STATUTORY NATIONAL PRIORITIES  
AND AID LOWER INCOME PERSONS

A. The Problem:

Probably the most controversial national issue relating to HUD's administration of the block grant program is whether or not program expenditures are meeting priority national objectives that are clearly spelled out in the 1974 Housing and Community Development Act.

The block grant program replaced a number of separate categorical programs. The great bulk of the monies under the categorical programs was directed towards meeting the needs of lower income persons, and towards attaching the critical problems of blight and the revitalization of older cities and neighborhoods.

A variety of studies have been issued, and substantial testimony has been presented at Congressional oversight hearings, critical of the way the program has been handled in this regard under the Ford Administration. We believe that up to this point, HUD's philosophy has been closer to the no-strings attached revenue sharing approach advocated by President Nixon.

We believe that HUD has studiously ignored or seriously misinterpreted many parts of the Act and much of the Congressional history relating to it. Presented below are a number of specific recommended regulations which we believe can redirect the administration of the program in line with the true intent of the U.S. Congress.

B. The Regulations:

The following recommendations relate primarily to Sections 570.303(b)(1) and 570.303(b)(6) of the current Federal Regulations.

C. Recommendations:

1. A reading of the text of Section 101, the findings and purposes section of the Act, and also statements of the House and Senate committees and the Joint Conference Committee which express Congressional intent, clearly indicates that Congress intended that block grant funds be used to promote the national objectives of improving housing, attacking blight, and creating viable urban communities, primarily for the purpose of aiding lower income persons. The term "principally for persons of low and moderate income" is repeated a number of times in the findings and purposes section. This term should be an active review item in both application approval and performance review functions of HUD.

Each application should be reviewed by HUD Area Office staff to determine if the dollar benefits of the proposed CD program are "principally for persons of low and moderate income." Similarly, with regard to all CD program activities that eliminate or prevent blight, HUD staff should review each application to determine if such expenditures in each block grant application are "principally for persons of low and moderate income."

The word "principally for persons of low and moderate income" should be interpreted to mean that three-fourths of the persons directly benefiting are low and moderate income persons. Thus, both three-fourths of all CD dollars and three-fourths of blight-related dollars should be for low and moderate income persons at a minimum.

These changes would simply implement the language in Section 101(c) of Title I of the 1974 Act, which lays out the primary objectives of the block grant program, as well as specific objective 101(c)(1).

This language indicates that general program activities and blight-related activities should not be approved unless "persons of low and moderate income" are the principal beneficiaries. Specifically we recommend that 570.303(b)(1) be supplemented as follows by adding a new paragraph (iv): "Describes a program under which block grant expenditures are principally for persons of low and moderate income, in that not less than three-fourths of the expenditures are for the direct benefit of low and moderate income persons, and that priority needs of low and moderate income persons contained in the application are substantially addressed in the proposed community development program."

2. Addition to 570.303(c)(6) regarding maximum feasible priority certifications

For the purposes of this paragraph the phrases "maximum feasible priority", "benefit low and moderate income persons", "prevent or eliminate blight" and "community development needs of a particular urgency" in the certifications, refer only to the following:

- . "Maximum feasible priority" certifications which relate to activities which "benefit low and moderate income persons" refer only to program activities which wholly and directly benefit lower or moderate income persons or their neighborhoods, which are defined as recognized areas in which low or moderate income persons so predominate as to give the area a definite low or moderate or mixed low/moderate income character.
- . "Maximum feasible priority" certifications which relate to activities which "eliminate or prevent slums or blight" refer only to program activities which seek to eliminate conditions of severe physical decay such as dilapidated housing and substantial numbers of abandoned buildings where such conditions principally affect low and moderate income persons.

- Eliminating blight in this context refers to program activities which seek to eradicate such decay where it now exists; preventing blight means activities which seek to ward off an imminent danger of such decay.
  
- Conditions principally affecting low and moderate income persons means examples of blight, which program activities seek to remedy, that exclusively or disproportionately affect low and moderate income persons. To qualify for this certification not only must three-fourths of the money so certified directly benefit low and moderate income persons, but the blight elimination activities as a whole must be responsive to the priority needs of low and moderate income persons identified in the community development plans.

The urgent need certification shall refer to activities which while not benefiting the poor, deal with needs involving a serious health or welfare threat that has recently arisen, requires an immediate solution, cannot be solved through the use of other financial resources, including local bonding capacity, and outweighs in severity the needs of low or moderate income persons and needs that deal with blight.

3. The test as to whether or not any particular activity aids low or moderate income persons should be based on a judgement as to the potential beneficiaries. The judgement should be based on both the nature of the activity and the percentage of persons who are lower income in the census tract in which the activity is located or the census tracts which are likely to be served by the activity.

4. In order to help determine whether both individual activities and the entire application give maximum feasible priority to aiding low and moderate income families, the application form should be amended to require a brief description in one or two sentences as to whether and how each proposed program activity would be "principally for persons of low and moderate income."
5. Serious abuse of Congressional intent occurred with regard to approving activities on the basis that they served to "prevent blight." This was used to justify activities in shopping districts in older middle class suburbs, and a countywide soil survey in a suburban county. Suburban officials have stated that general public works expenditures in existing middle class communities are legitimate CDBG activities because they enhance property values and in the long run help to prevent the onset of blight.

What constitutes "blight" has been provided in recommendation (2) above. This will prevent, for example, HUD approval of the acquisition of a wetlands to provide recreation facilities in an upper middle class community on the grounds that the wetlands contained "standing water," which is a blighting influence.

6. Current instructions for reviewing the maximum feasible priority question in the Grantee Performance Report are grossly inadequate. These instructions limit the review of maximum feasible priority just to new activities added to the program after the block grant application was approved, rather than to all activities contained in the block grant program.

PLANNING REQUIREMENTS AND PRIORITIESA. The Problem:

The NAHRO study of community development expenditures showed that the limited funds available under the Community Development Act were being scattered over a wider number of census tracts than was true under model cities. Further, no linkage between CD projects and subsidized housing projects has been achieved in many cities. Too often, according to NAHRO and other witnesses at the Senate Oversight Hearings, community development programs are little more than municipal wish lists. The Congressional goal set forth in Section 101 of the Act -- that communities engage in serious, long range planning about the physical improvement of low income areas -- has been given only lip service if even that. There has been little evidence of any attempt to set priorities for specific projects based on clear, long term development strategies.

HUD has done virtually nothing to bring about the formulation of meaningful community development programs. Its regulations are vague, its application forms encourage haphazard planning by requiring no more than terse lists of needs and objectives, and its review of applications has utterly ignored the overall coherence of the municipal or county proposals. The result has been the scattergun approach already mentioned and the degradation, in some instances, of community participation into an inter-neighborhood competition for local pet projects. This result benefits neither the poor nor the city as a whole.

B. The Regulations:

The present regulations are 570.303(a) and (b). The only specific substantive requirement for a community development plan is that it deal with any specific needs of identifiable segments of the low and moderate income population. Since none of the



reporting requirements or performance standards in 570.900 to 909 seriously mention overall planning, it is apparent that the HUD follow-up and monitoring processes will treat this Congressional objective no more seriously than does the HUD initial application review process.

C. Recommendations:

The changes we suggest are designed to improve the community development planning process without imposing the federal straitjacket that Congress obviously sought to prevent. Primarily we recommend that each applicant be required to explain how its community development activities relate to one another and to the objectives of the Community Development Act. The community should also state why it gives certain activities higher priorities than others. Such an explanation should be related to the purposes of the Act, specifically those concerning the poor.

The performance standards and post-application reporting requirements should be strengthened by requiring the applicant to show that it has in fact been engaging in a planning process for physical improvements "principally for persons of low or moderate income." And the application forms themselves must be revised to get away from the sterile, arbitrary lists that they now foster.

When it passed the Community Development Act, Congress hoped that its millions of dollars appropriated for 701 planning grants would bear fruit in municipal plans which would take advantage of the sophisticated coordination that the Act made possible for the first time. The changes we recommend here would challenge municipalities and urban counties to use their accumulated planning skills to accomplish the primary and specific objectives contained in Section 101(c) of the Act and to meet the mandate of Section 104(c)(1) for the formulation of "a comprehensive strategy for meeting" community needs.

We recommend that in accordance with 104(a) of the Act, an applicant shall submit a needs assessment, priority assessment, strategy description, and three-year community development plan as follows:

1. An assessment of those needs of its lower income community which relate to the primary housing, environmental, and economic objectives and five specific subobjectives of the Act, 101(c)(1) - (4) and (6), including a description of the needs of all specific segments thereof. The special needs of low as contrasted with moderate income persons shall also be identified as shall the special needs of low income neighborhoods. Such needs assessment shall be based on data concerning population, income levels, geographical distribution of the poor, and age levels and shall also include a summary narrative description of the principal low and moderate income neighborhoods and the specific needs of each such major neighborhood or groups of similar and contiguous neighborhoods in terms of the aforementioned objectives of the Act. Maps giving census tract concentrations of very low income people, moderate income people, and minority groups shall also be provided. The housing needs of each such neighborhood as reflected in the Housing Assistance Plan shall also be identified as shall the housing needs of persons expected to reside within the community or persons within the community expected to reside in other jurisdictions.<sup>1</sup>
2. An assessment of other important community needs which the applicant believes are related to the objectives of 101(c)(5) and (7) of the Act, and a narrative statement explaining how these needs relate to such specific objectives of the Act.

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<sup>1</sup> This recommendation is dealt with in greater detail in part I of the Housing Assistance Plan section, pages 15-17, in the comments on blight in this section (pages 13-14) and in the Economic Opportunity section (page 51, recommendation 1).

3. An assessment and description of any urgent needs with sufficient documentation to enable the Secretary to make the determination required by the standards for urgent need contained in these regulations.
4. An assessment and explanation of the priorities the community accords to the various needs described in (1) and (2) above, and to housing needs identified in the Housing Assistance Plan. This assessment of priorities shall be governed by the primary objective of the Act, which is to principally benefit low and moderate income persons and neighborhoods. No plan shall be approved unless it gives principal priority to the needs identified in (1) and the lower income housing needs identified in the H.A.P., provided that to the extent that other urgent community development needs as defined in accordance with these regulations are addressed, the applicant must show in a narrative statement why these needs are given priority over (1), (2) and the H.A.P., and how they meet the standards for urgent needs in these regulations. Priorities shall also deal proportionally with the relative needs of low as contrasted with moderate income persons as well as the specific needs of any other identifiable part of the low and moderate income citizenry. If needs of any identifiable segment are given a low priority, there should be an explanation of such ranking.
5. A description of comprehensive strategies (such as in the case of a suitable living environment a mutually supportive combination of code enforcement, coordinated social services, rehabilitation grants, and street improvement or, in the case of economic development, a combination of jobs for local contractors and affirmative action in employment) which the city believes will directly meet the high priority needs identified in item (4), and the primary and specific objectives of the Act. The applicant shall explain how these strategies directly meet its needs, and the specific long and short term objectives should be expressed in numerical form where possible, e.g., a number

of units of housing to be rehabilitated. They shall be consistent with areawide development planning, national urban growth policies, and the needs of persons expected to reside within the community.

6. One of the major objectives of the 1974 Act has been disregarded in HUD's administration of the block grant program. This requirement in Section 570.303(a) is that: "The plan summary shall also describe a program which is designed to eliminate or prevent slums, blight and deterioration where such conditions or needs exist..."

The language in Section 104(a)(3)(A) of Title I of the act cited above clearly indicates that HUD should not approve an application for a city in which blight exists and where a substantial amount of funding is not directed towards its elimination, particularly blight that affects low and moderate income families. The application instructions should also state that the statement of needs in every application must include a summary of the extent of blight existing in the community. This would consist of a brief general description of the parts of the city affected by blight, and the extent of blight in each part. The instructions should also state that based on the requirement in 570.303(a), both the long-run objectives and the short-run objectives must include activities to meet the need to eliminate blight in the community, and that the community development program itself should include substantial expenditures towards eliminating blight. Otherwise, HUD is obligated under the law to reject the application in that the activities proposed by the applicant are "plainly inappropriate" to meeting the needs identified by the applicant (Section 570.306(b)(2)(ii) in the regulations). Where the statement of needs or other facts and data indicates that the problem of blight extends beyond rehabilitation

needs for presently occupied housing, then the community should be required to undertake other complementary activities designed to eliminate blight in the neighborhood.

7. Finally, there shall be a description of specific activities that will be undertaken in the program-year, along with the costs of such activities, both present and anticipated, and the expected other sources of funds that will be used to support these activities. The location of these activities by census tract and neighborhood should also be identified. These activities shall be specifically cross-referenced to the priority needs, implementing strategies, and specific objectives identified in (1)-(6) above, and their suitability as a means for dealing with these priority needs, implementing strategies and specific objectives shall be briefly set forth.

EXPANDING HOUSING OPPORTUNITIES

- I. The Relationship Between the Housing Assistance Plan and the Community Development Program
- A. The Problem:

Presently there are few requirements which encourage the applicant to coordinate the Housing Assistance Plan with the proposed Community Development program. Legislative history of the Act provides that "the committee bill will put an end to a system of support for community development and housing activities which recognizes their close relationship but fails to provide the mechanisms necessary to permit them to be undertaken on a unified basis."

Moreover, the Housing Assistance Plan is the only portion of the application which the Secretary is not permitted to waive under certain circumstances, attesting to the fact that Congress viewed the Housing Assistance Plan as a particularly important component in determining an applicant's eligibility for receiving Housing and Community Development funds.

While Title I funds can presently be used within limitations for housing activities, housing-related activities, and for activities which would directly or indirectly support the construction of housing, an applicant is not presently required to indicate housing needs and objectives in the community development portion of the application. The proposed changes are directed to correcting this omission and thus to encourage applicants to develop a comprehensive view of their housing and community development program.

- B. The Regulations:

Proposed changes would affect regulations contained in Sections 570.303(a) and (b) and 570.306(b).

C. Recommendations:

1. The Community Development Plan Summary shall contain a narrative description of the housing conditions and needs of the low and moderate income population incorporating the numerical evidence available in the Housing Assistance Plan.

The Community Development Plan Summary shall also contain a narrative description of the housing objectives to be met by the applicant incorporating the goals set forth in the Housing Assistance Plan to meet housing needs. At a minimum, the housing program description should include:

- (a) An analysis of how the Housing Assistance Plan will be implemented.
  - (b) An analysis of how the Community Development program and Title I funds will be used directly to implement housing goals, identifying specific Title I activities for housing rehabilitation, other housing improvement programs, or activities that directly encourage housing construction for low and moderate income households.
  - (c) An analysis of how the Community Development program and other Title I activities will be used to support housing activities, identifying the specific housing units or activities supported by these programs.
2. Where the application or other available facts and data indicate that existing and potential financial resources have not been made available as necessary to stimulate the improvement or development of subsidized housing in adequate numbers to meet the goals in the Housing Assistance Plan and when the proposed Community Development program does not include needed activities or expenditures to stimulate the improvement or development of housing for low or moderate income households, the application should be disapproved on the

"plainly inappropriate" basis. Needed activities or expenditures might include: the use of CDBG funds for loans and grants for rehabilitation, land acquisition or land banking for construction of housing available to lower income households, demolition or land clearance to make land available for construction of housing for lower income households, or activities directly supporting the development or rehabilitation of housing for lower income households.

## II. Housing Rehabilitation

### A. The Problem:

Programs designed to encourage and support rehabilitation of housing units have become an important aspect of the Housing and Community Development program because they represent a major way in which Title I funds can be used to meet the housing needs and improve housing conditions of low and moderate income households.

Congress clearly attempted to strike a balance between giving flexibility to applicants in determining their needs and proposed activities and assuring that funds will be used to achieve national objectives. There are no requirements that the community development program be used, to whatever extent possible or feasible, to assist in the problems of providing needed housing to lower income households. However, in many instances, existing housing has such exorbitant and critical needs that all possible efforts to meet these needs should be considered a priority.

The following recommended changes are directed toward improving the applicant's capability to utilize Title I funds to meet the housing needs of low and moderate income households and to better ensure the appropriateness of proposed activities to the needs that exist.



B. The Regulations:

Proposed changes would affect regulations contained in Sections 570.303(a) and (b), 570.303(c) (1), and 570.306(b).

C. Recommendations:

1. Where the application indicates that there are substandard occupied units suitable for rehabilitation, a reasonable portion of Title I funds must be allocated to rehabilitation activities. Where funds are not so allocated, the applicant must demonstrate that the proposed activities are of a greater urgency and that substantial programs are undertaken to expand opportunities for lower income households and to improve their housing conditions in other portions of the CDBG program.

Where the application or other available facts and data indicate that these programs are not underway or proposed, the application should be disapproved on the "plainly inappropriate" basis.

2. Section 570.303(c) (1) should be changed as follows:

Accurately surveys the conditions of the housing stock in the community. The applicant shall present in summary form, by tenure type (owner and renter), a description of housing conditions by number of units in standard condition and in substandard condition, and the number of units in standard and substandard condition which are suitable for rehabilitation, and in each case distinguishing the numbers which are occupied and which are vacant.

3. Where it is shown in the HAP that occupied rental units exist that are substandard and suitable for rehabilitation, rehabilitation loans and grants must be made available to low and moderate income rental occupied units failing to meet housing,

building or other code standards. The applicant must develop a program targeted to occupied rental units that are substandard and suitable for rehabilitation. This program must include, but not be limited to, a code enforcement program tied to rehabilitation activities which include other enforcement programs to stabilize rents for those occupants or to coordinate housing assistance payments which would maintain a housing/income ratio for the occupant. Where the application or other available facts and data indicate that these programs are not underway or proposed, the application should be disapproved on the "plainly inappropriate" basis.

III. Assessment of Housing Assistance Needs of Lower Income Households

A. The Problem:

Regulations governing the assessment of housing assistance needs of lower income households fail to outline several important components of housing need and thereby permit applicants to misrepresent true housing needs for lower income households.

The following proposed changes are to incorporate additional components of housing need in the estimates required of applicants in identifying housing assistance needs of lower income households.

We are particularly concerned about the estimates of expected to reside households. We believe that the expected to reside figure is the keystone to the spatial deconcentration objective of the Act, as confirmed by Judge Blumenfeld in the case, Hartford v. Hills. Instructions and/or regulations governing estimates of households expected to reside currently include present non-resident workers and future non-resident workers. Expected to reside estimates

also include non-resident non-workers representing lower income households that may choose to live within the community. The enabling legislation does not indicate that the expected to reside figure was to be limited to employment-based opportunities. Nor does the enabling legislation restrict estimates for expected to reside to the applicant jurisdiction without regard for its relationship to nearby or adjacent jurisdictions and expected to reside estimates of these jurisdictions.

B. The Regulations:

Proposed changes would affect regulations contained in Section 570.303(c)(2).

C. Recommendations:

1. Instructions and/or regulations pertaining to the HAP should clearly state that estimates of households needing assistance contained on A and B of Table II must, in addition to indicating those households living in substandard housing units and those households living in overcrowded units (1.01 persons or more per room), indicate those households paying a disproportionate amount of income for housing costs (over 25%).
2. Expected to reside estimates, as a component of estimates for housing assistance needs of low and moderate income households, must show the proportion of minorities that are represented in those estimates.
3. Instructions and/or regulations should reflect the following changes in required estimates for expected to reside. In addition to those estimates presently required, estimates of non-resident non-worker lower income households expected to reside should include the following:
  - (a) A reasonable needs figure derived from an existing adopted Fair Share Plan or an

approved Housing Opportunity Plan for the region or

- (b) A figure representing both the internal demographic changes represented by new households formation and growth less the decline, if any, in population for lower income households and the external demand or regional share represented by the percent of lower income households of the total projected change in households equal to the percent of lower income households of total households in the SMSA (Standard Metropolitan Statistical Area).
- (c) The applicant must indicate the time frame used as a basis for determining all expected to reside estimates. Applicants should be encouraged to use long range estimates of at least five years, where possible.

#### IV. Identification of Housing Assistance Goals

##### A. The Problem:

The instructions and/or regulations governing the identification of housing assistance goals in the Housing Assistance Plan fail to adequately ensure that the goals, as identified, are adequate to meet the need and/or that they are appropriate to meeting the needs, as identified.

There has existed in applications a pattern of discrimination in favor of elderly housing and against family and large family housing. Moreover, there has been a less pronounced pattern that discriminates against minority households and "expected to reside" households in the proportion allowed among rehabilitation, existing, and new housing assistance goals. This disproportion is contrary to HUD's equal opportunity mandate and the Act's objective of reducing the isolation of income groups.

The following recommended changes are directed to better enable applicants to develop a housing program that is directed to the needs that have been identified and that is sufficient to meet those needs, to the extent possible.

B. The Regulations:

Proposed changes would affect regulations contained in Sections 570.303(b) and/or (c)(3).

C. Recommendations:

1. The Act calls for a realistic assessment of housing assistance goals. The 1968 Housing Act calls for meeting our housing needs within ten years. Applicants must submit one year goal estimates of at least 10% of the need figure and a three-year goal estimate of at least 30% of the need figure.
2. In addition applicants should be required to submit a narrative description of available housing resources and the applicant's proposed use thereof and increase goal estimates where available resources indicate a higher proportion is reasonable. This description must include, but not be limited to the following:
  - (a) An estimate of available housing assistance resources, indicating in the application the best available estimates for that jurisdiction for Section 8 funds, available statewide funds and other federal or local funds.
  - (b) A description of those resources proposed for use in implementing the housing goals, including the housing assistance program used, the amount of funds, the number of proposed units, the type of unit proposed by tenure and household size, and the proposed location.

