



STATE OF NEW JERSEY  
DEPARTMENT OF COMMUNITY AFFAIRS  
PAUL N. YLVISAKER, COMMISSIONER

July 7, 1967

Dear Mr. President:

Your Task Force on the Cities agreed early in its deliberations that now was no longer the time merely for minor adjustments in current programs.

The nation's urban condition demands far more.

What more it demands is not simply a matter of money. A much higher level of spending and investment - private as well as public - is clearly in order. But we concur in your own expressions, and those of your Cabinet, that money in itself is not an urban panacea.

We have attempted in the attached report to state what else is involved in "working at scale" on the nation's urban problems.

We do not pretend to have all the answers, and we are not as certain as we would like to be about those we put forward. We are also aware of the constraints governing your own and the nation's response.

Nevertheless, we conclude our work on a note of greatest urgency. The growing apartheid of our urban populations, segregating by race and income, presents this nation with an ugly fact and an ominous future - and a possible threat to our security which may too soon overshadow that of Vietnam.

This threat may not materialize. Yet we think it would be folly to test that possibility by doing no more to dispel it than is explicit in the nature and scale of our current urban efforts.

We submit this report to you with our deepest respect and our very best wishes. We are grateful for the opportunity you have given us to consider these problems with you, and we appreciate the very considerable help provided to us by your staff.

Respectfully,

*Paul N. Ylvisaker*  
Paul N. Ylvisaker

The President  
The White House  
Washington, D. C.

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## SUMMARY

### The Argument:

The overriding problem of our cities is segregation by race and income.

No solutions of the nation's urban problems are valid unless they deal directly with the questions posed by segregation.

A dangerous confrontation is building in most of our metropolitan areas between white and Negro, rich and poor, growing suburb and declining central city.

Discrepancies in standards of living are widening, and they are deepening into ominous differences in life style and outlook.

We see no prospect that these disturbing trends will be arrested by "natural" forces or by current programs at present scale.

The nation is at a turning point in its development. A century ago, President Lincoln risked the Union in order to preserve it against the threat of internal division. Today a comparable venture in national leadership is called for to heal the rift between the ghetto and growth sectors of American society.

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### The Facts:

If present trends continue:

-- by 1983, the aggregate population of the nation's central cities will be nearly 40% Negro and 40% poor.

-- by 1983, at least twenty of our major central cities including Chicago, Philadelphia, Cleveland, Detroit and Baltimore will be predominantly Negro.

--these emergent Negro majorities will be inheriting the deficit areas of the American economy: business investments in central cities are declining relatively; so are per capita incomes, public revenues, and conditions of housing; and total jobs are declining absolutely.

--merely holding central city ghettos to their present size will require the movement of approximately 450,000 Negroes annually into predominantly white suburbs -- nearly 10 times the present rate of Negro out-migration.



-- increasing present Federal services (health, education, housing, etc.) to a minimum acceptable level and extending them to every poor person in every central city would require an annual outlay of about \$27 billion -- roughly 3 times what we are now spending. But there is no assurance that tripling present expenditures would substantially improve the quality of life in the ghetto or increase the rate of metropolitan integration. Neither is likely to happen unless there is an explicit national policy to bring those caught in the ghetto within living, working and schooling distance of the growth sectors of American society. "Separate but equal" has been discarded as a formula for good education. It cannot be retained as a recipe for the good life of an urban civilization.

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Our Recommendations:

A. Generally:

- I. That the integration of our urban and urbanizing populations be explicitly stated as national policy; that it become the first criterion by which present and proposed programs are tested; that a wide variety of powerful incentives be devised to accelerate integration; and that employment and educational prospects for the urban poor be sharply increased.
- II. That barriers to the development of coherent national urban policies and programs both in this and other problem areas be removed by reforming the federal grant-in-aid system; linking aid directly to disadvantaged individuals; and increasing the capability and participation of state and local governments.
- III. That the nation's capacity for research, training, experimentation and evaluation in urban affairs be greatly strengthened and expanded.

B. More Specifically:

There are several concurrent strategies for arresting and reversing present trends toward urban segregation by race and income.

These strategies and the overall objective will require Presidential leadership: to mobilize public support for what may seem a minority cause; and to stimulate bureaucratic and entrepreneurial ingenuity in directions which often differ sharply from those now prevailing.

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While this report focuses on actions governments can take to increase integration, we urge Presidential support and encouragement for private interest in these problems -- an interest which ranges from the operation of Job Corps centers all the way to comprehensive schemes for neighborhood and even metropolitan development. The private sector can be counted on to share the burden of leading public opinion on the questions of integrating community schools and work situations. Its involvement is essential on a rising scale and with every encouragement to those willing to experiment with new partnerships and techniques in public-interested enterprise.

Our basic strategies are:

1. to create a system of metropolitan-wide incentives to governments, individuals, and the private sector which will make integration and enrichment less expensive for cities and suburbs and more attractive to business and the citizenry.
2. to greatly increase aids to those now living in the ghetto, to encourage their entry into the growth sectors of metropolitan society, and to achieve a better racial and economic mix in the central city.
3. to reduce further migration of the rural poor into the ghetto by providing better opportunities and more direct access to growth sectors elsewhere.

Our major recommendations for carrying out these strategies are as follows:

- a. Tighten up and extend the statutory and administrative requirements for open occupancy, equal opportunity, and other rights essential for urban integration. The most immediate need is for an executive order extending the requirement of open occupancy to all housing which is in any way financed or insured by federal agencies.

b. Create the most powerful incentives possible for both private and public sectors to move toward integration of race and income:

- b1. Extend present federal metropolitan planning review requirements to cover housing, urban renewal, schools and community facilities, and allow bonus grants to those suburban communities which encourage integration.
- b2. Use the location of public facilities (both Federal and Federally-supported) and the placing of public contracts and expenditures as levers to secure open housing, employment and other opportunities.
- b3. Tie existing federal programs (e.g. housing and relocation) to requirements and incentives for integration.
- b4. Condition any plan for the redistribution or sharing of federal revenues (or for tax credits and block grants) on state and local progress toward urban integration.

b5. Experiment with new forms of incentives:

-- "Bounties" tied to residents of the ghetto which can be collected, e.g., by suburbs or other neighborhoods outside the ghetto for educating low income children to specified standards, or by employers who agree to hire and train under certain specified conditions.

-- general grants for metropolitan development programs which specifically encourage integration.

-- low or non-interest loans to metropolitan development corporations to encourage integrated housing, employment and education.

-- expanded workable program requirements, use of HEW "state plan" requirements, and grants for state governments which prepare state-wide plans for urban integration.

-- technical assistance in every way appropriate to indigenous, self-help groups desiring to engage in community-improvement programs in housing, employment, education, etc.

-- direct incentives in the form of subsidized interest rates for lenders and builders of housing which is and promises to remain integrated. "Managed integration" -- relying on experimental applications of benign quotas -- should be encouraged.

-- income maintenance plans which increase consumer demand and induce economic development of depressed neighborhoods - and which also facilitate the free entry of ghetto residents into the open market for housing, health, and other essential goods and services.

-- possibly (and the contrary arguments advanced by the Treasury give us pause) tax incentives to encourage private investment in depressed urban areas -- or at least to discourage depreciation credits for properties in violation of code.

-- as much relief of the local property tax as possible, to correct its inherent discrimination against low-income residents both within the ghetto and as they attempt to move from it into suburban enclaves.

- b6. Move toward 100% federal financing of welfare costs, and eliminate local residence and other restrictions which inhibit the mobility of low-income persons.
- b7. Greatly increase and stabilize the flow of investment into the housing market, to ensure a growing supply of housing at all income levels, and at the same time a greater mobility of ghetto residents.
- b8. Greatly increase and strengthen the variety of public services (health, education, job training, etc.) available to residents of the ghetto -- as detailed in the sections which follow.
- b9. Concentrate on job and career development in the service sector of the economy. This is the largest growth area and offers the greatest potential for new jobs and careers for ghetto residents. An essential part of this effort would be to provide entry at non-professional levels, accompanied by training efforts which continuously offer opportunity for upgrading and career development.

- b10. Explore ways and means of redirecting the flow of rural in-migrants including opportunities for jobs and housing closer to their point of origin; experiments with transitional communities; efforts to equalize ratio of in-migration among metropolitan areas; and development of record systems which follow migrants from rural origins to urban destinations.
  
- c. Accelerate present efforts to reorient the federal establishment and the federal system, away from the categorical emphasis and the closed technical and bureaucratic circuits which have fragmented and insulated governmental programs, and toward:
  - c1. determination of urban policy at higher levels and at more critical points in the federal establishment -- in particular, providing an urban competence within the White House Staff, the Council of Economic Advisers, the Treasury (especially the Internal Revenue Service), and the Federal Reserve system.
  - c2. consolidation of federal grants and simplification of grant procedures, moving toward performance standards and away from the present and debilitating preoccupation with detailed programmatic requirements. A detailed proposal is outlined in the following sections.
  - c3. decentralization of governmental programs, with a strong bias in favor of enlarging the role of state and local political executives. Direct grants should be made to governors and mayors for staff assistance and expert aid on urban problems.
  
- d. Greatly strengthen the nation's capacity for urban analysis, training innovation, and evaluation:
  - d1. seize immediately on the opportunity presented by the Model Cities Program, selecting a half-dozen of the more promising applicants for a special effort at scale: concentrating the full range of federal aid programs on these models, taking an initiative in designing and executing the experiments, and providing for a thorough and objective appraisal of results.

- d2. strengthen the community action programs of O.E.O., as prototypes of the continuous developmental and innovative function that is essential in urban affairs. Particularly needed are longer-term financing for these and other experiments, and more discretion in allocating funds for research, development and evaluation.
- d3. expand and consolidate federal aids for recruiting, training and extending the manpower and expertise now in critically short supply across the whole range of urban needs.
- d4. provide grants to state and local governments, and to urban universities, to strengthen their capacity for research, development and analysis.
- d5. steadily increase the funds available to HUD for research and development, much of it to be placed as contracts with competent institutions around the country.

A Perspective:

We have concentrated our attention on what we believe are the three most critical problems plaguing urban development in this country: the problem of racial and income segregation; the administrative and fiscal problems of federalism; and the problem of developing the managerial and analytical capacities for tackling urban problems at scale.

We have dealt only in passing with other urban problems: of aesthetics and design; of engineering and traffic; of air, water and land pollution; of culture, recreation, and the arts. Not because they are unimportant, but because they are not so important as the ones we have addressed, and also because they are more constantly being worked at by powerful forces for self-correction.

There are no easy answers. If there is any solution, it lies in a national commitment to face the problem in its full magnitude, and to persevere past spontaneous remedies and panaceas. Nor will any appeal such as ours be popular -- for it is an appeal on the one hand to a majority who are relatively content with their urban lot, and on the other to restive and outspoken minorities some of whom are beginning to believe that in building the ghetto they are building towards political equality.

Still we cannot recommend otherwise. The spectre of civil discontent and potential guerrilla warfare is spreading over the land.

## INTRODUCTION

America and its communities are changing with unsettling rapidity. Much of this change has been healthy and many of the problems it has caused tend to evoke their own solutions. This country - despite its transitional strains and its freely voiced complaints - has an immense capacity for self-correction.

But for an increasing number of the people living in American cities change has meant deterioration, continued unemployment, and growing alienation from the rest of society. No process of self-correction promises to rebuild our cities and reunite our urban population; our present problems promise only to become worse.

We believe that some problems of American cities are of such transcending importance as to command an urgent response on a national scale. We also believe that the next 5 years must be used to develop the capacity to alter present trends of urban development. For we are building toward a confrontation between Negro and white, between the mainstream and the disaffected, and between the affluent and the poor - a confrontation whose symptoms already are apparent in the sporadic and ominous violence which flares up across the Nation in our urban centers both large and small.

We foresee a time when this militancy will engage a larger share of central city populations. Their demands for employment opportunities, compensatory education, and other services are increasing, while the economy of the city and its ability to respond are in decline.

Only the President of the United States can lead the national effort which is required to change this pattern. And, he will need strong and committed allies and new and flexible instruments of policy. We are convinced that the President must forge a grand national coalition to direct the Nation's resources at its city problems.



Thus, the Task Force believes that the first priorities for public action in urban America are related to the growing disparity between city and suburb - a disparity which is expressed in the segregation between white and Negro, the gap between income in central city and in suburb, and the uneven economic growth in metropolitan areas.

We decided early in our deliberations to focus on these urban disparities.

We have divided our report into two major components. The first is a straightforward description of urban disparities, by race, income and economic development. The second involves a series of recommendations - some modest, some sweeping - intended to increase sharply our ability to deal with urban problems creatively, responsively, and on a larger scale than is presently possible.

While we believe that the sorts of programs we are recommending should have the highest national priority, we recognize how politically and practically difficult it is to spend a larger portion of our resources on the urban poor and the central cities. This is true fundamentally because the present system of urban development works quite well for most people. Most Americans are happy in suburbia; they have done well in the system, and they look forward to doing better. Our report focuses on the disadvantaged and they are the minority. Their potential impact on American society, however, is enormous.



## THE PROBLEM

The overriding problem of our central cities is segregation by race and income. There are no valid solutions to the urban crisis which do not deal directly with the questions posed by this segregation.\*

The facts are these: About 22% of the total population of our central cities is Negro, and 36% of these Negroes have incomes in the poverty range. Within 5 years, assuming present population trends and allowing for current levels and even greater effectiveness of ameliorative public programs, the proportion of Negroes to central city population will rise to 27% with no appreciable difference in the percentage in poverty. By 1978, the proportion will be 32%, and by 1983 our central city population will be 38% Negro, nearly two-fifth of them poor.

These are percentages of the total population of all our central cities. By 1973 at least ten of our major cities will be predominantly Negro; by 1983, at least twenty, including Chicago, Philadelphia, Cleveland, Detroit and Baltimore.

There is an increasing national awareness of these figures, if not of their consequences for American society.

These consequences might be cause for optimism rather than concern, since American minority groups traditionally have sought and won political power in cities. Overall the experience has been a healthy one for our pluralistic political system. But unlike the others the Negro ascendancy may not be accompanied by economic power, dispersion and assimilation. This traditional function of the city simply has not worked as well for Negroes. We therefore fear that the changes in city life and political control implicit in the above population trends will not parallel the coming to power of other in-migrant groups. They may, in fact, increase the possibility of a dangerous confrontation which

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\*Our report discusses this segregation as it affects Negroes. In many cities, of course, we are referring to a problem which includes Negroes and Mexican Americans or Negroes and Puerto Ricans. We have included these groups in our cost calculations (see below), since many of their problems - low income, poor educational achievement, substandard housing, high birth rates, etc. - are similar to those of central city Negro and white poor.

divides American society along city-suburban lines: We do not know how high the probability of this confrontation is but we are certain that it is high enough to be cause for alarm.

Its potential dangers lie in the following:

1. The growing disaffection and alienation of Negro ghetto residents which together with their increasing militancy is resulting in increasing violence in cities.

2. The still powerful force of out-migration by white middle-class residents from the city, coupled with the still sizeable pool of rural poor who are migrating to cities.

3. The general disparities in income and economic growth indicated by large proportions of poor in central cities and increasing affluence and economic growth in suburbs.

4. The coincidence of race and poverty which compounds the problem. There are twice as many of the poor and four times as many Negroes in central cities as there are in the balance of metropolitan areas. Of the Negroes who live in cities 86% are segregated by race, which suggests the "ghetto" character of the problem.

5. The inability of even well motivated central city leadership to fashion an effective response to problems whose solutions lie in metropolitan areas as a whole and require revenues far beyond the capacity of any city.

We recommend integration throughout metropolitan areas not only because it is morally right but also because of the two cultures which are developing in urban society along racial lines. The demands of the one and the resistance of the other portend continued violence which already is testing severely the values of American society.

The sheer magnitude of the ghetto problem is staggering. Simply holding central city ghettos to their present size will require the movement of approximately 450,000 Negroes a year into predominantly white suburbs. Such a figure would represent nearly 10 times the present rate of Negro out-migration.

Any integration strategy also would require a substantial increase in the standard of living of ghetto residents. While enrichment alone will not insure integration, it is difficult to imagine large numbers of central city poor moving to the suburbs without substantial increments in income. Our crude cost calculations for providing even a minimum acceptable level of social services for all central city poor indicate federal expenditures of \$27 billion per year, almost triple present outlays.

The disparities between city and suburb go far beyond the race and income of their populations. Every available indicator of economic activity dramatizes the deteriorating competitive position of the central city. Specifically:

- Manufacturing volume in central cities has been increasing at less than half the rate of manufacturing volume nationwide.

- The number of retail establishments has been decreasing in the central city, but increasing elsewhere in the Nation.

- The total number of jobs in central cities has decreased by over 10% since 1950, while total central city population in this time has increased by 21%.

- In 1960, the per capita income in suburbs was almost 10% higher than it was in central cities. This gap appears to be widening.

- In 1962, local per capita welfare expenditures in central cities were almost twice what they were in suburbs. This disparity is increasing at an even faster rate than the difference in poor populations.

It has become painfully clear that jobs, investment and services are by-passing the central cities at the rate which seriously constrains the cities' capacity for meeting problems which grow in magnitude and nastiness.

The above might be altered radically by changes in population trends or public attitudes. Such changes, however, are both unlikely and unpredictable. Given these uncertainties, our report focuses on current governmental policies and levels of spending. We recognize that government action is only one element in the process of urban development and decline. While it may not be a sufficient condition for turning the tide, it is certainly a necessary one.

We believe that to alter these projections significantly quantum leaps must be taken in public policy and levels of spending.

It is apparent that segregation by race and income in our great metropolitan areas is outstripping whatever we are now doing to offset it. The Task Force knows that integration will require more than laws and federal policies, but we suggest that the time has come to accelerate public efforts to break down the walls of the ghetto

In summary, the Task Force identifies as a problem of the greatest national urgency the growth and poverty of central city ghettos and the related race and income segregation in urban areas.

## Recommendations

### I. Increasing race and income integration in urban areas

#### The Problem

Of all the problems the Task Force has addressed, none is more vexing than the question of devising effective strategies to integrate metropolitan areas. We nonetheless believe that the highest priority must be given to integration. Without it, ghetto families will be denied the opportunities enjoyed by the urban majority; they will be forced to live in the least attractive housing at increasing distances from the growth sector of the urban economy; and the problems of a disadvantaged minority will be concentrated in the central cities.

Although improved standards of living are absolutely essential if ghetto residents are to move into the mainstream of American life, it is illusory to believe that enrichment alone will guarantee integration. The residential patterns of every metropolitan area document the fact that income alone does not provide Negroes with the same freedom of choice enjoyed by other Americans. Equally important, the decentralized political system of the metropolis employs land use and other public controls to limit severely housing opportunities in suburbia for all lower income families.

The prime impediment to the dispersion of the ghetto is the fact that large numbers of city dwellers and suburbanites are opposed to residential integration and integrated education. In the central cities, the opponents of integration usually have more influence at City Hall than the residents of the ghetto. In the suburbs, the Negro has no political voice; and the local political system employs a variety of devices to satisfy its constituents' desire to exclude Negroes in particular, and lower income families in general, from their neighborhoods. Highly responsive to their relatively homogenous clientele and most suburban governments show little interest in assuming any responsibility for the general welfare problems of the metropolis. Given the rising per capita costs of suburban governments and their heavy reliance on the property tax, this attitude is, to some extent, understandable. (See Section II)

As a practical matter, an integration strategy must encompass the metropolitan area. Given the likelihood of Negro majorities in a number of major cities, integration cannot be accomplished within the confines of the central city. In fact, an integration strategy which excludes the suburbs would only serve to hasten the exodus of white families from the central cities.

Another reason for developing integration strategies in a metropolitan context is that the housing market functions over an entire metropolitan area. Operating within a local rather than metropolitan context, Federal housing programs, especially those aimed at the disadvantaged, have done little to foster dispersion. In fact, more often than not, these programs have encouraged residential segregation.

Federal efforts to encourage metropolitan planning and coordination have avoided the policy areas most likely to affect the pattern of residential segregation. Substantial progress has been made during the past few years toward securing regional approaches to transportation, air pollution, and water supply. Conspicuously absent from this list are programs that might be used to promote integration. The sad truth is that the emerging metropolitan institutions are concerned almost exclusively with the problems of suburban development and white middle class families in cities and suburbs. Unless there is a radical change in the outlook of these planning and review agencies, they are likely to widen the gap between city and suburb.

Open housing legislation too has had minimal impact on integration in the metropolis. Those seeking integrated housing must rely on widely varying state and local fair housing codes. These almost always exempt the most common form of suburban housing - the single-family dwelling. Another major weakness is the cumbersome, case by case approach based on individual complaints, a process which requires legal sophistication and/or support which usually is unavailable for the ghetto dweller.

The Federal government's record in this area is also unimpressive - neither FHA nor VA have moved aggressively to secure maximum impact from the 1962 Executive Order banning discrimination in housing financed by Federally guaranteed mortgages.

We believe, finally, that many programs designed to improve the standards of living of ghetto residents will be unnecessarily expensive and perhaps totally ineffective unless accompanied by vigorous efforts to integrate metropolitan areas.

The same constraints of high cost and inefficiency are imposed by the still large flow of in-migrants from rural areas to central cities. Largely unskilled and uneducated, this group will keep city service costs high even if we are successful in upgrading the existing urban poor. Until we "short circuit" this process of ghetto replenishment the tasks of integration and enrichment will be doubly difficult.

Federal programs to assist the ghetto resident are characterized by four problems:

- 1) The scale of Federal expenditures is not large enough to offer opportunities to enough ghetto residents to make a difference. If Federal educational, health, legal, welfare, housing and manpower services were increased to a minimum acceptable level and extended to every poor person in every city, the cost would be about \$27 billion in 1968, or 3 times what we are now spending.
- 2) Federal programs are too diffused and badly focused. Reform and refocusing of existing programs is a sensible first step in any attack at scale on the problems of cities. The potential effect of Federal grants often is scattered without regard to the need or capacity of recipients. No city or neighborhood receives enough assistance to make a significant breakthrough in solving problems but most receive enough to raise the expectations of the poor.
- 3) Some Federal programs are misdirected. The National Housing Act of 1949, for example, has increased the housing opportunities of middle- and upper-income residents far more than it has affected the poor. In still other instances the progressive effects of Federal programs have been blunted by a failure to reach the ghetto poor.
- 4) When Federal programs do reach the urban poor, they are often ineffective. This is, in part, a function of the primitive state of the art of solving human problems. (See Section III) In addition, the effectiveness of programs is impaired by the delays and inflexibility of the administration of Federal assistance. (See Section II)

Our recommendations are divided between those which contribute directly to the integration of the metropolitan



complex (including in-migrants from rural areas) and those which upgrade the central city poor to create more opportunities for mobility and integration. This is simply a matter of convenience, since we assert that both approaches must be undertaken simultaneously.

Programs which contribute directly to the integration of Negroes in the metropolitan complex.

- A. The Task Force believes that the first criterion for judging Federal programs ought to be the extent to which they increase integration in our metropolitan areas.
- B. Incentive grants (see Section II) should be used to encourage general metropolitan development programs for entire metropolitan areas linking Federal support for suburban improvements to progress toward ending racial and income imbalances between cities and suburbs. Such programs could be developed on a pilot basis combining the social, physical, and/or economic development needs of a metropolitan complex in a single package which includes an integration plan.
- C. Education
  1. Any program of Federal aid for elementary and secondary school construction should offer incentives for facilities designed to increase the integration of students. Incentive funds could be available for educational parks within cities, suburban exchange schools and consolidated school districts. Such a program should include additional funds for the modernization and replacement of older school plants in central cities.
  2. We recommend a program to promote metropolitan collaboration to allow for "united education" by class and race. Money would be made available for construction staff costs, public information, innovative programs, and evaluation as each relates to the effort to achieve "united education." The program would be administered by the U.S. Office of Education through competitive application from the various metropolitan regions. (See supplementary paper)



3. We recommend a plan of educational allowances for each school-aged child from families with incomes of less than \$3,000 per year, or as regionally adjusted, enrolled in an accredited public or non-public school, this allowance to be awarded directly to the particular school enrolling that child, and to be treated as and guaranteed by local authorities as supplementary financial support for that school. Such allowances would be on the order of \$1,500 per year.

The benefits of this scheme would be several. The children of the poor might be sought by schools, indeed competed for, in that they would bring with them significant additional funds to provide for special and exciting programs. It parallels the "G.I. Bill of Rights" - a "Poor Children's Bill of Rights".

#### D. Housing

1. The fight for a comprehensive national fair housing act with the broadest possible coverage should be continued.

2. An executive order should be issued prohibiting segregation in all forms of housing assisted directly or indirectly by any Federal agency. There must be much stronger emphasis upon compliance with desegregation guidelines in housing financed through Federal mortgage programs. The order should be positively enforced, using the techniques developed in the Federal government's efforts to eliminate job discrimination in all forms of Federally financed employment.

3. To achieve integration, it would even be desirable to provide "bonus" services or cost advantages to builders who actually create integrated developments. This is especially important in suburban developments, which will account for 90% of all new housing over the next 25 years.

4. Section 204 (the metropolitan planning and review requirement) of the Demonstration Cities and Metropolitan Development Act should be expanded to cover programs that affect housing, urban renewal, schools, community facilities.

5. The Federal government should stimulate the creation of and provide financing for metropolitan development corporations to encourage integrated facilities and patterns for housing, schools, jobs, etc. The Federal government would provide initial working capital and extend long-term credit from a national revolving fund. Such corporations might accumulate land for integrated housing, provide assistance in job location for out-migrants, and aid suburbs in preparing effective education programs for new residents.

6. We support a program of Federal interest subsidies for suburban housing developments which actually achieve racial integration. Progress in this area may well parallel the slow, but steady course of school desegregation, with the courts continuing to play a key role.

7. Public housing should shift emphasis to programs which can be used to achieve integration outside presently all-nonwhite areas, and such programs should be greatly expanded. This implies the following specific actions:

- a) Much greater leasing of either existing, rehabilitated, or newly-built units, especially when leases cover only part of a building or development, and private tenants occupy the remainder.
- b) Heavy concentration on scattered-site developments containing relatively small number of units, preferably in low-rise buildings (except for housing for the elderly), even if per-unit costs are higher.
- c) Provision of special bonuses or incentives for construction of public housing within metropolitan areas but outside central cities by county or state housing authorities. Such incentives might include much higher payments-in-lieu-of-taxes to local governments.
- d) Altering limitation on central city housing authorities so that they can build and lease units in suburban areas.
- e) Development of purchase options for public housing tenants whose incomes exceed established limits, so as to encourage more socially-mixed groupings.

f) Refusal to approve applications which continue racial segregation or massive groupings of deprived families in communities where alternatives are possible.

g) Further exploration of "turnkey" construction and rehabilitation as a means of offsetting the possibly higher costs of scattered-site development.

8. Home ownership incentives and assistance should be provided for central-city ghetto residents but applicable wherever they purchase. Such assistance should include below-market-interest-rate loans with no-downpayments, supplemental payments for ownership similar to rent supplements, and special training concerning the problems of home ownership and maintenance. Initially, this program should be tried on an experimental basis. (See special paper)

#### E. Migration aids

1. We recommend further exploration of ways and means of redirecting the flow of rural migrants, particularly to identify opportunities for jobs and housing closer to their point of origin. We recommend special attention to the proposals for transitional communities, such as those being developed in Mississippi, Kentucky and Vermont.

2. We suggest experiments to encourage in-migrant settlement in well-planned (some new, some renewed) neighborhoods which have more accessibility to the growth area of the metropolis than do existing ghettos.

3. The Federal government should seek to equalize the rates of rural in-migration among the nation's metropolitan centers, and to hold in-migration in some reasonable balance with local employment, housing and educational opportunities. Methods of accomplishing this balance might range from simple information systems, to transportation, housing, industrial location and other subsidies.

4. HEW and Agriculture should work together to develop educational, health, and other record systems which follow migrants from rural origins to urban destinations.

## F. Public Facilities

1. We urge greater use of the location of public facilities - both Federal and Federally supported - as a lever in securing actual integration, open housing and employment opportunities. Those facilities which can be located in cities, especially community colleges and hospitals, should be considered a part of overall development and city enrichment plans. Public employment for low-income groups should be related to any new facility - including those in the suburbs. This new responsibility should become a major concern of the Secretaries of HUD and HEW.

2. A primary role should be centralized in the Executive (whether HUD, or some other agency), to coordinate all Federal urban capital investment as a part of national integration and enrichment strategies.

- G. The emerging role of the states in the Federal system - linked to their political potential - must be shaped and directed towards action to meet our urban problems. State government offers a vast potential for affecting the metropolitan problems posed by urban segregation and disparities. The States have the de jure power; they share in property tax revenue; and provide a large portion of local education funds. The Federal government should develop powerful incentives for statewide integration programs. The "workable program" requirements of HUD might be reformed into a meaningful plan with a statewide workable program option supported by general development grants. (See Section II) The "State plan" requirements, particularly in HEW programs, offer another possible means of developing state-wide integration programs. Today, such plans are often meaningless - linked to integration proposals and sweetened by fiscal incentives they could be of a major significance.

## Programs to upgrade the poor in central cities

### A.. Employment

The Task Force believes that the most direct means of improving the lives of the poor in our cities is to increase their incomes; the greatest hope for achieving this objective is through meaningful, permanent and necessary employment.

1. The Task Force recommends the consolidation of presently separated manpower programs into a single comprehensive manpower grant. This would allow development of comprehensive local manpower programs by a single agency which would absorb the important functions of recruitment, selection, processing, training, placement and follow-up of the poor. Institutional and On-the-Job Training, Neighborhood Youth Corps, the Concentrated Employment Program, HEW vocational programs and OEO manpower grants should be consolidated.

2. In the absence of significant consolidation of programs, the Task Force recommends an expansion and refocusing of the on-the-job training program to provide higher subsidies to private industry for training and employing the poor. Reimbursement for training costs should be increased and the 26 weeks presently allowed should be extended to permit enough flexibility to respond to the different training requirements of various jobs, including provision for general education. Funds for supporting services also should be increased. OJT should be provided with a large staff for job development, counseling and follow-up after placement in a job training position.

3. We recommend an expansion in public and private employment through the new careers idea as embodied in the Nelson-Scheuer Amendment to the Economic Opportunity Act. New careers provides entry level employment for the poor with meaningful upgrading in work and professional training.

4. Because job opportunities are likely to open up faster than housing opportunities, we recommend a program of city to suburb transportation assistance with the following characteristics:

- a) Responsive to changing locations of both jobs and workers.
- b) Focused on initial period of "job finding" and "job holding".
- c) Non-competitive with the private market.

Where such travel is relatively concentrated, this demand can be met through subsidized public transportation. For more dispersed travel from ghetto residences to suburban jobs, short-term publicly-assisted automobile leasing arrangements will be needed.

5. The Task Force recommends a joint effort by HUD and the Department of Labor and, perhaps, Commerce, to negotiate a national model agreement for employment of ghetto residents with the building trade unions and employers in large-scale slum rebuilding experiments. Such a move would help to provide a point of entry for Negroes and other minorities into the construction trades. It should be accompanied by more aggressive efforts to indenture Negro apprentices.

6. As a long-run possibility, we suggest a program which would operate much like the GI Bill of Rights to maximize personal choice of the poor in selecting educational, training and employment assistance. The funds could be used by the individual to enroll in regular education institutions and/or for training on the job with the employer receiving reimbursement for his training costs. The great advantage of this approach is in avoiding the present tangle of referrals, delays and insensitivity.

#### B. Education

1. We recommend a supplementary allocation to Title III of the Elementary and Secondary Education Act to support school-based multi-service centers, as requested by the states and cities.

2. We endorse Title I and urge its expansion for the present life of the Act with the following provisos:

-- that the minimum income factor be raised to \$4,000 and that variations above this level be permitted to reflect differential costs of living from region to region, and

-- that allocations within states be more pointedly related to the median family income of school districts, the existing per-pupil expenditures of the school districts, and the percentage of the district's children who are disadvantaged.



3. We endorse Head Start and urge its expansion and eventual full adoption by all communities. We further endorse "Operation Follow Through" of the Office of Education.

4. We recommend a new program of day-care centers, including health clinics and employing the poor in para-professional jobs. This program could be implemented in association with "community schools" or city hospitals.

5. Innovation and competition are handmaidens, and the necessary reforms in American schools will only come through often painful and unpopular trials. We therefore recommend that 10% of all moneys under Title I and Title III of the ESEA be available, as deemed appropriate by the U.S. Commissioner of Education, to non-religious, non-profit educational groups, educational groups not presently designated as Local Education Agencies, and to special state-sponsored educational programs.

6. We recognize the need for increasing the number of adults working with children in the schools. Many of the tasks in school teaching are relatively routine and do not require the attention of trained teachers. Non-professionals should be recruited. We therefore recommend a program for the recruitment, training and initial support of teachers' aides, classroom assistants, and other "para-professional" workers.

C. Special recommendations for military veterans from poverty families.

1. We give the strongest endorsement to Department of Defense Manpower programs, such as "Project 100,000" and "Project Transition". The latter can be broadened to become one of the most effective ways of accelerating urban integration by guiding minority veterans toward jobs and housing in the growth areas, and providing such collateral assistance as may prove necessary.

2. We recommend stepped-up outreach activities in the Veterans Administration to trace those with the greatest need for assistance at the point of separation and especially after separation.

3. We recommend that OEO and Labor working with VA be given a special mandate and the capacity to assist veterans from ghettos in obtaining such urban skills as planning, social service work and community development. Returning servicemen constitute perhaps the greatest single source of supply of minority group leadership and talent, and their potential at this point should be fully developed and tapped.

D. Income maintenance and welfare

1. Any well conceived strategy for the city requires substantial increases in consumer demand. City dwellers need a sustained and substantial upward movement in payment levels for

- a. unemployment compensation
- b. welfare payments
- c. minimum wage

2. The present welfare system must be altered to make it a more effective instrument for eliminating ghetto dependence.

a. We urge enactment of a Federal law requiring adoption by all states of amendments to the Aid to Families with Dependent Children program which permits unemployed fathers to remain in the household without loss of benefits (AFDC-UP).

b. We support elimination of residency and age requirements as determinants of AFDC payments.

c. We endorse proposals to alter outside income requirements and to eliminate the in-effect 100% income tax rate on welfare recipients.

d. We should move towards assuming a larger proportion and perhaps all welfare payments at the Federal level. Continued reliance on localities and states for a share places an added strain on their frequently regressive tax systems, inhibits the development of more reasonable national standards for welfare, and limits the mobility of ghetto residents.



## E. Housing

The greatest determinant of housing available to the poor is the amount of housing added to the supply for all income groups. The effect of Federal housing programs directed at low-income groups is swamped by interest-rate changes and other factors influencing housing supply. We recommend that:

1. Insofar as possible, fiscal and monetary policies should be designed to encourage very large numbers of housing starts each year. This implies placing emphasis on tax increases rather than high interest rates to ration capital and purchasing power when inflationary pressures occur. The number of new households formed each year will rise sharply because offspring of the postwar birth surge are now reaching marrying ages. Unless annual housing starts rise markedly above recent levels, a housing shortage will arise, and rents will increase sharply. This will penalize poor families and slum dwellers most, and will counteract any other Federal programs aimed at helping them.

2. Investment incentives (such as tax credits and depreciation schedules) should be applied to housing in the same way that they are applied to other capital goods. Every mechanism for maintaining a rising flow of investment into housing should be explored by the Administration. Such mechanisms might include:

-- Issuance by FNMA of longer-term certificates at higher rates to attract investment from pension funds and insurance companies.

-- Denying Federal income tax allowances for depreciation on all multi-family buildings unless the owner files a current certificate of compliance with all local codes with his tax return.

-- Changing Internal Revenue Service regulations so that no building can be subjected to depreciation allowances more than once; that is, depreciation would be connected with each structure, regardless of ownership.

-- Provision of special tax credits for commercial, industrial, or residential investment in new construction or major rehabilitation in designated urban slum areas.

3. The Task Force recommends that most multi-family housing mortgage operations and all housing mortgage operations primarily aimed at specific social-welfare objectives (such as providing integrated housing or housing for low-income or ghetto families) be separated from the present Federal Housing Administration. FHA personnel and procedures are too rigidly linked to financial prudence and too enmeshed in red-tape and delays to administer such programs in a way compatible with their basic objectives.

4. Local public agencies should be able to obtain "package" approval of entire sets of housing or urban renewal projects at once, with similar "package" processing at reduced intervals in the development process, rather than having to submit and clear separate applications for individual items or projects. This change of procedures should apply to FHA, public housing, urban renewal, and other HUD programs.

5. We urge that urban renewal legislation be amended to permit direct social service costs to be included as eligible projects. In general, urban renewal should be made more flexible. Present delays which make sensible staging of projects impossible must be sharply reduced by vigorous bureaucratic reform and more widespread sanctions on communities which fail to produce.

F. Special recommendations on the Community Action Program

1. The Task Force believes the community action idea is a major innovation in Federal programming and reflects the emphasis on demonstration and experimentation which is critical for increasing our problem-solving capacity. The Community Action Program should be retained within an independent OEO with its charter for flexible and innovative programs.

2. OEO should develop and employ performance criteria in the distribution of scarce CAP funds. These criteria should include the CAP's innovative capacity, its ability to coordinate other relevant agencies and to operate its own programs.

3. Demonstration funds should be increased.

4. Guidelines to insure CAP participation in Model Cities planning and execution should be promulgated.

5. The possibility of longer-term financing should be explored.

#### G. Magnitudes

We have postulated and costed expanded assistance over the next 15 years in several important sectors of city life (jobs, education, etc.). Expansion in these sectors has generally meant an increase in both per capita levels, and the size of population reached. Our estimates are based on broad assumptions and simple logic, but we believe them to be an adequate portrayal of the requirements to be met.

##### 1. Employment

Our employment program for city poor involves two kinds of activity -- job training and job development. The estimated job training universe would be constant at about 600 thousand individuals per year.\* The assumed cost factor for meeting this need is \$2,100 per participant, based on current MDTA experience.

As a result of job training, new job requirements should grow from 100 thousand positions initially to about 3 times that in 15 years. The costs for developing this job market would divide 1.2 between "new careers" positions in the city (\$5,000 per job) and more conventional jobs in the suburbs (\$300 for transportation only per job.)\*\*

Under these assumptions, the amount of Federal funds under the "jobs" heading would be about \$2.0 billion annually. By comparison, the Federal budget in FY 68 allocates something less than \$.5 billion to jobs for the city's poor.

\* The numbers given throughout this discussion include both white and Negro poor.

\*\* The latter factor is for an improved city-to-suburb transportation network.

## 2. Education

The costs for education assume a \$1,500 annual "scholarship" for all white poor children, and all Negro children in cities. The universe of need would expand from \$6.2 million in the first year to \$8.8 million in the fifteenth. Annual costs would rise from \$10 billion to \$14 billion.

We estimate that the amount of Federal funds actually designated for education of this city group in FY 68 will be less than \$1.0 billion.

## 3. Income

Our estimates for an expanded welfare expenditure derive from the Orshansky definition of poor. We estimate a total city poor population of 10.4 million in 1968, decreasing to 7.5 million in 1983. An adequate welfare expenditure would involve an average \$830 per capita, or about \$8.5 billion total in 1968. This compares with an estimated programmed expenditure of \$4.8 billion.

## 4. Housing

Improved housing costs are based on our judgment of quality of housing a poor family should be able to acquire. The dollar differential between this quality and 20 percent of family income is taken as the required amount of Federal supplement.

Under these assumptions, working at scale in poor housing would imply expenditures of about \$3.8 billion in 1968. The comparable figure from the FY 68 budget is between \$.5 and \$1.0 billion.

## 5. Health

According to our rough estimates, present health expenditures to the poor are approaching scale. We estimate a \$1.7 billion cost in 1968 which compares with a FY 68 budget of \$1.4 billion. It is not clear, however, what the actual proportion of these funds reaching the target group includes.

## 6. Physical Security

Our cost estimate for improved city security services assumes a significant salary increase for security personnel (police, etc.). The Federal share of this cost would be about \$1.7 billion per year, or \$30 per city resident (including poor and non-poor). Current expenditures in this area are effectively zero.

## 7. Summary

Table 1 summarizes our estimates of cost for a 15-year enrichment program. Program expenditures would remain relatively constant at about \$27 billion per year. The 1968 cost of \$26 billion compares with the FY 68 budget allocation of about \$9.0 billion; "working at scale" implies about a factor of three increase over current Federal expenditures.

TABLE 1

ESTIMATED COSTS FOR A 15-YEAR  
FEDERAL PROGRAM OF CITIES ENRICHMENT

ASSISTANCE SECTORS	ANNUAL COSTS, \$B				PROGRAMMED FY 68 EXPENDITURES
	68	73	78	83	
Employment	1.4	1.4	1.6	2.3	.5
Education	9.8	11.2	12.7	14.1	1.0
Income	8.6	8.7	8.0	6.7	4.8
Housing	3.8	3.7	3.4	2.8	1.0
Health	1.7	1.5	1.4	1.2	1.4
Security	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>0</u>
Totals	26.4	27.7	28.1	27.4	8.7



## II. Increasing governmental capacity for meeting the problem of urban disparities

### The Problem

Implementing the strategies for urban change discussed in this report depends upon (a) strengthening state and local government and (b) reforming the administration of Federal programs.

We assert that strengthening the positions of governors and especially central city mayors will be of critical importance in this process. Their ability to deliver services is seriously limited by administrative weakness and fiscal strain. Yet they are the only public officials with the potential authority necessary to manage effectively the large-scale attack on urban problems which we believe is essential. Our population projections indicate that central city mayors in particular will be under increasing pressures to respond to the frequent, now almost steady state, urban crisis of poverty and segregation.

Their administrative problems include:

- Fragmentation of program responsibility among semi-autonomous agencies, often reinforced by their counterparts at the federal level, weakens the position of mayors and governors.

- State and local government is in a disadvantageous competitive position in recruiting talented, imaginative staffs. There are few institutions analagous to the Executive Office at the state and local level.

- Possibilities for a meaningful decentralization to other than mayors and governors such as federal field offices are severely limited by the distribution of political authority in the federal system and by present congressional-bureaucratic relationships in Washington. Most central city mayors and many urban state governors, of necessity, will be increasingly responsive to the problems of city ghettos. They can be the President's most important allies in fulfilling our national urban goals. They must be the focus of any meaningful decentralization of the Federal system.

At the same time the cost of urban services is on the rise. We can expect increasing per capita costs for social services and we can expect an increasing proportion of city dwellers to require them. Cities thus are caught in a process of cumulative deterioration which can be reversed only by shifts in the residence of poor people or higher income by city residents.

Cities are forced to rely heavily on property and consumption taxes, both of which are highly regressive in nature. The dependence on property taxation on housing for city revenues may be a positive detriment to providing more standard units for the urban poor.

The urban cost problem is not limited to cities, for suburbs too are experiencing increases in per capita costs and levels of government services. Suburban needs for public capital outlays are particularly great. Their almost exclusive reliance on the property tax for revenue intensifies pressures to maintain high income housing and residents. These restrictions, in turn, reduce the opportunities for moderate income city dwellers, especially Negroes, to live in suburbs.

Two major Federal implications flow out of this analysis - (1) that the Federal government must be the primary funder of programs directed at urban disparities; (2) that the administration of Federal programs must be simplified, more flexible and decentralized.

We believe that cities and states are fighting a losing battle to extract maximum advantage from a bewildering variety of Federal assistance programs. Administrative shortcomings seriously compromise the prospects of many of the imaginative Federal programs developed in recent years. The Task Force has grave doubts about the capacity of this over-burdened system to manage the new efforts needed to move the ghetto resident into the mainstream of American society.

We are concerned especially about the failure of the Federal government to build opportunities for state and local discretion and innovation into the Federal aid system. Solutions to problems posed by segregation and urban disparities are neither obvious nor universally applicable. Yet relatively few Federal programs permit the development of locally-determined strategies for cities and metropolitan areas.



The Task Force is impressed with neither the record nor the potential of existing instruments for securing interagency coordination of grant programs, such as the Bureau of the Budget, interagency committees, the metropolitan expediter, and HUD's convenor order. The Administration's experience with community action and neighborhood centers unhappily indicates that coordination cannot be achieved at the Federal level without substantial changes in grant-in-aid mechanism. (See special paper on Model Cities)

In the opinion of the Task Force, many of these problems are endemic to the programmatic approach. Even the most imaginative reforms are likely to have only a marginal impact if grant programs continue to multiply at their present rate. This growth rate would be accelerated if all the Task Force's recommendations were translated into individual grant programs - and we all the more urgently, therefore, recommend the coordinating measure outlined below.

An increased Federal commitment to urban problems and a national effort focused on ghetto deficiencies requires a substantial reorientation of roles and responsibilities in the Federal system. The Administration began this task with the development of the Poverty and Model Cities programs. We believe the time has come to expand the application of these concepts through the development of a highly flexible, locally-based system of grants-in-aid which substitutes general purpose assistance for programmatic grants and national performance standards for detailed program controls.

