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ADMINISTRATIVELY CONFIDENTIAL

September 14, 1967

EYES ONLY

MEMORANDUM FOR Honorable Robert C. Weaver
Secretary of Housing and Urban
Development

In my memorandum dated August 25, 1967, establishing the Task Force on Housing and Urban Development under your chairmanship, I pointed out that it would be helpful if your Task Force report included a discussion of the costs and benefits of the proposals made by the Task Force.

In addition, we would like your report to reflect clearly the Task Force's judgment about relative priorities among the proposals. In order to obtain the explicit judgment of your Task Force on program priorities, the report of your Task Force should include a pricing of the individual program proposals which you recommend, and a summary of the total cost. In addition, we would like you to develop two alternative program packages, detailing individual program proposals within the two target figures given below.

(In millions; fiscal years)

1968 base	$ 2,000
1971 add ons:	
-- Alternative A	800
-- Alternative B	2,600

These figures are to cover both new legislation and expansion of existing programs above the fiscal year 1968 base as adjusted for uncontrollable built-in increases. The two target figures selected do not reflect a judgment about desirable program levels in the area being considered by your Task Force. Rather, they have been chosen primarily to provide information about the Task Force's judgment on relative priorities underlying the Task Force proposals.

ADMINISTRATIVELY CONFIDENTIAL

We would like you to use the pricing table which is attached for the above purpose. Where possible, it should be accompanied by a highlight explanation giving pricing and program assumption for each alternative package and as much explicit information as you can on the expected benefits from each specific program in a package.

If you need further information about the programs covered in the base, please feel free to contact Fred S. Hoffman at the Bureau of the Budget. The Bureau of the Budget participant on the Task Force can also help in obtaining additional information.

Where Task Force recommendations involve expansions of existing programs (as opposed to new legislative proposals) each agency representative should be prepared to tell the Task Force -- and the Task Force report should indicate (in precise tabular form):

1. The extent to which specific recommendations about that agency's program for fiscal 1969 exceed the budget request of the agency to BOB. By "budget request" is meant the set of agency recommendations which fit within the planning figure for the 1969 budget given to each agency by the Budget Bureau.

2. If the program recommendation exceeds the agency budget request (at the BOB planning level) the agency's judgment as to whether this item has higher priority than the items included in the agency's budget request.

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

Attachment

cc: Secretary Trowbridge
Secretary Fowler
Secretary Boyd
Director Schultze
Mr. Frederick Bohen

Attorney General Clark
Director Shriver
Chairman Ackley

(Attachment to each individual)

THE WHITE HOUSE

WASHINGTON

August 25, 1967

EYES ONLY

MEMORANDUM FOR Honorable Robert C. Weaver
Secretary of Housing and Urban Development

In accord with our earlier discussions, this memorandum establishes under your chairmanship a Task Force on Housing and Urban Development for 1968. The Task Force should include representatives from the Departments of Commerce, Treasury, Transportation, Justice, the Office of Economic Opportunity, the Council of Economic Advisers and the Bureau of the Budget, and may be broadened at your discretion. Frederick Bohen will be the White House representative on the Task Force.

May I suggest that you discuss with the heads of these agencies individuals to represent them on the Task Force. As you know, we should have the finest possible talent on this Task Force.

This special Task Force effort reflects our deep concern for the problems now facing American cities. We hope to develop, with your help, a strong and imaginative program for consideration by the second session of the 90th Congress.

We would like you to:

- Review the relevant portions of the report on the Cities.
  - -- Identify the type of action -- legislative, budgetary, administrative -- needed to implement those proposals considered to be desirable and feasible. (Summary attached)
  - -- Relate those actions to on-going programs.
  - -- Develop a time-phased and priority listing of those actions, with an analysis of fiscal impact.

. Examine the following questions re: low-income housing.

-- What, if anything, can be done to utilize that portion of federal welfare payments paid out in rent by welfare recipients as a lever (about $1-2 billion) to:

. Set higher standards for housing for welfare recipients, through requirements which states and cities must meet.

. Increase the supply of low-income housing.

-- Possibility and desirability of additional federal subsidization of local land acquisition costs for low-income housing and other public purposes.

-- Possibility and desirability of federal assumption of the differential between the cost of low-income housing produced by non-profit sponsors and the price that low-income families can pay to own their own home.

-- Submit conclusions on the possibility of improving the amenities in public and rent supplement housing, especially through the installation of air conditioning.

We would like you to submit your report by October 10, 1967. It should contain a detailed outline with the following information:

1. A short statement of the legislative or administrative proposal.

2. A detailed statement of the problem giving rise to the proposal.

3. A statement of related on-going programs, including costs, the people whom the programs reach, and the inadequacies of the present programs.

4. A discussion of the proposal, with emphasis upon the pros and cons and the costs and benefits of implementation. (Of great importance here is a detailed statement of the arguments and factual material which can be advanced in support of the proposal.)

5. A statement of the alternative proposals which were considered and the reasons for rejection thereof.

In addition, it would be helpful if you would prepare a summary of the report (not to exceed 10 pages) which contains the following information for each major administrative or legislative proposal:

-- Salient features of the proposal.

-- Brief statement of benefits of implementation.

-- Brief statement of costs of implementation.

Ten copies of the report should be submitted to me and five copies to the Director of the Budget.

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

SUMMARY OF IDEAS OF REPORT ON CITIES

A. General Views

1. Integration of our urban and urbanizing populations should be explicitly stated as national policy.

2. Make "impact on integration" the first criterion by which present and proposed programs are evaluated.

3. Devise and use a wide variety of powerful incentives to accelerate integration.

4. Increase sharply employment and educational prospects for the urban poor.

5. Reform the federal grant-in-aid system, linking federal support directly to disadvantaged individuals, and increasing the participation and capability of state and local governments.

6. Strengthen and expand the nation's capability for research, training, experimentation and evaluation in urban affairs.

B. Specific Ideas

1. 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.

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

    a. 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.

    b. 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.

c. Tie existing federal programs (e.g. housing and relocation) to requirements and incentives for integration.

d. Condition any plan for the redistribution of sharing of federal revenues (or for tax credits and block grants) on state and local progress toward urban integration.

e. 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.

f. Move toward 100% federal financing of welfare costs, and eliminate local residence and other restrictions which inhibit the mobility of low-income persons.

g. 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.

h. 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.

i. 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.

j. 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.

3. 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:

   a. 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.

   b. 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 included in the report.

   c. 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.

4. Greatly strengthen the nation's capacity for urban analysis, training innovation, and evaluation:

   a. To seize immediately on the opportunity presented by the Model Cities Program, select 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.

   b. Strengthen the community action programs of OEO, 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.

c. 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.

d. Provide grants to state and local governments, and to urban universities, to strengthen their capacity for research, development and analysis.

e. 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.

BoB Analysis

Mr. Gaither

The Director October 30, 1967

Human Resources Programs Division (Hanna)

Report of Task Force on Housing and Urban Development

Secretary Weaver has submitted a report of the Task Force on Housing and Urban Development with the following major recommendations:

A. Housing. Sets a goal of starts on federally-aided housing at 220,000 units in 1969, and 500,000 a year by the early 1970's by--

1. Moderate income housing (110,000 units started in 1969)

(a) Interest grants to replace 221(d)(3) BMIR program for rental housing, reducing rate to 2%

(b) Payments in lieu of taxes of 5% of rents in these projects, with Federal grants to pay part of cities' loss

(c) Interest subsidies for moderate income home ownership

(d) Financial assistance to non-profit groups for (i) city wide moderate and low income housing activities and (ii) counseling moderate income homeowners .

2. Low income housing - authorization of 600,000 units of public housing and 200,000 units of rent supplement housing over 4 years.

3. Wider dispersal of assisted units, and wider diversity of incomes in rented projects

-- assisted homeownership primarily for new construction, assumed to be in suburbs.

-- elimination of workable program for privately sponsored housing

-- Up to 20% of units in moderate income housing available for rent supplements or public housing leasing.

4. <u>Other housing recommendations</u>

-- $5 million annual program for training low and moderate income housing managers

-- $20 million additional contributions to local housing authorities for social services

-- Require States to increase public assistance allowances for housing as first step toward requiring standard housing for welfare recipients.

B. Neighborhoods

1. Authorize urban renewal grants for long-range neighborhood development projects, with Federal funding in one or two year increments, for renewal activities throughout neighborhood as planning proceeds.

2. Expanded neighborhood center program for 100 additional model neighborhood centers over a 3-year period with--

-- facility grants within present program

-- initial core and basic service grants from HUD

-- 10% incentive grants on Federal-aid programs used in the centers.

3. Model cities planning funds for 1969.

C. Job Opportunities. Combine housing and job opportunity programs by

1. Requiring builders in federally-aided projects to use federally-aided manpower and training programs

D. Encourage outward mobility by

1. Federal grants for transportation service between central city poor areas and employment centers.

2. Federal incentives for low and moderate-income housing in combination with suburban industrial parks.

3. Require affirmative programs of open occupancy and provision of low and moderate income housing as a condition for locating new major Federal installations.

Comments. Our initial rough comments on the above proposal are as follows:

A-1. The moderate income housing programs are basically a combination of the rent supplement program as originally submitted by the President in 1965 (before the Congress insisted on changing it to a low income program) and the Sparkman homeownership proposal now pending before the Senate Committee. Both have therefore been accepted in principal by the Administration already. The primary question will be the willingness of the Congress to accept now the substitution (previously rejected) of a [direct] subsidy for a low interest rate loan for moderate income families.

The current level of direct loans for 221(d)(3) housing is $500 million. The proposed program of 110,000 units would require $1.5 billion in loans. The interest subsidy would be approximately $75 million a year.

A-2. The low income housing proposals involve requesting authority at least one year before needed for contracts. The current public housing authority, plus the $50 million already requested by the President, will carry the Department's program through 1969.. Legislative authority for rent supplements is adequate through 1970.

The proposals would therefore not add to 1969 programs. The full year cost of the added units in terms of NOA and expenditures would not be reached before 1975, and would not exceed $540 million for public housing and $180 million for rent supplements.

A-3. It is doubtful that local approval of moderate income sales housing could be obtained in the suburbs. It might be that tying the subsidy to existing housing would enable more moderate income families to move out to the suburbs. Other steps to increase housing supply might be needed to avoid excess housing demand.

It will be difficult to get the workable program or other local public approval requirement removed by the Congress for the very reason it is proposed.

Allowing double subsidy in moderate income housing for low income families would reduce the number of new units produced with Federal subsidy. Such double subsidy might not be needed if income limits in rent supplement housing were increased to the moderate income level.

A-4. The proposed increase in PA housing allowance is needed if standard housing for welfare recipients is to be required. Present allowances do not cover economic rents for standard housing. A carefully designed follow-on program of code enforcement and housing construction will be needed if increased allowances are not merely going to result in bidding up housing prices. The report recommends an HEW-HUD-OEO task force to work this out.

B-1. The urban renewal proposal is not spelled out in enough detail for a full evaluation. Two aspects are clear

-- It substitutes, on a limited scale, a program for a project approach, allowing various renewal activities to proceed throughout a large area, without requiring a detailed, complete plan before the activity starts.

-- The theory that urban renewal projects are fully funded at the start would be abandoned. This could commit the Government to continuing grants without assurance of their availability.

B-2. The neighborhood center program is a follow-on to the 14 city pilot program. HEW did not join in the recommendation; OEO believes it should operate the program. It was prepared by those who have been frustrated by the difficulties of the 14 city program. In concept it is close to the social service component of the model cities program. We question the desirability of proposing a "cut rate" model cities program when the latter program is just getting off the ground.

The core and basic service grants duplicate OEO authority within CAP funds.. We question the desirability of creating additional duplicatory Federal programs.

B-3. The initial round of model cities would not have entered the execution stage, or the second round the planning stage, by the time the proposal for 1969 planning funds would be requested under the proposal. We believe such action would be premature. Results from the initial cities are needed before a continuing program can be designed..

C. Combining housing and manpower programs seems like a good idea. It is difficult now, however, to get sponsors for federally-aided housing. Careful assessment of the effect of additional requirements on the supply of housing sponsors should be made before the proposal is adopted. Moreover, providing training in the building trades is more a union and apprenticeship problem than one with employers. A requirement may thus be ineffective.

D-1. Transportation aid may be needed to get ghetto residents to job and job training opportunities in some cases. Operating subsidies for transit, however, can lead the Government into a morass of cost and rate regulation and transit wage negotiation unless the program is very carefully drawn. The report does not indicate that the subsidy program will avoid these problems.

D-2. This proposal may be worth a try. However, the incentives of FHA land development loan insurance appear rather weak for the burdens the proposal would impose on the developer for working with communities to get zoning decisions, running low and moderate income housing , and insisting on job training programs.

D-3. This proposal could do much to increase equality of opportunity. Strict enforcement would require a national commitment to equal opportunity above many other goals..

Summary

SUMMARY

OF

REPORT BY TASK FORCE

ON

HOUSING AND URBAN DEVELOPMENT

October 12, 1967

The Task Force has shaped its recommended program to deal with a review of the contemporary urban situation which finds that:

-- over 2 1/2 million city families still live in substandard housing and another 3 million substandard rural units generate a steady migrating stream to the cities;

-- concentration of the poor and minorities continues to augment population growth in explosively compact areas which are increasingly -- politically as well as geographically -- separated from the mainstream of American life.

Countering economic/racial segregation is a difficult but necessary task which requires -- for even hope of success -- new scales of effort to improve life and hope in the ghetto simultaneously with exploiting every possible opportunity to increase mobility from it.

The Task Force recognizes the Administration's early attention to the twin themes of "equal opportunity" and "economic opportunity" which underlie this recommended program. Prior Administration concerns have produced, among others:

-- the Civil Rights Acts of 1964 and 1965, and the proposals for open housing considered in 1966 and 1967 but not yet enacted;

-- the Economic Opportunity Act's war on poverty (1964);

-- neighborhood facilities grants (1965);

-- public transportation assistance for cities (1964);

-- water and sewer facilities grants (1965), Planned metropolitan Development incentive grants (1966), and mortgage insurance for land development (1965) and new communities (1966);

-- Rent Supplements for housing low-income families (1965); and

-- Model Cities Programs for full-scale attacks on neighborhood physical and social blight (1966).

The full scope and potential of these newer Administration instruments have not yet been achieved, but they provide a firm base -- in legislation and in administrative machinery -- which any new legislative program must recognize and can capitalize upon. Specifically, the Task Force recommends action to:

-- Improve housing conditions for low- and moderate-income families;

-- Improve neighborhood environments for the disadvantaged;

-- Utilize job opportunities for the unskilled generated by assisted housing and urban development activities; and

-- Encouragement and outward mobility of ghetto residents.

Summary of Recommendations

Section A - Housing. The tight concentration of substandard urban housing in older parts of the city requires more than mere replacement and upgrading in the same neighborhoods. Nevertheless, needs for decent housing in these areas must be met while broader locational opportunities are also opened up to low- and moderate-income families. The immediate objective is to nearly double the annual rate of starts on Federally-aided housing in 1969 (to 220,000 units compared with 115,000 in 1968) and to assist, by the early 1970's, 500,000 units a year -- a rate which is necessary to meet population growth and to replace existing substandard housing over a 10-year period.