- (c) A description of any discrepancy between (a) and (b), including an explanation of why any available resources are not being used and what steps the applicant has proposed to overcome its inability to use available housing resources, such as: the establishment of a Housing Authority, removal of discriminatory land use controls and other barriers to the construction of housing, establishing seed money programs, working with developers, and so forth.
3. The use of housing subsidies or housing assistance programs available to households with allowable incomes above the lower income (80%) figure can comprise no more than 10% of those goals going toward meeting the needs identified in Table II of the HAP. Plans for expenditure of CD funds should specify the income levels which will be served.
  4. The proportionality test of elderly, small and large families should be modified to reduce the leeway by which the percentage of total goals allocated to certain units combined can be less than the corresponding percentage in the needs table. The allowable reduction in the percentage of total goals should be 10% for small and large family categories combined, rather than 10% for each category separately.
  5. A new proportionality test should be added based on the tenure of households needing assistance as identified in the needs Table II. The proportionality test for elderly, small and large families must exist for both owner and renter goals, unless sufficient evidence is present to justify such disproportions.
  6. A new test should be constructed based on the type of units proposed in the Table III for housing goals and the evidence of need found in Tables I and II. Existing units should be allowed only where a 3% vacancy rate exists in rental housing over and above the number of approved occupied

Section 8 existing units except where the applicant can show that one or both of the following is true: that existing in-place housing assistance will be used to meet household needs paying more than 25% of income for housing costs as shown in the HAP and/or that existing housing assistance payments can be used in a program to support the deconcentration of low and moderate income households.

Where HUD utilizes a vacancy rate test for use of existing Section 8 funds, that vacancy rate must apply only to standard units available at prices at or below the Fair Market Rates established for the area.

Where a sufficient vacancy rate does not exist, the proportion of total housing assistance goals for families and large families identified as new construction must conform to the proportion of expected to reside needs that make up the total housing assistance needs for lower income households, as identified in the HAP.

In addition, where an applicant proposes to use existing Section 8 funds to satisfy goals as set forth in the HAP, the applicant must submit evidence that the program is feasible. Such evidence must include, but not be limited to, an identification of the agency operating the program and that landlords within the jurisdiction are willing to enter into the Section 8 program.

V. Proposed Locations of Assisted Housing for Lower Income Households

A. The Problem:

The 1974 Act clearly encourages the reduction of isolation of income groups and promotes spatial deconcentration of housing opportunities and specifies the same in considering proposed locations for assisted housing.

The U.S. Department of Housing and Urban Development states in its "First Annual Report" that "no funds have been identified that support specifically the objective of reducing the isolation of income groups." Proposed locations have not been adequately monitored to assure that housing choices are expanding. Virtually no program amendments have occurred to provide or encourage applicants to give greater emphasis to this objective either in their program development or in the performance of community development and housing activities.

The following recommended changes are suggested to improve the ability of applicants to direct housing programs toward the deconcentration objective.

B. The Regulations:

Proposed changes would affect regulations contained in Sections 570.303(c)(4) and possibly 570.306(b) or 570.909.

C. Recommendations:

1. Applicants should be required to identify in the Housing Assistance Plan how the general locations of proposed assisted housing meet the site and neighborhood requirements established by HUD.
2. The proposed general geographic boundaries of existing Section 8 housing assistance programs should be identified on Table IV of the Housing Assistance Plan, with a statement on how they promote conformance with site and neighborhood requirements established by HUD.
3. Where the required Performance Report indicates that the location of assisted housing, including new, rehabilitated and existing units, has not worked to reduce the concentration of lower income and minority households within the community or its region or alternatively does not promote



housing choices in areas heretofore absent such choices, additional funds shall not be forthcoming until a plan is developed by the applicant jurisdiction and approved by HUD for achieving the deconcentration objective of the Act.

VI. Urban County Applications as Special Situations

A. The Problem:

Recognizing the special circumstances of urbanized and urbanizing counties, Congress established a class of potential applicant as "urban counties." These jurisdictions deemed to be similar to metropolitan cities are required under the Act to demonstrate an ability to undertake essential community development and housing activities.

We agree that the urban county, as an applicant under the H&CD Act, does indeed represent unique circumstances in its potential role in the physical and social development of suburban areas. In general, these urban counties contain populations without lower income and minority representation compared to metropolitan cities. Moreover, they contain a growing proportion of individual and corporate affluence, metropolitan employment opportunities, and available vacant land. These urban counties represent the very areas where housing opportunities for lower income and minority households could be expanding but have historically been restricted.

Thus we believe the urban counties represent a unique opportunity under the H&CD Act to pursue the deconcentration objective of that Act.

The following recommended changes are to give greater clarity to the regulations applicable to the urban counties which highlight their potential for pursuing the deconcentration objective.

B. The Regulations:

Proposed changes would affect regulations contained in Sections 570.303(c)(2) and (4).

C. Recommendations:

The basic difficulty in the present instructions and/or regulations which reduce or eliminate the likelihood of the urban counties pursuing the deconcentration objective is the distinction made between the urban county as an entity and the participating jurisdictions as separate entities.

Because the urban county is the applicant and because it is the county which must have the authority to undertake essential community development and housing activities, we believe the county should develop its program in a manner which pursues the objectives of the Act for that county as a jurisdiction (even though limited to participating jurisdictions) rather than within each jurisdiction as a separate entity. We believe this distinction is particularly important in two respects: expected to reside estimates and the location of proposed assisted housing.

1. Two distinct procedures have been proposed for estimating the expected to reside figures for the urban county applications. One method would estimate the county figure by adding the individual municipal expected in-migrations from both within and outside that urban county. A second method results from a single net county figure which takes into account workers currently residing outside the entire county.

In our view, the first method is the appropriate one because it would promote deconcentration of the poor within a county by emphasizing housing needs in those subcounty areas which have low income jobs but few low income housing opportunities. The second method is inappropriate because it would ignore the imbalances that can occur over a large geographic area and which may indeed exist within the urban county. Measurement at the

county level simply does not reach the imbalances that occur within the county.

Thus, the expected to reside figures, as the primary mechanism for enforcing deconcentration, must reflect intra-county imbalances if they are to be realistic assessments of the housing needs created by racial and economic isolation.

Therefore, we recommend that in urban county applications, estimates for employment based upon expected to reside housing assistance needs must be an aggregate of estimates for each participating jurisdiction rather than one figure for the county as a whole.

2. The deconcentration objective can be further pursued by urban county applicants because of their unique opportunities to pursue programs within a larger geographic area.

It is our view that the urban county applicants have a responsibility to pursue the specific objective of "promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low income persons" on a countywide basis and to encourage coordination of housing and community development activities.

The locations of proposed assisted housing in many urban counties occur in those participating jurisdictions which are most heavily concentrated with lower income and minority households. At the same time community development funds have been allocated to other participating jurisdictions where no housing activities are proposed and where housing opportunities for low and moderate income households do not presently exist. Thus, locations for proposed assisted housing should be identified for all communities participating in the urban county application that receive community development funds to insure coordination of housing and community development activities and to further the deconcentration objective of the Act.

Therefore, we recommend that in urban county applications, any participating jurisdiction designated to receive community development funds for any non-housing related program or activity must also designate location or locations for proposed housing assistance activities identified in the HAP.

NEIGHBORHOOD REVITALIZATIONA. The Problem:

Earlier sections have described many of the problems which have resulted from HUD's administration of the Community Development program. Several of these problems converge in their impact on neighborhood revitalization efforts, where the net effect of HUD's minimal Regulations and oversight has been to undermine Congress' priority on such efforts. In particular, the Congressional priority has been undercut by HUD's lack of concern with the need for thoughtful comprehensive planning, the statutory priority on limited income families and blighted areas, the special needs of deteriorating housing, and the impact of CD spending in creating job and business opportunities.

B. The Regulations:

The statutory language comes back to the revitalization issue again and again. In its statement of findings and purpose, Congress pointed to "inadequate public and private investment and reinvestment in housing and other physical facilities" as the cause of blight and deterioration. It stated that conservation and renewal of older urban areas and the elimination of blight were required, and that increased private investment was essential. In setting forth application requirements Congress required the development of a "comprehensive strategy" for meeting community development needs. The application must describe a program that will prevent or eliminate slums, blight, and deterioration, and must include a Housing Assistance Plan which accurately surveys the condition of the housing and housing assistance needs and, among other objectives, furthers "the restoration and rehabilitation of stable neighborhoods to the maximum extent possible."

Thus the statute emphasized the necessity of developing a strategy which emphasizes housing conservation, neighborhood revitalization, private reinvestment, and a comprehensive approach encompassing

mutually reinforcing programs. However, HUD has done nothing to incorporate this emphasis effectively into its application and review process. Its applications are brief, "fill in the blanks" forms which do nothing to encourage local governments to give serious thought to these issues and develop a carefully thought through strategy.

C. Recommendations:

A great deal can be done without legislative changes or a reversal in the shift of power to local government to insure that the Congress' concern with revitalization is taken seriously by local officials and HUD review staff. Some of these measures have been discussed in other sections of this paper.

1. Because Congress has emphasized the crucial importance of private investment to the viability of housing in the language of Title I and in the Home Mortgage Disclosure Act, the Housing Assistance Plan's analysis of "significant facts and data" on housing conditions and needs should include data on disinvestment and reinvestment (these data are currently available only in SMSAs under the Disclosure Act and should thus only be required in SMSA jurisdictions), and a strategy for meeting needs surfaced by that data;
2. As noted above, the Community Development Plan should include a mandatory analysis of housing and neighborhood conservation needs and either a strategy for addressing those needs or an alternative, equally eligible program;
3. HUD Regulations should require that local CD Plans concentrate sufficient resources on specific areas or programs to have a mutually reinforcing, comprehensive impact, and declare ineligible the expenditure of funds in isolated projects or on a widely scattered basis;

4. HUD Regulations should require that applicants include plans to leverage private reinvestment for rehabilitation and home improvement (and HUD should provide technical assistance and materials to help local officials design and negotiate for good leveraging arrangements); the November 30, 1976 Regulations limiting the flexibility which local governments have in working out leveraging agreements should be revoked as inconsistent with Congress' emphasis on local discretion;\*
5. As noted below, HUD Regulations should require that local government incorporate provisions for neighborhood citizen participation in revitalization programs, including the involvement of independent community-based organizations in
  - neighborhood needs assessment
  - definition of priorities
  - plans to maximize job and business opportunities for local residents
  - performance review
  - operation of programs.

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\* The Administration should seek an amendment to Title I to allow CD funds to be used to encourage private reinvestment in primary mortgages, as such activities are essential to neighborhood conservation.

CITIZEN PARTICIPATION  
AND COMPLAINT REVIEW PROCEDURES

A. The Problem:

Citizen participation is the only way for persons and groups potentially impacted by the Act to influence the community development process. Since the Act is intended to affect their well-being, this process is extremely significant to such persons and groups. Citizen participation also acts as the only non-governmental system of public accountability. Yet the nationwide experience with citizen participation in the community development block grant process has been unsatisfactory. Persons who have monitored this process in the South, New Jersey, Michigan and elsewhere, have all observed municipal responses that have been obstructive and unenthusiastic. The worst cases involve an expressed determination to ignore citizen input, a refusal to meet with citizen's groups, and even holding public hearings after submission of the application.

HUD has made no serious attempt to challenge even the worst cases. Any reasonable administration of the citizen participation requirements in the Community Development Act would have foreseen the difficulty of involving citizens in a new and very complex program and would have led to the establishment of regulations to insure the dissemination of knowledge to, and encouragement of input by citizens. Instead HUD has chosen simply to ignore the problems and has approved almost whatever in the way of citizen participation that any of the more than 1,000 applicants have elected to do.

B. The Regulations:

Present regulations relevant to citizen participation are 570.300(b) and (c), 303(c), 303(e)(4) and 900(d). Ironically, the only very specific requirements in the entire group of regulations are those in 300(c), which specify what citizens must do in order to have



their complaints considered by HUD. The regulations governing what communities must do in order to inform citizens are extremely general in nature with the exception of the requirement of at least two public hearings.

C. Recommendations:

Based on the experiences outlined above, the prime need is for new and more vital requirements governing outreach to the citizenry and the provision of information to them. Assistant Secretary Butler, at the December 7 forum hosted by the Assistant Secretary for Consumer Affairs and Regulatory Functions, agreed the past experiences showed that changes were needed to ensure a better degree of citizen involvement.

Two specific changes can be recommended based on our discussion and the discussion at the December 7 forum. First, the two hearing requirement should be changed as it is an overly mechanistic interpretation of the Act. We recommend four kinds of hearings. First, educational public meetings in which the purposes of the Act and the possibilities for funding under it would be explained. Second, public hearings must be held to elicit from citizens their views as to community needs and priorities. Third, upon completion of the draft application by the city staff, public meetings should be held to solicit reaction to the proposed application. Fourth, hearings should be held to update citizens regarding implementation of the program after the grant. Some or all of these meetings should be held in the community development neighborhoods. (See details below.)

We also recommend the use of citizen participation teams or advisory boards which would monitor the development of the application and provide a forum for citizen input into the process. These teams should have at least two-thirds representation by members drawn from persons of low and/or moderate income, with special emphasis on representatives selected by community-based groups representing such persons. They should be provided full time technical aid either by the city staff or by community development

funds specifically allocated for that purpose, and operated in such a manner as to encourage non-member input and participation. In addition, the city staff should be reasonably made available to the individual citizens or groups that wish information about the application or the Act.

There should also be a definite effort by the city to reach out affirmatively to the community development neighborhoods through such devices as questionnaires, flyers, appearances at meetings by the staff, or whatever additional efforts are needed to draw these neighborhoods into active participation in the process.

Throughout all these steps we would emphasize a requirement that the city make available the broadest range of information to those citizens who have become involved with the community development program. This information should include backup data, tentative program plans, official reports, comments by federal and state agencies, etc.

To assure flexibility, we believe it advisable for the regulations to provide that some specific requirements other than the notice and hearing requirements, such as the use of a citizen participation team, may be waived where the community has developed an alternative approach that is shown to be of equal effectiveness regarding citizen participation. Finally, while recognizing that the Act gives ultimate choice of project selection to a municipality, we would require the municipality to respond in writing to any citizen proposal that is offered, and to explain in reasonable detail why that proposal has not been adopted, just as it must respond to A-95 comments. We also suggest the use of the Secretary's discretionary funds or grants from the Office of Consumer Affairs and Regulatory Functions to provide support to citizen organizations.

These several general ideas are further developed in the following outline which contains specific implementation proposals. All applicants should be required to undertake the following program. Applicants which because of their size might incur a hardship

in undertaking any specific part of this program must seek a waiver from the HUD area office prior to the commencement of its application process. Such a waiver will only be granted where the applicant specifies what is a hardship and what alternative means will be used by the applicant to satisfy the part waived.

1. Notice

- (a) Notices shall be published in a newspaper of general circulation and in all minority, non-English language and neighborhood newspapers (in areas of low and moderate income concentrations) at least ten to fourteen days prior to each public hearing or meeting and shall appear in the non-legal section of the newspapers. Said notices shall indicate the date and topic of all meetings, the citizen participation plan, a summary of the basic relevant statutory and regulatory provisions (in narrative form in language understandable by the general lay community) and information on relevant significant dates and update on the status of the application (such as, submission to A-95 review, submission to HUD, 30-day date for submission of data and 75-day date for application approval). The first notice shall include an analysis of the previous year's applications and grants, and general budgetary actions engaged in by the applicant relevant to activities contained in the community development program.
- (b) Timely and appropriate written responses shall be made to all written requests for information, proposals for projects or ideas relevant to the community development application and complaints. An affirmative program shall be designed to reach out to citizens and groups to encourage them to make proposals and inform them that if their requests or complaints are made in writing they will receive a written response. The applicant shall give its reasons for rejecting any such written proposal.

- (c) To the extent possible, all notices and written materials shall be produced in the language of any identifiable low or moderate income group whose primary language is not English.

## 2. Hearings

There shall be a minimum of four types of public hearings.

- (a) The first type shall be educational and informative relevant to the act, regulations, citizen participation, prior years activities (including a summary of performance) and present ideas for future activities (including such activities as were outlined in the needs, goals and three-year plan contained in any prior application).
- (b) The second type shall be a neighborhood needs and priorities assessment hearing. In applicants with a population of 50,000 or greater, such hearings should be held in all areas which are identifiable neighborhoods of substantial size consisting of low and moderate income persons.
- (c) The third type of hearing shall be held to review the draft of the application prior to submission for A-95 review. This hearing shall be presided over by the chief executive officer responsible for the application. The application and drafts of the projects chosen and housing assistance plan shall be disseminated at least ten days prior to the hearing.
- (d) Subsequent hearings shall be held to discuss all substantial amendments.
- (e) The first two hearings shall be held prior to the preparation of the first draft of the application and in the very early stages of the planning process and shall be at least two weeks apart.

- (f) At least one public hearing shall be held within six months after the grant to inform citizens of the status of implementation of the program.
- (g) Copies of all notices, minutes of all meetings and other documents and correspondence shall be kept on file in the municipality and shall be open to public inspection on demand (either oral or written) during all normal working hours of the applicant. Minutes shall include the name and address of all commentators with a paraphrase of their statements and/or proposals. Copies shall be sent to all persons listed in 4(c) below.
- (h) Interpreters shall be provided at all public hearings or meetings to any identifiable low or moderate income group whose primary language is not English, and who specifically request such assistance. The availability of this service shall be made known to all such groups.

3. Technical Assistance and Citizen Participation Teams

- (a) A citizen participation team of a reasonable size shall be created and composed of at least two-thirds of members who are persons of low or moderate incomes and are from impacted neighborhoods. To the extent feasible, these members should be nominees or appointees of active community-based groups identified as representing persons of low or moderate income. The purpose of the team shall be to review all stages of the application process, receive input from individuals and other citizen groups and to provide input to the applicant throughout the application process from year to year. A statement on the completed application shall be solicited from the citizen participation team and submitted with the application for A-95 review or within 15 days of its submission for A-95 review. Minority views will also be submitted.

- (b) Technical assistance shall be provided by the applicant to the citizen participation team and to all citizen groups requesting information or any form of assistance relevant to the act or the application process. Such assistance shall either be provided directly by the applicant's staff or through financial support to staff retained by interested organizations and the citizen participation team.
- (c) Special neighborhood teams of low and moderate income persons shall be designated for areas targeted in the application and funds set aside to assist each such team. Where identifiable community-based organizations already exist, they shall - to the extent feasible - be so designated.
- (d) Notices of all meetings of the citizen participation and neighborhood teams shall be accomplished as previously set forth. All such meetings shall be public and open and accessible to input and requests for information from non-member attendees.

#### 4. Public Information

- (a) All written documents, data, drafts, correspondence and any other matters relevant to the community development application and application process must be made available as of right to all citizens, citizen groups, citizen participation and neighborhood teams on demand (either oral or written) during all normal working hours of the applicant.
- (b) Applicants with a population of 50,000 persons or greater shall designate public libraries at which key documents shall be deposited for citizen review such as prior applications, grants, performance reports, drafts of current applications and all mailings.
- (c) Copies of all documents, such as, for example, notices, reports, educational materials and drafts, shall be made available (mailed) to all persons who specifically request such mailings and to all citizen groups which have

expressed an interest in local community development, civil rights, environmental and civic issues generally or who are known to be groups with such an interest or which are in areas of neighborhoods potentially impacted by the Act and the specific application.

5. Monitoring

- (a) Within six months of the receipt of a grant, the applicant shall do an assessment indicating the success and failures of the citizen participation plan in reaching persons of low and moderate income and groups and involving them in the application process. The assessment shall include remedial action to be undertaken in succeeding program years to correct prior failures in the citizen participation plan. The assessment shall indicate which program needs, goals and activities resulted from such involvement. The assessment shall be kept on file, open for public inspection, and shall be reviewed during the area office monitoring and public hearings.
- (b) The area office staff shall monitor compliance with the regulations, shall report to the area director and citizens and citizen groups any incidents of non-compliance and shall conduct a compliance review hearing upon a finding of substantial non-compliance. The applicant shall correct all incidents of non-compliance and guarantee their non-recurrence in future program years. Violation of this guarantee shall result in full or partial defunding of the applicant. The local area office may require specific actions, on a case-by-case basis, to cure existing inadequacies in the applicant's citizen participation plan and mandate compliance with such actions as a condition of grant approval.
- (c) A complaint committee shall be designated by each area office and regional office to review complaints and determine whether

investigation is necessary and whether the applicant's and HUD's responses are satisfactory. The regional office committee shall renew area office decisions challenged by citizens or citizen groups or A-95 review agencies. The regional office shall have the authority, reviewable by the central office to stop the 75-day clock or grant conditional application approval (and withhold funding of activities) when it determines that a complaint is of sufficient substance and gravity to warrant such action. Furthermore, ongoing program activities may be suspended if a complaint is deemed to warrant such action. The applicant shall inform citizens and citizen groups of this procedure and shall specifically so inform any citizen or citizen group from which the applicant has received a written complaint.