Our recommendations have been designed to permit the partial application of these concepts. Thus, the implementation of these proposals may be staged over time, with the most promising program areas selected for initial treatment. It also will be possible to retain Federal program standards in those areas where such controls are deemed in the national interest.

### Recommendations

1) In addition to the fiscal flexibility and decentralization recommended below, we urge that present aid programs where appropriate operate through the political executive and not semi-autonomous bureaucracies. Political executives who are both aggressive and responsive should have enough control to move the system. We do believe, however, that community action agencies should be retained as independent innovators.

2) To build toward a capability similar to that of the federal Executive Office, we recommend direct grants to mayors and governors for staff assistance on city problems.

3) To increase the competence of state and local government personnel we recommend increased Federal assistance for training and continued efforts in the direction of intergovernmental exchanges of personnel.

4) Application, processing, and review procedures should be streamlined in all non-formula grant-in-aid programs.

The goals of internal program reform should be:

- (a) to simplify application procedures through the development of standardized methods;
  - (b) to reduce sharply the time between application and approval or rejection of a grant request;
  - (c) to reduce multiple consents;
  - (d) to check the trend toward pyramiding requirements; and
  - (e) to employ standardized review and audit procedures.
- Responsibility for the implementation of this recommendation should be lodged in the Bureau of the Budget.

5) Greater use should be made of redirecting existing grants to facilitate the funding of programs like model cities and community action which cut across program and agency lines. This device should be used to enhance the focusing of Federal resources on ghetto problems.

6) Whenever possible, new grant programs should be merged with existing programs. Consolidation of related grant programs, along the lines of the Partnership in Health Act of 1966, should be given high priority.

7) Provision should be made for consolidated applications for two or more related grants administered within a single department. Such intra-agency grants, permitting a state or local agency to deal with a single representative, require the establishment of an intra-agency grant office in the office of the Secretary. This office would process the applications for an intra-agency grant, coordinate the review of program standards with the appropriate agencies within the Department (regarding program standards), and act as the final granting authority.

8) Provision should be made for consolidated applications for two or more related grants administered by agencies in two or more Departments. Such inter-agency grants would be operated like the intra-agency with a "lead" department

designated to handle coordination, review and approval problems. The authority and character of this agency are discussed below.

9) Performance standards should be substituted for detailed program standards wherever feasible. Standards should be simple, general, quantifiable where possible and applicable to a wide variety of contexts. Performance standards should be related to national goals, rather than to specific program objectives. Thus, a housing performance standard might be the proportion of substandard dwelling units, not the number of public housing units. National performance standards should focus on the urban goals of integration and enrichment.

10) The substitution of performance standards for program controls should be accompanied by the pooling of funds in existing grant programs. Consolidation should permit the unrestricted use of funds in a general functional area, such as housing or manpower. All programmatic restrictions would be removed from the use of pooled funds; thus, funds derived from the public housing program might be used to finance rent supplements, rehabilitation, code enforcement, or some other locally devised strategy intended to overcome housing deficiencies.

11) Where Federal funds are functionally pooled, the basic requirement for eligibility should be a comprehensive program which related local deficiencies and needs to the appropriate national performance standards. Programs should specify local deficiencies and goals in terms of national standards and indicate generally the projects planned to achieve program goals during the life of the comprehensive program. When all funds functionally pooled are from programs within a single agency or Department, it should approve the comprehensive program and monitor its implementation. When functionally pooled funds are drawn from two or more Departments, the principal Federal urban agency recommended below should approve and monitor the comprehensive program.

12) Provision should also be made for the pooling of Federal funds across functional lines. Under this arrangement, some or all of the Federal aid flowing into a neighborhood, municipality, county, metropolitan area, or state would be pooled, with all programmatic restrictions removed. Eligibility for general pooling should be based on the preparation by the appropriate unit of a general development program based on national performance standards. Such

programs would be similar to those discussed in the previous recommendation, except that their scope would be substantially broader. General development programs would be approved and monitored by the principal Federal urban agency recommended in #15.

13) To facilitate the preparation of these more flexible and general programs, Federal technical assistance and planning aid should be expanded. In cases involving two or more agencies, and in general development program preparation, technical assistance and planning aid should be funneled through the principal Federal urban agency recommended below. As a first step towards implementing the previous recommendations, the Federal government should finance the preparation of a number of comprehensive functional programs and general development programs by a variety of local and state units.

14) After some years of experience moving in the direction indicated above the Federal Government might initiate a program of general purpose assistance to local and state governments. We recommend that two types of general purpose grants be developed - deficiency grants and incentive grants.

- a) "Deficiency grants" would be general purpose formula grants designed to provide supplemental assistance for local units, the magnitude of which would be related to need and capability. An equalization formula to accomplish this purpose might be based on population, per capita income, tax base, tax effort, and perhaps other measures of social, economic, and infrastructure deficiencies.
- b) "Incentive grants" would be general purpose grants distributed by the principal Federal agency recommended below. Incentive grants could be used to supplement pooled funds or inter-agency grants. A significant proportion of incentive grants should go to general development programs which give a high priority to integration.

15) Special Federal agency recommendations

A. We recognize that existing agencies have a strong claim to the functional areas which would be involved in a national effort to integrate. The Executive office, on the other hand, seems the logical place to resolve inter-agency conflict. We therefore favor a temporary agency within the Executive office to undertake this task over the next 8-15 years, after which new grant arrangements might be managed by a non-mission oriented group in the Executive office pre-eminence could be reasserted by existing agencies.

We are less certain about the exact mechanism as we are about the objective: i.e. that some Federal agency - HUD, HEW, the Executive Office of the President, or a newly created "NASA-like" super agency- must become the focus of national responsibilities for meeting the crisis of urban segregation and disparities. It should be designated as the key agency in all inter-agency, functional, and other grant-in-aid innovations discussed above. As a minimum, it must have the following characteristics:

- 1) An official legislative and/or executive charter to resolve inter-agency differences over programs directed at cities.
- 2) Some supplemental, flexible funds of its own.
- 3) A field structure for technical assistance and evaluation.

B. We recommend a sharply increased urban competence in the determination of national economic policy. The Council of Economic Advisers, HUD, Treasury, Federal Reserve and the Bureau of the Budget should be given an increased capacity for determining the effects of national economic policies on the problems of urban disparities.

We believe that the determination of national urban policy must take place at higher levels and at more critical points in the Federal establishment.

III. Increasing the nations capacity for urban research, training, experimentation and evaluation.

The Problem

The Task Force believes that if this society were ready to commit its financial and intellectual resources at appropriate scale, new technologies and knowledge would emerge and greatly contribute to our resolution of urban disparities.

We emphasize the advantages of the Federal government as a funder, controller and evaluator of demonstrations and experiments - an advantage which is readily apparent in the aerospace industry. This advantage is presently being dissipated by compartmentalization of problems, by the lack of long-term financing of experimentation and by the absence of sensitive feedback mechanisms to influence policy-making. Benefits are also limited by the small scale of our programs and demonstrations.

By emphasizing the value of innovation, we are not suggesting that the lack of "knowledge" is ever and always a major obstacle to progress, nor are we anxious to exaggerate another problem, which has been the substitution of research and demonstration for timely action at necessary scale. But there are "knowledge" gaps which, if overcome, would make our integration strategies more efficient and effective. The following are merely suggestive of areas in which insufficient knowledge inhibits program design and implementation.

- A systems approach to housing -- both new and rehabilitated -- which could greatly reduce the costs for low and moderate-income families. Also a systems (or critical path) approach to urban renewal which would fully anticipate and consider the problems of relocation -- a problem which more than any other plagues our present efforts to revitalize and integrate our urban areas.

- The mix of men and measures required to maintain public safety and encourage constructive relations with the community.

- The need to maintain the poor at decent incomes without destroying incentives for employment and education.



## Recommendations

1) We believe that an increased "pay-off" from the Model Cities program can be achieved if resources and expertise are concentrated in four or five cities of proven competence. Such a move could do much to insure that the concept embodied in model cities is truly tested. If well structured experiments are to be tried at least the following will be required:

- Assignment of responsibility for the design and evaluation of the experiments to the new Assistant Secretary for Research and Development in DHUD.
- Informal allocation of resources from agencies other than HUD, (for example, project demonstration moneys in HEW and Labor) for use in the selected cities.
- An aggressive Federal role in providing technical assistance to these "key" cities.

2) The creation and strengthening of a variety of institutions for basic urban research. These institutions should be federally aided, independent of day-to-day departmental control and able to undertake long-term research projects. Initially, they would not operate or fund action projects, but would concentrate on urban economics, data collection and analysis. There are already a number of university-related centers which can be strengthened and re-directed, and a number of non-profit research agencies whose facilities can be selectively used.

3) A strengthened and better-financed demonstration and experimentation role for DHUD and its Assistant Secretary for Research and Development. This should include the ability to finance long-term projects independent of fiscal year restrictions and development and action projects in fields other than housing. A high premium should be placed on joint funding with other agencies for projects cutting across several service sectors.

4) The evolution of a developmental organization which can undertake large-scale investments in new systems, such as new housing. This institution might be developed by the Assistant Secretary for Research and Development in DHUD. It should have the funds, flexibility and authority to underwrite construction of new types of schools or hospitals or houses on a scale large enough to

make a difference. This agency should expand the developmental work done by OEO in basic manpower, education, legal, and health systems and combine target of large-scale development could be constructing more efficient and flexible low- and moderate-income housing.

5) The capacity of local and state governments to undertake research and development should be increased with the aid of positive federal action. Subsidies to regional or urban universities are one means of achieving this; financing of research, grant analysis, and long-range planning, staffs for governors and mayors is another. Federal programs, such as Model Cities and Community Action, which stimulate innovative and experimental action projects should be expanded to build local research and development capacity.

6) We believe the natural advantage enjoyed by the Federal government for financing and evaluating research and development should be strengthened in all departments. Within departments, R & D outputs should feed back to the Secretary to insure that they affect on-going programs and policies and open new directions. Responsibility for monitoring government-wide urban R & D activity should be centralized either in the Executive Office or in HUD. Without centralization, the results of research in one agency are not likely to become in-puts in the policy-making of another.

7) Manpower remains one of the principal bottlenecks to the nation's successful handling of urban problems. Funds for recruiting, training and upgrading are critical; and the Task Force recommends with great urgency that federal outlays for these purposes be considerably expanded. We also recommend consolidating or otherwise coordinating a number of federal grants to state and local governments for technical assistance: for example, Title I of the Higher Education Act; Title IX of the Model Cities Act; "701" planning grants; and others of a related nature.

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We also consulted numerous Federal officials, and would like to give special thanks to Charles Schultze and E. Phillip Hanna (BOB); Robert Weaver, Robert A. Wood, Ralph Taylor and Carter McFarland (HUD); John Gardner, Lyle Carter, and Harold Howe (HEW); William Hooper (OST); Sargeant Shriver and Robert Levine (OEO) Willard Wirtz (Labor); Stanley Surrey (Treasury); Gardner Ackley and James Dusenberry (CEA); and James Gaither (White House).

## Comments on a Research and Development Program for HUD

The special committee construed its mandate narrowly: to respond to the specific requests from the White House for "detailed plans for the establishment in HUD of an Assistant Secretary for Research and Engineering: and "to develop the first year R&D program."

Since the President's Message commits him to an expanded research budget for HUD, we have assumed that the White House already has the arguments justifying such a program. (We can assemble them, however, if desired.) The attached are the working papers for such a program. Contents include:

- 1) General objectives of the program
- 2) Mechanisms for carrying out such a program - especially by establishment in HUD of an Assistant Secretary for Research and Engineering
- 3) The outline of a first phase R&D program including,
  - (a) a set of ground rules
  - (b) five categories of R&D, with projects and dollar priorities
- 4) A HUD R&D budget summary

## GOALS

For organizational purposes the HUD research program has been divided into categories which correspond to the PPB categories for the Department.

Within each of these areas of research the primary objectives of the research program will be:

1. To analyze and describe the dynamics of urban growth, major unmet needs, current conditions and prerequisites for progress.
2. To identify and assess the implications of forces of change.
3. To analyze the effect of present programs and practices on these conditions and forces.
4. To develop improvements in present programs and practices at all levels of government and in private industry, and to develop new programs and practices, in order to meet needs, overcome barriers, counteract forces leading to undesirable change, and reinforce forces leading to desirable changes in present conditions.
5. To develop and apply more economical ways of expanding and improving the housing supply and of meeting urban development needs, including application of technological advances.

6. To discover methods for providing incentives for additional private investment in meeting the public goals of housing and urban development programs.

7. To maximize the value of the scattered research carried on by the Federal government through coordination and joint funding of research projects.

#### The Mechanism for Carrying out an R&D Program

In order to meet research needs, an effective research system must be established and maintained. The money spent on research must also create or strengthen research institutions. It is assumed that nearly all projects will be undertaken on a contract or grant basis. In addition, the methods employed to carry out urban and housing research should:

1. Create a small but expert central research unit in the Department of Housing and Urban Development to guide the entire program and perform the essential minimum of in house studies.

2. Foster the growth of competence in state and local governments to engage in R&D and to make maximum use of its results.



3. Expand the capacity of universities to do urban research, both of a general character and of a kind which has specific application to particular urban areas.

4. Encourage research corporations, other private industry, and non-profit research organizations to direct more effort toward urban problems.

5. Increase the supply of trained researchers interested in urban problems, in all fields of study.

The principal mechanism for managing the expanded HUD R&D effort will be the creation of an Assistant Secretary for Research and Engineering.

We believe that he should be a line officer with full control over nearly all R&D monies and with Department-wide responsibilities.

We believe that the distinctions among R&D program analysis and evaluation are not categorical and will have to be developed through practice and experiments within the Department. It seems clear, however, that much of the work of the Assistant Secretary for Research and Engineering will be in a sense evaluative of Departmental programs. In addition his office can be expected to contribute analytical tools for the regular Departmental evaluation effort.

These two issues - the extent of his control over all Departmental R&D funds and the relationship of his office to evaluation of HUD programs - were the subject of continuing disagreement between the outside members of the committee and the HUD membership. On balance we have opted for the strong line officer assistant secretary with effective control over R&D funds, and with an assertive, though still only partly-defined, role in program evaluation.

The importance of this strengthened role is further indicated by the apparent resistance of the program assistant secretaries to the creation of a strong R&D official and is suggestive of possible problems in their future relations. The strict control of R&D monies offers the Assistant Secretary for R&D the most likely means of developing the close relations with on-going programs which will be required if the usefulness of R&D expenditures is to be maximized. Funding of identifiable R&D components of programs administered elsewhere in HUD is a specific possibility for securing desired cooperation.

We therefore recommend that:

There should be established in the Department of Housing and Urban Development a new Assistant Secretary for Research and Engineering to provide an organizational focal point for the Departmental research program. During the interim period his duties can be assigned to the Office of the Under Secretary.

Initially, the principal responsibilities of this Assistant Secretary will be:

1. To provide leadership in organizing an effective government-wide, urban-oriented R&D program and in fostering innovation in housing and urban affairs, including field experiments.
2. To plan, organize, present before the Congress and administer the Departmental R&D program with the assistance and cooperation of the other Secretaries.
3. Solicit advice and counsel from the public and private sector for the purpose of reviewing the research program, identifying promising new areas of R&D and analyzing new problems.
4. To provide technical and engineering advice to the Secretary and to advise and assist the Departmental secretaries in application of R&D findings to their programs.
5. To maintain an inventory of ongoing Federal and Federally financed research and development activities and to negotiate agreements with other agencies to allocate R&D responsibility, fill gaps, conduct joint inquiries into basic problem areas and joint support of major experiments.

6. To administer a clearinghouse for disseminating research and development findings quickly to personnel in the Federal, state and local governments, the universities, and the private sector.

7. To report annually on Federal R&D programs relating to housing and urban affairs, and to encourage, wherever possible, that agencies plan and/or jointly administer related R&D projects.

## A FIRST YEAR R&D PROGRAM FOR HUD

The recommended R&D activities for the first phase of a HUD research program have been divided into 5 categories which correspond roughly to the PPB categories presently approved by BOB for HUD. These are listed below with recommended expenditure levels for the first year in \$ millions.

I. Housing research and engineering projects	10
II. Land use and community environment	11
III. Transportation and public facilities	12
IV. Support for state and local administration of community development activities	3
V. Management of Departmental programs and resources	2

Program Category I - HOUSING RESEARCH AND ENGINEERING  
PROJECTS

Approach

HUD R&D for housing is designed to reduce costs and enhance benefits of both new housing and rehabilitation, and includes low, medium and high density construction. It will involve studies, surveys, laboratory, and experimental construction activities carefully designed to supplement public and private research and engineering efforts, here and abroad. During the first year the emphasis will be on studies, surveys, and on experimental construction (based on materials and components presently available). Subsequently laboratory research, component development and test activities will be added. The estimated cost in \$ millions for the programs described is shown opposite each item.

1. General Studies

a. Housing User Requirements

15

Establish minimum acceptable internal and external characteristics of dwelling units in terms of family income, composition, social and ethnic characteristics, and location. Identify ranges of uncertainty. Project changes in requirements with time (10 and 20 years hence).



### Code summary \*

Summarize by geographic area building code status: nature of codes, degree of enforcement, degrees of compliance, impact of rigid code enforcement.

### b. Performance Standards 2.0

Design a preliminary set of comprehensive performance standards. Devise criteria and test methods required for their validation. Estimate the cost and manpower requirements at the local and national levels for verification, test, approval and enforcement for various construction and rehabilitation rates.

### c. Finance .15

Survey and project financing costs and dollar limits imposed on new construction and rehabilitation by financing based on current laws and practices. Devise innovations in financing that would ease these constraints. Identify legal and economic problems raised. Project economic impact of the most promising innovations for various levels of utilization.

\*Since this will be the principal activity of the Douglas Commission the Committee assumes it will be funded elsewhere. We place a high priority on it, however, and feel that it should be mentioned in this paper.

## d. Markets

.25

Study the impact of assumed variations in the price of methods of financing of new housing on the housing supply, with particular emphasis on the consequent reduction in price and increased availability of good used housing.

2. New Housing

## a. Cost Elements

.5

On the basis of present U.S. construction techniques, materials, and financing practices perform a definitive cost analysis of the elements of housing cost for low, medium, and high density housing, including both first cost and operation and maintenance. Identify the influence of available choices in materials, techniques and design on costs. Determine cost break points for quantity production.

b. Management .15

Study management and labor utilization practices in the U.S. housing industry.

Identify associated cost elements.

Devise improved techniques and estimate cost saving and quality improvements that would result. Determine training and institutional changes that would be required by these improvements.

c. Technology Inventory .3

Investigate and evaluate the improvements in materials, components, and construction methods that have been proposed for housing construction. Rank them in terms of likely pay-off. Identify technological and performance uncertainties involved. Plan a research, development, and testing program needed to resolve the uncertainties in the high pay-off items. Identify gaps in technology and generate performance specifications for items that could fill these gaps.

d. New and Novel Building Systems

3.0

Conduct nine conceptual design studies of novel building systems (3 each for low, medium, and high density) which offer radical improvements over present practices in terms of total costs and benefits. In six studies (two of each type) existing code, labor and appearance practices should not be considered constraints. In three studies (one of each type) these practices will be considered constraints. Perform cost/benefit studies in each case. Identify substantial uncertainties, and the special developments that would be required prior to construction. Present a plan for special component development. Provide cost estimates for experimental construction of housing under those systems in quantities of 100, 1000, and 10,000 units.

### 3. Rehabilitation

#### a. Cost studies of Recent Rehabilitation .2

##### Programs

Conduct comprehensive cost studies of representative rehabilitation programs recently undertaken. Identify the source of differences between them with special emphasis on quality of the product, effect of condition of the preexisting units, and management and labor practices employed. Estimate cost break points for larger quantify production.

#### b. Technology for Rehabilitation .3

Investigate, evaluate, and summarize concepts for materials, components, and building techniques, especially relevant to low cost rehabilitation. Materials suitable for bulk application (on and between surfaces for finishing, leveling and providing fire and rodent resistance), techniques for finishing with off-standard dimensions, and components amenable to largely off-site assembly should be given special emphasis. Existing codes and labor practice should not be considered constraints. Present a plan for research, development, and engineering

adequate to reduce the most promising concepts to practice.

c. Rehabilitation Experiments in Model Cities 2.5\*

Conduct three rehabilitation experiments in ghettos in conjunction with the Model Cities program, one with maximum use of slum labor and employing labor intensive construction techniques, another based on competitive bidding by local contractors employing standard labor and construction techniques, and a third using a maximum of off-site assembly, special tooling, and highly trained crews. All three projects should involve structures of comparable size and degree of preservation and should be chosen for typicality. Approximately 500 units should be included in the first and second program, and 300 in the third.

\*The total cost of those programs will be about \$15 million. It is impossible to determine exactly how much of this amount will be recoverable, but the figure cited should be of the right order of magnitude for the contribution from R&D funds.



d. Neighborhood Preparation Experiments .45

In conjunction with item 3-c neighborhood preparation and cooperation projects (perhaps in partnership with OEO) should be undertaken along the line of CICOM's efforts on 114th Street. While those will be closely coordinated with the construction activities and other Model City projects, they should be conducted by an independent service rather than production-oriented organizations. These programs should include provision for professional evaluation of the behavioral and attitudinal responses of the community.

## Program Category II - LAND USE AND COMMUNITY ENVIRONMENT

### Approach

HUD research and development into land use and community environment will focus on two areas. The first consists of locations of potential urban growth such as suburbs and the periphery of metropolitan areas. The second consists of declining older urban neighborhoods which are now or threaten to become slums. Research and development efforts in these areas will involve studies, surveys, and demonstrations. These will be aimed not only at measuring, analyzing, and making incremental improvements in existing land use patterns and community environments, but also at formulating and analyzing markedly different alternatives.

#1: To determine the nature of urban growth and to discover and develop methods of influencing it which will result in a significantly better urban environment.

This task will require research concerning the following:

- a. The character and magnitude of future urban growth and its implications for housing, roads, utilities, schools and other urban facilities.

- b. How growth actually occurs in existing metropolitan areas. .350

This would include investigations of the following:

- 1) The sequence and phasing of different land uses in peripheral areas, and which of these uses generate others. The quantitative relationships among these uses and how these factors influence settlement in metropolitan areas with varying conditions (such as previous development and different environmental features).
- 2) Relations between specific environmental features (such as soil types, topography, drainage, and weather) and patterns of urban development on both a metropolitan and sub-metropolitan level.
- 3) Why and how new major urban nuclei come to be located where they are, and the implications for future growth patterns.

- c. Existing, emerging, and potential problems resulting from current patterns of population expansion and other urban growth. Examples .300

might be high transportation costs, shortages of easily accessible recreational space, dispersion of cultural and other amenities, and segregation of low-income and racial groups.

- d. Specific public actions which might .500  
ameliorate or solve the problems discussed in (c) above through relatively marginal or incremental changes in existing policies and regulations. Such actions could include changes in tax laws, assessment practices, zoning, location of transportation arteries, Federal mortgage insurance programs, locations of major public facilities and methods of preserving adequate open space.
- e. Alternative forms of growth which could .250  
develop in existing metropolitan areas (such as solid peripheral growth on all sides, radial corridors, and satellite urban centers). This should include determining under what conditions each form is most likely to occur, assessing the major costs and benefits of each, and identifying policies likely to encourage or discourage each.

#2. To explore ways of accommodating future urban growth through significantly different mechanisms, policies and programs than are now employed, including the creation of "new cities". This task will require research concerning the following:

- a. Alternative forms of urban settlement which .650  
might be created in comprehensively planned  
"new cities." Emphasis in this research  
would be upon the imaginative development of  
new urban forms on both large-scale and  
neighborhood levels, with a supplement on  
the costs and benefits of each form.
- b. The advantages of accommodating future .100  
urban growth in new cities, and the major  
costs of achieving those advantages. The  
advantages assessed should include reduced  
air and water pollution; improved aesthetic,  
recreational, and other standards and a  
generally superior "mix" of amenities and  
facilities, and economies of scale due to  
scheduled construction of entire cities.
- c. Practical requirements for the development .750  
of new cities. This would include realistic,  
quantified identification, analysis, and  
evaluation of the following types of requirements:

- 1) Methods of financing land acquisition and community development costs.
- 2) Legal jurisdictions and powers for the new cities which will fit into existing governmental structures, but will minimize the fragmentation of powers typical of present metropolitan areas.
- 3) Subsidies for the creation of low-income housing, the development of roads, public utilities and other facilities necessary to develop a revenue-producing tax base.
- 4) Controls and incentives on the location of new industrial or public facilities to insure that each new city has an adequate economic base.
- 5) Land-use controls within new cities which insure that comprehensive planning is effective.
- 6) Methods maximizing private investment in new cities.
- 7) Specific strategies and programs which will combine the above-described requirements and other elements into viable new cities.

- d. Alternative strategies for accommodating urban growth in various "mixes" of new cities, peripheral expansion of existing metropolitan areas, higher densities in existing settled areas, and other urban forms. Analysis of these strategies would include estimates of their total costs and benefits, and identification of the policies needed to implement them. .300

#3. To determine the nature of conditions and processes in economically and physically declining neighborhoods, and to discover and develop policies which will result in significant improvements in these communities.

This task will require research in substantive areas which are the natural concern of HEW, OEO and other Federal departments. Therefore, much of the research identified in this section should be carried out jointly by HUD and other agencies. It is included in HUD's R&D program because of its central importance to Model Cities and other HUD operations. Therefore, HUD must have the prerogative and capability for conducting investigations and demonstrations in all the areas indicated. This task will require research and demonstrations concerning the following:



- a. The nature of slum neighborhoods and their .200  
role in the process of urban development and  
in carrying out the major functions of cities.  
This would include defining such neighborhoods;  
determining whether they have typical life-  
cycle patterns; analyzing the relation of those  
patterns to such larger processes as the aging  
of cities, total metropolitan area population  
growth, immigration of population, cultural  
and economic up-grading, and technological  
change; and examining the implications of these  
findings for general public policy objectives.
- b. The specific economic, residential, health, 1.000  
age, educational employment, occupational and  
other characteristics of the residents of  
declining neighborhoods, particularly the  
worst slums; possible causal or correlative  
relationships among these characteristics; and  
relationships between them and certain behavior  
patterns relevant to the quality of neighborhood  
environment, such as adequacy of property  
maintenance, and use of public welfare assistance.
- c. The mobility of the residents of declining .700  
neighborhoods. This would include investi-  
gating the following:

- 1) How frequently these residents move, why they move, and what patterns of origin and destination they follow.
  - 2) The relationship of their degree of mobility to the quality of local schools. The performance of students in their attitudes toward property maintenance, participation in community activities and organizations, utilization of welfare, health, and other public service programs, incidence of crime and juvenile delinquency, the size and nature of the demand for housing, and employment characteristics.
  - 3) Differences between mobility that is beneficial to the individuals concerned and the community, and that which is harmful, and methods of encouraging useful mobility through public policy.
- d. Differences in the magnitude, quality, and .900 convenience of various public services in different parts of large cities, focusing upon differences between slum neighborhoods and others. The services concerned could

include street cleaning, garbage collection, police protection, quality of education, health programs, welfare programs, building code enforcement, and public property maintenance.

- e. Relationships between certain behavioral and environmental traits often found in declining neighborhoods and the quality, quantity and effectiveness of specific public services and private activities and conditions therein; plus methods of improving the latter by altering specific conditions which encourage or allow these traits to exist. The traits considered should include vandalism, degree of renter occupancy, crimes against persons, juvenile delinquency, alcoholism, use of narcotics and drugs, coercive juvenile gangs, extreme poverty, and low levels of education. The public services considered should include code enforcement, welfare programs, police protection, and maintenance of public property. The private activities and conditions considered should include private property maintenance, rehabilitation efforts, degree of private capital investment
- 1.200

in non-residential facilities, and willingness to locate industrial and commercial activities in such areas. Research on these subjects should be aimed at identifying very specific actions which might ameliorate existing conditions; demonstrations of the effectiveness of these actions should also be undertaken.

- f. The relationships between the nature and .450  
quality of local schools, their programs, and  
their student bodies and the general neighborhood  
environment. This would include analysis of  
the role of schools in the racial transition  
of neighborhoods, the maintenance of neighbor-  
hood reputations and the level of private  
investment therein.
- g. The specific causes of racial segregation .450  
and discrimination in housing markets; their  
general effects upon urban settlement and  
mobility and the creation and maintenance of  
slums; their specific effects upon housing  
prices and the quality of housing consumed  
by white and non-white occupants; and quantified  
estimates of their total costs resulting from

lower employment for non-whites, greater transportation costs for all groups, higher housing costs for non-whites and other factors.

- h. Methods of delivering various public services to residents of slum and other declining neighborhoods with greater effectiveness and convenience. This would include investigation of various types of neighborhood service centers, the use of school buildings for social welfare and other services, the influence of potential multiple uses upon the design and operation of public facilities (such as buildings in which elementary school, adult education, social welfare, child-care, health, and recreational activities are all carried out simultaneously), and possible modifications of specific programs designed to make them more easily accessible to low-income, disabled, functionally illiterate, and other handicapped persons. These subjects should be explored by design demonstrations and programmatic demonstrations if possible.

- i. Methods of focusing the programs carried out by the major permanent institution in slum areas -- public schools, the police, and welfare agencies -- upon the needs of the residents who have not been, and are not likely to be, able to use the normal channels of upward mobility to escape from very low-income status. This research would investigate the tendency of programs carried out by these agencies to "drift upward" in focus from the most disadvantaged groups to less unfortunate groups who are much easier to service, the need to develop special school and welfare programs different from those in the rest of the city to meet slum needs, the need for police programs which counteract the "adversary role" which police normally perform in relation to slum residents, and methods of drawing these disadvantaged persons into participating in programs which can benefit them. 1.000

## Program Category III - TRANSPORTATION AND PUBLIC FACILITIES

### Approach

#### (Transportation)

Identify and experiment with transportation options which will satisfy mobility needs and quality of service demands of urban residents and are compatible with the total urban environment. FY 68 resources allocated to this task total \$10 million. Substantial expansion of the program in FY 69 is assumed.

#### Practical limitations

During the first 2-3 years the bulk of resources must be concentrated upon transportation improvements which benefit ghetto or model city residents and are capable of leading to implementation within the next five years. Only about 20% of the resources should be devoted to more comprehensive long-term solutions such as automated individual vehicle systems, high-speed belts, extensive use of underground roadways and parking, etc.



## 1. General Research

2.5

Grants for general studies relating to

- Urban transportation demand forecasting
- Transport systems evaluation methodology
- Transportation planning methodology
- Flow theory and general network theory
- Survey of ghetto mobility status
- Impact of highway construction on neighborhood quality

Some of this research should be supported jointly with DOT. If sustaining grants are provided to selected universities in accordance with (b) below, specific research grants and contracts should be limited to \$2.5 million for FY 68.

## 2. Urban Transportation Research Centers

1.5

Finance university centers in cooperation with Department of Transportation. Longevity funding requirements will make necessary a FY 68 investment of \$1.5 million for each Department.

### 3. Advanced systems concept studies

1.0

Reserve \$1 million in FY 68 for concept studies of future systems and subsystems. Highest priority should be of

air supported mass transit and individual vehicles

further studies of linear motor

network control studies

### 4. Feasibility studies of new and improved transportation systems and components

4.0

A series of engineering feasibility studies should be financed in the last half of FY 68 upon completion of the three R&D program studies which will be supported from fiscal '67 funds. Some of the innovations can be studied in a general framework and others must be explored in a specific city context. Possible items for study include -

- \* Fare collection systems for convenience and for introduction of flexible pricing
- \* Improvement of the pedestrian mode - environmental control, grade separation, moving belts and benches
- \* Vehicle tax system to combat congestion
- \* Operations analysis methodology for bus routing and scheduling

- \* Dynamic bus programming and other approaches to a taxi-bus hybride
- \* Bus priority systems - traffic light control, freeway access, bus-only lanes, bus tunnels and off-street terminals
- \* Information services to mass transit patron (time to next bus, destination, estimated arrival time)
- \* Higher levels of mass transit service (reserved seats, environmental control, some privacy)
- Mass transit design alternatives to minimize noise
- \* Freight distribution in the central city
- \* Street and highway flow control

Fiscal year 68 funds should be on the order of \$4 million for the first round of studies including feasibility of implementation in specific cities. Additional funds will be required in FY 69 to start systems development of those items which are not well within established technology and to undertake field experiments. It is assumed that the first large-scale use of any of these technological and institutional innovations will be financed with capital grant funds and will be administered by the responsible program assistant secretary.

It has been assumed that HEW and DOT will provide adequate funds for the development of low pollution vehicle propulsion technology. If this does not happen, much of the FY 68 funding referred to above must be reprogrammed to fill this gap.

5. Street and highway management demonstrations

1.0

Joint study with DOT (BPR) for expansion of urban traffic flow field experiments. DOT already has \$1 million allocated for FY 68 - HUD should match this.

Approach

(Public Facilities)

Improve the cost-effectiveness of public facility expenditures and identify harmful distortions in resource use and facility planning. Resources allocated in FY 68 budget total \$2 million.

Limitations

The term "public facilities" is narrowly construed to mean utilities distribution, water supply, fire protection, waste disposal, public building construction and maintenance. Specifically excluded from this task are personal and employment services

such as health, welfare, education, job creation and crime control which are included as a primary element in the ghetto improvement mission.

1. General Research and Analytical Studies .3

Reserve \$300,000 for priority studies of a preliminary nature such as -

- \* Optimum scale of plan facilities for various technologies such as water supply, waste disposal, fire protection
- \* Comparative efficiency of community facilities in various cities
- \* Survey of public facility financing
- \* Methodology for evaluating quality of community services
- \* Use of multi-level codes and standards

2. Urban Drainage Studies .2

Allocate \$200,000 for a state-of-the-art review of knowledge, problems, relevant Government programs and unmet R&D needs

### 3. Feasibility Studies of Alternative Service 1.0

#### Concepts and Design of Relevant Systems

#### Development and Field Experimentation

Allocate \$1 million to support a variety of concept studies concentrating primarily on waste disposal approaches not being considered by HEW in their solid waste program. Further studies focused on fire protection, and utilities distribution. Particular emphasis should be given to new ways of meeting the service needs of model cities and newly developing urban areas.

### 4. Engineering and Economic Studies of Utility .5

Tunnel Applications (This could be folded into (c) above.)

Allocate \$500,000 for a 12-month study which could lead to systems development and field experimentation.

**A REPORT TO THE PRESIDENT  
BY THE TASK FORCE ON THE CITIES**

**On**

- \* Neighborhood Centers**
- \* Homeownership by the Poor**
- \* Urban Development Corporation**
- \* Landlord-Tenant Relations**

**December 5, 1966**



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OUTLINE OF TASK FORCE POSITION ON NEIGHBORHOOD CENTERS

The position of the Task Force on neighborhood centers is as follows:

1. Need for Centers: There is a serious need for neighborhood centers in ghetto areas that are close to the people and easily accessible.
2. Meet Individual's Need: It is essential that the services and activities of the center be shaped from the standpoint of the individual's needs and not from a particular supplying agency's standpoint. There is reason for concern that too much concentration has been placed on problems of supply, instead of on what is best from the consumer's standpoint.
3. Essential Functions: These functions are essential to a neighborhood center: information, diagnosis, services to meet key needs, referral, follow-up, outreach, and advocacy. It is apparent that there is some limit to the degree to which governmental funds can and should be used for the advocacy function. Some forms of advocacy are more appropriately a private responsibility. What is essential is that the advocacy function be included in local planning for the neighborhood centers, with a variety of public-private "mixes" being encouraged.
4. Not a Bricks and Mortar Problem: The emphasis should be on developing an effective program of services, and not on building the shell to house them. The physical facility should flow from the needs of the program, not vice versa.
5. Objectives: The centers' objective should be to help to make the existing institutions and social service agencies more responsive, rather than to compete with them in meeting the needs of individuals. They should be a catalyst and influence for improving the city's service system. There should be maximum participation of neighborhood residents in both the planning and operation of the centers.
6. Need for Experimentation: Based on the above points, it is recommended that an immediate appraisal be made of a dozen or so most successful neighborhood centers now being operated by Federal agencies, particularly OEO, to determine what are the successful elements and how such centers might in the very short run be replicated and improved.
7. Evaluation: There should be objective and continuing evaluation of the centers' effectiveness. One measure of such effectiveness should be the degree to which they have succeeded in making other existing agencies more responsive.

8. Long-term Financing: It is recognized that successful neighborhood centers should over time attract more local support, on some matching basis with Federal funds. On the other hand, it is extremely important that these centers be given at the outset greater assurance of longer term financing than now exists.

9. Uncertainty on Instrumentalities: It is unclear at the present time what instrumentalities and administrative mechanisms should be used to carry out the program. For example, it is uncertain that a federal inter-agency approach would be the most effective way of carrying out consumer-oriented neighborhood center programs.

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December 5, 1966

OUTLINE OF TASK FORCE POSITION ON HOME OWNERSHIP BY THE POOR

The position of the Task Force on the question of home ownership by the poor is as follows:

1. Try a Pilot Program: A program to test the value of different kinds of ownership by slum dwellers with different levels of income should be tried on a pilot program basis.

2. Potential Advantages: Home ownership offers the potential value of instilling slum dwellers with a new sense of hope, pride, purpose and responsibility. It also holds promise for improved maintenance and care of dwelling units, though this should not be a primary objective of the program.

3. Potential Dangers: A program of encouraging home ownership by the poor runs the risk of locking individuals into slum areas and poor investments, burdening them with financial obligations they are unable to carry, leaving them prey to unscrupulous home improvement salesmen, and raising false expectations about their equity accumulation.

4. Cost Estimate: As an illustration of financial implications, the cost of making 10,000 rehabilitated units available to all low income ranges would require a reservation of \$125 million in below-market (3%) loans and \$5 million for direct subsidies.

5. Try all Forms of Ownership: A pilot program should seek to try all forms of ownership: single-family ownership, cooperative or condominium ownership of multi-family units, and ownership by resident landlords of multi-family units replacing absentee landlords.

6. Provide Ownership Outside of Slums: The program should assist slum residents in the purchase of homes outside of slums as well as within.

7. Tie to Neighborhood Upgrading: A program to help acquire ownership of rehabilitated units in slums should be tied to active programs to upgrade the surrounding neighborhood, as in the Model Cities Program.

8. Prior Rehabilitation: Slum units should be rehabilitated prior to assumption of ownership.

9. Financial Assistance Needed: The program should be based on the use of long-term low interest loans with no down payment, and with housing supplements to reach the lowest income levels.

10. Advice and Counseling: The program should provide advice and counseling, both before and following ownership, on financing, maintenance, and other ownership responsibilities.

11. Rent Supplements: Rent supplements should be provided where necessary to tenants of multi-family units that are rehabilitated and sold to resident landlords.

12. A Buy Back Provision: The program should provide for buying back the units for a fixed period in case owners cannot carry the required burdens.

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December 5, 1966

OUTLINE OF TASK FORCE POSITION ON URBAN DEVELOPMENT CORPORATION

The position of the Task Force on the proposed Urban Development Corporation is as follows:

1. Need to Improve Slums: If housing conditions in slum areas are to be visibly improved in the short term without causing major displacement, rehabilitation will have to play an important role.

2. Need for UDC Mechanism: The creation of a UDC, with capacity to operate at sufficient scale, is a potentially important mechanism for stimulating a rehabilitation industry capable of doing the job.

3. Additional Potential Benefits: The UDC program would have the additional potential benefits of (1) reducing costs and thus spurring private rehabilitation, (2) providing employment opportunities for indigenous labor, and (3) making possible the transfer of rehabilitation innovations to new construction.

4. Potential Risks: The proposed program proceeds from certain untested assumptions. It cannot be stated with certainty that UDC will succeed in stimulating a viable rehabilitation industry or achieve the desired technological and organizational innovations, though there are strong indications that it will. The organization's capacity to meet the social needs of the area, its ability to acquire properties in sufficient numbers at reasonable price, and the sufficiency of the remaining economic life to cover the mortgage period, are also questions.

5. Necessary Scale: The proposed 30,000/50,000 unit scale appears to be the minimum level necessary to achieve the technological and institutional innovations desired.

6. Financial Commitments: Low-interest mortgage credit and rent supplements are essential. If half of the proposed 30,000 units for the first two years are built with 6% 40-year mortgages at a cost of \$13,000 a unit, the annual rent supplement required for these 15,000 units would be \$12.2 million if average tenant income is \$4,000 and \$19.6 million if the average is \$2,000. If additional units covered by rent subsidies were constructed at the rate of 25,000 per year these figures would rise to \$63 million and \$108 million respectively at the end of the 5th year.

7. Help all Income Levels: The program should operate on a neighborhood basis and thus serve a range of lower income levels.

8. Local Participation: The program should provide for and encourage local sponsorship and participation, preferably with some form of local financial participation. The UDC program should be consistent with local plans, and a clear understanding of its relationship to the relevant existing local agencies should be worked out in advance.

9. Allow Activity in New Housing: The UDC concept should include new housing as well as rehabilitation, though for tactical reasons it may be advisable to limit activities to rehabilitation in the initial years.

10. Encourage Private Leadership: The possibility should be explored of encouraging the private sector (business, foundations, etc.) to take the initiative in launching a UDC venture, with the Federal government lending encouragement and responding with whatever financial commitments are necessary and can be made.

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December 5, 1966

OUTLINE OF TASK FORCE POSITION ON LANDLORD-TENANT RELATIONS

The Task Force was asked to consider issues and proposals raised at the Attorney General's Conference on Tenants' Rights. Since this conference will not be held until December 9, the Task Force has not yet reached any final conclusions or recommendations. However, the following tentative proposals are under Task Force consideration:

1. Enforce Codes under Workable Program: HUD should effectively enforce present legislative "workable program" requirements that local governments must themselves enforce local codes and ordinances related to life, health, and safety in all neighborhoods as a requisite to obtaining federal assistance.
2. Develop National Code Enforcement Statistics: HUD should develop national uniform statistics of local code enforcement activities in order to establish yardsticks of comparable local effort and performance.
3. Require Code Compliance for FIA Insurance: HUD should require a showing of code compliance or correction as a condition to all FIA mortgage insurance, particularly as to Title I loans.
4. Expedite FIA Loan Processing: HUD should expedite FIA processing of Sec. 312 code compliance and rehabilitation loans. Long delays are extremely onerous to owners.
5. Withhold Welfare Rents: HEW should require all local authorities administering relief funds to adopt, in collaboration with appropriate local authorities, systems of housing inspection and certification and rent withholding where appropriate. Steps should be taken through OEO legal assistance and other programs to prevent retaliatory eviction.
6. Reduce Acquisition Awards for Code Violation: All Departments of Government concerned with property acquisition, wherever Federal investment is involved, should require that the acquiring public authority demonstrate and certify that no part of the award granted or payment made represents values achieved by operation contrary to local codes of building, health and safety.
7. Require Code Certification on Mortgage Loan Audits: All Departments of Government dealing with the audit and verification of real estate and mortgage loan assets should require certification that as to the property concerned no complaints are presently pending by any local authority charging violation of local minimum codes of building, health and safety.

8. Apply Available Sanctions in an Experimental Program:

Consideration should be given to selection of a few neighborhoods in which, after complete inventory of structure condition, ownership, mortgage debt, and prior history of code enforcement, an experimental program might be undertaken by the appropriate local public authority, working in collaboration with the local community, in which a number of the possible Federal sanctions here enumerated were employed.

The objective: to establish that the power of local government to regulate housing condition to preserve life, health and safety is a prior charge on all interests in property, including mortgage and equity investment.

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TASK FORCE REPORT ON NEIGHBORHOOD CENTERSINTRODUCTION

The Task Force was asked to consider the question of establishing neighborhood centers in the ghettos of America, and how a program could best be carried out.

The need is clearly great to find a way of reaching into the slum areas of the nation with information about available assistance and with services designed to serve individual needs in a convenient and easily accessible manner.

In every city there is a myriad of public and private agencies providing a broad range of services, from courses in literacy to job training to housing assistance. Each service agency has its specific mission, its special clientele, its own budget, and its particular set of rules and regulations -- which may be completely reasonable from the agency's standpoint.

But from the standpoint of the individual who needs help, the system as a whole is a bewildering maze. The services may be located too far away. They may seem aloof or uncaring or even hostile. The eligibility requirements may be unreasonable and excessively complex. They may treat part of the problem, but not another essential part. There may be illogical gaps in service altogether. The rules of one agency may conflict with those of another, to the detriment of the individual seeking help.

Not only is it difficult for a slum dweller to receive the assistance he needs; he may not even know it exists. One survey\* of low-income families in Detroit reported that, among various needed and relevant services, 55 percent of those interviewed did not know about the availability of special employment services. Forty-two percent were unaware of daycare services. Forty-three percent were unaware of available legal services.

These problems clearly indicate a serious need for neighborhood centers that are close to people and easily accessible, that provide a range of information and services tailored to the individual's need, and that can reach out to individuals who are unaware that help is available and effectively follow through to solution.

The Task Force therefore recommends that an immediate evaluation be made of some of the more successful neighborhood centers now being funded by federal agencies, particularly OEO, to determine what the successful elements are and how such centers might in the short run be replicated and improved.