Moderate-income housing production would be increased (from less than 40,000 starts in 1968 to over 110,000 in 1969) and serve a wider share of the middle-income housing needs by:

1. Lowering the interest rate on BMIR mortgages from 3% to 2%;
2. Making Federal grants to cities for abatement of real estate taxes. (The combined effect of these changes would be to reduce rents on an average unit by another $20 per month);
3. Administrative changes to increase the attractiveness of assisted housing projects for profit-making sponsors; and
4. Adding a new moderate-income home-ownership program with:
   a. Interest rate subsidy payments which are adjusted as family incomes rise, and

b. Financial assistance to non-profit groups for counseling assisted homeowners.

<u>Low-income housing</u> production would be expanded by increased use of the newer private production and involvement techniques. It is recommended that four-year authorizations be proposed for a total of:

-- 600,000 added units of low-rent public housing and

-- 200,000 added units of rent supplement housing.

<u>Wider dispersal of assisted units and wider diversity of incomes within rental projects</u> would be achieved through:

-- Use of the assisted home-ownership program primarily for new construction (which would be heavily in suburbs);

-- Elimination of the existing requirement for local governmental approval ("Workable Program") of privately sponsored housing projects; and

-- Permitting up to 20% of the units in an assisted moderate-income housing project to be rented to low-income families with the aid of additional temporary subsidies under rent supplements or the public housing leasing program.

Additional housing recommendations would provide for:

-- Up to $5 million a year for demonstrations and training of management personnel for low- and moderate-income rental housing;

-- Up to $20 million a year to provide for additional tenant services in public housing;

-- Requiring states to increase public assistance allowances as the necessary first step in a long-range program to require standard housing for welfare recipients.

Section B - Neighborhoods. Improvements in neighborhood physical and social conditions are necessary to sustain and reinforce the effect of improving housing in decayed neighborhoods. A wide range of Federal aids already exist for this purpose. The Task Force recommends selective modification of three key programs -- urban renewal, neighborhood facilities, and model cities.

Urban renewal has been increasingly directed away from replacing the dilapidated homes of the poor with high-income apartments and toward rehabilitation and improved neighborhood facilities for existing resident groups. Existing procedures are not well-adepted, however, to effective prosecution of such activities on the scale required for early and visible impact on larger blighted residential areas such as those involved in model cities programs. To increase the capacity of the program to operate in these areas, it is proposed that a "neighborhood development project" concept be added to the program.

Such projects would involve:

-- Establishing a general plan for the entire blighted area with specific plans only for activities actually to be undertaken in the first one or two years.

-- Execution of these activities concurrently with preparation of plans for the second stage of activities.

Up to 100 such projects could be started with funding of $250 million in fiscal 1969.

Neighborhood facilities grants were first authorized in 1965 to provide structures suitable for neighborhood social and recreational services. Priority has been accorded to lower-income neighborhoods and to providing facilities from which OEO-financed Community Action Program neighborhood service programs would operate. Following a Presidential directive for greatly expanding the availability of such neighborhood centers and services, a 14-city pilot program has been initiated by the four agencies most heavily involved in neighborhood life -- HUD, OEO, HEW, and Labor.

Although the pilot program is still in early stages, the experience is considered to justify a recommendation for significant expansion of the concept as the next step in meeting the President's goal of a neighborhood center in every needy neighborhood. Specifically, it is recommended that:(1)

-- Funds be authorized for 100 additional model neighborhood centers over a 3-year period and

-- Improved provision of coordinated service programs through the incentive of a 10% increase in the Federal share for regular

(1) The Department of Health, Education, and Welfare does not join in this recommendation and the Office of Economic Opportunity would recommend that OEO be given lead responsibility for a program of this nature.

-- service programs carried on in such centers plus a single appropriation for financing needed services not otherwise available.

Model Cities proposals also are at an early stage of development under the 1966 legislation. However, it is already clear that there are substantial benefits in the process of asking cities to plan comprehensive public and private attacks on deteriorated neighborhoods and to coordinate the local administration of Federally-assisted activities which deal with physical and social blight. While early experience is being gained in the actual execution of such comprehensive programs in the first groups of selected cities, additional cities should be able to begin this process in order to take prompt advantage of the experiences of the first 70-140.

It is recommended that additional model cities-type planning funds in the amount of $25 million be authorized for 1969.

Section C - Job Opportunities. Productive jobs and the skills needed to perform them are widely recognized as the basic formula for achieving genuine and sustainable economic mobility. The expanded programs recommended previously will generate many productive jobs both within and outisde the ghetto. At the same time, the Federal government will continue to support a broad range of training and work experience programs for the unskilled people who live in these neighborhoods.

The Task Force believes that a greater effort should be made to combine these two opportunities for the disadvantaged. Accordingly, it recommends:

-- that Federally-funded participation by employers in the appropriate manpower and training programs be required of successful bidders or builder-sponsors on construction supported by Federal financial contributions:

-- that bona fide semi-skilled job classifications be recognized in setting wage rates for such construction so that use of semi-skilled workers is feasible.

<u>Section D - Encouragement of Outward Mobility.</u> Improvement of living conditions and jobs within existing neighborhood concentrations of poor must be supplemented by providing greater access for these people to the full opportunities afforded by the metropolitan complex. The Task Force sees this as being accomplished by:

-- improving access to jobs through transportation assistance tied to employment;

-- incentives for open occupancy low- and moderate-income housing in combination with new job locations in industrial parks; and

-- using the leverage of locating new major Federal installations to achieve affirmative programs of open occupancy and provision of low- and moderate-income housing.

We also endorse the utilization of Federally-assisted new communities as an instrument for providing greater residential mobility and job opportunities for the poor and the non-white. This proposal is set forth in detail in the report of the New Towns Task Force.

TF Report

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

October 12, 1967

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

I am pleased to forward 10 copies of the report of the Task Force on Housing and Urban Development pursuant to your request. In transmitting this report, there are three items that I would particularly like to call to your attention:

1. The Task Force met on several occasions to review the individual legislative or administrative proposals under consideration and to develop a basic approach to policy issues confronting the nation in the area of housing and urban development. The Task Force meetings were well attended and interest was high. The reactions of the members to the last draft were called into my office and, to the extent possible, have been worked into this final report, although time and space considerations prevented the inclusion of each individual comment.

2. In general, I believe the ideas expressed in the attached report represent an overall consensus of the views of the Task Force. However, it was difficult for each Task Force member to comment personally on every issue under review, and certain members obviously may not agree with every approach or idea in this study.

3. Again, because of the press of time, the ideas contained in this report have not been formally cleared by any of the Departments or agencies which had members serving on the Task Force, nor has this department formally reviewed these ideas for final use in legislative proposals. Our aim was to develop proposals for the President's consideration which, to the extent possible, took advantage of the diverse viewpoints of the individual members serving on the Task Force.

In conclusion, let me state that this was a most worthwhile and productive exercise. Clearly, my colleagues on the Task Force from the various Departments and agencies contributed a great amount of energy in a short period of time and their interest demonstrates their deep concern for the problems of urban America.

Robert C. Weaver

Robert C. Weaver

Enclosures

AGENCIES REPRESENTED ON THE TASK FORCE

Department of Housing and Urban Development

Department of Health, Education and Welfare

Department of the Treasury

Department of Commerce

Department of Justice

Department of Labor

Department of Transportation

Bureau of the Budget

Council of Economic Advisers

Office of Economic Opportunity

REPORT BY
TASK FORCE ON HOUSING AND URBAN DEVELOPMENT

October 12, 1967

As requested, the Task Force has reviewed the "Report on the Cities" as well as considering many other ideas developed by its own members. In part because of the early deadline for this report and in part because of recognition of the existence of several other closely related study groups, the Task Force on Housing and Urban Development has concentrated its attention on critical areas most closely associated with housing and neighborhood conditions of the disadvantaged. We recognize that our report, nevertheless, will overlap as well as complement other reports in some respects--especially the reports of the Douglas Commission on Urban Problems and the Kaiser Committee on Urban Housing.

Statement of the basic urban problem: This Task Force concurs with the Cities Report in its identification of economic/racial segregation as the core of the contemporary American urban problem. We concur in the observation that economic/racial isolation has reached critical proportions and that the natural forces at work are producing acceleration rather than amelioration of the urban condition. The importance of this theme and the note of urgency in the Cities Report are thoroughly justified. And we fully concur with the concept that unless and until such segregation is eradicated, equality of opportunity cannot be achieved.

The basic economic, political, and social forces at work to produce and intensify economic/racial segregation are powerful. Early reversal of the trend is literally too much to expect with realism. And the closing of the gap between the "haves" and the "have-nots" cannot wait for eradication of segregation. While progress toward economic/racial intergration remains as the principal goal consistent with American ideals, the critical immediate need for reduction in the discrepancies in life style and outlook between the two urban Americas can be--and must be--attached effectively in the ghetto as well as outside it.

The closing of the dangerous gap between the two rates of participation in prosperity serves some of the same public needs as the breaking up of concentrations of poverty though it cannot substitute for that ultimate objective. Indeed, while some benefits would be gained by mere "equitable" geographic redistribution of the impoverished, the eradication of poverty on a significant scale is a necessary concomitant to removing the barriers to full mobility for all elements in the population.

The Task Force is well aware that these concerns have been high on this Administration's priorities from the beginning. The early and continuing attention given to achieving "equal opportunity" and "economic opportunity" have brought forth a large number of legislative and administrative innovations over the past four years:

--The civil rights proposal of 1967 for housing continued a line of development that began with The Executive Order of November 1962 with substantial strengthening through The Civil Rights Acts of 1964 and 1965;

--The Mass Transportation Act of 1964 provided an action program to preserve and extend public transit services following two years of small-scale demonstrations under provisions of the Housing Act of 1961;

--The Economic Opportunity Act of 1964, with amendments, launched an innovative and broadly based attack on the root causes of urban and rural poverty;

--Neighborhood facilities grants and water and sewer grants were added by the Housing and Urban Development Act of 1965;

--Land development insurance was authorized by the Housing and Urban Development Act of 1965 and extended to whole new communities by the Demonstration Cities and Metropolitan Development Act of 1966;

--Rent supplements (authorized by the Housing and Urban Development Act of 1965) and the Turnkey approaches to low-rent public housing (developed administratively in 1966 and 1967 with existing authority) extended further the use of private enterprise to serve low-income housing needs that was initially used for moderate-income families under the below-market-interest rate housing program enacted in 1961; and

--Model neighborhoods programs with incentives for local use and coordination of the full range of Federal urban aid programs in low-income target areas were established in 1966 legislation.

The chance to build further upon the experience gained through these prior innovations has been helpful. But the number, flexibility, and comprehensiveness of recent inventions has made it difficult to propose genuine "breakthroughs" that are soundly based and promise to be effective.

The Task Force has attempted to compile a program of related recommendations that capitalizes heavily on the tools already available to:

--improve living conditions and opportunities within the ghetto and

--increase mobility opportunities for ghetto residents.

We believe that these two goals can, and must, be pursued simultaneously.

Organization of the Report: While we believe we have recommended a program designed to achieve improved opportunity both inside and outside of present economic/racial concentration, it is not possible to maintain this distinction clearly in the report. Most recommendations either have immediate relevance both in and out of the ghetto or lead to improved readiness and capacity to move outward in response to future opportunities.

With the dual objectives clearly in mind, we have organized our recommended program around the topics of:

A. Improved housing conditions for low-and moderate-income families;

B. Improved neighborhood conditions for the disadvantaged;

C. Improved job opportunities; and

D. Encouragement of outward mobility of ghetto residents.

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Two highly relevant areas are conspicuously absent from the program recommendations:

--equal opportunity and

--public safety.

In the first area, the Task Force recognized fully the fundamental importance of removing to the fullest possible extent all artificial restraints on personal choice of residence and job. The intended effect of everything we recommend is premised on the achievement of equal opportunity. Although having no differences of opinion expressed on this issue, the Task Force does not make specific recommendations other than to reiterate support for the provisions of the Administration's proposed Civil Rights Act of 1967. For further recommendations, we defer to the Task Force on Civil Rights.

The many facets of the urban public safety problem--from street crime to mass civil disturbance--are of deep concern to the Task Force. However, the shortness of time and the continuing concentration of available specialized staff on support work for the Koerner Commission did not permit the Task Force to study these problems to the extent needed for even general recommendations.

Section A - Housing Recommendations

Introduction

The primary factors leading to tight geographic concentration of low-income minorities arise from the operation of public and private forces in the private housing market. For housing within its economic reach, the American low-income family is forced to rely on depreciated existing housing originally built long ago for the more affluent. Inescapably, this means location in older parts of the city and overcrowding.

Unless there is a substantial over supply of housing, the "trickle-down" system does not fully meet the housing needs of the poor. Further, that portion of the housing stock which they occupy is especially vulnerable to destructive forces. Fire, decay, and new public improvements (highways, public buildings, and urban renewal) all take their toll, leaving the poor to compete among themselves for the remainder.

Construction of new housing units of acceptable quality within the means of low and moderate income families requires public intervention which only the Federal Government has been willing to undertake on a significant scale. Even with Federal aids, local units of government avoid the difficult responsibility for housing people until the low-income housing problem is so severe that it can no longer be evaded. Again, inevitably, this means that public housing activity is most heavily concentrated in the older cities and, among these, in their older neighborhoods.

Thus, even where ameliorative local public action is present, it tends by selective effect to reinforce economic/racial segregation. Breaking out of this downward spiral requires fuller utilization of possible private mechanisms which can operate more independently of municipal boundaries and production of new assisted housing units on a scale far larger than has been accomplished to date.

The Task Force has recommended:

--doubling the annual volume of Federally assisted housing for low- and moderate-income families (Pages A-3 to A-26).

--encouragement to wider dispersal of assisted units and wider diversity of family incomes within assisted housing projects (Pages A-7, A-12, A-13 and A-14).

--fostering the management capability needed to administer the larger volume of assisted housing (Pages A-27 to A-31).

--more tenant social services in low-rent public housing (Pages A-32 to A-37).

--first steps toward the use of the Public Assistance program to achieve improved housing for welfare recipients. (Pages A-38 to A-41).

INCREASING THE LOW- AND MODERATE INCOME-HOUSING SUPPLY

In 1966, seventeen years after the declaration of the national goal of a decent home for every American family, over 5-1/2 million occupied dwelling units were still substandard, over 2-1/2 million of them in urban areas. Replacing these units over even a 10-year period--while building to accommodate normal population growth and losses from the stock of housing--will require building over 2 million units a year; about a fourth of these will require some degree of public aid.

Reaching these levels of publicly assisted housing involves building new public-private institutions as well as overcoming existing institutional restraints. A start has been made toward removal of present restraints through private involvement in public housing; accelerated FHA processing, and use of surplus Federal lands for sites. These new approaches will permit the doubling in 1969 of low- and moderate-income housing starts.

But any meaningful housing and urban development program for 1969 and subsequently must be capable of continuing expansion. Indeed, we must initiate action now which can result in the production of some 500,000 units of moderate- and low-income housing a year by the early 1970's. The program should be concerned not only with quantitative growth but equally with qualitative upgrading.