EQUAL OPPORTUNITY UNDER THE  
HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

A. The Problem:

Experience has shown that strong and aggressive federal leadership is crucial to successful equal opportunity programs. The initiative was taken by the federal government because states and other local governments were unwilling or unable to stop discrimination against minorities. The 1974 Housing and Community Development Act incorporates an impressive array of equal opportunity enforcement tools. Congress obviously intended the federal government to continue its active role. Of particular importance are Title VI of the Civil Rights Act of 1964, Title VIII of the 1968 Civil Rights Act (the Fair Housing Act), Section 3 of the H & UD Act of 1968, and Executive Order 11246, which are all applicable to the activities of Community Development Block Grant applicants and recipients. HUD regulations and policies attest to official intention to ensure compliance with the laws.

In light of the many abuses by recipients and HUD's unwillingness to enforce the law or to respond to citizen challenges, the following recommendations are made:

1. The Secretary should take a firm public stand in support of the equal opportunity requirements of the Act, making clear that abusers will face delay or denial of funds or prosecution by the Justice Department pursuant to Title VIII.
2. The Secretary should provide for adequate manpower to monitor recipient equal opportunity efforts, to investigate citizen-initiated complaints, and to provide prompt HUD hearings where appropriate.

There is a common thread which leads to a basic cause of the problem: the basic unwillingness of responsible officials to grapple with many serious and complex

issues, and to make decisions on important policy matters. These decisions are needed to provide guidelines and standards so that first line HUD staff who have to administer the program at the local level will have clear directions for handling these important issues.

Pursuant to Title VIII, all communities, as a condition of receiving CDBG funds, are required under the 1974 Act "to affirmatively further fair housing in the sale or rental of housing, the financing of housing and the provision of brokerage services within the applicant's jurisdiction." Under the procedures established by HUD, all block grant recipients are required to document the steps they have taken to affirmatively further fair housing in their Performance Reports filed with subsequent CDBG applications.

B. The Regulations:

Section 109 (42 USC 5309) of the 1974 Act is the basic non-discrimination clause:

"No person in the United States shall on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title."

While the language is similar to that of Title VI of the 1964 Civil Rights Act, it has special significance as an integral part of the 1974 Act. This clause indicates that Congress is strongly committed to non-discrimination in the CDBG program. HUD Regulations further strengthen this resolve. All CDBG applicants must certify compliance with this provision. Pursuant to Title VI guidelines, recipient governments must affirmatively seek to overcome the effects of past discrimination, outright exclusion or just prior limited participation.

In the assurances form accompanying the application, with which all applicants agree to comply, item 11 (ii) reads: "The applicant hereby assures and certifies with respect to the grant that:...(it) will take action to affirmatively further fair housing..."

HUD policy with regard to these requirements is spelled out in more detail in the May 6, 1976, letter from Assistant Secretaries Blair and Meeker to all regional administrators. This letter instructs HUD personnel to review all Performance Reports and determine whether or not each applicant has, in fact, "taken action to affirmatively further fair housing" and "taken action to prevent discrimination in the sale, rental, and/or financing of housing within the recipient's jurisdiction." Where HUD staff makes a finding that such action has not been taken, they are instructed to obtain additional information and/or specific assurances that the applicant will take such affirmative action within the following year. The letter further indicates that where the applicant refuses to assure that it will take affirmative action, HUD should not approve the application. Also, HUD is to withhold approval if an applicant provides specific assurances but does not meet the goals or timetables to which it has agreed.

HUD has been seriously deficient in assuring that recipients have met their equal opportunity responsibilities. On numerous occasions, high HUD officials have stressed the importance of performance reviews by HUD staff for insuring full compliance with equal opportunity and other requirements of the Act. Auditing and review procedures are supposed to guarantee that the certifications which each applicant attests to are, in fact, implemented during the program year.

The requirements of Section 3 of the Housing and Urban Development Act of 1968 are also incorporated into the 1974 Act. Each applicant must certify that, to the greatest extent feasible, opportunities for training and employment shall be given to lower income residents of HUD-assisted project areas and that contracts for work in connection with such projects be awarded to business concerns which are located in, or are owned in substantial part by, project area residents. In its Performance Report each recipient must document its affirmative efforts and its progress toward these goals.

Pursuant to Executive Order 11246, the recipient certifies that it will take "affirmative action to assure fair treatment in employment, upgrading, demotion, and transfer." The staff guide for monitoring performance issued by HUD, The Community Development Block Grant Monitoring Handbook (6500.1 of November 1975) states under "Equal Opportunity" that HUD is to determine whether the grantee has taken affirmative action as required in employment, in furthering fair housing, in the delivery of programs and activities where limited participation by minority group persons might be expected, and in furthering minority business opportunities. Each applicant is required to list in its Performance Report the specific actions that have been taken to meet these civil rights requirements, and any results achieved.

Also pursuant to Executive Order 11246 and Assurances item 11(v), that each applicant take affirmative action in employment within departments of local government receiving block grant funds, applicants are required on form V-G in the Performance Report to provide statistics on the number of minorities and women hired within these departments of local government.

HUD Regulations 570.900(c), 905(d), 906(a)(5) and 907(f) require all recipients to keep extensive records regarding their equal opportunity efforts, and these records are to be available for inspection to citizen oversight groups.

The Act and the Regulations place a heavy burden upon the monitors, both HUD and citizen watchdogs. Private citizens have tried to live up to their enforcement challenge, but at all levels of HUD there has been no enforcement or follow-through on citizen complaints. The First Annual Report of the CDBG Program, published by HUD in December 1975, does not even mention equal opportunity efforts of recipients or HUD's efforts to enforce those activities.

C. Recommendations:

Given the Act's heavy emphasis on equal opportunity, HUD Regulations should reflect a firm resolve not to release funds to recipients whose applications and/or past performance records do not indicate a willingness to comply. An additional subsection (iv) should be added to 570.306(b)(2):

- (iv). The Secretary determines, on the basis of citizen complaints or recipients own reports, that the applicant's past performance does not satisfy the affirmative action requirements.

Thus, there would be an additional reason for the Secretary to disapprove an application and recipients would be required to tailor their actions accordingly.

Regulation 570.909(b), Monitoring Objectives, should have an additional subsection (4):

- (4) Whether the recipient has demonstrated an ability to comply with the affirmative action requirements of Title VI, Civil Rights Act of 1964; Title VIII, Civil Rights Act of 1968; Section 3 of the Housing and Urban Development Act of 1968; Section 109 of the Act; Executive Order 11246 as amended, and Executive Order 11063.

In addition to the remedies for non-compliance provided in Regulations 570.912 and 913, Title VIII remedies, in particular provisions for citizen suits, should be made available. A sentence should be added at the end of 570.912:

Persons aggrieved may pursue remedies provided by Title VIII of the Civil Rights Act of 1968 (42 USC §3612). This provision should not be interpreted to preclude other actions by persons aggrieved by activities of those seeking or receiving funds pursuant to the 1974 Act.

The paragraph preceding subsection (c) of Regulation 570.913 which describes the HUD hearing process, should include as its second sentence:

Persons who have shown an interest in the outcome of the proceeding shall be permitted to participate at all stages of the adjudicatory process.

Existing regulations (specifically 570.601) give municipalities the option of using an undefined portion of the block grant to ameliorate an imbalance in public services. Because of this rather weak token toward the strong policy against the arbitrary distribution of government services, municipalities have been able to circumvent federal laws and regulations by using block grants in ways which perpetuate neighborhood differences in services. Programs designed to make the low and moderate income residents better off have actually worsened their lot, since a preponderance of the inhabitants of underserved neighborhoods are low and moderate income people. Accordingly, Regulation 570.601(b)(4)(iii) should be amended:

- (iii) A recipient shall take any action eligible under 570.200 to ameliorate an imbalance in services or facilities provided to any geographic area or specific group of persons within its jurisdiction.

Enforcement of the equal opportunity and fair housing requirements of the Act to guarantee that federal funds, collected from all the people of the United States, do not contribute to the pattern of exclusion and discrimination that characterizes too many segments of American life. The proposed regulatory changes in conjunction with the recommended Secretarial commitment would go far toward bringing the fruits of the CDBG program to its primary intended beneficiaries.

EXPANDING ECONOMIC OPPORTUNITIESA. The Problem:

The primary objectives statement of Title I of the Housing and Community Development Act of 1974 adds substantially to the national housing goals statement, first included in the Housing Act of 1949. The phrase "to provide a decent home and suitable living environment" has been expanded to include "and expanding economic opportunities." Coincidentally, the closing phrase has been changed from "for all Americans" to "principally for low and moderate income persons."

HUD's regulations on this point rely substantially on compliance with Section 3 of the Housing and Urban Development Act of 1968. They add nothing to the concept of relating economic opportunities to problems of community development. They do not provide for specific enforcement of Section 3 requirements in CDBG activities even in the face of obvious and acknowledged (by HUD) deficiencies in Section 3 enforcement.

Because economic opportunities are new to the primary objectives of housing legislation, it seems logical to assume that the Title provides a mandate to HUD to ensure consideration of economic opportunities for low and moderate income persons and their relation to housing and physical development issues in the planning, citizen participation and other items of process in the development of community development programs and the CDBG application.

B. The Regulations:

Section 570.303 provides that an application for a grant shall conform to and be limited to the prescribed HUD forms and shall include the following items:

(e) Certifications

The applicant shall submit certifications in such form as HUD may prescribe, providing assurances that:

(11) It will comply with:

- (v) Executive Order 11246...which provides that no person shall be discriminated against on the basis of race color, religion, sex or national origin in all phases of employment during the performance of Federal and federally-assisted contracts. Such contractor and subcontractors shall take affirmative action to insure fair treatment in employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-off or termination, rates of pay or other forms of compensation and selection for training and selection for training and apprenticeship.
- (vi) Section 3 of the Housing and Urban Development Act of 1968, as amended, requiring that to the greatest extent feasible opportunities for training and employment be given lower-income residents of the project area and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by, persons residing in the area of the project.

Section 570.900 sets performance standards as follows:

(c) Equal Opportunity

- (1) The recipient will be required to document the actions undertaken to assure that no persons, on the ground of race, color, national origin, religion, or sex, has been excluded from participation in, denied the benefits of, or otherwise subjected to discrimination under any activity funded under this part. Such documentation should indicate:
- (iv) Any actions undertaken to promote equal employment opportunities for any identifiable segment of the total group of lower-income persons in the community.

Section 570.905 requires that the following reports be submitted by the recipient:

- (d) Equal opportunity reports. Recipients shall submit such reports as may be necessary, pursuant to the rules and regulations under...Section 3 of the Housing and Urban Development Act of 1968... Executive Order 11246 as amended...or any reports as may be further prescribed by the Secretary.



Section 570.907 requires the following records be maintained by recipient:

- (f) Equal Opportunity
- (3) The recipient shall maintain data which records its affirmative action in equal opportunity employment, including but not limited to employment upgrading, demotions, transfers, recruitment or recruitment advertising, layoffs or terminations, pay or other compensation, and selection for training.
- (4) The recipient shall maintain data which records its good faith efforts to identify, train and/or hire lower-income residents of the project area and to utilize business concerns which are located in or owned in substantial part by persons residing in the area of the project.

Outside the limited framework of job and contract opportunities provided directly in Block Grant funded activities, the Title anticipates that these activities will affect economic environments. In Section 101(a) of the legislation, Congress states its finding that critical social, economic and environmental problems arise from the concentration of lower income persons and inadequate public and private investments in deteriorating areas. Section 101(b)(2) states a finding that the future welfare of the Nation requires "increased private investment in support of community development activities." The inclusion of expanding opportunities in the primary purposes statement can be traced directly to the problems finding statement. The specific objective that relates to the problem finding statement is #6, "the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income."

C. Recommendations:

The application requirements for submitting a Community Development Plan Summary should include an addition to 570.303 requiring an Expanding Economic Opportunity Plan Summary which:

1. Identifies all activities proposed to be funded by the applicant's community development program which will have substantial economic impact, including jobs and business opportunities funded directly by the applicant's community development program and those expected to be stimulated by the program.
2. Describes a strategy of training, recruitment and housing location which will ensure that to the maximum extent feasible, jobs and business opportunities will be provided low and moderate income persons.

Target area definitions for Section 3 enforcement made sense under Urban Renewal and Model Cities with precise and relatively large areas compacted with lower income persons or owned by business persons struggling to overcome their own poverty origins. In the context of the more flexible and fluid Community Development Block Grant program, it is more reasonable to define Section 3 eligibility in relation to the poverty population of the jurisdiction than to target areas.

Enforcement of expanding economic opportunity requirements should be on the basis of expected employment and contract volumes and areawide needs of low and moderate income persons. The yearly program should project jobs to be generated by funded activities and by job categories factored into income levels, skill requirements, training possibilities and career development possibilities. HUD currently has under contract a project that will provide employment factors for typical CDBG funded activities. These factors should be made available by HUD as guidelines for applicants, much as Expected-To-Reside figures are currently supplied for Housing Assistance Plans. The projections should be available to citizens during the citizen participation process. Performance should be measured against the projected figures.

MONITORINGA. The Problem:

Section 104(d) of the 1974 Housing and Community Development Act requires HUD to review and audit, at least on an annual basis, CDBG recipients for compliance with the statutory requirements. There is substantial evidence that many grant recipients in fact have deviated seriously from the statutory requirements, without being detected by the present HUD monitoring system. Needed is a means of expanding HUD's capability for CDBG monitoring, without encumbering the CDBG program office with an excessive bureaucracy.

B. The Regulations:

The relevant section in the Regulations is 570.910.

C. Recommendations:

HUD should utilize local community and public interest groups to monitor CDBG recipients. The Assistant Secretary for Consumer Affairs and Regulatory Functions, already responsible for developing HUD liaison with such groups, should certify groups for commitment to the objectives of the Act, independence from influence by applicants, and reliability and capability to undertake the monitoring function. HUD should design a monitoring checklist of points to be evaluated by the local certified groups. Then the Assistant Secretary for Consumer Affairs and Regulatory Functions would award certified groups contracts to carry out the prescribed evaluations of CDBG recipients. The program would be limited in size the first year, and, if, demonstrably cost effective, would be expanded in subsequent years.

We propose that Section 570.910 be modified by the addition to the present regulation of one phrase (the added phrase is underlined):

## Section 570.910 Evaluation by HUD.

(a) The Secretary shall, in addition to his annual reviews and audits, evaluate programs conducted under this Part and their effectiveness in meeting the objectives of this Part.

(b) The Secretary may conduct such evaluation using HUD personnel, or by contract or other arrangement with public or private agencies or community or public interest groups certified by the Assistant Secretary for Consumer Affairs and Regulatory Functions on the basis of their commitment to the objectives of the Act, independence from influence by applicants, and reliability and capability to undertake the monitoring function.

(c) Recipients under this Part may be required to supply data or make available such records as are necessary for the accurate completion of these evaluations.

SPECIAL NEEDS OF NON-METRO AREASA. The Problem:

The nonmetropolitan experience with the Community Development Block Grant program reflects the administrative inadequacies as described throughout these papers. In addition, nonmetro areas suffer particular administrative disadvantages. HUD has the responsibility to insure that nonmetro communities be given every opportunity and assistance to take full advantage of the very limited dollars available to them. Currently, however, participation is hampered throughout the application process by the inappropriateness of requirements and lack of technical expertise in nonmetro jurisdictions.

The special CDBG needs of nonmetro communities stem from their lack of institutional and administrative resources to address the community development process. Their community development problems are apt to be scattered throughout the community rather than concentrated in definable neighborhoods. They tend to lack either public or private institutions to interpret and facilitate community development related activities. On the other hand, there are often situations in which a few well utilized federal dollars can make a significant impact.

B. Recommendations:

1. Application Requirements - A fundamental problem with HUD's administration of nonmetro CDBG is its failures to distinguish between the varying characteristics, needs and capabilities of nonmetro jurisdictions. The regulations most relevant are probably those at 570.400 and 570.402 covering discretionary funding. What is needed is for the agency to develop a structural and procedural capacity which is sensitive to the

nonmetro component. This should result in a variety of options for the applicants. Some of the needed distinctions can be achieved through the administrative process. Others will require legislative modifications. (As an example of the latter, the smallest towns are discouraged from application by the three-year plan requirement and should be allowed the option of proposing a one-year community development plan.)

2. Technical Assistance Needs - HUD should assume responsibility for notifying all units of local government -- county and small town -- of the CDBG program, including notification of available technical assistance. HUD's first year survey of entitlement communities found that smaller towns are far more likely to rely on private consultants for TA needs. These towns average cost per hour for the CDBG application process was higher than that of metro communities in spite of minimal administrative budgets on a per capita basis. To relieve this dependence on private consultants, which also heavily influences decisions on the type and scope of projects, TA resources should be available at both the state and substate level to provide public TA. As a related point, it should be emphasized that increased support for information and TA to citizen participation efforts is imperative in smaller towns, and especially in rural areas.
3. Entitlement Funding - Proposed legislative modifications to establish nonmetro entitlement is of questionable value unless it is linked to a mechanism that assures the allocation of the funds to the areas of greatest need. Such mechanisms elude definition. In fact, unless one is willing to consider the CDBG program primarily as a tool for securing areawide cooperation, granting entitlement on the basis of assumed cooperation could be counterproductive. As

experience with urban counties demonstrates, the aggregation of population and governmental jurisdictions who are willing to cooperate is not necessarily concurrent with community development needs. Given the scarcity of non-metro funds, there is a real possibility that dollars would go to a few relatively affluent, progressive communities willing to cooperate in the interests of entitlement status, but leaving scattered or conservative communities, which would include many in the south, mid- and northwest, with little or no discretionary money to compete for. A possible alternative is to authorize that a portion of the nonmetro funds be available for a temporary entitlement through a multi-year funding approval. This approach could retain administrative discretion to assure that the "limited entitlement" went where there are clear needs and for a mix of programs that are directly responsive to those needs.

4. Eligible Activities - Nonmetro areas suffer from an institutional gap. This means that social service delivery mechanisms are more dependent on CD type funding. The scattered disposition of poverty and bad housing reduces the value of capital improvements. HUD's first year experience survey found that smaller communities regarded public services/community facilities as a leading priority need - second only to housing and ranked ahead of water and sewer facilities. But, neither the law nor HUD priorities recognize this nonmetro preference. This disparity between local need and current CDBG implementation argues for the broadest possible interpretation of the language of Section 105(a)(8).
5. Citizen Participation - Special emphasis on TA, including information for distribution and education (flyers, films, etc.) and available models for local governments of differing character to follow in carrying out stiffened guidelines; sufficient

notice (10 days) and provision of transportation in rural areas for the elderly and other transportation for the disadvantaged; bilingual information and available translation in meetings (for areas with farmworker population).

6. Records - The statistics on HUD's own monitoring efforts indicate clearly that an even less aggressive monitoring program is being mounted in nonmetro areas than in metropolitan areas. This makes it all the more important that monitoring by outside agencies be facilitated. HUD should maintain records in an accessible format of all funded and unfunded communities (including those filing only preapplications), so that useful tabulations can be secured according to the size of the community, type of activities proposed and approved, and other characteristics which would be valuable in assessing the program and its administration as well as the performance of individual communities.



FREEDOM OF INFORMATION REQUIREMENTSA. The Problem:

In order to adequately deal with the issues of citizen participation, consumer complaint procedures, and citizen monitoring of performance under the block grant program, it is vitally important that public interest groups and citizens generally have ready access to all HUD policies, administrative procedures, and directives governing that program.

The Freedom of Information Act of 1974 (public law 93-502) and the Regulations issued by HUD to implement this act (24 CFR 15 published October 14, 1975) provide a basis to help assure the free flow of this needed information to consumers and consumer groups.

It is HUD's responsibility and legal obligation to make this information available in usable form and to comply with the spirit and the regulations of the Freedom of Information Act.

A reading of these regulations indicates numerous areas where HUD has not implemented the requirements of the law.

HUD is in violation of the requirements of parts 15.12(c) and 15.33 of the Regulations which, taken together, require that each area and regional office of HUD "shall make available for public inspection and copy" all legal opinions and orders, statements and interpretations of HUD policy, administrative staff manuals, instructions to staff, and other "interpretations relied upon as precedents" with regard to HUD administration of the community development block grant program. This applies as well to other related HUD programs, such as: the Section 8 housing program for existing housing, new construction, and rehabilitation; the allocation of housing subsidy funds pursuant to Section 213 of the 1974 Act; and the 701 comprehensive planning assistance program.

Section 15.12(c) also requires the Department to maintain and make available for public inspection and copying at each area and regional office as well as in the central office of HUD, a current up-to-date index of all of the above legal opinions, statements of policy and interpretation, administrative staff manuals, and instructions to staff. HUD has not done this.

In addition to keeping up-to-date current indexes of all such HUD material, the regulations also require HUD to either publish the index on a quarterly basis or provide copies of a quarterly index on request. This also has not been done by HUD.

B. Recommendations:

One step toward complying with the Freedom of Information Act regulations was taken when the Consolidated Community Development Block Grant Program Issuances, publication CPD 76-12, was issued in July. However, only limited distribution was made of this publication to interested citizens, and the HUD central office ran out of copies in November. Moreover, this document in and of itself does not meet the requirements of the regulations with regard to the block grant program:

1. Final opinions, administrative staff manuals, and forms and instructions regarding the block grant program are not included or otherwise published in one overall index available to the general public.
2. Current up-to-date indexes are not available at area and regional offices as is required.
3. Full Compliance requires that manuals, opinions, and interpretations of policy and instructions to staff issued at the regional and area office also be indexed in one publication and made available for copying at the area and regional offices.

