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THE WHITE HOUSE  
WASHINGTON

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December 22, 1965

TO: JACK VALENTI

Here is the cities task force report,  
and the proposed organization plan.

*Hm*

Harry C. McPherson, Jr.

Attachments

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PROPOSED  
PROGRAMS  
FOR THE  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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PROPOSED PROGRAMS FOR THE  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1966 can be the year of the urban turnabout in American history.

In the last fifty years as this nation transformed itself from a rural to an urban society, we have given sporadic and piecemeal attention to the problems of planning, development, and redevelopment of our cities. But we have never undertaken a comprehensive and coordinated effort, involving both the public and private sectors of the economy, to build the best city this nation can. To date, we have failed to make the task of building cities a top priority item on the national agenda.

Last year the legislative program of your Administration laid the essential foundation for such an undertaking in the Housing and Urban Development Act of 1965 and by the establishment of the Department of Housing and Urban Development. This year, in the judgment of the Task Force, we can begin in earnest.

In the pages that follow the Task Force

---recites briefly the dimensions of the urban problem including those that are visible and commonplace and those that often pass unrecognized.

---proposes a new line of attack whose principal feature is a new national program of demonstration cities dramatic in impact but selective in application, carefully tailored to lead to successive stages in development.

---describes supplemental and supportive programs aimed at meeting our most pressing urban needs, proposed for the immediate study of the new Secretary and including demonstration projects in metropolitan planning. These programs are predicated on the organization of the Department along the lines recommended in our companion document.

THE PROBLEM: (1) The Character of the Challenge

One way to define "the urban problem" in the United States is in the conditions of life of our urban residents. Stating the problems in this way has been done many times before. They were the subject of last year's Task Force report that traced

---the great dimensions of unmet housing needs: some 7 million urban families live in homes of such disrepair as to violate housing code standards of major cities.

---the growth of population: 2 million new units of housing are needed each year for the foreseeable future -- an increase in the volume of production 25% greater than has ever been achieved before.

---the chronic inability of the country to provide low income housing of adequate quality at a reasonable price: we have failed to bring to housing efficient production methods now possible through technological and managerial advances, modern building codes and up-to-date work practices.

---the special problem of the poor and the Negro unable to move freely from racial ghettos and subject to heavy exploitation in the costs they pay for the necessities of life: 3 out of 10 slum houses are now occupied by Negroes, and at high rent levels the proportion of Negro families living in substandard housing is six times greater than that of white families.

---the inability of metropolitan areas to deal with the movement of people and goods, in particular the failure to provide adequate mass transportation for families who do not own an automobile or where use of private vehicles is unnecessary, uneconomical or socially undesirable.

---increasing pressures in municipal costs especially in the central cities in our metropolitan areas: between 1960-63 per capita expenditures for cities 1 million and over increased 36.3 per cent, compared to an average rise of 25.5 per cent for all American cities.

---unnecessary and unwarranted restrictions for the suburban American as well -- expressed in uniformity in housing choices, excessive costs of community facilities and services, gross deficiencies in recreation and leisure time opportunities.

---for all metropolitan residents, urban and suburban alike, unnecessary costs imposed by lengthy journeys to work, growing dangers from water and air pollution.

These "challenge" problems of the conditions of urban life are well-known. Their full dimensions are catalogued in the staff documents that accompany this report. Taken together, they rob Americans of freedom in everyday urban living. They restrict freedom of choice in residence, in environment, in use of time, in equal opportunities for the urban newcomer and the disadvantaged. They impose high costs in crime, delinquency, welfare loads, disease and health hazards. They prevent achieving the goal of "open options" in a great society.

#### THE PROBLEM: (2) The Inadequacy of the Present Response

A second set of problems, however, are of the "response" character: less visible and more operational, but just as important to recognize. It is on these problems that the Task Force has focused, for it is persuaded that despite the many benefits in the array of urban programs now authorized, they are inadequate to the present challenge.

---the size and scale of urban aids have been too small and too diffused to have guided the process of urban development: they proceed with too little consideration given to the impact on our natural environment, to the costs placed on governments, to the windfalls accruing to the few, and to the public interest of the metropolitan community at large.

---the benefits and efficiencies that can accrue from metropolitan planning and development programs are still unrealized in too many of our large urban regions.

---funds for metropolitan transportation planning and demonstrations are inadequate and about to lapse.

---present aid programs have often had the effect of entrenching archaic and wasteful practices in real estate taxation, building codes, construction technology and contractor and building trades practices.

---the administration of the programs has been too much oriented to specific functions, leaving gaps in urban needs for which no effective response exists.

---the effectiveness of the programs that do exist is impaired by division of authority among many agencies and many levels of government and by the failure to build Federal field structures equipped with adequate authority and competence.

---inadequate resources, ineffective organization and management arrangements unduly protract the time of execution of many projects and programs, further impairing their effectiveness in meeting the challenges of urban growth.

---most serious of all, the goals of major federal programs have often conflicted and been unreconciled in their application to the individual metropolitan area, some working to the revitalization of the central city, some accelerating suburban growth, some encouraging new urban clusters, all making difficult the development of a clear national strategy for city building.

#### THE PRESENT SITUATION

The pressing new needs of urban life, and the inadequate responses, often produce frustration and stalemate in our efforts to guide urban growth. Without discounting the substantial specific accomplishments of particular urban programs, any serious analysis exposes some major dilemmas of public choice.

---efforts to rebuild and renew blighted areas of the central core on a project-by-project basis have caused in many instances substantial relocation of the poor, resulting in unnecessary hardships in changing the composition of neighborhoods.

---efforts to improve the conditions of established neighborhoods and low-income families, chiefly through rehabilitation, have failed

to alleviate racial ghettos and consequent de facto segregation, and have provoked predictions of a future central city overwhelmingly composed of low-income families, surrounded by economically well-to-do, politically indifferent suburbs.

---efforts to relieve traffic congestion have accelerated the diffusion of urban households and jobs, increasing private costs of commuting and public costs in community facilities and services.

---efforts to mount comprehensive attacks on air and water pollution, health problems indigenous to urban areas, have been blunted by the autonomy of local governments, some the generators of pollution, others the hapless recipients.

---efforts to involve urban residents in genuine participation in the process of development have cost heavily in time, as the great tide of urban growth rushes on.

---efforts to respond to immediate needs by known techniques of city-building have precluded consideration of available innovations in construction, financing, management, and building practices.

---efforts to build beautifully have been thwarted by those who lack the imagination to build both with beauty and economy.

So, citizens and public leaders alike have difficulty in grasping the total task involved in city building. Nor can they readily visualize the potential that now exists if our resources were effectively, forcefully, and imaginatively employed.

#### A NEW APPROACH

Given this situation, at a critical moment of urban life, the Task Force believes that a dramatic new approach is required built on three principles:

---the concentration of available and special resources in sufficient magnitude to demonstrate swiftly what qualified urban communities can do and can become.

---the coordination of all available talent and aid on these targets in a way impossible where assistance is provided across the board and men and money must be spread thin.

---the mobilization of local leadership and initiative to assure that the key decisions as to the future of American cities are made by the citizens who live there, and to commit local leadership both public and private to a comprehensive attack on urban problems, freed from the constraints that have handicapped past efforts and inflated their costs.

The Task Force believes such an approach is fully consistent with national capabilities and will generate a new level of effort in the next five years that can resolve the dilemmas we have outlined. It escapes the limitations of piecemeal responses to the series of urban crises in race relations, the improvement of the environment and the provision of essential facilities and services. It will lead in three stages of a national program, to decent housing and neighborhoods for all our urban citizens by 1980 at a program cost to the Federal Government of \$370 million per year in the first five years.

#### THE DEMONSTRATION CITY PROGRAM

The principal application of these principles, the Task Force believes, is by the inauguration of a national program in city-building in which specially qualified communities execute plans of such size and scale that

---transform existing urban complexes into tangible modern new cities

---tie together both physical and human resource programs that too often have been handled separately

---develop and test methods and programs capable of extension throughout the United States

---bring to bear all the techniques and talents of which our technology is capable.

## THE GENERAL NATURE OF THE PROGRAM

We propose a program that would select on the basis of criteria outlined below 6 cities with populations over 500,000, 10 cities with populations between 250,000 and 500,000, and 50 cities with populations below 250,000

---The number of cities recommended was determined to assure a competition open to all communities, and an appropriate distribution of those finally selected by size and region, within cost estimates that are reasonable in terms of the nation's present gross national product and size of the Federal Budget.

---The selection process would proceed in two stages. First, all American cities would be invited to make general proposals for action programs designed to have a major impact on the living conditions of their citizens. Second, after the most promising of these programs had been determined by a special Presidential commission, the communities so qualified would prepare more detailed proposals, supported in part by Federal planning grants in the amount of \$3 million proportionately advanced to selected cities.

To make sure that the programs proposed are sufficient to achieve our basic purpose of substantial impact these minimum standards are recommended.

For cities over 500,000 the program would provide decent housing for a minimum of 5,000 families now living in substandard dwelling units, rehabilitating and refurbishing other marginal housing to affect an estimated total of 15,000 families or approximately 50,000 people. (The Task Force estimates a typical program would involve a total of 24,000 units or 80,000 people.)

For cities between 250,000 and 500,000 the program would rehouse at least 2,500 families now in substandard units, and involve a total of 7,500 households or 25,000 people. (The Task Force estimates a typical program would involve 12,000 units or 40,000 people.)

For cities under 250,000 percentage estimates would apply, starting with a minimum of 25% of total substandard units. (In the case of a city of about 100,000 this might involve rehousing 1,000 families now in substandard units, and treating a total of 3,000 units affecting 10,000 people.)

The objective is to completely eliminate blight in the designated area and to replace it with attractive, economic housing in a neighborhood with amenities essential to a full life. The techniques can be all embracing, including clearance, rehabilitation and combinations of both.

For example, in Washington, D. C., where 23,000 out of a total of 260,000 units are substandard, a typical program would affect 1/3 of the total number of families living in slum dwellings, have a decisive impact on 10% of the total housing supply and change the face of an area approximately two square miles.

But more than housing is involved in the transformation of a city. At least three other key components are required:

---a change in the total environment of the area affected, with ample provision of public facilities: schools, hospitals, parks, playgrounds, and community centers.

---concurrent attention to human needs, utilizing concepts and methods tested in the Community Action Program and providing for the participation by people affected in demonstration areas, the character of population to be attracted, and for those who might move elsewhere. Depending on the character of the housing stock of a particular community, a competition program might link two cities in a common endeavor, in which a central area makes provisions for middle-income households now excluded by high costs, while an adjacent suburb could provide more heterogeneous accommodations to the benefit of each.

---provision to assure the economic stability and vitality of the community by including commercial and industrial elements that provide jobs and services for central city residents.

Thus the demonstration program differs sharply from the present package of programs such as urban renewal by stressing:

---massive additions to the total supply of low and moderate-cost housing, providing decent housing for families now living in substandard conditions,

---a total approach combining physical rebuilding with human concerns and social programs,

---increased flexibility for local governments to operate outside existing administrative structures and other customary constraints.

---willingness to change traditional patterns of building regulation and trade practices.

#### CRITERIA

The Task Force does not believe that substantive standards as to specific program content should be established -- percentages of housing units to be demolished or rehabilitated, for example, or the number of school classrooms or hospital beds a given population requires. It does believe that certain criteria respecting the scope, broad character, organizational, financial, and administrative arrangements are necessary.

To assure effective execution, it proposes these guidelines:

1. The demonstration should be of sufficient magnitude in both its physical and social dimensions so as to

---arrest trends of blight and decay in entire neighborhoods,

---have a substantial impact on the total development and environment of the city.

2. The demonstration should contribute directly toward closing the gap between the living and housing conditions of disadvantaged and minority groups and the rest of the community. This means

---measures to eliminate social and racial segregation, including assurance of equal opportunity in housing with appropriate financial aids such as rent supplements,

---a system of social services, with specific attention to quality education for youth and adult alike,

---major additions to the supply of community facilities and sound housing,

---maximum opportunities for employment of residents of the demonstration area in all phases of the program.

3. The demonstration should establish appropriate mechanisms to foster development of local leadership and widespread citizen participation

---in the planning and execution of the program

---with special emphasis on participation of people in the areas concerned

4. The demonstration should assure significant reductions in cost without reduction in quality by evidence

---that the structure of real estate taxation will not constitute a substantial deterrent to rehabilitation or new construction

---that building codes and other regulatory practices will be revised to modify any provisions which unnecessarily inflate costs

---that new cost-reducing technologies will be incorporated in construction to the maximum extent consistent with maintenance of quality

---that building trades contractors and workers will correct any existing policies or practices which reduce efficiency and raise costs.

5. The demonstration should make major improvements in the quality of the urban environment by encouraging

---a high quality of design of new buildings and improvements to existing structures

---strategic placement of parks, playgrounds, trees, land-scaping, malls, and other open space throughout the demonstration area

---the improvement and redesign of streets, parks, and public areas

---preservation of structures of historic interest or architectural merit, and careful attention to the blending of new and old structures

---the design of facilities and services to make the area a desirable place of residence for a broad cross-section of the population.

6. The demonstration should include a plan that demonstrates important advances in programs for the satisfactory relocation of people, businesses, and institutions displaced by actions, direct and indirect, taken in the demonstration program, where such relocation is an integral part of the total program and necessary. The components should include

---relocation housing available at costs commensurate with the incomes of displaced people.

---relocation housing in a variety of forms and financial frameworks, including small public housing projects, both of ownership and rental type, private housing with rent supplements, low-rent renovated buildings, and federal mortgage loan assistances.

---relocation assistance to include counseling services and payments for moving expenses, loans to small businesses, assistance in job placement and retraining where necessary, and income maintenance for persons temporarily unemployed.

7. There should be established in each demonstration city an appropriate development authority and administrative mechanism, not necessarily a formal unit of government, to arrive at maximum participation of broad community leadership and commitment of resources, both public and private, for the planning and implementation of the program. This to be evidenced by

---a serious commitment to the demonstration program on the part of the mayor, the city council, and where their operations are relevant to the demonstration, the state government and major independent local governmental units.

---intergovernmental agreements negotiated to facilitate joint action of central cities and neighboring communities where required to deal with problems such as relocation, mass transit, and recreation facilities.

---assurances of full participation and representation on the part of private leadership groups in business, labor, welfare agencies, and citizen organizations.

---land assembly and compensation powers adequate for the effectuation of the program.

8. The demonstration should show that the program has available adequate financial resources, including assurances of

---maintenance of the quality and scope of municipal services, both in the project area and in the remainder of the city.

---adequate appropriations to meet the city's share of the program's expenditures.

---commitments or market feasibility studies of the availability of anticipated private investment.

---maximum use of existing local, state, and federal programs.

---maximum inducement for private participation.

9. The demonstration should be programmed to:

---maintain or establish a predominantly residential character in the area selected.

---facilitate the transfer of new and rehabilitated housing to resident owners, cooperatives, and non-profit groups.

---extend for an initial five-year period, with provision for significant achievements within a two-year period.

---where appropriate, provide for phasing beyond the five-year period.

10. The demonstration should take into consideration and be consistent with

---existing general plans for the communities and metropolitan areas involved.

---transportation plans dealing with coordinated use of all appropriate modes of city and regional transportation, linking residents with other sectors of metropolitan areas.

COSTS

The Task Force has estimated the Federal subsidy needed for the demonstration programs on the basis of "unit blocks." That is, staff analysis has estimated the costs of treating a typical area containing a representative range of housing conditions in each of the three size categories of cities. Cost elements include physical improvements to housing, social programs necessary to achieve the human purposes of the demonstrations, and community facilities required for the improvement of the neighborhood.

These gross costs for a single demonstration unit are then totaled to estimate the gross costs of treating various areas in the three city categories, with only minor adjustments in some overhead items because of the change in scale. Estimated annual receipts from the sale of rehabilitated and new dwellings are then subtracted from these gross costs, and the extent of Federal subsidy is derived from this net cost figure.

The minimum and expected typical size of a demonstration area are shown for each size of city in Table I. Estimated gross expenditures for a typical demonstration in each size of city are shown in Table II. Annual outlays for the total program, minus annual receipts from the sale of housing, indicate an estimated total net cost of \$2.3 billion for five years, of which the Federal share is approximately \$1.9 billion (Table III).

In the first year the net cost to the Federal government will be \$13,200,000 -- the cost of the initial preparation for the qualifying cities (roughly double the number eventually selected for the demonstration). In the next three years the net project costs will range between \$757 and \$890 million, with the Federal share pegged at 80%. Net total costs drop to \$25 million in the fourth year. In the fifth year there is net income of \$150 million because of the excess of receipts over gross costs. Further details of analysis are provided in staff documents.