Our immediate goals should include the following:

1. More than double the volume of moderate- and low-income housing during 1969.
2. Effective inducements move such construction outside the central cities and ghetto areas.

3. Machinery for providing sound home ownership for the less affluent.
4. Maximization of economic diversification in occupancy.
5. Widespread utilization of private financing and private enterprise.
6. Upgrading of management.

Bas:c Approaches

A. Moderate-Income Housing

It was not until 1961 that there was an effective national program for moderate-income housing, Section 221(d)(3) BMIR. Last year, an experimental program for home ownership was enacted in Section 221(h). Currently the Senate Banking and Currency Committee is considering still another home ownership plan in the proposed Section 101 of the Committee's bill. All of these approaches involve interest subsidies; they should be consolidated, perfected, and greatly expanded.

It is proposed that a new title be enacted. It would provide the authorization of a more consistent financing principle for the three programs outlined above and for other approaches set forth below. This new title would also authorize all the major activities for moderate-income housing (except the direct loan Section 202 elderly housing program).

The new title would consist of a rental housing component and a sales housing component. The rental housing component would replace the present 221(d)(3) BMIR program. The sales housing component would consolidate and replace the present Section 221(h) program and the proposed program for below-market interest rate home-ownership which the Senate Banking and Currency Committee has formulated and which presumably will be enacted. The latter proposal contains the basic financing formula ingredients to be included in the consolidated program being proposed here. While envisioning a large scale moderate-income homebuilding program, it would still provide for careful selection and counseling, based on what has been learned from some of the low-income housing demonstrations and from Section 221(h).

Experience to date indicates that while a 3% interest rate for 221(d)(3) BMIR reduces housing costs, the resulting shelter serves primarily the upper ranges of the moderate-income group. In order to widen the base of this approach--and increase also its potential for expansion--it is recommended that the new title authorize rental and cooperative housing (sponsored by non-profit and limited dividend corporations and by cooperatives) through:

--40 year mortgages at 2% interest rate.

--grants to localities to cover a part of real estate taxes not covered by proposed payments in lieu of taxes equal to 5% of rents.

These two changes in the law would reduce the rent for a two-bedroom dwelling unit costing $12,500 from $110.23 a month to $90.91 a month. While a comparable reduction in rent might be accomplished by reducing further the interest rate but not contributing to real estate tax abatement, such an approach would be less effective. Either method has basically the same effect upon the occupant, but a subsidy in the form of a contribution to local real estate tax abatement would facilitate construction of such units in higher-cost areas while supporting the local tax base. It may be possible, also to arrange for some State sharing of the tax abatement above an amount covered by the basic Federal grant. In these instances, the basic Federal grant would cover a part of the tax abatement and the balance would be covered by a matching Federal and State contribution. In high cost areas where there are no State constitutional barriers to such action, the consequence would be further reduction of housing costs to occupants.

Rent reductions can also be achieved by combining shopping facilities with moderate-income projects. The subsidized interest financing can then cover the cost of shopping facilities that serve the tenants and surrounding neighborhood. The cost of the shopping facilities would be restricted to a certain percentage of the project mortgage proceeds. FHA has already done this under some of the present 221(d)(3) BMIR program projects. In such instances it is stipulated that any return from the leasing of the commercial facilities that would increase the return for a sponsor above the permissible rate of return would be applied to a reduction of residential rents. This procedure could also be adopted under the revised moderate-income rental program, although there would not be a subsidy for commercial activities under a market-interest-rate mortgage.

In order to permit greater economic diversification in the moderate-income rental housing, it should be possible that at least 20 percent of the units in any project should be occupied by low-income families. For this purpose, the new program would permit up to 20 percent of the units in a moderate-income rental housing project to be occupied either by families receiving rent supplements or by families occupying units that are leased under the public housing low-rent program.

In order to allow more rent supplement funds to be used for families in moderate-income projects, the present limitation that only 5 percent of rent supplement contract authority can be utilized in 221(d)(3) BMIR program units would have to be increased to 15 percent. The higher share of funds would be applicable under the revised program.

With respect to the leasing of public housing units in BMIR moderate-income projects, the leasing would be permitted only for large families. These steps would make it possible to serve large families in moderate-income projects and provide a beneficial social and economic mix of families in the same projects.

Home Ownership

Great interest has been expressed in expanding home ownership among the poorer elements in our society. It is this report's position that, while home ownership is desirable, it cannot, and should not, be a universal goal. Rather, care should be taken to identify those who have a good chance to succeed in the undertaking. For them there needs to be financial assistance and new types of protection against equity loss. Many will require counseling, and any sound program should provide for it.

The principal home ownership program for the less affluent, therefore, would be authorized in the new title. It would provide:

--mortgages up to 35 years duration at interest rates from 1% to the market rate of interest.

--financial assistance to non-profit corporations which would, as currently under Section 221(h), counsel those families who need such assistance.

Both new construction and rehabilitation could be financed by this approach. The main emphasis of the avtivity would be upon the utilization of private enterprise. Originally, and perhaps for some time, the home builders would be the most active participants. The attraction to them would be an assured market of real depth. At the same time, non-profit sponsors could participate, too. It is believed that the latter would concentrate upon the higher risk purchaser.

From the outset it should be clear that this is a high-risk program. The credit requirements for those who purchased from private builders would be somewhat higher than those who looked to non-profit cooperatives. But in no instance would they be as stringent as in other FHA home ownership programs.

Because of the higher risk and the lower income groups involved, the law should provide for:

--annual appropriations to cover losses.

--provide for HUD purchase of outstanding mortgage loans on which payments are 60 days delinquent and to forebear from foreclosure for a period up to one year, and provide authority to extend mortgage maturity to allow for repayment of amounts deferred during the forebearance period. This authority could be used where lenders are unwilling to receive interest payments only for up to a year, while being protected against loss of principal under present FHA forebearance authority.

For the entire title it is recommended that the legislative history set forth clearly that because of the higher risks involved, the usual FHA insurance premium would not be sufficient to underwrite mortgage insurance. Rather, no premium should be charged, but the Federal Government should commit itself to appropriate funds required to redeem losses on defaulted mortgages.

In brief, the proposed title would continue the existing 221(d)(3) BMIR program with more favorable financial terms and the current 221(h) program liberalized to permit new construction as well as rehabilitation. The latter would be part of a new program for home ownership, with variable interest rates, and designed to attract widespread participation by private enterprise.

All the programs under this title would be financed through an interest rate subsidy. This would avoid the necessity for large FNMA Special Assistance expenditures and permit great expansion with minimal NOA impact during the early years. (There might be the need for a small amount of Special Assistance expenditure at the outset until the mortgages were seasoned.)

Basically the mortgages would be FHA-insured at the market rate. It would be necessary, however, to remove the statutory limit of 6% on these mortgages and authorize the Secretary to make adjustments in the maximum interest rate so as to limit the national level of discounts to no more than 4 points. (The latter could be absorbed by the seller.)*

It is recognized that there is a potential for upward pressure on all mortgage interest rates in this proposal. In order to minimize this, we propose that any upward adjustments in the statutory 6% rate be limited to programs for low- and moderate-income families. Unless such action is taken, it will be impossible to attract private capital and FNMA Special Assistance funds will be required. In light of the budgetary impact of a drastic increase

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*If, as presently it seems possible, other sources of credit evidence a willingness to emulate the insurance industry it may be possible to attract private financing without resorting to a change in the statutory limit on interest rates for FHA insured mortgages.

in the allocation of such funds, it is apparent that the expanded program proposed here would not be possible at this time if it must depend on FNMA Special Assistance.

In the rental and cooperative program, the maximum supplement would be a 4-1/2% interest subsidy plus the grant for local taxes. The actual amount would vary between the maximum and an amount necessary to maintain a 20% rent-to-income ratio.

In the sales housing program, the maximum subsidy would be a 5-1/2% interest subsidy. The actual amount would be no larger than the difference between 20% of family income and the monthly payment required to cover principal, interest, hazard insurance, and local property taxes. The maximum cost of dwelling units would range from $15,000 to $17,500 in continental U.S. Where lower income groups were involved the actual maximum would be lower, falling to $12,000 in some instances, due to the 20% limitation.

Incomes would be reported every two years and the amount of interest subsidy would be adjusted every two years.

The Department of Housing and Urban Development believes that this title could produce the following results in its first year of operation:

--110,000 units of rental, cooperative, and sales housing to be started.

We are of the opinion that the volume production of moderate-income housing must be produced by:

--home builders addressing themselves to home buyers.

--limited-dividend investors, attracted by low initial investments (10% of the cost of the developments) and rapid depreciation.

At the same time, we feel that there is a significant and valid role for non-profit sponsors. While they will not, in the foreseeable future, create a large volume of such housing, they can be vital in producing the following results:

--broaden the base for sound home ownership for low-income families.

--become instruments for the indigenous population in the pockets of poverty to help themselves provide housing.

--perfect more tenant-oriented approaches to management.

Recognizing the peculiar capacities of private builders, limited-dividend corporations, and non-profit groups, this proposal would involve all three of them.

The new home ownership program, operating through home builders should result in an increase of moderate-income housing <u>outside</u> the central cities. Because there would be an assured (subsidized) market, the home builders would find this an attractive and relatively more profitable field. They would have, therefore, an inducement to extend it into the outlying areas where they prefer to operate and where they can secure land much more readily than non-profit sponsors.

Special provision would be made to house homeowner families who are displaced by public improvement actions and who are within the eligible income limits for the moderate-income sales housing program. Such families would be eligible to purchase a home under the sales component of the program.

In the case of displaced homeowners, they would be permitted to buy an existing house, the only exception from the restriction of the program to new and rehabilitated housing. Also, in the case of the displaced homeowner families, to the extent that the permissible interest rate subsidy subject to the 20% limitation was insufficient to reduce the monthly housing expenses to the level of comparable payments in the previously occupied home, a capital grant would be provided toward bringing the housing expenses down to the level in the previously occupied home. The maximum grant amount would be $2,500, however, even if the reduction of the housing expenses to the desired level could not be fully achieved. These provisions for displaced moderate-income homeowners should be made available in the context of uniform benefits for all displacees under Federally-supported public improvement programs, including the highway program as well as HUD programs.

It is also recommended that the requirements for a workable program be eliminated for this title. The impediments to rental and cooperative housing would thus be reduced and a larger volume, especially of sales housing, could be expected outside the central cities.

Since the program would be available only for the purchase of moderate-priced housing of up to $15,000, except $17,500 in high-cost areas and $22,500 in Alaska, Guam and Hawaii, administrative actions would be adopted to prevent all available authority from being pre-empted by those regions of the country where moderate-priced housing can be produced most readily. Geographic allocations of the available financing authority would be established, similar to regulations that have been adopted in the allocation of rent supplement payment contract authority.

Greater economic diversification would be facilitated by this title in several ways:

--lower interest charges would provide for lower income families in the rental and cooperative program.

--adjustment of rents (and subsidies) to income would assure diversification, too.

--by permitting rent supplement or Section 23 public housing tenants to occupy up to 20% of the rental units in a project, economic diversification would be encouraged in those instances when the sponsors elected to avail themselves of this proposed change in the law.

--by involving the same limited-dividend sponsor in contiguous BMIR rental, rent supplement, and Turnkey public housing developments, varying income groups would be housed in the same area.

--variable interest rates in the home ownership approach would permit variable income occupants from the inception throughout the life of the development.

The success of this proposal involves two elements. The first is adequate financial support. That has been the concern of the program outlined above. The second is a drastic revision in FHA policies and processing. Recently FHA has taken steps to respond to these needs. As significant as they are historically, they are not adequate to meet current requirements. The comments which follow are equally applicable to interest supplement and rent supplement activities.

Already FHA has initiated, on a pilot basis, two major innovations.

The first is its home counseling service which invites low- and moderate-income, veteran, and minority group families to come to FHA offices in order to receive direction, assistance, and referrals designed to expose them to housing opportunities. This program needs to be extended throughout the nation. It can and must accelerate the participation of these groups in the moderate- and low-income programs of FHA.

Even more important is the streamlining of the processing of moderate- and low-income housing in FHA. At the same time, FHA, in cooperation with the urban renewal program, is conducting pilot projects for utilizing the write-down of slum and blighted properties as a means of providing a contingency against the cost uncertainties in rehabilitation. In addition, the proposal, now before the Housing Subcommittee of the Banking and Currency Committee, to increase urban rehabilitation grants to owner occupants from $1,500 to $2,500, should be enacted.

If we are to achieve the volume of production which is required, these programs will have to be sold to the private sponsors and provide technical assistance to the non-profit groups involved. This means that the profit potentials inherent for home builders and limited-dividend sponsors need to be spelled out and potential participants need to be informed of them. Here, again, the Regional Offices of HUD must take leadership. And HUD has something to sell. In a limited-dividend subsidized rental development, the amount of investment is 10% of the total cost. If the sponsor is in the 50% tax bracket, his average annual rate of return over a 10-year period is approximately 16.3%. This rate of return takes into account the tax advantages of accelerated depreciation, the cash return of equity and the profit on the capital gain upon sale of the property after ten years. (For this attractive rate of return to be possible, the mandatory 20 year holding period applicable for 221(d)(3) limited-dividend sponsors would have to be reduced.) Further, if the development is attractive, well located, and effectively managed, there is an almost assured effective market.

B. LOW-INCOME HOUSING

There is no more vital or difficult problem in urban development than the provision of housing for low-income households. Over the long-run the objective must be to increase the earnings of as many families as possible so as to facilitate their more effective competition for shelter. Even then, there will be the aged, the physically handicapped, and those temporarily without well-paying (or any) jobs who will need financial assistance. In addition, in the decades ahead, when there will be a drastic increase in population, rent allowances alone will do little to improve the situation. Unless they are directed to increasing the supply of housing, higher rent allowances will serve primarily to inflate the cost of the existing supply and create greater pressure for increasing the amount of the allowances.

The immediate problem, therefore, is to increase appreciably the volume of housing available to low-income groups. Because of past activities in this area, there is a disproportionate need for large units to house large families. Since the Federal Government does not build housing itself, the role of the Federal Government is to devise approaches which will encourage and assist local governments and private enterprises to meet as much of the need as possible. No matter how potentially effective the Federal tools, results will depend upon local public agencies and private investors and developers. This framework dictates that an expanded activity must start from current levels and grow at a pace which reflects involvement, cooperation, and the efficiency of the ultimate producer.

Even more than in the case of moderate-income housing, there is an important role for the non-profit corporation in low-income housing. Such groups can and should be utilized to sponsor and manage rent supplement developments and to manage existing and newly constructed public housing. Again, as in moderate-income housing, the best instrument for rapidly augmenting the supply of low-income housing is private enterprise.

Already our experience indicates that the Turnkey method of construction (Turnkey I) can cut the time between conception and execution in public housing drastically. Also there appear to be significant economies in cost as well. Based upon this experience, HUD plans to accelerate the processing of public housing through greater use of the Turnkey construction method. Similarly, the improvements in FHA processing of moderate-income housing would be applicable to the rent supplement program.