Following sections will discuss the factual setting, some of the major issues, and general criteria for a neighborhood center program.

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\*Greenleigh Associates, Inc., "Home Interview Study of Low-Income Households in Detroit", New York, 1965.

### FACTUAL BACKGROUND

The Federal government is already extensively involved in assisting many different kinds of centers, both general and special purpose, in ghetto neighborhoods.

The Office of Economic Opportunity has funded approximately 800 neighborhood centers in 200 communities through the Community Action Program. An estimated \$85 million is available in 1967 for administration and funding of certain services. The operation and functioning of the centers are presently being evaluated by OEO.

Approximately 600 law offices serving the poor, generally located in slum areas, were funded under OEO's Legal Services Program last year.

HUD has approved or is processing applications for 48 multi-purpose neighborhood centers, designed to offer a broad range of services in ghetto areas. A total of \$29 million has been authorized for construction of such facilities.

The Department of Labor has assisted the establishment of more than 1900 Employment Service Offices and 149 Youth Opportunity Centers to provide counseling, training, job development, and placement, though these offices are located throughout the urban areas. A total of approximately \$192 million is available this fiscal year for the Employment Service program, and \$58 million for Youth Opportunity Centers.

The Welfare Administration of HEW has established 500 full-time sub-offices in ghetto or problem areas.

The Small Business Administration has funded 54 centers to provide counseling to Negro businessmen.

In addition, there are an array of other centers and offices not specifically related to the ghetto areas, that provide special services, such as multi-purpose senior citizen centers, community mental health centers, social security offices, and so forth.

### QUESTIONS AND ISSUES

The neighborhood center concept raises a number of important questions and issues which warrant careful consideration. Among them:

1. Whom should the centers serve? Should the establishment of neighborhood centers' focus on the ghetto areas? Or should the program be conceived as a universal service or urban amenity available to all? The arguments against a ghetto orientation are that it would stigmatize the centers and ultimately lead to second-class service, whereas a service used by all income and social groups would exert pressures for higher standards. On the other hand, slum dwellers are clearly those who need information and service the most, and are least equipped to obtain it without special help.

2. What range of functions and services should the centers have?

The possible functions of a neighborhood center span a broad range -- information, advice, diagnosis, referral, follow-up, outreach, and advocacy. The list of services that a center might provide is equally long -- employment, education, housing, health, legal, recreation, financial credit, family counseling, and so forth.

Taking the latter question first, the issue is whether a center can and should attempt to provide a "smorgasbord" of more or less unrelated services, or whether one or two key areas, such as employment, should be given priority with supporting services provided which contribute to the major objective, leaving other needs to be handled on a referral basis.

With respect to the range of functions undertaken by a center, several conflicts are possible. Given a necessary limit on time, staff resources and talent, there may be conflict between a center's ability to provide effective information, advice and referral, and its ability to provide effective on-the-spot services. Emphasis at one end of the spectrum may come at the expense of the other. Another conflict concerns the question of advocacy, to be discussed next.

3. The dilemma of advocacy. To the extent a center engages in vigorous advocacy on behalf of the individuals it serves, it runs the risk of causing a "bureaucratic backlash" which may adversely affect the effectiveness of the center's information and referral functions. Yet effective advocacy may well achieve institutional changes benefiting large numbers of individuals, rather than just a single case.

More fundamental is the dilemma of centers that seek through advocacy to "fight city hall" when "city hall" is providing the funds for its operation. It is apparent that there is some limit to the degree to which government funds can and should be used for the advocacy function. Some forms of advocacy are more appropriately a private responsibility. What is essential is that the advocacy function be included in local planning for the neighborhood centers, with a variety of public-private "mixes" being encouraged.

4. Objectives of the centers. In seeking to provide certain information and other services on an easily accessible basis in ghetto neighborhoods, the centers face a question whether the long-range objective will seek to provide a relatively self-sufficient "one-stop package" of services that substitutes for, and competes with, the existing service system of the city, or whether its objective will be to help make existing institutions and agencies more responsive to the needs of individuals. With respect to the latter objective, advocacy is one possible means for making the existing system work better. Another is through the stationing of personnel from existing agencies in the center, thus offering both the opportunity to serve individuals more conveniently and to stimulate greater inter-agency dialogue and coordination. A question to be considered is whether center directors should be given some amount of discretionary funds to help achieve the coordination desired.

5. Who should administer the program? The decision at the federal level is particularly complex since at least four agencies -- OEO, HUD, HEW, and Labor -- have a major interest and involvement in assisting the establishment and operation of various kinds of neighborhood centers. Each program has its own particular objective and special limitations. An effort to develop an inter-agency approach offers the possibility of smoothing out differences among the agencies and providing sources of funds adequate to develop genuinely comprehensive neighborhood center programs. On the other hand, it is possible that the participating agencies may become so pre-occupied with questions of inter-agency coordination that the end result



may be a program that settles for the lowest common denominator and loses sight of the problem of developing programs that meet a need from the consumer's point of view.

### CONCLUSIONS

Based on its general consideration of the subject and discussion of the issues mentioned above, the following conclusions emerge:

1. There is a clear need for well-conceived neighborhood center programs, and that need is most critical in ghetto areas.
2. The functions and activities of the center should be designed from the consumer's standpoint to determine how to best meet the needs and problems he faces, and not from the standpoint of working out convenient arrangements on the part of the supplying agencies.
3. The centers should provide services in areas of priority need. They should combine an effective information, diagnosis, referral, and follow-up function in areas not covered by the center itself. The centers should actively recruit and reach out to assist individuals who may be unaware of available services. Appropriate forms of advocacy should be included, recognizing the limits to which government funds can reasonably be used for this function.
4. The neighborhood center concept should be concerned primarily with the development of an effective program, not with the shell in which they may be housed. The size of the neighborhood to be served should be defined in terms of what it takes to provide a program that is close to people and easily accessible, rather than on the population size necessary

to support a pre-conceived physical facility. Thus a more effective approach may be a hierarchy of centers, starting with a main office and spreading out with smaller store-front centers and one- or two-man outposts.

5. The centers should be an instrument for helping the existing institutions and social service agencies become more responsive to needs as felt by the consumer. This should be one measure of their effectiveness. At the same time, it is clear that neighborhood centers cannot be expected to reform the tangled web of a community's social service system. This is a task requiring careful city-wide planning for the coordination of social services, as envisioned by the provisions of the Model Cities Program. It also involves coordination by the relevant federal and state agencies.

6. There is need for broad experimentation in the neighborhood center program to determine what kinds of programs are most attractive, what arrangements achieve the best results, what kinds of functions are most appropriate, and so forth. An immediate appraisal should be made of the dozen or so most successful neighborhood centers now being operated by federal agencies, particularly OEO, to determine what are the successful elements and how such centers might in the very short run be replicated and improved.

7. While consideration has necessarily been devoted primarily to questions involving the role of government and public agencies, the private sector is extremely important to the success of the neighborhood center concept. Many private agencies are actively involved in programs aimed at similar goals. They also offer the potential of performing some functions more effectively than government. Active experimentation should be undertaken with a variety of public-private "mixes" in the neighborhood center program.

8. It is unclear at the present time what instrumentalities and administrative mechanisms would be most appropriate to carry out the program.

TASK FORCE REPORT ON PROMOTING HOME OWNERSHIP  
AND RESIDENT LANDLORDS IN SLUM AREAS

**I. Factual Background**

1. The federal government already provides a very significant subsidy for home ownership among middle-income and upper-income groups through income tax deductions for interest and property taxes.
  - a. In 1962, this subsidy amounted to a \$2.9 billion tax saving for middle- and upper-income groups.
  - b. The uppermost 20% of all families (with incomes over \$9,000) received a subsidy of \$1.7 billion in 1962 — or double the total 1962 housing subsidy given to the lowermost 20% in the form of public housing costs, welfare housing payments, and tax deductions combined.
2. In general, owner-occupied homes in slum areas are in better physical condition than renter-occupied homes. However, this may result from the fact that owners generally have higher incomes and more assets than renters, rather than from ownership per se.
  - a. The proportion of substandard units among families with incomes below \$4,000 in central cities in 1960 was 8% for owner-occupied units and 21% for renter-occupied units.
  - b. The proportion of unsound dwelling units among all families in central cities in 1960 was 11% for owner-occupied units and 33% for renter-occupied units.

- c. There is a strong consensus among housing experts and social workers experienced in slums that providing families who want to own homes with a chance to do so would induce significantly greater responsibility on their part toward maintenance of both property and general neighborhood conditions.
- 3. Low-income residents get less quality per dollar of rent than higher-income residents, and non-white get less than whites.
  - a. In Houston, 80% of low-income families paying \$40 to \$60 per month rent lived in deteriorating or dilapidated units, as compared to only 21% of families with incomes of \$3,000 to \$6,000 paying the same rents. Similar findings (but less extreme) were made in all cities recently studied.
  - b. In Chicago, whites and non-whites both paid a median rent of \$88 per month in 1960, but the median unit for non-whites was smaller and more crowded, and 30.7% of all non-white occupied units were deteriorating or dilapidated, as compared with 11.6% of all white-occupied units.
- 4. Absentee ownership is higher in slum areas than in non-slum areas for comparable types of property. However, this could be a result of slum conditions (for example, many people wealthy enough to be owners may not want to live in slums) rather than a cause of them.
- 5. Residents of poverty areas and racial ghettos consider obtaining decent housing to be one of their most significant problems. Yet they often feel frustrated by their apparent inability to improve their housing conditions through their own action.

- a. Most social workers and other observers of slums believe that many very low-income families have a strong desire to own their own homes.
6. Vacant apartments in unsupervised buildings are frequently used by or become prey to alcoholics, juvenile gangs, organized vandals, criminals, and other undesirable persons. They strip the vacant apartments, set fires and engage in other behavior which jeopardizes remaining tenants in these buildings and reduces the safety and desirability of the entire neighborhood.

## II. Objectives of Programs Encouraging Home Ownership

1. Providing more persons living in slums with an opportunity of shaping their own destiny regarding the nature and condition of their housing. This would help them (a) develop a stake in society, (b) derive significant benefits from governmental and other institutions they now regard with suspicion or hostility, (c) learn how to make good use of such institutions, and (d) increase the feelings of self-esteem, pride, and adequacy which are so battered by life in slum areas.
2. Improving the quality of housing occupied by slum dwellers, and the quality they receive per dollar of expenditure on housing.
3. Providing a greater incentive for slum dwellers to better maintain the property they live in, and to generally improve their own lives.
4. Shifting from absentee to resident landlords so as to improve landlord-tenant relations and provide on-the-spot supervision and protection for vacant rental units.

5. Providing easier and more widely accessible means for some slum families to "escape" from slum areas by buying homes in non-slum and non-ghetto areas which are nearer to new sources of jobs and have better-quality environments and government services.

### III. Constraints Under Which Any Programs Should Operate

1. Programs encouraging home ownership among persons now living in slums should involve two major facets: improving housing conditions and household morale in slum areas, and helping households now living in those areas move to better neighborhoods. Neither of these facets should be neglected.
  - a. Those parts of any program concerned with slum areas themselves should be linked with rehabilitation of housing in such areas.
  - b. Those parts of any program concerned with helping people move out of slums need not be linked with rehabilitation.
2. Home-ownership-encouraging programs should be tried and developed only in three types of areas:
  - a. Slum areas where the entire environment is being upgraded through other programs, such as improved government services, better schools, intensive social work, etc. Ownership alone is not a panacea and cannot cope with all the depressive factors in slums. Hence slum ownership programs should be tied in with Model Cities Programs.
  - b. Older but well-established and stable neighborhoods generally in good physical condition and supplied with good-quality government services. In such areas, programs could be both

linked with rehabilitation of the few run-down structures present, or carried out with housing already in good condition. The units involved would be occupied by either new owners moving in from slum areas, or present renters in the neighborhood assuming ownership.

- c. Newer and outlying and suburban neighborhoods in excellent condition and supplied with good-quality government services. Here slum dwellers would assume ownership of housing already in good condition.

3. Programs encouraging home ownership by slum dwellers must not work to their disadvantage. These programs should neither cause such households to invest in property likely to depreciate rapidly in value, nor "lock them into the slums" and block their chance to move into better neighborhoods. Therefore:

- a. Such programs should not be undertaken in slum areas where conditions are so bad that most of the dwellings will eventually be demolished and replaced.
- b. Such programs should not be undertaken in any slum areas unless "all-out" environment-improving programs are also currently underway.
- c. Such programs should embody a "take-out" feature. It would consist of a guarantee by some public agency to buy the unit back from its new owners within a certain time period at no loss to them in case they decide (1) they would rather move out of the slum area altogether, (2) they cannot handle the continuing burdens of ownership, or (3) they do not want to own this property because of continuing



decline in the quality of the neighborhood as a whole.

However, owners would be allowed to keep at least a portion of any capital gains resulting from their selling their property to other persons likely to maintain the property adequately.

4. Ownership-encouraging programs linked to the rehabilitation of slum properties should require it to occur before those properties are transferred to their new owners. The costs of rehabilitation can then be built into the debt structure of these properties. Such costs can then be subsidized through (a) elimination of any required down-payment, (b) use of below-market-interest rate loan funds, (c) provision of rent subsidies to tenants in resident landlord buildings, and (d) provision of ownership subsidy payments to new owners who are not landlords.
5. In order to make even the lowest-income groups eligible for these programs, it would be desirable to change public aid regulations so that welfare payments for housing could be applied against debt service and other ownership costs as well as against rent.
6. Such programs should not result in the reaping of large profits by absentee owners who have refused to keep up their properties, but who are required by these programs to sell their properties to others.
7. Ownership-encouraging programs for slum dwellers must embody significant pre- and post-ownership counseling and financial help administered by organizations located in the slum areas themselves. These supplementary programs are essential to help the new owners with the legal, financial, maintenance, and rehabilitation problems they

will encounter after assuming ownership.

8. Such programs should not require either the new owners or their tenants to raise significantly the proportions of their incomes they spend on housing, since that proportion is already high.
9. Because of the uncertainty concerning the possible success of ownership-encouraging programs, and the particular forms of them which will be most effective, they should be started on an experimental basis. This implies that:

- a. Several different formats should be started simultaneously, and each should be tested under a variety of conditions.
- b. Such programs should be started on a relatively small scale, and expanded to larger-scale operations only after some experience has been gained about which formats are most effective.
- c. Each experiment should be designed so that its effectiveness can be accurately evaluated within a relatively short time.

The objectives which should be weighted most heavily in such evaluation should be those concerning the program's impact upon the individual households and families involved, rather than its impact upon the physical condition of housing, or the fiscal status of the cities concerned.

- d. The federal agency sponsoring such programs should develop a set of specific formats which it seeks to test, and should be sure that each of these formats is given an effective test in one or more cities.

- e. Individual experiments should be incorporated in the Model Cities Program in many cases, since this program has been created to stimulate and test innovations in coping with slum conditions.
10. Programs encouraging home ownership among slum dwellers should not be evaluated in terms of their effectiveness at saving money in relation to other housing programs (such as urban renewal or public housing). They will probably cost no less than such other programs, and perhaps more. But they can be evaluated in terms of their effectiveness at saving money in the long run by reducing the costs of other programs aimed at coping with the impacts of slum areas upon individuals. Examples are welfare programs, police action, and anti-delinquency programs.
11. Ownership-encouraging programs can be best undertaken when normal market forces are bringing about a rapid expansion in the total supply of housing through extensive construction of new multi-family and single-family homes. Otherwise the additional demand for housing generated might simply aggravate any existing shortages and drive up prices and rents, rather than increasing the supply available to low-income families. This means such programs will function best when interest rates are relatively low rather than in a "tight money" climate.

#### IV. Suggested Programs

1. A program to locate slum dwellers now renting in absentee-owned buildings who might become successful resident landlords, to find buildings appropriate for conversion from absentee- to resident-landlordship, and to assist the persons found to assume ownership of those buildings.
  - a. The program would involve full subsidies for down payments where required, and would finance on-going operating expenses and debt amortization out of rents.
  - b. Costs of any rehabilitation necessary to bring the buildings up to the conformity with relevant codes would be capitalized into the debt structure.
  - c. Below-market-interest-rate loans would be used to finance purchase.
  - d. It would concentrate upon buildings now in poor condition, but still capable of satisfactory rehabilitation without enormous costs. These buildings could be acquired from their absentee owners through a "squeeze-out" process of code enforcement with minimum public investment.
  - e. This program would be applied only in "minimum-sized pieces." Each would involve a certain minimum number of buildings located close together in a single block or a few adjacent blocks. The number of units would be of sufficient "critical mass" to affect the entire environment of

the block or blocks involved. Moreover, each such "critical-mass-sized piece" would be processed simultaneously and as a whole by the government agency handling the program, rather than one building at a time.

- f. The families seeking to become resident landlords under this program would not have to remain in the specific buildings they now occupy, but should be allowed to assume ownership in the neighborhoods where they now reside.
- g. In cases where recovering the cost of rehabilitation required rents in excess of the ability to pay of local low-income households, rent subsidies would be linked into the ownership-encouragement program. The combined effect would (1) provide rehabilitated units for low-income renters and (2) allow some low-income families to become resident landlords in these rehabilitated buildings.
- h. The program should be run by locally officed organizations operating under the jurisdiction of the Secretary of Housing and Urban Development.
  - (1) Because the basic objective of this program would be a change in the social conditions and mental attitudes of slum dwellers, it would be desirable for primary responsibility to rest in some agency other than HHA. This would allow HHA to retain its basic "prudent investment" orientation without conflicting with the

objectives of this program, which vary from "prudent investment." As long as this program is much smaller than FIA's other activities (and it must be at least to start), it would be difficult for FIA to generate the necessary enthusiasm and outlook to encourage the high-risk and frankly experimental operations essential to success. For example, FIA will not insure a housing unit if its total value is more than three times the annual income of the owner. This would eliminate most of the potential owners these programs seek to reach.

- (2) The Secretary should set general standards of performance and evaluation for the program. However, he should be free to create a variety of specific organizational arrangements with local groups to operate the program in different metropolitan areas. Examples are non-profit corporations, church groups, unions, or city departments.
- (3) Each such organization should operate local neighborhood offices to assist new owners with (a) pre-ownership training in housekeeping, making minor repairs, and legal responsibilities, (b) counseling on maintenance and financing during the initial ownership period, and (c) follow-on counseling as necessary.

2. A similar program to help renters in slum areas take over ownership of individual units in multi-family buildings on a condominium or cooperative ownership basis.
  - a. This program would have all of the attributes of the first program described above except the use of rent subsidies (part g).
  - b. If the incomes of the potential owners were not sufficient to pay the carrying costs of ownership, then an additional continuing subsidy could be used. This subsidy would be considered the equivalent of the interest and property-tax deduction subsidy enjoyed by middle-income and upper-income households. Since low-income households do not have enough income to benefit from such deductions, they would be given direct cash equivalents. The higher the income, the lower the equivalent; the larger the household, the higher the equivalent -- other things being equal.
3. Another program to help renters of single-family dwellings in slum areas (like Watts) take over ownership of their dwellings or of other similar single-family dwellings nearby. This program would also have all of the attributes of the first program described above except the use of rent subsidies. It would make use of income-tax-deduction-equivalents, as described under the second program set forth above.

4. A fourth program designed to encourage slum dwellers to move into non-slum areas by buying single-family or two-family buildings, or individual units in condominium buildings, in such areas.
  - a. This program would involve full subsidies for downpayments where required.
  - b. It would be focussed upon buildings already in standard condition and therefore needing very little rehabilitation.
  - c. It would involve individual buildings scattered throughout neighborhoods containing socio-economic levels above the slum areas, but not as high as upper-middle-income areas. However, the condominium parts of the program would involve entire buildings operated under the program.
  - d. It would incorporate the aspects of the first program described above set forth in paragraphs IV, 1, f-g-h. It would also incorporate the continuing subsidy based upon income-tax-deduction equivalents described in paragraph IV, 2,b above.
  - e. The organization operating this program should have a metropolitan-area-wide jurisdiction rather than covering only the central city therein. In fact, it should emphasize placement of former slum dwellers in suburban areas where possible. Yet this organization should be the same as, or closely linked to, whatever organization administers the other programs described above.
  - f. The exact locations of the housing selected for use in this program should be based upon the following considerations:



- (1) The housing units selected should be in sound neighborhoods but should not be far beyond the economic capabilities of the households moving out of the slums. Hence these households might be expected to assume full ownership without a continuing subsidy after a certain period.
- (2) There should be a mixture of Negro and white households involved. Some of the slum move-outs should result in relocation of Negro families in previously all-white or predominantly-white areas, and some should result in placement of Negroes in previously Negro areas and whites in previously white areas.
- (3) In no cases should the households moved out of slums under this program be concentrated together in the receiving neighborhoods to such an extent as to become a dominant group in any given block or elementary school district.
- (4) If possible, the neighborhoods chosen should be close to the type of jobs possessed by the families moving out of the slums, and to sources of new employment opportunities being created in the metropolitan area.
- (5) If possible, the neighborhoods chosen should be parts of cities benefiting from other federal programs (such as urban renewal, the Interstate Highway Program, or federal aid to education) the continuance of which might be linked at least informally with willingness to cooperate with this program. Similarly, this program might be linked with defense procurement activities in communities benefiting

- g. This program would not involve the creation of resident landlords (except in two-unit buildings) by elimination of absentee landlordship.
  - h. It might be desirable to link this program with the other programs encouraging ownership of buildings in slums by slum-dwellers. This could be done through some type of formula which would require provision of a certain number of "slum-escape" units for each set of "slum-renovation" units involved.
5. All of the above programs should be linked to a number of other federal programs or policies aimed at reducing the impact of ethnic discrimination upon housing markets. Discrimination creates a "back-pressure" in areas readily available to minority groups which tends to raise prices therein. This makes it harder for residents to own their own homes, and reduces the incentive of absentee landlords to improve deteriorating slum properties. Among the possible ways to counteract these forces might be:
- a. Requirement that any dwelling units financed with mortgages furnished by institutions supported by federal agencies (such as banks and savings and loan associations) be sold or rented on a non-discriminatory basis.
  - b. Creation of public housing on vacant land, particularly in suburban areas, preferably on scattered sites in relatively small, low-rise projects. This assumes that the housing so created be integrated, preferably with a Negro minority, rather than 100 percent Negro.

- c. Subsidization of private groups designed to help Negro households move into previously all-white neighborhoods in suburbs and peripheral neighborhoods in central cities. (An example is the group of this type in Hartford, Connecticut). Such subsidy could consist of granting of tax exemptions, or allowing the sale of tax-exempt securities, as well as provision of grants to cover capital or operating costs.

V. Estimated Costs of Ownership-Encouragement Programs Undertaken at Various Scales

1. Basic assumptions underlying these cost estimates are derived from HHA experience and census data. They are as follows:
  - a. The total cost of acquiring and rehabilitating either single-family or multi-family housing will be \$12,500 per unit.
  - b. Total per-unit monthly operating expenses are \$48.46 for single-family houses, and \$49.42 for multi-family buildings (including a \$9 allowance for vacancy and contingencies but no allowance for management fees).
  - c. Household incomes have risen about 25% since 1959, when the income distribution among occupants of substandard housing units who earned less than \$6,000 per year was as follows:

Under \$2,000	51.9%
\$2,000 - \$2,999	17.2%
\$3,000 - \$3,999	13.5%
\$4,000 - \$4,999	10.3%
\$5,000 - \$5,999	7.1%

Total	100.0%
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- d. The proposed programs will extend assistance to members of all these income groups proportionately. Hence calculations about the total subsidy required can be based upon the weighted average 1965 income of the entire group, which is \$2,840 per year (assuming that household incomes remaining below \$2,000 in 1965 increased somewhat more than 25% from 1959 to 1965).
  - e. Households can devote 25% of their incomes to housing. This amounts to a weighted average of \$59.16 per month for the entire group involved.
  - f. All costs of acquisition and rehabilitation will be incorporated into the total initial loan and amortized over a 30-year period on a no-down-payment basis.
  - g. Multi-family programs will utilize 12-unit buildings and provide no explicit allowance for owner profits.
2. These assumptions lead to the following conclusions:
- a. The annual rate of direct subsidy per unit, not counting administrative costs or losses of interest from below-market rates, would be \$504 for a single-family program and \$516 for a multi-family program at a 3% interest rate. Hence direct subsidies per unit are very similar for the two programs.
  - b. Direct subsidy costs are very sensitive to changes in interest rate. For a single-family program, the variation is from \$772 per unit per year at 6% to \$504 at 3% and \$288 at zero interest. However, if losses in interest are counted as costs, this sensitivity drops to zero.

- c. Direct subsidy costs are also very sensitive to changes in the income-composition of the groups served. Excluding families with incomes below \$2,000 raises the weighted average amount available per month for housing from \$59.16 to \$94.88. This reduces the annual single-family subsidy at 3% interest from \$504 per unit to \$75 -- a drop of 85%. However, it also excludes 52% of the households with 1959 incomes under \$6,000 living in substandard housing.
- d. Total costs at various scales of operation (excluding administration) are similar for both single-family and multi-family programs. Hence they can both be illustrated by the following table for single-family programs, assuming a 3% interest rate:

<u>Number of Housing Units</u>	<u>Annual Direct Subsidy Charges (\$ millions)</u>	<u>Annual Interest Loss Compared to 6% (\$ millions)</u>	<u>Required Initial Loan Fund Allocations (\$ millions)</u>
5,000	\$ 2.520	\$ 1,340	\$ 62.5
10,000	5.040	2,680	125.0
25,000	12.600	6,700	312.5
50,000	25.200	13,400	625.0

- e. The above table is based upon proportional participation by all 1959 income groups under \$6,000 per year. Variations in total costs at these scales resulting from changes in interest rates or income-group composition can be roughly estimated from points (b) and (c) above.
3. The significance of the scale of home-ownership programs depends upon the total number of slum families living in substandard housing who would like to become owners.
- a. In 1960, there were 9.7 million renter households living in central cities. About 1,618,000 (16.6%) lived in substandard units; 1,149,000 of these had incomes under \$4,000. Of course, nowhere near all of these households wish to become owners.
  - b. There were actually more renter households in substandard units outside central cities than inside them in 1960: 2,581,000 vs. 1,618,000. About 671,000 of these households are located in the urban fringes of metropolitan areas, these households should perhaps not be considered as "slum residents."
  - c. Based upon the above figures, experimental programs at various scales would reach the following proportions of all central-city households with incomes under \$4,000 in 1960 living in substandard units:
    - 5,000 units -- less than  $\frac{1}{2}$  of 1%
    - 10,000 units -- less than 1%
    - 25,000 units -- less than  $2\frac{1}{2}$ %

4. The cost of home-ownership programs is similar to that of rent supplement programs, counting only direct subsidy payments. It has been initially estimated that rent supplement subsidy will average about \$600 per unit per year, as compared to \$504 per unit per year for single-family home ownership at 3% interest. However, if interest losses due to below-market rates are counted, then another \$268 per unit per year must be added (if the market rate is considered to be 6%). This increases the per unit per year cost of the home-ownership program to about 29% above that for the rent supplement program, excluding administrative costs from both.

VI. Problems and Drawbacks of Low-Income Ownership-Encouragement Programs

1. Under long-term, no-down-payment financing, it would take owners a very long time to build up any significant equity. Therefore, they might become disillusioned by the small reward for their great efforts.
  - a. Assuming no change in rental values and no depreciation in building value, the equity built up under 100%, 30-year financing for a \$12,500 property would be as follows:

<u>Year (at end of year)</u>	<u>Amount of Equity</u>	
	<u>At 3% Interest</u>	<u>At 6% Interest</u>
5	\$1,387	\$ 872
10	2,998	2,048
15	4,869	3,635
20	7,042	5,775

- b. However, each building may depreciate in value, and the rent may appreciate. These changes would have opposite effects upon equity, but the building comprises much more of the total cost than the land. The resulting net depreciation would further reduce equity build-up.
- c. Assume the land is initially worth \$2,000 per unit, and doubles in value over 30 years, but the building declines in value 79%. Then at the end of 30 years the total property would be worth exactly half its initial cost. Net equity build-up would be:

<u>Year (at end of year)</u>	<u>Amount of Equity</u>	
	<u>At 3% Interest</u>	<u>At 6% Interest</u>
5	\$ 345	\$ -176
10	915	-35
15	1,744	510
20	2,875	1,608

- d. This type of outcome will be avoided only if the land appreciates very sharply over 30 years, or continued shortages of adequate low-income housing prevent building depreciation, or an outright grant is given to the new owners so they can make an initial down payment (perhaps with a re-call provision in case they sell very soon).



e. The above statistics must be viewed in light of two crucial facts:

- (1) Even these small equities represent significant improvements for low-income families over what they would receive from paying rent.
- (2) Most home-owning households in all income groups treated are spending for ownership primarily as consumption rather than investment. Consequently, they do not make purchase decisions mainly on the basis of equity build-up considerations, but are significantly influenced by non-economic factors which would also apply to low-income households.

2. Many low-income families lack the attributes necessary for successful ownership. They do not remain in one place long enough, their incomes are extremely irregular, and they would be unable to make the occasional "lump-sum" expenditures required of owners (such as buying a new furnace). It is undoubtedly better for such households to remain renters than to be falsely encouraged to take on burdens they cannot support in the long run.
3. There is not enough evidence to be sure that allowing slum residents to become property owners will actually improve slum living conditions significantly.

4. Non-slum residents may object to the provision of ownership subsidies to slum residents on the grounds that this gives the recipients an advantage which they themselves never had. However, this political drawback can perhaps be countered by emphasizing the size of the existing tax-deductibility ownership subsidies received by non-slum households.
5. These disadvantages emphasize the wisdom of undertaking low-income ownership-encouragement programs on a small scale at first in order to experiment with their potential effectiveness.

## VII. Recommended Additional Research

1. Some of the concepts and quantified estimates set forth above have been based upon admittedly inadequate unreliable data. Therefore, we recommend that additional research be undertaken before the programs described herein are given final approval in concept or designed in detail.
2. Consequently, reliable information about the following should be obtained:
  - a. Accurate estimates of total operating costs for multi-family housing to be developed under any ownership program. The operating cost estimates and contingency allowances used in the above calculations were supplied by FIA. However, we believe they may be low, because operating costs normally run 60% of total gross revenues, and not all funds available for debt service are actually applied to debt service.

- b. The required attributes of home owners in slums. Probably they revolve around steady employment, the availability of multiple family members some of whom are home and can keep track of the property, reasonably good character record, etc.
- c. The specific urban areas classified as slum areas for purposes of these programs, and certain data about them.
  - (1) Number of dwelling units by type of structure:  
small multi-family, large multi-family, and single family.
  - (2) Number of households living therein and their major income, ethnic, and family size characteristics.
  - (3) Condition of structures.
- d. The number of persons or households in these areas who have the required characteristics for ownership, absolutely and as a percentage of the total.
- e. Ways in which ownership programs can be tied into over-all strategies concerning low-income housing and the amelioration of ghettos so that they do not merely perpetuate slums by "locking in" the new owners of old buildings.

TABLE 1

Funding Requirements  
(For Unit Cost = \$13,000)

	<u>Y E A R</u>				
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Units Constructed During Year	5,000	25,000	50,000	50,000	50,000
Units Completed	5,000	30,000	80,000	130,000	180,000
Average Units Com- pleted During Year	2,500	17,500	55,000	105,000	165,000
Annual BMIR Mortgage Credit (\$, millions)*	33	167	325	325	325
Annual FIMA Mortgage Credit*	33	167	325	325	325
<hr/>					
Annual Rent Supplement Funds (\$, millions)** (Tenant Income = \$4,000	1.0	7.1	22	43	63
Annual Rent Supplement Funds (\$, millions)** (Tenant Income = \$2,000)	1.6	11.5	36	69	108

\*Based on half the units being financed with BMIR 3%-40 year mortgages, the other half with 6%-40 year mortgages.

\*\*Based on rent supplements applicable to the one-half of the units that are financed at 6%-40 years.

TABLE 2

Annual Rent Supplement in \$ Millions,  
After Five Years  
(90,000 units, 6% 40 Year Mortgages)

<u>Average Tenant Annual Income</u>	<u>Average Unit Cost</u>		
	<u>\$9,000</u>	<u>\$11,000</u>	<u>\$13,000</u>
\$4,000	23	48	73
\$3,000	45	70	95
\$2,000	68	93	118

TASK FORCE REPORT ON THE  
PROPOSED URBAN DEVELOPMENT CORPORATION

1. INTRODUCTION

It is estimated that 20 million people live in 5,000,000 substandard and deteriorating slum dwellings throughout America. If housing conditions are to be visibly improved in the short term for any substantial number of slum dwellers, rehabilitation will have to play an important role.

Unfortunately, rehabilitation so far has been a slow and halting process, hampered by problems of economic feasibility, the lack of an effective organizational approach with adequate resources, and the absence of an industry capable of undertaking large scale rehabilitation with maximum efficiency.

The Task Force believes that the creation of an institution such as the proposed Urban Development Corporation would provide an important mechanism for overcoming many of the problems that have inhibited rehabilitation in the past.

It offers the potential of stimulating significant technological and organizational innovations by manufacturers, labor, and contractors which would reduce costs and thus make rehabilitation more feasible through private initiative and enterprise.

The following sections discuss the proposed concept, questions of feasibility, the cost implications, and other benefits and problems.

## 2. CONCEPT

In its proposal for the establishment of an Urban Development Corporation\* Hud asserts, "The greatest domestic challenge that faces America today is the need to rehabilitate and rebuild the nation's slum neighborhoods and the 5,000,000 substandard and deteriorating dwellings in which 20 million Americans live. The problem exists in large and small cities throughout the entire country." The Proposal points out that neither government nor industry can do this alone, and proposes a nationally based, private, non-profit institution -- UDC -- which has access to substantial amounts of FHA insured mortgage credit, and the ability to offer major inducements to cities, industry, labor, and residents of slums. It proposes that UDC be directed at rehabilitation, with the objective of rehabilitating 500,000\*\* slum dwelling units within the next decade. The proposed short term goal is rehabilitating 30,000 dwelling units during the first two years of its operation. For these first two years it is asserted the UDC will require a reservation of \$200 million in 221(d)(3) below market interest rate (BMIR) mortgage credit funds, \$200 million in FNMA special assistance funds for rent supplement dwellings, and \$9 million in rent supplement funds. In addition, \$12 million in working capital will be required for the first two years of operation which is to be supplied by foundation and corporate grants and loans, and HUD demonstration funds.

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\*"A Proposal for a Nationally Based Private Non-Profit Urban Development Corporation to Rehabilitate and Replace Substandard Urban Slum Dwellings," HUD, November 1966.

\*\*This is not stated explicitly in the proposal, but was gleaned from discussions with some of its proponents.

The kernel of the UDC concept is that the large and orderly market it provides will produce an efficient, aggressive and technologically advanced rehabilitation industry. This new industry will serve the total rehabilitation market, private as well as public.

### 3. FEASIBILITY

There appear to be four key questions concerning feasibility of this proposal:

- . Technological
- . Social
- . Scale of operations required
- . Acceptability

The technological feasibility of massive rehabilitation of many types of slum dwellings has been demonstrated. The most striking example is the 114th Street program in Harlem. There the buildings were largely gutted, and attractive, healthy, modern apartments created, one for each of the far below-standard units that were scrapped. HUD estimates that there are more than 5 million units in the nation's slums that are structurally sound and susceptible to such rehabilitation.

That many slum neighborhoods have potential to respond to the impact of rehabilitation is also strikingly demonstrated by the 114th Street experiment. The pride shown by the residents of the rehabilitated units, the low level of vandalism during construction, and the enthusiasm of the neighborhood for the project illustrate this. HUD estimates that 5 million units suitable for rehabilitation are located in slum neighborhoods with the potential to respond to the improvements offered.



The minimum effective scale is largely a matter of judgment. Experts consulted seem to agree that the scale proposed (30,000 units in the first two years, 50,000 units annually thereafter) is sufficient to provide the leverage needed with labor, contractors, the materials industry, and city administrations to achieve the innovations desired and to visibly affect the quality of life in the nation's slums. A commitment to only the first 30,000 units may be sufficient but on this opinions differ.

HUD has been in contact with industry, labor and city representatives and reports that in every case those interviewed were persuaded of the merits of the UDC idea. Organized labor's reaction was favorable to the suggestion of a national contract with UDC containing work rules appropriate to efficient rehabilitation and providing for crews which include labor from the slum neighborhoods. Builders and developers were pleased with the significant role the private sector could play. Manufacturers expressed interest in undertaking research and development of products for a new rehabilitation market.

#### 4. COSTS

In the UDC proposal the average total cost per dwelling units is estimated to be \$13,000. This is a conservative estimate based on the very limited experience to date. There is reason to believe that UDC activity will bring the unit costs down due to economies of scale, improved contractor management, increased labor productivity, and to technological innovations induced by the new rehabilitation industry.

That there will be cost reduction is highly likely, and that this reduction will spur private rehabilitation seems probable, but there is no basis for quantitatively estimating the degree of reduction possible and, in all likelihood, will not be until after a few years of UDC operation. It is considered possible that costs could go as low as \$9,000 per unit after the rehabilitation industry comes into full operation.

The UDC proposal suggests that the initial 30,000 units be financed half with BMIR (Below Market Interest Rate) mortgage credit and half with FNMA special assistance funds for rent supplement dwellings. The annual rent supplement funds that would be required depends, of course, on the average ability to pay. If the BMIR funded 15,000 units were all rented to families with annual incomes over \$4,000, the annual rent supplement required for the remaining 15,000 units would be between \$12.2 million and \$19.6 million, depending upon the tenants' incomes.

The mortgage credit and rent supplement funds required for the first five years of operation are shown in Table 1, based on the estimated cost of \$13,000/unit. The average annual tenant income can be expected to be between \$2,000 (which was the 1965 national average income of the 2.5 million slum families with incomes below \$4,000/year) and \$4,000 which is typical of incomes in Harlem.

The commitment to future rent supplement payments depends, of course, on the degree to which costs are reduced by the new rehabilitation industry and upon the changes in family income. Table 2 illustrates this. It can be seen that unless costs are reduced to below \$9,000/unit or average incomes rise to over \$4,000/year, rent supplements will be required indefinitely.

## 5. ADDITIONAL BENEFITS

### a. Cost Reduction for Private Rehabilitation

The total market for rehabilitation is far greater than the 500,000 units proposed for UDC action during the next decade. Even if half of the 5 million units presently suitable for rehabilitation are torn down, the private sector market for rehabilitation is 4 times larger than that proposed for UDC over the next decade. Cost reductions stimulated by UDC will therefore pay a large dividend in terms of reduced economic rent for slum families. This can be considered to multiply by 5 the savings which are reflected in the rehabilitation directly sponsored by UDC.

### b. Slum Employment

Rehabilitation is, and probably will remain, a labor-intensive industry. Approximately one-half man year of on-site labor is required per rehabilitated unit. If half of this were to be provided by local labor, rehabilitation at the rate of 50,000 units per year will directly employ some 12,000 slum dwellers. Since, presumably, the same people would participate in the private rehabilitation market, the number of slum dwellers employed in the new rehabilitation industry might be 50,000.

### c. Application of New Technology to New Construction

The degree to which technological innovation stimulated by rehabilitation will be effective in reducing the cost of new construction is uncertain. What is clear is that new products will be used when they become available market items, thereby improving the quality if not the cost of new construction.

d. Interaction With Other Programs

UDC-sponsored rehabilitation activities can strongly reinforce other programs. Among these are the Demonstration Cities, home ownership for slum dwellers, and neighborhood service centers.

6. ADDITIONAL PROBLEMS

a. Mortgage Terms and Economic Life

The use of 40 year mortgages (and consequently an implied remaining economic life of 55 years) has been assumed by HUD. However, it is by no means clear that rehabilitation can provide either physical or economic lifetimes approaching this in a substantial fraction (perhaps most) of the neighborhoods under consideration. Reduction of the mortgage terms to 20 years would require an increased annual rent supplement of \$330/unit.

b. Property Acquisition

Limited experience suggests that it is possible to assemble properties for rehabilitation, using only the threat of rigid code enforcement to keep prices from rising. Alternately, or in conjunction, condemnation proceedings can be used in Urban Renewal Areas.

c. Rehabilitation vs. New Housing

While rehabilitation has well known social advantages over slum clearances followed by new construction, it offers far less opportunity for cost reduction through technological innovations and raises the thorny problem of the wisdom of investing heavily in obsolescent properties.. An intriguing proposal for neighborhood redevelopment using a mix of rehabilitation and new housing was developed in a working session on UDC\*. UDC's concern with rehabilitation to the exclusion of new housing

could become a block to the kind of federal effort needed to obtain cost reduction through major innovations in construction technology and project management.

It has been suggested that the reason the Proposal selected rehabilitation rather than a mixed rehabilitation/new housing objective for the UDC was the concern that labor in particular (and perhaps the construction and materials industries as well) would strongly oppose the UDC unless it clearly restricted its activities to rehabilitation. This is a matter of judgment and could very well be correct. It must be noted, however, that acceptance of UDC might be forthcoming if these groups realize that new construction based on improved and economizing technology is inevitable and UDC can provide a sympathetic client with which they could cooperate to gradually modernize traditional practices. This is a subject that future staff work might illumine.

#### d. Effect on Equity Holders

If the costs of rehabilitation remain high, the Federal government, UDC and the cities involved will be predisposed to use all means at their disposal to drive down the costs for acquiring the properties for rehabilitation. Rigid code enforcement has been suggested as the major tool for this. It is not clear that a self-avowed policy of liquidating the equity holders by code enforcement won't develop a fatal backlash.

#### e. Relationships

The proposed relationships of UDC with the local government, various national groups, and the neighborhood (including the question of continuing responsibility for maintenance and upkeep of the rehabilitated buildings) are largely undefined.

## 7. CONCLUSIONS

a. While very many details of UDC remain to be worked out, it appears highly likely that the major objectives will be met if a strong Presidential commitment is given.

b. This is the only practical mechanism that has been found for visibly improving the quality of slum housing nationally within the next few years.

c. The minimum effective scale of the UDC is one which can stimulate a new industry in the U. S. -- the rehabilitation industry. Without the UDC this industry will probably not develop. The proposed level of UDC effort appears to be the minimum needed if it is to be successful.

d. The costs -- in terms of below market interest rate mortgage credit and rent supplements amount to a subsidy of a substantial fraction of the total rent. The rent supplements involve a firm long term commitment, which is dependent upon future tenant income and hence not fully predictable.

REPORT ON LANDLORD-TENANT RELATIONS

(The Task Force was asked to consider issues and proposals raised at the Attorney General's Conference on Tenants' Rights. Since this conference will not be held until December 9, the Task Force has not yet reached any final conclusions or recommendations. However, the proposals contained in the following report which was prepared by Dr. Julian Levi are under consideration.)

I

Archaic landlord-tenant law and practices, once appropriate to an agricultural society, must be reformed and modernized to meet the need of industrialized urban America.

Ancient legal doctrine, construing a lease as a conveyance of an interest in land rather than an agreement, leads to the holding that the obligation of the tenant to pay rent is independent of the duty of the landlord to repair and maintain the premises. The sole remedies thus available to the tenant to secure his rights are limited to his vacating the premises and then claiming termination of the lease or himself repairing the premises, financing the cost and thereafter claiming a set-off against future rents.

Such limitations, while onerous to all tenants, are intolerable in their application to poor people. Their choice of accommodations within their means is minimal; they can neither finance repairs nor,

often, even gain access to the parts of the premises requiring repair. While states and local governments, in proper concern for the lives, health and safety of all citizens, prescribe minimum standards for housing accommodations, out-dated legal practices thwart the poor in direct assertion of their rights.

## II

Reformation of landlord-tenant law is a state and local government responsibility burdened with consequence to the National welfare.

While appropriate solutions may vary between jurisdictions, certain broad principles must apply throughout:

- A. State and local enforcement of building, health and safety codes must be streamlined and improved. Administrative flexibility and fact finding must be fostered and the power of local courts strengthened. The obligation of code compliance must be a prior charge on the property itself and all rights therein, rather than merely a personal obligation of the owner.
- B. Compliance with law must be a basic part of every agreement and every right. Obligations of landlord and tenant alike, as provided in building, health and safety codes, must be construed as creating independent rights enforceable by direct legal action. Determination of such issues in the courtroom must be facilitated.
- C. Public funds must not reward illegal conduct. Appropriate rent withholding procedures must be developed for the welfare tenant.



Appropriate actions must be taken in all public acquisitions to the end that prices paid disregard values achieved from income derived in property operation contrary to minimum building, health and safety codes.

\* \* \* \* \*

While these responsibilities are local, the Federal Government can and has assisted:

1. The establishment of neighborhood legal centers in slums by the Director of the Office of Economic Opportunity, who are making a major effort to help tenants secure their rights to safe and sanitary housing.
2. The convening of a Conference by the Attorney General to develop new procedures to insure that the rights of tenants are fully and effectively enforced.
3. The appointment of a Commission to make a comprehensive review of codes, zoning, taxation and development standards.