4. The regulations require that a compilation of block grant policies and procedures be published on a quarterly basis. Since the CPD Issuances volume was published in July an updated compilation or index was due by the end of October.

The new HUD Secretary should take steps to see to it that each appropriate division within HUD fully complies with these Freedom of Information Act requirements, so that all consumer organizations and other interested members of the public can have full access to all HUD statements of policy and procedures and administration governing the various programs. Initial emphasis should be placed on achieving compliance with these requirements with regard to the community development block grant program so that the procedures for citizen participation can be fully implemented.

In addition, HUD should take steps to set up a workable mechanism whereby all interested citizen groups can obtain copies of all of these important documents from one central HUD source at minimal or no cost.

MR. ASHLEY. And now we will hear from Harriet Barlow of Rural America.

**STATEMENT OF HARRIET S. BARLOW, RURAL AMERICA, INC.**

MS. BARLOW. I am Harriet Barlow, and I appreciate your inclusion of my full testimony in the record.

I am with Rural America, Inc., which has been examining the impact of community development block grant program in nonmetropolitan areas, the first study of its kind.

Although we have only been looking at the question for 4 months, it is already very clear that the shortcomings of the act are reflected in the shortcomings of HUD's administration of this component of the program.

Although GAO recommended last year—well, actually, it didn't recommend anything—that's not its function—but it pointed out last year that if you applied the needs formula that is in the act itself to the metro/nonmetro allocation, nonmetro areas would be getting almost 34 percent of the total.

It is not our intention to pit metro against nonmetro or older against newer areas, but to call attention to the fact that the Housing and Community Development Act is the only housing and community development program for nonmetropolitan areas, and that the need there is very great.

Our first concern there would be that the Congress in the act specify its responsibility to the nonmetropolitan constituent, and that it encourage—and I use that word as a gentle word for a very strong need—HUD to develop the sensitivity and the administrative capability to respond to the special character and special needs of the nonmetropolitan component.

We are talking not just about the smaller cities, which might be able to cope with the administrative requirements of HUD; we are also talking about rural America, which has neither the institutional capability nor the historical experience to deal with a program of this kind.

We have several specific recommendations regarding the act, some of which reflect Secretary Harris's recommendations, and some of which come from the pure experience of the program as it has been implemented. I would refer you to those specific recommendations emphasizing that they all are based in an optimism that the Congress will reinforce its intention that this program benefit primarily the low- and moderate-income community, and that it in fact be a community development program which implies integration of activities and a long-range goal of community development for all citizens.

I will stop there, and hope that if you have any questions you will feel free to ask them.

[The prepared statement of Ms. Barlow, on behalf of Rural America, Inc., together with attached material, follows:]

TESTIMONY OF  
HARRIET BARLOW,  
RURAL AMERICA, INC.  
BEFORE

HOUSING AND COMMUNITY DEVELOPMENT SUBCOMMITTEE,  
HOUSE COMMITTEE ON BANKING, CURRENCY, AND HOUSING,  
MARCH 1, 1977

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INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM HARRIET BARLOW AND I AM APPEARING ON BEHALF OF RURAL AMERICA, INC., A NATIONAL MEMBERSHIP ORGANIZATION CONCERNED WITH RURAL PROBLEMS AND HUMAN NEEDS. WE APPRECIATE YOUR INVITATION TO TESTIFY TODAY ON BEHALF OF A CONSTITUENCY WHOSE HOUSING AND COMMUNITY DEVELOPMENT NEEDS HAVE BEEN CONSISTENTLY OVERLOOKED AND UNDERFUNDED.

INCREASED PARTICIPATION

RURAL AMERICA IS CURRENTLY ENGAGED IN A PROJECT COMMISSIONED BY THE COMMUNITY SERVICES ADMINISTRATION TO MONITOR THE OPERATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM IN NONMETROPOLITAN AREAS. OUR DATA INDICATES THAT THE CDBG HAS OPENED UP HUD-ADMINISTERED COMMUNITY DEVELOPMENT FUNDING TO NONMETROPOLITAN AREAS SIGNIFICANTLY.

UNDER THE PREVIOUS CATEGORICAL PROGRAMS LESS THAN 450 NONMETRO GOVERNMENTS HAD PARTICIPATED TO A SUFFICIENT DEGREE IN THE FIVE YEARS 1968-72 TO QUALIFY FOR "HOLD HARMLESS" STATUS. MORE THAN THREE TIMES AS MANY NONMETRO GOVERNMENTS ARE BEING FUNDED EACH YEAR UNDER THE CDBG PROGRAM.

IN ADDITION TO EXPANDING THE NUMBER OF NONMETRO COMMUNITIES REACHED, THE NEW SYSTEM IS REACHING A FAR MORE REPRESENTATIVE GROUP OF COMMUNITIES IN TERMS OF SIZE. BASED ON THE PROFILE OF "HOLD HARMLESS" COMMUNITIES, THE MEDIAN SIZE OF NONMETRO CITY SERVED UNDER THE OLD CATEGORICAL PROGRAMS WAS ABOUT 13,500. THE MEDIAN SIZE OF NONMETRO CITY SERVED UNDER THE CDBG PROGRAM IS ABOUT 6,800--MUCH CLOSER TO THE ACTUAL MEDIAN SIZE OF NONMETRO MUNICIPALITIES.

IN ADDITION, BOTH THE TOTAL AMOUNT OF ASSISTANCE AND THE SHARE OF ASSISTANCE GOING TO NONMETRO AREAS HAS INCREASED UNDER CDBG. UNDER THE CATEGORICALS, HUD TELLS US THAT ABOUT 14% OF THE FUNDS WENT TO NONMETRO AREAS. UNDER TITLE I SOME 18.5% OF FUNDS IN THE INITIAL YEARS OF CDBG WERE EAR-MARKED FOR NONMETRO AREAS, AND TO THE EXTENT THAT NONMETRO GOVERNMENTS COULD SUCCESSFULLY COMPETE FOR URGENT NEEDS AND SECRETARY'S DISCRETIONARY FUNDS, THE SHARE COULD BE marginally INCREASED. THIS MODEST INCREASE IN RELATIVE SHARE COMBINED WITH THE RISE IN TOTAL COMMUNITY DEVELOPMENT FUNDS BEING PROVIDED UNDER CDBG HAS MEANT THAT THE NUMBER OF DOLLARS GOING INTO NONMETRO AREAS

HAS ALMOST DOUBLED IN COMPARISON WITH THE AVERAGE FUNDING LEVEL UNDER THE CATEGORICAL PROGRAMS.

WHILE WE ARE PLEASED WITH THIS INCREASE IN NONMETRO PARTICIPATION AND FUNDING, IT CONSTITUTES SLIM PRAISE WHEN BALANCED AGAINST THE PROGRAM'S SHORTCOMINGS.

#### FAILURE TO SERVE LOWER-INCOME

OUR STUDY IS CONCERNED WITH THE DEGREE TO WHICH THE DISTRIBUTION OF FUNDING AMONG THE VARIOUS COMMUNITIES IN NONMETRO AREAS ACTUALLY FOLLOWS THE PATTERN OF COMMUNITY DEVELOPMENT NEED. INITIAL DATA INDICATES A POOR FIT. COMMUNITIES WITH THE MOST CONCENTRATED POVERTY, BAD HOUSING, AND INADEQUATE PUBLIC FACILITIES AND SERVICES ARE NOT NECESSARILY THE ONES RECEIVING CDBG FUNDING.

OTHER STUDIES, INCLUDING HUD'S OWN EVALUATIONS, HAVE AMPLY CONFIRMED THAT WITHIN THE COMMUNITIES THAT RECEIVE FUNDS CDBG IS FALLING SHORT OF THE PROGRAM'S PRIMARY OBJECTIVE OF SERVING LOWER INCOME PEOPLE. IN FACT, ACCORDING TO A RECENTLY RELEASED STUDY BY THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS, THE SECOND YEAR OF CDBG SAW A DECLINE IN ACTIVITIES TO ELIMINATE SLUMS AND BLIGHT, (FROM 34% IN FY '75 TO 17% IN FY '76), A REDUCTION IN EXPENDITURES FOR COMMUNITY SERVICES FROM THE FY '75 FIGURE OF 19% TO 12% IN FY '76, AND, MOST ALARMINGLY, A REDUCTION OF THE PROPORTION

OF FUNDS TARGETED TO LOW AND MODERATE INCOME TRACTS FROM 51% TO 44%. IN NONMETRO AREAS THE LOWER INCOME POPULATION IS GENERALLY DISORGANIZED AND LACKS ACCESS TO THE INSTITUTIONAL RESOURCES WHICH WOULD PROTECT THEIR INTERESTS. THE RURAL POOR ARE, THEREFORE, WITHOUT THE POLITICAL CLOUT TO ENSURE BENEFIT FROM THE BLOCK GRANT PROGRAM.

TO ENSURE BENEFIT TO THE LOW AND MODERATE INCOME TARGET POPULATION, HUD MUST ESTABLISH AN ADEQUATE CITIZEN PARTICIPATION COMPONENT INCLUDING AVAILABLE TECHNICAL ASSISTANCE TO COMMUNITY GROUPS, SUFFICIENT HEARINGS TO GUARANTEE FRONT-END INPUT, COMMUNITY MONITORING AND EVALUATION AND INITIATE COMPREHENSIVE OUTREACH REQUIREMENTS. HUD MUST ALSO RECOGNIZE THE SPECIAL PROBLEMS AND NEEDS OF RURAL AND SMALL TOWN AMERICA. LOCAL OFFICIALS, LACKING PLANNING RESOURCES OR EXPERIENCE, RESPOND TO THE DEPARTMENT'S LACK OF SENSITIVITY BY SUBMITTING ONE SHOT "SURE THING" APPLICATIONS WHICH ARE OFTEN PACKAGED BY EXPENSIVE CONSULTANTS. SUCH GRANTSMEN PROGRAM FOR HUD RANKING SYSTEMS, NOT FOR COMMUNITY NEED. ONLY ADEQUATE TECHNICAL ASSISTANCE CAN CORRECT THIS DISFUNCTION.<sup>1/</sup>

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<sup>1/</sup> AT MINIMUM, WE RECOMMEND THAT SECTION 101 OF THE ACT SHOULD BE AMENDED BY INCLUDING LANGUAGE THAT "(E) IT IS RECOGNIZED THAT BALANCED NATIONAL GROWTH REQUIRES ASSISTANCE TO NONMETROPOLITAN AREAS IN MEETING THEIR COMMUNITY DEVELOPMENT NEEDS. IN ADMINISTERING THE ASSISTANCE THUS PROVIDED FOR UNDER THIS TITLE, THE SECRETARY SHALL MAKE APPROPRIATE ALLOWANCES FOR THE SPECIAL NEEDS AND PROBLEMS OF NONMETROPOLITAN AREAS."



INEQUITY OF ALLOCATION

THE BIG ISSUE, OF COURSE, IS THAT OF EQUITY IN THE ALLOCATION OF FUNDING BETWEEN METRO AND NONMETRO AREAS. WE HAVE NO INTENTION OF PITTING METRO AGAINST NONMETRO INTERESTS. RATHER, WE WOULD URGE CONGRESS TO PROVIDE SUFFICIENT MONIES TO ADDRESS BOTH COMPONENTS OF THE NATIONAL NEED. BUT FOR THE PURPOSES OF THIS HEARING AND THE LANGUAGE OF THE AUTHORIZING LEGISLATION IT IS NECESSARY TO ADDRESS THE QUESTION OF PROPORTION. THE EARMARKING IN THE LAW MAY GIVE NONMETROPOLITAN AMERICA A LARGER SHARE OF HUD ASSISTANCE THAN IT HAD BEFORE, BUT THAT SHARE REMAINS ONLY ABOUT HALF OF WHAT THE VARIOUS INDICATORS WOULD DICTATE AS A SHARE PROPORTIONATE TO NONMETROPOLITAN NEED FOR COMMUNITY DEVELOPMENT FUNDING. THOSE OF US ADVOCATING THE NEEDS OF RURAL AND SMALL TOWN AMERICA HAVE BEEN MAKING THIS POINT EVER SINCE 1974 WHEN CONGRESS DECIDED ON THE PRESENT ALLOCATION. IN ITS REPORT LATE LAST YEAR, THE GENERAL ACCOUNTING OFFICE CONCURRED WITH US AND POINTED OUT THAT IF YOU APPLIED THE NEEDS FORMULA THAT IS IN THE ACT ITSELF TO THE METRO/NONMETRO ALLOCATION, NONMETRO AREAS SHOULD GET ALMOST 34% OF THE FUNDING.<sup>1/</sup> NOW WE EVEN HAVE THE STAFF AT HUD ITSELF, IN "AN EVALUATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA", CONCEDING THAT "WE KNOW OF NO SCIENTIFIC METHOD OF ESTABLISHING THAT THE LEVEL OF CD NEEDS IN SMSA'S IS FOUR TIMES GREATER THAN OUTSIDE SMSA'S." THE REPORT NEGLECTS TO GO ON AND CONCEDE THAT EVERY INDICATOR THEY CAME UP WITH SHOWED THE CONTRARY.

<sup>1/</sup> THE GAO RELIES ON HUD FIGURES SHOWING ONLY 31% OF OVERCROWDED HOUSING IN NONMETRO AREAS. THE 1974 ANNUAL HOUSING SURVEY REPORTS THAT NONMETRO AREAS ACCOUNT FOR 36% OF THE NATION'S OVERCROWDED HOUSING.

SINCE THE ACT MANDATED A REVIEW OF THE "NEEDS FORMULA" PRIOR TO FURTHER AUTHORIZATION, IT IS APPROPRIATE THAT WE LOOK AT THE ISSUE OF METRO/NONMETRO ALLOCATION AS WELL. HUD CONTRACTED WITH THE BROOKINGS INSTITUTION TO REVIEW THE CURRENT FORMULA AS PART OF ITS GENERAL MONITORING EFFORT. RICHARD NATHAN AND CHARLES ADAMS AT BROOKINGS HAD ALREADY WORKED OUT A SET OF "HARDSHIP INDICATORS" FOR USE IN LOOKING AT THE URBAN CRISIS. GEORGE RUCKER AT RURAL AMERICA USED THE SAME SET OF INDICATORS TO COMPARE NONMETRO AREAS WITH BOTH THE CENTRAL CITIES AND THE SUBURBS OF METROPOLITAN AREAS. I HAVE ATTACHED TO MY STATEMENT A COPY OF THE ITEM IN RURAL AMERICA THAT RESULTED FROM THE STUDY. WE FOUND THAT BOTH CENTRAL CITIES AND NONMETRO AREAS ARE THE PLACES REFLECTING ABOVE-AVERAGE HARDSHIP ON MOST OF THE INDICATORS SELECTED. MORE IMPORTANTLY, THE NONMETRO AREAS WERE WORSE OFF ON THIS HARDSHIP INDEX THAN WERE THE CENTRAL CITIES. COMPARED WITH METRO AREAS AS A WHOLE, NONMETRO AREAS SHOW A MUCH HIGHER LEVEL OF NEED ON THE HARDSHIP INDEX.<sup>1/</sup>

IN ITS STUDY FOR HUD, THE BROOKINGS INSTITUTION INTRODUCED A NEW INDICATOR OF CENTRAL CITY NEED, THAT OF RELATIVE LOSS OF POPULATION. THIS MEASURE IS REFLECTED IN THE PROPOSED NEW ALTERNATE FORMULA FOR DISTRIBUTION OF METRO ENTITLEMENT FUNDS.

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<sup>1/</sup> NOTE THAT IN THIS ANALYSIS, TWO INDICATORS WERE ADJUSTED FOR SUPPOSED DIFFERENCES IN THE COST-OF-LIVING BETWEEN METRO AND NONMETRO AREAS. THIS WAS DONE TO RETAIN CONSISTENCY WITH THE BROOKINGS METHODOLOGY. IN FACT, AS THE REPORT TO CONGRESS FROM THE DEPARTMENT OF HEALTH, EDUCATION AND WELFARE, THE MEASURE OF POVERTY, MAKES CLEAR THERE IS SERIOUS QUESTION ABOUT HOW APPROPRIATE SUCH AN ADJUSTMENT IS.

ONCE AGAIN, IF ONE LOOKS AT THE ISSUE OF METRO/NONMETRO ALLOCATION FROM THE SAME VANTAGE POINT, THE PRESENT DIVISION OF FUNDS IS GROSSLY DISCRIMINATORY. BETWEEN 1960 AND 1974, THE NATION'S POPULATION GREW BY JUST UNDER 18%. THE METROPOLITAN AREAS IN NINETEEN STATES FAILED TO GROW AT THAT AVERAGE RATE AND THEIR RESULTANT "POPULATION LAG" TOTALLED SOME 5.2 MILLION PEOPLE. THE NONMETROPOLITAN AREAS IN THIRTY-FOUR STATES FAILED TO GROW AT THAT RATE AND THEIR "POPULATION LAG" TOTALLED 5.1 MILLION PEOPLE! IN SHORT, NONMETRO AREAS ACCOUNTED FOR ALMOST HALF OF THE TOTAL "POPULATION LAG".

ANOTHER NEW DIMENSION OF NEED SUGGESTED BY BROOKINGS AND BEING PROPOSED BY HUD IS THAT RELATING TO THE AGE OF THE HOUSING STOCK, WITH THE SPECIFIC MEASURE BEING THE SHARE OF THE YEAR-ROUND HOUSING STOCK THAT WAS BUILT BEFORE 1940. WE WOULD POINT OUT THAT HERE TOO, THE SHARE OF OLD HOUSING ACCOUNTED FOR BY NONMETRO AREAS IS MORE THAN 35%--AGAIN NEARLY TWICE THE SHARE OF FUNDS CURRENTLY EARMARKED FOR NONMETRO AREAS.

IN FACT, WE TOOK A LOOK AT SOME SIXTEEN CDBG NEEDS FORMULAS--NONE OF THEM CHOSEN BY US. THESE WERE THE PRESENT FORMULA, THE PROPOSED OPTIONAL FORMULA RECOMMENDED BY HUD, AND THE FOURTEEN OTHER ALTERNATE FORMULAS WHICH HUD USED IN THE EVALUATION STUDY I REFERRED TO EARLIER. BASED ON 1974 DATA--WHICH IS THE MOST RECENT AVAILABLE FOR ALL THE INDICATORS INVOLVED--APPLICATION OF EVERY ONE OF THESE SIXTEEN FORMULAS TO THE METRO/NONMETRO ALLOCATION WOULD INCREASE THE SHARE EARMARKED FOR NONMETRO AREAS TO 35% OR MORE. USE OF THE PROPOSED OPTIONAL

SECOND FORMULA WOULD INDICATE 39.5% AS A FAIR SHARE FOR NONMETRO AREAS; USE OF EITHER OF THE TWO ALTERNATIVE FORMULAS WHICH THE HUD STAFF FOUND HAD THE HIGHEST RATING ON THEIR OVERALL "EVALUATION INDEX" WOULD MANDATE A 37% SHARE FOR NONMETRO AREAS; AND TWO OF THE FORMULAS EVALUATED BY HUD STAFF WOULD SUGGEST THAT MORE THAN 41% OF THE FUNDS BE ALLOCATED TO NONMETRO AREAS. IN VIEW OF THESE FINDINGS AS WELL AS OUR OWN ANALYSIS, REVISION OF THE LEGISLATIVE LANGUAGE TO MANDATE 35 PERCENT OF CDBG FUNDS FOR NONMETRO AREAS SEEMS TO US THE MINIMUM THAT EQUITY REQUIRES.

LET ME TURN NOW TO SOME OTHER SPECIFIC LEGISLATIVE ISSUES-- INCLUDING THOSE RAISED BY SECRETARY HARRIS'S PRESENTATION AND SOME NOT GIVEN ANY FORMAL ATTENTION BY THE DEPARTMENT'S RECOMMENDATIONS. THESE CAN BE ROUGHLY GROUPED AS FURTHER ISSUES RELATING TO FUNDING ALLOCATION, ISSUES RELATING TO THE ELIGIBILITY OF ACTIVITIES, AND ISSUES RELATING TO SPECIAL ADMINISTRATIVE PROVISIONS FOR NONMETRO AREAS.

FIRST, TWO COMMENTS ON THE PROPOSED CHANGE IN ALLOCATION OF FUNDS AMONG METRO ENTITLEMENT COMMUNITIES. IF THE PROPOSED SECOND FORMULA IS SUPERIOR TO THE PRESENT ONE IN MEASURING COMMUNITY DEVELOPMENT NEEDS, THEN WHY RETAIN THE OLD ONE? THE MAIN DEFECT IN THE OLD ONE IS THAT IT COUNTS PEOPLE REGARDLESS OF NEED CHARACTERISTICS. THE COUNTER-ARGUMENT THAT THIS MAKES IT "APPROPRIATE" FOR COMMUNITIES EXPERIENCING GROWTH STRIKES ME AS A RATIONALIZATION RATHER THAN A REASON. IT IS TRUE THAT

GROWTH BRINGS COMMUNITY DEVELOPMENT PROBLEMS. BUT IT ALSO BRINGS INCREASED RESOURCES TO DEAL WITH THOSE PROBLEMS: A GROWING TAX BASE, RISING PRIVATE INVESTMENT, INCREASING INCOMES. AS THE BROOKINGS WORK POINTS OUT, IT IS THE OLDER, DECLINING COMMUNITIES THAT ARE SUFFERING THE HARDSHIP. THEY ARE THE ONES THAT NEED THE ASSISTANCE. IT MIGHT BE FELT THAT THIS IS NOT A RURAL-SMALL TOWN ISSUE, BUT IN FACT IT DOES HAVE AN IMPACT ON SMALL TOWNS. THE GIMMICK OF ALLOWING ENTITLEMENT COMMUNITIES TO RECEIVE THE LARGER OF THE AMOUNTS DICTATED BY TWO DIFFERENT FORMULAS MEANS THAT THE TOTAL ALLOCATED WILL BE BIGGER THAN IT WOULD BE UNDER EITHER ONE OF THE FORMULAS ALONE. WHERE WILL THOSE EXTRA DOLLARS COME FROM? FROM THE METRO DISCRETIONARY BALANCE FUNDS--AND THAT MEANS FROM THE SMALLER TOWNS AND CITIES IN THE METROPOLITAN AREAS.