While we recognize and endorse the advantages of non-profit sponsorship and management for rent supplement developments, we advocate a new approach to the construction of such housing. Except in rare instances, non-profit sponsors are neither knowledgeable nor experienced in construction. Thus, they often flounder with the details of this intricate process or end up as a front for a builder whose interests are rarely identical with theirs. Two things are necessary. First, there needs to be an effective program of technical assistance to non-profit housing sponsors. Such a program would be devoted to two main concerns. It would deal with problems of sponsor-builder relationships, principles of planning, financial responsibility, and the like. Also, emphasis would be placed upon the human aspects: how to involve meaningfully and effectively the community to be served, and how to develop management that is responsive to, and involves, the tenants.

While it is believed that the main increase in the volume of production of low- and moderate-income rental housing will come about through increased participation by limited-dividend sponsors, private non-profit organizations still have a vital role to play in the production of such housing. Many of them are well-intentioned and with adequate technical assistance and financial support they could successfully sponsor additional moderate- and low-income housing.

It is proposed, therefore, to provide loans and/or grants to stimulate and assist the establishment of citywide, well-staffed non-profit organizations designed to sponsor low- and moderate-income housing and provide technical assistance to individual non-profit sponsors. This would greatly strengthen the technical and financial capacity of non-profit sponsors to develop successful low- and moderate-income housing. The program cost of this proposal as it relates to grants to non-profit organizations may be estimated at $7-1/2 million for the first full year of operations and at $15 million for the second year. The cost beyond the second year would depend largely upon the number of additional central non-profit organizations which were formed. The individual non-profit organizations would be eligible to receive grant funds through the citywide organizations for only two years. The program cost of the proposal as it relates to front money loan funds may be estimated at $7-1/2 million for the first full year of operation. Non-profit organizations whose project applications were not completed would not be required to repay front money advances. It is estimated that 20% of the loan-fund advances would be waived under this provision. An estimate of administrative expenses is not included.[1/]

HUD has just announced Turnkey II and Turnkey III[2/] in the public housing program. The former envisions management by private enterprise. It has several advantages and possibilities. In the first place, it may result in new techniques and new problem-solving. Obviously, it is not implied that the conventional real estate management practices will suffice, and it is recognized that HUD will be required to establish performance standards relative to social services, tenant involvement, and the like. But HUD is doing exactly the same for public management. A more immediate advantage is

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1/ Non-profit sponsors are usually not the most efficient instruments for the production of housing. Nor are they the most economical. But they are necessary and desirable as instruments for maximum community involvement in the process. There is little tradition or experience in this Nation with them. If they are to be developed, as we believe they should, there will have to be a degree of public underwriting. It is vital that this fact be recognized and that the need be funded.

2/ SHORT EXPLANATION OF TURNKEY I, II, & III:

Turnkey I is construction or rehabilitation of housing for sale to the Housing Authority upon completion.

Turnkey II is the management by a private-profit or non-profit organization of housing owned by the Housing Authority, whether or not it is produced by Turnkey I.

Turnkey III involves a project in which the occupants obtain homeownership whether or not produced under Turnkey I or managed under Turnkey II. In urban areas, the equity is earned out of self-maintenance of the units and through increased rents as the family's income increases which help to pay off the debt. On Indian reservations and possibly in other rural or semi-rural areas, the occupants can earn an additional equity out of helping to construct the housing.

that Turnkey II will enable a single limited-profit sponsor to build and manage both moderate- and low-income (public) housing on the same site. The result will be greater economic diversification and a better image for the public housing development.

Turnkey II can become the instrument for involving non-profit groups in the management of public housing projects. Here there can be maximum tenant involvement and experiments in the utilization of tenant labor in maintenance.

In the first Turnkey III project, in Gulfport, Mississippi, two unique results are contemplated. First by utilizing tenant labor for maintenance, low-income families can and will be accommodated. A non-profit group will take over management. It will also select tenants who have potential for ownership. These will have a real sense of identity with the project from the start. They will begin to accumulate funds to be utilized for home purchase. When they have reached a level of earning which precludes their receiving subsidies, these escrowed funds will be applied to the purchase of the units. The price to the tenants will be determined by the pro-rata share of the outstanding bonds. Thus, non-profit management becomes an instrument for tenant participation and identification in management, as well as an effective instrument for facilitating home ownership.

For the last decade, one of the major impediments to the provision of low-income housing has been the matter of sites. This is both racial and economic, reflecting opposition to non-whites and low-income families as neighbors. Rent supplements, because of the non-public housing image has helped a little, but the total program is still limited by the site problem.

The requirements of Title VI of the Civil Rights Act of 1964 have complicated the matter, especially in the South. This report recognizes this latter circumstance but recommends that the solution is not to recede from the advances on the civil rights front but to pursue them and utilize other means to meet the site problem. It is our opinion that the current policy of questioning low-income housing programs which provide such housing only in the ghetto areas is sound. We agree that low-income housing must be augmented in the ghettos, but it should also be provided elsewhere.

Several circumstances will serve to ease the site problem. The first is the pressure exerted upon communities by Federal requirements for higher relocation standards. Most of the relocation load is incident to Central Business District redevelopment or urban highway systems--improvements that have a widespread appeal. If and when there are uniform relocation requirements, this leverage will become greater. At the present, it is effective in urban renewal because of the program requirements. We strongly recommend that there be uniform relocation standards for all Federal programs. This will require new legislation.

A second significant factor is the development of housing and associated facilities on Surplus Property Lands that are now being identified by the Federal Government. It is established that these areas must accommodate diversified income groups. That means that they will afford sites for some low-income housing.

Concurrently, the recently adopted priorities for the urban renewal program emphasize provision of housing for the less affluent. And the Model Cities

Program will require a significant amount of rehabilitation and new construction to rehouse those now living in the target areas. Because many of these areas have high densities, additional low- and moderate-income housing will have to be provided as relocation resources.

In the discussion of moderate-income housing, it was recommended that up to 20 percent of the units in such developments be eligible for rent supplements or leased units under the public housing program. This would not only ease the site problem for low-income housing but it would also accelerate economic diversification in government-assisted housing. We recommend legislation to authorize this. Of course, it would not be mandatory nor would it be universal, but a large number of sponsors would avail themselves of such tenants because their availability would contribute greatly to the economic soundness of projects.

On the basis of current administrative changes in the HAA and the utilization of speedier processing in FHA, it is believed that the following results could be achieved in 1969:

(a) 85,000 dwelling units of public housing could be brought into the program and placed under contract or completed.

(b) 25,000 dwelling units of rent supplement housing could be in similar stages of production.

In 1970 and subsequently, the easement in the site problem and the improvements in processing should permit a significant growth in the production of low-income housing. We therefore propose that legislation be propoced to authorize annual contribution contracts for 600,000 units of public housing. In addition, we recommend that there be authorization of rent supplements for 200,000 dwelling units. Both authorizations would apply to a four year period.

The Housing Assistance Administration has recently proposed significant administrative changes. These changes, together with the new approaches, make possible the acceleration in the program proposed above. HUD is committed to these new directions; thus, the size of the program can grow appreciably.

The principal changes in public housing are facilitated by the following new policies and procedures:

A program of rehabilitation of existing projects. Many of the older public housing developments suffer from delayed maintenance. Some are in varying stages of substandard conditions. The upgrading of these projects will accomplish several things:

a) improve the image of public housing

b) attract and hold desirable tenants

c) improve the quality of management

A policy of placing emphasis upon tenants, tenant participation in management, and real concern for people. This will be facilitated by a requirement for such a management program as a condition for participation in the rehabilitation program.

Emphasis upon the needs of low-income families. This will require some de-emphasis of housing for the elderly, an emphasis upon large families, and a greater degree of concentration upon larger communities than in the immediate past.

Establishment of priorities to meet the needs delineated above.

Provision of commercial facilities within developments where there are not adequate facilities available in the areas affected.

Reorganize HAA so as to concentrate processing of applications in the Regional offices. This will require a new organizational structure in Washington and in the Regions. It will also reduce the steps in processing and be responsive to the priorities already mentioned.

Recapture of allocations and contrrcts which are not moving. This will lessen the time of processing and utilize more effectively the funds available for the program.

Encourage local housing authorities to become more integrated into the structure of local government. This will serve to coordinate more effectively public housing with related local programs and should accelerate local action to move the program.

The public housing program has the most effective financial formula for the production of low-income housing yet devised. It needs a better image, much more rapid processing, greater access to sites, and better design and management. The changes outlined above are addressed to these needs.

Rent supplements have unique advantages. They avoid the image of public institutions and they provide a machinery for greater community and tenant involvement in planning and management. Together they can be effective tools in this most difficult area of shelter.

It is imperative that both programs become more effective. Utilization of Surplus Property, Model Cities, relocation requirements, and the new priorities adopted for urban renewal require that both approaches be accelerated in the years immediately ahead. The program presented here will, we believe, achieve such results.

TRAINING FOR MANAGERS OF LOW- AND MODERATE-INCOME HOUSING PROJECTS

Legislative proposal

HUD should be authorized to provide grants and other forms of assistance to public or private bodies up to $5,000,000 for fiscal year 1969 to:

a. support the development of a curriculum for training persons in the skills of managing housing for low- and moderate-income families and related human development;

b. hold short orientation work-shops on the relationship of housing and poverty;

c. provide for intensive short-term, residential management training programs;

d. provide fellowships to train staff to conduct these programs;

e. establish work-experience training centers;

f. establish an advisory committee of experts available for consultation;

g. support demonstration projects which have potential for showing how improved management practices create viable housing projects, reduce maintenance costs, and encourage economic mobility among low-income tenants.

The objective of this program is to create a pool of qualified individuals who can competently manage public and private housing projects for low- and moderate-income families and assist tenants in overcoming poverty and becoming participating members of their community. To the extent feasible, a positive recruitment program for opening this career channel to tenant groups and poverty area residents would be required.

It is anticipated that this program would provide short-term instruction for 2,000 managers, fellowships to train 200 staff persons to conduct these training programs, and 6 regional work experience training centers. Initially the training centers would serve as on-site demonstration projects to test innovative and experimental approaches to achieving the purposes of this program.

The Problem to be Solved

There exists:

a. an inadequate supply of individuals both skilled in the management of residential property and in dealing effectively with low- and moderate-income families.

b. no formal training programs for the development of such skills.

c. no method by which individuals possessing such training can be identified and accorded priority in employment.

d. a rapidly increasing expansion of the supply of housing for low- and moderate-income families is imminent. Without competent management, these dwellings at best will not fulfill their purpose and at worst may exacerbate the problems of individual residents.

Existing methods of choosing property managers for low- and moderate-income housing rely mainly upon the selection of individuals who may have had some formal education and work experience in such disciplines as the humanities, business administration, social work, public administration, law, engineering, real-estate management. This is then supplemented by on-the-job training in the administration of a housing project and in dealing with low-income families. The usual employer is a Local Housing Authority. The quality of on-the-job supervision varies and at best is haphazard.

In addition to the inadequate supply of skilled and experienced personnel there is an inadequacy of training facilities in existence. Very few colleges and universities provide courses in property management. The Institute of Property Management (NAREB) provides short courses in property management for practitioners and by successful completion of such courses the "student" may qualify for a certificate as a "certified Property Manager"--but these courses deal almost completely with the commercial aspects of building management and do not address the economic, social, or welfare aspects of property management.

Moreover, academic courses in the social sciences have not incorporated the lessons learned from the very recent experience in local community action activities, juvenile delinquency control, consumer education, and neighborhood legal services. There is a need to "systematize" this new knowledge that is being developed and translate it into new courses in social sciences, and thus create processes by which valid principles and techniques for helping the poor can be transmitted to those concerned with the development and improvement of the urban environment.

HUD is in a unique position because of its familiarity with the problems of the poor in the urban environment to work with universities, to collect and disseminate such new knowledge.

Related Activities

The Administration of Aging under the authority of the Older Americans Act provides grants for the training of managers for retirement housing facilities. Under this program, grants have been given to the University of Michigan and Wayne State University, who are collaborating in a two-year graduate course of study leading to an M.P.A. degree with a certificate as specialists in management of retirement housing. In addition, the Institute of Gerontology at the University of Michigan is providing several 14-week residential courses in retirement housing management.

NAHRO is also anticipating an AOA grant to conduct short-term workshops for local housing authority management staffs to help such practitioners to increase their skills in communicating with their tenants and developing more harmonious tenant-management relationships.

Cost of Program

a.	Curriculum development	$500,000
b.	Orientation workshops intensive	1,000,000
c.	Residential management training	2,500,000
d.	Staff training fellowships	700,000
e.	Work-experience centers and demonstration projects	1,000,000
f.	Advisory committee/consultants	100,000
		$5,000,000

Alternatives

a. The Federal-State training program for Community Development could be utilized to carry out the objectives of this proposal. An amendment to the law would be necessary so that training could be provided to private individuals and organizations who are to be increasingly involved in constructing and managing the anticipated expansion of low- and moderate-income housing. The disadvantage of this approach is that the program must be administered through the States and the Federal priorities of training needs may not be observed in the State plan.

b. The second alternative is to make such management training a requirement for receiving Federally assisted multifamily housing for low- and moderate-income families. The sponsors, public or private, could use administrative funds to conduct the necessary training. The Department could work out a curriculum with the cooperation of universities and consultants and conduct workshops and other training in a manner similar to that which the FBI uses to help local police departments.

Advantages and Disadvantages of Legislative Proposal

Advantages:

a. The Department could work directly with the sponsors and managers of the housing.

b. National attention would be focused on this crucial aspect of the housing problem.

Disadvantages:

a. It would probably be more difficult to get a separate new piece of legislation enacted than to amend an existing program.

b. The need for this program is justifiable mainly in terms of projecting a great expansion of housing supply for low- and moderate-income families. It is probably not saleable as an independent need.

FUNDS FOR SOCIAL SERVICES IN PUBLIC HOUSING

1. The Proposal

A new and separate authorization and appropriation of $20,000,000 per year should be provided to assist in financing expanded social services for public housing residents.

The objective of this proposal is to help public housing tenants, many of whom fall into the category of multi-problem families, to adjust to urban living and achieve greater economic and social mobility and self-sufficiency.

These funds would be used to fill in gaps where needed services are not available to public housing residents, not to duplicate services provided by other agencies. They would be available for three basic purposes:

(1) Tenant Relations. To provide the necessary administrative expenses to encourage and help tenants with the establishment of resident organizations; to involve residents in those aspects of management which affect their daily life; to plan with residents a program of community activities and services; and, by working with community organizations and agencies, to bring those activities and services to public housing neighborhoods.

(2) Information and Referral. To provide administrative expenses to advise families and individuals as to resources for job training, education, welfare, and other services in the community; to refer them to agencies with the appropriate

expertise when necessary; and also to counsel families on such matters as balanced diet, child care, housekeeping practices, and money management.

(3) Filling Gaps. To provide services which are not available through regular community programs and which are related to successful public housing operations, such as organization of youth group activities, senior citizen clubs and credit unions. Before these or similar activities could be organized, however, it would have to be ascertained whether the services are available under OEO- or HEW-supported programs. No services that could be provided under such sponsorship could receive support under the proposed program.