Table I

Central City Demonstration Projects

Estimated Number of Households Affected in Each City by City Size Group

<u>Population</u>	<u>Number of Demonstration Cities</u>	<u>Number of Households in Project in Each City</u>			
		<u>Minimum</u>		<u>Typical</u>	
		<u>Substandard : Total</u>		<u>Substandard : Total</u>	
500,000 or more	6	5,000	15,000	8,000	24,000
250,000 to 500,000	10	2,500	7,500	4,000	12,000
Less than 250,000	50	500*	1,500	650	2,000

\* No less than 25 percent of substandard units in city

Table II

Central City Demonstration Projects

Estimated Gross Expenditures for Revitalization of Areas of 2,000,  
12,000, and 24,000 Households  
Assuming medium Costs and Clearance  
(Amounts in Millions of Dollars)

<u>Types of Cost</u>	<u>Number of Households Affected</u>		
	<u>2,000</u>	<u>12,000</u>	<u>24,000</u>
<u>Housing</u>			
Acquisition	11.7	70.0	140.0
Demolition	.2	1.0	2.0
New housing to replace demolished units	2.0	12.0	24.0
Rehabilitation of remaining units	7.0	42.0	84.0
<u>Community facilities</u>	4.5	27.0	54.0
<u>Social programs</u>			
Community participation and organi- zation (including staffing of facilities)	1.0	3.3	5.0
Programs-education, vocational train- ing, etc.	.8	4.8	9.5
<u>Relocation</u>	1.0	6.0	12.0
<u>Planning and administration</u>			
"Seed money" for qualifying cities (Including expenses for approximately double the number of cities to be finally selected)	.1	.2	.3
Planning and administration in demon- stration cities	3.0	5.0	7.0
<b>TOTAL</b>	<b>31.3</b>	<b>171.3</b>	<b>337.8</b>

Table III

Central City Demonstration Projects

Summary of Gross Costs, Receipts and Net Cost by Years for all Projects  
(Amounts in Millions of Dollars)

<u>Year</u>	<u>Gross Cost</u>	<u>Receipts</u>	<u>Total Net Costs</u>
0	13.2	---	13.2
1	772.7	15.8	756.9
2	1027.4	241.5	785.9
3	1687.8	798.0	889.8
4	884.3	859.6	24.7
5	920.6	1071.0	-150.4
Total	5306.0	2985.9	2320.1
Federal Share (80 percent)			1856.1
Average Federal Share Per Year (Fiscal 1967-1972)			371.2

## THE BENEFITS

The cities qualified in the final stage of the selection process would receive two types of Federal assistance:

---the complete array of available grants and urban aids now existing in housing, renewal, transportation, education, welfare and other related programs, to the maximum extent authorized by existing legislation, and allocated on a priority basis similar to that presently used in programs of the Office of Economic Opportunity.

---supplemental funds at a ratio of 80% federal -- 20 % local funds, representing the differences between the allowances available under existing aid programs and the demonstration program cost; subject to a maintenance of effort provision in which the fiscal effort of the community should not be less than 105% of its customary expenditures in the categories of aids required in the program, taking average expenditure of the three years immediately preceding as the base.

## ADMINISTRATION AND FINANCING

To assure effective program execution and timely federal assistance, for each demonstration program

---a Federal coordinator should be assigned to the city to bring together and make available in coordinated fashion, all the relevant Federal aids.

---these funds, once authorized by the Federal agencies involved, should be made available in a common account drawn on at the discretion of the community in conformance to its program requirements and by certification of the expeditor.

---the Federal share in total aids should be on an incentive basis: geared to increase as program performance indicates success in achieving or exceeding goals in unit cost reduction and not obligated to carry costs in excess of original program estimates (in effect reducing the Federal share of total costs in these instances).

## DEMONSTRATION PROJECTS IN METROPOLITAN PLANNING

Although the Task Force believes the Demonstration City Program is the most effective way of accomplishing the urban turnabout, it is highly conscious of the geographical and jurisdictional constraints under which these programs will initially operate. We have already made clear some of the complications of large demonstrations that involve issues of rebuilding, relocation, and changes in population composition. Some of these problems will ultimately only be solved in the context of metropolitan areawide strategies.

Accordingly, the Task Force desires to encourage the many metropolitan planning agencies that, with the assistance of recent Federal legislation, have taken the first steps in fashioning these strategies. It believes effective metropolitan planning will increase the benefits of the Demonstration City Program; ease the tasks of the new Department at the regional level; and strengthen emerging intergovernmental collaborative arrangements vital to the orderly development of our large metropolitan areas.

The Task Force recommends a demonstration project in metropolitan planning in which the most advanced approaches and techniques would be employed including

---balanced consideration of physical and human development programs.

---coordinated treatment of alternative modes of regional transportation planning.

---technical innovations in metropolitan data banks, systems analysis and other new social science methods, and new educational and training programs.

---new arrangements for coordinating the developmental decisions of the different governments.

We propose six to ten planning demonstrations undertaken in a variety of metropolitan areas of differing locations and sizes. These demonstration projects should work closely with HUD in their contract consultants, review committees and central research programs to develop specialized personnel, methods and techniques.

The Task Force estimates the cost of developing this strategy at \$650,000 per demonstration, for a total sum of \$6,500,000 for the initial demonstrations. This figure is based on the experience of metropolitan planning studies presently funded by government departments, and constitutes, in our opinion, a most justifiable level of expenditures. The cost of this program would be spread over a three-year period.

### ADVANCES IN CIVIL RIGHTS

In its organizational recommendations, the Task Force took note of the need to bring together and improve the operation of many of the programs concerned with securing the civil rights of all our citizens. We believe a further immediate step should be taken:

---the extension of the Executive Order barring discrimination in housing, to cover all housing that is legally subject to Federal direction. It is clear that at the present time there are continuing efforts to avoid the requirements of nondiscrimination by employing special routes of financing. These efforts not only impair the effectiveness of the total civil rights program but they place serious secondary economic and social barriers in a constructive urban development process, imposing unnecessary public costs and frictions.

### NEW APPLICATION OF TECHNOLOGY

Major breakthroughs in construction technology and its application are essential corollaries to the demonstration cities. Accordingly, the Department should institute a program to provide incentives needed to stimulate research and development in the housing field by industries and universities. The program should stress the application of advanced techniques and new materials and products and the development of a sustained market in sufficient volume to realize the economies and cost reduction of mass production.

It could proceed through regional centers patterned after agricultural experimental stations with the cooperation of industry and builders to test products, methods and total structures.

### OTHER LINES OF ATTACK FOR FUTURE STUDY

The demonstration programs the Task Force recommends are conceived as keystones of a new approach to urban development -- first priority items. By and of themselves, however, they cannot achieve

the complete policy redirection present urban programs require. They should be accompanied by changes in existing programs that strengthen our total national effort and that are consistent with the organizational arrangements of the new Department. In our judgment, at least seven major steps are appropriately among the first items of business for the Secretary's attention:

---comprehensive analysis and appraisal of the role of the Federal government in assisting the building of entirely new urban communities as alternatives to the unplanned development at the fringe of our metropolitan areas.

---inauguration of major research and development activities focused on innovations in technology and management in urban design, data processing, planning, and construction, including tangible encouragement to communities that adopt and apply advanced techniques.

---preparation of a new grant-in-aid program to meet the needs for increased operating expenditures in the cities.

---reformulation of policies in housing credit and insurance to deal more effectively with special categories of housing needs.

---preparation and application of a metropolitan "workable program" to offer a consistent, comprehensive guide for Federal aid programs that have a major influence on the pattern of urban development.

---a program of short-term options for advanced land acquisition by public agencies to combat speculative escalation of urban land prices.

---careful examination of new alternatives in the field of civil rights and housing to expand the nation's efforts in this vital area.

---renewed attention to the urban transportation programs, including the preparation of a new program for the coordination of transportation facilities into integrated, modern, complete transportation systems.

#### 1. New Communities

Our existing urban centers, however revitalized and rebuilt, cannot

accommodate all the urban Americans of the next generation. Even if present migration trends are stabilized, the Task Force does not recommend a return to the high densities and congestion of cities of the past. With three million new residents added each year to our present urban population, new communities and new patterns of land use are inevitable.

To provide an alternative to suburban sprawl, entirely new concepts of community design are required. Prototypes of these "new towns" are now coming into being, as in Reston, Virginia and Irvine, California, promising changes of such magnitude so as to

---enlarge the entire scale of the building process, providing new homes and jobs for hundreds of thousands of people.

---make possible efficiencies in construction, land development, and municipal services heretofore unrealized.

---alter the entire composition of an urban community by offering a variety of homes available over a wide range of incomes and creating balanced resident and employed population.

---assure new achievements in environmental design, with integrated transportation systems, and open spaces free from pollution.

On the basis of staff analysis, the Task Force believes that the private sector should continue its prominent role in new town development. But our survey of present ventures indicates that there are certain "threshold" problems and costs which may appropriately fall to the public sector. These may include:

---assistance in land assembly and the provision of capital requirements particularly in community facilities and initial land purchase.

---assistance to local governments in the areas involved, by planning in anticipation of the impact of new towns, and assuring that the new communities are consistent with relevant metropolitan plans.

---encouragement of heterogeneous population composition and the fostering of intergroup relations.

---help in the solution of marketing problems, by coordinating the locational requirements of government installations

and assuring adequate economic bases for the communities.

---protecting the economic position of the urban core by encouraging the central city to participate in the development of new communities, providing for the decentralization of low-income families, and by strengthening the economic vitality of the city.

The Administration has already given careful consideration to the appropriate role of the Federal government in such enterprises, including making available credit and loans. Other alternatives should be considered including:

---establishment of state and federal development corporations to solve some of the more difficult problems of land assembly and reduce the possibility of unwarranted land speculation.

---technical assistance in planning to assure the best quality of design and execution now available.

---deferred interest charges on loans to reduce the critical "get-going" costs of such enterprises.

---special arrangements for the timely provision of community facilities aid under existing grant programs.

---Federal promotion of an independent and complete urban center, with all requisite industrial, commercial and cultural facilities. In this case, the city should be promoted as a part of an overall regional development program on a scale appreciably larger than a typical satellite community -- perhaps 200,000 to 500,000 people. Its establishment could serve to promote extensive new industrial development in a previously depressed area such as Appalachia, using available public land with structures in public or private ownership. Or such a city could relieve population congestion in a densely occupied zone such as the Northeast Corridor. For whatever purpose, this city could serve as a yardstick for performance for "new communities", a place of experimentation in planning and construction. Such a project could be undertaken almost immediately and at very low cost to the Federal government.

All these possibilities should be actively explored by the Secretary to make sure that constraints of capital and pressures of time do not reduce the scale of the new communities, or cheapen their quality.

## 2. Research and Development

The 1964 Task Force report emphasized the paucity of research funds expended in the housing industry -- a rate six to ten times below that of the nation's growth industries. Subsequently the Administration proposed the establishment of a National Institute for Urban Development.

Now we believe first priority should be given to exploring the means by which large new markets in housing and urban development can be created and systems analysis and management carried out on a scale that results in sharply reduced unit housing costs. One way to accelerate this new approach is for the Institute to work directly with the new Commission on Codes, Zoning, and Development Standards in encouraging expanded research in this area. Another is to provide incentives for direct local action. After the first demonstration program is underway, cities could be invited to present programs utilizing systems analysis and proposing total treatment of the development process. Block unrestricted grants for such planning and experimental programs, under a flat ceiling limitation could be made available.

## 3. Block Grants for Municipal Operating Expenditures

One of the critical problems facing local governments is the shortage of operating funds. The Task Force believes careful consideration should be given to a block grant program for localities on a matching basis. The program should take into account both local need and capabilities and emphasize assistance to core cities and inner suburbs where operating funds are most urgently required. It would make assistance available on a non-categorical basis, and thus leave decisions as to priorities among operating needs in the hands of the local government.

Feasible ways to construct genuine equalization formulas are now available, as evidenced by the research of the Advisory

Commission on Intergovernmental Relations. For example, one formula attractive by its precision and simplicity would allocate funds on

--- a need basis related to the average per capita expenditure for urban social services in cities of the population class to which a given city belongs, with a sliding scale fixed according to the specific relative position of the city to the average.

--- modified by a fiscal capability basis related to the average per capita expenditure of cities in the same per capita income class within its population class.

--- the allocation being the difference between need and effort so established; the dollar amount for any city being a percentage of the total program funds available.

The elaboration and refinement of such a program was not possible within the time and resources available to the Task Force. Further, we recognize that grant-in-aid revisions need to be viewed in the larger context of general fiscal policy and possible reform of categorical grant policy. However this technique may prove to be a powerful tool in assuring immediate responses to pressing urban public needs and guaranteeing effective use of Federally assisted facilities. We urge the Secretary to give it high priority among possible recommendations for legislation.

#### 4. Policy Changes in Existing Credit Programs

The Task Force shares the view of its 1964 predecessor that substantial modifications of Federal mortgage and guarantee programs are in order, to redirect these instruments to contemporary needs. Further, we believe the reorganization of constituent agencies formerly in HHFA in the new Department makes such adjustments especially appropriate at this time.

We urge, therefore, for the Secretary's attention:

--- increased emphasis on the special-purpose programs now authorized in the Federal Housing Administration and the Federal National Mortgage Association to encourage

specialized entrepreneurs in the low-income housing markets such as cooperatives and non-profit housing corporations.

---continued exploration of alternatives beyond rent supplements in moderate-income housing financing, including variable direct interest subsidies, subordinated Federal loans, direct capital grants, and temporary direct loans.

---a close relation between conventional FHA activities and the special assistance programs, including assurance that the total program in a given community overcomes the unbalanced housing accommodations that result from special FHA policies particularly in the suburbs. In this respect, the availability of FHA financing in Section 207, 203 and 213 might be related to workable program requirements to assure production of low-income housing as a prerequisite to the Federal support of middle and upper income mortgage markets.

Changes such as these would greatly improve the effectiveness of our credit programs in meeting current urban needs and, in the long run, promoting the reduction of housing costs.

##### 5. A "Workable Program" for Metropolitan Areas

The present uncoordinated and at times contradictory impact of Federal aid programs on the growth pattern of individual metropolitan areas is a major handicap to the total approach the Task Force envisages. Although considerable progress has been made in recent years in keying transportation, open space, and housing assistance to comprehensive metropolitan planning, further steps are now appropriate. Especially with the inauguration of demonstration planning grants, the Secretary should move through the Council on Interdepartmental Coordination recommended in our organizational proposals to assure that the majority of Federal aid programs are contingent on the existence in metropolitan areas of:

---a comprehensive planning process dealing with

---development projects clearly regional in nature, such as water and sewage facilities, highways, airports, open space, recreational projects, large-scale housing and industrial developments.

---including areawide standards of development control mechanism and relocation procedures.

This requirement, even if gradually applied, would stimulate cooperative arrangements among urban governments in a metropolitan area to identify mutual areawide problems, develop collaborative action programs, and strengthen the exchange of information and liaison. It would encourage already existing positive trends toward interlocal cooperation now represented by regional planning agencies, councils of governments, the transportation planning projects required in the 1962 Highway Act, and the quasi-public, quasi-private regional development associations.

The first phase of implementing a workable metropolitan program should be by a Federal cash contribution of unearmarked aids to provide incentives to metropolitan agencies, with appropriate provision for local maintenance of efforts.

#### 6. Combating Speculative Escalation of Property Values

Disclosure that government intends to acquire real property in a particular area often triggers a speculative bidding up of property values, with the result that ultimate acquisition cost is substantially inflated. We urge that study be given to an arrangement under which the Congress would appropriate a sum of money to the President used to finance the purchase by private agents of short-term options on real property in advance of disclosure that public purchase may occur. These funds could be used in connection with prospective property acquisitions of any agency of the Federal government, or they could be used for confidential grants to state or local governments to finance the optioning of property which may be needed to carry out a federally supported program. The President would make an annual detailed report to the Congress on the use of these funds.

#### 7. Renewed Attention to Urban Transportation Problems

In recent years, the Federal government has explicitly recognized the strategic role of transportation in guiding future urban development. Highway funds are now contingent upon the preparation of metropolitan plans. Research, development and demonstration funds are available for urban mass transportation. Taken together

with commuter rail systems, these two components constitute the elements of a coordinated transportation program to serve the present needs of a community, provide choice of conveyance, and work in the direction of a rational land use distribution. While the primary responsibility for capital requirements for public transportation appropriately rests with local areas, supplementary Federal assistance is needed in the form of loans, grants, and research and development projects. The mass transportation program authorized by the Act of 1964 is scheduled to expire in June, 1967.