AT THIS POINT, WE DON'T KNOW PRECISELY WHAT LEGISLATIVE LANGUAGE SECRETARY HARRIS HAS SUBMITTED TO YOU BUT AT LEAST ONE DRAFT THAT CIRCULATED IN THE EXECUTIVE BRANCH PROPOSED THAT NO MATTER WHICH FORMULA AN ENTITLEMENT COMMUNITY CHOSE, IT WOULD NOT HAVE ITS FUNDING REDUCED BELOW THE LEVEL OF FY '77. IF THAT PROVISION OF PERMANENT "HOLD HARMLESS" FOR CITIES OF OVER 50,000 IS STILL BEING RECOMMENDED, WE WOULD URGE THAT IT BE FLATLY REJECTED. IT IS COMPLETELY INCONSISTENT WITH THE PHILOSOPHY OF THE LEGISLATION AND WOULD AFFORD PROTECTION ONLY TO THOSE METROPOLITAN CITIES WHOSE RECORD OF PREVIOUS PARTICIPATION

IN HUD PROGRAMS WAS SUBSTANTIALLY OUT OF LINE WITH EITHER FORMULA MEASURE OF NEED-ENTITLEMENT. WE WOULD CHARACTERIZE IT AS "GRANDFATHERING GRANTSMANSHIP"--AND, AGAIN, THE FUNDS FOR THIS COULD ONLY COME AT THE EXPENSE OF THE METRO DISCRETIONARY BALANCE POT, THAT FOR WHICH THE SMALLER TOWNS IN THE SMSA HAVE TO COMPETE.

A RELATED ISSUE IS THE QUESTION OF THE DISTRIBUTION AMONG THE STATES OF THE NONMETROPOLITAN ALLOCATIONS OF CDBG FUNDS. THIS IS NOW DONE ON THE BASIS OF THE OLD NEEDS FORMULA, AND WE WOULD ARGUE THAT IT SHOULD BE REPLACED IN THIS CASE WITH A NEEDS FORMULA THAT IS DESIGNED FOR NONMETRO AREAS, JUST AS THE SECOND FORMULA BEING PROPOSED BY HUD FOR USE IN METRO AREAS IS DESIGNED TO FIT THE NEEDS OF THOSE AREAS. WITHOUT RECOMMENDING A SPECIFIC FORMULA FOR USE IN DISTRIBUTING NONMETRO FUNDS AMONG THE STATES, WE URGE RETENTION OF THE POVERTY INDICATOR AS THE MOST IMPORTANT FACTOR, AND WE SUPPORT THE POPULATION LAG CONCEPT. AS TO THE FACTOR TO BE USED TO MEASURE HOUSING NEED, WE WOULD SUGGEST THAT NEITHER OVERCROWDING NOR OLD HOUSING IS THE BEST SINGLE MEASURE FOR NONMETRO AREAS. IN SUCH AREAS, LACK OF PLUMBING REMAINS A VERY SIGNIFICANT INDICATOR OF BAD HOUSING AND SHOULD BE USED IN COMBINATION WITH A MEASURE OF OVERCROWDING.

ANOTHER ALLOCATION ISSUE WHICH CONCERNS US IS THAT OF AN INDIAN SET-ASIDE. UNDER THE PRESENT ARRANGEMENT ELIGIBLE INDIAN GRANTEEES COMPETE WITH OTHER NONMETRO COMMUNITIES IN THE SAME STATE. THIS, IN EFFECT, LOADS A NATIONAL RESPONSIBILITY ON THE RELATIVELY FEW STATES WHERE THERE ARE LARGE CONCENTRATIONS OF INDIANS. IT ALSO INSTIGATES A DESTRUCTIVE COMPETITION BETWEEN

THESE TWO GROUPS. THE LOGIC OF THE SITUATION AND CONSISTENCY WITH THE LEGAL FACT THAT INDIAN TRIBES ARE NOT CREATURES OF STATE GOVERNMENTS WOULD SEEM TO ARGUE STRONGLY FOR AN INITIAL SET-ASIDE OF CDBG FUNDS FOR INDIAN GRANTEEES. THAT SET-ASIDE, LIKE THE URGENT NEEDS FUND AND THE SECRETARY'S DISCRETIONARY FUND, SHOULD COME PRIOR TO THE METRO/NONMETRO ALLOCATION. AS TO THE SIZE OF THE SET-ASIDE, WE HAVE FOUND SENATOR ABOUREZK'S SUGGESTION OF A 1% LEVEL A DEFENSIBLE ONE. HE POINTS OUT THAT USING A ROUGH EQUIVALENT OF THE PRESENT NEEDS FORMULA AND APPLYING IT TO ADMITTEDLY INADEQUATE DATA SUGGESTS THAT A FAIR SHARE FOR INDIANS WOULD BE AT LEAST TWO-THIRDS OF A PERCENT. CONSIDERING THE CONCENTRATION OF POVERTY AND BAD HOUSING THAT IS CHARACTERISTIC FOR INDIANS, THE 1% LEVEL SEEMS FULLY JUSTIFIED.

FINALLY, ON FUNDING ISSUES, SOME COMMENT ON THE PROPOSED URBAN DEVELOPMENT ACTION FUND. WE APPLAUD THE INITIATIVE AND AGREE ON THE VALUE OF SUCH A FLEXIBLE PROGRAM. WE WOULD URGE TWO CHANGES. ELIGIBILITY SHOULD NOT BE LIMITED TO CITIES. THE CONDITIONS CITED AS REQUIRING ACTION CERTAINLY ARE NOT LIMITED TO CITIES. THEY CAN BE FOUND ON INDIAN RESERVATIONS AND IN NONMETROPOLITAN AREAS WHERE THE MOST EFFECTIVE GOVERNMENT TO USE THE PROGRAM MIGHT BE A COUNTY GOVERNMENT. IN ANY EVENT, SINCE THE WATCHWORD OF THE INITIATIVE IS "FLEXIBILITY" THAT SHOULD BE RETAINED FOR ELIGIBILITY AS WELL. IN FACT, TO AVOID

THE POSSIBILITY THIS NEW INITIATIVE WILL RESULT IN ONCE AGAIN BIASING HUD'S COMMUNITY DEVELOPMENT ASSISTANCE TOWARD THE LARGEST CITIES AT THE EXPENSE OF SMALL TOWNS AND RURAL AREAS, WE WOULD URGE THAT THERE BE A SMALLER COMMUNITY DEVELOPMENT ACTION FUND ESTABLISHED AT A LEVEL TO PRESERVE THE BALANCE OF FUNDING BETWEEN BIG CITIES AND SMALLER COMMUNITIES. THIS SMALLER COMMUNITY DEVELOPMENT ACTION FUND SHOULD HAVE THE SAME GENERAL OBJECTIVES AS THE URBAN DEVELOPMENT ACTION FUND, BUT SHOULD HAVE DIFFERENT SELECTION CRITERIA MORE SUITED TO MEDIUM AND SMALLER-SIZED COMMUNITIES. ITS FUNDING LEVEL SHOULD REFLECT, AT A MINIMUM, THE 34% PROPORTION OF NEED ESTABLISHED BY THE GAO.

#### ELIGIBLE ACTIVITIES

IN TERMS OF ELIGIBLE ACTIVITIES, THE NEW ADMINISTRATION IS RECOMMENDING THAT ECONOMIC DEVELOPMENT BE GIVEN A SUBSTANTIALLY HIGHER PROFILE IN THE ACT. OUR CONCERN ABOUT THAT PROPOSAL RELATES TO OUR FEELING THAT A MAJOR FAILURE OF CDBG TO DATE HAS BEEN ITS SHORTFALL IN TERMS OF SERVING THE PRIMARY CONSTITUENCY OF LOWER INCOME PEOPLE. WE FEAR THAT ELEVATING THE STATUS OF ACTIVITIES RELATING TO ECONOMIC DEVELOPMENT MIGHT WORSEN THAT SHORTFALL. MOST STUDIES OF FORMAL ECONOMIC DEVELOPMENT EFFORTS CARRIED OUT BY LOCAL GOVERNMENTS (UNDER THE ECONOMIC DEVELOPMENT ADMINISTRATION, FOR EXAMPLE), HAVE CONCLUDED THAT THE NEW JOBS CREATED WENT PRIMARILY TO OUTSIDERS, NOT TO THE POOR AND UNEMPLOYED OF THE ORIGINAL COMMUNITY.



IN AN EFFORT TO CHANGE THIS PATTERN, THE COMMUNITY SERVICES ADMINISTRATION HAS BEEN FUNDING A SUBSTANTIAL NUMBER OF COMMUNITY DEVELOPMENT CORPORATIONS--ECONOMIC DEVELOPMENT AGENCIES CONTROLLED BY AND RESPONSIVE TO THE NEEDS OF THE LOWER INCOME POPULATION IN THEIR SPECIAL IMPACT AREAS. AT CSA'S URGING, HUD FORMALLY RECOMMENDED TO ALL "HOLD HARMLESS" AND ENTITLEMENT GOVERNMENTS WITHIN CDC SPECIAL IMPACT AREAS THAT THEY MAKE SPECIAL EFFORTS TO COORDINATE THEIR CDBG PROGRAMS WITH THE CDC. THERE IS NO EVIDENCE THAT THOSE LOCAL GOVERNMENTS TOOK HUD'S SUGGESTIONS. A SURVEY OF THE CSA-FUNDED CDC'S BY THE NATIONAL ECONOMIC DEVELOPMENT LAW PROJECT FOUND THAT THERE WAS VIRTUALLY NO OUTREACH FROM LOCAL GOVERNMENTS TO INCLUDE CDC'S IN THEIR CDBG PLANNING OR IMPLEMENTATION. INCREASED BENEFIT TO THE LOWER INCOME TARGET POPULATION THROUGH ECONOMIC DEVELOPMENT ACTIVITIES WOULD BE ASSURED ONLY IF CONGRESS SPECIFICALLY LINKS THAT ACTIVITY TO THE USE OF COMMUNITY-BASED ORGANIZATIONS WHICH ARE RESPONSIVE TO THE NEEDS AND DECISIONS OF LOWER INCOME RESIDENTS. THE PROPOSED LANGUAGE WE HAVE SEEN MAKES NO SUCH LINKAGE. WE URGE ITS INCLUSION.

#### HOUSING REHAB

THERE ARE TWO ISSUES WHICH RELATE BOTH TO ELIGIBLE ACTIVITIES AND TO THE SPECIAL NEEDS OF SMALLER COMMUNITIES. UNDER CURRENT LEGISLATIVE LANGUAGE, HOUSING REHABILITATION IS ELIGIBLE ONLY IN COMBINATION WITH OTHER COMMUNITY DEVELOPMENT

EFFORTS, AND THE SAME IS TRUE OF THE PROVISION OF SOCIAL SERVICES. THE SITUATION IN NONMETRO AREAS UNDER 25,000 POPULATION ARGUES FOR WAIVING THOSE RESTRICTIONS. IN A LARGE CITY IT MAKES SENSE TO REQUIRE THE LINKAGE OF HOUSING REHABILITATION WITH OTHER EFFORTS TO UPGRADE THE COMMUNITY. IN SMALLER TOWNS, DETERIORATED HOUSING MAY BE THE COMMUNITY DEVELOPMENT NEED. TO INSIST THAT SOME OTHER ACTIVITY MUST ACCOMPANY A REHAB EFFORT IS TO ENCOURAGE LOW-PRIORITY ACTIVITIES IN SOME CASES. THE PREFERABLE COURSE WOULD BE TO LET THE SITUATION DICTATE. IF THE COMMUNITY'S DEVELOPMENT NEEDS SHOW THAT A MIX OF ACTIVITIES ARE APPROPRIATE, THEN THAT IS WHAT HUD SHOULD INSIST ON. BUT, IF A COMMUNITY HAS SEVERE NEEDS AND THEY AMOUNT ESSENTIALLY TO A QUESTION OF REHABILITATING EXISTING HOUSING, THEN HUD SHOULD NOT BE PRECLUDED FROM FUNDING THAT SINGLE ACTIVITY. THIS CHANGE WOULD BE ENFORCED BY THE NEW HUD ADMINISTRATION'S STATED INTENTION TO USE THE HAP (HOUSING ASSISTANCE PLAN) AS A MEANINGFUL TOOL FOR COMMUNITY DEVELOPMENT ACTIVITIES. SIMILARLY, THE REQUIREMENT THAT CDBG BE PRIMARILY A "HARDWARE" PROGRAM MAY BE APPROPRIATE IN THE LARGE URBAN CONTEXT. BUT IN NONMETRO AREAS AND SMALLER TOWNS, THE PROVISION OF PUBLIC SERVICES MAY BE MORE OF A NEED AND MORE OF A PROBLEM THAN THE ADEQUACY OF "HARDWARE". IT IS WORTH NOTING THAT HUD'S OWN SURVEY OF SMALLER COMMUNITIES PARTICIPATING IN THE CDBG PROGRAM FOUND THAT THEY WERE FAR MORE LIKELY THAN LARGE CITIES TO LIST PUBLIC SERVICES AS A PRIORITY COMMUNITY DEVELOPMENT NEED. IT RANKED AHEAD OF WATER AND SEWER FACILITIES, IN FACT.

WE URGE THAT THE LEGISLATION RECOGNIZE THIS DIFFERENCE IN NEEDS AND PRIORITIES BY WAIVING THE REQUIREMENT THAT THE PROVISION OF SOCIAL SERVICES BE LIMITED TO THOSE NECESSARY TO SUPPORT OTHER COMMUNITY DEVELOPMENT ACTIVITIES FOR COMMUNITIES OF LESS THAN 25,000. AGAIN, LET THE PROGRAM TO BE FUNDED BE THAT WHICH BEST MEETS THE COMMUNITY'S REAL NEEDS.

"SMALL CITIES INITIATIVE"

GIVEN THOSE RECOMMENDATIONS, ONE CAN PROBABLY FORECAST OUR COMMENTS ON WHAT SECRETARY HARRIS IS CALLING HUD'S "SMALL CITIES INITIATIVE". THE ADMINISTRATION'S PROPOSAL HERE IS THAT PRIORITY FOR DISCRETIONARY FUNDING BE GIVEN TO "COMPREHENSIVE COMMUNITY DEVELOPMENT PROGRAMS". ON THE SURFACE, THE PROPOSAL SEEMS RELATIVELY UNOBJECTIONABLE, BUT THE BACKGROUND HISTORY SUGGESTS THAT IT MAY INTRODUCE INTO HUD'S ADMINISTRATION OF THE CDBG PROGRAM A BIAS BACK TOWARD LARGER COMMUNITIES AND LARGER GRANTS AT THE EXPENSE OF SMALLER COMMUNITIES FOR WHICH A MODEST GRANT MAY BE QUITE EFFECTIVE--MORESO THAN EVEN A SUBSTANTIAL GRANT IN A LARGER CITY. A READING OF THE SECRETARY'S TESTIMONY OF THIS PROPOSAL STRONGLY SUGGESTS THAT THEIR "SMALL CITIES INITIATIVE" SHOULD BE RETITLED THE "NOT TOO SMALL CITIES AND NOT TOO MUCH WORK FOR HUD STAFF INITIATIVE". UNDER ITS PREVIOUS SECRETARY HUD WAS PROPOSING TO ABDICATE RESPONSIBILITY FOR NONMETRO AREAS COMPLETELY AND

DELEGATE ADMINISTRATION OF THAT PART OF THE PROGRAM TO THE STATES. FORTUNATELY, SECRETARY HARRIS HAS SPECIFICALLY RECOMMENDED AGAINST THAT ACTION--AT LEAST "UNTIL THE DEPARTMENT HAS AN OPPORTUNITY TO REVIEW OUR OVERALL POLICY WITH REGARD TO SUCH GRANTS". HER "UNTIL" BEARS WATCHING. WE ADVOCATE FAR CLOSER ADMINISTRATIVE ATTENTION BY HUD TO NONMETRO COMMUNITIES, CERTAINLY NOT LESS.

#### COMPREHENSIVE PROGRAMS

LET ME MAKE TWO POINTS ABOUT THE PROPOSED LANGUAGE ON "COMPREHENSIVE" PROGRAMS. FIRST, IT IS UNNECESSARY LANGUAGE. IF A "COMPREHENSIVE PROGRAM" IS WHAT IS APPROPRIATE TO A COMMUNITY'S DEVELOPMENT NEEDS, HUD HAS NOT ONLY THE RIGHT BUT THE RESPONSIBILITY TO REQUIRE THAT SUCH A PROGRAM BE PROPOSED FOR FUNDING UNDER PRESENT LAW. REGARDLESS OF HUD'S CONTENTION THAT THEY COULD STILL DO SO, SUCH NEW LANGUAGE IS LIKELY TO MEAN AN END TO THE FUNDING OF SINGLE ACTIVITIES IN SMALLER COMMUNITIES. GIVEN THE BUILT-IN ADVANTAGES OF BIGGER TOWNS IN COMPETING FOR FUNDS, ADDING A PRIORITY FOR MULTI-ACTIVITY PROPOSALS WHICH HUD CAN REGARD AS "COMPREHENSIVE" WILL SKEW THE DISTRIBUTION OF FUNDS BACK IN THE DIRECTION OF THE LARGER NONMETRO TOWNS.

#### ADMINISTRATIVE FLEXIBILITY

FOR LARGER NONMETRO TOWNS, A MAJOR DEFECT IN THE PRESENT DISCRETIONARY PROGRAM IS THAT IT OPERATES ON A YEAR-TO-YEAR COMPETITION. THIS MAKES A MOCKERY OF THE ACT'S REQUIREMENT

THAT COMMUNITIES DESIGN A LONG-TERM DEVELOPMENT PLAN, WHILE HUD WILL ONLY ASSURE THEM OF THE SINGLE YEAR'S FUNDING. FOR THE PLACES WITH THE MOST PRESSING NEEDS, IT SEEMS TO US THAT A PROPOSED SMALLER COMMUNITIES DEVELOPMENT ACTION FUND COULD AFFORD SOME RELIEF. FOR ADDITIONAL FLEXIBILITY CONGRESS SHOULD SANCTION A TWO-TIER CDBG PROGRAM IN NONMETRO AREAS ONE THAT PROVIDES FOR MULTI-YEAR COMMITMENTS TO COMMUNITIES WHERE THE MAGNITUDE OF THE NEED IS SUCH THAT ONLY A MULTI-YEAR "COMPREHENSIVE" PROGRAM CAN DO THE TRICK; AND THE OTHER PROVIDING SINGLE-YEAR FUNDING FOR APPROPRIATE SINGLE-PURPOSE PROGRAMS. BUT WE URGE CONGRESS NOT TO BIAS THE NONMETRO CDBG PROGRAM COMPLETELY IN EITHER ONE OF THOSE DIRECTIONS. IF A TWO-TIER PROGRAM OF DISCRETIONARY FUNDING IS APPROPRIATE, THERE SHOULD BE SPECIFIED MINIMUM AND MAXIMUM SHARES FOR EACH TIER.

HUD MUST MAKE THIS PROGRAM WORK FOR SMALL COMMUNITIES, NOT ABANDON THEM TO IMAGINED ALTERNATIVE RESOURCES. EVERY STUDY WE HAVE SEEN CONFIRMS OUR EVIDENCE THAT THE CRYING NEED IN NONMETRO AREAS IS FOR MORE AND BETTER TECHNICAL ASSISTANCE. WE THEREFORE SUPPORT INCREASED FUNDING OF THE 701 COMPREHENSIVE PLANNING PROGRAM--BEYOND EVEN THE 'MAINTENANCE OF EFFORT' LEVEL WHICH THE NEW ADMINISTRATION IS PROPOSING. WE WOULD ALSO RECOMMEND EAR-MARKING MORE OF THOSE FUNDS FOR NONMETRO AGENCIES, BOTH LOCAL AND AREAWIDE. WE WOULD ALSO JOIN THOSE WHO RECOMMEND USE OF THE 1974 ACT'S OWN MECHANISM, FUNDING OF THE STATES

UNDER SECTION 811 TO PROVIDE TECHNICAL SUPPORT TO THEIR SMALLER LOCAL GOVERNMENTS.