2. Statement of Problem

Prior to 1965, LHA's provided limited social services to their tenants; these services proved inadequate to meet the real needs of the tenants in improving their economic status and adjusting to urban life. This became especially true after the war, when the composition of public housing changed with the replacement of higher income families by increasing numbers of lower income, multi-problem families.

In 1965, Congress recognized that additional services were needed and endorsed the fact that the Department had authority to provide such services as part of the general cost of project management. While this gave a boost to efforts that were being made, it did not provide relief for the biggest and most difficult problem situations. The LHA's in the largest cities where needs are the greatest have in many cases been caught in a financial squeeze, with steadily increasing operating costs and steady or declining income and therefore rental levels. Because all expenses have to be met out of project revenues, little if any funds are left for social services.

A major problem giving rise to this proposal is the growing complexity of the social service system in a local community. Low income families find it doubly difficult to find necessary services on their own, and thus have need for an extensive information and referral service. Another problem is that existing service agencies in the community often suffer from inadequate funds, disinterest in the problems of public housing, or other priorities. Therefore, seed money is needed to fill gaps in services and to act as an incentive. Furthermore, none of the established programs will furnish funds to provide LHA social service staff to carry out the program of services outlined above.

3. Related On-going Programs

To a limited extent, some of the services proposed have been provided by local housing authorities within the limits of their operating budgets. But as noted earlier, the cost squeeze is making it increasingly difficult to provide funds for these services, especially in the larger communities where the needs are greatest.

Other federal, state and locally supported social service and welfare agencies have programs which are potentially available to public housing residents, and in some cases have been directly provided within the public housing projects. However, sometimes there is a tendency on the part of such community-wide agencies to neglect the needs of public housing tenants, on the assumption either that their needs are already being met by the public housing program, or that it is someone else's problem.

But even where the spirit is willing, the funds of most community service agencies are both inadequate and subject to an array of competing demands. There is thus an urgent need for staff resources within local housing authorities to make the needs of public housing tenants known, and more importantly, to work with the community agencies to insure that well-rounded and coordinated services are provided. No single community agency can be expected to assume responsibility for insuring that the broad range of available services are coordinated and meshed to meet the needs of public housing tenants.

This coordinating function is necessary not only to insure that enough service programs are provided, but also to insure that they are the right kind -- i.e. focused on the objective of increasing the earning potential and self-sufficiency of public housing residents.

Discussion

A clearly directed and adequately funded program of expanded social services would encourage and enable LHA's to meet the pressing needs for social and economic integration of tenants into the mainstream of American life.

It would contribute to the relief of local tensions and would direct tenant energies to constructive self-help activities.

It would facilitate the efficient and effective use of Federal, State, and local community services and resources.

It would further help to develop local LHA staff skill and personnel in dealing with solutions to social problems.

It is also in the financial interest of the Federal government to build pride and concern on the part of public housing residents for their homes and neighborhoods, especially when a major modernization program is anticipated.

It might be argued that LHA personnel are already available to perform these services or that it is the job of other agencies. However, the point has already been made that the services needed require additional and qualified staff and are not available through other agencies.

The proposal calls for $20,000,000 per year. It is estimated that this amount would permit HUD to make an adequate start in developing the type of management social-service program which would achieve HUD's social objectives. In 1964, the National Federation of Settlements and Neighborhood Centers estimated that an adequate staffing budget for a service center on a public housing project would be approximately $20,000 and that such an expenditure could secure a flow of from $40,000 to $100,000 of additional services to such projects under existing programs and community resources. Based on these figures, the $20,000,000 would enable funds to be made available to 1,000 projects where it is estimated expanded social services are needed out of the more than 6,000 projects existing across the country.

Statement of Alternative Proposals

As an alternative to separate authorization and appropriation of funds, consideration might be given to the possibility of making residual receipts available for social services and for transfer to those LHA's requiring such services, but lacking any residual receipts. In fiscal year 1966, residual receipts totalled $19 million. The problem is that many of the communities which have the greatest need for expanded social services, especially larger cities, have little if any residual receipts. For example, 30 of the largest programs in the big cities estimate that there will be no current residual receipts at all. Included in the group are: Baltimore, Boston, Buffalo, Camden, Chicago, Cleveland, Detroit, New York, Jersey City, Pittsburgh, San Francisco, and St. Louis.

USE OF THE PUBLIC ASSISTANCE PROGRAM TO ACHIEVE IMPROVED HOUSING FOR WELFARE RECIPIENTS

The Proposal

1. The Administration should again support the Public Assistance reforms that the States be required to meet the minimum need of families receiving public assistance payments as determined by the living cost standards set forth in the State Plan. This would be the necessary first step toward making it feasible to use welfare payments for rent to set higher standards of housing for welfare recipients.

Until families can pay the full cost of standard housing from their welfare allowances, it is unrealistic to expect the States to achieve even minimum standards for housing welfare clients. Present public assistance payments are so low in some communities that families cannot afford the minimal rents charged by public housing projects to cover operating costs.

2. The supply of standard housing available to low-income households and individuals must be increased substantially. The implementation of this recommentation is discussed earlier in this section.

3. A joint task force of representatives from HUD, HEW, and OEO should be established to work out the necessary details for administering a minimum housing standards program for welfare recipients once the benefit levels and low-income housing supply are brought close enough together to make such a program workable including such complementary actions as use of the concentrated code enforcement program and the rehabilitation grants and loan program of HUD to assist and enforce minimum standards of housing.

A number of other supportive services could also be developed jointly, including:

1. Landlord-Tenant Clinics -- to educate both in the responsibilities of housing management and maintenance.

2. Homemaking-Housekeeping Instruction -- to teach families methods of improving housekeeping standards.

3. Housing Information and Referral Services -- directed primarily toward low-income families (including welfare clients).

The Problem To Be Solved

Approximately 7.4 million persons are receiving public assistance payments of one form or another. About 800,000 of them live in public housing. A large majority of the remaining 6.6 million persons live in substandard housing. The housing plight of welfare recipients is only part of the overall housing shortage for low-income households. Only about one-fourth of the 34 million persons with incomes below the poverty level are on public assistance. What distinguishes them from the rest of the poor is the fact that their housing costs are paid indirectly from government funds leaving the government open to the charge that taxpayers' money is subsidizing the slums.

This dilemma rises from the fact that inadequate State welfare allowances do not permit full needs to be met either for housing or other living costs. The allowances actually paid do not meet the minimum standards of subsistence established by the States themselves. The result is that in many communities, welfare recipients not only are forced to live in substandard housing but also have to sacrifice food and clothing allowances to supplement their rent allowance to live even there.

The obvious answer to this problem is a substantial increase in shelter allowances for public assistance clients. However in view of the overall shortage of housing for low-income families, an increase in shelter allowances would not alone secure standard housing for welfare clients. It must be coupled with a substantial increase in the supply of low-rent dwelling units.

The danger exists that in tight housing markets, a substantial rise in shelter allowances alone would only drive up the cost of housing and thus work serious hardships on those low-income households which are not on public assistance.

Similarly, vigorous code enforcement which simply reduced population densities and eliminated substandard housing units from the supply would have a negative impact unless it were conducted concurrently with rehabilitation and new construction of standard dwelling units.

Related On-going Programs

1. Low-rent Public Housing
2. Rent Supplements
3. Concentrated Code Enforcement Grants
4. Rehabilitation Grants and Loans

All these programs are serving to improve the housing conditions of low-income families including welfare recipients.

Advantages and Disadvantages of the Proposal

Advantages:

1. This proposal takes into consideration the need of welfare recipients to receive payments to cover all living expenses, including housing.

2. In the long run, this proposal would achieve a more permanent solution to the problems of all low-income families in obtaining adequate housing.

Disadvantages:

1. In the short-run, this proposal does not eliminate the charge that the Federal government is subsidizing slums with welfare payments for rents.

Alternatives

As a prerequisite for Federal welfare grants, States could be required to assure that all public assistance recipients live in standard dwellings. For those relocated, the difference in rent would have to be assumed by the Federal government. Although this alternative would be cheaper and more direct in the short run, it does not face up to the basic issue of the total adequacy of minimum welfare payments and would be still dependent upon substantial increases in the supply of low-cost housing for rental.

Section B - Neighborhood Improvement Recommendations

Introduction

The housing unit itself is only a small part of the living environment. Building new or rehabilitating old housing units is ineffective--and even impossible--without accompanying attention to the surrounding neighborhood. Events and conditions in the neighborhood can either reinforce or defeat attempts to upgrade housing.

Many Federally assisted neighborhood action and improvement programs--most of them initiated by this administration--are already available including, among others:

--urban renewal grants for removal of blighting influences and for a wide range of physical improvements;

--open space, urban parks, and urban beautification grants to add recreation opportunities;

--neighborhood facilities grants to provide spacc for needed social and recreational programs;

--community action grants, training aids and related programs to provide social services at the neighborhood level; and

--model cities grants to stimulate concentrated and coordinated use of relevant Federal aids in selected target neighborhoods with a high concentration of physical and social prpblems.

Mindful of this array of existing programs, the task force recommends primarily:

--increasing the effectiveness of the urban renewal program by adding a "Neighborhood Development" approach to improve effectiveness in large-scale residential areas (Pages B-3 to B-5);

-- a model neighborhood centers program built on the experience of the 14-city pilot neighborhood facilities program inaugurated to carry out the President's promise of an effective neighborhood center in every needy area (Pages B-6 to B-18); and

-- extension of the model cities program approach to allow additional cities to begin planning (Pages B-19 to B-20).

ADD A "NEIGHBORHOOD DEVELOPMENT" SYSTEM TO THE URBAN RENEWAL PROGRAM TO ACCELERATE IMPROVEMENT IN DETERIORATED RESIDENTIAL NEIGHBORHOODS

The Proposal

The Urban Renewal Program would be amended to provide for "Neighborhood Development Projects" in larger blighted residential neighborhoods which are to be renewed primarily for the benefit of the existing residents of the area.

The NDP's would proceed quickly to actual rehabilitation and redevelopment on the basis of a broad plan specifying:

--major land uses

--densities of development, and

--public facilities proposed for the area.

Consistent with this broad plan, a time-phased program of specific renewal activities would be proposed for an initial two-year period by the local renewal authority. Approval of this work program would permit actual redevelopment to proceed within the area simultaneously with further detailed planning and scheduling of subsequent activities.

The Problem

The basic urban renewal program is premised upon the development and approval of a detailed final plan for re-use of the project area before any actual activity is started. This approach is necessary in order that the feasibility of the parts may be evaluated in the light of the full plan for redevelopment of an area.

For larger residential neighborhoods being improved for existing resident groups, this approach is cumbersome, slow, and ineffectual. The change of a large area takes several years--especially if adequate resident in-involvement is achieved--and much of the detail planning must be redone or modified to reflect subsequent facts and changes affecting specific properties. Further, even fulfilling the requirement for completion of a detail re-use plan means the uncertainly paralyzes the neighborhood during the planning process and contributes to needless further neglect and decay of properties.

Even after the planning requirement is met, the resulting multiple-year total program of activities is unmanageably complex as well as unrealistic. Measurement of progress against the total plan is difficult and necessary adjustments in schedules require repeated, wasteful revision of the total plan.

As a result of these difficulties, cities are forced to undertake residential urban renewal on too small a scale and to waste time and funds in planning in too detailed a manner for future activities while delaying actual renewal action that can be undertaken early.

Discussion

This proposal would be applicable only where a city wanted to renew large residential neighborhoods without significant land-use changes for the existing resident groups. It would require only that degree of planning necessary to indicate the city's concept and standards for renewal and to specify the actual work program which could be planned with confidence. Initial planning would have to include the city's proposals for handling relocation and for involvement of area residents. Federal-local sharing of the costs of that work program would be on the usual basis (normally 66 2/3 Federal, 33 1/3 local). As each phase of the work program was completed, the city agency would submit its subsequent work program for approval and funding.

In summary, it is believed that this modified neighborhood renewal "process" approach will:

--Permit renewal activities to be undertaken on an effective scale in the large deteriorated and impoverished areas of the city.

--Accelerate development by permitting concurrent planning and rehabilitation/rebuilding activities, particularly the rapid provision of low-and moderate-income housing.

--Avoid the long term inactivity after clearance of the entire project area by encouraging redevelopment of part of the site.

--Permit more effective local and Federal management of programs and activities.

The approach will be particularly relevant for application to the urban renewal component of model cities target areas.

Cost

Funding for the first phase of approximately 100 major neighborhood development projects would require approximately $250 million in additional renewal authority for the fiscal year 1969. Continuing activity in these projects and starts on 50 additional projects a year would require authorizations rising by about $100 million each year until renewal of the original group of neighborhoods is completed.

These funds would be partially offset by reductions in the level of funding required for regular renewal projects over the same period of years.

MODEL NEIGHBORHOOD CENTERS

[Note: The Department of Health, Education, and Welfare specifically has indicated it does not concur in this recommendation. Also, the Office of Economic Opportunity believes the lead agency responsibility should be vested in OEO.]

PART I. - A short statement of the proposal

This is a proposal for a large-scale effort to develop model neighborhood service programs in approximately 100 neighborhoods. The proposal is based on an interim evaluation of the Pilot Program conducted by the Departments of Labor, HEW and HUD, and the Office of Economic Opportunity in 14 cities. 1/ This new proposal would:

- -- extend the coordinated interagency approach utilized in the Pilot Program to an additional group of urban and rural areas;
- -- provide for a variety of administrative mechanisms to carry out the program at the Federal, state, and local level;
- -- appropriate funds for filling gaps in services provided under existing legislation; and
- -- create incentive grants to state and local agencies to develop exemplary neighborhood service programs.

The overall purpose of the program is (a) to prove the validity of the multi-purpose center as a vehicle for the systematic and comprehensive delivery of human service programs at the local level in a variety of different settings and (b) to combine the impact of social and physical programs of four Federal agencies in a large-scale coordinated effort.

1/ Boston, Chattanooga, Chicago, Cincinnati, Dallas, Detroit, Jacksonville, Louisville, Minneapolis, New York City, Oakland, Philadelphia, St. Louis, Washington

Specifically, it is proposed that --

At The Local Level:

an agency be designated by the city, with the concurrence of the community action agency, to serve as sponsor in developing the model neighborhood center program. This agency may be created explicitly for the purpose of implementing this program or an existing agency, most likely the Community Action Agency, or the Model Cities agency, a neighborhood corporation, or other existing entity, may be designated. The designated agency shall have authority to receive Federal and state funds directly, and be authorized to receive direct Federal planning grants on a non-matching basis. These planning grants may be used for planning the neighborhood service program (NSP) and the physical facilities, obtaining neighborhood involvement, and for administration costs such as rent for temporary facilities, salaries, expenses, etc.

At The State Level:

an existing agency be designated by the Governor for the purposes of developing a comprehensive state human service approach, coordinating state human service programs and providing technical assistance to local communities as needed.