#### 8. New Alternatives in Civil Rights and Housing

The close relation between the availability of housing accommodations and the progress on the civil rights front is now obvious in every large American city. Indeed, the growing problem of de facto school segregation stems directly from artificial barriers imposed on the choice of housing by Negro citizens. Unless this aspect of the housing program is attacked vigorously and imaginatively, surface tensions and stresses are bound to multiply.

The Task Force believes that the establishment of the new Department provides an unparalleled opportunity to develop new techniques to assist the goal of fair housing and open occupancy. It urges the Secretary to give high priority to the development of such a comprehensive and imaginative program.

DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

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Proposed Plan of  
Organization

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ADMINISTRATIVELY

CONFIDENTIAL

TASK FORCE - FINAL  
December 14, 1965

DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

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Proposed Plan of  
Organization

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ADMINISTRATIVELY

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TASK FORCE - FINAL

December 14, 1965

Prefatory Note

The Proposed Plan of Organization submitted herewith is the Task Force Subcommittee draft of November 26, revised to meet the views of the Task Force as expressed at the Washington meetings of November 26 and 27, December 4, and December 12.

Proposed  
Plan of Organization  
for the  
Department of Housing and Urban Development

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Proposed  
Plan of Organization  
for the  
Department of Housing and Urban Development

I.

Conclusions and Recommendations

A. The Organization

1. Basic Objectives

The establishment of a new Department provides an unique opportunity to create an organizational structure specially designed to enable the Department to fulfill its basic tasks and mission.

The organization of the Department of Housing and Urban Development must be shaped to give the best possible administration to the specific programs entrusted to the Department, and to be resilient enough to flex and grow as new programs are confided to it, or old ones expanded and modified.

The Organization Plan must enable the Department to provide for full and unified consideration of the needs and interests of the Nation's communities and of the people who live and work in them. Among other things, this means that it must recognize the integral relationship of the physical and social environments. At the same time, the Organization Plan must enable the Department to assist the President in achieving that essential coordination of Federal activities which materially affect urban, suburban and metropolitan development. The form of organization must be creatively fashioned to be hospitable to inter-governmental cooperation and to local and private action helpful in solving problems of housing, urban development and mass transportation, and, of course, the form of organization must be such as to encourage a vigorous private homebuilding and mortgage lending industry.

The attainment of these objectives will require a reshaping of existing administrative patterns.

## 2. The Secretary

The proposed organization establishes a "strong" Secretary exercising unified control over his Department. He is provided with a strong staff structure which should enable him to perform effectively all essential management functions, including such vital ones as policy formulation and control, program evaluation, development of standards and procedures, budgetary control and research.

In view of the importance of the Under Secretary and the Assistant Secretaries, it would assist in attaining the objective of unified control if the Secretary were given a significant voice in the making of these appointments.

## 3. Headquarters Structure

Careful consideration has been given to the respective merits of a "functional", as contrasted with a "divisional" (regional) type of organization. In the first, authority runs along functional lines from several headquarters chiefs to their program counterparts in the field. Such an organization is reminiscent of operations under HHFA. In the divisional organization, headquarters units would be utilized primarily as staff with responsibilities which would include policy formulation, program evaluation, development of standards and procedures, budgetary controls and research. Responsibility for the day to day carrying out of programs and policies would be vested in strong Regional Administrators reporting directly to the Secretary through the Under Secretary.

Consideration was also given to a part "functional", part "divisional" organization in which certain Assistant Secretaries would have line responsibilities reaching into the field operationally along functional lines, while other Assistant Secretaries would have staff responsibilities only. Such an organization has been discarded as depriving the Secretary of necessary staff at the Assistant Secretary level. In addition, such an organization would blur lines of command in that the Regional Administrator, and those under him, would receive directives from more than one source.

The proposed Plan accepts unqualifiedly the concept of a strong regional organization with a direct line of command running

from the Regional Administrator to the Secretary through the Under Secretary. This is most consistent with a strong unified Department with ultimate power and responsibility resting clearly in the Secretary. It will relieve headquarters units generally of responsibility for day to day operations and provide the time and responsibility for vital staff functions. Moreover, as will appear, such an organization will put the answers into the field where they belong.

#### 4. Field Structure

Day to day operations will be unified under a number of Regional Administrators. The Regional Administrator will be responsible for the effective administration of Departmental policies, functions and programs in his region.

The Regional Administrator should be well paid and competent. He should have understanding of and sympathy with the programs and policies entrusted to him, and should have proved administrative ability. He reports to the Secretary through the Under Secretary. (See p. 9)

#### 5. Staff Organization and Personnel System

Unification of control and decentralization of day to day operations will require maximum consolidation of similar staff functions. Sound administration will create one unified Departmental career system to replace the four or more separate and distinct "career ladders" now existing (FHA, PHA, FNMA and OA, including URA and CFA).

There will be significant opportunities for economy and efficiency as like technical staffs are consolidated for recruitment, training, promotion and operational purposes. The careful reexamination of differences in techniques between similar programs will be a very important consequence of this consolidation.

Even more important, however, will be the effect of staff consolidations in breaking down now obsolete loyalties to narrowly defined existing programs. It will become clear to Departmental staff that their personal horizons have been broadened rather than endangered by the basic reorganization recommended.

B. Transfer and Coordination of Federal Programs

The transfer of a program or a function into the Department is not recommended unless control (as distinguished from coordination) is viewed as being important to the achievement of the Department's mission. Where such a program or function is severable, only that part is transferred into the Department as relates directly to the Department's mission. The transfer out is recommended on the basis of reverse criteria. From time to time, other Federal programs and functions should be reviewed to see whether they should be transferred into HUD, including a careful analysis of the many components of the Civil Rights programs.

Since a Plan of Organization must follow substantive programs and functions, decisions on the recommendations will shape the form of the organization.

1. Transfers into the Department

- (a) Community Action Programs. We must recognize that the social problems of the cities have led to turmoil, strife and great dangers. Many of these problems are inextricably tied to the physical environment. In the judgment of the Task Force, they should be treated together.

Community Action Programs of the Office of Equal Opportunity deal directly with the social environment of the City. Such programs could and would add important "human" dimensions to a Department that would otherwise be preoccupied with the physical environment alone. Moreover, the Department with its funds, programs and new status would lend needed strength to the Community Action Programs. This would tend to make them more successful and meaningful and to give them essential continuity.

It is believed that the OEO programs must soon find permanent homes in Executive Departments. A number already have. In the judgment of the Task Force the Community Action Programs are vital to the performance of the new Department's total responsibilities and should be transferred to it.

The Plan of Organization insures that Staff responsibilities for CAP are given to an Assistant Secretary. These will be his principal duties. When transferred, the announcement should make clear that in the President's view the transfer

is positive and necessary to the performance and long range success of CAP and to make our cities truly livable.\*

- (b) Veterans Administration Mortgage Guaranty and Direct Loans. The functions of the Veterans Administration with respect to Veterans Mortgage Guaranty and Direct Loans should be transferred to HUD. This function is still substantial (\$3 billion in 1963, of which \$2 billion was old and \$1 billion was new), and will grow. It is parallel to the functions performed by FHA. While leaving the eligibility certification with the Veterans Administration, this transfer will insure continuity of the Veterans Administration's Guaranty and Direct Loan Programs and will make them more efficient and helpful to veterans. It will assist the builder in that it will provide a one-stop service.

## 2. Transfers Out of the Department - College Housing

This is more suitably assigned to HEW.

## 3. Special Functions

- (a) Metropolitan Transportation Planning. Orderly urban growth must take into account and deal effectively with the 3 R's of transportation--Road, Rail, Rapid Transit. Unless planning extends to all three, no serious planning can be undertaken. In this case, coordination is a poor substitute for unified planning.

It is therefore recommended that the policy determination of whether and where such roads should be located in the metropolitan area should be a responsibility of HUD. The Bureau of Public Roads would retain all construction and engineering responsibilities, as well as the funds.

- (b) Clean Air, Clean Water and Solid Waste Disposal. Clean air and clean water are essential to a modern metropolitan community. Water supply and sewage lines shape future suburban, and hence future metropolitan, development. HUD now has some responsibilities for sewage and drainage programs. Air pollution has its principal impact in urban areas.

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\* One member, Mr. Kermit Gordon, dissents from this recommendation for reasons that he submitted to the Task Force in writing.

While it is recommended that other Departments have, and should continue to have, responsibilities in these areas, planning responsibilities with respect to metropolitan clean air, clean water and solid waste disposal should be discharged by HUD.

4. Coordination of Federal Programs

All other Federal activities affecting housing and urban development shall be coordinated under the leadership of the Secretary of HUD at the direction of the President. This shall be done through a Council on Interdepartmental Coordination. The President will no doubt wish promptly to issue an appropriate directive to the Secretary of HUD and to the Secretaries and Heads of other affected departments and agencies. It would be appropriate for the directive to stress the importance of responsible Departmental and Agency participation and to require a section on coordination of such activities to be included in the Secretary's annual report.

II.

The Plan of Organization-Headquarters

A. The Secretary

1. The Secretary, as Head of the Department, has all of the ultimate responsibility and power that that implies. The proposed organization is designed to enable him to be the Head of the Department in fact, as well as in name.
2. Attached to the Secretary's office is a cluster of general Staff functions: General Counsel, Office of Congressional Relations; Office of Public Information, and Assistant Secretary for Administration. The Office of Congressional Relations should be an effective vehicle for translating Departmental policies and programs into meaningful Congressional and Legislative terms.

B. The Council on Interdepartmental Coordination

As already stated, it is proposed to establish a Council on Interdepartmental Coordination to enable the Secretary to carry out his leadership responsibilities in coordinating Federal activities

affecting housing and urban development. The proposed Council will be principally at the Secretarial level and will consist of: Chairman: Secretary, Department of HUD; Members: Secretaries of Defense, Interior, Commerce, Labor, and Health, Education and Welfare. The Council should also include the Heads of the FAA, GSA and HLBB.

The Director of the Office of Economic Opportunity is not included since it is proposed to transfer the Community Action Program to HUD. If this should not be accomplished, the Director should be on the Council.

The Director of Urban Program Coordination (established by the law) shall head the Secretariat of the Council.

#### C. The Under Secretary

1. The Under Secretary, subject to the direction of the Secretary, is the Chief Operating Officer of the Department. All Regional Administrators will report to him and he will be responsible to the Secretary for the achievement and coordination of policies, functions and programs that are operational. Through the field forces, the Under Secretary must be responsible for the coordination of HUD programs and coordination between HUD programs and the programs of other Federal, State and Local agencies in the field. Although the certification and annual recertification of basic plans, including workable programs, will be decentralized to the Regional Administrator, the Under Secretary will have supervisory responsibilities with respect to this important control.
2. Because of the inherent nature of a "one over one" type of organization, the Secretary should have a significant voice in the selection of the Under Secretary.

#### D. The Deputy Under Secretary

1. The Deputy Under Secretary shall be responsible for policy formulation, special demonstration projects and program evaluation. Since these responsibilities are vital both to future and existing programs, and since these responsibilities relate to the functions and programs of the entire Department, it is felt that they should be lodged in one who is not on an organizational level with the Assistant Secretaries. The Deputy

Under Secretary should, if possible, be paid as much or slightly more than the Assistant Secretaries and should be appointed by the Secretary after being personally satisfied of his fitness and qualifications for the position.

2. Reporting to the Deputy Under Secretary shall be the Committee on Research which shall consist of the three Directors of Research who head the three Research Offices. The Committee on Research is primarily a research coordinating group. (See p. 9) The Institute for Urban Development will also report to the Deputy Under Secretary.

#### E. The Assistant Secretaries

The Assistant Secretaries, together with the Deputy Under Secretary, should, together, constitute a strong, dynamic staff group. For the reasons stated in Article I, the Plan of Organization confers no line responsibility upon them. Within the programs and responsibilities delegated to them, or specially assigned by the Secretary, there is no aspect of the Secretary's broad policy making responsibilities which should be immune to their searching inquiry. Ideally, they should be regarded as a unified staff with close professional relationships under the leadership of the Secretary. If at all possible, the Secretary should have a significant voice in their appointment.

1. Assistant Secretary-Financial Assistance. The Assistant Secretary - Financial Assistance is also the FHA Commissioner. Under the Assistant Secretary are clustered the staff responsibility for the FNMA, the Office of Mortgage Insurance (includes the FHA and the mortgage insurance functions of the Veterans Administration) and the Office of Credit Policies. The Office of Credit Policies has staff responsibility for the programs shown on the Organizational Chart (Sheet 1). These are primarily direct payment programs. It should be noted that the functions of the Public Housing Authority have been separated and that staff responsibility for the financial aspects has been placed in the Office of Credit Policies under the Assistant Secretary - Financial Assistance.
2. Assistant Secretary - Physical Facilities. Under this Assistant Secretary have been clustered staff responsibility for those programs and functions relating primarily to physical environment, including large scale subdivisions and new developments. Sheet 1 of the Plan of Organization sets out the details.

3. Assistant Secretary - Community Action Programs. This Assistant Secretary has staff responsibility for all Community Action Programs (proposed to be transferred from the Office of Economic Opportunity). Because the problem of Civil Rights is central to the reconstruction of cities, the Assistant Secretary must give it special attention and close liaison with agencies and units charged with responsibility in this area. There is also the Office of Intergroup Relations and the Office of Relocation Assistance.
4. Assistant Secretary - Intergovernmental Cooperation. Under this Assistant Secretary are several offices dealing with intergovernmental cooperation, including notably the Office of Technical Assistance and Information, which includes the clearing house functions of the Department.
5. Research. A separate Office of Research has been established under each of the first three Assistant Secretaries. It is believed that the functions and programs of these three Assistant Secretaries are sufficiently disparate so that it will not be duplicitous to have three such offices. Indeed, it would be inevitable for the three Assistant Secretaries to have their own Research Assistants, whether expressly so designated or not. However, to insure coordination between such offices, and to make certain that such facilities as a research library, for example, exist in common, the Directors of these three offices are brought together as a Committee on Research directly under the Deputy Under Secretary.

### III.

#### The Plan of Organization - Field

##### A. The Regional Administrator

1. The Regional Administrator reports to the Secretary through the Under Secretary. He is, therefore, the Chief Operating Officer for the Region. All policies, programs and functions of the Department that are operational in his Region are unified under him. This would also include special demonstration projects.
2. Clustered under him are such positions as Regional Program Budget Officer; Regional Assistant for Public Information, and Regional Assistant for Administration.

3. The ideal Regional Administrator will maintain close and effective relationships with Senators, Members of Congress, and State and Local Government officials from his Region. It would be expected that by virtue of his character and ability and the delegation of power to him, he would be able to take responsible action in the great preponderance of instances without resort to Washington.
4. Under a divisional Plan of Organization, the operational success of the Department will depend principally upon the quality of the Regional Administrator. He should be well paid and carefully selected on the basis of high qualification standards. His appointment should be at the discretion of the Secretary and excepted from career service classification in order to permit the Secretary maximum flexibility in selecting the most outstanding candidates from within as well as without the federal service. The policy formulations at Headquarters should of course be sufficiently detailed so as to insure relatively uniform application nationally. However, uniformity should not be obtained at the expense of the judgment and discretion of the Regional Administrator. It will be the responsibility of the Secretary to make certain that the natural inclination of Headquarters Staff to control operations through overly-detailed policy formulations is not given such scope as to deny to the Regional Administrator the responsibility and opportunity to exercise judgment and discretion.
5. Considerable authority will be vested in him through the power which he should possess to certify and annually to recertify basic plans, including workable programs. His exercise of this power is of course subject to policies to be given him and to the supervisory responsibility of the Under Secretary.

B. Regional Office for Coordination of Departmental Programs (Coordinators Geographically Assigned)

Attached to the Regional Administrator is the Office for Coordination of Departmental Programs, with the Coordinators being geographically assigned. Every local community having a HUD program will be served by a Regional Coordinator. He is the point of contact between the Regional Office and the metropolitan area, including the local communities within the metropolitan area. From the drawing up of required plans, to the preparation of applications, to expediting their review by the Regional Office Staff, to checking on the execution of projects, the Coordinator advises, guides and stimulates the local community into taking advantage of Federal urban programs. At the same time, he assists these communities in meeting requirements for such Federal aid.

Although based physically in the Regional Office, the Coordinator will spend a good deal of time in the metropolitan area or areas he serves.

C. Assistant Administrators

Four of these Assistant Administrators are the program and operational counterparts of the four Assistant Secretaries. The fifth Assistant Administrator carries out in the field the interdepartmental coordination functions discharged at Headquarters by the Council on Interdepartmental Coordination. He undoubtedly will be assisted in this by the Director of Urban Program Coordination, who heads the Secretariat to the Council.