#### CITIZEN PARTICIPATION

THE OTHER SPECIAL NEED IN NONMETRO AREAS WHICH REQUIRES ADDITIONAL COMMENTS IS CITIZEN PARTICIPATION. THE PROGRAM'S YEAR-BY-YEAR FUNDING ASPECT PRESENTS ONE HURDLE. ENTITLEMENT CITIES HAVE MORE INCENTIVE AND MORE OPPORTUNITY TO ESTABLISH ON-GOING AND EFFECTIVE MECHANISMS FOR CITIZEN PARTICIPATION THAN DO SMALLER COMMUNITIES WHO ARE IN THE DISCRETIONARY COMPETITION. SMALLER COMMUNITIES HAVE LESS EXPERIENCE IN THIS ASPECT OF THE PROGRAM AND THEIR LOWER INCOME COMMUNITY IS LESS LIKELY TO BE IN A NEGOTIATING POSITION--AS I SUGGESTED EARLIER. COORDINATION OF CITIZEN PARTICIPATION AND PROGRAM MONITORING IS A CRITICAL NEED IN BOTH METRO AND NONMETRO AREAS. AGAIN, IT IS LESS LIKELY TO TAKE PLACE IN NONMETRO COMMUNITIES. THE STATISTICS ON HUD'S OWN MONITORING PROGRAM MAKE IT CLEAR THAT A LESS AGGRESSIVE EFFORT IS BEING MOUNTED IN NONMETRO AREAS AND IN CONNECTION WITH THE DISCRETIONARY GRANTEES. THE NEED IS FOR WAYS TO RIGHT THIS IMBALANCE. THE ANSWER IS DIRECT FUNDING OF CITIZEN PARTICIPATION IN NONMETRO AREAS. WE WOULD RECOMMEND THAT A PORTION OF THE SECRETARY'S DISCRETIONARY FUND BE EARMARKED FOR THE PURPOSE. HUD COULD CONTRACT WITH LOCAL OR AREAWIDE COMMUNITY-BASED GROUPS TO ASSIST CITIZEN PARTICIPATION AND

CITIZEN MONITORING EFFORTS. SUCH AGENCIES COULD PROVIDE TECHNICAL INFORMATION TO LOW AND MODERATE INCOME CITIZENS IN APPLICANT COMMUNITIES; THEY COULD PROVIDE INFORMATION ON SUCCESSFUL CITIZEN PARTICIPATION TECHNIQUES TO LOCAL GOVERNMENTS; THEY COULD ASSIST CITIZEN MONITORING BY CARRYING ON CONTINUING ANALYSES OF THE OPERATION OF THE PROGRAM AT THE LOCAL LEVEL. ALL OF THIS WOULD BE HELPFUL TO HUD'S OWN STAFF IN THEIR MONITORING AND EVALUATION RESPONSIBILITIES AND COULD DO A GREAT DEAL TO MAKE EFFECTIVE CITIZEN PARTICIPATION A REALITY.

#### FEDERAL ADMINISTRATIVE RESPONSIBILITY

IN CLOSING, I WOULD LIKE TO MAKE A FEW COMMENTS ON ONE OF THE BASIC ISSUES WHICH HAS BEEN UNDER DEBATE IN CONNECTION WITH THE CDBG PROGRAM: THE QUESTION OF HOW MUCH RESPONSIBILITY A FEDERAL AGENCY HAS UNDER A BLOCK GRANT APPROACH AND HOW MUCH IT MUST DEFER TO THE LOCAL GOVERNMENTAL STRUCTURE ON PROGRAM ISSUES. THE BLOCK GRANT PROGRAM WAS ENACTED BY CONGRESS AS A COMPROMISE BETWEEN THE OLD SYSTEM OF TIGHTLY CONTROLLED CATEGORICAL PROGRAMS AND THE SPECIAL REVENUE SHARING APPROACH WHICH WAS INITIATED BY THE NIXON ADMINISTRATION. I WOULD ARGUE THAT THE HEART OF THAT COMPROMISE IS THAT IT DELEGATES TO LOCAL GOVERNMENT THE RESPONSIBILITY FOR ACTUALLY LOOKING AT ITS OWN NEEDS IN AN ORGANIZED WAY, SETTING THOSE NEEDS OUT--PUTTING THEIR LOCAL PRIORITIES ON THE TABLE. IT ALSO DELEGATES TO

LOCAL GOVERNMENT A SUBSTANTIAL DEGREE OF PROGRAM FLEXIBILITY; BUT THAT IT DOES NOT DELEGATE TO LOCAL GOVERNMENT THE POWER TO USE THAT FLEXIBILITY FOR GOALS OTHER THAN THE NATIONAL OBJECTIVES FOR WHICH THE BLOCK GRANT PROGRAM WAS ENACTED. THE COMPROMISE RETAINS FOR THE FEDERAL AGENCY ADMINISTERING THE PROGRAM THE RESPONSIBILITY OF ENSURING THAT THE EXERCISE OF LOCAL FLEXIBILITY IS IN FACT CONSISTENT WITH THE NATIONAL OBJECTIVES. I SUBMIT TO YOU THAT SUCH AN ADMINISTRATIVE RESPONSIBILITY IS A MUCH TOUGHER ASSIGNMENT THAN ADMINISTERING THE OLD CATEGORICAL PROGRAMS AND THAT IT IS THE CRITICAL ELEMENT IN DISTINGUISHING A BLOCK GRANT PROGRAM FROM SPECIAL REVENUE SHARING. WITHOUT THAT KIND OF ADMINISTRATION THERE IS A DANGER THAT WHAT SHAW SAID OF CHRISTIANITY WILL BE APPLICABLE TO THE CDBG PROGRAM: NOT THAT THE BLOCK GRANT CONCEPT HAS BEEN TRIED AND FOUND WANTING, BUT THAT IT HAS BEEN FOUND DIFFICULT AND NOT TRIED.

I HOPE THAT UNDER ITS NEW LEADERSHIP HUD WILL NOW TRY TO GIVE THE CDBG PROGRAM THE RIGHT KIND OF ADMINISTRATION. I WOULD SUGGEST THAT A LITTLE CONGRESSIONAL PRESSURE AND GUIDANCE, COUPLED WITH THE SEVERAL SIGNIFICANT LEGISLATIVE AMENDMENTS WE HAVE SUGGESTED HERE TODAY, WOULD HELP THEIR WILL AS WELL AS THEIR ABILITY.



SUMMARY OF  
RECOMMENDATIONS  
FROM THE TESTIMONY OF  
HARRIET S. BARLOW,  
RURAL AMERICA, INC.  
MARCH 1, 1977  
HOUSE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

1. THAT THE CONGRESS REAFFIRM THAT THE PRIMARY BENEFICIARIES OF THE CDBG BE THE LOW AND MODERATE INCOME POPULATION.
2. THAT THE CONGRESS ALLOCATE TO NONMETRO AREAS THE 35% OF CDBG FUNDS WHICH THE GAO ACKNOWLEDGED AS ITS RIGHTFUL PROPORTION OF NEED DEFINITION.
3. THAT THE CONGRESS NOT PIT THE METRO AGAINST THE NONMETRO, OR THE OLDER AGAINST THE NEW COMMUNITIES FOR FUNDING, BUT THAT IT PROVIDE SUFFICIENT FUNDS AND EQUITABLE ALLOCATION ARRANGEMENTS TO DRAW DOWN SIGNIFICANTLY ON THE BACKLOG OF NEEDS FELT BY THE LOW AND MODERATE INCOME PEOPLES OF ALL THESE CATEGORIES.
4. REJECTION OF THE SUGGESTION THAT THE ACT PROVIDE PERMANENT "HOLD HARMLESS" FOR CITIES OF OVER 50,000.
5. RETENTION OF THE POVERTY INDICATOR AS THE MOST IMPORTANT FACTOR IN THE ALLOCATION FORMULA.

6. A MINIMUM OF 1% SET ASIDE FOR INDIAN APPLICANTS.
7. ESTABLISHMENT OF A "SMALLER COMMUNITIES DEVELOPMENT ACTION FUND" TO SERVE AS THE NONMETRO COUNTERPART TO Ms. HARRIS' PROPOSED "URBAN DEVELOPMENT ACTION FUND"; SUCH FUND TO BE ALLOCATED AT LEAST 50% OF THE LEVEL APPROPRIATED TO THE URBAN FUND.
8. INCLUSION OF LANGUAGE LINKING ECONOMIC DEVELOPMENT ACTIVITY TO EXISTING LOWER-INCOME ORIENTED COMMUNITY BASED ORGANIZATIONS.
9. ELIGIBILITY OF SINGLE-PURPOSE HOUSING REHAB ACTIVITIES AND RECEPTIVITY TO PUBLIC SERVICE CATEGORY APPLICATIONS FROM SMALLER COMMUNITIES.
10. REJECTION OF THE PROPOSED LANGUAGE ON "COMPREHENSIVE" PROGRAMS AS REDUNDANT. SUCH "COMPREHENSIVENESS" WOULD BE BETTER SERVED BY ENABLING MULTI-YEAR FUNDING WHERE APPROPRIATE.
11. FUNDING FOR TECHNICAL ASSISTANCE (SECTION 811 AND THROUGH 701 PLANNING AGENCIES).
12. STRENGTHENED LANGUAGE AND FUNDING FOR CITIZEN PARTICIPATION.
13. THAT THE ACT SPECIFICALLY DEFINE ITS RESPONSIBILITY TO SMALLER COMMUNITIES, CHARGING HUD TO DEVELOP THE ADMINISTRATIVE SENSITIVITY AND CAPABILITY TO IMPLEMENT PROGRAMS RESPONSIVE TO THEIR SPECIAL NEEDS AND CHARACTER.

(Policy Statement adopted by the Board of Directors of Rural America, Inc., Des Moines, Iowa, November 1976; reprinted from ruralamerica, Dec. 1976-Jan. 1977)

## Policy Statement on —Rural Community Development—

Implementation of the Community Development Block Grant program enacted in 1974 has meant both good news and bad news for rural America. The allocation of 20% of the program's funding to nonmetropolitan areas may have been only half of the level of need as measured by the Act's own formula, but it was a substantially greater share than had been going into those areas under the old categorical programs. Aside from that very real advantage, however, the program has exhibited in nonmetropolitan areas most of the worse aspects of both the categorical approach and the special revenue sharing approach. Grantsmanship continues to be a large part of the name of the game at the same time that close attention to national objectives has been sacrificed on the altar of local decision making.

If the principle of formula entitlements is to be retained, the measure of need should be refined at the same time that formula allocation is extended into nonmetropolitan areas. Administration of the program in rural and small town areas also requires some special aspects. Funding should be built in to assure technical support to local governments in both applying for and utilizing the funds. Both funding and hard-nosed administrative requirements are needed to assure real citizen participation in the process both in the development of programs and in the monitoring of their implementation.

Finally, a meshing of the Community Development Block Grant program in non-metro areas with the various categorical programs which are still relevant and still available under the Rural Development Act suggests the need for administrative coordination in fact and not just in rhetoric. The ideal would be a single rural development agency to which could be delegated the administration of both the flexible CDBG funds and the more program-focused categorical funds authorized by the Rural Development Act.

In developing policies to meet the needs of farmworkers, Indians, and other rural community groups, those groups and their organizations should be consulted and participate in designing specialized assistance programs.

*(Rural America, February 1977)*

## Brookings Study Overlooks Nonmetro Needs

by George Rucker

A "hardship index" worked up by experts at the prestigious Brookings Institution to help analyze the "urban crisis" shows that rural and small town areas are even worse off than the big cities. (Both the cities and the nonmetro areas are in more critical need than the suburban areas, of course.) The Brookings index uses six indicators: unemployment, percentage of children and old people in the population, educational level, per capita income, housing supply, and percentage of families in poverty or near poverty.

A RURAL AMERICA analysis of the most recent data available found that, taken as a group, the suburbs of metropolitan areas are better off than the national average on all but one of the indicators. In contrast, cities of 50,000 and above as a group and nonmetropolitan areas as a group are worse off than the average on all but one of the indicators. On four of the six individual measures, and on the composite index, nonmetropolitan areas are even worse off than the big cities.

Brookings specialists Richard Nathan and Charles Adams discussed their methodology and findings in *Political Science Quarterly* last year and presented some of their findings in testimony before the House Banking Committee in October. Nathan and Adams used the index to compare major cities with each other and with their own suburban areas.

Staff at RURAL AMERICA wondered what the index might show about rural and small town needs, and put together the statistics shown in the adjoining table. As can be seen, the metropolitan suburbs are better off than the nation as a whole on each of the factors except the share of their population which is in the pre- and post-earning age brackets. Giving all of the six factors equal weight, the suburbs are about 13% better off than the average.

By contrast, the metropolitan center cities (of 50,000 or more population) are worse off than the

nation as a whole on every factor except dependence, while the nonmetropolitan areas show above-average hardship on every score except unemployment. In terms of the composite index, nonmetro areas have a hardship rating nearly two percentage points higher than that of the central cities. (To those who might argue that nonmetro hardship may be less severe because it costs less to live in rural areas and small towns, it should be pointed out that the two income-related factors have been adjusted to allow for that difference, just as Nathan and Adams made similar adjustments to allow for regional differences in living costs.)

### Unemployment and Poverty

Some comments may be in order with regard to the two measures on which the nonmetro areas showed less hardship than the big cities. It has long been recognized that unemployment figures tend to be less reliable for nonmetro areas than for urban centers. Moreover, the key measure in rural areas and small towns is probably *under-employment*, and we have no good statistics on that at all. Finally, with regard to the unemployment measure, the recession (which is hopefully a temporary phenomenon) has an uneven effect, hitting the central cities harder than either nonmetro areas or suburbs. In 1970, for example, when the economy was closer to normal unemployment, the difference between central cities and nonmetro areas in the unemployment rate was only one-tenth of a percent.

The shift in the concentration of poverty is also a recent development. In part it, too, reflects the recession; in part it is a measure of the flight of the non-poor from the central cities to the suburbs. The 1970 census figures showed 20% of all nonmetro families with incomes below 125% of the poverty line (even after adjusting for cost of living differences), while the figure for the metropolitan central cities was less than 16%. The relative situation has improved in nonmetro areas and in the suburbs. It has deteriorated in the central cities.

## COMPARISON OF CITIES, SUBURBS, AND NONMETRO AREAS

	United States Average	METRO AREAS Suburbs	Central City	NONMETRO Areas
Unemployment (Average Annual Rate, 1975)	8.5%	8.0%	9.6%	8.0%
Index (U.S.=100)	100.0	94.1	112.9	94.1
Dependence (Percent of 1970 Population Under 18 & over 64)	4.4%	4.4%	4.3%	4.6%
Index (U.S.=100)	100.0	100.0	97.7	104.5
Education (Percent of 1970 Population over 25 with Less than High School Education)	44.7%	40.8%	49.2%	54.1%
Index (U.S.=100)	100.0	91.3	110.3	121.0
Per Capita Income, 1974 (Adjusted for Cost of Living)	\$4,450	\$4,891	\$4,376	\$4,171
Index (U.S.=100)	100.0	91.0	101.7	106.7
Crowded Housing (Percent of 1974 Units with More than 1 Person per Room)	5.4%	4.4%	5.6%	6.2%
Index (U.S.=100)	100.0	82.1	105.2	115.9
Poverty & Near-Poverty (Percent of 1974 Families with Incomes less than 125% of Low Income; Adjusted for Cost of Living)	13.3%	8.5%	16.4%	15.8%
Index (U.S.=100)	100.0	63.9	123.3	118.8
COMPOSITE 'HARDSHIP' INDEX	100.0	87.1	108.5	110.2

Sources: Unemployment figures from Bureau of Labor Statistics; Dependence and Education figures from 1970 Census data; Per Capita Income from Current Population Reports, Consumer Income; Crowded Housing from Annual Housing Survey; and Poverty and Near-Poverty data from Census Bureau (unpublished data from Current Population Survey).

Socio-economic indicators used are from Richard Nathan and Charles Adams, "Understanding Central City Hardship," *Political Science Quarterly*, Spring 1976. Adjustments in income and poverty figures for cost of living differences follow their procedure of utilizing BLS comparative figures for "Intermediate" and "Lower" Family Budgets, respectively.

Mr. ASHLEY. Now we will hear from Herbert Franklin of Potomac Institute, Washington, D.C.

#### STATEMENT OF HERBERT M. FRANKLIN OF POTOMAC INSTITUTE

Mr. FRANKLIN. Mr. Chairman, thank you very much. I am Herbert Franklin, a member of the law firm of Lane and Edson. I appear here on behalf of the Potomac Institute, who asked us to do an analysis of HUD's implementation of the 1974 Act in 1975, and more recently commissioned us to look at certain equal housing opportunity aspects of Federal policy, to make recommendations, which have now been published.

I understand that my statement, as prepared, has been introduced into the record, so I will limit myself to a few brief points.

I speak as an alumnus of the old urban renewal program, where I served as an attorney for 5 years. The subject of our discussion this afternoon is an old one in the context that the Federal urban redevelopment programs. As the members, I am sure, recall, since the advent of Federal urban redevelopment programs in 1949, there has always been a debate as to who should benefit from these programs, what their basic purpose, their basic thrust should be. Mr. Brown's earlier statement with respect to the \$4 billion public works grants going out to communities without very much in the way of controls is very well taken. If the HUD grants have any justification in the light of all of the other money that is being transmitted to localities through EPA, through EDA, through Treasury, and through other agencies, it is that the HUD grants are supposed to address certain social and socio-economic problems that are facing our urban areas. To the extent that the HUD grants fail to do so, I think they lose their justification as anything more than pump-priming public works grants that could just as well—or better—be administered by the other agencies.

So that what we are talking about really goes to the heart of the reason for these grants.

I would like to reinforce what Mr. D'Alessio said and others, including your staff, have said, that the departure from the longer term financing design of the grants and the transformation to a year-by-year program has intended to encourage localities to go into quick-fix, scattered kinds of programs that inevitably are going to downgrade the impact these grants can have on the basic socioeconomic problems they are designed to address.

We all know the 1974 act was a fundamental compromise between the administration's desire at that time for a check-writing operation and the congressional desire to have certain Federal purposes served by these grants. It seems to me that the experience of the last 2 years, under the previous administration, is that there is a basic contradiction between the design of the program and the overall purposes that are expressed in the findings of the statute.

Now, the basic provision of concern has already been touched on, and that is section 104(b)(2) of the statute, which is itself a compromise. The Senate, as you may recall, wanted, to impose on the community development program a limitation that no more than 20 percent of the grants could be used for purposes that did not directly benefit lower-income families. The House had no such provision. The compromise came out of the conference in the form of section 104(b)

(2), which is beautifully vague language that has been mentioned by the previous panelists.

In my judgment, the regulations that have been suggested by this working group are all authorized under section 104(b)(2) as it stands, and if HUD were so minded, the Department could adopt them and not depart from the statutory framework.

I would agree with Mr. Mott that if the Department does not adopt them, there would have to be some change in the legislation. Perhaps the way to address the issue would be to have committee report language asking that HUD adopt regulations generally as proposed by the group at the table. Basically, the thrust of these regulations would impose on the grantee the obligation that 75 percent of the grant funds be used in the fashion that directly benefits lower-income people. That has the corollary implication that 25 percent of the grants would be completely free of that limitation and could address broader community development objectives.

I suspect many communities have been going through a tortured process of trying to figure out what the maximum feasible priority requirements really are, and have tried to rationalize or justify a lot of activity that is only tenuously related to these purposes. They would be freed up if they were told that 25 percent of the money could address the broader community development needs and 75 percent could address the more specific needs of lower-income groups. Localities should know that they can use the HUD grants for community block development renewal, historic preservation, urban open space and the like up to 25 percent of their annual program so long as they show that 75 percent is going to the tougher socioeconomic problems.

Let me conclude with one minor additional point to those that have already been very persuasively set forth in the report of this working group. That deals with the urgent needs approvals HUD has been making. The present HUD policy, as I understand it, is to allow the area offices to approve urgent needs grants under the vague and open ended commonsense standard. Consistent with the statute and section 104(b)(2), what really ought to be happening is that urgent needs grants should be made only in Washington by the Secretary as an exceptional departure from the basic purpose of the grants, which is to benefit low- or moderate-income families or aid in the prevention of slums and blight. And the definitions that are suggested by the working group for regulations to further define those statutory terms, I think, are very well taken.

Now, I suppose an argument can be made that if you adopt the 75/25 policy, you are moving back to the direction that the Senate had proposed when the bill was first under consideration. I can recognize that argument, but I believe the experience of the first 2 years under the law suggest that anything short of this standard in either the statute or the regulations will have converted the block grant program into the special revenue-sharing approach that was clearly rejected by both Houses in 1974. So in a sense, what I am suggesting is that the subcommittee revisit that issue, or that HUD revisit that issue, and adopt the 75/25 formulation which it has the authority under the present statute to do. Should HUD fail to do so and not persuasively indicate why, the statute ought to be changed to require it.

Thank you.

[The prepared statement of Mr. Franklin, on behalf of the Potomac Institute, follows:]

Testimony Before Housing and Community Development Subcommittee  
of House Committee on Banking, Finance and Urban Affairs  
March 1, 1977

Herbert M. Franklin

I am Herbert Franklin, a member of the law firm of Lane and Edson, P.C. of Washington, D.C. I am pleased to have the opportunity to appear here on behalf of the Potomac Institute of Washington, D.C., for whom I did an analysis in 1975 of HUD's early implementation of the 1974 Housing and Community Development Act.<sup>1</sup> More recently, the Institute commissioned me and one of my associates, David Falk, to analyze specific ways in which the federal government could redeem the promise of equal housing opportunity made to the American people over the last 10-15 years in both executive and legislative pronouncements. Our study was recently published<sup>2</sup> and has been used as support for amendments to Title VIII, the Fair Housing Law, introduced last month by Representatives Edwards and Drinan.<sup>3</sup> It was also concerned with the issues that have arisen in implementing Title I of the 1974 Act, from the standpoint of benefits to lower income people.