At The Federal Level: (Alternate No. 1)

an Office for Model Neighborhood Centers (OMNC) shall be established, with a Staff Director responsible to the President. The functions of the OMNC will be to work with the sponsors of the NSP at the city level, with representatives of the appropriate state agencies and the governor's office, and with the participating federal agencies. The OMNC shall establish criteria for the awarding of planning grants and for the acceptance of planning proposals from the cities for funding of neighborhood service programs. An Advisory Board, consisting of the Secretaries of Labor, HEW and HUD and the Director of OEO, or their representatives, shall be constituted to provide overall guidance in the direction and administration of the program and to assure close coordination and linkages with their respective agencies and the OMNC.

At The Federal Level: (Alternate No. 2)

The Department of Housing and Urban Development shall have responsibility, as lead agency, for initiating the program and shall work with the other participating agencies to develop guidelines and criteria against which to evaluate and approve proposals submitted by the sponsors. Funds shall be appropriated to HUD for the physical facility (new or rehabilitated), for core services: outreach, intake, follow-up, referral, diagnosis, data collection, central administration, etc., and for a number of basic service programs to become an initial part of the NSP. Assuming an average facility grant of $500,000, an additional sum, twice the amount of the facility grant, or $1,000,000 shall be appropriated for each center to cover core services and basic service programs for one year. (Note that expenditures for the first year would be limited to a part of the cost of the facility and some core services only, since funds for program components and the entire facility would probably not be expended in the same year.) Upon approval of the plan submitted by the sponsor (approval granted by HUD in consultation with other participating agencies), the Secretary of HUD would transfer $1,000,000 (in the case of the example), which constitutes the basic service program portion of the appropriation and core services, to the appropriate departments or agencies, which would then fund the center through their normal program mechanisms. Additional services rounding out the NSP will be provided by regular program funds allocated by the states or the federal agencies or existing services in the target neighborhood that will be drawn into the NSP.

Grants To Be Provided:

- State planning grants to the designated agency up to $100,000 per year -- on a 90% matching basis.
- Local planning grants to the sponsor -- on a non-matching basis.
- Special funds as "free" money to be used in the NSP to provide for such planning, administration, central or special services as cannot reasonably be obtained from other federal and non-federal programs -- on a non-matching basis.
- Incentive grants to existing federally-aided programs equal to an increase of the federal share by 10% of the total shared cost of the facility or service provided (e.g. increasing the federal share from 50% to 60% in a 50-50 project or activity).
- R & D grants for reporting, evaluation and special demonstrations.

PART II - Detailed Statement of the Problems Giving Rise to the Proposal

Improvement is needed in the existing system of delivering federal urban aids to meet the needs of the poor in this nation's urban and rural areas. The 200 or so programs administered by the Departments of Labor, HEW and HUD, and the Office of Economic Opportunity -- which in one form or another find their way to the neighborhood level, from the Federal government directly, through the states directly, through county and city agencies or through non-governmental agencies -- are often uncoordinated and fragmented. The intended beneficiaries must make their way through a maze of service agencies, most of which operate independently and in an unrelated fashion. For example, an individual seeking assistance in finding a job may go to the employment service. If he lacks the needed skills, he may or may not be directed to a manpower training program. Other factors related to his non-employment may be family problems, ill health, responsibilities for child care, etc.

Rarely is there a means for treating these problems in any coordinated fashion; rarely are the services arranged in any kind of systematic way. No single governmental body at the federal, state, or local level has sufficient legal authority to coordinate all human services.

PART III - Related On-Going Programs

The Department of Housing and Urban Development, under its regular 703 program, provides funds for the construction of physical facilities for multi-purpose centers. So far funds have been allocated for the construction of 107 centers at a cost of $24.1 million. The OEO has funded over 700 single-purpose or multi-purpose centers in some 200 or more cities throughout the nation, and the Departments of Labor and HEW support various single-purpose neighborhood facilities in over 1,000 communities.

In order to maximize the impact of these various independent activities, the 14-City Pilot Program was conceived as a special interagency effort designed to:

1. Create innovative, exemplary centers which can be replicated in other cities,
2. Achieve interagency cooperation on the federal level in coordinating an operational program utilizing HUD's Convenor authority,
3. Demonstrate the validity of integrated core services in a center's delivery system.
4. Provide a system for the delivery of services in the entire neighborhood by linking the center with existing, on-going service programs, and
5. Test neighborhood involvement in the planning and implementation of an NSP.

It is, of course, entirely too soon to evaluate the Pilot Program in any kind of definitive way. Yet, even at this early stage some aspects of the pilot effort are already clear:

- The Pilot Program makes infinitely more sense -- as an approach to the delivery of services to people -- than the individual funding of programs in an unrelated fashion by four federal agencies. It is doubtful that the old pattern should be allowed to continue.
- The participating federal agencies are, in fact, working well together at all levels, with relatively few exceptions, at this stage of the program.
- The administrative structure created for the program is barely adequate to operate the Pilot Program and could not be utilized for a major national program of real substance. However, the working relationships of Washington to Federal Regional Teams to sponsors at the city level are essentially sound.
- The modest progress of the Pilot Program thus far suggests the need for an expanded effort, but with most of the legislative and administrative impediments removed or reduced.

Some of the major problem areas that the pilot effort has uncovered are as follows:

1. The lack of ear-marked or reserved funds for the program to provide project directors and citizens' groups with outside limits for program planning.
2. The slow response of local communities -- in part because of delays in receiving planning funds -- but more important because

the "federal carrot" or incentive, is relatively small for the Pilot Program. (The 10% override on the Federal share in this proposal is designed to provide an adequate incentive.)

3. The lack of full time staff assigned to the project at Regional and Washington level.
4. The complex funding patterns of HEW and Labor as far as directing formula grant dollars, allocated to the states, to the target neighborhood.
5. Overlapping jurisdictions in the field.
6. The folly of a crash program when such a program is highly complex. Related to this is the fact that achieving a high degree of citizen participation must be subordinated to the exigencies of time. Also related is the rather obvious observation that a crash program requires strong leadership. Given the very limited powers of the Convenor order, the lead agency has all of the responsibility but none of the authority to ensure that results are produced quickly.
7. The lack of leverage to alter institutional procedures at the local level (e.g. health clinics that close at 5 P.M., just at the time when the working force returns to the community.)
8. The absence of comprehensive human service planning and the lack of mechanisms to do such planning at both State and local levels.

The legislative proposal embodied in this proposal -- through a variety of new local and federal mechanisms and various incentive grants -- is designed to remedy the inadequacies in present programs and the 14 Cities Pilot Program effort.

PART IV - Discussion of the Proposal

This proposal would fill many of the gaps that now exist in our various neighborhood centers programs at the federal level. In particular:

Funding Problems -- this new proposal would make two provisions for overcoming the problems of assuring adequate financing of a sound, comprehensive neighborhood service program, first by providing "free" money or "glue" money which permits gaps to be filled in existing categorical programs, and second by offering incentive grants to induce local and state programs to participate in the development of NSP's.

[If alternate No. 2 is adopted, a method will be provided to resolve what has clearly been a major problem in the Pilot Program. The appropriation to HUD of funds for basic services would assure the cities that there will be "a pot of gold at the end of the rainbow." In other words, if the sponsors will develop a truly integrated and comprehensive neighborhood service program with meaningful involvement of residents at all levels of planning and implementation -- and guidelines for both can now be written -- the sponsors would be rewarded by being able to tap a reserved package of federal and state funds. The relatively small amount of fund reservations in the Pilot Program has meant that the cities have never really believed that the federal government would adequately fund the pilot effort. Moreover, this proposal would give purpose to community organization by providing boundaries on fund availabilities so that local people have a context and framework in which to plan. Nothing is more frustrating to local people than being organized, planning a program, and then being advised that only a fraction of the funds are available. It is far better to have the "outer-limits" in mind at the start.

Planning and Coordinating Mechanisms -- The identification of an agency at state level, charged with responsibility for coordinating human service programs, will provide a vitally needed point of contact for local communities and the federal government in developing neighborhood service programs.

Program Administration -- the proposal (both alternatives No. 1 and No. 2) provides for full-time staffing and a precise mechanism to coordinate and carry out the program. In the regular programs, no such mechanism exists. In the 14 Cities Pilot Program, the Washington Interagency Review Committee which develops policy, a secretariat which handles the staff work on a day-to-day basis, and the Federal Regional Teams which carry on the direct negotiations with the sponsors, are moving the Pilot Program forward, but these gerry-built mechanisms are clumsy and inadequte to operate a national program of size.

Existing Programs

When a model neighborhood center is developed in a neighborhood where there are existing OEO, HEW, or Labor-assisted centers, these activities will form important links in the service system for the target area. New services coming into the neighborhood -- through on-going OEO, HEW or Labor programs -- will likewise be linked to the NSP, but there will be no duplication of services already provided or available from other sources.

The Pro's of this proposal are:

-- It furthers the President's commitment to provide neighborhood centers in poverty areas

-- It improves upon the separate existing programs of four federal agencies

-- It builds on the knowledge gained from the 14 Cities Pilot Program

-- It strengthens local and state-level capacity to participate in human services programs

-- It rationalizes the delivery of human services in a comprehensive and systematic way

-- It improves the effectiveness of federal, state and local programs in terms of their impact on people

-- It will be popular with Mayors, Governors, and local residents of the target areas.

<u>The Con's of this proposal are:</u>

-- It is expensive

-- It is complex and difficult to administer

-- It provides for "free" money which Congress may not approve

-- It will require collaboration of several Congressional committees

-- It will be difficult to select the cities to participate

-- It may take three years or more for a proper evaluation of the demonstration

-- It may not be popular with program people in many federal agencies and certain state-level county and local agencies.

<u>The Costs of the Proposal are:</u> (Assuming 100 centers)

A. Planning Grants:

1. To sponsor to plan NSP: 100 @ $50,000 = $5.0 million
2. To state agencies: 30 @ $100,000= 3.0 million

$ 8 million

B. Program Implementation Grants:

1. For physical facility: 100 @ $ 500,000 = $50.0 million
2. For basic service program: 100 @ $1,000,000 =$100.0 million
3. For "free" money to fill gaps in service: 100 @ $ 100,000 = $10.0 million

$160 million

C. Incentive Grants (10% override on federal share of all Labor, HEW, HUD and OEO administered programs)

Assume total NSP (excluding B-2 and 3 above) of $10.0 million per center at 10% = 100 @ $1,000,000 = $100 million

D. R & D Grants:

1. National evaluation: $ .2 million
2. City level evaluation: 50 @ $20,000 1.0 million
3. Special demonstrations: 2.3 million

$ 3.5 million

E. Administrative Costs and Expenses: (over 3 years) 8.5 million

TOTAL COST $280.0 million*

*THE EXPENDITURE OF THESE FUNDS WILL TAKE PLACE OVER A TWO OR THREE YEAR PERIOD. (A separate appropriation for planning during the first year might be considered.)

PART V - Alternatives Considered and Rejected:

The most obvious alternative considered was for each department or agency to continue to operate the various service center programs individually with no coordination. HUD's 703 facilities would be built and services would or would not be brought in. Previous experience suggests that certain recreational and educational programs would operate out of the center, but little in the way of human service programs would be encompassed. OEO would continue to provide "instant" centers in store fronts and Labor and HEW would support other local efforts.

This alternative was rejected for two reasons: (a) the Pilot Program is proving that coordination is possible, and (b) the ability of our existing programs to reach people in any sort of meaningful or effective way is less than our expectations. Clearly, a well coordinated NSP can bring together existing and new resources in a target neighborhood in a way to derive maximum impact for the federal dollar.

A second alternative considered was to expand the Pilot Program, as is, or with minor changes, to 100 or more cities. The reasons for rejecting this alternative were: (a) the Pilot Program mechanism is too cumbersome to accommodate a national program, and (b) the statutory and administrative impediments are too great to ensure a truly successful program.

Another possibility that has been considered is tying the model neighborhood centers proposal in this report to the on-going Model Cities program. Certainly there will be a need to link new and existing services in some kind of systematic way in model cities neighborhoods. In fact in the Pilot Program, 9 of the 14 cities have designated the model cities neighborhood as the Pilot Program target area. However, in other cities -- for often compelling reasons -- the cities chose not to put everything into one neighborhood. The two programs are compatible and can be administered side-by-side without duplication or overlap, and there do not appear to be overly decisive reasons for insisting that this neighborhood centers proposal be limited to model cities areas.

In the event that full funding of this proposal -- at the $280.0 million figure -- is infeasible, it would be possible to scale down the proposal to 50 cities. However, the implications of a 50-city program, in following a 14 city demonstration, need to be weighed carefully in light of the President's Syracuse speech. In fact, an argument could be advanced that it would be wiser to continue the existing programs without change rather than risk the criticism of an inadequate response to the problems as they have been defined.

EXTEND THE MODEL CITIES PLANNING APPROACH

Proposal

Authorize a permanent program of 80 percent grants to cities to plan for the local coordination and concentration of Federal programs which help deal with concentrations of low-income people and deteriorated neighborhoods.

Give priority in allocations of various Federal program grants to cities which achieve more effective program combinations with such planning aid.

The Problem to be Solved:

In the 1966 and 1967 legislative sessions, the model cities program was a key element in the Administration's program for mounting a progressively more massive and more effective attack on the total causes of blight in older neighborhoods. Under planning funds authorized and appropriated in those two years, approximately 140 cities will be planning or beginning to carry out comprehensive programs for social and physical renewal of major residential neighborhoods using the full range of Federal aid programs supplemented with special grants to permit innovation and to permit the city to utilize all available programs on an adequate scale.

Such model neighborhood projects will, for those cities, be the focus of public attention for the next several years as they form the testing ground for the concept of highly coordinated and concentrated attacks on urban poverty and decay. These neighborhood projects will, in the participating cities, call forth the greater local effort and support which is required for success rather than mere superficial alleviation of the disadvantaged neighborhood problem.

While these first groups of demonstrations will still be in the early stages, additional cities not selected in the first two groups will be anxious to utilize this approach also in order to get the focus and impetus into their own activities. While the full range of Federal aids will continue to be available, there would be no way for additional cities to finance the difficult and time-consuming job of improving the effectiveness of the Federal programs through a planning process comparable to that utilized in the model cities program.

Continuation of the planning assistance part of the model cities program would fill this gap, without necessarily requiring that model cities supplemental grants provisions be extended in exactly the present form.

As an additional incentive for undertaking the assisted planning process for urban program coordination, a priority could be offered in project-type grant programs for project applications submitted pursuant to an approved urban program coordination plan.

Cost

Urban program coordination plans in about 100 cities per year could be provided with an appropriation of $25 million per year.

Section C - Job Opportunities Recommendations

Introduction

Job skills and employment are widely recognized as the keys to economic mobility and the necessary condition to make equal opportunity a reality for minorities. Federal assistance has been extended for a wide range of job training and placement aids.

At the same time, there are very visible employment impacts from the physical programs of Federal assistance to families and neighborhoods whose problems stem so largely from unemployment and unemployability.

The Task Force does not necessarily imply that these activities should be directly the sole or even major source of job opportunities for poor neighborhood residents. It is convinced, however, that a greater effort to broaden the effective impact of physical assistance programs is warranted and desirable. In view of the existence of the Task Force on Manpower, we limit our recommendations to improving the use of job opportunities arising from housing and urban development aids.