It will be kept in mind that other Federal programs will be in Departments or Agencies where decision making will not be as decentralized as is proposed here. Hence, Regional representatives of such Departments and Agencies will be referring coordination matters raised by the Assistant Regional Administrator to Washington for decision. It is important that this not be permitted to recentralize HUD functions in Washington and that HUD decisions are kept in the field.

**SECRETARY**  
**UNDERSECRETARY**

**COUNCIL ON INTERDEPARTMENTAL COORDINATION**  
**DIRECTOR OF URBAN PROGRAM COORDINATION**  
**SECRETARIAT**

**ASSISTANT SECRETARY FOR ADMINISTRATION**  
**OFFICE OF PUBLIC INFORMATION**  
**GENERAL COUNSEL**  
**OFFICE OF CONGRESSIONAL RELATIONS**

**DEPUTY UNDERSECRETARY**  
**POLICY FORMULATION, SPECIAL DEMONSTRATION PROJECTS AND PROGRAM EVALUATION**  
**COMMITTEE ON RESEARCH**  
**INSTITUTE FOR URBAN DEVELOPMENT**

**ASSISTANT SECRETARY**  
**FINANCIAL ASSISTANCE (1)**

**ASSISTANT SECRETARY**  
**PHYSICAL FACILITIES**

**ASSISTANT SECRETARY**  
**COMMUNITY ACTION PROGRAMS**

**ASSISTANT SECRETARY**  
**INTERGOVERNMENTAL COOPERATION**

**FNMA**  
**Office of Mortgage Insurance (2)**  
**Office of Credit Policies**  
**Office of Research**  
**Director of Home Mortgages**  
**Director of Project Mortgages**  
**Director of Property Improvement Loans**  
**Community Facilities**  
**PHA**  
**Rent Subsidies**  
**Urban Renewal**  
**Open Space**

**Office of Property Assembly, Management, and Disposition**  
**Office of Community Facilities Policy**  
**Office of Metropolitan Transportation Planning**  
**Office of Environmental Beautification**  
**Office of Research**  
**Urban Renewal**  
**PHA**  
**New Communities and Subdivisions**  
**Waste Disposal**  
**Air Pollution**  
**Water Supply**  
**Rail**  
**Rapid Transit**  
**Roads**

**Office of Citizen Participation**  
**Office of Relocation Assistance**  
**Office of Intergroup Relations**  
**Office of Research**

**Office of Technical Assistance and Information**  
**Office of Regional and Metropolitan Planning**  
**Office of Community Development Plans**  
**Clearing House**  
**Temporary National Commission on Codes, etc.**

**REGIONAL ADMINISTRATOR**

(1) This Assistant Secretary is also the FHA Commissioner as required by law.  
(2) This is also the Federal Housing Administration as required by law.

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**REGIONAL  
ADMINISTRATOR**

**REGIONAL  
PROGRAM  
BUDGET  
OFFICER**

**REGIONAL  
ASSISTANT  
FOR  
PUBLIC  
INFORMATION**

**REGIONAL  
ASSISTANT  
FOR  
ADMINISTRATION**

**REGIONAL ASSISTANT  
FOR CONGRESSIONAL,  
STATE, AND LOCAL  
GOVERNMENT RELATIONS**

**REGIONAL OFFICE  
FOR COORDINATION OF  
DEPARTMENTAL PROGRAMS  
COORDINATORS  
GEOGRAPHICALLY  
ASSIGNED**

**ASSISTANT  
ADMINISTRATOR**

**FINANCIAL  
ASSISTANCE**

**DIRECTOR**

**FNMA**

**DIRECTOR**

**Mortgage  
Insurance**

**DIRECTOR**

**Credit Policies**

**ASSISTANT  
ADMINISTRATOR**

**PHYSICAL  
FACILITIES**

**DIRECTOR**

**Property Assembly,  
Management,  
and Disposition**

**DIRECTOR**

**Community  
Facilities**

**DIRECTOR**

**Metropolitan  
Transportation  
Planning**

**DIRECTOR**

**Environmental  
Beautification**

**ASSISTANT  
ADMINISTRATOR**

**COMMUNITY ACTION  
PROGRAMS**

**DIRECTOR**

**Citizen  
Participation**

**DIRECTOR**

**Relocation  
Assistance**

**DIRECTOR**

**Intergroup  
Relations**

**ASSISTANT  
ADMINISTRATOR**

**INTERGOVERNMENTAL  
COOPERATION**

**DIRECTOR**

**Technical  
Assistance and  
Information**

**DIRECTOR**

**Regional and  
Metropolitan  
Planning**

**DIRECTOR**

**Community  
Development  
Plans**

**ASSISTANT  
ADMINISTRATOR**

**INTERDEPARTMENTAL  
COORDINATION**

**GENERAL  
COUNSEL**

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*gals*

THE WHITE HOUSE  
WASHINGTON

64

December 22, 1965

TO: JACK VALENTI

Here is the cities task force report,  
and the proposed organization plan.

Harry C. McPherson, Jr.

Attachments

THE WHITE HOUSE  
WASHINGTON

64a

December 21, 1965

TO: JOE CALIFANO

Here is the cities task force report,  
and the proposed organization plan.

Meeting tomorrow at 2:30.

Harry C. McPherson, Jr.

Attachments

THE WHITE HOUSE  
WASHINGTON

64b

December 21, 1965

TO: Director Schultze

Here is the cities task force report,  
and the proposed organization plan.

Meeting tomorrow at 2:30/

Harry C. McPherson, Jr.

Attachments

THE WHITE HOUSE  
WASHINGTON

64c

December 21, 1965

TO: BILL ROSS, BOB

Here is the cities task force report,  
and the proposed organization plan.

Meeting tomorrow at 2:30.

Harry C. McPherson, Jr.

Attachments

C.F. *with*  
7/11/60

DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

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**Proposed Plan of  
Organization**

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ADMINISTRATIVELY

CONFIDENTIAL

TASK FORCE - FINAL  
December 14, 1965



Proposed  
Plan of Organization  
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Department of Housing and Urban Development

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Plan of Organization  
for the  
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Proposed  
Plan of Organization  
for the  
Department of Housing and Urban Development

I.

Conclusions and Recommendations

A. The Organization

1. Basic Objectives

The establishment of a new Department provides an unique opportunity to create an organizational structure specially designed to enable the Department to fulfill its basic tasks and mission.

The organization of the Department of Housing and Urban Development must be shaped to give the best possible administration to the specific programs entrusted to the Department, and to be resilient enough to flex and grow as new programs are confided to it, or old ones expanded and modified.

The Organization Plan must enable the Department to provide for full and unified consideration of the needs and interests of the Nation's communities and of the people who live and work in them. Among other things, this means that it must recognize the integral relationship of the physical and social environments. At the same time, the Organization Plan must enable the Department to assist the President in achieving that essential coordination of Federal activities which materially affect urban, suburban and metropolitan development. The form of organization must be creatively fashioned to be hospitable to inter-governmental cooperation and to local and private action helpful in solving problems of housing, urban development and mass transportation, and, of course, the form of organization must be such as to encourage a vigorous private homebuilding and mortgage lending industry.

The attainment of these objectives will require a reshaping of existing administrative patterns.

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The proposed organization establishes a "strong" Secretary exercising unified control over his Department. He is provided with a strong staff structure which should enable him to perform effectively all essential management functions, including such vital ones as policy formulation and control, program evaluation, development of standards and procedures, budgetary control and research.

In view of the importance of the Under Secretary and the Assistant Secretaries, it would assist in attaining the objective of unified control if the Secretary were given a significant voice in the making of these appointments.

3. Headquarters Structure

Careful consideration has been given to the respective merits of a "functional", as contrasted with a "divisional" (regional) type of organization. In the first, authority runs along functional lines from several headquarters chiefs to their program counterparts in the field. Such an organization is reminiscent of operations under HHFA. In the divisional organization, headquarters units would be utilized primarily as staff with responsibilities which would include policy formulation, program evaluation, development of standards and procedures, budgetary controls and research. Responsibility for the day to day carrying out of programs and policies would be vested in strong Regional Administrators reporting directly to the Secretary through the Under Secretary.

Consideration was also given to a part "functional", part "divisional" organization in which certain Assistant Secretaries would have line responsibilities reaching into the field operationally along functional lines, while other Assistant Secretaries would have staff responsibilities only. Such an organization has been discarded as depriving the Secretary of necessary staff at the Assistant Secretary level. In addition, such an organization would blur lines of command in that the Regional Administrator, and those under him, would receive directives from more than one source.

The proposed Plan accepts unqualifiedly the concept of a strong regional organization with a direct line of command running

from the Regional Administrator to the Secretary through the Under Secretary. This is most consistent with a strong unified Department with ultimate power and responsibility resting clearly in the Secretary. It will relieve headquarters units generally of responsibility for day to day operations and provide the time and responsibility for vital staff functions. Moreover, as will appear, such an organization will put the answers into the field where they belong.

#### 4. Field Structure

Day to day operations will be unified under a number of Regional Administrators. The Regional Administrator will be responsible for the effective administration of Departmental policies, functions and programs in his region.

The Regional Administrator should be well paid and competent. He should have understanding of and sympathy with the programs and policies entrusted to him, and should have proved administrative ability. He reports to the Secretary through the Under Secretary. (See p. 9)

#### 5. Staff Organization and Personnel System

Unification of control and decentralization of day to day operations will require maximum consolidation of similar staff functions. Sound administration will create one unified Departmental career system to replace the four or more separate and distinct "career ladders" now existing (FHA, PHA, FNMA and OA, including URA and CFA).

There will be significant opportunities for economy and efficiency as like technical staffs are consolidated for recruitment, training, promotion and operational purposes. The careful reexamination of differences in techniques between similar programs will be a very important consequence of this consolidation.

Even more important, however, will be the effect of staff consolidations in breaking down now obsolete loyalties to narrowly defined existing programs. It will become clear to Departmental staff that their personal horizons have been broadened rather than endangered by the basic reorganization recommended.

B. Transfer and Coordination of Federal Programs

The transfer of a program or a function into the Department is not recommended unless control (as distinguished from coordination) is viewed as being important to the achievement of the Department's mission. Where such a program or function is severable, only that part is transferred into the Department as relates directly to the Department's mission. The transfer out is recommended on the basis of reverse criteria. From time to time, other Federal programs and functions should be reviewed to see whether they should be transferred into HUD, including a careful analysis of the many components of the Civil Rights programs.

Since a Plan of Organization must follow substantive programs and functions, decisions on the recommendations will shape the form of the organization.

1. Transfers into the Department

- (a) Community Action Programs. We must recognize that the social problems of the cities have led to turmoil, strife and great dangers. Many of these problems are inextricably tied to the physical environment. In the judgment of the Task Force, they should be treated together.

Community Action Programs of the Office of Equal Opportunity deal directly with the social environment of the City. Such programs could and would add important "human" dimensions to a Department that would otherwise be preoccupied with the physical environment alone. Moreover, the Department with its funds, programs and new status would lend needed strength to the Community Action Programs. This would tend to make them more successful and meaningful and to give them essential continuity.

It is believed that the OEO programs must soon find permanent homes in Executive Departments. A number already have. In the judgment of the Task Force the Community Action Programs are vital to the performance of the new Department's total responsibilities and should be transferred to it.

The Plan of Organization insures that Staff responsibilities for CAP are given to an Assistant Secretary. These will be his principal duties. When transferred, the announcement should make clear that in the President's view the transfer

is positive and necessary to the performance and long range success of CAP and to make our cities truly livable.\*

- (b) Veterans Administration Mortgage Guaranty and Direct Loans. The functions of the Veterans Administration with respect to Veterans Mortgage Guaranty and Direct Loans should be transferred to HUD. This function is still substantial (\$3 billion in 1963, of which \$2 billion was old and \$1 billion was new), and will grow. It is parallel to the functions performed by FHA. While leaving the eligibility certification with the Veterans Administration, this transfer will insure continuity of the Veterans Administration's Guaranty and Direct Loan Programs and will make them more efficient and helpful to veterans. It will assist the builder in that it will provide a one-stop service.

2. Transfers Out of the Department - College Housing

This is more suitably assigned to HEW.

3. Special Functions

- (a) Metropolitan Transportation Planning. Orderly urban growth must take into account and deal effectively with the 3 R's of transportation--Road, Rail, Rapid Transit. Unless planning extends to all three, no serious planning can be undertaken. In this case, coordination is a poor substitute for unified planning.

It is therefore recommended that the policy determination of whether and where such roads should be located in the metropolitan area should be a responsibility of HUD. The Bureau of Public Roads would retain all construction and engineering responsibilities, as well as the funds.

- (b) Clean Air, Clean Water and Solid Waste Disposal. Clean air and clean water are essential to a modern metropolitan community. Water supply and sewage lines shape future suburban, and hence future metropolitan, development. HUD now has some responsibilities for sewage and drainage programs. Air pollution has its principal impact in urban areas.

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\* One member, Mr. Kermit Gordon, dissents from this recommendation for reasons that he submitted to the Task Force in writing.

While it is recommended that other Departments have, and should continue to have, responsibilities in these areas, planning responsibilities with respect to metropolitan clean air, clean water and solid waste disposal should be discharged by HUD.

#### 4. Coordination of Federal Programs

All other Federal activities affecting housing and urban development shall be coordinated under the leadership of the Secretary of HUD at the direction of the President. This shall be done through a Council on Interdepartmental Coordination. The President will no doubt wish promptly to issue an appropriate directive to the Secretary of HUD and to the Secretaries and Heads of other affected departments and agencies. It would be appropriate for the directive to stress the importance of responsible Departmental and Agency participation and to require a section on coordination of such activities to be included in the Secretary's annual report.

### II.

#### The Plan of Organization-Headquarters

##### A. The Secretary

1. The Secretary, as Head of the Department, has all of the ultimate responsibility and power that that implies. The proposed organization is designed to enable him to be the Head of the Department in fact, as well as in name.
2. Attached to the Secretary's office is a cluster of general Staff functions: General Counsel, Office of Congressional Relations; Office of Public Information, and Assistant Secretary for Administration. The Office of Congressional Relations should be an effective vehicle for translating Departmental policies and programs into meaningful Congressional and Legislative terms.

##### B. The Council on Interdepartmental Coordination

As already stated, it is proposed to establish a Council on Interdepartmental Coordination to enable the Secretary to carry out his leadership responsibilities in coordinating Federal activities

affecting housing and urban development. The proposed Council will be principally at the Secretarial level and will consist of: Chairman: Secretary, Department of HUD; Members: Secretaries of Defense, Interior, Commerce, Labor, and Health, Education and Welfare. The Council should also include the Heads of the FAA, GSA and HLBB.

The Director of the Office of Economic Opportunity is not included since it is proposed to transfer the Community Action Program to HUD. If this should not be accomplished, the Director should be on the Council.

The Director of Urban Program Coordination (established by the law) shall head the Secretariat of the Council.

C. The Under Secretary

1. The Under Secretary, subject to the direction of the Secretary, is the Chief Operating Officer of the Department. All Regional Administrators will report to him and he will be responsible to the Secretary for the achievement and coordination of policies, functions and programs that are operational. Through the field forces, the Under Secretary must be responsible for the coordination of HUD programs and coordination between HUD programs and the programs of other Federal, State and Local agencies in the field. Although the certification and annual recertification of basic plans, including workable programs, will be decentralized to the Regional Administrator, the Under Secretary will have supervisory responsibilities with respect to this important control.
2. Because of the inherent nature of a "one over one" type of organization, the Secretary should have a significant voice in the selection of the Under Secretary.

D. The Deputy Under Secretary

1. The Deputy Under Secretary shall be responsible for policy formulation, special demonstration projects and program evaluation. Since these responsibilities are vital both to future and existing programs, and since these responsibilities relate to the functions and programs of the entire Department, it is felt that they should be lodged in one who is not on an organizational level with the Assistant Secretaries. The Deputy

Under Secretary should, if possible, be paid as much or slightly more than the Assistant Secretaries and should be appointed by the Secretary after being personally satisfied of his fitness and qualifications for the position.

2. Reporting to the Deputy Under Secretary shall be the Committee on Research which shall consist of the three Directors of Research who head the three Research Offices. The Committee on Research is primarily a research coordinating group. (See p. 9) The Institute for Urban Development will also report to the Deputy Under Secretary.

#### E. The Assistant Secretaries

The Assistant Secretaries, together with the Deputy Under Secretary, should, together, constitute a strong, dynamic staff group. For the reasons stated in Article I, the Plan of Organization confers no line responsibility upon them. Within the programs and responsibilities delegated to them, or specially assigned by the Secretary, there is no aspect of the Secretary's broad policy making responsibilities which should be immune to their searching inquiry. Ideally, they should be regarded as a unified staff with close professional relationships under the leadership of the Secretary. If at all possible, the Secretary should have a significant voice in their appointment.