### III

Programs and activities of the Federal Government, while indirect in that enforcement of fire prevention, housing, building, health and sanitation law is a responsibility of local government, can be of decisive importance:

- A. 1. Section 101(a) of Public Law 171 qualifies Federal assistance upon the appropriate local public bodies undertaking "positive programs" and "a workable program" for community improvement through the

"adoption, modernization, administration and enforcement of housing, zoning, building and other local laws, codes and regulations relating to land use and adequate standards of health, sanitation and safety for buildings, including the use and occupancy of dwellings."

Administrative regulations heretofore issued by the Secretary of Housing and Urban Development should be further clarified to direct specific enumeration and attention to the application and enforcement of local codes and ordinances related to life, health and safety throughout the locality and to demonstrate increased effort and progress in such enforcement. Such enforcement of minimum codes shall be required as protection of lives and health of occupants, irrespective of whether a basically sound and stable area is thereby created.

2. The Secretary of Housing and Urban Development can further implement the purposes of the legislation through the development of national uniform statistical reporting, whereby yardsticks of comparable municipal performance may be established.
3. The Secretary of Housing and Urban Development can tighten existing regulations to the end that mortgage insurance available through the Federal Housing Administration for property acquisition, rehabilitation and improvement must be conditioned upon code compliance. At the same time, mortgage insurance and grants under Section 312 can be promoted and expedited.

Special personnel can be designated in each insuring office of the Federal Housing Administration with the specific assignment of coordinating the insuring activities of that agency with city building departments and community organizations to the end that provision of proper financing for complete rehabilitation to meet code standards be greatly expedited.

- B. The Secretary of Health, Education and Welfare can, by administrative regulation, require that each local authority participating in administration and disbursement of relief funds establish, in collaboration with appropriate local authorities, systems of housing inspection and certification to the end that appropriate withholding of rents, where justified, be undertaken. Steps should also be taken through the OEO legal assistance and other programs, to prevent retaliatory eviction.
- C. All Departments of Government concerned with property acquisition, wherever Federal investment is involved, can require that the acquiring public authority demonstrate and certify that no part of the award granted or payment made represents values achieved by operation contrary to local codes of building, health and safety.
- D. All Departments of Government dealing with the audit and verification of real estate and mortgage loan assets can require certification that as to the property concerned no complaints are presently pending by any local authority charging violation of local minimum codes of building, health and safety.

#### IV

At this time property owners in deteriorated or declining city areas assume that the municipality either cannot or will not enforce its building, housing, health and sanitation laws -- an assumption based on experience and occasionally supported by Federal statement:

"Characteristic of a typical slum area is the overcrowding of housing units well beyond the levels permitted by local codes. Any effort to enforce the occupancy standards of the code would have as its immediate consequence a massive displacement of the families occupying the overcrowded units. This might be acceptable if it were coupled with a concurrent program to make available to such families decent housing at prices they can afford. Unfortunately, the latter tends to be far slower and more costly than the carrying out of code enforcement. In many cases local courts have recognized this consequence and, as a matter of public policy, have refused to permit enforcement action.

"By its very nature, a program of code enforcement requires property owners to make substantial investments in repairs and improvements in order to avoid prosecution. Unless that investment is coupled to an increase in rental returns or property values, the owner is likely never to be able to recover the cost. But since we are still dealing with a seriously blighted area, neither the increase in rentals or property values is likely to occur. The present tenants usually cannot afford higher rentals, particularly if occupancy is reduced and there are fewer wage earners to pay the rent. Tenants with higher incomes usually cannot be persuaded to move into a still blighted area. The value of the property in a private sale cannot be expected to increase unless the

rentals increase nor would the repairs or improvements add significantly to the property value in the event of a future public condemnation.

"It has been argued that rigid code enforcement in deteriorated areas will so depress property values that new purchasers will be able to afford to make the necessary repairs without increasing rents. In fact, this does not happen on any broad scale. While our understanding of the factors which motivate owners of slum property is very limited, a recent study does cast some light on this. The large 'sophisticated' owners of slum property usually have so little of their own money invested that any feasible reduction in cost of purchasing could not equal the cost of needed repairs. On the other hand, the small 'unsophisticated' investor is usually incapable of taking advantage of any such economic effects.

"In sum, it is our belief that concentrated code enforcement by itself in badly blighted areas would result in more turmoil than improvement of housing conditions. But to say that this one approach will not work is not a satisfactory answer to a very real and pressing problem. Although we have not yet arrived at anything we regard as an adequate solution, it would be extremely valuable to present some of the problems and possible approaches in order to get broader consideration." (Staff Report, Housing and Urban Development, forwarded by the Secretary to Senator John Sparkman, Chairman, Subcommittee on Housing, Senate Committee on Banking and Currency, 7/26/66)

The assumption becomes a self-fulfilling prophecy:

- A. Property owners reduce expenditures for property maintenance and repair wherever possible.
- B. Tenant and community morale collapse.
- C. Constructive community leadership is denied credibility.

If it be assumed that power of state and local government to regulate housing condition in order to preserve life, health and safety is a prior charge on all interests in property, then the equation as to the feasibility of property repair to minimum standard is simply whether the gross rent roll will cover current operating expense, current taxes, and principal and interest payments to cover the cost of repair. Antecedent mortgage commitments, as well as the equity investment, are irrelevant to the issue. Were mortgagees and property owners, contrary to existing assumptions, convinced of this contingency, their conduct concerning property repair and maintenance would be altered significantly. In these circumstances, it would not be necessary that public action be asserted against each property in a given neighborhood in order to reverse the prior assumptions.

A formidable case exists, therefore, for selection of a few neighborhoods in which, after complete inventory of structure condition, ownership, mortgage debt, and prior history of code enforcement, an experimental program be undertaken by the appropriate local public authority, working in collaboration with the local community, in which a number of the possible Federal sanctions here enumerated were employed. The effort is attractive in:

1. Presenting a new attack upon the syndrome of community decline and collapse.
2. Offering promise of reduced public expenditures by imposing costs upon non-conforming properties.
3. Generating increased voluntary compliance with minimum codes and standards.

V

Further staff work: With respect to the recommendation made in Section III B for the development by HEW of systems for withholding of rent by welfare recipients where appropriate, further staff work should be undertaken by HEW to evaluate the experience of New York and the several states which have undertaken such programs. An analysis should also be undertaken of the percentage of dwelling units occupied by welfare recipients in appropriately selected neighborhoods, to determine what percentage of a landlord's potential market they constitute.

Appendix Paper  
on  
RESIDENTIAL INTEGRATION OF GHETTO POPULATIONS  
IN  
METROPOLITAN AREAS

Stuart Chapin and Douglas McCallum  
May 29, 1967



In the main report of the Task Force on Cities, enrichment and integration are two linked elements in the approach advanced for eliminating racial and class segregation in metropolitan areas. It is stressed that if the people who are captive in the ghettos are to acquire hope and to develop the will to become a part of present-day urban life, and generally if the misery that breeds so much of the discontent in these areas is to be arrested, there must be a major effort to help these people move into the mainstream of American society. One essential step is enrichment through a whole range of mutually re-enforcing programs in education, job training and apprenticeships, and health and welfare services, developed and applied as one unified whole. Another essential step, closely coordinated with the enrichment effort, is the integration of ghetto families in metropolitan areas through programs of resettlement and environmental improvement. This paper is concerned with residential integration.

What follows is a brief discussion of a series of four kinds of connected questions. First, what are the problems of residential integration? Second, what impediments in existing governmental programs prevent effective action in metropolitan-wide integration of ghetto populations? Third, what approaches to integration seem worthy of consideration in a major effort to reorient the ghetto populations? Finally, what priorities should be attached to these approaches?

### Problems of Residential Integration

There is some difficulty in distinguishing between fact and fantasy about the ghetto and its consequences, but there is clear agreement that ghettos will not be eliminated until there is full integration of the people of these areas in the metropolitan community. If all repressive aspects of the ghetto could be lifted in one stroke today, the ghetto would still exist. The ghetto would persist because whole generations of persons have lived segregated lives with the denial of rights enjoyed by others. Integration involves a whole series of steps in human reorientation, many of them staged over a generation or two. Among other things, integration carries with it the opportunity to resettle and become accepted by the rest of the community. Throughout the work of the Task Force and in this paper as well, the propriety of integration has never been in question. The concern is with the

development of approaches for achieving integration. So, as a point of beginning, it is useful to examine ghetto problems that relate to metropolitan integration in all its several dimensions.

Economic Dimensions of Residential Integration. The underlying basis of the poverty problem and its growing concentration in the ghetto can be and often is described in terms of the state of the economy and some of the dysfunctions growing out of technological change. Much of this commentary centers on structural change in the economy and the effect on employment of structural adjustments to technological improvements and automation. It is implicit in most analyses that economic development and employment training programs must be conceived and organized around the metropolitan area as an economic unit; central city efforts to train the functionally unemployed and upgrade skills by re-training and apprenticeship programs must be conceived and developed in terms of the metropolitan labor market. Further, the suburbanization of industrial employment centers is an economic fact which cannot be overlooked in job-placement efforts of ghetto action programs.

Along with these changes in the manufacturing sector of the economy, there are important trends to be noted in the service sector of the metropolitan area economy. Because the services are becoming more important as a source of employment, training programs will need to consider the differential trends in the spatial distribution of service jobs, and particularly the services that have a potential for absorbing persons of relatively less advanced educational levels. Clearly some services are following the population to the suburbs, but some services have marked tendencies to remain in central areas. These economic facts have strong implications for ghetto job training programs as well as for approaches to integration.

Problem: Since employment is critical in the process of bringing low-income segments of urban society into the mainstream, it is essential that action programs aimed at poverty in the ghetto be in consonance with structural changes in the economy and trends in the spatial distribution of employment opportunities. Programs organized on a municipality or county rather than a metropolitan basis tend to overlook or run counter to these economic realities and serve to cancel out their intended effects.

1) It is essential to consider the anchoring effect of brick and mortar programs (such as housing and neighborhood centers) conceived and executed entirely in terms of ghettos in central cities, when the manufacturing employment opportunities are suburbanizing at increasing distances. Likewise it is important to recognize the inhibiting effect on the mobility of families to suburban neighborhoods which is engendered in misguided and publicized efforts to bring suburbanizing types of industry into central city locations.

2) In training and apprenticeship programs, special attention should be given to the growing service sector of the economy. While central areas offer employment opportunities in business services, most industrial services and many retail services are suburbanizing. Again, these action programs must recognize the basic forces at work in the area-wide structuring of the economy.

Governmental and Fiscal Dimensions. The metropolitan area is a jungle of local governments which are more notable for their fragmentation than their commonalities. They develop from urbanization overspreading long-established centers or by accretion of suburban communities established as a result of preventive action against annexation and out of motives of securing certain levels of services in the self interest of dominant economic groups (through the initiative either of residents or of a group of industrial firms in the area). There are frequently significant disparities from one unit of government to the next in the distribution of different classes of land uses (as measured in terms of the tax base) and the demand for governmental services and facilities (as measured in costs of these services and facilities). In the municipalities where large ghettos have formed, the spread between tax income and the cost to provide the most elemental services tends to be much greater than is the case in municipalities without ghettos. The incidence of the fiscal problem bears a relationship to the rate of obsolescence and deterioration in the housing, commercial and industrial structures. Also, there is in evidence what appears to be a chain-step sequence to the spread of ghettos from the central city to the suburbs.

While these problems of fragmentation in government and these disparities in fiscal capability are widely recognized.

so long as Federal-aid programs in housing and public services continue to minister to jurisdictions which are fragments of a whole, these problems are further rigidified. The housing market functions over the whole metropolitan area, and fragmented programs of individual units of government aimed at facilitating housing, especially for the disadvantaged, rarely if ever add up to a positive total program. Indeed, housing codes of different local jurisdictions are often designed to be at cross purposes with one another. Similarly, differential standards in public services administered without reference to those of adjoining jurisdictions will cancel out or undercut the full potential of enrichment programs.

Problem: It is fundamentally contradictory to aim programs at the ghetto on a fragmented municipal or county basis when the fiscal structure of the problem is a metropolitan one and requires an area-wide tax base. Efforts at enrichment and integration must recognize the following fundamental problems:

- 1) the need to deal creatively with fiscal disparities existing between the location of ghetto problems and the suburbanizing tax base
- 2) the essential importance of taking full advantage of economies of scale in mounting public services and related programs across jurisdiction lines.

Problem: If real progress is to be achieved in the integration of people of the ghetto into the metropolitan community, it is no longer defensible to fragment action.

- 1) It is essential to recognize the inconsistency of efforts to ameliorate failures in the filtering down process of housing on a municipally fragmented basis when the housing market functions across lines on an area-wide basis. Likewise, it is important to recognize the inconsistency of organizing and administering housing and urban renewal programs on a municipal basis with standards and program operations working at cross purposes with one another (e.g., in code enforcement, relocation impacts, etc.).

2) Similarly, it is essential to recognize the inability to achieve a critical mass in enrichment efforts in education and job training or of providing welfare, health and similar services and administer these effectively when they operate independently, with differential standards from one jurisdiction to another.

Social Dimensions of Residential Integration. There are certain fundamental human and social forces which must be recognized in any assisted program of metropolitan-wide integration. It is human nature for persons or families to form friendships and interact with others of their own interest group. This usually means that persons of the same education level and the same economic status form close and continuing ties. Opportunities to maintain such relationships serve important purposes in providing a sense of security to the individual, in minimizing stress and anxiety and in maintaining within a social group sufficient stability to keep disorganization in check. The ghetto possesses both a segregative and an integrative aspect. While the socially repressive aspect of segregation is well-known and seriously complicates efforts aimed at ameliorating poverty in these areas, there is a natural integrative force at work in these areas that exists by virtue of natural networks of friendships and kinship relations. However, because of constraints on behavior that segregation imposes, particularly restrictions on economic opportunity and social mobility, the normal networks of interaction either fail, thus undermining the individual's adjustment to life around him, or generate distorted forms of reaction and anti-social forms of behavior (rioting, mugging or other anti-social actions). Social phenomena of these kinds normally have no relation to political jurisdictions.

Problem: It is essential to recognize the social psychological dimension of the problem of dispersing the ghetto. Research and action programs must seek ways for eliminating the repressive effects of the ghetto without destroying the subtle and underlying human integrative forces important in rebuilding individual and family security which exist by virtue of ghetto-established patterns of mutual support and ties of friendship. These solutions must be conceived on a metropolitan-wide basis.

Environmental Dimensions of Integration. In the foregoing discussion, the interdependencies of the central city and the individual suburbs with the metropolitan area as a whole were successively brought out in the economic, governmental, and social spheres of human activity. Since the physical environment has direct relationships with each of these forms of human activity and because so many public works improvements such as transportation and sanitation systems, housing, schools, recreation facilities, and community centers must be shaped around these human activity patterns, it is only natural to include in this listing the environmental dimensions to the ghetto problem. Clearly transportation systems, which are so important to the poor in getting to and from work, must be approached on a metropolitan basis. Perhaps not so obvious but no less important, housing, recreation, and various health and welfare facility needs do not change with political lines, nor can the best solutions in supplying these facilities and services for persons in ghettos be treated in segmented parts of the environment.

Problem: There are important environmental dimensions to the problem of integration. Physical space for schools, recreation, health centers, housing, and community centers is scarce and costly in central cities, especially in ghettos, but it is relatively abundant and less costly in outlying areas. Solutions are needed which achieve a metropolitan approach to the acquisition or reservation of space and the development of facilities for the disadvantaged without undermining established strengths of municipal and county activities in these spheres.

### Impediments in Existing Programs to Metropolitan Integration

At least two deficiencies in existing Federal programs stand out in the foregoing summary of problems which affect the residential integration objective set forth in the main report of the Task Force. One has to do with the inconsistencies that exist between the geographic incidence of problems and the jurisdictional basis used in the attack on the problem. More specifically, this deficiency is concerned with the undermining effect to the fundamental objectives of integration in circumstances where Federal-aid programs are administered through fragmented units of government. The second deficiency compounds the first. It has to do with



another kind of fragmentation, namely, the fragmentation of Federal programs in the way they are administered from their source -- the neutralizing effects of one Federal-aid program administered without respect to another.

These basic structural impediments to residential integration are reflected in various ways in the following existing Federal-aid programs:

Department of Housing and Urban Development.

The Title II provisions of the Model Cities and Metropolitan Development Act of 1966 reflect sensitivity to these impediments, but unless the Model Cities Program, the Workable Program requirements, Community Renewal Programs, General Neighborhood Renewal Programs, and Section 701 Planning Assistance requirements are all conceived, structured, and administered on a metropolitan basis, they will be unable to back up any positive programs for dispersing ghetto populations and, indeed, may serve to further lock populations into the ghetto in place of facilitating their integration into American Society. Unless HUD's brick and mortar and direct assistance programs such as the urban renewal, Section 220(d)(3), public housing, rent supplement, community facility, neighborhood center and similar programs can be re-oriented and administered on a metropolitan-wide basis, integration objectives will be seriously impeded.

Department of Health, Education and Welfare.

The same two impediments to mounting a major effort for dispersing ghetto populations exist in HEW programs, but take somewhat different forms. HEW has no formalized coordinative device such as HUD's workable program for insuring that local agencies in education, health and welfare will coordinate their efforts, and HEW's enrichment efforts for the disadvantaged, administered along fragmented governmental lines, face the same uncertainties that HUD programs face, namely a strong probability of the local programs working at cross-purposes with one another and serving to undermine both the enrichment and dispersal objectives. These risks are

compounded if there is inflexibility in state administrative agencies through which HEW programs are channeled to metropolitan areas. Normal program procedures of state agencies may not be geared to the objectives of a major Federal-local effort at breaking down the ghetto.

Department of Labor. So long as manpower training and job apprenticeship programs are administered as area-wide programs, the fragmentation problem noted above does not exist, but job-creation efforts must be organized and administered in concert with other programs, if a major effort at enrichment and integration is to fulfill its purposes.

Office of Economic Opportunity. The Job Corps, Neighborhood Youth Corps, Community Action Program and other program areas of OEO have yielded important demonstrations which may have application to a major effort at enrichment and integration of the Negro disadvantaged. But it must be recognized that when programs originally designed and built around short-term objectives become institutionalized, they may fall short in their performance. In any event, these programs may need pruning and restructuring in major ways in order to facilitate enrichment and integration objectives.

It may be that Councils of Government can achieve some degree of local governmental coordination. It may be, too, that extensions of the provisions of the Model Cities and Metropolitan Development Act can assist in securing coordination across Department lines. However, since it is not in the self-interests of the parties to these forms of coordination to relinquish functions or to submit to re-arrangements which modify the institutionalized ways of doing things, it is unlikely that any amount of readjustment in programs will achieve the basic realignment in thinking and outlook which is called for if a major breakthrough is to be made.



## Approaches to Residential Integration

It seems apparent that to achieve the assimilation of ghetto families into metropolitan areas at the scale called for in the main report of the Task Force and according to a time table that will show immediate results and recognizable and continuing progress to those captive in the ghetto, totally new approaches to Federal-state-local cooperation are called for. It also seems apparent that differing variations on basic approaches will emerge from different states and metropolitan areas. This kind of experimentation should be encouraged. However, to successfully achieve integration it seems quite clear that all approaches must deal with housing and certain basic community services such as education, health and welfare, and must take into account the locations of major centers for the employment of those emerging from training and apprenticeship programs, and must give consideration to the locations of transportation networks to these centers. Further, if new approaches are to be successful, a requisite of all of them is that the resettlement must be achieved by voluntary means. Those in the ghetto must be ready and willing to relocate, and the receiving area must be ready to take in the relocating families. Finally, some organized basis for the coordination of the activities of all entities engaged in this major effort must be available. These are recommended preconditions of any approach advanced for residential integration.

To illustrate the range of approaches which might be allied in various degrees in a total effort, three are briefly outlined below -- (1) one involving a consortium of firms functioning as an Urban Development Corporation, (2) another developed in the form of an associated group of community organizations, and (3) an approach centering around a mix of public programs for resettlement. This discussion is followed by a short statement on an institutional means for coordinating any particular combination of these or other approaches aimed to achieving a breakthrough in metropolitan integration.

A Private Enterprise Consortium. This approach aims to enlist the innovative potential, the assemblage of know-how, and the commitment of capital from private sources in some appropriate combination with public investment in the form of a consortium of firms to participate in the residential integration program. This is an approach which expands on the Urban Development Corporation proposal outlined in the

report to the President by the Task Force on Cities, dated December 5, 1966. Whereas the UDC proposal was concerned with achieving a critical mass for making rehabilitation of housing for low-income families in the ghetto areas economically feasible and attractive for participation on the part of private enterprise, the present proposal calls for the development of the same kind of critical mass but aimed at seeking participation in a broader kind of activity which includes in addition to rehabilitation, a form of management for maintaining an inventory of rehabilitated and reconditioned housing units for resettling families in widely scattered locations in the metropolitan area.

Major commitments of funds for special Federal credit guarantees in combination with grants-in-aid of the kind outlined in the UDC proposal would need to be available to such a consortium for a period of time until it reaches some pre-determined scale. Continuing access to these special aids would need to involve some eligibility tests, and among these would be the certification of locations and degree of concentration of housing units permissible under the program as determined by a Metropolitan Services Corporation established to oversee integration and enrichment in the metropolitan area (discussed below). One key attraction that this kind of effort would feature in approaches to private enterprise to become a part of the consortium is the opportunity of tapping this last undeveloped segment of the market which would open up programs for bringing the disadvantaged into the mainstream of American Society

An Associated Network of Voluntary Organizations. In contrast to the principle of large-scale effort concentrated in one large consortium, this approach would receive its strength in grass roots activities at widely diffused locations. To the extent that these organizations might constitute a network of voluntary groups offering to make their neighborhoods "foster communities," each to receive a few resettled families, this approach is complementary to the consortium proposal. While this approach places emphasis on the preparatory educational efforts that must go into readying the metropolitan area for integration, it does not preclude the possibility that such voluntary groups might through their own efforts, with Federal aids (for example, guarantees of rent supplements), offer rental housing consisting of possibly one, two or three units in a block for resettling families.

For this to be an effective program, some kind of backup organization for associating these small voluntary groups into a metropolitan-wide clearinghouse activity would seem to be necessary. Federal grants-in-aid would be needed to staff such an organization. Properly staffed and organized, such a clearinghouse effort would become the point of contact with agencies created under the other approaches. One of its functions might be to provide technical assistance to foster communities in identifying and adequately recognizing resident attitudes and expectations engendered in the mosaic of neighborhood relations and friendship networks and in bringing to these communities a factual base concerning the resettlement program. This clearinghouse organization might also assist affiliated neighborhood groups to develop programs which would progressively put into effect voluntary open housing guarantees and introduce various services and improvements for reorienting families after they have resettled into an area.

A Coordinated Mix of Public Programs. This approach would aim to assemble within the Metropolitan Services Corporation (described below) the relevant programs currently widely scattered among different agencies and different jurisdictions. It would consist of a coordinated series of programs in enrichment as well as integration. This Corporation would be the focal point in each metropolitan area for all enrichment and integration efforts.

This approach would be concerned with a whole series of programs of a long-term nature involving perhaps a one- or two-generation effort at human reorientation; including, for example, the re-enculturation of the alienated and the derelict in the ghetto, and the educational effort to facilitate social adjustment of the resettling families. It would also be concerned with public housing, rent supplements, and such special FHA-type programs as Section 220(d)(3), and would have special roles in the setting of priorities and in locating community facilities (such as recreation facilities, health centers, neighborhood centers, etc.). It might engage in a program involving the purchase or lease of houses or apartments on the market, or it might utilize turnkey type approaches for building residential units on scattered vacant parcels to serve as receiving areas for the resettlement of families singly or as small social units of two or three families. These efforts might be a part of the "foster community" program discussed above, or, in some cases, supplementary to it.

Where a satellite town seems feasible as a part of an across-the-boards effort; this might be still another program of the Metropolitan Services Corporation. Alternatively, for more distant locations within a reasonable radius of several metropolitan areas, a New Towns Development Corporation might serve in a similar capacity. This kind of effort might involve residential selection policies in which new residents are matched up with resettlement families from the ghetto on some voluntary group approach to home site selection.

### The Institutional Means of Residential Integration

As indicated in the discussion above, and as referred to in the preceding summary of approaches, a totally new concept of Federal-local cooperation will be needed. The mechanism of intergovernmental cooperation in all likelihood would constitute a new kind of partnership in government involving also a new set of working alignments with private enterprise and voluntary associations. The Metropolitan Services Corporation would be an instrumentality in which Federal, state, and local units of government enter into an agreement to jointly undertake a massive program for dispersing and reorienting populations in ghettos. It would be important to include in the kind of intergovernmental compact that would be involved a built-in provision for the Corporation to go out of existence when some specified levels of integration and reorientation have been achieved.

Briefly stated, the purposes of the Corporation would be to improve the quality of life for the residents of a metropolitan area by means of appropriate financial, technical, or legal assistance to individuals or groups of individuals or to public jurisdictions. There would be one such Corporation for a single metropolitan area, and it would be so chartered that it could operate over the entire metropolitan area without respect to political boundaries, including provision for the future growth of the areal scope of the metropolis. Its primary function would be to coordinate Federal and local activities in certain fields so as to achieve a coherent metropolitan area-wide program. It is proposed that the Corporation would be designated by Federal legislation as the receiving body for Federal financial aid of various types. It could be expected that state governments would be induced to similarly designate the Corporation as the receiving agent for parallel types of state aid. Finally,

the Corporation could also become the recipient of certain types of foundation aid, since it would have more freedom to conform to the wishes of the grantor than would a public institution.

It would be essential that the Corporation enlist the voluntary cooperation of the local government jurisdictions to be involved. Control through withholding Federal (and state) grants could be an important tool, but even this would be inadequate to do the job needed, if the local governments are in strong opposition. (It should be noted that for the peculiar problems of interstate metropolitan areas, certain special types of Federal legislation would be needed; and although the coordination problems would be multiplied, the use of a Corporation for a multi-state area still seems feasible, given its peculiar semi-public nature.) The actual internal organization of the Corporation might vary according to the needs of the metropolitan area. For example, where there is a unitary metropolitan area government (for example, Nashville-Davidson County) the problems would be rather simplified. But in the large metropolitan areas where there are hundreds of local jurisdictions involved (such as the Chicago SMSA's 1,060 and Philadelphia's 963), the problems will be significantly more complicated.

Clearly, for all the various metropolitan agencies of this kind established across the country, there would also need to be a corresponding Federal institution of some type. One proposal might be to establish at the national level a National Metropolitan Services Administration (NMSA), patterned after the National Aeronautics and Space Administration (NASA) model. The role of such a Federal agency would be very important indeed. Most of the activities foreseen for the Metropolitan Services Corporations (MSC's) are derived from Federal legislation and financed largely by Federal funds. The necessity of a certain amount of Federal control to insure the primacy of the state public interest is clear. The National Metropolitan Services Administration would probably need to be within the Executive Office, since it must work with Federal powers and funds. But for greatest effectiveness, it should not be placed under any of the existing executive departments or bodies. It would, in effect, be directly under the President.

Based on Federal legislation, appropriations, and upon Executive Office staff and Cabinet decisions, the NMSA would be responsible for administering, through the MSC's, the

programs which would be switched over to that agency's control. This control, it should be added, could be indirect. That is, while the NMSA and the particular MSC would make the decisions about placement and operation of public housing, housing staffs (in existing agencies) could be utilized for the actual administration. In any event, the details of organization can vary considerably without affecting the essence of the Metropolitan Services Corporation proposal.

It may be useful to spell out other features that would probably need to be incorporated into the MSC proposal. Since the MSC would be making very important and far-reaching policy decisions, it would need to have a body for making policy which is at least representative of the governments, interests, and people involved and affected. For example, the MSC could have a Policy Board, composed of representatives of the following groups:

1. Local governments (representatives of state, county, and city governmental bodies)
2. The metropolitan population (members elected at large from the metropolitan area)
3. Important interest groups (representatives of industries, labor groups, Negro organizations, etc.)
4. Groups involved in other approaches to residential integration (representatives from private enterprise consortiums, voluntary associations assisting in resettlement, etc.)

The voting of the Policy Board could be by means of some weighted formula, as decided by agreement among the parties involved.

Two important qualifications must be noted:

First, the ultimate purpose of a metropolitan institution is to overcome the destructive localism and negative competition among the governments of the metropolis. Thus it is highly important that the larger interest of the community as a whole, and the still larger national interest, must be able to prevail over obstructionism.



Second, the success of the program involves the ability to ensure coordinate action on the part of all the sub-areas of the metropolis. To be effective (and acceptable to local governments in the first place), voluntary cooperation must be secured.

These two needs must be balanced off against one another, and any specific design for a Metropolitan Services Corporation must take into account these needs.

Of assistance in securing cooperation might be a parallel body, a Technical Services Board, which would not make policy itself, but would be composed of technical personnel from the affected governmental and other units. For example, a Technical Services Board might consist of representatives of (1) state and local planning agencies; (2) universities in the metropolitan area; relevant agency officials (highway department, housing boards, etc.); and industry groups or associations. The purpose of such a Technical Services Board might be two-fold. First, it would provide technical assistance and advice and information to the Policy Board and to the implementive and administrative parts of the MSC. Second, it would provide a means of coordinating those technical activities concerned with planning for the types of public activity of concern to the MSC. In these respects it would also function as an information and data gathering and disseminating body.

It is also proposed that there be two specific offices established to work with the MSC. The first is the Metropolitan Mediator, and the second is the Metropolitan Ombudsman. The Metropolitan Mediator is seen as an office concerned with the problems of coordination and conflict among the governments involved in the MSC. This Mediator would have official status, but would not be an employee of either the local governments or the MSC. One suggestion is that he would have a status comparable to that of the independent judiciary, paid by the Federal government (or by the Federal government and the MSC jointly) but not under that government's control. Along with this idea it might also be suggested that Mediators be chosen from retired members of higher levels of the judiciary. The role of the Mediator would be similar to that of the labor mediator. He would be a person respected by all parties, not possessing any official affiliation with any of them. He would act as go-between and would try to reconcile problems. He would probably have to have specific powers - for example, the

power to secure data from the MSC and other parties; also, the power to force "cooling-off" periods; and perhaps also the power to cut certain types of red tape. His main usefulness would be in trying to help the whole complex system run more smoothly. He would be a neutral mediator among the MSC, the local governments, the NMSA, and other Federal agencies.

The second office, that of the Metropolitan Ombudsman, would be established and filled in the same way, that is, a neutral, respected intermediary with certain powers of forcing reconciliation. But his job would be quite different. Like the original European Ombudsman, he would be concerned for the relations between governments (of all types) and between individual persons. It is hoped that his especial concern would be for the poor and the disadvantaged who are so often victimized by the insensitivity of bureaucratic activity. He would be the man to cut red tape, redress grievance (or force them to be redressed), etc., in the manner of the original Ombudsman model. His main function in this context would be to insure that the MSC and related activities do not trample over individual citizens. He would assist, therefore, in putting the people and the institutions on a more equal basis. This would, of course, have a beneficial effect in terms of making the whole MSC and governmental apparatus less suspect than it now is, at least from the ghetto perspective.

This, then, is the Metropolitan Services Corporation. It is an idea, obviously, which can be changed in any number of ways, to form any number of permutations. It is to be emphasized that this flexibility is desirable, so long as it does not frustrate the real intent: to implement an effective program of residential and socio-economic integration of the disadvantaged into the larger sphere of the metropolitan community.

### Priorities for Residential Integration

A set of priorities is very difficult to assign to proposals of the foregoing kinds. Most of them need further development and considerable staff work. However, tentatively some priorities are suggested:

1. By Executive Order direct Model Cities Program to give high priority to applications received in HUD which feature an enrichment-dispersion framework.



2. Introduce legislation to amend urban renewal, public housing and the Model Cities provisions of the Housing Act to make grant and loan funds available on a metropolitan basis, upon the establishment of suitable metropolitan agencies.
3. Introduce legislation to expand the program of public assistance for housing to include the large group between public housing and private market housing. (This is the group that rent supplements were originally intended for; rent supplements, mortgage underwriting, long-term low-interest loans, or a number of other related programs could be used.)
4. Introduce legislation in Congress to establish a Presidential Study Commission for Human Resources whose task it would be to develop a detailed program and legislation for a massive effort in breaking down the ghetto.
5. Introduce legislation establishing a National Metropolitan Services Administration to provide grants and other Federal aids to metropolitan areas upon the establishment of Metropolitan Services Corporations. Provide, by changes in existing legislation, for these bodies to become the coordinating and disbursing bodies for certain types of Federal aid to local governments.
6. Introduce legislation calling for the appropriation funds for research and development on a large scale on the problems of urban life, particularly housing and social services.

**SPECIAL NOTE ON MODEL CITIES**

**A Supplement to the Report of the Task Force on Cities**

**July 5, 1967**

**C O N F I D E N T I A L**

### SPECIAL NOTE ON MODEL CITIES.

Model Cities is a major departure in Federal programming for the cities. It stresses innovation and flexibility. It gives mayors responsibility for bringing together all relevant federal and local resources, a tardy recognition of their importance. The program's emphasis on systematic planning and coordination offers hope of reduced overlap and duplication of effort. Finally the supplemental fund provides a potential source of flexible funds which may be used imaginatively to discover new approaches and ideas for solving urban problems.

Model Cities represents a significant breakthrough partly because it goes against the grain of federal and local programming activities over the past 30 years. Instead of dealing with independent, semi-autonomous educators, public health officials, public housing authorities or welfare administrators, it deals with the focus of political authority in most cities, the mayor. It attempts to balance federal support for the relatively independent city agencies (education, health, etc.) by giving the mayor a small supplemental grant - a grant which he may use to bring these agencies together in a

common and comprehensive plan in a slum neighborhood. In all likelihood, this will not be done easily or well in most of the 70 cities selected for model neighborhoods.

The Task Force identifies three major problem areas in the Model Cities program. Our discussion of each of these problem areas indicates the range of alternatives available to the President and the Executive branch and those which we believe would be most effective.

In brief, the three problems are:

a. The manner in which the supplemental fund is allocated requires each city to utilize a great many existing categorical grant programs. Because of constituent-agency relations, formula grants, inflexible requirements and administrative practices, the use of these programs in combination will tax the ability of all cities to tie many disparate strands into a model program.

b. The incentives for including major federal programs in model cities are uneven. Funds are ear-marked in urban renewal for expenditure in model neighborhoods, a guarantee not available with any other federal program. Since supplemental grants will be 80% of the local share of a Model Cities "package", cities have a strong incentive to increase their contributions to the neighborhoods involved. The program which permits the most substantial build-up of the local shares is urban renewal.

c. Model Cities represents one of the best opportunities to date to expand our knowledge of urban problems and their possible solutions. While there is an unmistakable emphasis on innovation in the guidelines, there is presently no arrangement which provides for carefully controlled experiments from which relatively valid results can be obtained.

Problem 1

While the problem of funding and coordinating many separate federal programs can lead to an endless and complex discussion, four elements appear most relevant for the Model Cities Program:

-- The difficulty of any mayor planning and funding programs operated by agencies over which he has only limited control.

-- The restrictiveness of regulations and administrative practices which impede innovation at federal and local levels.

-- The problem of a city having to conduct a substantial number of separate negotiations with many Federal agencies in order to implement a comprehensive model neighborhood program and, thus, realize a maximum amount from the supplemental fund.

-- The need for cities to systematically and realistically phase the different components of their model neighborhood program with funds from agencies which operate on different timetables; a problem compounded by the inordinate delays in approval and funding in some federal aid programs.

1. We believe that Model Cities provides an excellent opportunity for experimentation with various forms for administering Federal assistance. Our discussion of new arrangements in Part II of the main report covers inter- and intra-agency grants, pooling within and across functions and the substitution of national performance criteria for detailed program specifications. Model Cities is an important first step in more flexible administration of Federal programs. Without substantial administrative innovation, it is hard to imagine Model Cities working very well in many cities.

2. The Administration could use traditional instruments for achieving inter-agency coordination, including HUD's convenor order for inter-agency committees for review and approval of Model City applications, intervention of the Bureau of the Budget in broad areas of inter-agency conflict, collection of information on

funding and timing practices of relevant federal agencies and the use by HUD of persuasion and goodwill in attempting to work with recalcitrant agencies.

Experience with neighborhood centers and the community action program, however, indicates that substantial coordination cannot be achieved at the federal level utilizing existing instruments. It may be useful, therefore, to experiment with a command structure in the Executive Office of the President with special coordinating responsibilities focused initially in working with the Model Cities Program. It appears that without continued intervention by the Executive, the Model Cities staff will be unable to achieve effective coordination within DHUD itself, let alone within the Federal Establishment.

3. Another possibility is the granting of exceptional inter-agency grant powers to the Department of HUD along the lines discussed in Part II of the report. It would be a revolutionary departure from present practices if HUD could, in effect, spend the appropriations of other agencies to fund well-designed comprehensive model neighborhood programs. Movement in this direction would be of incalculable assistance to the cities, since it would reduce the number of separate transactions

necessary at the Federal level and thus enable cities to develop more realistic timetables for implementing the components of their model neighborhood program.

4. Two related ideas have been discussed as alternatives: the earmarking of funds for Model Cities, as is already the case in urban renewal; and further grant consolidation along the lines of "Partnership in Health Act of 1966". We have in mind guaranteeing some funds in relevant programs for use by Model City programs, if approved by a relevant agency. While this would not reduce the number of grant negotiations for any city, it would lend credence to the comprehensive goals of Model Cities. Grant consolidation would make an obvious contribution by reducing the number of separate applications any city would have to integrate in a comprehensive neighborhood program.

5. The Federal government could revise its field office structure to give leadership to the Model Cities "captain". This would be particularly useful if regional offices combined effective funding authority with their greater information on local situations. Experience with decentralization to date, however, indicates that cities look to Washington for assistance in funding and programming, primarily because Washington rarely abdicates final decision-making authority.



## Problem 2

The incentives for disproportionate emphasis on physical rehabilitation and development in model neighborhood programs are particularly strong for two reasons: first because the supplemental formula emphasizes those Federal programs with a relatively large non-Federal share (urban renewal requires a one-third contribution); second because there are earmarked funds, the equivalent of guaranteed moneys, available in urban renewal for model neighborhood use. The consequences of an imbalance between physical and social programs in model neighborhoods will be increased if Federally-supported physical renewal programs continue to take too long to plan, to fund and to implement. Reliance on physical renewal will not produce quick and visible results in the model neighborhood.

If inter-agency grants or earmarked funds were available for Model Cities then the problem of physical orientation would be largely ameliorated. While large-scale physical renewal in model neighborhoods is not necessary in all cases, it will have a comparative advantage in all cases over human resource development programs. Balancing the incentives among programs could be the first and probably the most effective step towards overcoming the disproportionate emphasis on physical renewal.

A second, and concurrent, alternative is to reduce the delays in the planning and operation of physical programs. The policy of transferring urban renewal reservations from those cities which are unable to move quickly to those who can perform is a step in the right direction.

Of course, a straightforward way to deal with the problem of physical emphasis is to have the Model Cities administration defer those rehabilitation and renewal projects that it thinks the city cannot realistically manage.

### Problem 3

The effectiveness of programs for human and physical development in the ghetto is limited by lack of knowledge. Surprisingly little is known, for example, about how to properly educate a ghetto child or build an adequate house that low-income people can afford. This list could be impressively long. The Task Force's concern is that Model Cities involves too many programs, too many uncontrolled variables, too few staff to insure that in three years we will know more than we know presently about solving problems in our cities.

Model Cities has some unique advantages for stimulating experimentation and demonstration. It offers a full year to the local jurisdiction and the Federal government to plan, mutually if possible, carefully controlled experiments; it distributes flexible money for use on a wider range of projects than is possible under existing Federal programs; and because of its flexible and innovative nature Model Cities should attract those persons at the local level who are interested in experimentation.

1. The Task Force recommends that the new Assistant Secretary for Research and Development be given the responsibility and authority to design four or five relatively well-structured experiments for operation in as many cities. These experiments would be designed in concert with the selected cities to serve the mutual interest of both jurisdictions. Barring new mechanisms, such as an inter-agency grant or earmarked funds in other departments, it is likely that the Assistant Secretary will have to be quite modest in determining the scale of these experiments. If funds are earmarked to be used in Model Cities, the flexibility of the Assistant Secretary in designing and monitoring the experiments will be greatly increased.

2. To the extent possible other relevant agencies will have to be involved in the design of criteria for evaluating these experiments. This is to preclude, for example, the Office of Education from rejecting the findings of an educational experiment via Model Cities because the criteria and evaluative tests were not those standardly used in education.

The use of the Assistant Secretary underlines his role as a primary researcher and program developer in HUD. It also frees the time and energies of a limited program development staff in the Model Cities administration to concentrate on the evaluation of 65 or 66 other programs.

RECOMMENDATIONS FOR IMPROVING EDUCATION  
IN METROPOLITAN AREAS

A Supplement to the Report of the Task Force on Cities  
by

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Harvard Graduate School of Education

July 5, 1967

C O N F I D E N T I A L

## Memorandum of Recommendations on Education

Few aspects of the renewal of the city are as promising as the improvement of education, and few are as difficult to achieve. City schools are antiquated, their leadership weak and demoralized, and public confidence insecure. Yet the schools of the cities must be improved; without their revival gains in other areas -- housing, transit, pollution and more -- will be incomplete. By 1970, almost one-half of Americans will be under 27, most within some form of educational program. Today almost two-thirds of all American youngsters go to school in urban areas, in the central cities and their surrounding areas. Improvement of education must be accomplished within those total metropolitan complexes. The job is staggering and the immediate responsibility of Federal, state and local governments immense.

Educational reform is a complex concern, and while it lies in detail outside of the scope assigned this Task Force, we are compelled to make certain recommendations. These rest on several assumptions:

-- Such evidence as is available, for example, that found in the recent U.S. Office of Education report Equality of Educational Opportunity, suggests that youngsters from poverty backgrounds achieve better if they attend schools with majority middle-class student bodies. While this evidence is incomplete, we are persuaded that it is compelling enough to require on the part of the government major pilot programs and further testing.

-- While we note in various studies that school achievement is strongly correlated with social class factors, we are impressed both that the lower classes are increasingly Negro and that the central cities contain concentrations of the Negro poor. The public schools of many cities are more Negro than the cities themselves, as in the capital city of Washington which enrolls a student body over 90% Negro. We are persuaded on moral as well as scholarly grounds that integration by race as well as by class must proceed in our metropolitan areas.

-- Schools are the only agency through which virtually every American passes. As such, they are a kind of "social sieve", society's single best agency to make contact with its citizens. A nation committed to providing help of all kinds, if needed, to its citizens

can use the schools as its points of contact with individuals. The needs of all members of families are quickly apparent to wise counselors of children. The schools, while not necessarily containing within them full welfare, medical, and social services, can nonetheless serve a central community function. We see the schools, then, not only as learning institutions for the young but also as comprehensive community centers for the help and counsel of all citizens.

-- We are particularly impressed by the profound lack of confidence and even hostility of many poor parents toward their schools. Much of this, we surmise, stems both from the inadequacy of slum schools and from parents' lack of power either seriously to influence these schools or to choose for their children alternative schools to their neighborhood institutions. Many don't like their schools, but are stuck with them. These schools must be improved, but in addition poor parents must be afforded some opportunity to choose the schools to which they send their children, and, further, some degree of control over their children's education. One or the other of these remedies forwarded alone will not succeed, we feel; both must be pressed together.



-- Education, as we define it, is more than schooling, and includes experiences gained from the mass media, from jobs, from the street. Educators -- and the governments that support them -- should perceive this obvious truth and plan for children accordingly. School reform, we believe, is but a part of educational reform.

-- Employment and schooling are related; relevant training can ease the burden of unemployment. But not all jobs are best prepared for in school; other agencies may be better sites. And, too, not all school education -- indeed perhaps very little - relates closely to employment. Schools are to liberate, to make children sensitive and wise, as well as to train for jobs. The former role is difficult and intangible and hard to assess, and yet government must unflinchingly support it.

-- Education needs new people within it, new leadership and new roles for persons from a wide variety of backgrounds. The public system needs shaking up. Increased competition among educational authorities will promote innovation faster, we believe, than other means.

In light of these assumptions, we recommend the following:

1. The children of the ghetto must be schooled, wherever possible, with youngsters from different backgrounds. Such "united education" will require careful planning, well-evaluated large-scale pilot projects, and first-rate public information programs. Most will involve arrangements across school district lines such as those now in effect in Hartford, Connecticut and Boston, Massachusetts, with ESEA Title III funds, or in new metropolitan districts such as those at Dade County, Florida, or at Nashville, Tennessee. The initial large-scale pilot projects should involve at least one-half of our 15 Great Cities as well as other communities; the varieties among them require multiple attempts in the different parts of the country. Accordingly, we

Recommend a program to promote metropolitan collaboration to allow for "united education" by class and race. We recommend a five-year program of \$5,000,000,000, scaled upward by year from a first year appropriation of \$500,000,000. Such moneys would be available for construction, staff costs, public information, innovative programs, and evaluation as each relates to the effort to achieve "united education." The program would be administered by the U.S. Office of Education through competitive application from the various metropolitan regions.