The Potomac Institute, Inc., is an independent, non-profit organization engaged in analysis of public policies affecting lower income groups and racial minorities. The Institute was established in March, 1961, under the leadership of the late Stephen R. Currier, who served as its first president. In addition to public policy analysis, the Institute has over the years provided advisory and research services to government and



private agencies. In 1972 the Institute began, under a grant from the Ford Foundation, a program designed to encourage national, state and local housing and land use policies that positively address racial and economic disparities in metropolitan areas. I have been a consultant-director of that program since its inception, and the Institute's studies of various aspects of the 1974 Act have been financed under that program grant.

I would like to confine my comments today specifically to the difficult issue of who shall benefit from federal community development block grants. This troublesome problem has plagued national policy since the advent of the federal urban redevelopment program in 1949, through its transformation from "urban renewal" and "neighborhood development," to the current "community development" stage. In the virtually 30-year history of the development of national policy in this area, two questions have remained relatively constant. The first deals with the extent to which these federal grants, however designed, should be related to the needs of lower income people, and the second has dealt with the extent to which national goals and objectives should determine the use of federal funds by localities. The two issues have become to a large degree interrelated.

Almost a decade ago, the National Commission on Urban Problems reiterated that a basic purpose of the 1949 federal urban development program was to facilitate the provision of decent, low-income housing by helping to finance the acquisition and preparation of

appropriate sites and the encouragement of related supporting facilities. But, as the Commission report concluded, the program failed to fulfill this primary role because the urban renewal program was too often looked upon locally as simply a device for enhancing the local tax base. In addition, there was little coordination at the national level between the subsidies for urban renewal and those for lower income housing. Even when sites were acquired and cleared for lower income subsidized housing, federal housing subsidies were slow in coming or were totally unavailable. Grants for urban renewal thus increased while the level of public housing dwindled. Unfortunately, to a large extent that history under the urban renewal program has been repeated since 1974 under the community development block grant program. Funds have become available to many localities for community development purposes while, for various reasons, funds available for newly constructed lower income housing have not been available or cannot be effectively used because of other constraints.

Concerned that too much luxury housing was being planned for urban renewal sites in the 1960's, Congress in 1968 adopted a policy requiring that at least half the new housing approved on sites in future renewal projects must be for low- and moderate-income housing. But the effect of that policy could in any event not become apparent for years because of the long lead time involved in planning and carrying out urban renewal projects. It also became apparent in 1968 that this long lead time was itself

a major weakness of the categorical urban renewal program. Much of the delay resulted from federal review of specific plans and program activities, and some resulted from overly optimistic market analyses projecting strong private interest in investing in cleared land in the central city in competition with raw land on the urban fringe. Federal contract commitments for urban renewal had to be continually amended to take account of rising costs over the years of slow progress.

Building on wide-spread complaints concerning federal "red tape," it will be recalled that the Nixon Administration recommended a program of "special revenue sharing" for community development. Under the Nixon proposal almost all federal categorical grant programs would have been replaced with automatic formula-determined grants in the manner of general revenue sharing but loosely directed toward special community development purposes. No application for, or substantial federal review over, the use of such grants was contemplated. This approach appealed to many local officials anxious to be free of federal constraints. It undoubtedly appealed to others who wished to dismantle federal policies intended to protect or enhance the interests of lower income and minority groups, who tend to be politically weak in most localities.

As we all know, the 1974 Act represented a compromise between the Nixon Administration's view of how to transmit these grants and the Congressional view that such grants must be used principally to meet federally determined objectives. While conceding general

language in the legislative findings and purpose regarding the overall objective of benefiting lower income people, the Administration won Congressional assent in the 1974 Act for an application process that produces automatic federal approval within 75 days. Unless HUD determines before that time that the applicant's needs and objectives are "plainly inconsistent" with significant, generally available data, or that the applicant's activities are "plainly inappropriate" to meet those needs and objectives, it must approve the application. The statutory standard of application review therefore establishes that grant approval is the norm and disapproval is to be based on clearly exceptional circumstances. On the other hand, the statute describes such grants as having the "primary objective of" the development of viable urban communities, "by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income." (Sec. 101(c); emphasis added). Indeed, the phrase "principally for persons of low- and moderate-income" appears in three of the specific objectives of the Act, not counting another objective that is addressed to enlarging the housing opportunities of lower income persons.

Maintaining control over the use of funds for these federally determined objectives in aid of low- and moderate-income families under such a semi-automatic approval system is especially difficult in view of the greatly increased range of eligible activities under the new block grant program. The funds

may be used for a great variety of purposes that can, depending on their location and other factors, have only the barest benefits to lower income persons. It may further be recalled that to address this issue the original Senate bill would have provided a ceiling of 20% on a community's total program expenditures that were not intended to be of "direct and significant benefit" to families of low- or moderate-income or to areas that are blighted or deteriorating unless HUD determined that a modification of this limitation would be necessary "to meet urgent community needs." The House bill contained no such restriction.

To resolve the difference between the two chambers, the conference committee dealt with the Senate's 20% limitation by adopting a compromise that has provoked serious complaints about the way in which the former administration implemented the Act. Under Sec. 104(b)(2) of the statute, each applicant community is required to certify that its community development program:

has been developed so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

This vague statutory language ("maximum feasible priority") establishes broad administrative discretion to approve project activities even if they are only tenuously related to the direct

benefit of low- or moderate-income families. HUD currently leaves to its area offices the authority to determine what constitutes a community development need "having particular urgency." Each HUD area office has been instructed to make a "common sense" judgment based on the facts of each case. The result has been approval by area offices of some grant applications, particularly in suburbs, where the locality plans to spend the bulk of its entitlement funds on, for example, central business district improvements, the construction of a tennis complex in an affluent neighborhood (certified as an "urgent need") or developing parks at considerable distance from low income neighborhoods.<sup>4</sup> HUD's own data indicate that communities giving priority only to activities meeting "urgent needs" budgeted two-thirds of their funds in census tracts with above median incomes.<sup>5</sup>

For example, the City of Davenport, Iowa, has agreed in an out-of-court settlement to redirect almost one-third of its community development block grant funds to benefit low income residents in response to a suit filed complaining of the use of CD funds for parks and tennis courts.<sup>6</sup> There is every indication that local officials were misled by HUD in drawing up their original application for CD funds for program year 1976, and would not have allocated so little to the benefit of lower income persons but for the erroneous advice by HUD.

HUD's past interpretation of the "maximum feasible priority" and "urgent needs" provisions in the statute, together with the

expanded universe of eligible recipients, has thus opened the door to the use of this program to benefit middle- and upper-income people. Precise statistics are not available on how widespread this departure from the primary statutory purpose has been, but enough information is available to indicate that there is need for a tighter policy on application standards. For example, an evaluation of the program's first year by the National Association of Housing and Redevelopment Officials (NAHRO) indicated that only 51% of the program dollars went to low- and moderate-income census tracts, using the city median as a measure, with 29% being directed to middle- and upper-income census tracts. But NAHRO found that the amount of funds expended in low- and moderate-income tracts resulted primarily from the continuation and completion of existing categorical activity, and if this use of funds is excluded there is a pronounced shift in emphasis to middle- and upper-income beneficiaries in the program.<sup>7</sup> HUD, on the other hand, last year asserted that 71% of block grant funds went into low- and moderate-income census tracts; but it excluded city-wide activities, which could not be assigned to a specific census tract, and used metropolitan rather than city median incomes as the measure.<sup>8</sup>

HUD's second annual report on the community development block grant program shows a significant drop in the percentage of funds going into low- and moderate-income areas.<sup>9</sup> HUD now says that entitlement communities are planning to spend 57.3% of their second year funds on activities benefiting families in low- or moderate-

income areas. In making this calculation it used a different statistical method for deriving benefits. Instead of counting all funds spent in the census tract as benefiting low- or moderate-income people where 75% of the people in that census tract were in that status, the new method counts only 75% of the money as benefiting low- or moderate-income people. Instead of 71% of the first year grant funds being used to benefit low- and moderate-income people (as reported last year), if a city median income is used instead of the metropolitan area median, the percentage drops to 47.8%. In other words, as more sophisticated methods are used to evaluate the program, it is becoming apparent that the major federal objective was not being adequately served in the first two years of the administration of the Act.

This issue is quite fundamental to the purpose of the community development program. When we look at the extent of federal grants to states and localities that assist in the construction of public works of all kinds, it is only the HUD grants that are intended to have some impact on the environment of lower income persons. As we all know, there are billions of dollars of federal grants made to states and localities that have other laudable primary objectives: cleaning up polluted streams, generating needed employment, and the like. HUD housing and community grants have different primary purposes -- they are not simply "pump priming" public works programs. They are not primarily public employment or environmental protection grants, nor are they primarily a means to



ease the financial burden of localities, like general revenue sharing funds. If they were, then it would be appropriate for EDA or EPA or Treasury to administer them.

The HUD grants are, by contrast, justified principally as a means to redistribute and facilitate social and economic opportunities in America. They are intended to overcome the concentration of the poor in central cities and to facilitate an improvement in the urban environment that would not occur but for the federal grants. In other words, they are not intended merely to supplant the local public works budget. Consequently, the issue of how to control the use of the money so that the primary statutory purpose is met goes to the heart of the very reason for these grants.

The new block grants, although not intended to be wholly concerned with benefitting the less advantaged, are supposed to be primarily intended for this purpose. HUD regulations can be changed to give greater effect to this purpose without an amendment of Sec. 104(b)(2) of the statute and without changing the statutory framework for the review of applications. A series of specific changes in HUD regulations has been recently set forth in a report issued by the Center for Community Change.<sup>10</sup> These changes, particularly those relating to the "maximum feasible priority" certification, would tighten the use of CD funds to achieve the basic statutory purpose of "principally" benefiting low- and moderate-income persons. The suggestion that the statutory phrase "eliminate

or prevent slums or blight" be defined in the regulations to mean "program activities which seek to eradicate such decay where it now exists" and activities "which seek to ward off an imminent danger of such decay" would further add a useful limitation on the program and would begin to redirect the funds into neighborhood revitalization. It would prevent the misuse of funds for improvements in basically sound middle-income areas on the ground that they would "prevent blight." (Most capital investments in sound areas can otherwise be justified -- as some have -- on the ground that they "prevent blight.")

In addition, the "urgent need" standard should be defined in the regulations to be limited to those activities necessary to stop or prevent ongoing or imminent danger to the health and safety of local residents that cannot be financed out of local resources. Equally important, approval of "urgent needs" grants should be made only in Washington, as exceptional departures from the normal approval process. This procedure for central office approval of such exceptions would bring administrative procedure in line with the statute.

The thrust of these changes would clarify that 75% of the funds should be used for activities that directly benefit low- and moderate-income persons, leaving 25% for more general community development purposes. (I suspect that this will come as a relief to the drafters of applications who have been trying to

justify every activity, however tenuously, as benefitting lower income persons.)

As previously noted, these changes should be made in regulations consistent with the statutory purpose. It would be helpful for the Committee Report to require such changes to be made. While an argument can be made that the failure to adopt the statutory ceiling as originally proposed by the Senate reflected a conference rejection of a mandatory numerical approach to controlling the use of the block grants, I believe that the experience of the first two years suggests that anything short of this in either the statute and/or the regulations will convert the community development block grant program into the special revenue sharing approach that was clearly rejected by both houses in 1974.

Footnotes

- 1 "The Housing Assistance Plan: A Non-Working Program for Community Improvement?" (The Potomac Institute, 1975).
- 2 "Equal Housing Opportunity: The Unfinished Federal Agenda," (The Potomac Institute, 1976).
- 3 See H.R. 3504 (95th Cong., 1st Sess.); 123 Cong. Rec. H 1131-1138 (February 17, 1977).
- 4 For documentation of such examples, see testimony before the Subcommittee on Housing and Urban Affairs of the Senate Committee on Banking, Housing and Urban Affairs, August 23, 1976.
- 5 Dept. of Housing and Urban Development, Community Development Block Grant Program, First Annual Report (Gov. Printing Office, 1975), p. 35.
- 6 Central and Western Neighborhood Development Corporation v. Hills, (D.C., Iowa, 76-67-D).
- 7 Testimony of Robert W. Maffin, Executive Director of NAHRO, before Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs, August 23, 1976.
- 8 Dept. of Housing and Urban Development, op. cit. note 5, p. 29 ff.
- 9 Housing and Development Reporter, Vol. 4, p. 684 (January 10, 1977).
- 10 "Community Development Block Grants -- Implementing National Priorities," (January 7, 1977).

Mr. ASHLEY. Thanks very much, Mr. Franklin.

Let me ask at the outset, what groups are working or have worked together in a cooperative kind of symposium or otherwise?

Mr. MOTT. The 10 organizations which are formal members of the working group are: the Southern Regional Council, the Center for Community Change, the Suburban Action Institute, the Rural America, the National Urban League, the Housing Research Group, Ralph Nader's organization, the Center for National Policy Review at Catholic University, the National People's Action based in Chicago, the New Jersey Department of the Public Advocate, and the Coalition for Block Grant Compliance which is based in the Detroit metropolitan area.

Mr. ASHLEY. Does that leave the Potomac Institute out in the cold?

Mr. MOTT. Definitely not. We're delighted to have their support. But they have not been formally involved in this process.

We have a number of endorsements from other organizations, including the League of Women Voters and the Presbyterian Church, which have not been intimately involved.

Mr. FRANKLIN. The Institute has worked with many of the groups mentioned but is not formally a member of the coalition.

Mr. ASHLEY. What is the data base that is reflected in the review that has been undertaken that I think you referred to, Mr. Brown? Was this looking at the eligible activities in the operation of the community development block grant program for the year 1975? Is that what we are talking to?

Mr. RAYMOND BROWN. Well, the report here, "A Time for Accounting," was based on data collected the first year, 1975. Now, again, last year we went back to 20 additional cities, in some cases new cities, and looked at the program there again.

Mr. ASHLEY. How many cities did you look at?

Mr. RAYMOND BROWN. The first year was 26 cities.

Mr. ASHLEY. And then the second year, 20 additional?

Mr. RAYMOND BROWN. Exactly. And there were some changes, some new developments, the second year. A preliminary analysis of that investigation was presented to Senator Proxmire's committee last summer, but basically we found generally the same thing. We found that the funds were being scattered throughout the community. Most communities did not develop a comprehensive plan.

Mr. ASHLEY. Where were the cities located, Mr. Brown? Were the cities mainly in the South?

Mr. RAYMOND BROWN. South and Southwest. Some of the larger cities in the South, Atlanta, Dallas, Miami; some of the smaller medium-size cities, Savannah, Ga., Jacksonville, Fla., Norfolk, Richmond, and so forth.

Mr. CLARK. Mr. Chairman, we tried to cover each State capital in the 11 States of the Old South, plus 1 or 2 additional cities within each of the States.

Mr. RAYMOND BROWN. And one additional comment, Mr. Chairman. I wanted to comment on Secretary Harris' legislative proposal that would expand the community development block grant program to include commercial and industrial development.

Now, in a number of the cities that we looked at in the South, this was already happening with the community development program without this expansion. And we would certainly object to including this in—well, into enacting this particular legislative amendment.

In light of what Congressman Brown said about the public works program and in light of the urban action grant program, we certainly think those two sources, those two programs, would certainly enable cities to undertake commercial and industrial development without using the community development block grant funds that have been primarily—that is generally the only source of revenue earmarked for lower income people in these communities.

So, for that reason we certainly would be opposed to that.

Mr. ASHLEY. Was there testimony objecting to—in your statement, Ms. Barlow—indicating a rejection of the suggestion that the act provide permanent hold harmless for cities over 50,000?

I take it what you support is the original notion that hold-harmless communities enjoy that status for a limited period of years?

Ms. BARLOW. That is correct.

Mr. ASHLEY. And that we would then get to a more orderly and more equitable distribution of funds?

Ms. BARLOW. Exactly. Mr. Chairman, we would like to add some information to your question about the data base. I think it is significant to note that most of the organizations who are included in the working group had participated in or initiated themselves monitoring projects, and Mr. Mott I think can speak more extensively to that. But if you would like a fuller answer to your question—

Mr. MOTT. The findings of the southern regional council are very consistent with the studies that have been done by the National Urban League, covering, I believe, over 100 of their cities. They are consistent with our findings at the center for community change. We have not done a formal monitoring project. I believe they are consistent with the findings of the coalition for block grant compliance in the Detroit area and with the other organizations, as well as with the broader studies that have been conducted by NAHRO and MIT and Brookings and others—and by HUD.

Mr. RAYMOND BROWN. And by the subcommittee staff.

Mr. ASHLEY. Have you had any reaction, Ms. Barlow, to the proposed dual formula advanced by Secretary Harris?

Ms. BARLOW. We have quite a lot of reaction to it, which I go into extensively in my testimony. I think the heart of our concern is, if you are using two formulas, you are apt to end up with a considerably larger number of eligible cities.

If you have the same pot of money and more qualifying cities, where are the additional dollars going to come from? We are afraid—very afraid—that they are going to come out of the discretionary pot, which is what serves our folk.

Mr. ASHLEY. I don't think you would have more cities, would you? It would just be that the cities that enjoy permanent funding would have two formulae to choose from.

Ms. BARLOW. Well, are you talking about the hold-harmless question and the dual formula question?

Mr. ASHLEY. Well, the hold harmless, presumably in many instances, would be communities that would opt for the new formula proposed by the Secretary.

I don't think you would have new entitlement cities as such.

Ms. BARLOW. No. I think that what we would say is that if you had an equitable formula which was primarily weighted to poverty, that the cities which merited funding would be funded, and that therefore we advocate that what you look for is a formula which takes care of the primary constituent of this program, rather than seeking to serve all masters under one grant.

Mr. ASHLEY. Well, there was some suggestion in the previous testimony from the Harvard-MIT Joint Center for Urban Studies, I believe, certainly from some of the several witnesses we have had today, that poverty certainly is a prime consideration, but it may not be the only consideration that prompted adoption of the 1974 act—and which may prompt amendments to that act, which is to say that the particular condition of some, and in fact many, of our cities generally characterized as being in the Midwest and Northeast which are old and which are—which feature obsolescent industrial and commercial facilities and old housing stock which is suffering from outmigration—that some of these symptoms can be accommodated—effectively accommodated—in a formula rather than simply weighting poverty once, twice, or 10 times.

Ms. BARLOW. Well, I would say that if the Congress were to design a formula which would insure that poor, low-income people would be served primarily by the act, I would be content whether there were one formula or four provided.

You weren't buying grants from the discretionary in order to pay the entitlement.

Mr. ASHLEY. I can understand that concern. In fact, I can understand the concerns that are represented by the testimony today.

We have got various sets of realities that confront us, one of which is getting changes in the law adopted. We had some realities looking at us back in 1974 when we got the basic statute adopted. And I suspect that we will find it very difficult to convince, as was indicated in earlier testimony, the citizens of Houston, Tex., which may find only 5 percent of their citizenry unemployed, to convince the people of Houston or their representatives that they aren't somehow entitled to consideration with respect to the plight of those 5 percent.

What I am suggesting, of course, is that we are being tugged in different directions here. We do hear from the administration the persuasive doctrine that we have got to target more effectively. And on what basis do we target more effectively—that is the question.

I would like to think that more funds would be going into Newark, N.J., and perhaps fewer going into Toledo, Ohio, even. I almost choke over that, but the fact is that this targeting is at somebody's expense, and the poor in Houston may be just about as poor as the poor in Newark. And what this suggests, of course, is, it is going to be hard to reallocate moneys in any very major way.

The difficulty doesn't bother me. It is just one of the realities that I am aware of and that I am sure you are.

Mr. FRANKLIN. Mr. Chairman, if I could address that for a minute. If HUD does adopt regulations such as are proposed here and tightens up on the basic purpose of these grants, some moneys will fall out from communities that don't want really to measure up to

those standards. Such funds would become reallocated to the metropolitan pool process under action 106(e) into communities that have the greater needs.

And so what we are talking about here does have some bearing on eventually how much money might be reallocated.

Mr. ASHLEY. I wonder why you say that. It was said back in 1974 that the link between community development and housing would cause a lot of communities to show disinterest, that it would not be worth it politically to undertake the responsibility of putting together a HAP plan.

I haven't found so many communities that weren't willing to take that on.

Mr. FRANKLIN. That's because HUD early on made plain that the HAP didn't mean anything.

Mr. ASHLEY. Well, I am not so sure of that. They didn't know at the time that there would not be the section 8 housing available, and there is something in the nature of a real commitment on the part of the community to live up to that plan at such time and hopefully soon that section 8 and other assisted housing units become available.

I am not sure that I can visualize, really, a community saying that a limitation on the use of funds to those activities that more directly support the poor would be so pernicious that the city fathers would choose to return some of the eligible dollars. I just find that astounding.

Mr. RAYMOND BROWN. Mr. Chairman, that certainly is not unprecedented. In the South for a number of years a number of jurisdictions there have refused to take Federal moneys rather than comply.

Mr. ASHLEY. I am fully aware of that, but those communities aren't refusing any longer, are they?