1. Assistant Secretary-Financial Assistance. The Assistant Secretary - Financial Assistance is also the FHA Commissioner. Under the Assistant Secretary are clustered the staff responsibility for the FNMA, the Office of Mortgage Insurance (includes the FHA and the mortgage insurance functions of the Veterans Administration) and the Office of Credit Policies. The Office of Credit Policies has staff responsibility for the programs shown on the Organizational Chart (Sheet 1). These are primarily direct payment programs. It should be noted that the functions of the Public Housing Authority have been separated and that staff responsibility for the financial aspects has been placed in the Office of Credit Policies under the Assistant Secretary - Financial Assistance.
2. Assistant Secretary - Physical Facilities. Under this Assistant Secretary have been clustered staff responsibility for those programs and functions relating primarily to physical environment, including large scale subdivisions and new developments. Sheet 1 of the Plan of Organization sets out the details.

3. Assistant Secretary - Community Action Programs. This Assistant Secretary has staff responsibility for all Community Action Programs (proposed to be transferred from the Office of Economic Opportunity). Because the problem of Civil Rights is central to the reconstruction of cities, the Assistant Secretary must give it special attention and close liaison with agencies and units charged with responsibility in this area. There is also the Office of Intergroup Relations and the Office of Relocation Assistance.
4. Assistant Secretary - Intergovernmental Cooperation. Under this Assistant Secretary are several offices dealing with intergovernmental cooperation, including notably the Office of Technical Assistance and Information, which includes the clearing house functions of the Department.
5. Research. A separate Office of Research has been established under each of the first three Assistant Secretaries. It is believed that the functions and programs of these three Assistant Secretaries are sufficiently disparate so that it will not be duplicitous to have three such offices. Indeed, it would be inevitable for the three Assistant Secretaries to have their own Research Assistants, whether expressly so designated or not. However, to insure coordination between such offices, and to make certain that such facilities as a research library, for example, exist in common, the Directors of these three offices are brought together as a Committee on Research directly under the Deputy Under Secretary.

### III.

#### The Plan of Organization - Field

##### A. The Regional Administrator

1. The Regional Administrator reports to the Secretary through the Under Secretary. He is, therefore, the Chief Operating Officer for the Region. All policies, programs and functions of the Department that are operational in his Region are unified under him. This would also include special demonstration projects.
2. Clustered under him are such positions as Regional Program Budget Officer; Regional Assistant for Public Information, and Regional Assistant for Administration.

3. The ideal Regional Administrator will maintain close and effective relationships with Senators, Members of Congress, and State and Local Government officials from his Region. It would be expected that by virtue of his character and ability and the delegation of power to him, he would be able to take responsible action in the great preponderance of instances without resort to Washington.
4. Under a divisional Plan of Organization, the operational success of the Department will depend principally upon the quality of the Regional Administrator. He should be well paid and carefully selected on the basis of high qualification standards. His appointment should be at the discretion of the Secretary and excepted from career service classification in order to permit the Secretary maximum flexibility in selecting the most outstanding candidates from within as well as without the federal service. The policy formulations at Headquarters should of course be sufficiently detailed so as to insure relatively uniform application nationally. However, uniformity should not be obtained at the expense of the judgment and discretion of the Regional Administrator. It will be the responsibility of the Secretary to make certain that the natural inclination of Headquarters Staff to control operations through overly-detailed policy formulations is not given such scope as to deny to the Regional Administrator the responsibility and opportunity to exercise judgment and discretion.
5. Considerable authority will be vested in him through the power which he should possess to certify and annually to recertify basic plans, including workable programs. His exercise of this power is of course subject to policies to be given him and to the supervisory responsibility of the Under Secretary.

B. Regional Office for Coordination of Departmental Programs (Coordinators Geographically Assigned)

Attached to the Regional Administrator is the Office for Coordination of Departmental Programs, with the Coordinators being geographically assigned. Every local community having a HUD program will be served by a Regional Coordinator. He is the point of contact between the Regional Office and the metropolitan area, including the local communities within the metropolitan area. From the drawing up of required plans, to the preparation of applications, to expediting their review by the Regional Office Staff, to checking on the execution of projects, the Coordinator advises, guides and stimulates the local community into taking advantage of Federal urban programs. At the same time, he assists these communities in meeting requirements for such Federal aid.

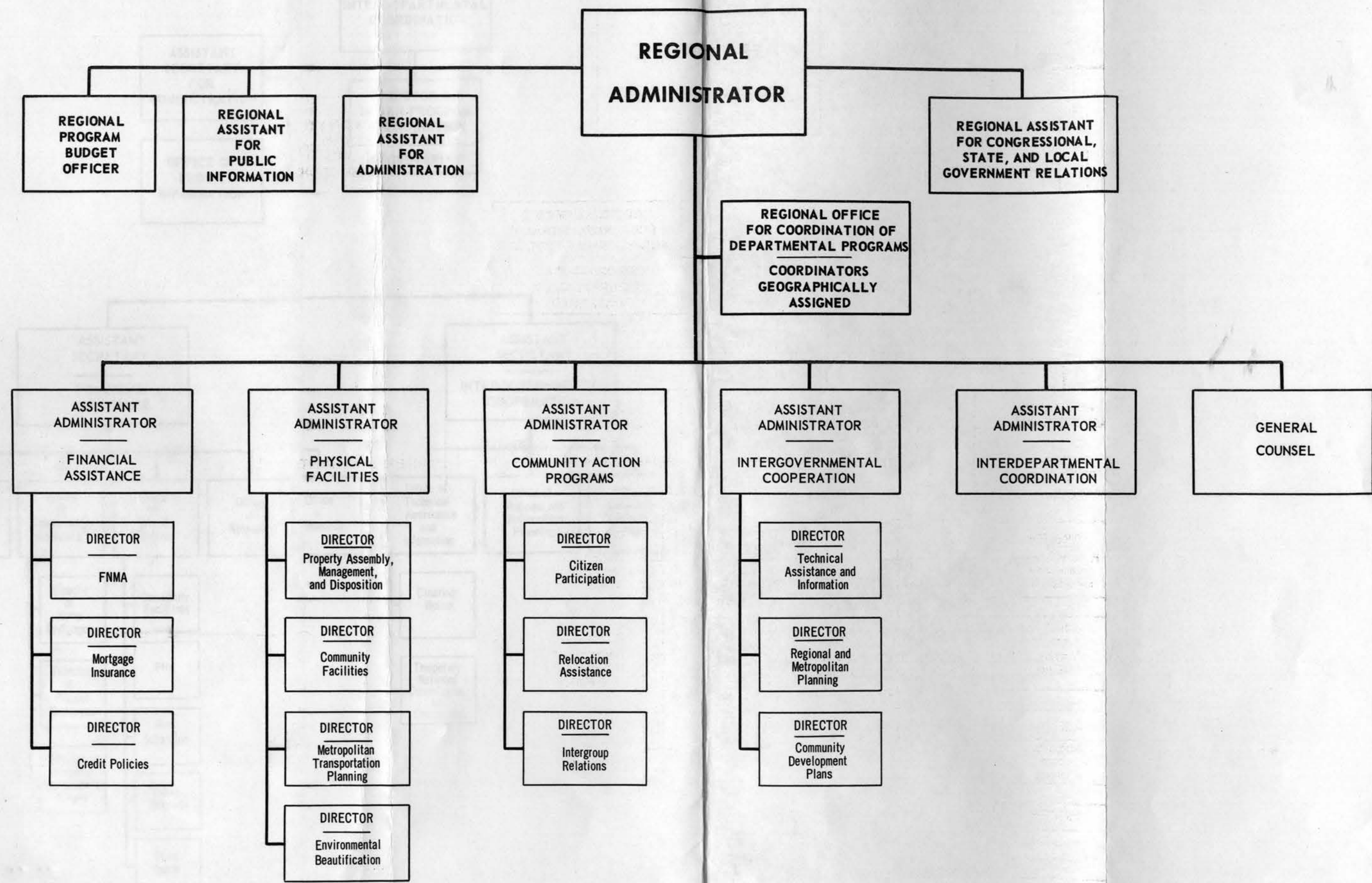
Although based physically in the Regional Office, the Coordinator will spend a good deal of time in the metropolitan area or areas he serves.

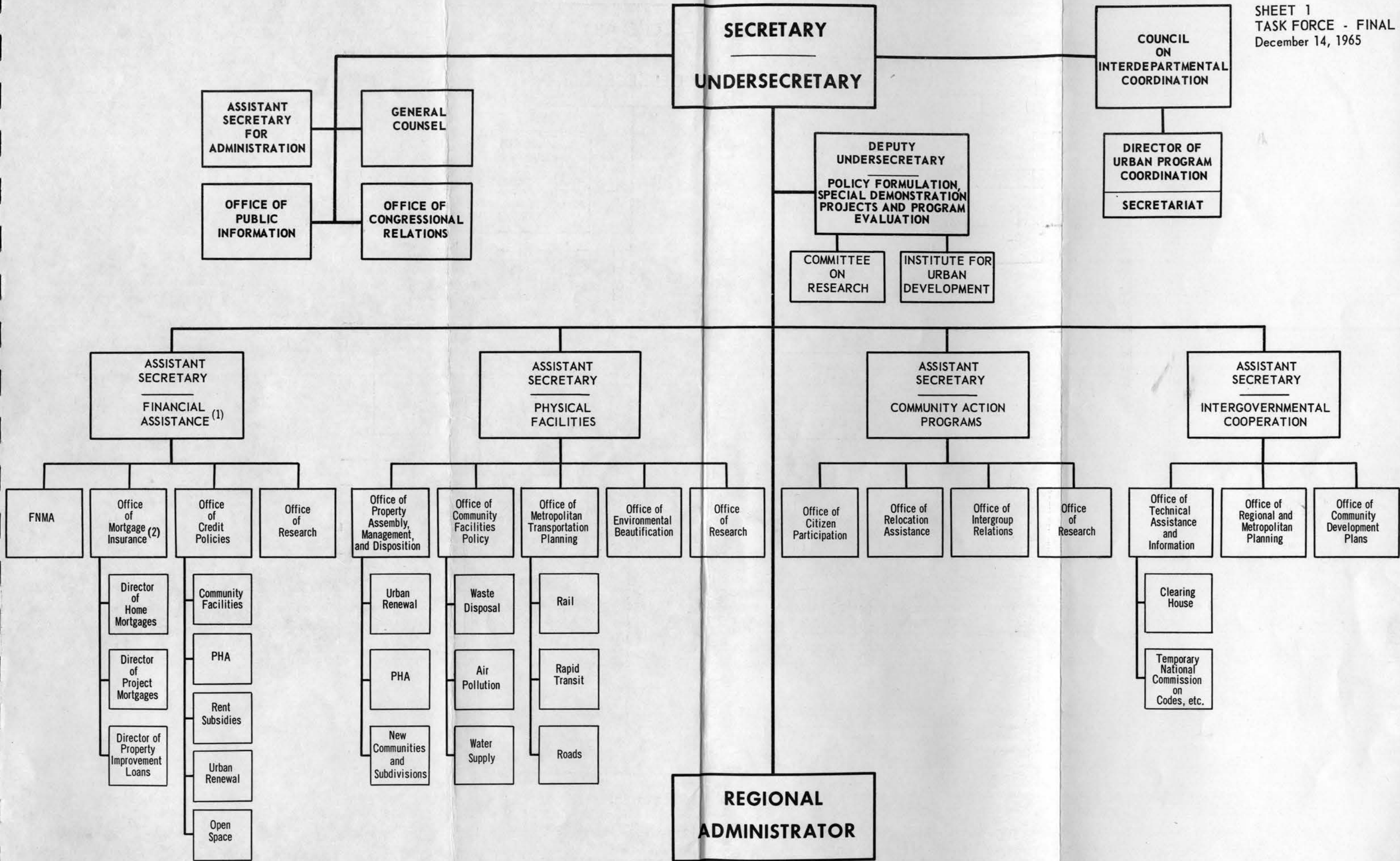
C. Assistant Administrators

Four of these Assistant Administrators are the program and operational counterparts of the four Assistant Secretaries. The fifth Assistant Administrator carries out in the field the interdepartmental coordination functions discharged at Headquarters by the Council on Interdepartmental Coordination. He undoubtedly will be assisted in this by the Director of Urban Program Coordination, who heads the Secretariat to the Council.

It will be kept in mind that other Federal programs will be in Departments or Agencies where decision making will not be as decentralized as is proposed here. Hence, Regional representatives of such Departments and Agencies will be referring coordination matters raised by the Assistant Regional Administrator to Washington for decision. It is important that this not be permitted to recentralize HUD functions in Washington and that HUD decisions are kept in the field.

SHEET 2  
TASK FORCE  
December 14, 1965





(1) This Assistant Secretary is also the FHA Commissioner as required by law.  
 (2) This is also the Federal Housing Administration as required by law.

EP

Dec. 20, 1965

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C.F. ③  
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ADMINISTRATIVELY CONFIDENTIAL

Statement by Kermit Gordon  
X

I regret that I cannot join the majority of the Task Force in recommending that the Community Action Program of the Office of Economic Opportunity be transferred to the Department of Housing and Urban Development. I owe it to the other members of the Task Force to provide a written statement of my reasons for demurring on this recommendation. This statement will supersede the brief provisional statement which was distributed at the December 12 meeting, and which is hereby withdrawn.

As our discussions made clear, all members of the Task Force feel strongly (a) that the Community Action Program needs to be preserved and strengthened, and (b) that HUD must deal more effectively with the human problems raised by its own programs than did its predecessor agency. The majority, though recognizing risks with respect to (a), concluded on balance that both purposes would be served by transferring CAP to HUD. I assessed the risks somewhat differently, and concluded on balance that the transfer is not likely to strengthen CAP, and may even weaken it.

In the view of the majority, incorporation in HUD will provide to CAP added security, prestige, and technical resources. I am more

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*Statement by destroyed*



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
HOUSING AND HOME FINANCE AGENCY  
PUBLIC HOUSING ADMINISTRATION

SAN FRANCISCO REGIONAL OFFICE • 450 GOLDEN GATE AVENUE • BOX 36027  
SAN FRANCISCO, CALIFORNIA 94102

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~~CONFIDENTIAL~~

December 15, 1965

AIR MAIL

Mr. Jack Valenti  
Special Assistant to the  
President  
The White House Office  
Washington, D. C.

C. F.

PE2  
PE11-2/FG170  
FG 170

My dear Jack:

There is an opening for the position of Regional Counsel in the Housing and Home Finance Agency which is considered a promotion in my case. The man to see on this is Milton P. Semer, Deputy Administrator and General Counsel of Housing and Home Finance Agency - now Department of Housing and Urban Development.

I would appreciate your assistance in obtaining this appointment if you can see your way to doing so.

Helen and I wish you and your family a very Merry Christmas and a most Happy and Prosperous New Year.

Sincerely,

X  
J. E. PRISIN-ZANO  
Regional Attorney

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DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

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**Proposed Plan of  
Organization**

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ADMINISTRATIVELY

CONFIDENTIAL

December 4, 1965

Prefatory Note

DEPARTMENT OF HOUSING AND

URBAN DEVELOPMENT

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December 4, 1965

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Since a Plan of Organization must follow substantive programs and functions, decisions on the recommendations will shape the form of the organization.

1. Transfers into the Department

- (a) Community Action Programs. Community Action Programs of the Office of Equal Opportunity deal directly with the social environment of the City. Such programs could and would add important "human" dimensions to a Department that would otherwise be excessively preoccupied with the physical environment alone. Moreover, the Department with its funds, programs, and new status would lend needed strength and protection to the Community Action Programs.

It is believed that the OEO programs must soon find permanent homes in Executive Departments. A number already have. In the judgment of the task force, the Community Action Programs are vital to the performance of the new Department's total responsibilities and should be transferred to it. Under the law, the President has the power to make the transfer without more.

The Plan of Organization insures that Staff responsibilities for CAP are given to an Assistant Secretary. These will be his principal duties. When transferred, the announcement should make clear that in the President's view the transfer is positive and necessary to the performance and long range success of CAP.

- (b) Bureau of Public Roads. Metropolitan transportation planning must take into account and deal effectively with the 3 R's of transportation--Road, Rail, Rapid Transit. Unless planning extends to all three, no serious planning can be undertaken. In this case, coordination is a poor substitute for unified planning.

It is therefore recommended that the policy determination of whether and where such roads should be located in the metropolitan area should be severed from the Bureau of Public Roads (where it has largely been unexercised) and transferred to HUD. The Bureau of Public Roads would retain all construction and engineering responsibilities, as well as the funds.