2. The racial factor in city school reform is of great concern and we

Endorse the recommendations of the United States Commission on Civil Rights to "give immediate and urgent consideration to new legislation for the purpose of removing present racial imbalances from our public schools . . ."  
(Racial Isolation in the Public Schools, p. 209ff)

3. In many communities, the schools can be used to provide a wide range of educational and social services to all citizens. They could comprise a new form of "neighborhood information centers", given the trust of the community which, in all too many areas, is yet to be won. Where it is won, or is likely of being won, we

Recommend a supplementary allocation of \$70,000,000 per annum to Title III of the Elementary and Secondary Education Act to support school-based multi-service centers, as requested by the states and cities.

In light of the promise of using the schools, year 'round, day and evening, for a wide range of community activities, we further

Recommend that the Secretary of Health, Education and Welfare be requested to coordinate building and program grants (in his Department and in others), for projects in the welfare, education, recreation and medical fields, as appropriate.

4. Even as an effort is made to test metropolitan collaboration, slum schools must be improved. Poor parents must be given a greater measure of control over their children's education than at present. Title I of the Elementary and Secondary Education Act is a significant start toward the former. We therefore

Endorse Title I and urge its expansion by 50% per year for the present life of the Act with the following provisos:

-- that the use of Title I to encourage segregation be prohibited, as reflected in our Recommendation #2.

-- that the minimum income factor be raised from \$2,000 to \$3,000 and that variations above this level be permitted to reflect differential costs of living from region to region, and

-- that allocations within states be more pointedly related to the median family income of school districts, the existing per-pupil expenditures of the school districts, and the percentage of the district's children who are disadvantaged. (For example, a district with a relatively high median family income should pay more of the cost of Title I programs it operates than a district with a relatively low median family income. This could be accomplished in part by differentiating between the matching funds which the two districts would be required to contribute.)

The issue of parental control, or partial control, can best be handled as a supplement to the income maintenance plan recommended elsewhere in the report. In addition to, and administered coordinate with, the income maintenance plan, we

Recommend a plan of educational allowances for each school-aged child from families with incomes of less than \$3,000 per year, or as regionally adjusted, enrolled in an accredited public or non-public school, this allowance to be awarded directly to the particular school enrolling that child, and to be treated as and guaranteed by local authorities as supplementary financial support for that school. Such allowances would be \$1,500 per child for each year of the program. A fair estimate of the cost of this program is \$16,050,000,000 per year.

The benefits of this scheme would be several.

The children of the poor would be sought by schools, indeed competed for, in that they would bring with them significant additional funds to provide for special and exciting programs. Such competition would assist the scattering of poor children out from the ghetto to middle-class schools, assuming the parents wished to send them there. It would encourage slum schools, public and non-public, to improve and to become more sensitive to and tolerant of their communities. The allowances would give some sense of power, of control, to parents as they would have, to put it baldly, a sum with which to bargain. The scheme might reduce present tensions surrounding the controls of schools in ghettos. It does, of course, in conception parallel the "G.I. Bill of Rights" -- a "Poor Children's Bill of Rights". It is, to repeat, conceived of as a supplement to an income maintenance plan and not an alternative to it.

5. Out-of-school education comprises, of course, an almost infinite procession of experiences. Government can legitimately seek to improve the quality of but a few of these. Concentration is necessary, and we propose such on the mass medium of television -- intensively viewed by poor city youngsters, studies show -- and on-the-job vocational training for men and women of all ages.

We therefore

Endorse the Administration bill on Public Television and urge far more substantial sums than are currently contemplated be allocated for its support, particularly as the recipient educational television network develops significant daytime and early evening shows for pre-school and school-age children.

On the question of vocational training we

Endorse the continued support of the Vocational Education Act of 1965 and, further, recommend a new program of tax credits to corporations which provide to previously unskilled workers exemplary vocational instruction or re-training within their organizations or in association with schools.

One important sector of "out-of-school" education is represented by Head Start. We are persuaded by recent evidence, such as that of Benjamin Bloom, Martin Deutsch, and Burton L. White, that early experience fundamentally affects later attitudes and abilities. Younger children from poor families than now

served by Head Start must be included, and vigorous efforts to build on the pre-school experiences in the early grades of regular school must be pressed.

We therefore

Endorse Head Start and urge its expansion and eventual full adoption by all communities. We further endorse "Operation Follow Through" of the Office of Education and urge initial special appropriations for this program. We further recommend a new program for day-care centers, perhaps associated with "community schools", as suggested earlier, or with city hospitals.

6. Innovation and competition are handmaidens, and the necessary reforms in American schools will only come through often painful and unpopular trials. Both Titles I and III of the Elementary and Secondary Education Act, and in particular the latter, hold great promise for promoting worthwhile change. The present requirement that funds under these Titles pass exclusively through Local Education Authorities in some cities means that organizations outside these authorities, the state itself and private groups, are often excluded for political reasons or worse -- and these organizations in these unhappy cities are often the only levers of reform. A channel to these must be made available, and we therefore

Recommend that 10% of all monies under Title I and Title III of the ESEA be available, as deemed appropriate by the U.S. Commissioner of Education, to non-religious, non-profit educational groups, educational groups not presently designated as Local Education Agencies, and to special state-sponsored educational programs.

7. The most serious personnel weaknesses in American education are found at the extremes of the system, among the leadership and among the so-called "non-professionals." There are not enough wise and tough men among the former; there are not enough of the latter of any quality, strong or weak. The cities suffer in particular. American schools, urban, suburban, or rural, will never improve without imaginative leadership and we therefore

Endorse the new Education Professions Development Act and urge that sufficient funds be appropriated to make its provisions effective.

This act broadens considerably the number of educational occupations for which Federal training support is available and for the first time recognizes that the recruitment of high-quality personnel is a special and difficult problem requiring support. The National Advisory Council on Education Professions Development can be an extremely effective agency to assess personnel problems in education and the means for dealing with them; but it can only be effective if adequately financed and staffed.



The major omission in the legislation is specific support for the full-time training of school administrators for advanced degrees. Nowhere is leadership more critically needed than at the top, especially in the school superintendency and in state departments of education. It is unfortunate that such a crucial occupation is among the few educational careers not now given specific training support by some Federal program.

The new act, at the same time, recognizes the need for increasing the numbers of adults working with children. by extending and improving the Teacher Corps, by enabling local school districts to attract and train persons to be teachers, and by enabling them to attract and train teacher-aides for the routine classroom tasks for which trained teachers are not necessary.

We hope the new program to train teacher-aides and other "para-professionals" will be imaginative enough to use, for example, mothers in poor families. They would receive training and supervised experience in child care, which will be significantly relevant for their roles as mothers of their own children; they will receive income, reducing for many a dependence on welfare; their job will cease when school is out, thus allowing them to be home when their own school-aged children are home (the partially abandoned youngsters of working mothers on a 9 to 5 day,

12-month basis are a serious problem); they will provide desperately needed adult help in schools; and they will materially assist school-community relations. Such interlocking benefits suggest the usefulness of the plan; experiments in several cities bear these out. Federal initiative is needed to spread the practice.

We are under no illusion that the foregoing recommendations are modest, but then the task is not so. In 1970, one-third or more of Americans will be in some kind of education in one of our metropolitan areas. The sums needed from the Federal government to achieve the quality of education they deserve will be double or triple present allotments. Evaluation and careful use of these funds is necessary, it goes without saying; but a serious and long-term commitment on the government's part is also required. Schooling has never been adequately funded in this country and, consequently, never really tested. Resources, time, and a commitment to quality are needed.

HOUSING RECOMMENDATIONS

Supplement to the Report of the Task Force on Cities

July 7, 1967

C O N F I D E N T I A L

If the integration and enrichment strategies outlined in this Report are to be successful, extensive provisions to promote open housing and to increase the supply of housing available to low-income families must be adopted.

To date, little effort has been directed at the creation of residential integration in areas outside the central city.

Open housing laws have not been adopted at the national level. Although state and local fair housing codes exist, they usually exclude the most common form of suburban housing - the single-family dwelling.

Despite a 1962 Executive Order banning discrimination in Federal housing programs, neither the Federal Housing Administration nor the Veterans Administration has moved aggressively to secure maximum impact in housing financed by Federally guaranteed mortgages. This situation is especially significant since FHA- and VA-insured housing is primarily in the suburbs and since suburban development will account for 90% of housing starts over the next 25 years.

Metropolitan institutions, including a few governments and many planning agencies, are not involved in solving the problems posed by urban segregation and

poverty. Present Federal plans anticipate no change in this situation. Federal housing programs have not been oriented toward solving the problems of residential segregation outside the central city. Housing units directly available to low-income families in suburban areas or on their periphery are few. There are no home-ownership and rent subsidies available to low-income families for housing in the suburbs.

Federal action to remedy these deficiencies should include the following:

1. Continued pressure for the enactment of a comprehensive national fair housing act with the broadest possible coverage.
2. Much stronger emphasis upon the achievement of compliance with desegregation guidelines in housing financed through Federal mortgage programs. Non-discrimination guidelines also should apply to participants in other Federal insurance operations, such as banks and savings and loan institutions.
3. Strong incentives for integration in suburbs through a below-market-interest-rate program for both rental and sales housing (including single-family units) for use by profit-making companies

but restricted to projects that (1) are in areas which now have less than 5% non-white population and (2) actually attain certain specific ranges of initial non-white occupancy (such as 10% to 25%).

4. Homeownership incentives and assistance provided for central city ghetto families, made applicable wherever they purchase, and tied to educational subsidies where needed. Assistance should include below-market-interest-rate loans with no-downpayments, supplemental payments for ownership, similar to rent supplements, and special training concerning the problems of homeownership and maintenance. Initially, this program should be tried on an experimental basis.

5. Expansion of Section 204 of the Demonstration Cities and Metropolitan Development Act to cover programs in housing, urban renewal and community facilities.

6. The establishment of metropolitan development corporations which could accumulate land, build integrated housing, and help find jobs for residents. The Federal government would promote such corporations by providing funds from a national revolving

fund for land accumulation and interest subsidies, as well as outright grants for administration.

7. A shift in emphasis in the area of low-income housing to programs which can be used to achieve integration outside presently all poor and/or non-white areas. This implies the following specific actions:

- a. Much greater leasing of either existing, rehabilitated or newly-built units, especially when leases cover only part of a building or development, and private tenants occupy the remainder.
- b. Heavy concentration on scattered-site developments containing relatively small number of units, preferably in low-rise buildings (except for housing for the elderly), even if per-unit costs are higher.
- c. Provision of special bonuses or incentives for construction of public housing within metropolitan areas but outside central cities by county or state housing authorities. Such incentives might include much higher payments-in-lieu-of-taxes to local governments.

- d. Altering limitations on central city housing authorities so they can build and lease units in suburban areas.
- e. Development of purchase options for public housing tenants whose incomes exceed established limits, so as to encourage more socially-mixed groupings.
- f. Relocation policies which foster dispersion to the suburbs, and include payments rendering such movements economically feasible for those relocated.
- g. Refusal to approve applications which continue racial segregation or massive groupings of deprived families in communities where alternatives are possible.
- h. Further exploration of "turnkey" construction and rehabilitation as a means of offsetting the possibly higher costs of scattered-site development.

Open housing, along, will not solve our problem; nor will public housing programs of all types; we must increase the supply of housing available to low-income families through a substantial amount of new private construction of housing of all types.



The number of new households formed each year is rising sharply as the offspring of the postwar birth surge begin to form families. Unless annual housing starts rise markedly above recent levels, a housing shortage will arise and rents will increase. Such a development would penalize poor families and slum dwellers most and would diminish the effects of Federal low-cost housing programs.

Therefore, we recommend:

1. Insofar as possible, fiscal and monetary policies designed to encourage very large numbers of housing starts each year. This implies placing emphasis upon tax increases rather than high interest rates to ration capital and purchasing power when inflationary pressures occur.
2. Investment incentives, such as tax credits and depreciation schedules being applied to housing in the same way as they are applied to other capital goods, should be thoroughly explored. Such incentives might include:
  - a. Issuance by FNMA of longer-term certificates at higher interest rates to attract investment from pension funds and insurance companies, thus placing a higher "floor" on housing investment.

b. While we are impressed with Treasury's arguments against use of the tax structure for achieving particular programmatic goals we believe the following ought to be examined in detail:

- 1) To reduce the supply of sub-standard housing units, denial of Federal income tax allowances for depreciation on all multi-family buildings unless the owner files a current certificate of compliance with all local codes with his tax return.
- 2) To encourage investment in new construction, a change in Internal Revenue Service regulations applying depreciation allowances to any building only once; that is, depreciation would be connected with each structure, not ownership.
- 3) Provision of tax credits for commercial, industrial, or residential investment in new construction or major rehabilitation in designated urban slum areas.

3. Another problem is the absence of technological breakthroughs which could reduce costs of housing for persons at all income levels. Breakthroughs are

difficult in the decentralized housing industry where no manufacturer can attract a large enough market to write-off major research and development costs. This requires application of research and development techniques to the construction of housing through:

- a. Creation of a market large enough to stimulate wide-spread research and development work by private industry. This might be done through a consortium of five or six cities which would agree to purchase all of their low-income public housing through the consortium. A market of a hundred million dollars would be required to attract the primary manufacturers of building materials.
- b. An exhaustive user-requirements study to determine market needs for more flexible space, lower maintenance costs and similar problems aggravated by present practices.
- c. Translation of user requirements into specifications which can then be tested in the development of new materials and sub-systems. While this is largely a technical job involving engineering and architectural skills, it is based on standards which have been accepted by the

important groups involved in the consortium, including low-income residents and construction unions.

d. Contracting with developers of lowest-cost sub-systems to supply for the entire \$100 million market.

Financing arrangements of mortgage insurance agencies are not geared toward present housing needs and, consequently, do not permit a constant flow of investment into housing. Despite the increased necessity for multi-family housing starts, FHA's primary concern has remained with the construction of single-family, owner-occupied homes.

Although the number of multi-family housing starts from 1960-1966 rose from 257,000 to 426,000 units, or from 21% to 34.9% of all housing starts, FHA never handled more than 15% of these units per year and during the last two years accounted for only 8%.

In addition, FHA underwriting procedures are oriented toward "prudent investment," and administrators are reluctant to assume even minimal risks. (See Table 1, page 11.)

Because FHA shows no evidence of becoming responsive to present housing needs, we recommend:

Separation from the Federal Housing Administration of all multi-family housing mortgage operations

aimed primarily at specific social-welfare objectives (such as providing integrated housing or housing for low-income or ghetto families) and creation of a new agency to administer these programs.

In all Federal housing programs, processing of applications involves excessive red-tape and inordinate delays. Grant mechanisms are characterized by over-centralization, excessive programmatic detail and administrative rigidity. This is true for the programs of FHA, public housing and urban renewal as well as other HUD programs. If our strategies for housing are to be implemented now, then steps to change these mechanisms must be begun.

We believe that the recommendations we make in Section I of the complete Report are particularly relevant to the area of housing. For nowhere else in the Federal structure are programs characterized by as much fragmentation, delay and frustration as in housing. Without considerable loosening and redirecting of Federal housing programs they will continue to play a minor role in dealing with the housing needs of the urban poor.

TABLE 1  
SUMMARY OF MULTI-FAMILY PROJECT MORTGAGE INSURANCE OPERATIONS THROUGH 1966

TITLE	MORTGAGES INSURED			MORTGAGE INSURANCE TERMINATED BY MORTGAGES ASSIGNED TO FHA & PROJECTS ACQUIRED BY FHA				
	Number	Units	Amount	Number	Percent	Units	Percent	Amount
207	1,905	230,311	2,812,688,321	202	10.60	26,145	11.35	292,697,815
213 S & M	1,951	112,625	1,439,276,778	69	3.54	7,721	6.86	122,046,651
220	259	54,358	943,336,744	31	11.97	6,203	11.41	97,897,951
221 MR	141	17,496	190,819,617	37	26.24	5,018	28.68	46,149,709
221 BMR	399	52,282	651,230,200	9	2.26	1,280	2.45	14,074,100
231	233	37,817	468,067,577	42	18.03	9,349	24.72	109,854,767
232	420	38,965	254,835,675	18	4.29	2,373	6.09	13,649,779
233	7	745	8,599,700	--	--	--	--	--
234	10	1,099	14,642,200	--	--	--	--	--
608 WAR, VEH & 608-610	7,067	469,589	3,448,376,960	942	13.33	64,310	13.69	459,200,848
611	25	1,984	11,990,630	--	--	--	--	--
803 MH	274	84,883	683,142,510	33	12.04	6,092	7.18	46,819,903
803 ASH	892	120,560	1,918,263,402	24	2.69	2,866	2.38	46,770,823
810	19	2,468	26,928,994	6	31.58	548	22.20	4,788,400
908	97	8,485	63,426,605	39	40.21	2,840	33.47	21,055,712
Title X	1	88	226,000	--	--	--	--	--
Total	13,700	1,194,702	12,935,851,913	1,452	10.60	132,372	11.08	1,275,006,458

THE JOB MARKET IN CENTRAL CITIES  
Prepared for the Cities Task Force  
by  
Brad C. Frederic  
Staff Consultant

## I. THE PROBLEM

Our model of population distribution under the enrichment strategy<sup>1/</sup> assumes that new jobs will become available as needed for about 200 thousand job training graduates per year. This does not include job requirements that might arise from a redirected AFDC enrichment program.

The evidence we have indicates the existence of 20 million jobs in central cities as of 1968, compared with a total population of 57.4 million. The comparable numbers in 1960 were 22.3 million jobs and 57.5 million total population. Thus the central city job market has suffered a 10 percent reduction over the last eight years, while the population it supports has remained approximately constant.

A simple linear extrapolation of this trend to the next 15 years implies a situation where 16 million jobs are supporting 55 million people. Even if we assume the 68 ratio of jobs to population as an acceptable standard,

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<sup>1/</sup> The Task Force has defined the enrichment strategy as follows: Federal resources applied to the poor population in central cities in sufficient quantity and variety to bring their standards of life and options for employment, education, and recreation up to certain minimum levels consistent with those in the mainstream of American life. The application of such resources will be sufficient to insure attainment of these standards within 15-20 years.



this means a job deficit of 3 million by 1983, without enrichment.<sup>2/</sup> Enrichment widens the gap to 6.5 million. Even if the present number of jobs holds constant over the next 15 years, under enrichment an additional 3 million will still be required.

This numerical requirement for new jobs is actually an understatement. The trend in the mix of jobs available in central cities is running counter to the mix of skills which will likely be available. (See Table 1.) Since 1950, the percentage of manufacturing jobs has declined by one third. This has been compensated by a rise in services, but the jobs involved are predominantly for professional and white collar workers. The major opportunities for poor workers, even when they have been trained, are occurring mostly in the low-paid service areas.

The conclusion seems inescapable: Pursuing a 15 year enrichment program as we have outlined it will require the development of between 3 and 7 million suitable new jobs for central city residents.

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<sup>2/</sup> Our assumption here is conservative. Unemployment in cities in 1960 was about 6%, as compared with about 5% in the remaining U.S. This indicates that a genuine job-deficit existed in cities, even as early as 1960.

## II. ALTERNATIVES FOR JOB DEVELOPMENT

There are two basic approaches to jobs in any given locale. Jobs can be brought to people, or people can be brought to jobs.

The first approach emphasizes new investment in the desired area and operates within the framework of public works, loan and tax incentives, technical assistance, and skill improvements of the existing labor force.

Federal investment in public works probably cannot furnish permanent jobs in the numbers required here. But, a properly constrained public works program in cities can provide a point of entry for Negroes and other discriminated minorities into the various construction trade unions. From this standpoint, emphasis on public works in cities even beyond normal proportions seems warranted.

Programs to attract the manufacturing sectors into cities seem to hold little promise. Lindley<sup>3/</sup> has listed four factors which discourage both new and continued investment in central city by such industries:

1. Changing Location Factors - With the advent of new kinds of goods produced, and improved transportation, the traditional criteria of market proximity and raw

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<sup>3/</sup> J. Lindley, "The Economic Environment and Urban Development," presented at the 8th Annual Conference Center for Economic Projections, April 28, 1967.

materials availability have been de-emphasized. Equally important now is the availability of amenities, such as recreational facilities, good school systems, etc.

2. Changing Industrial Technology - As industries using unskilled and semi-skilled labor become increasingly mechanized, the tendency is away from production techniques which can be accomplished in space-limited city structures. The evolving requirement is for extensive plants and land sites.

3. Transportation - As the circumferential highway networks around major cities are being completed, with radials into the city, many urban industries are moving to the suburbs. It is now easier to serve a large urban area from its rim than from its congested center.

4. Costs of Services - The growing poverty and social instability in cities means rapidly increasing costs for public services. In turn, either taxes must increase or the quality of service must decrease. The effect of either on investment decision is obvious.

Of these four, only the last factor could possibly be neutralized. Even then, the other three probably still continue to militate against city manufacturing investment.

The most attractive alternative for bringing jobs to people lies in the service sector. Job growth in this sector, even without Federal encouragement, has been impressive; the number of service positions in cities has increased by over 25% since 1960. More important, this job market is precisely the one where the "new careers" approach has its greatest potential. Experiments are now underway with non-professional aides in teaching, police work, corrections, recreation, mental health and similar activities.<sup>4/</sup>

We are in favor of developing these approaches to jobs in central cities. But, although we have done no detailed analysis, it seems intuitively clear that some time must pass before such measures will supply jobs in the full amount required. For more immediate results, we must look to the strategy of bringing people to jobs.

It is a well documented fact that job opportunities in suburbs are growing more rapidly than population. The rate of surplus appears to be about 100 thousand new jobs per year.<sup>5/</sup> By and large, these new jobs match the evolving job requirements of the central city under enrichment.

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4/ G. L. Mangum, Government as Employer of Last Resort, (draft copy), Ford Foundation, no date given.

5/ Memorandum for the President, "Recommended FY 68-72 Economic Development Assistance Programs," pp 23-26, Dept. of Commerce, March 8, 1967.

The obstacles to this match are urban discrimination on the one hand and deficient transportation on the other. Although we believe in dispersal as an ultimate goal, we have already admitted the impossibility of achieving it immediately at a level sufficient to alleviate the envisioned job gap. The alternative is a massive increase in central city-to-suburb transportation capacity, at least sufficient to absorb the suburban job surplus.

A program of this sort, in consonance with expanded job training in central cities, would be attractive from several standpoints:

1. The technology is already available - Given demand and city characteristics, the design of a transportation system to fit them would be a relatively straightforward matter. Such a system could have both public and private components, with the particular mix depending on the particulars of trainee demand.
2. The time lag between inception and results would be short - Because technology is in hand, and suburban jobs are already available, the time-to-pay off would just be the relatively short time necessary to bring such systems into operation.
3. A full range of job types would be provided - Most job development programs aim at particular types

of jobs. Transportation to the suburbs would uncover a much broader spectrum. In turn, this could motivate less narrowed job training programs in central cities.

4. The costs per job should be low - Transportation particularly is a type of enterprise that lends itself to private development under Federal incentive. The existence of a "guaranteed" market of itself would act as such an incentive. Some additional financing might be required, but total cost to the government could still be as low as \$500 per job "created."

This is well below current EDA estimates for other job development activities.<sup>6/</sup>

5. The requirement for jobs would be translated to areas where other job creation programs could work more effectively - The EDA is confident of its ability to produce new jobs in less restricted suburban areas. Bringing central city people to these areas would motivate more extensive use of these tools to the extent that the entire job gap might eventually be eradicated.

Beyond these tangible factors, there is the political picture that might emerge. It can be argued that improved transportation of the kind recommended would tend to

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<sup>6/</sup> Ibid, pp 31-38

further "lock-in" the central city ghettos. We do not deny that possibility, but we think it more likely that this approach would aid integration rather than hinder it. The same principles of personal contact that motivate programs to place minority children in affluent schools should operate here as well. The day to day job contact between discriminator and discriminated would do more in breaking down racial and economic barriers than anything else we can conceive.

### III. SUMMARY OF RECOMMENDATIONS

In summary, our job development recommendations under an enrichment program are these:

1. That all public works investment be designed to promote minority group membership in the various construction trade unions.
2. That new investment by the service industry be actively promoted and that labor substitution programs such as the Scheuer Sub-Professional Career Act be given fullest support as a means for developing new jobs in cities.
3. That a massive program be organized for transporting central city slum dwellers to the suburbs on a day to day basis. This program can have both public and

private transportation components, and should be designed for maximum private participation.

4. That, in consonance with 3., current job development efforts in suburbs should be expanded to maximum extent.



TABLE 1  
EMPLOYMENT IN CENTRAL CITIES

Job Category	Percentage Distributions <sup>a/</sup>		
	1950	1960	1965
Manufacturing	45	35	30
Wholesale/Retail	20	25	25
Services <sup>b/</sup>	25	35	45
Other <sup>c/</sup>	10	5	0
Total Employed (mill)	23.8	22.3	21.0

a/ The values shown for 1950 and 1960 are based on 8 cities representing a 17% sample. Values for 1965 are based on 2 cities representing a 2% sample.

b/ "Services" in 1960 were about 25% blue collar (hotel, auto repair, recreational, and personal) and 75% professional and white collar (public administration, medical and health, legal, educational, cultural, etc.).

c/ "Other" is primarily construction. The zero percent in 1965 is due to rounding.

d/ Sources: 1) County and City Data Book 1962, U.S. Dept. of Commerce, Bureau of the Census, June 1962.  
 2) County and City Data Book 1959, U.S. Dept. of Commerce, Bureau of the Census, June 1957.  
 3) Characteristics of the South and East Los Angeles Areas November 1965, U.S. Dept. of Commerce, Bureau of the Census, Series P-23, No. 18, June 1966.  
 4) Characteristics of Selected Neighborhoods in Cleveland, Ohio: April 1965, U.S. Dept. of Commerce, Bureau of the Census, Series P-23, No. 21, January 1967.

REFORMING THE FEDERAL SYSTEM

A supplemental paper for the Task Force on Cities

July 5, 1967

CONFIDENTIAL

## THE GRANT-IN-AID SYSTEM

In the absence of a conscious break in national policy, the massive federal effort needed to overcome the problems of central cities will be financed largely by programmatic grants-in-aid. In theory, the categorical grant is an ingenious method of nationally financing state and local activities. Through grant programs, Congress can set priorities, isolate problems of national concern, focus national resources, and secure compliance with national administrative and program standards. Matching requirements insure state and local financial participation; while redistributing national resources by relating federal aid to fiscal need and capacity.

In practice, however, the categorical grant-in-aid has become an increasingly ineffective means of focusing federal resources on urban problems. Over the years, new grant, loan, and loan guarantee programs have proliferated at an ever-increasing rate; each developed as a specific response to a particular problem of urban growth and change. Both Congress and the federal executive contribute to the piecemeal development of urban grant programs yet none of Congress' standing committees concerns itself

primarily with urban problems. Nor has the score of federal department and agencies with major urban responsibilities developed a comprehensive national policy for the cities.

Once established, each program area tends to create its own set of specific program goals and controls, a close relationship with a specialized clientele and congressional committee, and a narrow perspective on the problems of cities and suburbs.

The inevitable result of this process has been an extremely categorical, fragmented, and complicated approach to urban programming. Because they seek to achieve general policy objectives through detailed program controls, most federal programs are characterized by overcentralization of detail, administrative rigidity, long delays in processing applications, multiplication of required consents, failure to innovate, and lack of responsiveness to specialized local needs. Over time, the number and complexity of controls over grant-in-aid programs has increased. As the conditions and allocation formulas of each program have become more complex, administrative costs have mounted.

Neither the record nor the potential of existing instruments for securing inter-agency coordination of grant programs is impressive. Bureau of the Budget intervention, inter-agency committees, the metropolitan expediter, HUD's convenor order, the OEO experience and the neighborhood centers program indicate that substantial coordination cannot be achieved at the federal level given the constraints of the present system.

A further shortcoming is the failure of the Federal government to build sufficient flexibility and opportunities for state and local initiative and innovation into the aid structure. Many of the problems of large city ghettos are quantitatively and qualitatively different from those of the poorer neighborhoods of smaller cities. Solutions to many of our most vexing urban problems are neither obvious nor universally applicable. Yet relatively few Federal programs permit the development of locally-determined strategies for cities and metropolitan areas. They often stifle local initiative and experimentation because of their preemptive impact on local budgets. When Federal programs are not relevant to the judgments of local officials concerning local priorities, the availability of "free" Federal money inevitably distorts local programming.

It has become increasingly difficult to focus federal money on urban problems and policy goals which crosscut numerous categories of federal assistance.

From the local perspective, perhaps the most frustrating characteristic of the grant system is the long period of time that elapses between application for federal assistance for a local project and actual receipt of the money. The processing time problem is especially severe in a number of HUD programs, particularly in FHA financing of multi-family housing and URA funding of renewal projects. Further delays often are caused by the fact that requirements change while the application is pending requiring the submission of a new application based on new data.

These problems are compounded by the fact that a single local program may require several different federal grants, each with its own set of requirements and regulations. Cities, as a consequence, confront delay and confusion in the funding of their programs; they suffer from the inability of federal agencies to work together in combining relevant federal programs for urban areas.

The burdens of an already overloaded system of intergovernmental relations have been multiplied by the rapid expansion of Federal domestic responsibilities during the past seven year. Between 1960 and 1965, new and enlarged assistance programs produced a 56 per cent increase in Federal aid to state and local governments. As a result of this expansion, \$14.7 billion in assistance in 250 programs will be funneled through the Federal system in the current fiscal year. Most of the new programs are categorical and involve detailed Federal program controls. In an effort to advance laudable national policy goals, such as metropolitan coordination and highway safety, additional detailed requirements have been imposed on existing programs. The net effect has been to complicate further the bureaucratic maze that stands between Federal resources and urban problems.

New approaches which stress innovation, flexibility, and a multifaceted attack on urban problems also are caught in the suffocating embrace of the existing system. In its stress on local innovation and flexibility, the Model Cities Program represents a welcome departure from the rigid programmatic approach. By emphasizing systematic planning and coordination of Federal operations Model Cities promises to reduce overlap and duplication of

effort. The program also provides a potential source of flexible funds which may be used imaginatively to discover new approaches and ideas for solving urban problems.

The greatest threat to the promise embodied in the Model Cities concept is funding and coordinating the many separate Federal programs that comprise a Model Cities package, each with its own restrictive regulations, specialized administrative practices, and narrowly defined goals. Mayors must conduct a substantial number of separate negotiations with many Federal agencies in order to implement a comprehensive model neighborhood program. They also must finance the different components of their program with funds from agencies which operate on different timetables, a problem compounded by the delays in funding in some Federal aid programs. Model Cities standards are added to those required by the component programs without any compensating simplification of the approval process. Innovation, flexibility, and coordination are easily stymied by a process whose practical effect is to pyramid requirements, multiply consents, and increase the time lag in bringing resources to bear against problems.



The growing capability of state and local government to take advantage of Federal programs is intensifying the grant-in-aid problem. The rapid rise in the demand for public services and the depletion of state and local tax resources have increased the attractiveness of Federal grant programs. A host of national groups, as well as new state agencies such as New Jersey's Department of Community Affairs, have increased awareness of Federal programs in many cities. And across the Nation, local capabilities in the "grantsmanship game" have been enhanced by focusing responsibilities for securing grant programs in the office of the mayor or with a development coordinator or administrator.

A projection of a continued rapid increase in the number and size of grant programs coupled with the anticipated massive surge in demand points to a situation in the not-too-distant future which easily could overwhelm the Federal system. Despite the substantial accomplishments of some grant programs, and the strong agency, clientele, and congressional pressures for a continued reliance on the programmatic grant approach, it is doubtful whether this overburdened system can manage the new efforts needed to move the ghetto resident into the mainstream of American society.

### Alternative Approaches

The resources needed to come to grips with the problems of central cities must come from Federal revenues. If the present grant-in-aid structure is inadequate, the problem becomes one of determining the best new institutional framework for distributing Federal tax resources while permitting the national government to insure that national priorities and standards are met in an effective attack on urban poverty and segregation. Two broad alternatives are worth examining in some detail: a more centralized system involving substantial direct Federal involvement in the administration of these programs, and a system of revenue sharing.

#### A More Centralized System

In many areas of national concern, the Federal government directly administers programs. These areas, however, share certain attributes which make it both feasible and desirable for the Federal government to play this role. When a substantial research and development program precedes actual operation of a facility, the Federal government enjoys a comparative advantage over the states and localities - in part, because of its command over resources and technically

sophisticated personnel. The same reasoning applies when an expensive infrastructure must be built. Also, if a program requires substantial innovation and experimentation, Washington is financially and politically better equipped to absorb the inevitable risks involved than are its state and local counterparts. Thus, the Federal government has become the developer of the high-speed rail system between Boston and Washington. And, the technical expertise of the Army Corps of Engineers is required to construct flood control projects and rivers and harbors improvements.

In areas where the actual administration of an activity has wide-ranging and direct national importance, Federal control or close supervision is also necessary. FAA operates the air traffic control system because of the importance of close coordination across the entire Nation to air safety. Other areas such as the control of air and water pollution may require direct Federal administration and controls. This is true in large part because of the inability of state and local governments to muster the political resources necessary to require industry to conform to costly regulations.

In sum, where a great deal of technological innovation, expansive infrastructure, and/or national coordination is required, there is a strong case for a high degree of direct Federal involvement in the operation of programs. This is not the case with most of the measures needed to cope with urban poverty and segregation.

No single "national" strategy for ghetto enrichment or integration could possibly deal adequately with problems as diverse as those encountered in the slums of Harlem, Hough, Watts, and Englewood, N.J. The very size of the United States, the diversity of its people, and the variety of its state and local political systems, all argue against a highly centralized administrative regime.

Political considerations also reduce the feasibility of direct Federal administration of urban programs. The roots of political power in the United States are deeply embedded in the states and localities. Both political parties are highly decentralized; they usually respond to pressures from the bottom rather than those from the top. The party system and the local orientation of the members of Congress have been in large part responsible for the significant role of state and local governments in national programs today. Congressmen and

senators have insisted that states and localities share responsibility in national programs; and this strong tradition of localism is a political reality which one ignores at considerable peril. As the late Morton Grodzins noted, "States and localities, working through the parties, can assume that they will have an important role in many national programs; that is to say, there will be few domestic all Federal programs." Any attempt to reduce the importance of state and local units of government in programs of traditional local concern, such as housing, urban renewal, education, manpower, welfare, and police protection will be strongly resisted.

#### Revenue Sharing

Another alternative is revenue sharing. Under the Heller-Pechman proposal, the Federal government would distribute 1 to 2 per cent of the Federal individual tax base to the states on the basis of population with "next to no strings attached." Although Heller and others envisage revenue sharing as a supplement to the existing Federal grant-in-aid structure, most of the legislation submitted in the 90th Congress anticipates that revenue sharing would at least partially replace programmatic grants-in-aid.

The primary attraction of revenue sharing is that it provides a direct means of using the Federal income tax to finance state and local expenditures. These expenditures are increasingly difficult to maintain out of state and local revenues. Revenue sharing, in effect, would substitute the revenues derived from an efficient and progressive tax source for increases in relatively regressive and inefficient state and local taxes. Revenue sharing promises to reduce pressure on the state and local tax base. This benefit might be particularly important to poorer areas if an equalization formula were applied, and a substantial amount of the Federal revenues "passed through" the states and reached hard-pressed local governments.

As an alternative to other forms of intergovernmental transfers, however, the advantages of revenue sharing are less impressive. If Federal grants-in-aid were cut back simultaneously with the adoption of such a plan, little of the fiscal pressure on the states and localities would be relieved. Unless a stated percentage of these funds were required to be at the disposal of local governments, they might find themselves with reduced resources for combating urban problems. Such apprehension is reflected in the 1965 AFL-CIO resolution which stated that the AFL-CIO "opposes any aid via unconditional Federal grants

with no strings attached. Under this proposal, proportionately too much aid would go to the wealthier states and none to the hard-pressed cities . . ."

In addition, revenue sharing would sacrifice one of the great advantages of grants-in-aid, the use of intergovernmental transfers to advance nationally determined priorities and programs. If national resources are to be focused on the ghettos, some sort of grant-in-aid system is needed to earmark funds for this purpose. Through block grants such focusing can be achieved while leaving almost as much room for local initiative as would exist if untied funds were made available. With such grants the Congress and the Administration could be relatively sure that the funds were being used for a purpose designated by them as one of crucial importance.

Finally, grants-in-aid are needed if national standards are to be enforced. If states and localities could claim a stated percentage of Federal resources as a right and if this source of revenue largely replaced that from Federal grants-in-aid, national standards would be extremely difficult to enforce. Given the potential for influencing the general direction of state and local government policy, with grants tied to national

priorities and standards, revenue sharing appears to be an inferior alternative to a flexible and less programmatically oriented grant-in-aid system.

### Overhauling The Grant-In-Aid System

Despite the weaknesses of the present system, the grant-in-aid continues to provide the most attractive means of increasing Federal involvement in the problems of the ghetto. Of the various alternatives, only the grant-in-aid can secure the desired combination of:

- (a) maximizing the use of the national tax system;
- (b) focusing resources according to national priorities;
- (c) insuring that minimal national standards will be met throughout the Nation; and (d) providing as much flexibility and innovation as possible at the level of implementation.

The problem, then, is not to replace the grant-in-aid, but to rescue it from the deficiencies of the programmatic approach. Within existing grant programs, it is absolutely essential to streamline and simplify the distributive mechanisms. Instead of extending and expanding categorical aids, new approaches should stress consolidation, decentralization, and flexibility.



Reform of the programmatic grant-in-aid structure is a necessary first step if Federal resources are to be effectively focused on our most pressing urban problems. But these necessary changes will not be sufficient to permit the Federal system to function at maximum capacity in the critical years ahead. To make Federal aid an effective and flexible instrument of national policy requires a substantial reorientation of roles and responsibilities in the Federal system. The Administration began this task with the development of the poverty and Model Cities programs. The time has come to expand the application of these concepts through the development of highly flexible, locally-based systems of grants-in-aid which substitutes general purpose assistance for programmatic grants and national performance standards for detailed program controls.

The following proposals have been designed to permit the partial application of these concepts. The implementation of them may be staged over time, with the most promising program areas selected for initial treatment. It also will be possible to retain Federal program standards in those areas where such controls are deemed in the national interest.

### Internal Program Reform

The first step in overhauling the grant-in-aid system is to simplify application, processing, and review procedures in all grant programs. In general, internal program reform should seek to: (a) simplify application procedures through the development of standardized methods; (b) reduce sharply the time between application and approval or rejection of a grant request; (c) reduce multiple consents; (d) check the trend toward pyramiding requirements; and (e) employ standardized review and audit procedures. General responsibility for the streamlining of grant program procedures should be lodged in the Bureau of the Budget.

### Grant Consolidation

Program proliferation is one of the major weaknesses of the existing grant system. Whenever possible, new grant programs should be merged with existing programs. Consolidation of related grant programs, along the lines of the Partnership in Health Act of 1966, should also be given high priority. Grant consolidation promises to ease the problems of inter-program and inter-agency coordination. Equally important, it promises to reduce the number of separate negotiations which state and local governments would have to carry on in order to design relatively comprehensive local programs.

### Intra-Agency Grants

Closely related to the idea of grant consolidation is the intra-agency grant, which involves consolidated applications for two or more related grants administered within a single department. Such intra-agency grants would permit a state or local agency to deal with a single representative of the appropriate department when applying for related grants. Implementation of this proposal requires the establishment of an intra-agency grant office within each department, preferably in the office of the secretary. The intra-agency grant office would process applications for intra-agency grants, coordinate the review of applications with the appropriate agencies within the department to insure that program standards were being met, and act as the final granting authority, subject to appropriate review at the departmental level.

Statutory provisions of individual grant programs, dealing with such matters as eligibility for grants, matching ratios, and program duration, would not be altered by the intra-agency grant procedure. In most program areas, the establishment of an intra-agency grant mechanism would not require statutory changes. Responsibility for the development of intra-agency grant procedures

should be lodged in the appropriate departments, with the Bureau of Budget coordinating the development of standardized application and processing procedures.

#### Inter-Agency Grants

From grant consolidation and intra-agency grants, the next logical step is the consolidated funding of urban programs that crosscut departmental boundaries. To accomplish this, provision should be made for consolidated applications for two or more related grants administered by agencies in two or more departments. Such inter-agency grants would permit a state or local agency to deal with a single Federal agency when the Federal grants needed to finance a comprehensive project are administered by two or more departments. Implementation of this recommendation requires the designation of an agency to receive applications for inter-agency grants, to coordinate the review of the application with the appropriate agencies to insure that program standards are being met, and to act as the final granting authority, subject to appeal by the appropriate departmental heads. Legislation to implement this recommendation would not authorize the waiver of statutory provisions such as eligibility for grants, matching ratios, or program duration.

Although the inter-agency grant represents a substantial departure from present grant-in-aid practices, it is basically an extension of the Model Cities concept. The fundamental weakness of Model Cities and other inter-agency approaches is their failure to simplify the process of obtaining Federal consents. The inter-agency grant overcomes this weakness by authorizing one Federal agency to "spend" the appropriations of other agencies, provided that the consolidated local application meets the requirements of the component grant programs. In the light of the Model Cities and OEO experience, it is clear that the inter-agency grant approach is a minimum condition for success in the Model Cities and other inter-agency programs. Inter-agency grants would permit cities to reduce the number of separate transactions necessary at the Federal level and enable them to develop more realistic timetables for implementing different components of their programs.

#### Performance Standards

Another key step towards greater flexibility in the Federal system is the substitution of performance standards for detailed program controls. Washington's almost obsessive concern with detail has vitiated one of the great virtues of the grant-in-aid approach -- the setting of national standards. Because performance standards move away from the complex mechanism of programmatic grants, they offer a means of reviewing the national

standards objective of the grant-in-aid. Equally important, performance standards, especially if coupled with some form of block grant, promise to stimulate local initiative.

Performance standards should be simple, general, quantifiable where possible, and applicable to a wide variety of contexts. They should relate to general societal goals rather than to specific program objectives. Given the compelling need for ghetto enrichment and integration, national performance standards should focus on these goals whenever possible. Thus, a housing performance standard might be the proportion of sub-standard dwelling units within a jurisdiction, not the number of public housing units. Other performance standards suggest themselves readily: proportion of families with incomes below the poverty level; unemployment rate; proportion of children reading below grade level; and proportion of Federally-assisted housing within a municipality or metropolitan area located in integrated neighborhoods.

The transition from program to performance standards requires a great deal of research, experimentation, and evaluation. The translation of general policy goals into viable performance standards raises vexing problems concerning both what is being sought and what is being

measured. High priority should be given to the development of a complete set of meaningful national performance standards, perhaps by an inter-departmental committee headed by the Director of the Bureau of the Budget. In addition, funds should be made available to selected cities and states to experiment with the development and application of performance standards in a wide range of program areas.

Despite the problems inherent in developing viable national performance standards, particularly in areas where output is difficult to measure, the advantages of performance standards clearly outweigh their shortcomings. They can be developed and applied selectively, beginning in those program areas where standards are most apparent and most appropriate. More important, performance standards are the key which opens the door to a variety of block grant approaches which permit the flexible use of Federal funds at the state and local level for purposes consistent with national priorities.

#### Functional Pooling

The substitution of performance standards for program controls should be accompanied by the pooling of funds in existing grant programs. An essential first step in pooling is the establishment of functional pooling arrangements which permit the unrestricted use of funds

in a general functional area, such as housing, manpower training, health, or transportation. In the case of housing, public housing, urban renewal, and rent supplement funds would be pooled, creating a functional block grant which the appropriate local or state agency could employ to implement a comprehensive housing program designed to overcome housing deficiencies expressed in terms of the national housing performance standards, such as proportion of substandard dwelling units and proportion of publicly assisted housing units in integrated neighborhoods. All programmatic restrictions would be removed from the use of pooled funds. Thus, funds derived from the public housing program might be used to finance rent supplements, rehabilitation, code enforcement, or some other locally devised strategy designed to overcome housing deficiencies. In effect, this proposal envisages an expansion of the conditioned block grant concept that has proved to be extremely successful in the Elementary and Secondary Education Act of 1965.

Where Federal funds are functionally pooled, the basic requirement for eligibility should be a comprehensive program in the functional area which relates local deficiencies and needs to the appropriate national performance standards. Comprehensive housing, manpower,



health, or transportation programs should be developed by the appropriate state or local agency. Comprehensive programs would specify local deficiencies in terms of national standards, set forth program goals to meet the national standards, and indicate in a general way the projects to be undertaken to reach the program goals during the life of the comprehensive program. When all funds functionally pooled are from programs within a single agency or department, that agency or department should approve the comprehensive program and monitor its implementation. When functionally pooled funds are drawn from two or more departments, a single Federal agency should approve the comprehensive program and monitor its implementation, using procedures similar to those which would be employed in intra-agency grant administration.