Mr. RAYMOND BROWN. Well, certainly not. They are not refusing the moneys any longer, but in reference to your comments about the housing assistance plans, in a number of the cities that we looked at, a number of the officials there regarded the HAP's as just something to do to expedite the process of getting their money because they knew that the HAP's were required, but yet HUD certainly did not put any weight behind it. HUD did not even require them to use moneys from title I to even meet any of the needs identified in the housing assistance plan.

Mr. ASHLEY. Well, that wasn't in the law. Maybe it should have been. Mr. Brown, but there is no requirement in the law that a number of dollars of community development funds going to an entitlement city be used for rehabilitation; not at all.

Mr. RAYMOND BROWN. Well, certainly not. Mr. Chairman, I am certainly not suggesting that, but the mere fact that housing was listed as a priority in the statutory language of all the various reports, it is certainly clear to assume—it is certainly clear to assume that housing was certainly to be given some priority in the local communities.

Mr. ASHLEY. The HAP plan was not meant to be a paper exercise, and I don't think the performance to date suggests necessarily that it is or has been a paper exercise. What we noted with certainty is that the section 8 program has experienced considerable difficulty in getting off the ground. But we do note that this administration, for example, has



been trying to pump up the current fiscal year reservations to 400,000 and is asking for 400,000 more in fiscal 1978, and I think Mr. Brown would agree with me that a community which isn't faithful to its HAP program is a community that can look to having its community development funds shut off.

Mr. CLARK. Mr. Chairman, in some instances I think there is some feeling—or there should be a feeling—that this program is really part of the Small Business Administration rather than the Department of Housing and Urban Development, because we found that where the money isn't spread out very thin it is often going to revitalize downtown shopping areas that are threatened by the movement of people out into shopping centers on the outskirts, in the suburbs on the outskirts of town.

Spartanburg, S.C., is a good example of that. They used their money directly as subsidy to the downtown business interests to revitalize that area. Now, this was not a blighted area that we are talking about; this was an area where people were simply preferring to shop in the suburbs. But instead of putting the money into low-cost areas, into really blighted areas, they decided they were going to, in effect, rebuild the downtown area to draw people back downtown to shop.

I think this is a misuse of the funds, and it is something that should be looked at.

Mr. ASHLEY. Mr. Brown?

Mr. BROWN. Well, you can criticize the extent to which the funds have been used in this regard, but that very activity was contemplated by the act. I mean, the plan was not to always take care of areas that have gone bad. If you were here in 1974, when we debated this back and forth, time after time, when we looked at the funding of entitlement communities vis-a-vis those communities that were receiving a lot of Federal funds under the categorical programs, you would have heard them say that it is just as important to preserve communities from going bad as it is to correct communities that have gone bad. And so, that was the thrust of the legislation.

And I would go back to Mr. Mott's statement. The act talks about benefiting low- and moderate-income people "or," not "and," elimination of slum and blight.

Mr. MOTT. And yet under the purpose clause and the objective clause, when they refer to the elimination of slums and blight, they then go on to say, "principally benefiting low- and moderate-income people." So there is an interrelationship there.

Mr. BROWN. I don't disagree. But I think when you repeated it, you said "and" and the statute says "or."

Mr. MOTT. Excuse me. There is one thing I wanted to say on the housing and community development linkage issue, which is something that has not received much attention, which I think is very important.

Obviously, we have seen that over the past 2 years, and I guess in the third year, a lot of the moneys have been allocated to housing rehabilitation out of the community development funds at the local level, which I happen to think is a very positive development.

One of the things nobody has been paying much attention to, as your staff has reported, which I think is of extreme importance, is that that money is in fact being spent very, very slowly.

We checked this morning with the District of Columbia government, which has a performance which is somewhat similar to what we see in several other cities. \$5.225 million allocated for direct rehabilitation in CD-1 and CD-2 in the District of Columbia. \$40,000 has been spent as of January 1, 1977. That constitutes three loans. The reason given by the Department was because of the inflexibility of the program, and the Department is very busy at the moment preparing their third year request, including housing rehabilitation money.

Now, we are very concerned—and this is not facetious at all.

Mr. BROWN. What particular aspects of inflexibility did they mention?

Mr. MORT. Frankly, I don't know. I don't—I find it hard to picture this program as being inflexible on the question of how you can use money for housing rehabilitation. So far as I see, there are no restrictions under the law except in terms of who benefits.

Mr. BROWN. But if the community has set aside that kind of money and there just hasn't been the drawdown, what good is a statutory change going to do?

Mr. MORT. I think it's a question of real enforcement by HUD in terms of timely performance.

Mr. BROWN. There's been a suggestion that maybe we, if they don't drawdown the funds and use them, then we cut them off. But that's never been a popular suggestion.

Mr. MORT. I'm sure it hasn't. But I think it's a real question of retaining local flexibility. It seems to me this is going beyond local flexibility.

Mr. BROWN. We constantly keep referring back to: "you've got to change the statutes," "you've got to change the regulation," "you've got to do this," "you've got to tell the cities what to do," and "you've got to enforce it," and "you've got to see that they do it," and "you've got to monitor it," and on and on.

The theory behind the legislation is that just as we come up for reelection every 2 years, local officials come up for reelection. The people pay attention to what we're doing and kind of insist that we do what they want us to do, or else we don't stay. That is the theory behind the act. Where there hasn't been that kind of local input, it seems to me cities might not do the kinds of things that put the money where you are suggesting it should go.

Now, I know in one of my communities, they start right off the top. They earmarked  $x$  percentage of the funds for the very things you're talking about, and they were permitted to use those funds for those purposes.

How did this happen? Because we had some very active groups who got to the city commission in connection with the preparation of the community development plan and made sure that they did get proper input, and, in effect, had a proper impact on what the city did with its funds.

Mr. MORT. The typical situation in a lot of cities is that community groups have spent a lot of time making that kind of input and exerting, for example, pressure on the issue of housing rehabilitation or social services, and then what has happened in many places is that the money has been spent extremely slowly.

The drawdown figure was 63.3 percent of the money had been spent as of the end of November from the first-year funds.

Community groups in cities like New York, where there has been a very active coalition on the community development issue, have done everything they can, and yet the city of New York is way behind in spite of its fiscal crisis in terms of spending community development money.

Mr. ASHLEY. Can I ask a question? To what extent do you find that the slow drawdown may reflect a time lag in the capacity of the city fathers to administer this annualized funding, on an effective basis? What has been the reason for that, in your view?

Can we assume that it is because of reluctance on the part of the city fathers to make expenditures in one or another area? Perhaps it is that 40 percent of the funds, so we are told, in the first year went to close out urban renewal projects.

I am suggesting there may be a variety of reasons for the slow drawdown, one of which is certainly in a number of communities suggested that may not have participated very actively in the categorical programs just coming up to speed in terms of developing local competence to handle community development matters.

If that is so, then I am not sure that I don't agree with Mr. Brown that changes in the law or the regulations or a precipitous cutting off of funds is in anybody's interest.

Mr. RAYMOND BROWN. Mr. Chairman, in response to your question when we would talk to local officials in terms of trying to find out why they haven't spent the community development entitlement, the NEPA requirements would oftentimes come up as one of the impediments.

A number of the projects require environmental impact statements, and a number of the other administrative regulations—a number of the other administrative requirements of the act have tended to impede the progress.

But I think it has basically stemmed from, personally I think, it has stemmed from an unwillingness on the part of local officials to approach this matter in the most expeditious manner possible.

I think I was reading an article in the "New York Times" this morning about the city of New York, in which the mayor there has proposed that \$50 million of the community development allocation be reserved to help the city meet its financial crisis.

Now, that is certainly clearly inconsistent with the legislation, in light of the fact that the city has only spent \$75 million out of the \$200 million that they already have.

Mr. ASHLEY. Well, let me just say, Mr. Brown, it was never intended under the act that community entitlement moneys for New York City be directed to assisting them in keeping their financial nose above water.

Mr. RAYMOND BROWN. But it is these types of concerns that are uppermost in my mind when you permit our locally elected officials in an open end program to administer without any adherence to national standards, the national priorities, and the performance standards that the act sets out, and Mr. Brown, in reference to your point about the flexibility of the program and the new federalism concept that is be-

hind this program, I certainly think that history would certainly show that when you turn over the needs of a certain segment of the local people in the hands of local officials that needs oftentimes become submerged into the process, and we oftentimes are not beneficiaries of the various programs on the local level.

And it tends from a number of things. It tends from—well, one particular thing it tends from—is from the fact that lower income people are not as vocal as the other segments of the community, and when you call public hearings and you request proposals from groups, oftentimes these groups have no source to turn to for assistance to help them develop reports and proposals. And we found that in a number of proposals, the community development officials required officials to be of such a level that only a planner could do it.

So, that's one reason why it is important that certain standards and certain priorities be placed in this program and that you retain—this body here—retain the legislative oversight to insure that this act is meeting its needs.

I don't think you should give your authority or your responsibility to the local elected official in that regard.

Mr. CLARK. If I might just add a comment here. In the South at least we are dealing, gentlemen, still with governments that have been notoriously insensitive to the needs of poor minority groups. That's a fact of life.

And this program is of such a nature, and the flexibility in it is of such a nature, that it lends to their tendency to continue to be insensitive to the needs of the poor people in their community.

I mean, that is basically what we found.

If the Federal Government is not willing to take responsibility to see that the situation is corrected, then the local situation will continue to be as it is, and there is no incentive for them to spend the money.

And then, when they finally get around to spending it, they spend it on parking garages and other things they say benefit the entire community, which in some vague sense, it may. But it certainly doesn't help the people whose need is greatest.

Mr. BROWN. Well, I think of course you can single out parking garages and things like that, but we can't generalize that everything is bad and we can't generalize everything is good. I know in some of my communities, especially where there are very active advisory groups, a lot of money was earmarked and is being used in distressed areas. When you say that we should do something here in Washington, you know, I am reminded when educators come in and see me, because they say you have to up your appropriation for education, your Federal funding and all that because the people want it and they need it. And, at the same time, there may have been three bond issues killed in my district because people did not want to spend the money on education.

What are we supposed to do, in representative government? Are we supposed to show that the will, as expressed by the people clearly when they vote, and so forth, is subverted here in Washington?

Mr. RAYMOND BROWN. Well, certainly not, Mr. Congressman. We are certainly not even suggesting that.

Mr. BROWN. Well, let me just pursue this just a little bit on the drawdown. To what extent did you go behind the drawdown figures

to see if a lot of that money had been spent but maybe through a different mechanism of the unit of government involved and that unit of government had not been in effect reimbursed from community development funds so there had not been a drawdown of community development funds?

According to one of our staff members—in Seattle this was true. A lot of work had been done. There was a low drawdown in community development funds, but the highway department or whatever it was, had a big bill to submit to the community development department for reimbursement. So, if that bill had been submitted and paid, there would have been a much greater drawdown of funds.

Did you look behind to see to what extent that may have occurred elsewhere?

Mr. MOTT. No, Congressman Brown. We have not. We have gone on the basis of the figures that your own staff has prepared as well as our experience at the local level in several different cities.

In response to the question about what are the reasons for the slowness, I think there are several. One is the capacity question. Many of the city governments are not familiar with housing rehabilitation. Many of them got into housing rehabilitation somewhat reluctantly because of citizen pressure, because so many advisory groups and community groups have said that rehabilitation was a big issue. And they therefore have not been that anxious to spend the money and have not been that quick to hire staff.

Mr. BROWN. Let me stop you right there. Isn't it also true in the rehabilitation program that in order for the city to be able to leverage their funds as much as possible they have tried to work out deals with banks to handle the whole program and it has taken a lot of time to work out those arrangements?

Mr. MOTT. Yes. And I might say that I think that one job that HUD has not done and which it should do in the future is to give solid advice to city governments about how to work out good leveraging schemes so that some of that time lag could be lost.

At the moment there is not even an interchange of information among jurisdictions facilitated by HUD or State governments on those kinds of issues, which I think is a very important area.

But the reluctance factor is one, I think. Another thing is, Mr. Brown said, fiscal relief. I do get the impression from a couple of the poorer northeastern cities where I am working, Hartford being one example, that the reason why rehabilitation has gone slowly and other spending has gone slowly is in part the hope that the jurisdictions can move into what in Hartford are referred to as "tax-offset expenditures," essentially fiscal relief measures.

Another issue—and I think it's a kind of example where we would like to see HUD take a different role—is that at the present moment, in its application a county or city which is proposing to do rehabilitation simply has to say it is going to do housing rehabilitation, what census tract that rehabilitation will be in, and how much money it is going to spend.

It is never forced, before spending money, to say that the program is going to be for homeownership or rental houses, or what income group is going to be served, or what neighborhoods are going to be served, other than the census tract, or how the program is going to

be administered, or a number of the crucial things which anyone has to decide before they can in fact introduce a program and get it going.

And what has happened in many places where I have worked has been that those issues have never been addressed by city government in the first year and even in the second year, and they continue asking for rehabilitation money and have not even got the basics together about how their program might move.

I don't know if that's true in the District of Columbia.

Mr. BROWN. I think this whole discussion is very beneficial, but such a significant change in direction as was accomplished in the 1974 act and is not going to be evaluated and the ultimate conclusion reached on the basis of 2-plus years' experience.

Mr. MOTT. We agree. The one thing that makes us nervous is the 3-year extension without that evaluation.

Mr. BROWN. Well—

Mr. MOTT. We feel that with a tightening up of the legislation and the regulations, 3 years may make sense, but otherwise—and I think maybe your own staff shares some of this reluctance—the 3-year extension is a bit dangerous without having much of a clear sense of exactly what is going to happen with that money.

Mr. BROWN. But wouldn't you agree that, since we, by and large, look at the program monitoring as a postaudit type of thing, and since we have really only had one postaudit to date, that probably as more experience is accumulated certain changes will come about because of the postaudit's and the fear of having funds refused.

Mr. FRANKLIN. The postaudit is only as good as the application. In other words, there cannot be an effective audit on performance that the applicant did not promise to carry out.

The point here is that unless you start building into the application some standards to which you can later hold the applicant to perform, the postaudit will always be looking at the performance of inadequate promises. If you realistically elevate the standards on the "front-end," then 3 years down the line, the postaudit will then perhaps give HUD the chance to separate the nonperformers from the rest.

So, certain things have to be done now to prepare for postaudits down the line.

Mr. MOTT. I think that's true. It's also true that the HUD second-year annual report, which has not been printed yet but which we have been privy to, has already pointed out: on the low- and moderate-income question that there is a decrease in the amount of money that is going to benefit low- and moderate-income people in the second year, and we are worried about those kinds of trends, too.

Mr. BROWN. One thing, before I conclude. Going back to your statement earlier about the elimination of slum and blight, have you read Secretary Harris' testimony?

Mr. MOTT. Yes.

Mr. BROWN. Did you see the words "elimination of slum and blight" anywhere in that testimony?

Mr. MOTT. I assume the answer is no. I do not recall.

Mr. BROWN. You assume correctly.

Mr. MOTT. I was nervous about the lack of emphasis on housing rehabilitation and preservation of neighborhoods, frankly.

Mr. BROWN. Thank you very much.

Mr. ASHLEY. Your testimony has been very helpful indeed. Mr. Brown had a good deal to do with the 1974 act, and I suppose I did, too. We knew at the time it was anything but perfect and that has been attested to this afternoon, I would say. And there isn't the reluctance that you might suspect as far as examining an imperfect statute and trying to remedy it. We want to make certain of where we are going, and that is what you would want us to do.

And I mean it when I say that your testimony has been very constructive and that if there is just a modest amount of pride of authorship, you can understand that.

What we are going to do is recognize, as you would have us recognize, that there are improvements to be made and that we will be working constructively to achieve those improvements.

Mr. Brown?

Mr. BROWN. I would be remiss if I let the meeting conclude without again stressing the importance that I place on putting the pressure on the local officials.

You know, it's a little bit like our code of ethics, and it's a little bit like our labor legislation and a lot of other things. We get to the point, if we draw the things down nice and tight, that all you have to do is make sure you comply with the law, whether or not you achieve the substance that the law was intended to achieve.

I still think the best way to assure a good, clean, honest, healthy Congressman is to have a very active, searching, attentive electorate. And, I still think that is the best place to put the emphasis, rather than on thinking we are going to write tight laws. For example, so long as you comply with OSHA and you don't violate any of OSHA's regulations, you can have the most dangerous plant in the world. So long as you comply, it's all right. You could have the safest plant in the world and violate an OSHA regulation and you're in deep trouble.

Mr. ASHLEY. Again, thank you very much indeed for your time this afternoon, and we look forward to working with your respective organizations on this and other matters in the future.

Subcommittee will stand in recess until 10 a.m. tomorrow.

[The following correspondence was received from Mr. Mott for inclusion in the record:]



center for community change

March 8, 1977

The Honorable  
Thomas L. Ashley  
Chairman  
House Subcommittee on Housing and  
Community Development  
Washington, D.C. 20515

Dear Chairman Ashley:

We have received the following correspondence from Bill Morris of the NAACP concerning the Block Grant program. Mr. Morris wrote it after reviewing Community Development Block Grants: Implementing National Priorities. His letter includes very useful comments on the program and would be a useful addition to your hearing record.

I therefore am writing to respectfully request that you add Mr. Morris' letter to the hearing record. Thank you for your courteous attention.

Yours sincerely,

Andrew H. Mott  
Vice President

Enclosure



## NAACP Special Contribution Fund

1790 BROADWAY / NEW YORK, N. Y. 10019 / 245-2100

February 4, 1977

Mr. Andrew Mott  
Center For Community Change  
1000 Wisconsin Avenue, N.W.  
Washington, D.C. 20007

Re: Community Development  
Block Grants--Implementing  
National Priorities

Dear Andy:

My office has received and reviewed the report prepared by the informal Coalition and wish to compliment the group on the outstanding job they have done in preparing such a comprehensive analysis of the Block Grant program. The recommendations are well presented and should receive respectful attention from both the new Administration and the Congress.

I am pleased to indicate the support of our organization in this timely effort to strengthen obvious weaknesses in the administration of the program. Although new legislation may not be required to effect the recommended changes, I feel certain the Congress may wish to provide additional safeguards to help overcome the oversights noted in the report.

You may or may not know that the NAACP, through its local branches in all parts of the country, has been auditing and monitoring this program since April 1975. To date over 120 local governments have been audited by our branches, and monitoring of performance is being carried out, in varying degrees, by nearly 300 branches. We believe that the involvement of our organization in this program represents the largest community grass-roots level participation in existence today.

My office performs technical reviews of local programs on behalf of our branches. We also assist in the filing of complaints against recipient governments and HUD itself.

LETTER FOR ANDREW MOTT  
FEBRUARY 4, 1977

Our experiences to date would reaffirm the NAACP's initial opposition to CDBG as a way of solving the problems of the poor and of racial minorities. The New Federalism revenue-sharing policies serves to diminish federal control and responsibility over how government funds are used. As a result, blacks and other minorities, and the poor in general once again become the victims of institutionalized discrimination.

I do not feel we should "endorse" the report without bringing to the Coalition's attention some areas of concern which we believe need to be addressed more fully. We observe that the report has already been submitted to the HUD Secretary, and to certain members of the Congress. Our views might well be received too late to be accorded equal consideration.

Nevertheless, I am identifying a few specifics that we would like to see included with your recommendations. These are as follows:

1. Because citizens themselves are most often powerless to provide the private sector resources necessary to implement local developments, the citizens advisory groups should include a cross-section of the communities financial and business leaders. Their resources are essential to "getting things done" once achievable plans are agreed to. (Pg. 39)
2. The selection of areas for development and Housing Assistance Plans should take more fully into account their impact upon school desegregation plans. An A-95 type review and comment by school officials needs to be included in communities with racial imbalances in its schools.
3. A greater emphasis should be placed on using Section 3 and CDBG to increase aid to neighborhood and minority-owned businesses, i.e., contracts for services, operating capital loans, management assistance, joint ventures, general improvements in neighborhood commercial centers. (Pg. 51)
4. The assignment of more staff to assure HUD monitoring, compliance reviews and on-site inspections by Equal Opportunity personnel, should be emphasized. Presently these functions are cosmetic and ineffective. (Pg. 47)

LETTER FOR ANDREW MOTT  
FEBRUARY 4, 1977

5. Title VI Compliance Reviews should be required prior to HUD approval of a local governments application in all cities with 10% or more minority population. The "disparity of benefits" in prior HUD-assisted programs should be established as a basis for requiring Affirmative Action Plans.
6. Affirmative Action Plans of local governments should be required (in addition to the assurances) where residential racial segregation is pronounced; in mortgage deficient areas where redlining practices are evident; and where recent history of discriminatory practices by the recipient government is documented.
7. The Freedom of Information Act can be exploited to a much greater extent by requiring that local officials become knowledgeable of its provisions; by requiring public posting of its requirements in local CD agencies, libraries, and in the public areas of all recipients of CDBG funds (contractors, planning agencies, housing authorities, etc.).

Andy, if it's not too much to ask, we would appreciate having a copy of our letter distributed to the Coalition organizations and, if appropriate, to the same government and Congressional officials who received the basic report.

Thank you for providing the NAACP this opportunity to express our views in this instance.

Very truly yours,

*William K. Morris (KT)*

William R. Morris  
Director of Housing  
Programs

[Whereupon, at 4:30 p.m., the hearing was recessed, to reconvene at 10 a.m., on Wednesday, March 2, 1977.]