IMPROVING JOB OPPORTUNITIES FOR THE UNSKILLED

Proposals

1. Participation in relevant and available job training programs should be required for all successful contractors or builder-sponsors in housing and urban development projects with Federal financial contributions.
2. Job training costs to be funded through training programs rather than as added construction costs, and training programs should be supported at levels needed to take advantage of these opportunities.
3. Davis-Bacon wage determinations should recognize that some lower-skilled workers will be used for routine craft tasks to encourage employers to utilize trainees without involving excessive costs.

The Problem

Federally assisted housing construction and local facilities provided for low-income families frequently involve significant amounts of work which could be used as training experience to provide temporary income and to permanently increase the work skills of the residents. Such employment is impeded from taking place in part because of the desire to minimize costs by using only skilled, productive labor and in part by the failure to provide Davis-Bacon wage determinations for semi-skilled worker categories. Consequently, the sub-employed neighborhood residents get little benefit from desirable employment opportunities incidental to neighborhood improvements.

Despite this situation, federally supported training programs often have unused funds because employers do not take advantage of their availability.

Discussion

The Task Force recognizes the anomaly of failing (1) to use the training opportunities which would be so beneficial to assisted workers and their families and (2) to use the potential leverage of federally assisted contracts to get employers to undertake training programs. This will be intensified by the expanded rate of assisted housing recommended in Section A.

However, the Task Force did not believe it appropriate to recommend "set asides" for training or similar devices which would use housing program funds to initiate new training programs in competition with well-conceived general job programs already available. The various manpower development and training programs could be used as appropriate if employers are required to undertake the management burden of incorporating affirmative training programs in their federally assisted construction projects.

While Federal training aids generally cover the out-of-pocket costs of the unskilled worker, the employer would still have to pay full Davis-Bacon Act wages as determined by the Department of Labor. In recognition of the lower productivity of trainees, it is suggested that appropriate semi-skilled categories can, and should, be included to cover bona fide trainees actually used on the job. Such determinations would not result in under-paying fully skilled workers and would permit the use of a mix of skilled and semi-skilled workers thereby improving genuine job opportunities for the disadvantaged groups.

The recommended program could be largely accomplished through administrative action under existing programs. Considerable attention will need to be given to prior explanation of the purposes and effect to the construction trade unions in order to gain their cooperation.

Costs

No added costs except for adequate funding of manpower programs to use added potential training slots provided.

Section D - Encouragement of Outward Mobility of Ghetto Residents

Introduction

If large numbers of disadvantaged minority group members are to enter the mainstream of American economic society, employment and housing must be made more accessible to them. This objective is being pursued through programs designed to locate new job opportunities in the areas of unemployed concentration. But the greater growth of new employment opportunities outside of the central city requires also that outward mobility be enhanced. Measures have to be adopted to employ present ghetto residents outside the central city, as well as to create jobs within the ghetto.

To help bring about outward mobility for employment, three proposals are offered:

- -- First (directly related to mobility for access to jobs), a proposal for subsidized mass transportation to help central city residents in gaining access to suburban employment;
- -- Second, a proposal to facilitate employment of ghetto residents in industrial parks and the creation of nearby low- and moderate-income housing available to them; and
- -- Third, a proposal for requiring housing on a nondiscriminatory basis in communities where Federal or Federally supported installations would be located.

The second and third proposals would, in addition to the low- and moderate-income housing and public facility programs of HUD, also be able to draw upon the proposed program for subsidized mass transportation.

URBAN MASS TRANSPORTATION PROPOSAL

1. The Proposal

It is proposed that HUD be authorized to provide grants whereby the cost of special mass transportation service to and from places of employment, for low-income persons living in core city areas, can be shared equitably between the persons involved, the employers of such persons, and the local public body, with the Federal Government assuming the minimum possible role. Authority for an operating subsidy program does not now exist, and would require new legislation.

2. Statement of the Problem

A means must be found to release in helpful channels the manpower energy contained in the ghettoes. Many employers could use and desire to use this energy. One of the most vital problems of our time is to bring these two together. One can move the employer to the source or move the labor to the employer. The user of this labor will reap a gain, so it follows that he should become economically involved. Since different circumstances will require different transportation and subsidy systems, flexibility has to be permitted by the legislative authority.

3. Statement of Related On-going Programs, Costs, etc.

The problem of providing an efficient and economical means of public transportation to and from places of employment for persons who reside in core-city areas of low income and chronic unemployment or under-employment--who generally qualify only for unskilled or semi-skilled jobs, and who are not able to afford the costs involved in owning a private car--is of concern to a number of Federal agencies and programs. The Department of Labor and the Economic Development Administration of the Department of Commerce, for example, are particularly interested therein, not to mention the Treasury Department and the Bureau of the Budget who have a particular interest in converting welfare recipients into productive workers and taxpayers.

4. Discussion of the Proposal

To assist low-income persons living in slum areas in the central portions of cities to reach job opportunities located in suburban areas, it is proposed that a special program of subsidized urban mass transportation be authorized. It is contemplated that the subsidy would be provided only to slum dwellers with low incomes or who are unemployed, who become gainfully employed partially as a result of better transportation. Grants would be made to local public bodies that would manage the local special programs.

The transit service to be performed would be undertaken either by contract or by using existing routes and existing carriers wherever possible. HUD would contribute a per-capita subsidy for eligible riders and also could provide funds to rent or purchase any additional vehicles needed, through the local public body. The latter should be a public body within the political boundaries where the service is being extended or the public body extending the service. The public agency would be responsible for the administration of the program, and could delegate to other local public agencies or nonprofit organizations, such as a community service center or a cooperative of the eligible riders.

Under flexible authority various alternative means of providing transportation and subsidy could be used:

(1) One example of a means of providing the subsidized urban transportation from city slum areas to suburban factory and back is to establish a "jitney"

bus service such as a small bus with a capacity of 20 passengers that would pick up the workers each morning, bring them directly to the factory and return them each evening to the slum area. For this alternative, it is assumed that a capital grant could be made for a 20 passenger bus which then could be operated on weekly revenues of about $140. Since there would be no intermediate stops, the bus might be run by the local public body which would receive a weekly government subsidy of $3 per person or $60, with the employer(s) contributing $40 and the employees paying $40 (i.e. $2 each, weekly).

(2) If the bus line is to serve the public as well as the slum area workers, it would have to make stops along the way, so that a larger bus (perhaps of 45 passenger capacity) would be needed. To pinpoint the government subsidy so that it directly aids only the slum dweller transit riders, several options are available.

For example:

(a) The slum area transit rider could purchase a weekly transit pass (with a value of $5) at a cost of $2 from (1) the bus driver or (2) a city welfare department official with an office in the neighborhood center, or (3) the personnel office at the factory, who would turn over the receipts to the bus company. A governmental subsidy of $2 per week per rider would be paid directly to the bus company, and the employer would contribute $1.

(b) The employer could instead "buy" the weekly bus passes from the bus company at $60 for 20 passes and sell them to the workers for $40 (i.e. $2 each). Government subsidies would be paid directly to the bus company to cover the remaining $40 of cost for the 20 weekly passes.

Distribution of the burden of the government subsidy between the Federal and local governments would depend upon a statutory matching formula specified in the Federal legislation authorizing Federal mass transportation subsidies, e.g., the Federal Government would pay 50 percent, or 67 percent, or 80 percent, or 100 percent of the difference between the normal transit fare and the fare actually paid by the low-income rider plus an amount paid by the employer. Where necessary capital outlays were contributed by the Government, the amortization of the cost or the rental of the equipment would be credited toward the Federal share of the subsidy.

5. Statement of Alternative Proposals

This proposal, which is based on the theory of contribution by the industrial or commercial firms who employ the individuals involved, is offered as an alternative to a proposal which was organized on the theory of a Federal-local division of the net cost of the special services involved.

INDUSTRIAL PARKS AND LOW- AND MODERATE-INCOME HOUSING

The Proposal

The Federal Government could offer a package of varied aids to the developer of an industrial park in locations outside of central cities to induce him to provide housing for low- and moderate-income workers from the central city who would be hired by employers who would locate within the industrial park. The package, when put together, would be advantageous to the developer because the Federal aids would supply a competitive marketing advantage to the industrial and commercial space which he develops. The corollary production of low- and moderate-rental housing near the industrial park would enable central city workers to obtain housing at prices which they can afford, close to the job, and in so doing, would advance the objective of dispersing ethnic ghetto population concentrations.

The package of incentives would consist of the following:

1. A priority for FHA rent supplement and moderate-income housing (rental and sales) at the locations which would be selected for corollary residential development under this program. These locations would have to be situated in established communities within a readily accessible radius of the industrial park and which are also adequately served by commercial and public facilities.
2. To obtain the more advantageous space provided in the industrial park, user-firms that will utilize the space will be obligated to participate in programs of job training for workers to be recruited from the central cities. The Federal Government would bear the costs of job training and also such additional costs as might be required to supply adequate tran-

sportation to and from the job, until the housing to be provided becomes available. The latter need not necessarily involve creation of new transit systems; in many cases, it might be accommodated on the basis of assisting individual workers to purchase a vehicle large enough to be utilized for car-pool purposes.

3. For the communities in which the housing would be built, there would be priorities of Federal assistance under various public improvement programs such as sewer and water grants and neighborhood facilities.

4. Amend Title X land development mortgage insurance to cover land development loans for industrial parks where the industrial park developer will also undertake or arrange for the development of low- and moderate-income housing in nearby communities to accommodate a reasonable proportion of prospective employees at the appropriate time.

The Problem

Industrial parks located in outlying suburban locations have been built and will continue to be built in substantial numbers. Available data indicate that in 1959 there were about 1,000 industrial parks or districts in the United States and Canada, and in 1967 there were over 1,700 parks in operation in the United States. Most of them were over 100 acres in size. Forty percent were located in metropolitan areas of one million or more, and another 30 percent in areas of 100,000 to one million population.

Most of them are located in suburban areas, usually within 10 miles of the central city. Nearly all are adjacent to, or are near to, major highways or beltways. Such outlying locations make it difficult for low-income central city residents to reach jobs located in the industrial parks. Those who do commute generally have to use automobiles, which are relatively expensive and contribute to congestion on the major metropolitan throughways and beltways.

The use of industrial park space is not especially intensive in nature. The parks include a good deal of light manufacturing and assembly operations and also distribution facilities. Most of the firms in industrial parks employ fewer than 50 workers each, and the densities of employees are less than 20 persons per site acre. Nevertheless, even if half of the acreage in 1,500 industrial parks, averaging 100 acres each, is developed on the basis of a density of 20 employees per acre, this would reflect an employment of about 1.5 million.

The 1959-1967 record suggests that the number of industrial parks may double over a decade. Therefore, the proposal offers an opportunity to help locate presently unemployed and underemployed central city residents in areas where the jobs would be accessible at reasonable daily commuting expenditure, and where training would be tied in with a job that exists.

In response to undiminished need for additional and for improved space to accommodate business and industrial growth, development of industrial parks should continue unabated even if there should be concurrent significant development of new communities in the country. New communities generally will be located further away from the central city than the 10 miles or less that is typical for an industrial park. Also, the number of workers employed in each industrial park generally will be insufficient, in itself, to warrant development of a new community, with all the attendant services and utilities that are required.

Generally, the industrial parks are located in areas where there already exist nearby developed suburban communities that have the core of public services and facilities and which could also absorb additional housing. These communities could be given priorities with respect to urban aid programs such as sewer and water grants and neighborhood facilities if they agreed to have the housing built for the prospective industrial park employees. There would be problems in working out a coordinated program between the industrial park developer, the community and, possibly, a housing developer.

Related On-going Programs

The proposal could draw upon related on-going programs. Moderate- and low-income rental housing could be provided under 221(d)(3) below-market interest rate and rent supplement housing programs. In some of the older suburban communities near industrial parks there might be rehabilitable sales housing that could be utilized under Section 221(h). The legislation for a subsidized interest rate sales housing program now pending before the Senate Banking and Currency Committee would also be a useful tool.

The mass transit program, with amendments proposed in another paper prepared by this Task Force could help provide the necessary mass transit subsidies. Sewer and water grants, neighborhood facility grants and open-space grants could all be provided under on-going programs on a priority basis to cooperating communities.

Thus, the program would not require new appropriations authority. Furthermore, the volume of participation by developers and communities in early years of the program probably would be low enough to permit absorption of the Federal costs from authorized program appropriations.

Pros and Cons

There are presently no programs which are designed to or successfully aiding in migration to the suburbs of low- and moderate-income families and the central city concentration of nonwhites continues to increase.

The proposed program would be a tool for increased outward mobility of low-income minority and other central city residents. Companies located in industrial parks are conscious of the need to have workers nearby or to obtain less costly transportation for them. In a few instances they subsidize daily commutation costs or pay moving expenses for workers who move closer to the plant.

It must be recognized that the proposed program would not have a universal impact and it would be slow in starting. There would be difficulties in getting suburban communities to accept low- and moderate-income housing, especially programs for which a local government workable program or other local government approval is required.

Central city interests would be opposed on the ground that economic activity and population would be drawn out of the city to the suburbs. The shift of industry to the suburbs is taking place, however, and more rational housing location and commuting patterns could be achieved under the program. Furthermore, with the growing trend toward industrial park development, the "market" for the program would grow.

Alternative Proposals

An alternative proposal for entire mini-towns was considered. The full-size new community alternative to that proposal, being developed by another Task Force, is favored, however, since it lends itself to development that permits economies of scale to be realized. The present proposal, relying on housing to be located in existing suburban communities near industrial parks avoids the need for new capital outlays for less-than-optimum size public facilities and services.

ENCOURAGING OUTWARD MOBILITY FOR EMPLOYMENT AT FEDERAL INSTALLATIONS

The Proposal: It is proposed that a community which is to qualify for consideration as the site of a major Federal installation such as a defense installation, an internal revenue tax return processing center, or a NASA laboratory, would have to meet certain prerequisites. The same prerequisites should also be established with respect to selection of the community site of a contract-operated facility supported by Federal funds, as may be the case with facilities supported by the AEC or other Federal agencies. These prerequisites would include evidence that housing is available or will be available in the community on a non-discriminatory basis for the income group to be employed in the Federal or Federally supported facility. There would also be requirements that adequate services and facilities, such as schools and sewer systems, would be available to serve the residents. These requirements can be incorporated in Federal legislation, which would be most effective, or they can be adopted administratively.

In addition, it should be a matter of Federal policy to recruit those who are unemployed or under-employed, drawing upon the available manpower in ghetto areas of nearby central cities, for positions that they can fill or for which they can be trained. If positions have to be filled before the necessary housing can be completed, to facilitate the accessibility of employment to those who reside in the central cities, the subsidized mass transit program that has been proposed could be made available for transportation to the Federal facilities, until the required housing can be completed. In addition, during the time that the facility is being constructed, applicants can be trained for the jobs that will have to be filled. In this connection, the training programs of the Department of Labor and HEW should be utilized.