- (c) Clean Air, Clean Water and Solid Waste Disposal. Clean air and clean water are essential to a modern metropolitan community. Water supply and sewage lines shape future suburban, and hence future metropolitan development. HUD now has some responsibilities for sewage and drainage programs. Air pollution has its principal impact in urban areas.

While it is recognized that other Departments have, and should continue to have, responsibilities in these areas, planning responsibilities with respect to metropolitan clean air, clean water and solid waste disposal should be discharged by HUD.

- (d) Veterans Administration Mortgage Insurance. The functions of the Veterans Administration with respect to Veterans Mortgage Insurance should be transferred to HUD. This function is still substantial (\$3 billion in 1963, of which \$2 billion was old and \$1 billion was new), and will grow. It is parallel to the functions performed by FHA.

2. Transfers Out of the Department - College Housing

This is more suitably assigned to HEW.

3. Coordination of Federal Programs

All other Federal activities affecting housing and urban development shall be coordinated under the leadership of the Secretary of HUD at the direction of the President. This shall be done through a Council on Interdepartmental Coordination. The President will no doubt wish promptly to issue an appropriate directive to the Secretary of HUD and to the Secretaries and Heads of other affected departments and agencies. It would be appropriate for the directive to require a section on coordination of such activities to be included in the Secretary's annual report. If the recommended transfers are accomplished, coordination will apply, among others, to FAA and EDA.

II.

The Plan of Organization - Headquarters

A. The Secretary

1. The Secretary, as Head of the Department, has all of the ultimate responsibility and power that that implies. The proposed organization is designed to enable him to be the Head of the Department in fact, as well as in name.
2. Attached to the Secretary's office is a cluster of general Staff functions: General Counsel, Office of Congressional Relations; Office of Public Information, and Assistant Secretary for Administration. The Office of Congressional Relations should be an effective vehicle for translating Departmental policies and programs into meaningful Congressional and Legislative terms.

B. The Council on Interdepartmental Coordination

As already stated, it is proposed to establish a Council on Interdepartmental Coordination to enable the Secretary to carry out his leadership responsibilities in coordinating Federal activities affecting housing and urban development. The proposed Council will be principally at the Secretarial level and will consist of: Chairman: Secretary, Department of HUD; Members: Secretaries of Defense, Interior, Commerce, Labor, and Health, Education and Welfare. The Council should also include the Heads of the FAA, GSA and HHLB.

The Director of the Office of Economic Opportunity is not included since it is proposed to transfer the Community Action Program to HUD. If this should not be accomplished, the Director should be on the Council.

The Director of Urban Program Coordination (established by the law) shall head the Secretariat of the Council.

C. The Under Secretary

1. The Under Secretary, subject to the direction of the Secretary, is the Chief Operating Officer of the Department. All Regional Administrators will report to him and he will be responsible to the Secretary for the achievement and coordination of policies, functions and programs that are operational. Through the field forces, the Under Secretary must be responsible for the coordination of HUD programs and coordination between HUD programs

and the programs of other Federal, State and Local agencies in the field. Although the certification and annual recertification of workable programs will be decentralized to the Regional Administrator, the Under Secretary will have oversight responsibilities with respect to this important control.

2. Because of the inherent nature of a "one over one" type of organization, the Secretary should have a significant voice in the selection of the Under Secretary.

#### D. The Deputy Under Secretary

1. The Deputy Under Secretary shall be responsible for policy formulation, special demonstration projects and program evaluation. Since these responsibilities are vital both to future and existing programs, and since these responsibilities relate to the functions and programs of the entire Department, it is felt that they should be lodged in one who is not on an organizational level with the Assistant Secretaries. The Deputy Under Secretary should, if possible, be paid as much or slightly more than the Assistant Secretaries and should be appointed by the Secretary after being personally satisfied of his fitness and qualifications for the position.
2. Reporting to the Deputy Under Secretary shall be the Committee on Research which shall consist of the three Directors of Research who head the three Research Offices. The Committee on Research is primarily a research coordinating group. (See p. 8) The Institute for Urban Development will also report to the Deputy Under Secretary.

#### E. The Assistant Secretaries

The Assistant Secretaries, together with the Deputy Under Secretary, should, together, constitute a strong, dynamic staff group. For the reasons stated in Article I, the Plan of Organization confers no line responsibility upon them. Within the programs and responsibilities delegated to them, or specially assigned by the Secretary, there is no aspect of the Secretary's broad policy making responsibilities which should be immune to their searching inquiry. Ideally, they should be regarded as a unified staff with close professional relationships under the leadership of the Secretary. If at all possible, the Secretary should have a significant voice in their appointment.

1. Assistant Secretary - Financial Assistance. The Assistant Secretary - Financial Assistance is also the FHA Commissioner. Under the Assistant Secretary are clustered the staff responsibility for the FNMA, the Office of Mortgage Insurance (includes

the FHA and the mortgage insurance functions of the Veterans Administration) and the Office of Credit Policies. The Office of Credit Policies has staff responsibility for the programs shown on the Organizational Chart (Sheet 1). These are primarily direct payment programs. It should be noted that the functions of the Public Housing Authority have been separated and that staff responsibility for the financial aspects has been placed in the Office of Credit Policies under the Assistant Secretary - Financial Assistance.

2. Assistant Secretary - Physical Environment. Under this Assistant Secretary have been clustered staff responsibility for those programs and functions relating primarily to physical environment. Sheet 1 of the Plan of Organization sets out the details.
3. Assistant Secretary - Social Environment. This Assistant Secretary has staff responsibility for the Office of Community Action Programs (proposed to be transferred from the Office of Economic Opportunity). There is also the Office of Intergroup Relations and the Office of Relocation Assistance.
4. Assistant Secretary - Intergovernmental Cooperation. Under this Assistant Secretary are several offices dealing with intergovernmental cooperation, including notably the Office of Technical Assistance and Information, which includes the clearing house functions of the Department.
5. Research. A separate Office of Research has been established under each of the first three Assistant Secretaries. It is believed that the functions and programs of these three Assistant Secretaries are sufficiently disparate so that it will not be duplicious to have three such offices. Indeed, it would be inevitable for the three Assistant Secretaries to have their own Research Assistants, whether expressly so designated or not. However, to insure coordination between such offices, and to make certain that such facilities as a research library, for example, exist in common, the Directors of these three offices are brought together as a Committee on Research directly under the Deputy Under Secretary.

III.

The Plan of Organization-Field

A. The Regional Administrator

1. The Regional Administrator reports to the Secretary through the Under Secretary. He is, therefore, the Chief Operating Officer for the Region. All policies, programs and functions of the Department that are operational in his Region are unified under him. This would also include special demonstration projects.
2. Clustered under him are such positions as Regional Program Budget Officer; Regional Assistant for Public Information, and Regional Assistant for Administration.
3. The ideal Regional Administrator will maintain close and effective relationships with Senators, Members of Congress, and State and Local Government officials from his Region. It would be expected that by virtue of his character and ability and the delegation of power to him, such officials would be content to deal with him in the great preponderance of instances without resort to Washington.
4. Under a divisional Plan of Organization, the operational success of the Department will depend principally upon the quality of the Regional Administrator. He should be carefully selected and well paid. The policy formulations at headquarters should of course be sufficiently detailed so as to insure relatively uniform application nationally. However, uniformity should not be obtained at the expense of the judgment and discretion of the Regional Administrator. It will be the responsibility of the Secretary to make certain that the natural inclination of headquarters staff to control operations through overly-detailed policy formulations is not given such scope as to deny to the Regional Administrator the responsibility and opportunity to exercise judgment and discretion.
5. Considerable authority will be vested in him through the power which he should possess to certify and annually to recertify workable programs. His exercise of this power is of course subject to policies to be given him and to the oversight responsibility of the Under Secretary.

COUNCIL  
ON  
INTERDEPARTMENTAL  
COORDINATION

B. Regional Office for Coordination of Departmental Programs (Coordinators Geographically Assigned)

Attached to the Regional Administrator is the Office for Coordination of Departmental Programs, with the Coordinators being geographically assigned. Every local community having a HUD program will be served by a Regional Coordinator. He is the point of contact between the Regional Office and the metropolitan area, including the local communities within the metropolitan area. From the drawing up of required plans, to the preparation of applications, to expediting their review by the Regional Office Staff, to checking on the execution of projects, the Coordinator advises, guides and stimulates the local community into taking advantage of Federal urban programs. At the same time, he assists these communities in meeting requirements for such Federal aid.

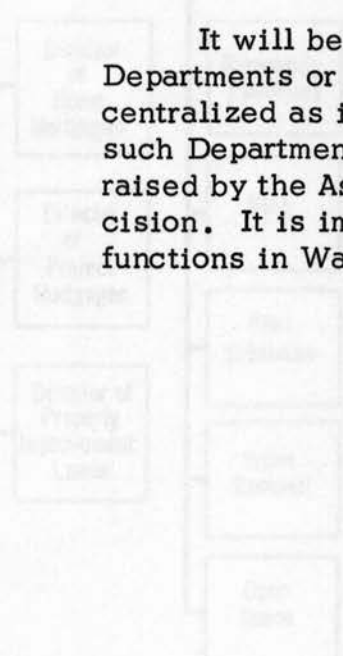
Although based physically in the Regional Office, the Coordinator will spend a good deal of time in the metropolitan area or areas he serves.

C. Assistant Administrators

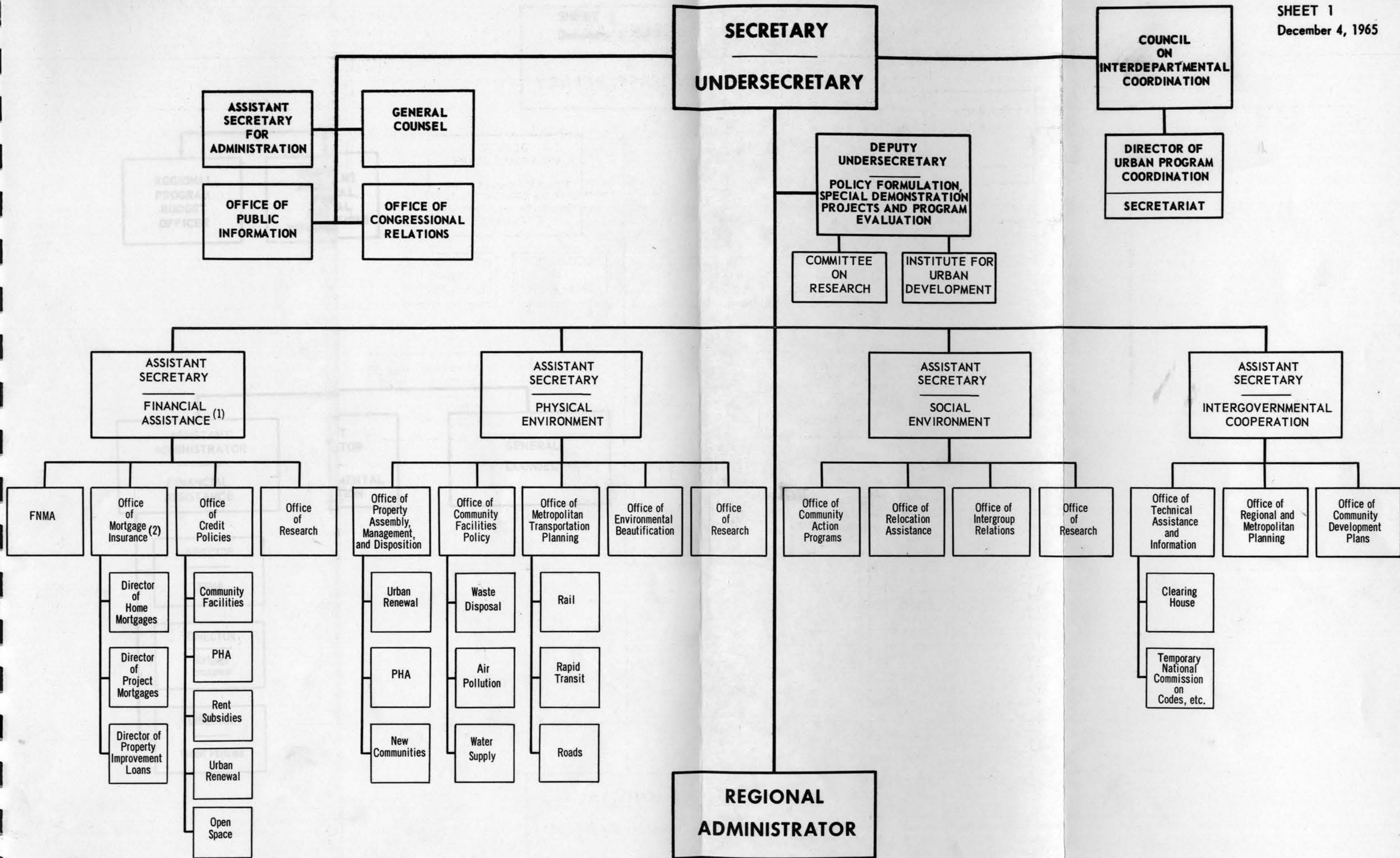
Four of these Assistant Administrators are the program and operational counterparts of the four Assistant Secretaries. The fifth Assistant Administrator carries out in the field the interdepartmental coordination functions discharged at headquarters by the Council on Interdepartmental Coordination. He will undoubtedly be assisted in this by the Director of Urban Program Coordination, who heads the Secretariat to the Council.

It will be kept in mind that other Federal programs will be in Departments or Agencies where decision making will not be as decentralized as is proposed here. Hence Regional representatives of such Departments and Agencies will be referring coordination matters raised by the Assistant Regional Administrator to Washington for decision. It is important that this not be permitted to recentralize HUD functions in Washington and that HUD decisions are kept in the field.

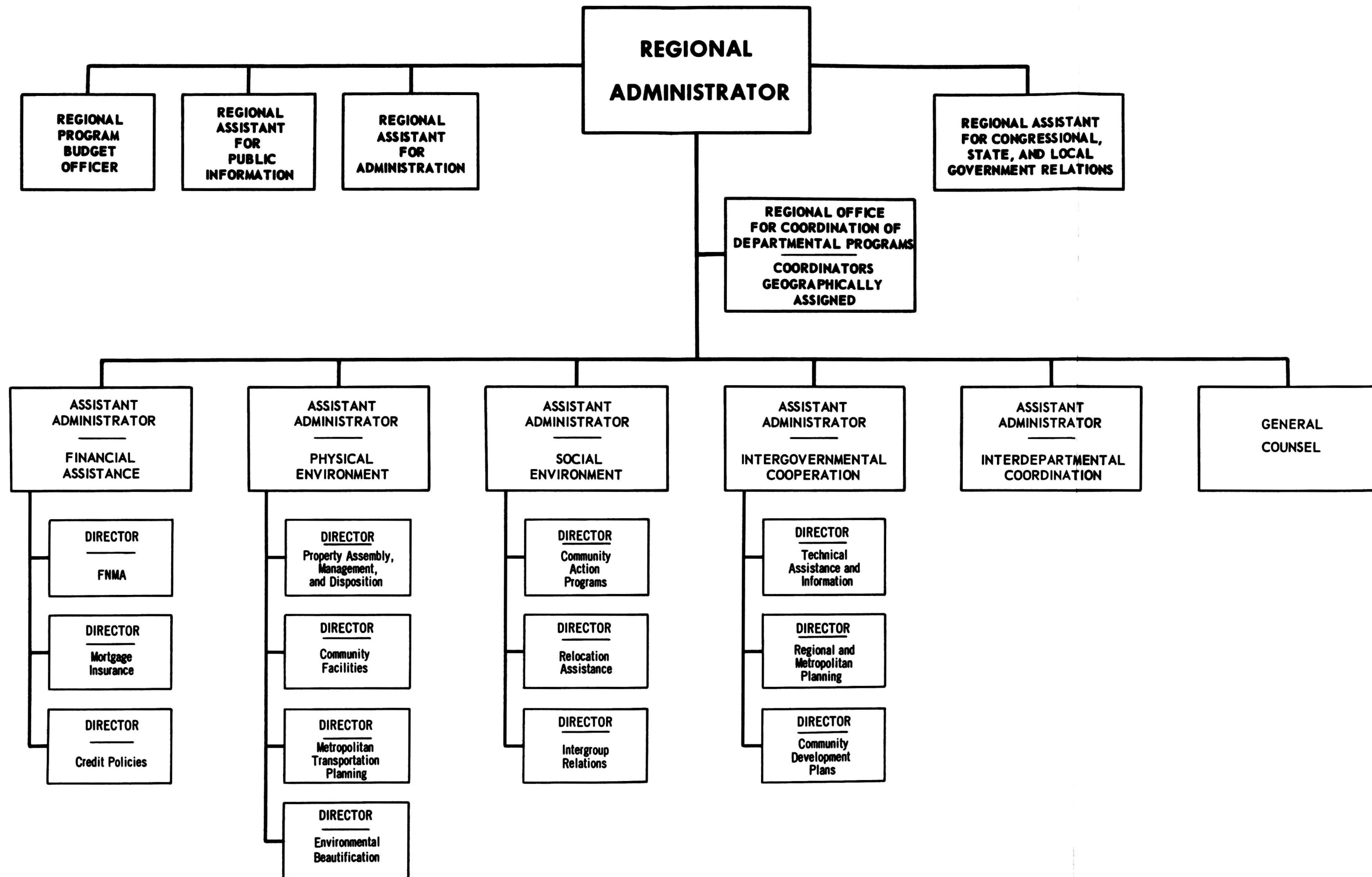
SECRET  
INTERDEPARTMENTAL  
COORDINATION



(1) The Assistant Secretary is also the HUD Regional Administrator.  
(2) The Assistant Secretary is the Federal Housing Administration Administrator.