#### General Pooling

The concept of pooling, or block grants conditioned on national performance standards, should not be restricted to functional areas such as housing, transportation, or health. As recognized in the Model Cities Program, urban problems, particularly those in the ghetto, do not fall into neat functional categories. As a consequence, provision should also be made for the pooling

of Federal funds across functional lines. Under this type of arrangement, some or all of the Federal aid flowing into a neighborhood, community, municipality, county, metropolitan area, or state would be pooled, with all programmatic restrictions removed from the use of the pooled funds.

Eligibility for general pooling should be based on the preparation by the appropriate local or state unit of a general development program based on national performance standards. General development programs would be similar to the comprehensive functional programs discussed above, except that their scope would be broadened to include all the relevant program areas from which funds were derived. In its most inclusive form, the general development program would be a local master plan for human and physical resource development. Its priorities would be substantially determined by national standards; while its means of implementation would be determined by the appropriate local or state officials.

As in the case of inter-agency grants and functional pooling across departmental lines, the general pooling proposal necessitates the designation or creation of a primary Federal urban agency to approve general development programs and fund and monitor their implementation. The alternative means for securing this essential capability are discussed in detail below.

### General Purpose Grants

From general pooling, it is a short step to the development of a program of general purpose assistance to local and state governments. General purpose grants have a number of advantages. They provide an effective means of enhancing local implementation and flexibility. Through general purpose grants, the Federal government can promote the use of national performance standards. They also can be used to relate the flow of Federal aid to the level of local deficiencies. Finally, by employing general purpose grants as incentives, they can be used to secure local and state commitment to comprehensive functional programs and general development programs focused on ghetto enrichment and integration.

General purpose grants are probably best related to local deficiencies through formula grants related to need and capability. An equalization formula to accomplish this purpose could be based on population, per capita income, tax base, tax effort, and perhaps other measures of social, economic, and infrastructure deficiencies. Deficiency grants could be made available on a conditional or unconditional basis. Given the high priority attached to reaching national minimum standards and attacking the problems of the ghetto, there is a strong argument for

conditioning deficiency grants on the preparation and implementation of a general development program. Such grants could then be used for any public purpose consistent with a general development program. Under this approach, eligibility for deficiency grants would be determined by the principal Federal urban agency through its approval of a general development program.

When used primarily as incentives, general purpose block grants should be distributed on a non-formula basis by the principal Federal urban agency. The availability of such grants should enhance the ability of the principal Federal urban agency to promote inter-agency grants, pooling arrangements, and comprehensive functional and general development programs. High priority should be given to the use of these funds as a significant proportion of agency incentive grants designed to stimulate the preparation and implementation of general development programs which give high priority to the goals of ghetto enrichment and integration, especially the latter. When used in this fashion, the magnitude of the incentive grant should be related to the level of compliance with national standards specified in the general development program.

### The Implications of a Reoriented Federal System

The goal of national policy should be a Federal system in which block grants provide the money and incentives to secure locally-designed programs consistent with national priorities and standards and focused on ghetto deficiencies. If the Federal system is to be moved in this direction, three requisites must be met. First, the capabilities of local and state governments must be enhanced. Second, Federal responsibilities for urban policy and the administration of grant programs must be focused. And third, the magnitude of the Federal commitment to overcoming ghetto problems must be significantly increased.

### Strengthening Cities and States

The effectiveness of the Federal system ultimately depends on the actions of the local and state governments that implement grant programs. The basic thrust of the proposals outlined above is to enhance the opportunities for local and state initiative, innovation, and program development, while simultaneously streamlining inter-governmental relations in the administration and implementation of grants-in-aid. To make such a system work, the Federal government must pay far more attention than it has in the past to increasing the leadership, planning, programming, administrative, and technical

capabilities of state and local governments.

Of critical importance is the strengthening of the role of governors and especially mayors in the Federal aid process. The state and local executives are the only public officials with the potential to manage effectively a large-scale attack on ghetto problems. Elected officials are under heavy pressure to deliver, but their ability to take effective action is seriously hindered by administrative weaknesses, fiscal incapacities, and functional and jurisdictional autonomy. State and local governments are in an unattractive competitive position vis a vis the Federal government with respect to recruiting talented staffs. The fragmentation of program responsibility among semi-autonomous agencies organized along narrow functional lines saps the ability of mayors and governors to perform the essential executive roles of making general policy, setting priorities, allocating resources, and coordinating implementation. All too often, functional fragmentation and autonomy has been encouraged by Federal programs and functionally-oriented Federal officials.

In implementing changes in the Federal system, the Federal government should follow the example of the Model Cities Program and seek to maximize the role of the political executive. Applications for intra- and inter-agency grants should be funneled through the office of the mayor or governor. Responsibility for the development, funding, and implementation of comprehensive functional programs and general development programs should be lodged with the executive. General purpose grants should be distributed to state and local governments through the political executive; and a proportion of these funds should be made available for the purposes of increasing executive staff capabilities.

The experience of the urban renewal, poverty, Model Cities, urban planning and other programs indicates that increased Federal spending provides the most effective method of enhancing the administrative and technical capabilities of local and state governments. More Federal money increases salaries and opportunities for rewarding work. The use of block grant arrangements such as functional and general pooling and general purpose grants can accelerate this process by widening the scope of state and local activities affected by Federal aid, as well as heightening the opportunities for challenging positions.

At the same time, decentralizing the decisional and administrative foci will increase the opportunities for talented administrators, professionals and young people to find challenging and attractive positions at the state and local levels. The Federal government can speed this process by increasing technical assistance for training and by fostering intergovernmental exchanges of personnel.

More technical assistance and planning aid to state and local governments will be especially important if there is to be a rapid implementation of block grants tied to the preparation of comprehensive functional and general development programs. As a first step, the Federal government should finance the preparation of a number of comprehensive functional programs and general development programs by a variety of local and state units. Through such a pilot program, information and experience would be accumulated to use in the preparation of national guidelines for the comprehensive functional programs and general development programs. Such assistance should flow to mayors and governors; and the program should be monitored by the principal Federal urban agency discussed in the next section.



### Focusing Federal Urban Responsibilities

A reorientation of the urban grant-in-aid system along the lines suggested above requires that a number of key functions be brought together in a single Federal agency which ideally would become the focus of national efforts to meet the crisis of poverty and segregation in urban areas. This agency's basic tasks would be to oversee and coordinate urban assistance programs, and to implement and administer the new grant arrangements outlined above. Specifically, it would be responsible for reviewing general development plans and applications for jointly-funded urban projects to determine eligibility. Once programs were initiated with Federal funds, this agency would evaluate and determine whether these projects complied with the performance standards which it developed. The agency would administer inter-agency grants. It would also distribute deficiency and incentive grants. Through these and other means it would seek to encourage and enable state and local governments to follow national priorities and achieve acceptable levels of performance. The primary Federal urban agency also would provide technical assistance to the state and local units submitting consolidated applications and drafting comprehensive function and general development plans. It also would be heavily involved in urban experimental and demonstration programs.

The requisite focusing of Federal responsibilities can be achieved in at least three different ways: first, these grant and coordinating functions can be assigned to an existing department; second, the major urban functions can be brought together in a new super-department; and third, a new agency can be created in the Executive Office of the President to perform these functions.

Congress and the President have made HUD the principal Federal agency with urban responsibilities. Both the Model Cities Program and the regional review provisions of the Demonstration Cities and Metropolitan Development Act of 1965 assign tasks to HUD which cut across departmental lines. If an existing operating line agency were given the responsibilities outlined above, HUD would be the most logical choice. An agency within HUD could be created to administer the various inter-agency and block grant arrangements. It would have to be given the authority to commit the funds of other agencies for approved projects or programs. Under this arrangement, HUD also would have to increase greatly its capacity to provide technical assistance to state and local governments.

A number of problems are raised by having an existing department, especially HUD, perform this role. HUD would have to be given a mandate to enforce its decisions over the objections of peer agencies. The capacity to commit another department's funds against its wishes would obscure the accountability of the affected agencies to the appropriations committees and undoubtedly would meet with strong opposition in Congress. Other potential opponents of such a scheme would be the various clientele groups clustered around the existing programs and their respective agencies who benefit from the system as it is presently constituted. Also, as presently staffed, HUD raises serious problems as the prospective principal Federal urban agency. Its leadership and administrative weaknesses are obvious to the most casual observer of its operations. On balance, the shortcomings seem to outweigh the advantages of this alternative.

A more optimal institutional framework to accomplish the necessary focusing of Federal resources on urban problems would combine the agencies and bureaus with primary urban responsibilities into a single department. Encompassing all Federal activities concerning health, education, welfare, housing, manpower training, and

poverty, such a department would have a role in urban affairs comparable to that of the Department of Defense in defense-oriented activities. Within the jurisdiction of this department, all the Federal programs designed to assist state and local governments to confront urban problems could be coordinated. More meaningful national standards and performance criteria could be developed and employed within the scope of one department than in any other context. States and localities would conduct negotiations with only one organization in the Federal bureaucracy in order to obtain funds for programs consistent with an approved general development plan.

The single department approach has impressive advantages. It eliminates the problem created by one "equal" exercising authority over other "equals". It would combine 80 to 90% of all urban related activities and virtually all Federal programs aimed at the ghettos in one location where coordination and consolidation could be most effectively carried out. The plan also has some drawbacks. First, a restructuring of the Congress and even, perhaps, a reduction in the number of standing committees. Secondly, such a consolidation, with the inevitable shifts in authority and responsibility which would accompany it, would engender a great deal of opposition from the constituencies of the existing agencies,

as the attempt to include the Federal Maritime Board in the Department of Transportation last summer amply demonstrated.

Assuming that the political difficulties inherent in creating a new department may be too great to permit such a solution, the remaining alternative is the establishment of another staff agency within the Executive Office of the President. This agency could formulate national performance standards and review applications for projects combining grants under several programs. It could then direct the other agencies to fund the approved programs. With the authority of the President behind it, the agency could effect the necessary inter-departmental coordination. The transition from the present Federal system to a reoriented one could probably be made most smoothly with the capacities of the office being expanded as its responsibilities grew over time. Nevertheless, the Executive Office alternative has its disadvantages. First, it requires creating a new agency which, if it is to have the capacity to carry out its functions adequately, must have a large headquarters staff and regional and metropolitan field offices. Secondly, this approach imposes another layer of bureaucracy between the President and his Cabinet. Finally, placing such major urban responsibilities in another agency would require a

reorientation of HUD, perhaps by refocusing its activities on housing and physical development. Yet, on balance, the Executive Office approach appears to be the most promising line of attack at this time.

### A Final Note Concerning Magnitudes.

Overhauling the grant-in-aid system, strengthening local and state government, and focusing Federal urban responsibilities are essential if an effective attack is to be launched on the spreading cancer of the ghetto. But these needed reforms will be insufficient unless there is a striking increase in the amount of resources devoted to the elimination of the problems of the ghetto. In another paper prepared for the Task Force, the annual cost of a 15-year ghetto enrichment program is estimated at \$27 billion. Spending at this level would require a three-fold increase over the FY 68 budget's allocation of \$9 billion.

The \$18 billion "gap" between needs and current spending has critical implications for the Federal system. Scarcity tends to increase the competition for Federal funds. Competition breeds complicated procedures, delay, the multiplication of consents, and the other shortcomings of the existing grant-in-aid system. Unless adequate scale is reached in an attack on ghetto problems, the most imaginative proposals for change in the Federal system are likely to fall far short of their promise. Scarcity and competition will quickly complicate the procedural framework. Incentives will be insufficient to produce compliance with Federal standards.

In war, be it a war on poverty, blight, ignorance, or the ghetto, no system can overcome inadequate resources, although an effective system can maximize their utilization. The goals of equal opportunity and a decent set of national minimal standards cannot be attained through a competition such as that involved in the Model Cities Program or the poverty program. Unless the Federal government comes to scale, urban expectations will continue to exceed Federal payoffs. Serious problems will intensify; and long hot summers will become longer and hotter. Without a great deal more money, no amount of tinkering with the Federal system will have much impact.



## The Long-Run Cost of Effective Urban Programs

There is no bargain basement that sells social progress at a discount. The nation's urban problem is enormous in its proportions and critical in its implications for the public welfare. Revolutionary changes in the cities' economics are advocated on every side, but such a revolution is never cheap. It has long been recognized that a successful attack on the problems of the cities will ultimately require very substantial outlays. It will be shown now that the full magnitude of the requisite cost has hitherto not been recognized.

Specifically, it will be demonstrated that the technology of municipal services inescapably imposes cumulatively rising costs on local governments so that, even if it were decided to keep the quantity and quality of these services to their present levels, costs would rise steadily and persistently at a rate significantly more rapid than the rate of increase of costs in the remainder of our economy. As a result, even if inflationary forces were kept at bay, and though there were no improvement in the services offered by our cities and by our suburbs, the budget which is sufficient for them today will unavoidably prove inadequate tomorrow, and the budget which is required for tomorrow will be insufficient thereafter.

A second fundamental problem of the urban economy is again not generally appreciated, though it has been recognized and is well documented in some of the specialized literature. For our cities, there is no standing still. They are enmeshed in a process of cumulative deterioration which one can hardly expect to reverse with the aid of current levels of expenditure. Such a process of deterioration means that, left to itself, the urban economy is likely to run into ever more pressing problems and to attract

to itself more and more of the sources of discontent which pose so serious a threat to society. From the viewpoint of urban planning, the process of cumulative deterioration has a more immediate consequence: it suggests that piecemeal measures are likely to produce effects which are transitory at best, and that the improvements they produce are soon likely to be swallowed up in the remorseless process of decline. The cumulative process is like a giant machine which grinds away at the prosperity and habitability of the city. A partial program that tears down a few blocks of slums or builds a few schools serves to stop the course of the machine for a brief period or, even momentarily, to reverse its engines, but in the long run, it is likely to leave little permanent trace.

Two major consequences follow from these observations. First, it may be necessary to undertake a substantial reorientation in our planning process. It will no longer suffice to ask whether a proposed program is a move in the right direction, or whether it is likely to produce effects which are in themselves desirable. If these effects are largely transitory, they can only serve to disappoint the people whose hopes they have stimulated. In the future, one must judge an urban program in terms of its adequacy, determining whether it is indeed sufficient to reverse the engines of decay. Only proposals that pass this test can hope to satisfy the aspirations of those who design the program and those whom it is intended to serve. The true model city must be The Self-Sustaining City -- the metropolis that has been served by a program sufficient in magnitude and adequate in conception to reverse the process of cumulative deterioration, a program sufficient to permit the economy of the city to enter a period of prosperity that will feed upon itself.

A second consequence of the preceding discussion is that a major program of reeducation of the public will be necessary if long-run aspirations for the cities are to be realized. The normalcy and inevitability of the rising costs of central city and suburban services must be recognized generally, for otherwise the public will be unwilling to bear the necessary burdens. This process of education may prove no less taxing than that which was involved in getting people to accept the necessity of deficits and surpluses in the federal budget as essential instruments of economic stability. Unless the process of explanation is undertaken and carried through, the public will continue to ascribe rising local budgets to inefficiency and malfeasance on the part of the public servant, rather than recognizing them to be an inescapable consequence of the technology of municipal services.

#### Analysis of Rising Municipal Costs.

To see why municipal costs behave in this way, we must undertake some economic analysis, discussing briefly the characteristics of the production of central city and suburban public services. Costs per unit of output of these services have, as far as can be determined, risen consistently with greater rapidity than those in the remainder of the economy. It will be seen presently that these rising costs are themselves one of the prices of progress in the remainder of the economy. This observation is important, for it means that, while municipal costs will inevitably rise, concomitant with that rise there must be an increase in the nation's prosperity, so that the public will necessarily be able to afford these costs -- if it chooses to do so.

The explanation of the behavior of municipal costs is to be found in the importance of personal services in so great a variety of city and suburban activities. In education, which accounts for the bulk of local government outlays, no one has found a satisfactory substitute for the presence of the teacher directly in communication with the student. Police protection is most effectively provided by the presence of patrolmen. Medical services require direct examination and treatment by trained personnel. Examples can obviously be multiplied indefinitely.

In each of these cases, a decrease in the time devoted by the personnel who provide the service poses a direct threat to the quality of the project. After some point, larger classes (fewer teachers per student) must mean poorer education. A smaller police force reduces the quality of police protection, etc. That is, it is in the nature of the technology of local government services that they provide very little room for labor-saving innovations. In much of the remainder of the economy, notably in manufacturing, the labor component is not directly correlated with the nature of the end product. When he purchases an automobile, a television set, or a stove, the consumer neither knows nor cares how much labor went into its production.

As a result, it has been possible to provide a stream of innovations in manufacturing, which, year after year, have effected a remarkable and highly consistent increase in per-man-hour productivity. As far back as we have statistics, output per manhour in manufacturing (the saving of labor) has risen at approximately 2 1/2 per cent a year compounded. In services, there have been some rises in productivity, but because of their technology, these rises have unavoidably been very small in comparison. Of course, even in these areas some further rises in productivity are possible,

and are clearly most desirable, but it will not be easy to find ways to increase the productivity in the supply of services, year after year, as has been the case in manufacturing.

Rising productivity in manufacturing inevitably leads to demands for higher wages, and soon workers in the service sector will demand some increases to keep from falling hopelessly behind. However, there is a difference in the consequence of wage increases in the two sectors. In manufacturing, if productivity rises at an annual rate of  $2\frac{1}{2}$  percent and wages rise at an annual rate of  $2\frac{1}{2}$  percent, the two effects will just cancel out. The net effect will be an unchanged labor cost per unit of manufacturing output. In contrast, in services, even if wages go up less rapidly, say at only 2 percent a year, the absence or low rate of increase in productivity means that labor costs per unit of output must go up at a rate of nearly 2 percent per year.

Note that the more rapidly prosperity grows in the manufacturing sector, the greater will be the pressure for wage increases for civil servants and others engaged in the supply of services, and hence, the more rapid must be the cost problem associated with the supply of municipal services.

It is little wonder that many a reform mayor has come into office intending to effect significant economies, and has found that this was beyond his powers. As we have just seen, cumulatively rising municipal costs are an inescapable consequence of their technology, and of the comparative growth in efficiency which characterizes manufacturing. Unless the public learns to recognize the nature of this cost structure, it will continue to resist the financial needs of the local governments; and in particular,

the cities will as a consequence continue to go from crisis to crisis, with the quality of urban services inevitably sacrificed in the process.

### The Cumulative Problems of the Urban Economy

While the preceding discussion applies in general to central city and suburban communities alike, the nature of the cost side of the central city problem is shaped by yet another economic force, the cumulative process which dictates the dynamics of the central city economy. This process has been recognized by many persons who have studied urban problems. Its influence can be illustrated by the decline of public transportation whose facilities and schedules have been permitted to deteriorate when the number of persons using it has been reduced. As the standards of service go down, still fewer people are willing to travel by public transport. Thus -- each of these in turn aggravates the other -- fewer passengers mean poorer service, and poorer service tends to attract still fewer passengers and so on, ad infinitum, with the long-run consequence the reduction of the public transport system to a vestigial relic which is incapable of contributing materially to the cities' mounting transport problems.

The basic economy of the city is enmeshed in an analogous and equally serious cumulative process. As cities have deteriorated, they have tended to drive out their middle class residents and some of their industry. This itself has hastened the process of deterioration, which has in turn stimulated a continued exodus of those who are capable of providing the resources needed to stem the tide. Already some cities are threatened to be peopled almost exclusively by those who can afford no better -- to become havens of squalor offering little promise for the future.

There is no ground for the assumption that such a dynamic process can be halted by piecemeal programs designed primarily to ameliorate its symptoms. If one is to have any basis for confidence in some attack on such a problem, it must be designed to get at the mechanism of the process, and must be adequate in scope and magnitude. There is no reason why such an approach should not be undertaken, but it will require a major reorientation in policy planning. Such a reorientation will surely be essential if our urban programs are not to prove a bitter disappointment.

#### The Financing of Urban Public Services

In view of rising costs and cumulative deterioration, why have not our cities simply increased their revenues and taken the steps necessary to reverse the process of decay? We do not have to look very far for the answer to this question. The first half of the answer is the magnitude of the cost problem. Our cities, as discussed earlier, must continually spend more and more just to keep the quantity and quality of their public services at the existing level; any moves to expand the scope of the services provided or to improve their quality means an even more rapid expansion in the public budget. Further, the cost per capita of providing a certain level of public services is in general much higher in our large cities than elsewhere in the nation. During the fiscal year 1964-65, municipal expenditures per capita were almost three times as large for cities with populations exceeding one million persons as for communities under 50,000. Expenditures per person on police and fire protection, for example, were substantially higher in our largest cities than in our smaller municipalities. And yet

the threat of robbery and assault, in spite of this differential in spending, remains much higher in the big cities. Thus, the cost per unit of output (e.g., to provide an equivalent level of safety) is simply much greater in our major cities.

The second half of the answer to our question involves the limitations on local tax policies. We must stress that the revenue problem for a municipality is of quite a different character from that of the federal government. Localities (and also the states) must be concerned with the impact of their budgetary policies on the movements of individuals and industry. A city which adopts a progressive income tax may well contribute directly to the exodus of its more wealthy residents to communities where more favorable tax treatment is available. Thus, local public officials are reluctant to institute new taxes or to raise rates on existing taxes. The risk of damage to the local economy is, they believe, a very real one. Thus, there may well be a built-in tendency for underproduction of public services at the local-government level. However, in spite of this reluctance to raise taxes, the tremendous pressure from rising costs and demands for an increased scope and quality of public services have compelled officials to seek out new sources of revenues. But, at the same time, there is reason to believe that increases in taxes have to some extent hastened the movement of individuals and business out of the cities.

Thus, a number of observers of our urban economic scene have reached the conclusion that our cities face a real and grave dilemma. City public services are costly, in general more costly than the equivalent services outside our urban areas, and the costs rise inexorably every year. But the cities are constrained from generating the revenues necessary to cope with these rising costs. Aggressive attempts to raise taxes chase people and



industry out of the city. As a result, the growth of the tax base is retarded, and the anticipated increase in revenues may not be realized. In fact, the city may well be worse off: the individuals who leave are generally the middle and upper income families, and the exodus of industry means a loss of jobs for many of those remaining in the city. Thus, our cities are caught in a vicious squeeze: on the one side, are rising costs and demands for improved services, and, on the other, severe limitations on their abilities to generate funds. Our cities simply do not have access to the resources necessary to meet the pressing demands which confront them. The obvious conclusion is that, if these demands are to be met, if the process of cumulative decay is to be reversed, assistance on a massive scale must be forthcoming from other sources.

#### Concluding Comment

We have seen that the long-run cost of a really effective urban policy is necessarily high, higher than is generally recognized. Yet, there is nothing to be gained by deluding ourselves into believing that somehow it can all be done with relatively little cost and effort. The problem is a serious one, and society must face the magnitude of its cost. The expenditure of amounts which are inadequate for the task may, in the long run, prove to have been largely wasteful.

All this may at first glance appear discouraging, yet it must be recognized that the problem has its roots in the growing abundance of our economy and the astonishing growth in efficiency in our manufacturing process. It is this very progress which inevitably renders the supply of

municipal services comparatively costly. While the economy's progress imposes this problem upon us, it also provides the wherewithal which can enable us to deal with it. Once it understands the nature of the cost, an informed public can decide, on a rational basis, whether to undertake the sort of program which can hope to deal effectively with the economic and social problems of our cities.

## 1. Increasing Relative Cost of Municipal Services:

### Some Evidence

In the first section of the report, we argue that there exists a built-in escalator for costs in the provision of local public services. Municipal governments, we contend, are in general unable to offset rising wages and salaries through increases in productivity. Thus, costs per unit of output tend to rise continuously and cumulatively over time relative to costs elsewhere in the economy. Simply to maintain the same quantity and quality of services, local governments must be prepared to expand their expenditures each year, even if the price level in the economy as a whole remains stable.

The purpose of this section of the appendix is to examine this problem in somewhat more detail in the light, where possible, of the factual evidence. Specifically, we shall look at the actual trends in the costs of providing certain municipal public services in the United States. The data suggest that in fact the costs of supplying these services have risen extremely rapidly in this century, especially in the post-World War II period. The source of the bulk of the increases in costs has been rises in wages and salaries, rises which urban governments have not been able to offset with increases in productivity.

It is useful at the outset to look at the allocation of municipal public expenditures in the United States. In 1962, general expenditures in SMSA's (Standard Metropolitan Statistical Areas) were divided as follows:

Table I

**The Division of Local-Government General Public Expenditures in  
U.S. Standard Metropolitan Statistical Areas (1962)**

Education	42%	Interest on debt	4%
Highways	8%	Administration	4%
Public Welfare	7%	Housing and Urban Renewal	4%
Sanitation	6%	Fire Protection	3%
Health and Hospitals	6%	Parks and Recreation	3%
Police	5%	Miscellaneous	9%

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Source: George F. Break, Intergovernmental Fiscal Relations in the United States, Washington, D.C.: The Brookings Institution, 1967, p. 170.

It is apparent from Table I that by far the most important single item in the budgets of U.S. local governments is education. Some 42% of local public expenditures in our metropolitan areas goes for local schools. Thus, any study of the costs of providing urban public services must begin with education.

### Education

In contrast to many manufacturing industries, the educational process is not one where men are easily replaced by more efficient machines. Direct supervision and personal interaction are generally recognized as indispensable parts of our educational programs. While there has no doubt been real improvement in the quality of instruction provided by our teachers, it has not been of a cost-saving variety. Schools have not, for example, found it

feasible to increase pupil-teacher ratios without undesirable effects on the quality of the education provided. Thus, education appears to fit our argument quite well. We would expect education to be an industry in which increases in wages and salaries would reflect themselves in rises in costs per unit of output, rather than being offset by productivity increases.

The data appear to confirm this hypothesis. In Table II, we see that the salaries of city public-school teachers have increased with the general rise in per-capita incomes in the U.S. Economy. The increase has in fact been quite rapid, almost 5% per annum, in the post-war period.

Table II

Index of Average Annual Salaries of City Public

School Teachers (1957-59=100)

1925	37	1947	55	Annual Rate of Increase: (Compounded)	
1927	38	1949	67		
1929	40	1951	71		
1931	41	1953	81		
1933	38	1955	87	1925 - 1965	3.2%
1935	37	1957	96	1947 - 1965	4.8%
1937	39	1959	104		
1939	41	1961	113		
1941	42	1963	121		
1943	44	1965	128		
1945	48				

Source: City Public School Teachers, 1925-65, Bulletin #1504, U. S. Department of Labor, Bureau of Labor Statistics, May, 1966, p. 24.

Our hypothesis would lead us to expect that the bulk of these increases in teachers' salaries would result in increased unit costs of educational services, since the scope for productivity increases in this area does not appear great. And indeed this is just what we find. Table III indicates that current costs per pupil-day in public elementary and secondary schools have risen continuously and dramatically in the present

century. In the post-war period (1947-67), these costs have risen at a remarkable (and rather frightening) rate of 6.7% per year, even more rapidly than the rise in teachers' salaries. This no doubt reflects to some extent an improvement in the quality of our educational services.

Table III

Current Costs per Pupil-Day in U.S. Public Schools

1900	\$ .12	1952	\$1.38	Annual Rate of Increase (Compounded) :	
		1953	1.35		
1910	.18	1954	1.48		
		1955	1.51		
1920	.33	1956	1.71		
		1957	1.69		
1930	.50	1958	1.85		
		1959	1.94		
1940	.50	1960	2.13		
1946	.77	1961	2.20		
1947	.86	1962	2.37	1900 - 1967	5.0%
1948	1.02	1963	2.42	1947 - 1967	6.7%
1949	1.09	1964	2.57		
1950	1.18	1965	2.70		
1951	1.26	1966	2.93		
		1967	3.15		

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Source: These figures were calculated by multiplying average daily school attendance for each year times the average number of days in the school year to give a number of pupil days figure. This last number was then divided into the annual current expenditure on public elementary and secondary education to give the current cost per pupil day. The sources of the data for these calculations are Status and Trends: Vital Statistics, Education, and Public Finance, Research Division, National Education Association, Report R13, August 1959, p. 22; and Estimates of School Statistics, 1966-67, Research Division, National Education Association, Report R20, 1966, pp. 11, 20. Data interpolations were used for some years.

It is interesting to note that over the period 1947-66, the wholesale price index, a measure of the cost of producing farm and industrial output, rose by 1.4% per year. Thus, increases in costs per pupil were almost five times as great as increases in unit costs in the farm and industrial sectors of the economy. It is therefore clear that, even in the absence of a baby

boom and the desire for improved educational facilities, our local governments would have been subject to real and severe financial pressures simply as a result of rapidly rising per-pupil costs.

It is true that some of the increase in costs per pupil-day have resulted from specific improvements in the quality of education. As indicated in Table IV, for example, there has been a trend throughout this century toward lower pupil-teacher ratios. This in itself would cause some rise in per-pupil costs. However, the reduction in pupil-teacher ratios has not

Table IV  
Pupil-Teacher Ratios in U.S. Public Elementary  
and Secondary Schools

1900	36.6	1953	28.1
1910	34.0	1954	27.9
1920	31.8	1955	27.8
1930	30.1	1956	27.5
1940	29.1	1957	27.2
1944	28.1	1958	27.1
1946	28.0	1959	27.0
1948	27.8	1960	26.6
1950	27.5	1961	26.6
1951	27.8	1962	26.2
1952	27.6	1963	26.3
		1964	26.0
		1965	25.8
		1966	25.4

Source: Same sources as Table I. See R13, pp. 11, 22, and R20, p. 20.

been rapid enough to explain very much of the rise in per-pupil costs.

During the period since 1950, for example, this factor cannot have resulted in increases in per-pupil costs of more than 1/2 of one per cent per year.

It is clear that the primary source of increases in costs per pupil has been rises in the salaries of teachers and administrative personnel, rises which have not been offset by cost-saving increases in productivity.

Education, while being quantitatively the most important, is by no means the only urban public service for which rising unit costs have plagued public

officials. In the areas of public health and hospitals and for police and fire protection, the same sort of economic forces appear to have been at work. Costs per unit of output seem to have risen rapidly for these services. We should stress that measuring precisely the increases in unit costs for such services is a most difficult task. To determine unit cost, we must divide total cost by the number of units of output. Costs are generally relatively easy to determine, but, for many public services, defining units of output is a very tricky business. It is clear, for example, that there have been significant advances in the field of medical treatment; a doctor today is in general capable of providing a superior service to that of his counterpart thirty years ago. Thus, it would be misleading to equate an hour's worth of a surgeon's services today with a similar effort by a surgeon several decades ago. Today's surgeon will, in most cases at least, be "more productive" in the sense that he provides a service of higher quality. Making allowance for these sorts of increases in productivity is extremely difficult; economists have in fact made very little progress in the measurement of output in the public sector.

In view of this problem, we shall not attempt here to measure the output of the various local public services. Instead, we will present some data and observations which, we believe, are highly suggestive as to the path of unit costs over time. This information, while by no means conclusive, does point strongly to rapid increases in unit costs for a number of municipal public services other than education.

#### Health and Hospitals

For the reasons just described, it is difficult to determine with certainty the trends in unit costs of health services provided by local governments. Advances in medical science have resulted in more effective



and, in some cases, less costly cures for a wide range of diseases. However, offsetting many of these advances from the point of view of urban health budgets has been a general increase in health standards. We do know that over the period 1955-1964 total public expenditures for health and medical services more than doubled, rising from \$4.4 billion in 1955 to \$9.0 billion in 1964; this represents an annual rate of increase of over 8%.<sup>1</sup> But it is difficult to determine accurately just how much of this increase resulted from (1) A larger quantity of health and medical services, (2) A higher quality of services, and (3) higher unit costs. Nevertheless, we do have some information which suggests that for a major component of health services, namely hospital care, increases in unit costs have been quite important.

Hospital care provides a clear example of rising costs resulting, at least in part, from lagging productivity. The basic task here is to provide a bed in a sterile environment and the services of skilled attendants, along with medication of a routine nature. While it may be possible to achieve some productivity advances in supporting services (e.g., through the development of improved disinfectants, more extensive delegation of specialized tasks to semi-skilled workers, etc.), one would expect these advances to be quantitatively unimportant. This problem has been recognized in several quarters. Herbert Klarman, for example, points out that:

In most industries increases in wages are not fully translated into higher prices, since part of the higher cost of input can be absorbed through increased productivity. Hospitals, by contrast, have but limited potentialities for achieving gains in productivity. The New York State Board of Charities (now Social Welfare) recognized this fact more than 30 years ago, as have many economists who have reflected on hospital costs.<sup>2</sup>

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1. U.S. Department of Health, Education, and Welfare, Health Education, and Welfare Trends, 1964 Edition, Part I, p. 25.

2. Herbert E. Klarman, "The Increased Cost of Hospital Care," in The Economics of Health and Medical Care, Ann Arbor, Michigan: The University of Michigan, 1964, p. 237.

Turning to the available cost information, we find that the data provide strong support for the argument. Table V shows the trends in Hospital Daily Service Charges from 1935 to 1963. This index, which covers the charge to full-pay adult inpatients for room and board, routine nursing care, and minor medical and surgical supplies, isolates clearly the basic elements of hospital care. Over the entire period covered, the index rises from 23.8

Table V  
Index of Hospital Daily Service Charge  
(1957-59 = 100)

1935	23.8	1951	64.1	Annual Rate of Increase: (compounded)		
1939	25.3	1952	70.4			
1940	25.4	1953	74.8			
1941	25.9	1954	79.2			
1942	28.0	1955	83.0			
1943	30.2	1956	87.5			
1944	31.5	1957	94.5		1935-1963	6.5%
1945	32.5	1958	99.9			
1946	37.0	1959	105.5		1947-1963	7.4%
1947	44.1	1960	112.7			
1948	51.5	1961	121.3			
1949	55.7	1962	129.8			
1950	57.8	1963	138.0			

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Source: U.S. Department of Health, Education and Welfare, Health, Education, and Welfare Trends, 1964 edition, Part I, page 22.

to 138.0, which represents an annual compound growth rate of 6.5%; meanwhile, the wholesale price index advanced from 43.8 to 100.3 for an annual growth rate of 3.0%. In the post-war period, the rise has been even more dramatic: from 44.1 in 1947 to 138.0 in 1963 for an annual rate of growth 7.4% (compared to a 1.3% annual rise in wholesale prices). Thus, as we expected, the charge to patients for hospital care has risen much more rapidly than the general level of costs throughout the economy.

Further, there is strong evidence that these increases in the daily service charge to patients reflect a general rise in the costs of hospital

care, a rise which is also present in public expenditures for hospital services. In a recent study of general hospitals in New York City, Herbert Klarman found a very rapid rise in expenditures for hospital care. Of interest here is Klarman's discovery that between 1934 and 1957 cost per patient-day rose from \$5.26 to \$26.40, an annual compound rate of increase of 7.3%.<sup>3</sup> This increase in patient-day cost accounts for 94% of the rise in expenditures for inpatients over this period. After investigating the sources of these cost increases, Klarman concludes that "Medical advances, insofar as they are reflected in the ancillary services of the hospital, account for less than one-fourth of the dollar increase in patient-day cost in the 1950's" (p. 247). The most important cause, Klarman suggests, is the "lag in productivity gains" (p. 248).

There does, however, appear to be one source of increased productivity in hospital care: a reduction in the average length of stay in the hospital. The average duration per visit for inpatient care in general and specific hospitals has declined from 15.3 days in 1931 to 9.3 days in 1962.<sup>4</sup> The cost-saving implications of this trend should not, however, be exaggerated. In the first place, this reduction in average stay in the hospital cannot offset the rise in patient-day costs. While the average length of stay declined by about 40% over 1936-1962, the index of hospital daily service charges for this period increased over five times in money terms and more than doubled in real terms. Second, the whole of the reduction in the duration of patient stay cannot be attributed to rising productivity in medical care. Some of it, no doubt, is a direct result of the dramatic

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3. Klarman, op. cit., pp. 227-254.

4. U.S. Department of Health, Education, and Welfare, op. cit., p. 28.

increase in the cost of hospital care; patients now stay a shorter time in the hospital because of the increased cost -- they economize on the use of hospital services to offset the higher price. Thus, to this extent, the reduction in length of stay represents a deterioration in the care received by patients. And third, we should stress that the scope for further reductions in the length of hospital stay appears limited; in contrast, the trend toward increases in cost per patient-day would appear to be with us for the foreseeable future. Thus, in the area of hospital care, local governments find themselves providing another service for which unit costs have risen (and probably will continue to rise) at a very rapid rate.

### Police and Fire Protection

While increasing use is made of sophisticated capital equipment in the provision of police and fire protection (e.g., advanced communications systems, more effective fire trucks, etc.), the fact is that the main input to these services is manpower. Allen Manvel has found that "Salaries and wages make up the bulk of local government expenditure for these protective services -- about seven-eighths of all policing costs and four-fifths of fire protection expenditure."<sup>5</sup> While significant economies of scale might nevertheless be possible, that is, the required input of manpower might expand less rapidly than the population of urban areas, such economies have not in fact materialized. For as Manvel points out, "Large cities engage more police in relation to their population than do smaller ones," while required fire-fighting forces appear to expand roughly in proportion to the population.<sup>6</sup> Manvel concludes that "No striking new developments seem in

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5. Allen D. Manvel, "Changing Patterns of Local Urban Expenditure," in H. S. Schaller, ed., Public Expenditure Decisions in the Urban Community, Washington, D.C.: Resources for the Future, p. 3.

6. Ibid.

As the general standard of living rises, so does the poverty line. Thus, to the extent that we wish those on welfare to share in the growing abundance of the economy, we must be prepared to increase welfare assistance. If, for example, we want welfare payments to grow annually so as to provide the same relative increase in income for welfare recipients as for others in the nation, this implies that these payments must rise at the same rate as the general increase in wages and salaries throughout the economy. Thus, it is interesting to find that the net result in this case is exactly the same as our conclusion for public service industries with negligible increases in productivity: unit costs rise at the general rate of increase of wages and salaries.

It should also be pointed out, looking beyond the conclusions of the model, that the demographic trends in urban areas suggest a still stronger conclusion. The continuing movement of the middle classes to suburban areas significantly increases the burden of providing welfare services in the central cities, for a growing fraction of those remaining in the cities is among the poor.

#### Urban Roads and Highways

The technology of the production of urban highway services illustrates a problem somewhat different in character from that examined in the preceding cases. In education, for example, we showed that one might expect a continuing rise in unit costs because of limitations on increases in productivity. In the case of highway construction, the problem is not that the cost of physical output tends to increase, but rather that increasing urbanization, and more particularly the increasing automobile population, may lead to a requirement for ever more physical output in order to maintain a given level of service. That is, predictable developments in the urban

environment may well reduce the "output" of services provided by a given physical unit of highways. An analogy may be drawn at the level of a private good: it is possible to describe the physical output of a home dehumidifying device by the volume of water removed from the air per hour. However, the number of such physical units of output needed to provide a unit of the ultimately desired service, namely an hour of dry air, will obviously depend on the humidity. Thus, even though dehumidifiers may be becoming more efficient, the provision of dry air may not be becoming cheaper if there is a secular trend in the environment towards greater humidity.

Highway construction, involving as it does the application of heavy doses of sophisticated machinery via a technology which has evidently been evolving rapidly, is one line of urban expenditure in which we would expect to see the fruits of significant productivity advances. Indeed, the evidence in Table VI suggests that the labor input required to produce a standard road

Table VI

Output per Man-Hour in Highway Construction  
(1948 = 100)

1944	86.3	1950	113.3
1945	91.6	1951	123.4
1946	95.8	1952	130.0
1947	97.6	1953	136.6
1948	100.0	1954	144.8
1949	104.9	1955	152.2

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Source: John W. Kendrick, Productivity Trends in the United States, Princeton, New Jersey: Princeton University Press, 1961, p. 493.

mile has exhibited a satisfying downward trend in the past; output per man-hour has increased at an annual rate of 5.3% over the period 1944-1955.<sup>8</sup>

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8. The data in Table VI refer to increases in productivity in the production of a standard mile of federal-aid and state highway construction; they do not apply directly to urban highway construction. One would expect, however, that costs of urban highway construction would parallel closely the trend indicated in Table VI.

However, as others have argued elsewhere,<sup>9</sup> and as is evident to the driver at rush hour on even the most elaborate urban freeway systems, an urban road mile does not in general provide the same level of services in terms of safe and rapid transportation from one point to another as does an uncongested mile of road. In other words, the "output" of an urban road mile per user has become continually less as the urban congestion problem has intensified. On the other hand, it is true that an urban road mile has come to serve more drivers; this is clearly the source of the congestion. Thus, we have two forces at work. An urban road mile accommodates more users, but it provides a reduced level of services or "less output" for each driver. As urban congestion becomes continually worse, the congestion costs imposed on road users are likely to more than offset the fact that the road services a larger number of drivers. This would imply that more than one standard road mile becomes necessary to provide the same output as a single standard road mile in previous years. Thus, it may well be that in terms of final output, namely the service to the traveller, growing congestion costs have more than offset the greater efficiency with which standard road miles can be constructed. Furthermore, this source of cost increase is likely to become continually more serious as our urban areas grow and become more congested. There is then a real sense in which one can argue that the cost of providing a unit of urban road services may well have increased, not decreased, over time.

#### Summary and Conclusions

In summary, the evidence suggests that rising costs per unit of output have put serious financial pressures on our municipal governments. For the largest item in local public budgets, namely education, costs per pupil-day

9. William J. Baumol, "Urban Services: Interactions of Public and Private Decisions," in H. S. Schaller, ed., op. cit., pp. 7-8.

have risen dramatically in recent years, at a rate of 6.7% per year in the post-war period. Further, the available information suggests that the primary source of these cost increases has been rising teacher salaries, rises which local governments have been unable to offset with increases in productivity. In addition, economic pressures of the same kind appear to have caused rapid increases in unit costs for a variety of other urban public services including police and fire protection and hospital care. Finally, other sorts of economic and social forces provide reason to expect increasing unit costs for public welfare assistance and possibly for urban highway services.

What all this suggests is that our city governments can expect in future years a continuation of the cost-spiral which has persisted in the past. We stress that this means that costs will continue to rise cumulatively and at a more rapid rate than those in the rest of the economy, even if there is no increase either in the quantity or quality of the services provided. Increasing costs is the price of just standing still. Any programs to expand the quantity of existing services to meet the needs of an expanding population or any attempts to improve the quality of these public services mean additional expenditures over and above those resulting from the seemingly inexorable rise in costs per unit of output.



## 2. Policy Implications of A Cumulative Process

Among students of the subject it has for some time been recognized that a cumulative process serves to compound the problems of the city; perhaps this dynamic relationship constitutes the critical component of these difficulties. What has not generally been understood, however, is the policy implication of such a dynamic process. In fields such as engineering which have long dealt with relationships of this variety, it is well known that a malfunction in the system must often be treated by means which have no simple intuitive explanation, and that measures which seem appropriate in terms of common sense sometimes are shown by rigorous analysis to aggravate the problem, or at best to treat only its symptoms.

Precisely these complications arise out of the cumulative process which affects the cities. The intricacy of the relationships mean that policy approaches which seem on the basis of informed judgment to promise to come to grips with the problem may or may not in fact turn out to do so. One simply cannot be sure without a far more careful analysis whether the measures that have been tried or proposed will in fact help the community toward a long-run improvement in its circumstances. It may even turn out that most of these policies are incapable of producing any significant long-run effects or that some of them can be absolutely harmful.

As already indicated, the reasons for this difficulty are not readily translated into intuitive terms. As a result, the following discussion will have to make use of some simple mathematical relationships. However, before turning to these we will attempt to offer some general idea of the nature of the difficulty.

Consider the problem of public transportation schedules described in the main text of the report -- fewer passengers lead to a reduction in the frequency of departure which in turn drives away still more passengers and so leads to a still poorer level of train service etc., etc. The most obvious policy measure in such a situation is a subsidy to the transportation authority to permit it to run more trains than it would otherwise find feasible financially. Suppose it is permitted to run ten trains a day more than it would otherwise have operated, and that in the absence of the subsidy the average number of trains run per day would have exhibited the following time pattern:

year	1967	1968	1969	1970	1971
no. of trains	30	25	22	20	19 etc.

the addition of the ten trains, say, in 1970 can be shown, in the absence of a change in the underlying dynamics, to lead to the following time path:

year	1967	1968	1969	1970	1971	1972	1973	1974
no. of trains	30	25	22	30	25	22	20	19 etc.

That is, the additional trains have served to postpone by three years the process of deterioration in train service, but they have not come to grips with underlying problem nor have they improved the ultimate state of extremely poor service toward which the system is headed.

A physical analogy should suggest the nature of the problem. Consider a ball rolling down a child's slide in a playground, in which the bottom of the slide has been blocked off so that the ball will not fall to the

ground. If one wishes to raise the height of the point at which the ball will ultimately come to rest it does no good to stop the ball in mid-passage and push it a few feet back up the slide. For while that will temporarily raise the position of the ball it does not affect the underlying dynamics of the arrangements. To achieve the true objective of this game -- the raising of the final location of the ball -- one must find ways to increase the level of the slide itself, and no amount of adjustment of the position of the ball can have that effect. The analogy to the train case should be clear -- the addition of a few trains to a deteriorating schedule is like an upward push on the ball which moves it temporarily back up the slide. What is not so clear is the analogue of the low point on the slide and the means that can be used to raise it, in the case of the train schedule, or in the case of progressive urban deterioration.