The Problem: Many Federal installations are located outside of the central city in areas where there is no nearby housing for low-income and minority group employees. There also may be a lack of adequate transportation from the central city area to the location. At times these difficulties may exist within the boundaries of a central city but between two parts of that city, that are far apart without adequate connecting mass transit. The Federal Government has to seek means of advancing the equal opportunity employment and housing goals which it has adopted by encouraging the provision of adequate housing and transportation.

Related On-going Programs: Except for the new subsidized mass transit program that has been proposed, this proposal could draw upon related programs. The communities could evidence their willingness and ability to provide appropriate housing by planning for and arranging for sites and financing of housing under the moderate- and low-income housing programs of HUD. They could also obtain Federal assistance for various types of public facilities such as sewer and water under on-going programs. The present labor training programs would have to be called upon by the Federal agency responsible for the facility, and provision would have to be made to see that adequate funds for the training will be available.

Pros and Cons: The ability to provide equal opportunity in housing and employment where a Federal or Federally supported installation is involved is fundamental to national policy in attainment of equal opportunity goals. If the Federal Government cannot implement procedures to help reach this objective where it is providing the funds for a facility offering employment, it would set an example of failure of equal opportunity policies instead of providing required leadership.

There will be opposition to the proposed policies, as witnessed by the recent Congressional debate about the location of the atom accelerator to be financed by the AEC in Weston, Illinois. Such opposition is a reflection of continuing opposition to low-income, minority housing in the suburbs. There is a great deal of leverage that the Federal Government can exert, however, when it is considering the location of a major addition to the economic base of a community. It is in such instances that the issue can be joined with a good chance of success.

Alternative Proposal: An alternative would be a stated policy that there shall be open occupancy for housing in the community where the facility would be located. The provision of the housing and community facilities to serve low- and moderate-income employees might lag a great deal behind the completion of the Federal installation, however, or might never be fulfilled after the Federal installation became operative. It is only through a prerequisite, such as is proposed here, that there can be assurance that equal opportunity in housing will be available.

Follow Up

November 14, 1967

MEMORANDUM FOR

Honorable Robert C. Weaver
Secretary of Housing and
Urban Development

To follow-up the discussions in my office at the second meeting on the recommendations of the Task Force on Urban Development, it is our understanding that you will take the following actions re:

1. <u>A Demonstration Program to subsidize part of the operating costs of transportation for ghetto residents to jobs outside the central city.</u>

   -- Consult with the Secretary of Labor and your own staff to determine what can be done in this area within existing authority in the Labor Department's CEP program and within existing authority in HUD's Mass Transit Experiment, Research and Demonstration programs.

   -- Advise this office on or before Monday, November 27th:

      . Whether new legislation is required

      . The FY '69 and '70 funding scale you propose

      . Some specific examples of geographic areas where this would be applied

      . Detailed recommendations concerning the way HUD would administer the program.

2. <u>Administrative Actions to require bidders on and builders of Federally-assisted housing to participate in manpower development and work-experience programs.</u>

-- Include this provision in all new HUD contracts with builders.

-- Insure the availability of OJT slots to local builders, through consultation and follow-up with the Secretary of Labor and his staff.

-- Report progress on these administrative actions on or before December 15, 1967.

3. Convert long-term Urban Renewal projects that are primarily rehabilitation of low and middle income housing into smaller projects, reviewed and funded annually. Explore further with Director of BOB and his staff and if mutual agreement on desirability is reached, work out all further details, including the possible need for amendments to existing legislation.

4. Consider new tactical approaches to win support for the Rent Supplement Program in 1968 including the feasibility of a matching Federal-State or Federal-local formula grant, and report conclusions on the best 1968 legislative approach to Rent Supplements on or before November 25, 1967.

Please submit ten copies of follow-up statements or reports to me and five copies to the Director of the Bureau of the Budget.

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

bcc: Charles Schultze

JAC:FMB:caw

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

NOV 2 8 1967

MEMORANDUM FOR: Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House

In response to your memorandum of November 14 in connection with the recommendations of the Task Force on Housing and Urban Development, I am pleased to submit 10 copies of a paper which deals with item one in your memo. This item relates to a proposed program "to subsidize part of the operating cost of transportation of ghetto residents to jobs outside the central city".

I am forwarding 5 copies of the attached proposal to Mr. Charles Schultze.

Robert C. Weaver

Robert C. Weaver

Attachments

cc: Mr. Charles Schultze, BOB

TRANSPORTATION - EMPLOYMENT PROGRAM

1. PROPOSAL. The Secretary of Housing and Urban Devebpment would make grants to States and local public bodies and agencies thereof to assist in financing the costs of providing mass transportation services for low-income persons who otherwise will not have adequate access at reasonable costs to employment opportunities in an urban areas.

Under the present Urban Mass Transportation Demonstration Program, grants would be made for 80 per cent of the direct costs incurred by an employer in providing special identification tickets to low-income employees which would permit them to use transit service over routes involving multiple fares or zones upon payment in cash of the established base fare. This would be an experimental program, design to develop data concerning needs, costs, benefits, and alternative methods of program administration.

Under proposed new legislation, grants would be made for two-thirds of the net costs to a carrier of providing new service between points where transit service is not available. Grant funds would not be available for the supplementation of existing service.

It is proposed administratively to limit such grant assistance to areas actively participating in the concentrated employment program (CEP) administered by the Department of Labor in cooperation with OEO, HEW, Commerce, and HUD.

Costs are estimated at $5 million in fiscal year 1969 and $15 million in fiscal year 1970.

2. PROBLEM. Means must be found to release in useful channels the energy contained in the ghettos or it will find other and harmful ways to be expended. Many employers could use and desire to use this energy. One of the most vital problems of our time is to bring the employer and the unemployed or under-employed together--by moving the employer to the source of labor, or by moving the labor to the employer.

The problem is made more acute by the trend of urban development which has led to concentrations of commercial and industrial enterprises (i.e. job opportunities) along circumferential highways and in other suburban locations at a substantial distance from the core city, where so many non-skilled and semi-skilled people, most of whom cannot afford to own and use automobiles, live.

Existing mass transportation systems are for the most part designed to bring suburban commuters and shoppers into the core city in the morning and to take them home again in the afternoon, and are therefore poorly designed to serve the needs of ghetto residents in reaching scattered job locations in suburban areas.

In some cases, the use of established transit service from central city residential areas to suburban employment areas involves travel across a number of zone boundaries, each involving the payment of additional fare, or the use of several carriers, each of which may charge a full base fare for its portion of the trip.

In other cases, because of the relatively low volume of prospective riders, no transit service at all is available from the central area to newly-developed suburban employment complexes.

The experience of HUD in administering the various programs authorized by the Urban Mass Transportation Act of 1964, as amended, shows two things of particular significance with respect to this problem:

(1) Most urban mass transportation systems serving the general public operate at or near the break-even point and, therefore, cannot provide new services that do not pay for themselves without some governmental assistance, Federal, State or local.

(2) Specifically designed transit routes, such as those serving the job commutation needs of the urban poor between central city residential areas and suburban employment centers are not--at least in their initial stage of development--self-supporting if fares are set at a level which the persons to be served can reasonably afford to pay.

If urban mass transit systems are to fulfill their responsibilities of serving the public interest, a means of satisfying the long-term financial needs of such systems must be found, especially insofar as the special transportation services required by the urban poor are concerned. At the present time HUD has no authority to make grants to cover operating deficits, although it is conducting short-time experiments in the area of the relationships between transportation and employment opportunities through its demonstration program and can continue to use this program to try out innovative approaches to public transportation problems.

One of the principal findings from these experiments is that transit service intended to enhance the job opportunities of low-income persons is most effective when it is fully and closely related to such activities as vocational training, job placement, and counseling.

3. OTHER PROGRAMS. There are a number of other Federal programs which have direct impact on the employment problems of the urban poor, and which can be rendered more effective by the provision of adequate mass transportation service for ghetto residents from their homes to and from places of employment, as well as to and from places where they can obtain academic, vocational, and on-the-job training to render them more employable.

Among these Federal programs are:

(a) Those under the Manpower Development and Training Act of 1962 as amended; and

(b) Those under the Economic Opportunity Act of 1964 as amended; and

(c) Those under the Vocational Education Act of 1963; and

(d) The programs administered by the Bureau of Apprenticeship and Training of the Department of Labor, and others; and

(e) The Neighborhood Centers Pilot Program administered by HUD under Executive Order No. 11297,

all of which are presently focused and combined together in the Concentrated Employment Program (CEP), administered by the Department of Labor in cooperation with OEO, HEW, Commerce and HUD.

The occupational training program administered by the Department of Labor under Title II of the Manpower Development and Training Act of 1962 as amended, authorizes the payment of allowances to trainees for transportation costs, within their commuting area, between their homes and places of training under the program. None of the other programs makes specific provision for transportation.

CEP operates as a combination of manpower programs brought to bear on the employment problems of a specific area under a single contract with a program (CAP) agency, operating in close coordination with the State employment service. CEP places emphasis on:

(a) Selection of areas and individuals in greatest need of assistance.

(b) Provision of necessary academic, vocational and on-the-job training.

(c) Personal and individual counseling for each participant, including provision of necessary supporting social services such as medical and dental care, legal aid, day care facilities for children, etc.

(d) Heavy private sector involvement.

Target areas for CEP are selected on the basis of:

(a) The degree of concentration of unemployment and subemployment as measured by Department of Labor survey and census data.

(b) The potential for success in substantially improving the economic circumstances of a large number of target area residents, considering, among other factors, the extent of cooperation and participation by local public and private agencies, organizations and groups.

Persons served by the CEP must be residents of the designated target area, and must meet OEO poverty criteria.

The following urban target areas have been selected for CEP grant assistance by the Department of Labor:

Oakland, Cal.	(M)	(N)
District of Columbia	(M)	(N)
Atlanta, Ga.	(M)	

Chicago, Ill.	(M)	(N)
Baltimore, Md.	(M)	
Boston, Mass.	(M)	(N)
San Antonio, Tex.	(M)	
Birmingham, Ala.		
Cleveland, O.		
Houston, Tex.		
Los Angeles, Cal.		
New Orleans, La.		
Phoenix, Ariz.		
San Francisco, Cal.		
Detroit, Mich.	(M)	(N)
St. Louis, Mo.	(M)	(N)
Newark, N.J.	(M)	
South Bronx, N.Y.C.	(M)	
Philadelphia, Pa.	(M)	
Pittsburgh, Pa.	(M)	

Those marked (M) have also been selected by HUD for Model Cities planning assistance under the Demonstration Cities and Metropolitan Development Act of 1966, and those marked (N) have been selected by HUD as sites for Neighborhood Center Pilot Projects involving mass transportation under Executive Order No. 11297.

4. ADMINISTRATION OF THE PROPOSED PROGRAM. Grants would be made available, upon application, to an appropriate public agency (that is, one having authority under State or local law to carry out the project) which proposed to provide transportation services that are not otherwise available, or which are not available at reasonable costs to the user, to assist low-income persons in seeking and holding jobs.

Eligibility for grants would be limited to areas actively participating in a CEP. Adequate working relationships would be required between the transportation project and other elements of the CEP.

a. Grants to Employers (under existing Demonstration project authority--Sec. 6, Urban Mass Transportation Act of 1964)

The public body would make grants to employers for 80 percent of the direct costs of providing special identification tickets to low-income employees whose transportation costs by public carrier are excessive because of the number of zones which must be traversed or the number of separate carrier fares which must be paid.

Under contractual arrangements between the public body and the local carriers, such tickets would be honored, upon payment in cash of the initial carrier's base fare, for the inter-zonal and interline travel necessary to complete the trip from home-to-work or work-to-home.

The form of ticket and method of fare accounting would be developed on an experimental basis as a part of the demonstration program, so as to devise and test a system that would (1) maximize user convenience, (2) fit into the fare collection procedure of the carriers without undue administrative costs, (3) avoid vehicle delays in the fare collection process,and (4) minimize fradulent use.

In any case, it is anticipated that the employer would buy or redeem the tickets from the carrier at the full transportation value and issue the tickets without charge to duly-qualified low-income employees upon a showing that public transportation from home to work was not available at reasonable cost. Grant payments could be arranged on a monthly basis -- or, if necessary, at more frequent intervals -- in order to avoid hardship to the employer or the carrier.

The employer would have a financial interest in the proper administration of the system as a result of limiting the grant to 80 per cent of costs.

b. Grants to Carriers for New Service (requires new legislative authority).

In many instances, the problem is not one of excessive costs in using existing services, but the complete absence of transit service between central city residential areas and suburban employment centers.

New service in such cases would be provided by the franchised local carrier under a contractual arrangement with the public agency sponsoring the project. Payment would be made monthly on the basis of net costs of providing the new service:

--Costs of providing service to the carrier, as ascertained through the carrier's accounting system and reports to regulatory agencies, less Revenues derived from the service based on the carrier's usual fare structure.

The grant in any instance would be limited to two-thirds of the net costs of providing new service between points where transit service is not available. The remaining one-third of net costs would provided from local sources, including such sources as local tax funds, contributions by employers who may benefit, and the transit operator.

* * *

Under either program, it would be expected that the administrative costs of the public agency would be absorbed.

The contract between HUD and the public agency would be renewable annually upon a showing of continued need and participation in a CEP. Statistical data would be provided by the public agency showing the costs and benefits related to the serive provided.

5. FUNDS. Funds should be made available within the total grant authorization for urban mass transportation programs -- currently $675 million through fiscal year 1969.

It is impracticable to estimate closely the funds required. This would require an analysis of the specific transportation needs in each of the 20 cities now participating in CEP.

A rough estimate, based on experience with similar demonstration programs, is $1 million per participating city per year.

On this basis, allowing for (1) the time required to inaugurate service in the first year, (2) the fact that in some cases adequate services may already be available at reasonable costs, (3) the non-participation of a limited number of cities, and (4) demonstration projects already funded in Los Angeles and St. Louis, we estimate:

--That 10 cities will participate in <u>fiscal year 1969</u>, for an average of 6 months.

$$\frac{10 \times \$1 \text{ million}}{2} = \$5,000,000$$

--That 15 cities will participate in <u>fiscal year 1970</u>, for a full year.

15 x $1 million = $15,000,000

6. ALTERNATES CONSIDERED. The alternatives considered were (1) direct subsidies to low-income persons needing transportation to improve job opportunities and (2) direct subsidies to employers who would provide new transportation services for low-income workers between their homes and places of work.

These were rejected because:

(a) In the case of direct subsidy to the employees, the program would require a special administrative staff and would be susceptible of wide abuse unless excessive policing were provided. Involvement of the employer, who is already participating in CEP and who has a financial stake in the program, appears to minimize these objections.

(b) In the case of direct subsidies to employers for the provision of new service:

--The multiplicity of employers requires complicated and costly administrative organization.

--There is no public agency involvement, hence no local governmental responsibility or active coordination with other elements of the CEP.

--There appears to be no ready solution to the industrial park or complex problem, where only a portion of the employers might be willing to participate in the transportation program.

It should be observed that, whenever possible, transportation services should be open to all who wish to use them. Service which attracts more than low-income workers has a better chance of becoming self-sustaining and -- in the case of new routes -- additional ridership will decrease the amount of operating subsidy required.