(1) This Assistant Secretary is also the FHA Commissioner as required by law.  
 (2) This is also the Federal Housing Administration as required by law.



MEMORANDUM

M

RECORDED  
C. F.

③

68

THE WHITE HOUSE

WASHINGTON

FG155-18

FG155

FG135

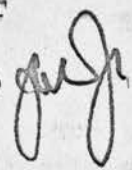
FG170

4:30 p.m., Thursday

November 11, 1965

FOR THE PRESIDENT

FROM Joe Califano



The attached memorandum from Jack Connor recommends that the Community Relations Service be transferred to the Department of Urban Affairs rather than to the Department of Justice. Connor also warns of growing discontent among civil rights groups about the weakening of our civil rights program because of the Civil Rights reorganization and particularly because the Community Relations Service is being transferred to the Justice Department.

In the memorandum Connor says that he did not have a chance to discuss this with you before you acted. While that is literally true, I called Secretary Connor, who was out of town (in New York or New Jersey) and told him that you were considering a proposal to transfer the Community Relations Service to the Justice Department and wanted his views. He said it was "fine with me". The publicly released memorandum from the Vice President, which you approved, reflects the concurrence of the Secretary of Commerce. Further, while the memorandum recommends the transfer of the CRS to Justice, it leaves latitude to have elements of it in other Departments, including Urban Affairs.

I recommend that you refer Secretary Connor's memorandum to Nick Katzenbach for his consideration with Secretary Connor, in preparing reorganization plans for your approval for submission next year. Katzenbach, incidentally, did not know anything about this memorandum and disagrees with many of the comments about the work of the CRS.

I would like on your behalf to tell Connor and Governor Collins (who I think is behind this memorandum) that the basic decision is now made and their job is to work with Katzenbach and keep the CRS in line.

I recommend your approval of the above actions.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_



SENT  
WHCA

Sent to Ranch  
8:06 PM EST  
Thursday, November 4

1965 NOV 5 01 06

C. F.

FBI/DO

EEA248  
OO WTE10  
DE WTE 193

FROM: JOE CALIFANO  
TO: BILL MOYERS  
CITE: CAP 65655

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THERE FOLLOWS A LIST OF POSSIBLE QUESTIONS AND THEIR ANSWERS ON THE URBAN AFFAIRS SITUATION.

Q. IS ANY ONE THE ACTING SECRETARY OF THE NEW DEPARTMENT?

A. NO. ALL OF THE PERSONNEL WILL CONTINUE WITH THE HOUSING AND HOME FINANCE AGENCY, WHICH ON NOVEMBER 9 WILL BECOME A PART OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

Q. DOESN'T THE ACT ABOLISH ALL POSITIONS AND CERTAIN AGENCIES IN HOUSING AND HOME FINANCE AGENCY AS OF THE EFFECTIVE DATE OF THE ACT?

A. NO. THE ACT PROVIDES THAT THESE POSITIONS AND CERTAIN OTHER JOBS AND AGENCIES, "SHALL LAPSE." HOWEVER, THAT PROVISION, ACCORDING TO THE ATTORNEY GENERAL AND THE COMPTROLLER GENERAL, IS INTENDED TO TAKE EFFECT ONLY AFTER THE SECRETARY IS CONFIRMED AND HAS HAD AN OPPORTUNITY TO ISSUE THE ORDERS REQUIRED TO ESTABLISH A NEW DEPARTMENTAL STRUCTURE. UNTIL THAT OCCURS, ALL OF THE JOBS AND AGENCIES CONTINUE AS THEY WERE EXCEPT THAT THEY ARE NOW PART OF AND SITUATED WITHIN THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

Q. HOW WILL THE PERSONNEL SIGN THEIR NAMES?

A. THEY WILL SIGN AS (JOHN DOE), HOUSING AND HOME FINANCE AGENCY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. TOP OFFICIALS, SUCH AS THE COMMISSIONER OF THE FEDERAL HOUSING ADMINISTRATION, WILL SIGN IN A SIMILAR WAY.

Q. WHAT SALARIES WILL BE PAID TO THE PRINCIPAL OFFICERS AND OTHER PERSONNEL OF THE HOUSING AND HOME FINANCE AGENCY AFTER THE NEW DEPARTMENT COMES IN EXISTENCE?

A. THE SAME AS THEY NOW RECEIVE.

DTG: 05/0052Z NOVEMBER 1965

~~CONFIDENTIAL~~

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING  
NOT INT'L SECURITY  
INFORMATION, E. O. 12356,  
Sec. 1.1(a)

BY TH ON 3-25-87

TOP 050130-2

70  
G.F.  
FG 170  
JL 4-1

EEAO47  
00 WTE10  
DE WTE 192

Dated NOV. 5, 1965

FROM JOE CALIFANO  
TO BILL MOYERS  
CITE CAP65654

~~Confidential~~

~~CONFIDENTIAL~~

TO BILL MOYERS  
FROM JOE CALIFANO

DETERMINED TO BE AN  
ADMINISTRATIVE MATTER  
NOT NAT'L SECURITY  
INFORMATION, E.O. 12356,  
SEC. 1.1(a)

BY TH ON 32587

THERE FOLLOWS THE TEXT OF THE ATTORNEY GENERAL'S  
OPINION

MEMORANDUM

RE: EFFECT OF THE DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT ACT ON AND AFTER NOVEMBER 9, 1965.

THE PRESIDENT MIGHT DECIDE TO DEFER THE APPOINTMENT OR  
DESIGNATION OF A SECRETARY OR ACTING SECRETARY OF THE NEW  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT UNTIL AFTER  
THE SENATE RECONVENES AND IS IN A POSITION TO CONSIDER AND  
APPROVE NOMINATIONS TO THE NEWLY-CREATED POSTS IN THE  
DEPARTMENT. THE PURPOSE OF THIS MEMORANDUM IS TO EXPLAIN  
HOW THE ACT ESTABLISHING THE NEW DEPARTMENT WOULD OPERATE  
DURING THIS INTERIM PERIOD, AND HOW THE BUSINESS OF THE  
NEW DEPARTMENT WOULD BE CONDUCTED IN THE EVENT OF SUCH A  
DECISION.

THE ACT PROVIDES THAT IT SHALL TAKE EFFECT UPON THE  
EXPIRATION OF THE FIRST PERIOD OF SIXTY CALENDAR DAYS  
FOLLOWING THE DATE ON WHICH THE ACT IS APPROVED BY THE  
PRESIDENT. SINCE THE PRESIDENT SIGNED THE ACT ON  
SEPTEMBER 9, 1965, THE EFFECTIVE DATE IS NOVEMBER 9, 1965.  
ON THAT DATE, UNDER SECTION 3 OF THE ACT, THE NEW DEPARTMENT  
OF HOUSING AND URBAN DEVELOPMENT WILL COME INTO  
EXISTENCE. UNDER SECTION 5 OF THE ACT ALL OF THE FUNCTIONS,  
POWERS, AND DUTIES OF THE HOUSING AND HOME FINANCE AGENCY,  
OF THE FEDERAL HOUSING ADMINISTRATION AND THE PUBLIC HOUSING  
ADMINISTRATION IN THAT AGENCY, AND OF THE HEADS AND OTHER  
OFFICERS AND OFFICES OF THOSE AGENCIES, WILL AUTOMATICALLY  
BE TRANSFERRED TO THE NEW DEPARTMENT.

SECTION 7 OF THE ACT PROVIDES THAT THE PERSONNEL  
EMPLOYED IN CONNECTION WITH THE FUNCTIONS, POWERS, AND  
DUTIES TRANSFERRED BY THE ACT ARE ALSO TRANSFERRED AUTO-  
MATICALLY TO THE NEW DEPARTMENT. THE SAME IS TRUE OF THE  
ASSETS, LIABILITIES, CONTRACTS, PROPERTY, RECORDS, AND  
UNEXPENDED BALANCES OF APPROPRIATIONS, AUTHORIZATIONS,  
ALLOCATIONS, OR OTHER FUNDS, CONNECTED WITH THE TRANSFERRED  
FUNCTIONS. THE ACT EXPRESSLY DECLARES THAT ALL OF THE  
POWERS AND AUTHORITIES EXISTING UNDER PRIOR LAW SHALL  
CONTINUE AND SHALL NOT BE DEEMED TO BE LIMITED OR ABROGATED  
BY THE NEW ACT. SECTION 9 OF THE ACT EXPRESSLY CONTINUES  
IN FULL FORCE AND EFFECT ALL RULES, REGULATIONS, ORDERS,  
AUTHORIZATIONS, DELEGATIONS, OR OTHER ACTIONS TAKEN OR  
ESTABLISHED UNDER THE LAW EXISTING PRIOR TO THE EFFECTIVE  
DATE OF THE ACT.

RECEIVED  
NOV 18 1965  
CENTRAL FILE

ok

THE OVER-ALL RESULT OF THESE PROVISIONS IS THAT THE EXISTING AGENCIES AND PERSONNEL, INCLUDING THE ADMINISTRATOR AND OTHER OFFICERS OF THE HOUSING AND HOME FINANCE AGENCY, WILL CONTINUE TO FUNCTION EXACTLY AS THEY HAVE IN THE PAST EXCEPT THAT THEY WILL ON AND AFTER NOVEMBER 9, 1965, BE LEGALLY A PART OF THE NEW DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. THE AGENCIES TRANSFERRED TO THE NEW DEPARTMENT WILL CONTINUE TO FUNCTION IN THIS WAY UNTIL THE NEW SECRETARY IS CONFIRMED AND HAS HAD AN OPPORTUNITY TO ISSUE APPROPRIATE ORDERS ESTABLISHING THE NEW DEPARTMENTAL STRUCTURE CONTEMPLATED BY THE ACT.

SECTION 9(E) PROVIDES THAT "THE POSITIONS AND AGENCIES HERETOFORE ESTABLISHED BY LAW IN CONNECTION WITH THE FUNCTIONS, POWERS, AND DUTIES TRANSFERRED UNDER SECTION 5(A) OF THIS ACT SHALL LAPSE." THIS PROVISION MUST BE CONSTRUED IN THE LIGHT OF THE OTHER PROVISIONS IN THE ACT WHICH AUTOMATICALLY TRANSFER PERSONNEL AND PRESERVE THE CONTINUITY OF EXISTING LAW AND ORDERS UNTIL ALTERED BY THE NEW SECRETARY UPON HIS APPOINTMENT. THESE PROVISIONS TAKEN TOGETHER SHOW A STRONG INTENT ON THE PART OF CONGRESS THAT THE TRANSITION SHOULD BE ORDERLY AND THAT THERE SHOULD BE CONTINUITY IN THE PERFORMANCE OF ALL FUNCTIONS AFFECTED BY THE ACT. CONSTRUED IN THE LIGHT OF THESE PROVISIONS, THE PROVISION IN SECTION 9(C) MEANS THAT THE "POSITIONS AND AGENCIES" INVOLVED SHALL LAPSE UPON THE IMPLEMENTING OF THE ACT BY THE NEW SECRETARY. IN THIS CONNECTION, IT IS TO BE NOTED THAT THE LANGUAGE USED IN THIS PROVISION ("SHALL LAPSE") IS DIFFERENT FROM THE LANGUAGE USED IN THOSE PROVISIONS WHICH AUTOMATICALLY COME INTO EFFECT ON THE EFFECTIVE DATE OF THE ACT (I.E., "IS HEREBY ESTABLISHED," "ARE HEREBY TRANSFERRED"). THE TERM "LAPSE" IS COMMONLY USED TO CONNOTE A GRADUAL PROCESS (E.G., WEBSTER'S NEW INT'L DICT. (2D ED.) "TO PASS ... GRADUALLY"; BOUVIER'S LAW DICT. (3D REV.) "TO PASS SLOWLY ... OR BY DEGREES").

THE FOREGOING CONSTRUCTION OF THE ACT HAS THE APPROVAL OF THIS DEPARTMENT AND OF THE GENERAL ACCOUNTING OFFICE.

ATTORNEY GENERAL

DTG: 05/0040Z NOV 65

~~Confidential~~

SENT  
WHCA

*Sent to Ranch  
8:11 PM EST  
Thursday, November 4*

1965 NOV 5 01 11

EEA047  
OO WTE10  
DE WTE 192

**CONFIDENTIAL**

FROM JOE CALIFANO  
TO BILL MOYERS  
CITE CAP65654

~~//CONFIDENTIAL//~~

TO BILL MOYERS  
FROM JOE CALIFANO

THERE FOLLOWS THE TEXT OF THE ATTORNEY GENERAL'S  
OPINION

MEMORANDUM

RE: EFFECT OF THE DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT ACT ON AND AFTER NOVEMBER 9, 1965.

THE PRESIDENT MIGHT DECIDE TO DEFER THE APPOINTMENT OR  
DESIGNATION OF A SECRETARY OR ACTING SECRETARY OF THE NEW  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT UNTIL AFTER  
THE SENATE RECONVENES AND IS IN A POSITION TO CONSIDER AND  
APPROVE NOMINATIONS TO THE NEWLY-CREATED POSTS IN THE  
DEPARTMENT. THE PURPOSE OF THIS MEMORANDUM IS TO EXPLAIN  
HOW THE ACT ESTABLISHING THE NEW DEPARTMENT WOULD OPERATE  
DURING THIS INTERIM PERIOD, AND HOW THE BUSINESS OF THE  
NEW DEPARTMENT WOULD BE CONDUCTED IN THE EVENT OF SUCH A  
DECISION.

THE ACT PROVIDES THAT IT SHALL TAKE EFFECT UPON THE  
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FOLLOWING THE DATE ON WHICH THE ACT IS APPROVED BY THE  
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SEPTEMBER 9, 1965, THE EFFECTIVE DATE IS NOVEMBER 9, 1965.  
ON THAT DATE, UNDER SECTION 3 OF THE ACT, THE NEW DEPARTMENT  
OF HOUSING AND URBAN DEVELOPMENT WILL COME INTO  
EXISTENCE. UNDER SECTION 5 OF THE ACT ALL OF THE FUNCTIONS,  
POWERS, AND DUTIES OF THE HOUSING AND HOME FINANCE AGENCY,  
OF THE FEDERAL HOUSING ADMINISTRATION AND THE PUBLIC HOUSING  
ADMINISTRATION IN THAT AGENCY, AND OF THE HEADS AND OTHER  
OFFICERS AND OFFICES OF THOSE AGENCIES, WILL AUTOMATICALLY  
BE TRANSFERRED TO THE NEW DEPARTMENT.

SECTION 7 OF THE ACT PROVIDES THAT THE PERSONNEL EMPLOYED IN CONNECTION WITH THE FUNCTIONS, POWERS, AND DUTIES TRANSFERRED BY THE ACT ARE ALSO TRANSFERRED AUTOMATICALLY TO THE NEW DEPARTMENT. THE SAME IS TRUE OF THE ASSETS, LIABILITIES, CONTRACTS, PROPERTY, RECORDS, AND UNEXPENDED BALANCES OF APPROPRIATIONS, AUTHORIZATIONS, ALLOCATIONS, OR OTHER FUNDS, CONNECTED WITH THE TRANSFERRED FUNCTIONS. THE ACT EXPRESSLY DECLARES THAT ALL OF THE POWERS AND AUTHORITIES EXISTING UNDER PRIOR LAW SHALL CONTINUE AND SHALL NOT BE DEEMED TO BE LIMITED OR ABROGATED BY THE NEW ACT. SECTION 9 OF THE ACT EXPRESSLY CONTINUES IN FULL FORCE AND EFFECT ALL RULES, REGULATIONS, ORDERS, AUTHORIZATIONS, DELEGATIONS, OR OTHER ACTIONS TAKEN OR ESTABLISHED UNDER THE LAW EXISTING PRIOR TO THE EFFECTIVE DATE OF THE ACT.