To get at these parameters we must have recourse to a bit of mathematics, characterizing the deterioration process in terms of an elementary mathematical model. Before turning to this model it should be emphasized that it is so oversimplified that its conclusions cannot pretend to offer any direct guidance to policy. Rather its policy implication is purely negative -- it is intended to show that even in so simple a dynamic situation the formulation of appropriate policy measures is extremely difficult, and plausibility considerations constitute an extremely unreliable guide.

Turning now to our model, let us this time deal for variety of illustration with the dynamic process characterizing the interrelationship between per capita income of urban residents,  $Y_t$ , and the state of deterioration of the city  $D_t$ , however measured. Here we have a double relationship.

First, there is the fact that increased deterioration drives out wealthier residents and so lowers per capita income, so that if the relationship is linear we have

$$(1) \quad Y_t = r - s D_t \quad s > 0$$

i.e., the greater the level of deterioration in period  $t$  the lower will be the per capita income of the persons willing to remain in the city.

Second, we have the relationship in the reverse direction: a reduction in current income leads to further deterioration soon after the current emigration of wealthier inhabitants, so that in a simple linear case

$$(2) \quad D_t = u - v Y_{t-1} \quad v > 0$$

i.e., a reduction in yesterday's per capita income (income in period  $t-1$ ) leads to a higher level of deterioration today (period  $t$ ).

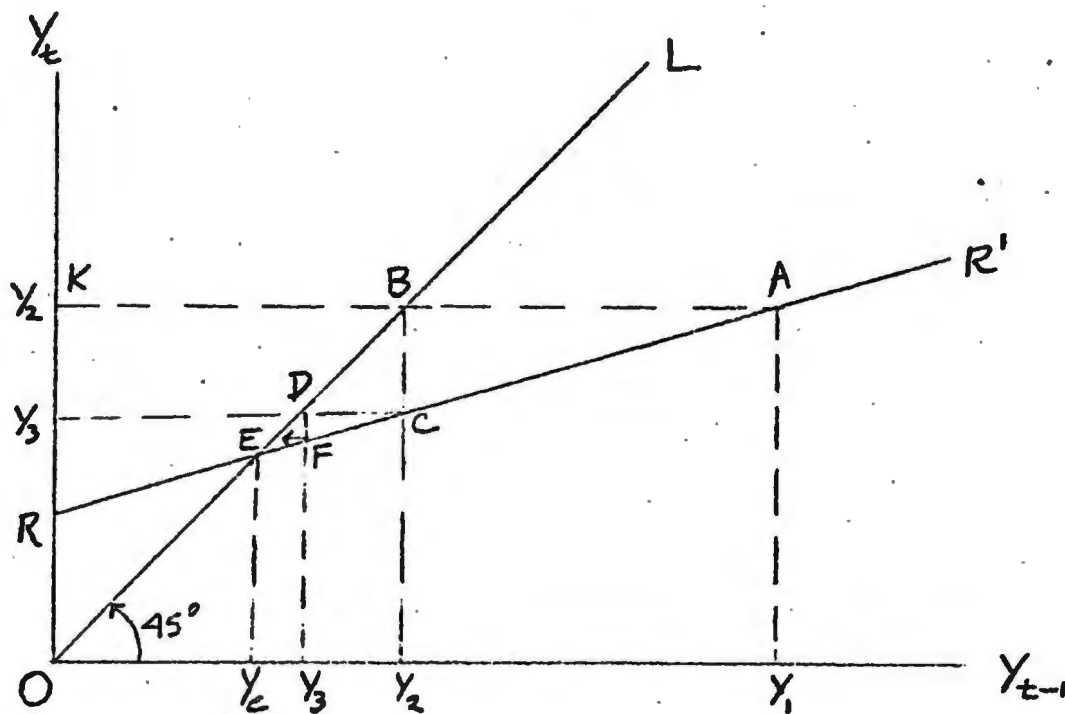
Substituting from the second equation into the first we eliminate the variable  $D_t$  from the relationships and obtain the following equation in the variable  $Y_t$  alone:

$$(3) \quad Y_t = r - su + sv Y_{t-1}$$

As we will see next, this equation determines completely the characteristics of the dynamic process -- the future history of per capita income in our city. To show this we represent this equation graphically. Since it is a linear equation its graph will be a straight line,<sup>1</sup> call it the time relationship line RR' in Figure 1. This shows the relationship between  $Y_{t-1}$ , income in the previous year ( $t-1$ ) (horizontal axis) and,  $Y_t$ ,

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1. The slope of the line is sv (which in the diagram is assumed to be less than unity) and its y intercept is, of course,  $r - su$ .



income in the next succeeding year (vertical axis). This graph enables us to see readily the time path of urban per capita income implied by our equation. Suppose in our initial year ( $t = 1$ ) per capita income is given by  $\underline{Y}_1$  as shown on the horizontal axis. Then our time relationship line  $\underline{RR'}$  shows that next year's per capita income will be  $\underline{Y}_2$  (point A).

To find the level of income the year after that we need one additional graphic device, the  $45^\circ$  line  $\underline{OL}$ . Since, by definition, at any part on that line the two coordinates are equal to one another, that line can be used to transfer any magnitude from the vertical to the horizontal axis. Thus  $\underline{Y}_2$ , the income in our second period as shown on the vertical axis at point  $\underline{K}$  can be moved to the horizontal axis as follows. Draw a horizontal line from point  $\underline{K}$  until it intersects the  $45^\circ$  line at  $\underline{B}$ . Since both coordinates of  $\underline{B}$  are equal to  $\underline{Y}_2$ , by

dropping to the point on the horizontal axis directly below B we have plotted Y<sub>2</sub> on that axis. We can now return to our time relationship line RR' to determine Y<sub>3</sub>, income in the third year. We do this by finding C, the point directly above Y<sub>2</sub> on RR'. This gives us Y<sub>3</sub> on the vertical axis which by going back to the 45° line is brought down to the horizontal axis and so on ad infinitum.

The time path of income is then found by following the path ABCDF... which, it will be noted, moves steadily toward the equilibrium point, E, which happens to be the point where the time relationship line RR' crosses the 45° line<sup>2</sup>.

Now it will be noted that a supplement to per capita income (or for that matter some slum clearance which serves to offset to some extent the process of deterioration is, in effect, a backward move along the time path, say, from F back to A. It is like the uphill push on the ball on the slide in our earlier example, and it need have no long run effect on the time path because it has not changed the position of the time relationship line RR' or that of the equilibrium point E.

To see what is necessary to change the equilibrium point we must return to our basic equation (3). We note that at the equilibrium point, since it is on the 45° line we must have  $\underline{Y}_t = \underline{Y}_{t-1}$  so that we may call this equilibrium income, Y<sub>e</sub>, and write simply  $\underline{Y}_e = \underline{Y}_t = \underline{Y}_{t-1}$ . Thus from our equation (3)

$$\underline{Y}_e = r - su + sv \underline{Y}_e$$

2. It is the equilibrium point because, since E is on the 45° line, we must have  $\underline{Y}_t = \underline{Y}_{t-1}$  for any successive pair of periods and hence there per-capita income will no longer change.

or solving for  $\underline{Y}_e$

$$\underline{Y}_e = (r - su) / (1 - sv).$$

Thus the coordinates of the equilibrium point depend entirely on the magnitudes of the four parameters,  $\underline{s}$ ,  $\underline{v}$ ,  $\underline{r}$ , and  $\underline{u}$ , and their interpretation can be inferred from the two initial equations (1) and (2) from which we see that they may be described as follows:

$\underline{s}$  = The change in per capita income resulting from a unit increase in deterioration, i.e., it is the rate of response of income to a change in urban living conditions,

$\underline{v}$  = The rate of increase in deterioration resulting from a one dollar decline in per capita income.

$\underline{r}$  = The level of per capita income that would be obtained if the city were totally unblighted.

$\underline{u}$  = The maximal rate of deterioration (with zero per capita income).

Of course since this oversimple model is not realistic, its policy implications should be treated with strong reservations. Yet if even this model is sufficient to bring out the basic point that the magnitudes of the preceding parameters are not directly related to  $\underline{D}_t$  and  $\underline{Y}_t$  themselves. That is, if one does something to decrease blight or raise per capita income, by itself, this may have no effect on the long-run (low level) equilibrium point toward which the city is headed. In addition, and perhaps more important, it should be observed that  $\underline{s}$ ,  $\underline{v}$ ,  $\underline{u}$ , and  $\underline{r}$  are parameters whose magnitudes may not easily be subject to change. Certainly the haphazard pouring of money into a metropolitan area may have little effect on their values. Thus, while this simple model cannot pretend to offer any specific basis for policy proposals, it does show that improvement of the long-run prospects of an urban community may require a set of approaches far more

### 3. The Literature and Urban Economic Problems as a Dynamic Process

The text of the report emphasizes the dynamic character of urban economic problems. This conclusion is by no means new. Though sometimes utilizing the term dynamics in a less rigorous manner than is intended here, this aspect of the matter has been well recognized and documented by a number of studies, of which three will be described here. Leo Grebler's landmark empirical analysis of the Lower East Side of New York City, Housing Market Behavior in a Declining Area (Columbia U. Press, 1952), addresses itself to this point directly in its summary of findings:

It has often been observed that a basic problem in urban land use is the slowness with which the quantity and quality of housing and other urban improvements respond to changes in living standards, technology, location of urban activities, transportation facilities, and the host of other dynamic factors that influence land use .... This problem is back of many if not all maladjustments in urban form and structure .... Slum or blighted areas show the problem of fixed real estate inventories versus moving people and establishments in extreme form. (p. 14, emphasis supplied)

The view that the central city is beset by economic changes of a dynamic and cumulative character is also a major theme in the important work of Raymond Vernon. He amply advances and documents this concept in The Changing Economic Function of the Central City (Committee for Economic Development, 1959), the nine-volume New York Metropolitan Region Study (Harvard U. Press, 1959-60), and The Myth and Reality of Our Urban Problems (MIT-Harvard Joint Center for Urban Studies, 1962).

In the last of those studies, he traces the dynamic and reinforcing outward movement of residences and jobs of the middle class. Both shifts



are heavily influenced by transportation improvements which have tended to flatten the urban rent gradient. In addition, they are conditioned, by the "search for space." The latter stems from the effect of increasing real income on the demand for single-family homes on relatively large lots. Similarly, industries want larger sites to permit modern one-story layouts with ample parking for employees. Vernon concludes:

There is nothing to suggest that the outward drift of the middle class will not continue. There is no rubber band being stretched to the breaking point, no growing pressure which cannot be contained. (p. 21)

Nor did Vernon, writing in 1961, feel that the public policies attempting to achieve urban renewal which were then current would significantly alter this dynamic process. He saw little possibility of significant private profit in redevelopment -- even with land "writedowns" -- contending that small developments would be beset by the externalities of their surroundings, and large projects, given the large financial commitments, would be too risky. Vernon acknowledged that there were some special situations where successful redevelopment might be "pulled off," particularly on sites near the central business district, for land uses which demand face-to-face communication and comparison shopping. He also acknowledged a limited demand for luxury housing in a central location. But he saw:

Beyond the immediate limits of the central business district, extending deep in every direction, are many miles of structures which will not be recaptured within our lifetimes. In these areas, in the normal course, one can expect the structures to continue to decay, the populations gradually to decline and thin out, the jobs slowly to fall off in number. (p. 46)

Scott Greer, examining the urban renewal program at a somewhat later date, came to the same basic conclusions. (Urban Renewal and American Cities, Bobbs-Merrill, 1965) In his terms, a changing space-time ratio made possible by

transportation improvements -- particularly the automobile -- has sharply increased the locational freedom in metropolitan areas. This has meant that centrality has lost the former value which it held under a different technology and that the central city will cease to grow.

For it could have grown only through a more intensive use of land....Such structures, however, do not fit either the residential requirements of the population or the needs of the horizontal, continuous-flow factories. (p. 131)

Greer, like Vernon, feels that central city housing, at a comparative disadvantage with suburbia, will continue to filter down to lower-income groups. He recognizes explicitly that such a population will require expensive public services. Further, he notes the outward shift of industrial activity and commercial establishments will aggravate the problem on the revenue side.

We can expect the discrepancy between costs and tax-yield to increase continuously....The basic need is for a tax income that distributes cost of the central city to those who use it. The desired result, an increase in public moneys for the central city, seems easier to achieve through programs that address it directly than through programs seeking to reverse the entire development of urban complexes. (p. 180)

These studies of urban problems thus reinforce the view that the dynamic growth process which accompanies improvement in the private lives of most residents of metropolitan areas has the effect of worsening the cost-revenue problem of central city governments.

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#### 4. Problems in the Financing of Urban Services

A further dimension of the urban economic problem is the inability of urban governments to generate revenues of sufficient size to meet their rapidly expanding expenditure requirements. Pressures on urban public budgets stem from the need for an expanded scope and improved quality of public services, rising costs over time, and the fact that for most public services the cost of providing a given level of final output is much higher for our large cities than for smaller communities. This last point may seem a bit surprising in view of the considerable emphasis often placed on economies of scale in production. However, recent studies of the costs of supplying urban public services suggest that economies of scale for such services as education, police protection, and others, are exhausted at a relatively small city size.<sup>1</sup> Thus, our big cities gain little in terms of cost-savings from large-scale operations. On the other hand, the high level of congestion costs in terms of such things as increased crime, magnified sanitation problems, etc., in our large cities mean that more physical inputs are required to generate the same level of final output to residents (e.g., safety, cleanliness, etc.) than is needed in smaller communities. It simply costs more per person to meet the needs for public services of the residents of our urban areas.

The constraints on the cities' capabilities to generate revenues have made it practically impossible for urban public officials to meet the needs

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1. For a summary of cost studies of scale economies for urban public services, see Werner Z. Hirsch, "About the Supply of Urban Public Services," Paper for the Conference on Urban Economics, Washington, D.C., Jan. 26-28, 1967, p. 46.

of their constituencies. Local governments in the United States have relied heavily on <sup>the</sup> property tax as a source of funds; in 1964, for example, property taxes accounted for almost 90% of local-government tax receipts. However, the base of the property tax, namely the market value of taxable property, has not risen rapidly enough to meet the budgetary needs of local governments. The base of the property tax appears to have grown at about the same rate as GNP,<sup>2</sup> but, as we have seen, city-government spending and needs have risen at a rate far in excess of this. As a result, city fiscal officials have desperately sought further sources of revenues. Tax rates for the property tax have risen steadily in our large cities, and officials have adopted new taxes. To an increasing extent, urban governments in the United States are employing sales and income taxes and additional user charges for public services to supplement the property tax. As a result, we find that in 1962 metropolitan governments were collecting \$11.14 per capita in general and selective sales taxes as compared to an average of only \$1.90 for communities outside our metropolitan areas.<sup>3</sup> Both the range of taxes and the levels of tax rates tend to be significantly greater in our large cities than in smaller municipalities.

To the extent that a community provides a superior package of public services, residents will be willing to pay more in taxes; benefits from better public services (like private goods) are something for which people will pay a premium. However, in the case of our urban areas, the

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2. . For a summary of studies of the elasticity of the property tax, see Dick Netzer, Economics of the Property Tax, Washington, D.C.: The Brookings Institution, 1966, pp. 184-190.

3. Break, op. cit., p. 171.

evidence suggests that city-dwellers are compelled to pay more for what is often an inferior set of final outputs. The resident of one of our large cities pays for a bigger police force, but crime rates remain higher in our urban areas than elsewhere; he pays more for sewerage and sanitation, but he suffers from intense air pollution. All this provides a powerful incentive for an individual to leave the city, to settle in a smaller suburban community where his tax bill will be less and where the public services he receives will probably provide him with a higher level of satisfaction. Attempts by city officials to increase taxes may well serve to encourage this exodus, an exodus of individuals and industry which leaves the cities with a contracted tax base and a larger proportion of low-income and unemployed residents. And the process of cumulative decay of our cities continues.

The plight of our cities is a source of growing attention and concern. In this connection, it is encouraging to find in this year's Annual Economic Report of the President an explicit recognition of the gravity of the urban problem. The President devoted a section of his report to "Cities and Housing" in which he acknowledged the great magnitude of the problem and the inability of the cities "to afford the massive expenditures necessary to solve these problems" (p. 19). The President's remarks were amplified in the report of the Council of Economic Advisors. The Council's conclusions are similar to those advanced in the present report:

In short, too many cities realize the worst of all possible worlds, with strained budgets, inadequate expenditures for public services ranging from education to law enforcement, burdensome property taxes which spur the exodus of wealthier tax payers and discourage job-creating business, and partial, excessively costly solutions to problems that extend far beyond the city's jurisdiction and control (p. 157).

( . . . )

From some other sources, however, have come what appear to be somewhat more optimistic reports. Several analysts have undertaken projections of state-local spending and revenues over the coming decade, and in some instances their projections suggest that the growth in the tax base will probably be sufficient to provide the revenues necessary to meet future expenditure requirements without the need for further increases in tax rates or the adoption of new forms of levies. In June, 1967, for example, the Committee for Economic Development published A Fiscal Program for a Balanced Federalism in which they reach essentially these kinds of conclusions in terms of projections for 1975. The CED finds that, to maintain the same scope and quality of state-local public programs, expenditures will need to increase from \$74.5 billion in 1965 to \$98.5 billion in 1975. On the revenue side, projected receipts for 1975 come to \$119 billion. Thus, it would appear that the states and localities can expect not only enough revenues to maintain existing programs, but also additional funds for purposes of expanding both the scope and quality of public services. A primary source of these optimistic projections is the changing age composition of the U.S. population. By the 1970's the products of the post-World War II baby boom will have passed through the schools. As a result, the increase in the 5-17 age group "will fall from 35 per cent in 1955-65 to 7 per cent in 1965-75" (p. 25). Also, "There will be a decline, from 25 per cent in 1955-65 to 17 per cent in 1965-75, in the growth rate of older citizens, who are relatively heavy beneficiaries of health and welfare services" (p. 25). Finally, the CED projections do make some allowance for rising relative costs in the production of state-local public services; the projections assume that the relative cost of these services will rise by 15% over the period 1965-75.

These studies must, however, be interpreted with care. First, the CED analysis is primarily an aggregative study of the state-local fiscal situation. The study does not, in quantitative terms, distinguish between state, central city, and suburban spending and revenues. And, as we have argued in the present report, this is the heart of the problem. In many cases, the taxpaying capacity is the greatest in the suburbs, while the needs are the greatest in the large cities. Thus, even if the aggregate projections of the CED are correct, there may well exist a serious imbalance between revenues and expenditure needs among different levels and jurisdictions of government.

Second, one cannot feel overly confident about the accuracy of the projections. The projections are based on assumptions, many of a relatively uncertain character and with respect to which the results are quite sensitive. Projected revenues, for example, depend on continued high employment and output; a sagging economy would result in a significant loss in revenues. The rise in relative costs, the importance of which we have stressed in this report, may well exceed the 15% assumed by the CED. In fact, the data we have found suggest that this is quite a conservative estimate of prospective rises in relative costs. In addition, the CED 1975 revenue projection of \$119 billion includes an estimated \$26 billion in federal grants-in-aid to states and localities (up from about \$15 billion in 1965). Thus the CED results are heavily dependent on the CED's vision of the future course of events. Indeed, the sensitivity of these sorts of projections to the assumptions adopted explains why there exist wide differences among projections emerging from different studies.



Finally, we should stress (as does the CED) that expenditure figures are projections of what spending would have to be to maintain the present scope and quality of existing public programs. The need to upgrade education, health, and other public services means a further growth in spending. But even more critical, if the arguments advanced in this report are correct, the urban problem will require for its solution massive new programs, many of which are perhaps not even yet envisioned. If this be the case, the solution to the urban problem is clearly beyond the means of the cities themselves.

## 5. Partial Character of the Literature

Although there have been a number of useful studies of urban economic problems, they have generally either been piecemeal in character, have not studied policy in terms of the requirements for the reversing of a dynamic mechanism, or have been largely descriptive analyses of the private sector with insufficient attention to the cumulative cost-revenue pressure on central city governments. None of them takes the integrated dynamic approach to urban policy planning that is recommended in this report.

Many of the early postwar studies were primarily monographic in structure, involving a series of partial examinations of problems which failed to explore sufficiently interrelationships and dynamic factors. Among the most notable of these were Coleman Woodbury (ed.), The Future of Cities and Urban Redevelopment and Urban Redevelopment: Problems and Practices (U. Chicago Press, 1953); Miles Colean, Renewing Our Cities (Twentieth Century Fund, 1953); and Martin Meyerson, Barbara Terrett, and William Wheaton, Housing, People, and Cities (McGraw-Hill, 1962). The last was a single-volume summary and partial integration of a seven-volume series in Housing and Community Development sponsored by ACTION, a non-profit organization founded in 1954 to help improve the quality of life in urban areas.

Two detailed empirical studies of specific metropolitan areas, New York and Pittsburgh, provided a more dynamic framework, but were intended largely as descriptive analyses and took the form of partial studies of separate areas which were then synthesized. The nine-volume study of the 22-county New York Metropolitan Region was directed by Raymond Vernon.

The summary and synthesis is contained in his Metropolis 1985 (Harvard University Press, 1960). The Pittsburgh study, directed by Edgar M. Hoover, in Region in Transition, Portrait of a Region and Region with a Future (University of Pittsburgh Press, 1963, employed more sophisticated analytical techniques but was similar in emphasis. Neither study addressed itself to policy implications in any significant way, particularly to the alleviation of cumulative cost pressures on central city governments, a problem which their analysis implied was likely.

Studies of a more programmatic nature which have addressed themselves to central city problems have emerged out of the Federally-assisted Community Renewal Program (hereafter CRP), begun in 1959. This program authorized federal grants to localities for comprehensive studies of the renewal problem. As later defined through administrative action, these studies must deal explicitly with: a) the need for renewal, b) its economic basis, c) community renewal goals, d) the resources needed and their likely availability, and e) a time-phased program for action. See David A. Grossman, "The Community Renewal Program: Policy Development, Progress and Problems," Jour. American Institute of Planners (November 1963), 259-69.

The federal government has encouraged use of CRP's to develop new and more powerful methods of analysis and policy developments. Two cities, Pittsburgh and San Francisco, attempted to develop mathematical simulation models of their economies to enable systematic testing of implications of alternative renewal policy decisions. For an early description of the San Francisco effort, see Robinson, Wolfe and Barringer, "A Simulation Model for Renewal Programming," Jour. Am. Inst. Planners (May, 1965), 126-34; on the Pittsburgh model, see Wilbur A. Steger, "The Pittsburgh Urban Renewal Simulation Model," idem, 144-50.

Unfortunately, the ambitious Pittsburgh model never became operational. The San Francisco model, while operational, is extremely cumbersome and has only been employed to test two alternatives -- a projection of existing policies and an alternative set of recommendations developed independently as part of the CRP. (Information contained in a lecture by Mr. Harry B. Wolfe on the San Francisco CRP at the New York Academy of Sciences, May 18, 1967.) A complete report on the San Francisco CRP is provided in Arthur D. Little, Inc., Community Renewal Programming -- a San Francisco Case Study (Praeger, 1966).

Although the various Community Renewal Programs represent<sup>a</sup> more sophisticated analysis of urban problems than heretofore attempted, they continue to share significant shortcomings. Most important, although they are reasonably comprehensive and integrated within city boundaries, they fail to examine policy within the total metropolitan context. They therefore tend to neglect vital dynamic and strategic elements of the problem. Second, CRP's are supposed to focus on renewal as a process, but they have been funded and carried out on a project basis. This has meant that they do not provide for sufficient feedback and modification of analysis and policy through time. Finally, although CRP's are implicitly geared to optimization notions, the "objective function" has not generally been specified precisely. Excellent comments on this point are provided in Frederick O'R. Hayes, "Operations Research: A Statement of Requirements," Planning 1964, Proceedings of Am. Society of Planning Officials Conference, 68-77. More information on CRP's in general is given in "The CRP: A Critical Evaluation," Planning 1966, 20-29. The Philadelphia CRP, while not developing a sophisticated model, has reportedly done an excellent job in goal specification and attempting to build in systematic evaluation of alternatives into the city decision process. But it also is partial in not explicitly considering the metropolitan context. See James Bailey, "Philadelphia Renews Renewal,"

Scott Greer summarized his recent study of urban renewal (Urban Renewal and American Cities, Bobbs-Merrill, 1965) by stating that:

[the] most important limits are the limits of our knowledge. We have never before faced a wealthy, rapidly changing urban complex, with a determination to mold it into a form suitable to our desires. We do not know enough about the forces producing the metropolis and we know less of the strategems that would allow us to control its growth.

If the federal government really means to solve serious urban problems, basic research on these questions deserves a priority it has not heretofore enjoyed.

## 6. Implications for Further Research

In the text of the report a pessimistic prognosis was erected on a foundation of fairly simple factual assertions: (1) that the cost of services now provided by urban governments has risen, and can be expected to continue rising, more rapidly than costs in other sectors of the economy; (2) that the development of our cities, in certain key aspects, takes the form of cumulative processes of deterioration, against which most current efforts can serve as no more than stop-gaps; and (3) that efforts by the cities to raise the increasing revenues needed even to "stand still" may have the perverse effect of hastening the processes of deterioration, driving out industry and the middle classes and thereby exacerbating the cities' financial plight. Each of these assertions has been illustrated by plausible examples. The first, regarding the relative productivity lag in providing urban public services, has been documented briefly in an appendix. However, formulation of effective national policy to deal with urban problems will require a careful refinement and verification of all three statements.

The examination of cost trends and elucidation of the technology of producing urban public services is in one respect the easiest and in another the most difficult of the three empirical research tasks. A considerable body of statistical data is available which can give highly suggestive evidence concerning productivity trends. But, coming to close grips with the problem is made extremely difficult by problems in developing satisfactory measures of output of most governmental services. However, intensive analysis will provide a more secure basis for identifying those

areas of services where most rapid rises in costs can be anticipated, and may isolate areas in which investment in innovation is promising. Thus, it is important that we direct more effort to the measurement of output of public services and to productivity trends for these services.

Verification of the second factual assertion will involve the most substantial empirical research effort. What we need is a basic understanding of how cities grow and change over time. Here the problem will be to identify and define carefully processes of urban development to test their cumulative nature and to measure rates of response. For example, in the case cited in a previous appendix of the relationship between per capita income and a measure of deterioration, an empirical problem would be to quantify the critical parameters. Finally, and crucially, the links between available policy options and parameters of these cumulative processes must be discovered and measured. This will help identify actions capable of yielding fundamental -- rather than symptomatic -- improvement and assist in assessing the costs of such programs. Success will depend upon discovering useful, simple approximations to the very complicated present evolution of cities.

Finding appropriate simplifications will be the primary problem in empirical work on the third assertion -- that dealing with the peculiar public finance problem of central cities -- which lies in the overlapping of economics and political science. There is a great variety of forms of government in metropolitan areas, and the objective of the research will be useful quantitative generalizations about the relationship between governmental structures, especially the area pattern of jurisdictions, and possible perverse effects of efforts to finance governmental services. For example, we need

to know what the effect of local tax policies on the location of industry will be. How great a deterrent, for instance, is a 1% increase in local property taxes to the entry of new business enterprise? Considerable research has already been directed to this sort of problem, but further efforts are needed to quantify the relationships presently only qualitatively observed or predicted, and to relate them to the cumulative processes discussed above.

In addition to the research into the factual nature of urban problems, further effort is needed to exploit the facts. The basic task here is the laying out of alternative "attainable cities" with the associated costs of attainment. Under the assumption that available policy options do enable us to alter the equilibria of some or all of the crucial cumulative processes, what are the patterns that can be obtained in this way, and what are the actions required to achieve each of them? The actions need not, and probably will not, be confined to new expenditure programs. They may include shifts in the source of finance, from central city to metropolitan area, county, state or Federal levels, changes in zoning policies, variation of the transportation pattern, or changes in pricing policies for urban services.

These lines of research are designed to assemble a knowledge of the facts, or, more accurately, a useful simplified picture of the world of urban economic problems, and on that basis to marshal the alternatives benefits and cost patterns for political choice. However, systematic research should also be able to offer guidance in this last problem. This is the problem of defining objectives. Cities arise, at least in great measure, in response to economic forces and provide economic benefits both to their residents and in varying degrees to others throughout the economy. Economic theory, however, suggests that where there are high concentrations of independently



acting individuals and businesses, the "external effects" of one person's actions -- the effects on others which he does not take into account in his decisions -- may become very significant. A careful accounting of these effects often provides a compelling case for remedial governmental policies. Second, the particular services now provided by urban governments have been determined in part by historical circumstances no longer relevant. Careful analysis may reveal strong grounds for shifting the burden of such services, or at least the financing of them, to other governmental levels. For example, some of our cities have served as a kind of "school" for successive immigrant groups from abroad, and serve currently for "immigrants" from rural areas. They teach economic skills needed in a complex industrial structure and political skills needed in a complex national society. These groups have required the provision of welfare services by the cities. When the cities' boundaries contained high concentrations of wealth, such services could be locally financed. In the light of the factual assertions with which this section opened, consideration should be given to shifting of the financing of this service, which offers benefits to society as a whole, away from the cities. If cities, however, continue to have a special advantage in performing this schooling function, perhaps their capability of performing it should be enhanced.

This section has outlined three general levels of research that are called for by the reasoning in the text of the report. First, verification of certain facts which preliminary analysis suggests are of critical importance to the understanding of urban economic problems; second, on the basis of the facts, assembling the feasible consequences of policy decisions; and, third, application of economic analysis to assist in the choice of objectives. All three levels demand attention and offer promise of useful results.

**FUTURE CITY MODES AND THEIR COSTS**

**Prepared for the Alexander-Downs Subcommittee  
of the  
Cities Task Force  
by  
Brad C. Frederic  
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## I. INTRODUCTION

This paper documents the various demographic projections and social deficit calculations completed by the Task Force on Cities. Its aim is to describe the data and assumptions behind the numbers that appear in the main body of the report.\*

Our organization of topics roughly follows the sequence of analysis as it actually occurred. Early in its deliberations, the Task Force decided to focus on the problems of race and poverty. Thus our initial concern was with the cities in aggregate; we wanted first to understand the dimensions and trends of the total problem population.

This exercise indicated that the costs to provide minimal standards of living in cities might be lower than we had originally expected. We were led to postulate a group of programs for city improvement, and make a crude estimate of their cost.

Our aggregated analysis also shed some quantitative light on the frequently-noted trend towards Negro majorities in cities. In particular, we noted that some cities were more advanced in this trend than others, and had higher rates of Negro growth. By applying our general projection models to the individual city parameters, we were able to

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\* Here the term "city" refers to the central city.

estimate approximately when such cities would reach a Negro majority. In this same context, we also attempted various measurements of the disparities between cities and their suburbs.

## II. RESULTS

### A. CITIES IN THE LARGE: ALTERNATIVE MODES

Tables 1 through 9 show our alternative 15 year projections for cities in the aggregate. (Figures 1 and 2 summarize the tables.) The 9 cases are combinations taken from 3 alternative levels of city action and 3 alternative models of white and Negro growth. The alternative levels of action are:

Austere-Uninterrupted - Federal city programs continue at their present level. No attempts to integrate the city or its suburbs.

Enriched-Uninterrupted - Federal city programs expanded sufficiently to bring living standards of the poor up to national minimums. No attempts to integrate the city or its suburbs.

Enriched-Constant - Enrichment as above, in consonance with a Federal program to move non-city Negroes into the suburbs. The extent of this Negro out-migration is sufficient to maintain the Negro city population at its present level.

The alternative growth assumptions are:

Conservative Model - City size remains constant.

Negro natural growth rate is .017; in-migration rate is .021 (.042 under enrichment).

Moderate Model - City whites out-migrate at a constant rate of .028 (.010 under enriched-constant). Negro natural growth rate is .020; in-migration is .018 (.036 under enrichment).

Extreme Model - City white out-migration is "driven" by the ratio of Negroes to whites in the uninterrupted cases, reaching an asymptotic maximum of .04. White out-migration is the same as in the moderate model under enriched-constant. Negro rates are .025 and .012 (.024) respectively.

The Negro percentages used are based on the various time periods for which data are available:

Conservative - agrees with the period 1950 - 1960.

Moderate - agrees with the period 1950 - 1966.

Extreme - agrees with the period 1960 - 1966.

The assumption for white out-migration in model 1 is a conservative lower bound. Model 2 assumes a rate slightly above the rate for 60-66. Model 3 matches the history of city whites over the entire period 50-66; this shows a continually increasing rate of white out-migration.



Tables 1 to 9 also give the distributions between non-poor and poor, and within the poor group, the distributions among aged and infirm, dependent children, and other poor. These subpopulations constitute the various universes of need to which our enrichment programs are applied. Reductions in the "other" poor group under enrichment reflect our basic assumption that the postulated job training program will move significant numbers out of the "poor" category.

#### B. COST ESTIMATES

Table 10 shows out cost estimates for the austere-uninterrupted city mode. The costs are based on Bureau of the Budget estimates of FY 68 expenditures to the total poor. The city portion of these expenditures has been allocated on a per capita basis.

Table 11 summarizes the estimated costs for all central cities under the enriched-uninterrupted and enriched-constant assumptions. Increased federal expenditures have been calculated in seven assistance sectors:

##### (1) Employment

Our employment program for city poor involves two kinds of activity -- job training and job development. The assumed cost factor for job training is \$2100 per participant, based on current MDTA

experience. The costs for developing the required job market divide 1:2 between "new careers" positions in the city (\$5000 per job) and more conventional jobs in the suburbs (\$300 per job). The latter factor is for an improved city-to-suburb transportation network.

(2) Education

The costs for education assume a \$1,500 annual "scholarship" for all poor white children, and all Negro children in cities.

(3) Income

Our estimates for an expanded welfare expenditure derive from the Orshansky definition of poor. An adequate welfare expenditure involves an average \$830 per capita.

(4) Housing

Improved housing costs are based on our judgment about the quality of housing a poor family should be able to acquire. The dollar differential between this quality and 20 percent of family income is taken as the required amount of federal supplement. Average expenditure is about \$370 per capita poor.

(5) Health

A factor of \$150 per capita is applied to the total poor population. This is a weighted average of the current aged and non-aged private expenditures.

(6) Physical Security

Our cost estimate for improved city security services assumes a significant salary increase for security personnel (police, etc.). The federal share of this cost is about \$30 per city resident (including poor and non-poor).

(7) Negro Dispersion to Suburbs

The cost estimate for dispersal assumes the expense of both a housing and an education subsidy:

- \$2,000 per out-migrating family in the first year for a housing down payment. \$600 annually for the first 5 years.
- \$1,500 per out-migrating school-age child annually for the first 5 years.

Tables 12 through 17 detail the costs of Table 11 by assistance sector and race. Three qualifications are appropriate:

- (1) The costs are shown in present (1967) dollars. We have not attempted to account for either normal inflation or the compounded inflation which seems to accompany the cost of services.
- (2) Only direct expenditures by the federal government are accounted. Costs for government administration and local government costs are not included.

(3) Our enrichment costs assume that the implied demands on other non-monetary resources will be met. There is reason to believe that this would not be the case (the limited number of doctors is an example), but we have not attempted to estimate the shortage costs involved.

#### C. CITIES IN THE SMALL

##### 1. Racial Trends

On the basis of the average 50-60 behavior described by our aggregated models, 16 cities were selected for further individual analysis. The 3 models of the austere-uninterrupted city mode were applied to each, with these results:

Cities which will likely reach 50% Negro by

##### (a) 1973

Baltimore  
New Orleans  
Newark  
Richmond  
Jacksonville  
Gary

##### (b) 1978

Detroit  
Cleveland  
St. Louis

##### (c) 1983

Chicago  
Philadelphia  
Oakland

##### (d) 1985

Berkeley

By 1985 both Los Angeles and New York are likely to be about 35% Negro.

These 16 cities in 1960 represented about 40% of the total city population. The uncertainty in our 50% Negro estimates for each is shown in Table 18. Figure 3 plots projected racial trends for the 4 largest cities.

## 2. Investment Patterns

We have also attempted to measure economic growth in these cities. The data available for analysis extend no further than 1960, but the results are still significant. In the decade from 1950 to 1960, the 12 most changing cities exhibited the following average patterns:

- (a) The ratio of non-whites to total increased by a factor of 1.6. This same ratio decreased by 1 percent in the remaining U.S.
- (b) The total number of housing units increased by 8 percent. Total housing outside the cities increased by 28 percent.
- (c) The total number of retail establishments decreased by 9 percent. In the remainder of the U.S., this number increased by 7 percent.

(d) The dollar manufacturing value added increased by 41 percent. The same dollar volume increased by 96 percent in the remaining U.S.

(e) The total number of service establishments increased by 12 percent. Outside the cities, the corresponding increase was 25 percent.

Table 19 details this analysis by city.

### III. METHODOLOGY

In this section, we describe the data and assumptions on which the preceding results are based. The discussion falls under two main headings -- Population Models and Cost Models.

#### A. POPULATION MODELS

##### 1. Cities in the Large

The first task was to find a procedure for predicting the average composition of U.S. cities 15 to 20 years hence. To do this, we separated the white and Negro components of city population and postulated individual growth models for each. Conservative, moderate, and extreme models were developed in terms of Negro growth and white reductions so that a range of estimates could be provided.

The Negro component for all 3 levels was represented by the same generic form. This expresses the Negro city population at any time as the sum of the initial city population, plus natural city growth to that time, plus net in-migration to that time. Natural growth is calculated as a constant percentage of the existing city population; in-migration derives as a constant percentage of the population remaining outside of cities.

The formal equation is

$$P_n(t) = P_n(o)e^{gt} + [P_n - P_n(o)]e^{(g-m)t}, \quad (1)$$

where;

$P_n(t)$  = Negro city population in the  $t^{\text{th}}$  year,  
in millions

$P_n$  = total U.S. Negro population in the initial  
year, in millions

$g$  = Negro natural annual growth rate, in percent

$m$  = Negro annual out-migration rate, in percent

$e^{xt}$  = an approximation for the expression  $(1 + x)^t$

There is a different white population model for each level of reduction. The most conservative assumes that total city population will always remain constant, no matter what the change in Negro-white proportions. This presumes that the only force driving white out-migration is the city's lack of additional living space. The equation is

$$P_w(t) = P_w(o) + P_n(o) - P_n(t), \quad (2)$$

where;

$P_w(t)$  = white city population in the  $t^{\text{th}}$  year,  
in millions

The moderate model of white out-migration assumes that whites will leave the city at a rate equal to a constant annual percentage of the remaining city population:



$$P_w(t) = P_w(o) e^{(\bar{g} - \bar{m})t} \quad (3)$$

where;

$\bar{g}$  = white natural annual growth rate, in percent

$\bar{m}$  = white out-migration rate, in percent

The extreme white model describes a cumulative process; the percentage of whites out-migrating in a given year is influenced by the ratio of Negroes to whites at the beginning of that year. The equations in this case are:

$$P_w(t) = P_w(t - 1) [\bar{g} - M(R(t - 1))], \quad (4)$$

where;

$$R(t-1) = P_n(t - 1)/P_w(t - 1)$$

$M(R(t-1))$  = an increasing function of  $R$

The data available to test and "fit" these models were as follows:

Population Group	Population Size, millions		
	1950	1960	1966
1. Total Central City*	48	58	58
2. Central City White	42	48	46
3. Central City Negro	6.3	9.7	12
4. Total Negro U.S.	16	19	22
5. Total White U.S.	135	159	171

Sources: Refs 1, 2, 4 and 5

For the Negro models, we noted that the 50 to 60 period showed the lowest rate of city increase, and

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\* Whites plus Negroes. Other city non-white not included.

that the period from 60 to 66 showed the highest (line 3). These two periods were used as bases for the conservative and extreme cases. The total period from 50 to 66 was taken as the moderate case.

Using line 4, we first derived values for  $g$ . We then substituted these and the appropriate values from lines 3 and 4 into equation 1 to get corresponding values of  $m$ . The resultant parameter estimates were

conservative;  $g = .017, m = .021$

moderate;  $g = .020, m = .018$

extreme;  $g = .025, m = .012$

We arbitrarily assumed that, under enrichment, Negroes would migrate to cities at twice the rate otherwise.

The conservative white model follows directly from the Negro. To find a value for  $\bar{m}$  in the moderate model, we first calculated  $\bar{g}$  over the 60 to 66 period:  $\bar{g} = .013$ . The sum of this value and the net annual percentage reduction from 60 to 66 (line 2) gave a value of .022 for  $\bar{m}$  as of 1965. We arbitrarily increased this to .028 to reflect probable continued growth to 1968. A value of .010 was selected to describe the reduced white out-migration that would surely accompany a constant ghetto program.

To derive values for our extreme model of white growth, it was necessary to solve the equation for  $M(R(t - 1))$  in terms of 5 year intervals rather than one year. The city population data we required were not available for successive years.

The primary data available were for 1950, 1960, and 1966. We estimated a white city population of 47 million in 1955 by graphical interpolation. Using the conservative Negro model, we also found a 1955 Negro value of 7.9 million. By ignoring the possible inaccuracies arising from using the 60 to 66 data to represent a 5 year period, we were thus able to synthesize 3 data "points":

Year	Ratio of Negroes to White	Percentage of White Out-migration over the Immediate 5-year Period
1950	.15	-.05
1955	.17	.05
1960	.20	.12

We expected this function of percentage vs. ratio to behave asymptotically; that is, to grow at a diminishing rate towards some upper bound on  $M$ . We reasoned that reductions in total city population could not continue indefinitely because, as occupancy dropped, occupancy costs would also drop. Once prices

were so low that city occupancy again became desirable, whites would begin to re-in-migrate.

On this basis, we chose the following functional form to represent M:

$$M(R(\bar{t})) = a - \frac{b}{[R(\bar{t})]^N}, \quad (5)$$

where  $\bar{t} = t/5$  and  $a, b, N$  are constants ( $N$  an integer). Fitting the above data to this curve gave the values  $a = .246$ ,  $b = .001$ , and  $N = 3$ . The value of  $a$  is the upper limit on  $M$  over a 5 year period -- a maximum of about 4% annually.

Having derived equation 5, it was a straightforward matter to set up a calculating routine that would interpolate between 5 year periods. This completed the third and final model for predicting white and Negro city populations.

## 2. The Poor

The next task was to find a means for estimating the poor parts of these two populations. We wanted also to further subdivide the poor into categories that would represent a minimum overlap for our enrichment programs.

To derive an expression for poor populations, we first compiled the data shown in Table 20. These data are in markedly good agreement; the ratios of poor to total in all cases remain essentially constant over the 5 year period. In the absence of any body of theory as to how the poor group changes, we were willing to assume that the same behavior would prevail in the upcoming 15 years. The constants we elected to use were the most recent averages:

white city poor =  $.12 \times$  white city total

Negro city poor =  $.37 \times$  Negro city total

As to sub-grouping the poor in cities, we finally selected 3 categories. These are the aged and infirm (OASD), AFDC mothers and their dependents, and other poor. The basic differences among these groups are that (a) the first two receive no job training assistance, and (b) the first receives no educational assistance. The census categories adopted to represent these groups were:

OASD - total poor aged 65 and over

AFDC - total poor in a family headed by a female

Other - all other poor.

Data given by Orshansky<sup>6</sup> showed the following for cities as of 1964:

	<u>Total Poor, millions</u>	<u>Aged Poor, millions</u>	<u>Ratio of Aged to Total</u>	<u>Female Family Poor, millions</u>	<u>Ratio of Female to Total</u>
white	5.6	1.6	.29	1.3	.23
non-white	4.4	.3	.07	1.7	.39

No similar aggregated data were available for earlier years, but the special census<sup>1</sup> of Los Angeles and Cleveland<sup>6,7</sup> indicated that these ratios too had remained relatively constant over the last 5 years (see Table 21). In the same way as before, we assumed the following relationships:

White OASD poor = .29 x White city poor  
 White AFDC poor = .23 x White city poor  
 White other poor = .48 x White city poor  
 Negro OASD poor = .07 x Negro city poor  
 Negro AFDC poor = .39 x Negro city poor  
 Negro other poor = .54 x Negro city poor

### 3. Non-Poor Populations

The two non-poor populations were simply computed as the difference between total city and total city poor.

### 4. Annual Program Volumes

There were 3 remaining population groups to be calculated in this aggregated city exercise. These were (a) the numbers of job trainees to be processed, (b) the numbers of new jobs to be developed, and

(c) the numbers of mainstream Negroes to be redistributed to the suburbs. The first 2 were determined by the postulated objectives of our employment programs; the third by our population objectives under the enriched-constant city mode.

Job training requirements were set by 3 assumptions:

(a) The job training objective is to reduce the other poor group to 25% of its original size by 1983.

(b) This will be achieved if the corresponding percentage of potential wage-earners in the other group undergo successful job-training. Their dependents will be elevated to mainstream status along with them.