THE OVER-ALL RESULT OF THESE PROVISIONS IS THAT THE EXISTING AGENCIES AND PERSONNEL, INCLUDING THE ADMINISTRATOR AND OTHER OFFICERS OF THE HOUSING AND HOME FINANCE AGENCY, WILL CONTINUE TO FUNCTION EXACTLY AS THEY HAVE IN THE PAST EXCEPT THAT THEY WILL ON AND AFTER NOVEMBER 9, 1965, BE LEGALLY A PART OF THE NEW DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. THE AGENCIES TRANSFERRED TO THE NEW DEPARTMENT WILL CONTINUE TO FUNCTION IN THIS WAY UNTIL THE NEW SECRETARY IS CONFIRMED AND HAS HAD AN OPPORTUNITY TO ISSUE APPROPRIATE ORDERS ESTABLISHING THE NEW DEPARTMENTAL STRUCTURE CONTEMPLATED BY THE ACT.

SECTION 9(E) PROVIDES THAT "THE POSITIONS AND AGENCIES HERETOFORE ESTABLISHED BY LAW IN CONNECTION WITH THE FUNCTIONS, POWERS, AND DUTIES TRANSFERRED UNDER SECTION 5(A) OF THIS ACT SHALL LAPSE." THIS PROVISION MUST BE CONSTRUED IN THE LIGHT OF THE OTHER PROVISIONS IN THE ACT WHICH AUTOMATICALLY TRANSFER PERSONNEL AND PRESERVE THE CONTINUITY OF EXISTING LAW AND ORDERS UNTIL ALTERED BY THE NEW SECRETARY UPON HIS APPOINTMENT. THESE PROVISIONS TAKEN TOGETHER SHOW A STRONG INTENT ON THE PART OF CONGRESS THAT THE TRANSITION SHOULD BE ORDERLY AND THAT THERE SHOULD BE CONTINUITY IN THE PERFORMANCE OF ALL FUNCTIONS AFFECTED BY THE ACT. CONSTRUED IN THE LIGHT OF THESE PROVISIONS, THE PROVISION IN SECTION 9(C) MEANS THAT THE "POSITIONS AND AGENCIES" INVOLVED SHALL LAPSE UPON THE IMPLEMENTING OF THE ACT BY THE NEW SECRETARY. IN THIS CONNECTION, IT IS TO BE NOTED THAT THE LANGUAGE USED IN THIS PROVISION ("SHALL LAPSE") IS DIFFERENT FROM THE LANGUAGE USED IN THOSE PROVISIONS WHICH AUTOMATICALLY COME INTO EFFECT ON THE EFFECTIVE DATE OF THE ACT (I.E., "IS HEREBY ESTABLISHED," "ARE HEREBY TRANSFERRED"). THE TERM "LAPSE" IS COMMONLY USED TO CONNOTE A GRADUAL PROCESS (E.G., WEBSTER'S NEW INT'L DICT. (2D ED.) "TO PASS ... GRADUALLY"; BOUVIER'S LAW DICT. (3D REV.) "TO PASS SLOWLY ... OR BY DEGREES").

THE FOREGOING CONSTRUCTION OF THE ACT HAS THE APPROVAL OF THIS DEPARTMENT AND OF THE GENERAL ACCOUNTING OFFICE.

ATTORNEY GENERAL

DTG: 05/0040Z NOV 65

**CONFIDENTIAL**

PRESERVATION COPY

C. F.

HS

FH170

① 71

6505 Valley Court  
Falls Church, Virginia

October 21, 1965

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR

Honorable Joseph A. Califano, Jr.  
Special Assistant to the President

I am writing this memorandum with the understanding that I am doing so as a private citizen and that my views do not necessarily correspond with those of the Housing and Home Finance Agency, the National Association of Home Builders, or others.

To understand what is happening in the housing industry I think it is necessary to go back to the postwar era during the period from the close of World War II through the mid to late 1950's. The problem was sheer inadequacy of housing. Almost anyone could go into the homebuilding game, do a reasonably good job of providing shelter, and find a ready customer willing to buy his product. Suburbia grew like wild fire across the face of the country with most of the subdivision developments laid out simply as a grid with very little land planning, little provision for recreation facilities, and little attention to beautification such as preservation of trees. Streets and sidewalks were quickly laid out and houses built as fast as nails could be pounded. Most of the homes were just fine for the new households which came into being during this boom period and proved to be a good value.

With the adjustment in the boom period starting in the late 1950's, builders to sell their product had to be more and more sophisticated. They had to be better planners, better businessmen, and better builders. Many who had been in the homebuilding business fell by the wayside either through bankruptcy, lack of work, or because they had "made their bundle" and went into some other business.

The construction of multi-family units also has played a greater and greater role with multi-family starts amounting to approximately one-third of total starts. As we gradually came out of the recession in 1961, housing starts rather than increasing substantially, as our gross national product grew and our economy prospered, leveled off at a rate of about 1,500,000 new units a year with about 500,000 of these units in multi-family. During this period there has also not been the anticipated growth in public housing and this has limped along pretty much at the same rate as it had for years.

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING  
NOT NAT'L SECURITY  
INFORMATION, E. O. 12356,  
SEC. 1.1(a)

BY TH ON 3-25-89

THE WHITE HOUSE  
WASHINGTON

72

Mr. Califano:

Delivered the attached to the sit room with a note on the envelope which stated:

"Sit Room: Hold this and do not send on the wire to the President until or unless Joseph A. Califano, Jr. authorizes you to do so."

Joe:

*Paul*

72a

I don't think <sup>x</sup>Douglas will take this, but it's all right if you think this is the best you can do.

Give me a report on the Evans-Novak column today on what you said to Neustadt.

LBJ/mf  
11-20-66  
9:30p

The President's wishes relayed to CALLIFANO  
by telephone from the LBJ Ranch

Jake Jacobsen  
November 21, 1966 10:00 A

*File*

72b

C.F. ② 72c  
FG 170/N

②

EEA228  
OO WTE10  
DE WTE 2268

Received: Washington CommCen  
6:04 PM Saturday 19 November 1966

Received: LBJ Ranch CommCen  
8:12 PM Saturday 19 November 1966

FROM: JOE CALIFANO  
TO : THE PRESIDENT  
INFO: BILL MOYERS  
CITE: CAP661004

~~CONFIDENTIAL~~ of

~~CONFIDENTIAL~~

SUBJECT: CANDIDATES FOR THE NATIONAL COMMISSION ON CODES,  
ZONING, TAXATION AND DEVELOPMENT STANDARDS

THIS IS A KEY COMMISSION. ITS TASK WILL BE TO CONDUCT  
THE FIRST COMPREHENSIVE REVIEW OF BUILDING CODES AND PROPERTY  
ZONING IN MORE THAN TWO GENERATIONS.

THE PROBLEMS IN THIS FIELD ARE INTRICATE AND COMPLEX.  
THEY WILL REQUIRE A GREAT DEAL OF INGENUITY AND NEW APPROACHES.  
IF WE CAN GET SOME OF THESE PROBLEMS SOLVED, WE WILL GO A LONG  
WAY IN BRINGING OUR URBAN PROGRAMS TO THE PEOPLE MUCH MORE  
EFFECTIVELY AND RESPONSIVELY, WITH LESS COST AND GREATER  
EFFICIENCY.

YOU ORIGINALLY PROPOSED THIS COMMISSION IN YOUR 1965 CITIES  
MESSAGE. YOU EMPHASIZED THE NEED FOR THE COMMISSION IN YOUR  
SYRACUSE SPEECH ON THE CITIES LAST AUGUST.

THE 89TH CONGRESS HAS NOW SPECIFICALLY AUTHORIZED THE  
ESTABLISHMENT OF THE COMMISSION. PUBLIC LAW 89-117,  
DIRECTED THE SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT TO STUDY AND REPORT ON THE STRUCTURE OF:

- (1) STATE AND LOCAL URBAN AND SUBURBAN HOUSING AND  
BUILDING LAWS, STANDARDS, CODES, AND REGULATIONS  
AND THEIR IMPACT ON HOUSING AND BUILDING COSTS,  
HOW THEY CAN BE SIMPLIFIED, IMPROVED, AND ENFORCED,  
AT THE LOCAL LEVEL, AND WHAT METHODS MIGHT BE  
ADOPTED TO PROMOTE MORE UNIFORM BUILDING CODES  
AND THE ACCEPTANCE OF TECHNICAL INNOVATIONS  
INCLUDING NEW BUILDING PRACTICES AND MATERIALS;
- (2) STATE AND LOCAL ZONING AND LAND USE LAWS, CODES,  
AND REGULATIONS, TO FIND WAYS BY WHICH STATE AND  
LOCALITIES MAY IMPROVE AND UTILIZE THEM IN ORDER  
TO OBTAIN FURTHER GROWTH AND DEVELOPMENT; AND
- (3) FEDERAL, STATE AND LOCAL TAX POLICIES WITH RESPECT  
TO THEIR EFFECT ON LAND AND PROPERTY COST AND ON  
INCENTIVES TO BUILD HOUSING AND MAKE IMPROVEMENTS  
IN EXISTING STRUCTURES.

THE COMMISSION'S REPORT WILL BE SUBMITTED TO THE PRESIDENT  
AND THE CONGRESS WITHIN 18 MONTHS.

AT YOUR REQUEST, MACY AND I HAVE AGAIN REVIEWED THE CANDIDATES  
WITH BOB WOOD AND WE NOW PROPOSE THE LIST BELOW.

WE RECOMMEND SENATOR PAUL DOUGLAS AS CHAIRMAN. YOU COULD  
ANNOUNCE DOUGLAS AS CHAIRMAN AFTER TALKING TO HIM AND RELEASE  
THE NAMES OF THE OTHER MEMBERS LATER.

72d

November 12, 1966

**FOR THE PRESIDENT**

**FROM Joe Califano**

**Attached is a draft statement announcing the Commission on  
Codes, Zoning and Taxation should you care to use it tomorrow.**

**QUOTE**

**UNQUOTE**

72e

A DRAFT STATEMENT FOR THE PRESIDENT IN  
ANNOUNCING A COMMISSION ON CODES, ZONING,  
AND TAXATION

I am pleased to announce today / the members of an Advisory Commission to help carry out a study of major importance in the fields of codes, zoning, and taxation.

The members of this Commission are distinguished citizens with broad experience in ~~the field of~~ urban affairs.

I have asked them to lend their time and talent to help the Secretary of Housing and Urban Development carry out <sup>(THIS MOST IMPORTANT)</sup> ~~the study for which Congress appropriated 1.5 million dollars this fall.~~

In addition to the members announced today, special expert panels will be appointed to help carry out the study in each specific <sup>subject</sup> ~~study~~ area.

The establishment of this Commission flows from the recommendation in my message to Congress last year on the problems <sup>and</sup> ~~of~~ the future of the cities and it's suburbs. It is my belief that this study can make a major contribution in the development of ideas and proposals for a dramatic improvement in the quality of our cities and suburbs.

The areas of housing and building codes, zoning, and taxation are key elements affecting the shape and fabric of our society. They are complex subjects, <sup>but crucially important.</sup> ~~Solutions will require the participation and cooperation of many interested groups and organizations.~~ It will take an energetic and hard-working ~~Commission to help find the right answers.~~

- Building codes are a pivotal element in determining whether or not we can make maximum use of this Nation's technological capacity in meeting our urgent building needs as economically and creatively as possible.
  
- Housing codes can both help sound neighborhoods from slipping into slums and alleviating at least the worst physical conditions in existing ~~ones~~ <sup>ones</sup>.
  
- Zoning is the ~~major~~ <sup>basic</sup> instrument by which local governments ~~can~~ help shape ~~more economical~~ <sup>present</sup> and ~~more satisfying~~ patterns of metropolitan growth.
  
- Tax policy is a major factor in determining such matters as the flow of capital investment in slum areas and the willingness of homeowners to maintain and up-grade their properties.

These subjects are all matters of primary state and local responsibility. The problems cannot be solved by Federal fiat.

It is my hope that this Commission will develop sound and constructive prospects for consideration by all levels of government and by private organizations and individuals.

The challenge and the opportunity of this Commission will be to bring together all the many diverse interests whose understanding, participation, and cooperation are essential to the achievement of meaningful progress. I am confident that the members will be equal to the task.

~~A~~ ~~has~~ ~~the~~ ~~Commission,~~

### Caplin Insert

To head this Commission, I have selected a respected American with a deep interest in urban affairs. He is Mortimer Caplin. Now a distinguished practicing attorney, this former law professor and Commissioner of the Internal Revenue Service will bring his able leadership and his many talents to bear on the difficult challenges of rebuilding and renewing our cities.

JMT/

The President's wishes relayed to CALIFANO by telephone from Texas

JONES  
~~Mario Fohmer~~  
December 2, 1967  
JAN.

C.F. (2)  
FI 5-4  
FG 170/R\* 73  
FG 110

OO WTE10  
DE WTE 0004

7:04 PM Saturday 31 December 1966

FROM: JOE CALIFANO  
TO : THE PRESIDENT  
CITE: CAP67002

Received: LBJ Ranch CommCen  
7:36 PM Saturday 31 December 1966

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

5:30 P.M., SATURDAY  
DECEMBER 31, 1966

SET OUT BELOW IS A MEMORANDUM FROM SECRETARY FOWLER RECOMMENDING YOUR APPROVAL FOR THE JANUARY MARKET SALE BY THE RENEWAL PROJECTS ADMINISTRATION (RPA) OF \$223 MILLION IN LOCAL AGENCY SHORT-TERM NOTES.

RPA -- AN AGENCY IN HUD -- WORKS WITH LOCAL SLUM CLEARANCE AND URBAN RENEWAL AGENCIES.

THE \$223 MILLION BREAKS DOWN AS FOLLOWS:

- \$137 MILLION TO REFUND A MATURING ISSUE
- \$86 MILLION TO MAKE PAYMENTS FOR CONSTRUCTION UNDER EXISTING CONTRACTS.

IF RPA DOES NOT SELL THESE LOCAL AGENCY ISSUES ON THE MARKET, IT MUST BORROW FROM THE TREASURY. THIS WOULD CREATE VERY SERIOUS PROBLEMS FOR THE ALREADY TIGHT DEBT LIMIT AND WOULD INCREASE OUR FISCAL YEAR 1967 BUDGET EXPENDITURES.

YOU APPROVED THE MARKET SALE OF RPA NOTES FOR OCTOBER, NOVEMBER AND DECEMBER. ALL OF THESE SALES WENT WELL.

TREASURY WOULD LIKE YOUR APPROVAL FOR THE SALE BEFORE NOON, JANUARY 3, SO THAT IT CAN ADVERTISE THE ISSUE FOR SALE ON JANUARY 17.

GARDNER ACKLEY AND I RECOMMEND YOUR APPROVAL FOR THE SALE BY RPA OF THE \$223 MILLION IN LOCAL AGENCY NOTES.

APPROVE-----✓-----

DISAPPROVE-----

QUOTE FOWLER MEMO (ATTACHED)

RECEIVED  
JAN 3 1967  
CENTRAL FILES

DEC 31 1966

**Processing Note:**

The following document, #74, had originally been misfiled in "FG 170, Housing and Urban Development (1968 -)." It was added to the present location 12/4/02.

Jennifer Cuddeback  
Archivist

ADMINISTRATIVE CONFIDENTIAL

C. F.

③

74

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

LE  
SP2-4/1967  
FG170

NOV 16 1966

MEMORANDUM FOR

Joseph A. Califano, Jr.  
Special Assistant to the President

As requested in your memorandums of October 18, 1966, I am pleased to submit the attached summary and statements of certain ideas and proposals for legislation which might be proposed to the first session of the 90th Congress or included in the President's Message on the State of the Union.

The analyses and recommendations are primarily the result of extremely short-term but concentrated effort on the part of a series of task groups within the Department of Housing and Urban Development - a species of "brain-storming", if you will - and have not had the benefits of dispassionate review because of the constraints of time. In addition, in order not to inhibit the free flow of ideas, I have advised these task groups that clearances from Secretarial officers in the Department would not be necessary for this exercise. Accordingly, I would prefer not to indicate my endorsement of any of the specific proposals contained in these papers at this time.

The papers also contain a degree of overlap, and there is no common thread of policy position running through the several documents. However, I believe the ideas and suggestions set forth will be of interest to you and to the Bureau of the Budget, and I have forwarded them as a basis for further discussion.

*Robert T. Weaver*  
Secretary

*Papers filed - Oversize Attachment*

RECEIVED  
NOV 18 1966

ADMINISTRATIVE CONFIDENTIAL