(c) The postulated program will have a constant annual participation rate over the 15 year period.

(d) The postulated program will provide a year's training for each individual, with the following success rates:

- in the first 5 years, 10% of the trainees processed.
- in the second 5 years, 30% of the trainees processed.
- in the last 5 years, 50% of the trainees processed.

First, to derive the potential wage-earners in the other group, we assumed the following census groups as representations:

(a) Total "other" includes

- poor in families with male head, and unrelated males, plus
- poor 18 and over in female head families, and unrelated females, less
- poor aged 65 and over.

(b) "Other potential wage-earners" includes

- poor male heads and unrelated males under 65, plus
- unrelated females under 65, plus
- other family members aged 25 to 55.

Data given in Ref 6 indicated that a set of reasonable ratios for these groups were

$$\left( \frac{\text{potential earners}}{\text{total other}} \right) \approx \begin{cases} .6, & \text{for white poor} \\ .5, & \text{for Negro poor} \end{cases} \quad (6)$$

We then expressed the total number of participants successfully trained over the 15 year period,  $T_0$ , as a function of the constant training rate,  $R$ :

$$\begin{aligned} T_0 &= .1(5R) + .3(5R) + .5(5R), \\ &= 4.5R \end{aligned} \quad (7)$$

Letting  $T_0$  equal an amount appropriate to our assumed training objective gave



$$4.5R = (\bar{O}_{83} - .25 O_{68}) K , \quad (8)$$

where;

$\bar{O}_{83}$  = 1983 "other" if no training were to occur,

$O_{68}$  = 1968 other,

$K$  = ratio of potential earners to total other.

From equation 8, it was a simple matter to resolve for  $R$  and derive an annual participation in each case.

Job development requirements were computed by assuming that each potential wage-earner successfully trained would require the development of one new job.\* Thus our equation could be written.

$$\begin{aligned} \dot{J}D &= .1R, \text{ in the first 5 years,} \\ &= .3R, \text{ in the second 5 years, and} \\ &= .5R, \text{ in the third 5 years,} \end{aligned} \quad (9)$$

where

$\dot{J}D$  = annual job development requirement.

Negro dispersion rates were even more simply calculated:

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\* This was based on another Task Force supporting paper, The Job Market in Central Cities. The data presented therein show that (a) there is already a job deficit in cities, and (b) the size of the deficit is growing.

$$\begin{aligned}
 \dot{D} &= .2 (\bar{P}_{73} - P_{68}), \text{ for 1968 and 1973,} \\
 &= .2 (\bar{P}_{78} - \bar{P}_{73}), \text{ for 1978, and} \\
 &= .2 (\bar{P}_{83} - \bar{P}_{73}), \text{ for 1983,}
 \end{aligned}
 \tag{10}$$

where

$\dot{D}$  = annual dispersion requirement

$P_{68}$  = Negro city population in 1968

$\bar{P}_\alpha$  = Negro city population in year  $\alpha$ , if no dispersion occurs

#### 5. Cities in the Small

To estimate Negro-white ratios for individual cities, it was necessary to make some minor modifications in the Negro growth models. The aggregated models assumed the entire non-city Negro population as a "reservoir" for city in-migration, but this reservoir had to be distributed before individual calculations could be made. We simply allocated a percentage share of the total reservoir to each city on the basis of its percentage contribution to the total city population.

Table 22 is a sample output from the computer program which was written to make these individual calculations.

#### B. COST MODELS

The assumptions underlying our unit cost factors were summarized in section II.B. Here we discuss some of the additional details involved.

# 1. Employment

The \$2,100 cost per job trainee was taken directly from current experience in the MDTA Institutional Training Program. A rough breakout of actual cost in 1967 was:

Training cost	\$ 840
Subsistence allowance	<u>1,260</u>
Total	\$2,465
minus assumed welfare supplement	<u>- 365</u>
Total program cost	\$2,100

Source: W. Jacobson, Office of Economic Opportunity

Cost per unit for new careers-type jobs in the service sector was based on an estimate made by Riessman<sup>10</sup>. This was that \$5 billion could provide 1 million jobs.

There were no data available to indicate how fast such jobs could be opened up. Starting with a 1965 service job market in cities of about 7 million, we were able to estimate that 2 million of these might generate additional lower skilled jobs.\* Given the complexities involved in this approach to jobs, a yield of 1% per year in the first few years did not seem unreasonable. We assumed: 20 thousand jobs available annually in the first 5 years, 60 thousand

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\* This ratio was estimated for the total service job market in Ref 11.

annually in the second 5 years, and 200 thousand annually in the last 5 years.

The cost factor for the remaining job requirement was based on our city-suburb transportation recommendation. We assumed the equivalent of a \$1 per working day subsidy to each training graduate.

## 2. Education

Our education factor was taken directly from T. Sizer's recommendations in the report proper. We used the following ratios, taken from data in Refs 6 and 15 to calculate the size of the universes of need:

Poor Group	Ratio of Children to Total	
	White	Negro
Mainstream	NA	.32
AFDC poor	.67	.75
Other poor	.29	.32

## 3. Income

Here we used the income deficit data developed by Orshansky<sup>12,13</sup>. These showed the difference between actual income and minimum poverty income for various poor populations. The actual incomes shown included Federal, state and local welfare transfers, and an additional calculation was necessary to separate these. (Here we used data presented in Ref 14.) In 2 of the 3 populations (OASD, AFDC), the result was that personal income supplements were negligible. Personal supplements

for the "other" group were about \$300 per capita (slightly less for Negroes). In all 3 groups, the differences between the respective white and Negro cost factors were negligible.

The final cost factors by group were:

OASD	-	\$1,200 per capita per year
AFDC	-	\$770 per capita per year
Other	-	\$680 per capita per year

#### 4. Housing

To estimate an "adequate" expenditure in this assistance sector, we calculated the additional income the poor would need to attain decent housing. Our assumptions of "decent" housing levels translated themselves into the following annual housing costs:

Poor Group	Household Size (avg)	Assumed Decent Annual Housing Expenditure	
		Per Household	Per Capita
OASD	1.5	1,200	800
AFDC	3.8	1,800	470
Other white	2.6	1,600	610
Other Negro	3.7	1,900	510

The difference these per-capita expenditures and 20% of the respective per-capita incomes was taken as the final housing subsidy:

Poor Group	Housing Subsidy	
	White	Negro
OASD	500	500
AFDC	300	300
Other	400	300

#### 5. Health

The \$150 per capita standard was taken from Ref 16.

#### 6. Legal Services

In terms of the dollar magnitudes being considered, the costs for a program of legal assistance to the city poor were found to be negligible. We assumed \$30 thousand per year as the annual cost of a single lawyer and supporting staff work. We further assumed that one lawyer could dispose of 500 poor cases in a year (about 2 per working day). This gave a factor of \$60 per case. Even if 1/10 of the poor adult population annually had legal needs, it would mean only about 500 thousand cases each year -- less than \$50 million in annual expenditures.

#### 7. Physical Security

Our estimate of an adequate security expenditure was based on a recommendation given in Ref 17. This suggested raising average police salary from its present \$5,300 per year to a level commensurate with that of the FBI; about \$12,000 per year. Assuming a ratio of 2.5 policemen per 1,000 city residents gave the appropriate per capita expenditure.

#### 8. Dispersal

No additional details.

9. Summary

Table 23 summarizes all of these estimated cost factors in a matrix form. A more detailed breakdown of our estimate for programmed FY 68 expenditures to city poor is also shown in Table 24.

## TABLES &amp; FIGURES



TABLE 1

POPULATION ESTIMATES:  
AUSTERE-UNINTERRUPTED GHETTO  
(conservative growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	45.1	12.9	42.9	15.1	40.6	17.4	38.1	19.1
2. Mainstream	39.2	8.3	37.3	9.7	35.3	11.1	33.1	12.7
3. Poor	5.9	4.6	5.6	5.4	5.3	6.3	5.0	7.2
a. OASD <sup>(A)</sup>	1.8	.3	1.7	.4	1.6	.4	1.5	.5
b. AFDC <sup>(B)</sup>	1.2	1.8	1.1	2.2	1.1	2.5	1.0	2.9
c. Other	2.9	2.5	2.8	2.8	2.6	3.4	2.5	3.8

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 2

POPULATION ESTIMATES:  
AUSTERE-UNINTERRUPTED GHETTO  
(moderate growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.5	12.9	40.8	15.2	37.4	17.8	34.3	20.8
2. Mainstream	38.7	8.3	35.5	9.7	32.5	11.4	29.8	13.3
3. Poor	5.8	4.6	5.3	5.5	4.9	6.4	4.5	7.5
a. OASD <sup>(A)</sup>	1.7	.3	1.6	.4	1.5	.4	1.4	.5
b. AFDC <sup>(B)</sup>	1.2	1.8	1.1	2.2	1.0	2.6	.9	3.0
c. Other	2.9	2.5	2.6	2.9	2.4	3.4	2.2	4.0

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 3

POPULATION ESTIMATES:  
AUSTERE UNINTERRUPTED GHETTO  
(extreme growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.1	13.0	38.9	15.4	33.1	18.0	27.7	21.2
2. Mainstream	38.4	8.3	33.8	9.9	28.8	11.5	24.1	13.6
3. Poor	5.7	4.7	5.1	5.5	4.3	6.5	3.6	7.6
a. OASD <sup>(A)</sup>	1.7	.3	1.5	.4	1.3	.5	1.1	.5
b. AFDC <sup>(B)</sup>	1.1	1.9	1.0	2.2	.9	2.6	.7	3.0
c. Other	2.9	2.5	2.6	2.9	2.1	3.4	1.8	4.1

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 4

POPULATION ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO .  
(low growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	45.1	12.9	41.9	16.1	38.7	19.3	35.4	22.6
2. Mainstream	39.2	8.3	36.6	10.9	34.4	14.0	32.4	18.1
3. Poor	5.9	4.6	5.3	5.2	4.3	5.3	3.0	4.5
a. OASD <sup>(A)</sup>	1.8	.3	1.7	.4	1.5	.5	1.4	.6
b. AFDC <sup>(B)</sup>	1.2	1.8	1.1	2.2	1.0	2.7	.9	3.2
c. Other	2.9	2.5	2.5	2.6	1.8	2.1	.7	.7
4. Annual Job Training Rate	.21	.42	.21	.42	.21	.42	.21	.42
5. Annual Job Development Rate	.02	.04	.02	.04	.06	.12	.11	.22
6. Annual Dispersal Rate	0							

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 5  
POPULATION ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO  
(moderate growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.5	12.9	40.8	16.0	37.4	19.2	34.3	22.6
2. Mainstream	38.7	8.3	35.6	10.8	33.2	13.9	31.3	18.1
3. Poor	5.8	4.6	5.2	5.2	4.2	5.3	3.0	4.5
a. OASD <sup>(A)</sup>	1.7	.3	1.6	.4	1.5	.5	1.4	.6
b. AFDC <sup>(B)</sup>	1.2	1.8	1.1	2.2	1.0	2.7	.9	3.2
c. Other	2.9	2.5	2.5	2.6	1.7	2.1	.7	.7
4. Annual Job Training Rate	.20	.42	.20	.42	.20	.42	.20	.42
5. Annual Job Development Rate	.02	.04	.02	.04	.06	.12	.10	.21
6. Annual Dispersal Rate	0							→

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 6

POPULATION ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO  
(extreme growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.1	13.0	38.9	16.0	32.9	19.5	27.2	23.3
2. Mainstream	38.4	8.3	33.9	10.8	29.2	14.2	24.8	18.7
3. Poor	5.7	4.7	5.0	5.2	3.7	5.3	2.4	4.6
a. OASD <sup>(A)</sup>	1.7	.3	1.6	.4	1.3	.5	1.1	.6
b. AFDC <sup>(B)</sup>	1.1	1.9	1.0	2.2	.9	2.7	.7	3.3
c. Other	2.9	2.5	2.4	2.6	1.5	2.1	.6	.7
4. Annual Job Training Rate	.16	.42	.16	.42	.16	.42	.16	.42
5. Annual Job Development Rate	.02	.04	.02	.04	.05	.12	.08	.2
6. Annual Dispersal Rate	0							

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 7  
POPULATION ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(low growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	45.1	12.9	45.1	12.9	45.1	12.9	45.1	12.9
2. Mainstream	39.2	8.3	39.5	7.7	40.2	7.6	41.4	8.4
3. Poor	5.9	4.6	5.6	5.2	4.9	5.3	3.7	4.5
a. OASD <sup>(A)</sup>	1.8	.3	1.8	.4	1.8	.5	1.8	.6
b. AFDC <sup>(B)</sup>	1.2	1.8	1.2	2.2	1.2	2.7	1.2	3.2
c. Other	2.9	2.5	2.6	2.6	1.9	2.1	.7	.7
4. Annual Job Training Rate	.29	.42	.29	.42	.29	.42	.29	.42
5. Annual Job Development Rate	.03	.04	.03	.04	.09	.12	.15	.21
6. Annual Dispersal Rate	0	.64	0	.64	0	.64	0	.66

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 8  
POPULATION ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(moderate growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.5	12.9	42.7	12.9	41.0	12.9	39.4	12.9
2. Mainstream	38.7	8.3	37.3	7.7	36.4	7.6	36.1	8.4
3. Poor	5.8	4.6	5.4	5.2	4.6	5.3	3.3	4.5
a. OASD <sup>(A)</sup>	1.7	.3	1.7	.4	1.6	.5	1.6	.6
b. AFDC <sup>(B)</sup>	1.2	1.8	1.1	2.2	1.1	2.7	1.0	3.2
c. Other	2.9	2.5	2.6	2.6	1.9	2.1	.7	.7
4. Annual Job Training Rate	.25	.42	.25	.42	.25	.42	.25	.42
5. Annual Job Development Rate	.03	.04	.03	.04	.08	.12	.13	.21
6. Annual Dispersal Rate	0	.62	0	.62	0	.64	0	.68

(A) Old age, survivors and disabled

B) Aid to families with dependent children



TABLE 9

POPULATION ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(extreme growth model)

Subgroup	Population, in Millions							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
1. Total Central City	44.5	13.0	40.8	13.0	37.4	13.0	34.3	13.0
2. Mainstream	38.7	8.3	35.6	7.8	33.2	7.7	31.3	8.4
3. Poor	5.8	4.7	5.2	5.2	4.2	5.3	3.0	4.6
a. OASD <sup>(A)</sup>	1.7	.3	1.6	.4	1.5	.5	1.4	.6
b. AFDC <sup>(B)</sup>	1.2	1.9	1.1	2.2	1.0	2.7	.9	3.3
c. Other	2.9	2.5	2.5	2.6	1.7	2.1	.7	.7
4. Annual Job Training Rate	.20	.42	.20	.42	.20	.42	.20	.42
5. Annual Job Development Rate	.02	.04	.02	.04	.06	.12	.10	.21
6. Annual Dispersal Rate	0	.60	0	.60	0	.70	0	.76

(A) Old age, survivors and disabled

(B) Aid to families with dependent children

TABLE 10

## AUSTERE UNINTERRUPTED COSTS

Growth Assumptions	Annual Costs, \$B				Total Costs, \$B
	1968	1973	1978	1983	
Conservative	8.8	9.2	9.7	10.2	140
Moderate	8.7	9.0	9.5	10.0	140
Extreme	8.7	8.9	9.0	9.4	130

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See Tables 1 - 3

TABLE 11  
SUMMARY COST ESTIMATES

ENRICHED-UNINTERRUPTED CITY MODE

Growth Assumptions	Annual Costs, \$B				Total Costs, \$B
	1968	1973	1978	1983	
Low Growth	27	29	29	29	430
Moderate Growth	27	28	29	29	425
High Growth	27	28	28	28	420

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See Tables 12 - 14 for details

ENRICHED-CONSTANT CITY MODE

Growth Assumptions	Annual Costs, \$B				Total Costs, \$B
	1968	1973	1978	1983	
Low Growth	28	30	30	28	440
Moderate Growth	28	29	29	27	430
High Growth	28	29	28	27	425

---

See Tables 15 - 17 for details

TABLE 12

COST ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO  
(low growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.2	3.6	4.7	4.1	3.9	4.2	2.9	3.8
Job Training	.4	.9	.4	.9	.4	.9	.4	.9
Job Development	<.05	.1	<.05	.1	.1	.2	.3	.7
Education	2.4	7.4	2.1	9.2	1.7	11.0	1.2	12.9
Housing	2.4	1.4	2.2	1.6	1.8	1.7	1.3	1.5
Health	.9	.8	.8	.8	.6	.8	.5	.8
Legal Service	neg							
Security	1.4	.4	1.3	.5	1.2	.6	1.1	.7
Dispersal	-	0	-	0	-	0	-	0
Total	12.7	14.6	11.5	17.2	9.7	19.4	7.7	21.3

Approximate 15 year total, \$430 B

TABLE 13  
COST ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO  
(moderate growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.0	3.6	4.6	4.1	3.8	4.2	2.9	3.8
Job Training	.4	.9	.4	.9	.4	.9	.4	.9
Job Development	<.05	.1	<.05	.1	.1	.2	.3	.7
Education	2.4	7.4	2.1	9.1	1.7	11.0	1.2	12.9
Housing	2.4	1.4	2.1	1.6	1.7	1.7	1.3	1.5
Health	.9	.8	.8	.8	.6	.8	.5	.8
Legal Service	neg							
Security	1.3	.4	1.2	.5	1.1	.6	1.0	.7
Dispersal	-	0	-	0	-	0	-	0
Total	12.4	14.6	11.2	17.1	9.4	19.2	7.6	21.3

Approximate 15 year total, \$425 B

TABLE 14  
COST ESTIMATES:  
ENRICHED UNINTERRUPTED GHETTO  
(extreme growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.0	3.6	4.4	4.1	3.3	4.2	2.3	3.9
Job Training	.3	.9	.3	.9	.3	.9	.3	.9
Job Development	<.05	.1	<.05	.1	.1	.2	.3	.7
Education	2.3	7.5	2.0	9.1	1.5	11.1	.9	13.7
Housing	2.3	1.5	2.1	1.6	1.5	1.7	1.0	1.5
Health	.8	.8	.8	.8	.6	.8	.3	.8
Legal Service	neg							
Security	1.3	.4	1.2	.5	1.0	.6	.8	.7
Dispersal	-	0	-	0	-	0	-	0
Total	12.0	14.8	10.8	17.1	8.3	19.5	5.9	22.2

Approximate 15 year total, \$420 B

TABLE 15  
COST ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(low growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.2	3.6	4.9	4.1	4.5	4.2	3.6	3.8
Job Training	.6	.9	.6	.9	.6	.9	.6	.9
Job Development	<.05	.1	<.05	.1	.2	.2	.5	.5
Education	2.4	7.4	2.2	7.6	2.0	7.8	1.5	8.1
Housing	2.4	1.4	2.3	1.6	2.0	1.7	1.5	1.5
Health	.9	.8	.9	.8	.8	.8	.6	.8
Legal Service	neg							
Security	1.4	.4	1.4	.4	1.4	.4	1.4	.4
Dispersal	-	.8	-	2.3	-	2.3	-	2.3
Total	12.9	15.4	12.3	17.8	11.5	18.3	9.7	18.3

Approximate 15 year total, \$440 B

TABLE 16

COST ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(moderate growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.0	3.6	4.7	4.1	4.1	4.2	3.2	3.8
Job Training	.5	.9	.5	.9	.5	.9	.5	.9
Job Development	<.05	.1	<.05	.1	.2	.2	.5	.5
Education	2.4	7.4	2.1	7.6	1.9	7.8	1.3	8.1
Housing	2.4	1.4	2.2	1.6	1.9	1.7	1.4	1.5
Health	.9	.8	.8	.8	.8	.8	.5	.8
Legal Service	neg							
Security	1.3	.4	1.3	.4	1.2	.4	1.2	.4
Dispersal	-	.7	-	2.3	-	2.3	-	2.4
Total	12.5	15.3	11.6	17.8	10.6	18.3	8.6	18.4

Approximate 15 year total, \$430 B



TABLE 17

COST ESTIMATES:  
ENRICHED CONSTANT GHETTO  
(extreme growth model)

Assistance Sectors	Annual Costs, in \$ B							
	1968		1973		1978		1983	
	White	Negro	White	Negro	White	Negro	White	Negro
Income	5.0	3.6	4.6	4.1	3.8	4.2	2.9	3.9
Job Training	.4	.9	.4	.9	.4	.9	.4	.9
Job Development	<.05	.1	<.05	.1	.1	.2	.3	.7
Education	2.4	7.5	2.1	7.6	1.7	7.9	1.2	8.5
Housing	2.4	1.5	2.1	1.6	1.7	1.7	1.3	1.5
Health	.9	.8	.8	.8	.6	.8	.5	.8
Legal Service	neg							
Security	1.3	.4	1.2	.4	1.1	.4	1.0	.4
Dispersal	-	.7	-	2.2	-	2.3	-	2.6
Total	12.4	15.5	11.2	17.7	9.4	18.4	7.6	19.3

Approximate 15 year total, \$425 B

TABLE 18

RANGE OF TIME OVER WHICH SELECTED CITIES  
WILL REACH 50% NEGRO POPULATION

City	Total Population 1960, mill.	Time Span				
		1965	1970	1975	1980	1985
New York	7.78			(after 1985)		
Chicago	3.55					
Los Angeles	2.48			(after 1985)		
Philadelphia	2.00					
Detroit	1.67					
Baltimore	.94					
Cleveland	.78					
Washington, D.C.	.76		(55% as of 1960)			
St. Louis	.75					
New Orleans	.63					
Newark	.41					
Oakland	.37					
Richmond	.22					
Jacksonville	.20					
Gary	.18					
Berkeley	.11					

TABLE 19  
COMPARISON OF INVESTMENT TRENDS

POPULATIONS						INVESTMENT INDICATORS										
CITY	Total City		Non-White		Change in ratio of non-white to total	Housing Units			Retail Establishments							
	1950 (mils.)	1960 (mils.)	1950 (mils.)	1960 (mils.)		1950 (thous.)	1960 (thous.)	% change (50 to 60)	1948 (thous.)	1958 (thous.)	% change (48 to 58)					
NORTHEAST																
1. Newark	.44	.41	.08	.14	2.0	124	135	+9	6.7	6.1	-9					
2. Philadelphia	2.07	2.00	.37	.54	1.5	600	649	+8	26	24	-8					
NORTH CENTRAL																
1. Chicago	3.62	3.55	.56	.85	1.7	1,106	1,215	+10	42	36	-14					
2. Gary	.13	.18	.04	.07	1.3	38	52	+37	1.5	1.5	0					
3. Detroit	1.85	1.67	.30	.49	1.8	522	553	+6	18	17	-5					
4. St. Louis	.86	.75	.16	.22	1.6	263	263	0	11	9.9	-10					
5. Cleveland	.91	.88	.15	.26	1.8	271	283	+4	11	11	0					
SOUTH																
1. Washington, D.C.	.80	.76	.28	.42	1.6	230	263	+14	6.9	6.3	-9					
2. Baltimore	.95	.94	.23	.33	1.5	278	290	+4	12	12	0					
3. Richmond	.23	.22	.07	.09	1.3	66	69	+4	2.5	2.9	+16					
WEST																
1. Berk-ley	.11	.11	.02	.03	1.7	37	42	+13	1.1	1.0	-9					
2. Oak-land	.38	.37	.06	.10	1.7	133	142	+7	5.1	4.2	-18					
TOTALS						12.35	11.84	2.32	3.54	3,668	3,956	145	132			
AVER. CHANGE										8.0		-9.0				
TOTAL U.S.						150.7	178.5	16.5	20.4	1.08	46,000	58,100	+26	1,668	1,789	+7.0
TOTAL U.S. LESS THE ABOVE CITIES						138.3	166.7	14.2	16.9	.99	42,300	54,100	+28	1,523	1,657	+9.0

Sources: Refs 1, 2, and 3

TABLE 19 (continued)

INVESTMENT INDICATORS						
CITY	Manufacturing Value Added			Service Establishments		
	1947 (\$mils.)	1958 (\$mils.)	% change (47 to 58)	1954 (thous.)	1958 (thous.)	% change (54 to 58)
<b>NORTHEAST</b>						
1. Newark	523	715	+37	2.9	3.4	+18
2. Philadelphia	1,730	2,556	+48	12	14	+17
<b>NORTH CENTRAL</b>						
1. Chicago	3,823	5,315	+39	21	22	+5
2. Gary	210 <sup>(E)</sup>	449	+114	.6	.7	+17
3. Detroit	1,834	2,087	+14	9.4	11	+17
4. St. Louis	909	1,340	+48	5.4	6.0	+11
5. Cleveland	1,219	1,676	+38	6.1	6.8	+11
<b>SOUTH</b>						
1. Washington, D.C.	99	198	+100	4.8	5.6	+17
2. Baltimore	669	1,063	+59	5.3	6.2	+17
3. Richmond	204	377	+85	1.4	1.7	+21
<b>WEST</b>						
1. Berkeley	54	86	+59	.7	.9	+29
2. Oakland	208	377	+81	3.0	3.2	+7
<b>TOTALS</b>	11,482	16,239		73	82	
<b>AVER. CHG.</b>			+41			+12
<b>TOTAL U.S.</b>	75,500 <sup>(E)</sup>	141,400	+87	789	979	+24
<b>TOTAL U.S. LESS THE ABOVE CITIES</b>	64,000	125,200	+96	716	897	+25

TABLE 20

WHITE AND NEGRO POOR FOR VARIOUS  
CITY POPULATIONS

Area	Data (A)						Source
	1960			1965			
	Total	Poor	Ratio	Total	Poor	Ratio	
South Los Angeles	355	98	.28	321	95	.30	Ref 6
White	108	23	.21	61	15	.25	
Negro	248	76	.31	260	80	.31	
Cleveland	876	152	.17	811	139	.17	Ref 7
White	625	78	.12	535	58	.11	
Negro	251	75	.30	276	80	.29	
Total U. S. Cities (B)	58	9.8	.17	58	10	.17	Ref 8 and Ref 9, and unpublished working notes from the respec- tive authors
White	NA	NA	-	46	5.6	.12	
Negro	NA	NA	-	12	4.4	.37	

(A) Populations in thousands for individual cities,  
in millions for total U.S. cities.

(B) Total U.S. poor estimates for 1965 assume 1964 data.

TABLE 21

POOR SUBGROUPS IN LOS ANGELES  
AND CLEVELAND

City	Data, in thousands					
	1960			1965		
	Total Poor		Ratio	Total Poor		Ratio
	W	N		W	N	
South Los Angeles	23	76	-	15	80	-
White OASD	↓	↓	6.0	↓	↓	4.7
Negro OASD			.26			.31
White AFDC			4.8			.05
Negro AFDC			.06			.20
			3.6			.46
	↓	↓	.16	↓	↓	.36
			27			37
			.36			.46
Cleveland	78	75	-	58	80	-
White OASD	↓	↓	21	↓	↓	17
Negro OASD			.27			.29
White AFDC			5.1			.07
Negro AFDC			.07			.17
			10			.42
	↓	↓	.13	↓	↓	.31
			23			34
			.31			.42

Sources: Ref 6 and Ref 7

TABLE 22  
SAMPLE COMPUTER OUTPUT FROM INDIVIDUAL CITIES PROGRAM

CASE NO 01 NEW YORK

PROJECTED NEGRO & WHITE POPULATION

	MODEL 1		MODEL 2		MODEL 3	
	NEGRO	WHITE	NEGRO	WHITE	NEGRO	WHITE
1960	1.14	6.64	1.14	6.64	1.14	6.64
1961	1.19	6.67	1.19	6.54	1.19	6.59
1962	1.23	6.70	1.23	6.44	1.23	6.55
1963	1.28	6.73	1.23	6.35	1.27	6.51
1964	1.32	6.76	1.32	6.25	1.32	6.46
1965	1.37	6.79	1.37	6.16	1.37	6.41
1966	1.42	6.56	1.42	6.07	1.41	6.37
1967	1.47	6.34	1.47	5.98	1.46	6.32
1968	1.52	6.13	1.52	5.89	1.51	6.27
1969	1.57	5.93	1.57	5.80	1.55	6.23
1970	1.63	5.73	1.62	5.72	1.60	6.18
1971	1.69	5.59	1.67	5.63	1.65	6.13
1972	1.74	5.45	1.73	5.54	1.72	6.08
1973	1.80	5.31	1.78	5.46	1.75	6.03
1974	1.86	5.18	1.84	5.39	1.81	5.97
1975	1.93	5.05	1.90	5.31	1.86	5.92
1976	1.99	4.90	1.95	5.23	1.91	5.87
1977	2.06	4.75	2.01	5.15	1.97	5.81
1978	2.13	4.61	2.03	5.07	2.02	5.76
1979	2.20	4.47	2.14	4.99	2.08	5.70
1980	2.27	4.34	2.20	4.92	2.14	5.64
1981	2.35	4.20	2.27	4.85	2.19	5.59
1982	2.43	4.07	2.33	4.77	2.25	5.53
1983	2.50	3.94	2.40	4.70	2.31	5.47
1984	2.59	3.81	2.47	4.63	2.37	5.41
1985	2.67	3.69	2.54	4.56	2.44	5.34

TABLE  
UNIT COST MATRIX

Assistance Sectors	Population Subgroups (A)								
	Total Central City	Main-stream	Total Poor	OASD	AFDC	Other	Job Training	Job Development	Dispersal
Income	--	--	--	1.2	.8	.7	--	--	--
Job Training	--	--	--	--	--	--	2.1	--	--
Job Development	--	--	--	--	--	--	--	(B)	--
Education	--	.5(N)	--	--	1.0(W) 1.1(N)	.4(W) .5(N)	--	--	--
Housing	--	--	--	.5	.3	.4(W) .3(N)	--	--	--
Health	--	--	.2 (E)	--	--	--	--	--	--
Legal Service	--	--	(C)	--	--	--	--	--	--
Security	.03	--	--	--	--	--	--	--	--
Dispersal	--	--	--	--	--	--	--	--	(D)

(A) "(W)" means factor is applied to white only.  
 "(N)" means factor applies to Negro only.  
 Where no distinction is made factor applies to both.

(B) Total job development cost, in \$B is given by year as follows:

1968 cost = .1 + .3 (JD -.02)

1973 cost = .1 + .3 (JD -.02)

1978 cost = .3 + .3 (JD -.06)

1983 cost = 1.0 + .3 (JD -.20), where;

JD = total annual job requirement in millions.

(C) Less than \$5 per poor resident.

(D) Dispersal cost, in \$B, is given by year as follows:

1968 cost = 1.2[ $\dot{D}$ (1968)],

1973-1983 cost = 1.2[ $\dot{D}$ (Y)] + 2.4[ $\dot{D}$ (Y-5)];

where  $\dot{D}$ (Y) = annual dispersal rate in year Y, in millions.

(E) Due to the size of the population included, a cost per unit of .15 was used in the actual calculations.



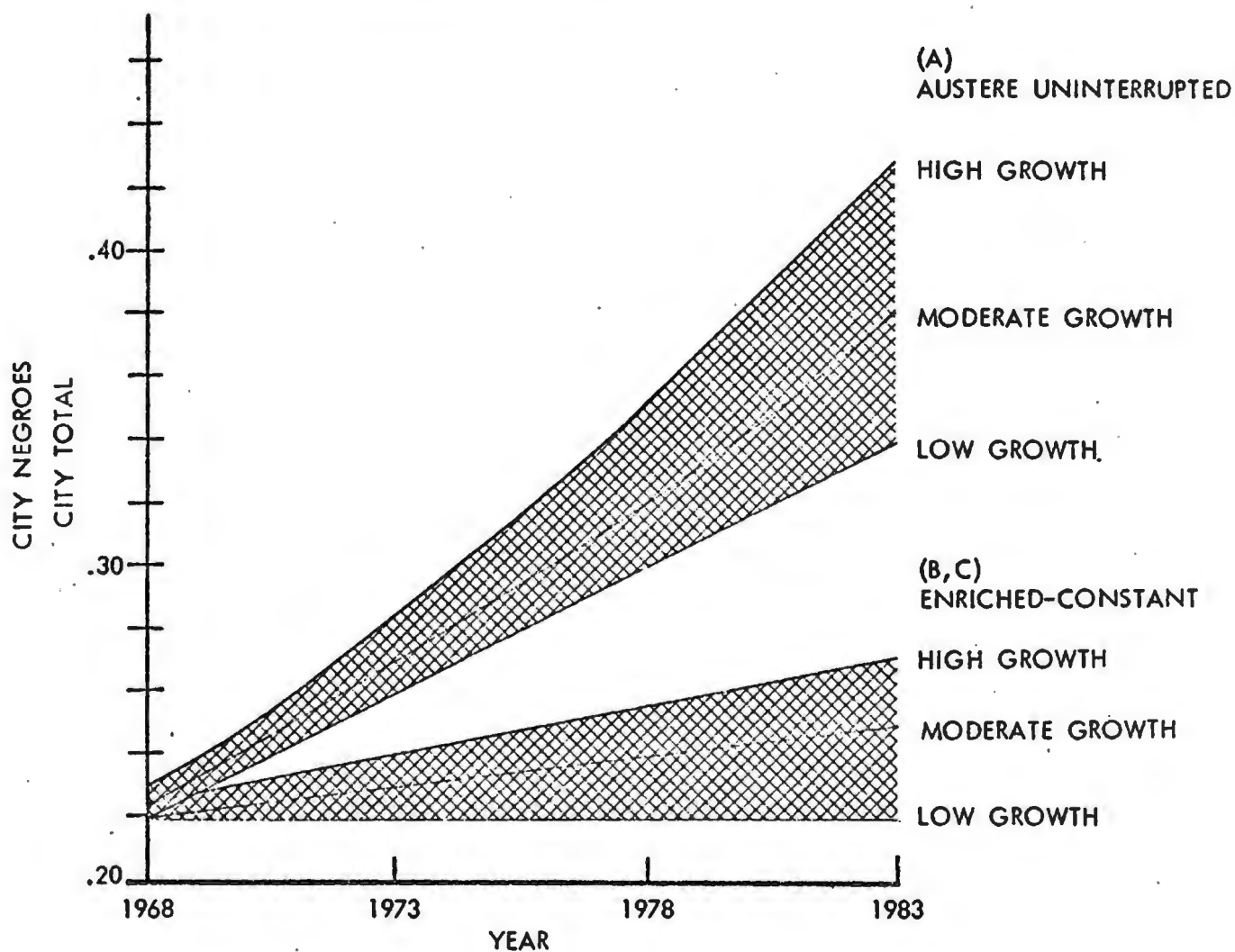
TABLE 24

ESTIMATED FY 1968 FUNDING TO CENTRAL CITIES POOR  
(BOTH WHITE AND NON-WHITE)  
FEDERAL FUNDS ONLY

Public Assistance Sector	Total Fed. Anti-Poverty Funding, FY 68, in \$ Billions (A)	Assumed Allocations to Central City Poor in \$ Billions			
		OASD	AFDC	Other	Total
1. Employment	1.06	-	-	.33	.33
2. Education	2.57	-	.80	→	.80
3. Health	4.19	.69	.69	→	1.38
4. Housing	1.02	→	.61	→	.61
5. Security	0 (?)	→			
6. Legal	0 (?)	→			
7. Income	14.58	3.86	.40	.56	4.82
8. Other Misc.	<u>2.21</u>	-	-	-	<u>.73</u>
Totals	25.63				8.67

(A) Taken from unpublished Bureau of the Budget working notes.

FIGURE 1  
 ALTERNATIVE CITY MODES:  
 AUSTERE-UNINTERRUPTED AND ENRICHED CONSTANT



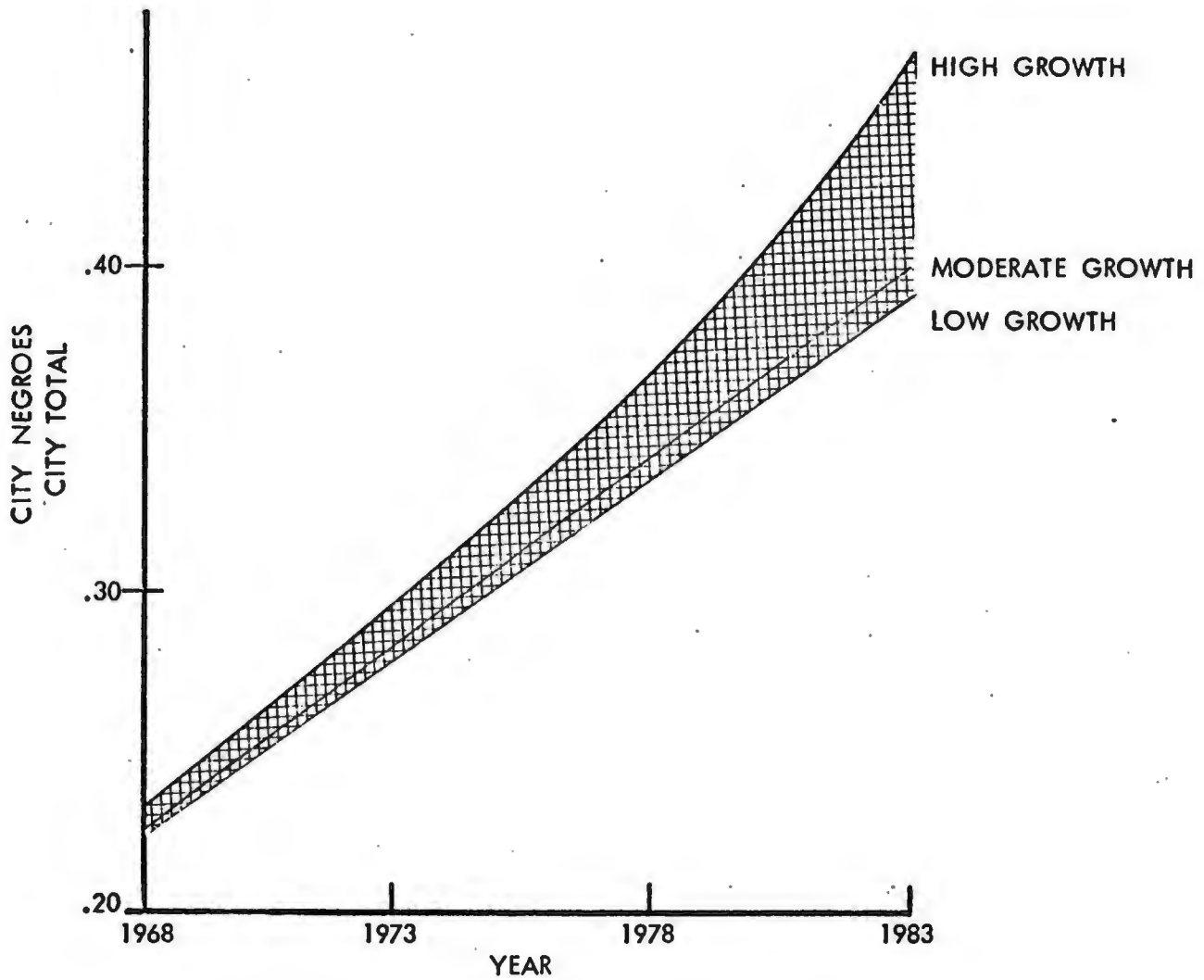
(A) See Tables 1 - 3

(B) See Tables 7 - 9

(C) The constant mode shows an increase in the ratio of Negroes to whites because of white out-migration.

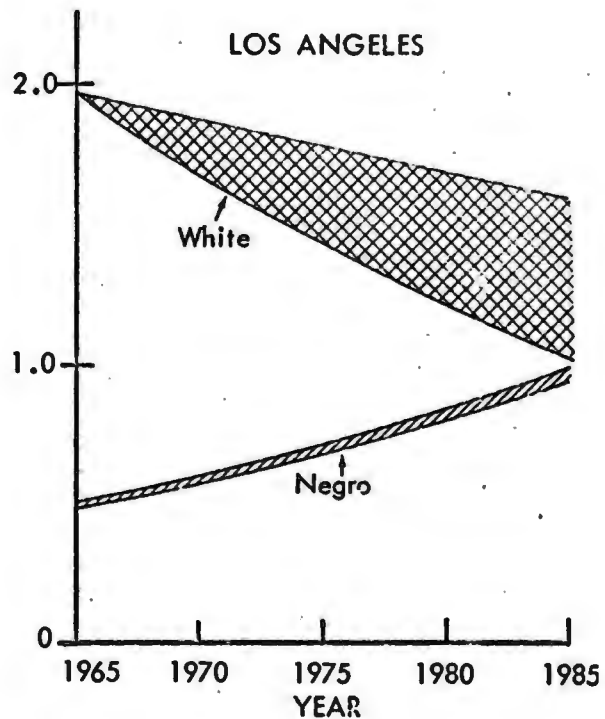
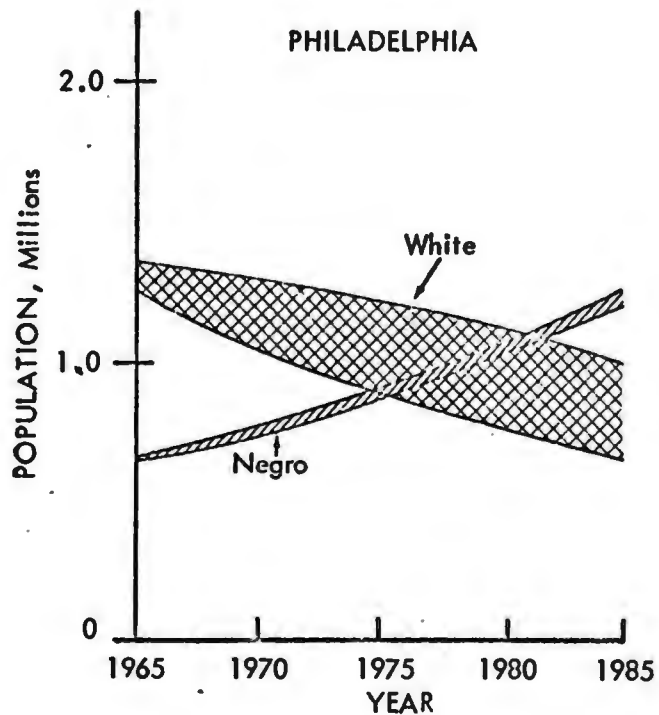
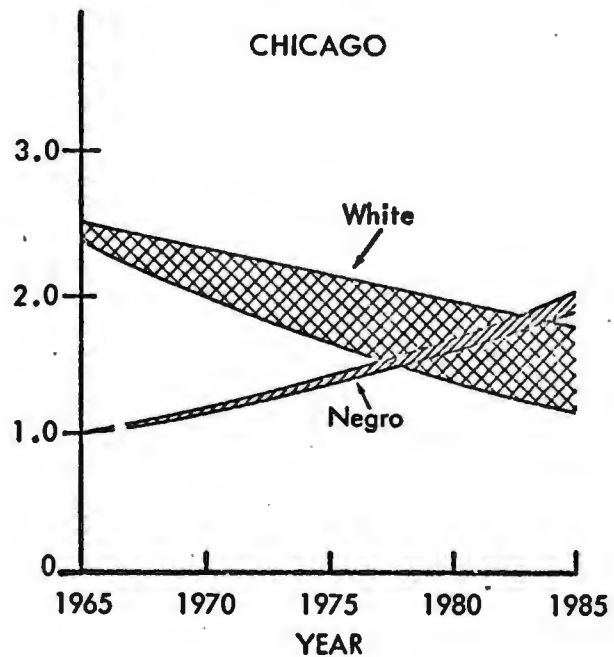
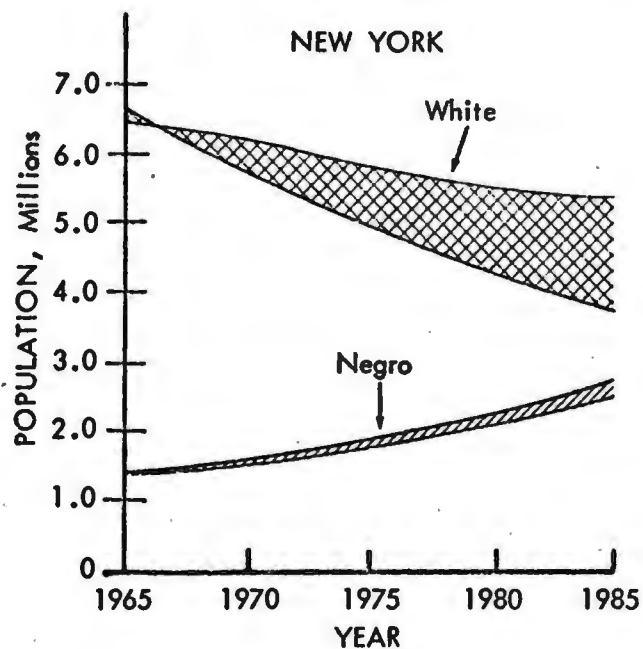
FIGURE 2

ALTERNATIVE CITY MODES: ENRICHED - UNINTERRUPTED



See Tables 4 - 6

FIGURE 3  
RACIAL TRENDS FOR SELECTED CITIES



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