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[1976]

THE WHITE HOUSE

WASHINGTON

"Ethnicity and Neighborhood Revitalization"

A White House Meeting Sponsored by

The Office of Public Liaison
in cooperation with
The National Center for Urban/Ethnic Affairs

AGENDA

- 9:00 a. m. Welcome - The Honorable William J. Baroody, Jr.
 Assistant to the President
- Remarks - The Honorable Myron B. Kuropas, Special
 Assistant to the President for Ethnic Affairs
- 9:15 a. m. "Neighborhood Revitalization: Neighborhood Policy for
 a Pluralistic Society": Msgr. Geno Baroni, President,
 the National Center for Urban/Ethnic Affairs
- 9:35 a. m. Respondents
 The Honorable Constance Newman, Assistant Secretary
 for Consumer Affairs and Regulatory Functions,
 Department of Housing and Urban Development
- The Honorable Samuel R. Martinez, Director,
 Community Services Administration
- The Honorable Mitchell Kobelinski, Administrator,
 Small Business Administration
- 10:30 a. m. Open Discussion
- 11:30 a. m. Remarks by President Gerald R. Ford
 The Rose Garden



12:00 - 1:15 p. m. LUNCH - Washington Room, Washington Hotel,
15th and Pennsylvania Avenue, N. W.

Luncheon Speaker - Mr. Alex Armendaris, Director,
Office of Minority Business Enterprise

1:30 p. m. "Neighborhood Revitalization: The Urban Perspective"
The Honorable Vincent Cianci, Mayor of Providence

The Honorable Ralph Perk, Mayor of Cleveland

Moderator: Dr. Michael P. Balzano, Director,
ACTION

2:00 p. m. Open Discussion

2:30 p. m. Remarks by The Honorable Elliot L. Richardson,
Secretary of Commerce

2:45 p. m. Discussion

3:00 p. m. BREAK

3:15 p. m. "Neighborhood Revitalization: The Local Perspective"
Mr. Joseph McNeely, Director, Southeast Community
Development, Baltimore, Maryland

Ms. Melanie Cyganowski, Department of Community
Development, Buffalo, New York

Mr. Warren H. Butler, Deputy Assistant to the
Secretary for Community Planning and Development,
Department of Housing and Urban Development

4:00 p. m. "Ethnicity and Neighborhoods: Policy Implications"

Mr. Michael Novak, President, EMPAC

Mr. Irving Levine, Director, Institute on Pluralism
and Group Identity

Mr. Richard Krickus, Author, Pursuing the American
Dream

4:45 p. m. Summary - Msgr. Geno Baroni and Dr. Myron B. Kuropas

5:00 p. m. White House Tour (optional)



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willing to exercise that on any kind of an overall basis.
If we spent everything the Congress appropriated, we
would have an enormous tax increase and we would also have
an inflation caused by the federal government spending
itself.

MR. MONROE: You are not willing to agree to the basic
principle that if the Congress says we want a particular
program, the Executive then must carry out that program?

SECRETARY WEINBERGER: We have done that. It is the
President's duty, however, to advise the Congress that he
thinks particular programs are no longer needed and not to
request funds for them and that is the posture of
the matter at the moment. In his new budget request he has
requested zero funding for several programs and he has
explained to the Congress why, that he thinks they are
outmoded and that they are no longer producing or they
are counterproductive and the rest is up to the Congress.

MR. ROWAN: Secretary Lynn, on March 20 you said you
needed more time to decide your policy regarding efforts of
blacks to move to the suburbs. Can you now tell us today
whether you will use the weight, prestige and money
of the federal government to encourage housing integration?

SECRETARY LYNN: I think we have to observe a distinction
here. I am not going to impose a particular economic
settlement pattern on any community. On the other hand I



1 will encourage communities to meet the housing needs
2 of various economic levels and where I can give assistance
3 in that regard, I will. On the other hand, the law will
4 not tolerate and I will not tolerate discrimination in
5 housing based on race.

6 MR. ROWAN: Now, do I interpret your words about
7 imposition to mean that if a community doesn't want any
8 low income or middle income housing, you will not force housing
9 on that community in those categories?

10 SECRETARY LYNN: As long as it does not involve
11 discrimination of race, that is true. In other words, our
12 feeling is that it is up to a community to decide what
13 its economic balance should be, where pure economics are at
14 stake.



1 MR. ROWAN: Now, when you get a situation where a dispro-
2 portionate number of the low-income people are black, are
3 Mexican-American, are Puerto Rican, there is a built-in
4 factor of racial discrimination, is there not?

5 SECRETARY LYNN: I think it is very interesting to
6 observe what is going on in the courts in this regard.
7 These are factual matters and they become extremely difficult
8 factual matters, but the courts at the present time have a
9 number of cases before them dealing with just that kind of a
10 complexion weaving between economic levels and discrimination.

11 MR. ROWAN: Well, let's look at the effect. If the govern
12 ment won't push for housing integration and if it opposes busin
13 doesn't that guarantee cities full of Jim Crow and full of stri

14 SECRETARY LYNN: I don't think it does at all. I
15 have the feeling that we have a stereotype of communities that
16 carries over from years gone by. I do see trends in our cities
17 to face up to problems of this kind. I see developments like
18 fair share plans developing in certain cities; I see an awarene
19 that has not been there before. We have a long way to go in
20 this regard, but we do believe that there are many other factor
21 here at work; jobs, education, transportation. This is a
22 seamless web, it seems to me, of things we have to consider
23 at one and the same time. It is not housing alone; it is a
24 whole bunch of things that come together that cause the problem
25 in the cities and we think the way to treat these problems is

1 through things like our Better Communities Act where we intend
2 taking \$2.3 billion if the Congress will go along with us, and
3 turn it back to those communities to use for community better-
4 ment on the basis that the local officials decide what it should
5 be spent on.

6 MR. KILPATRICK: Secretary Butz, over the past few years
7 and especially since Caesar Chavez began so successfully organi-
8 zing farm workers in his AFL-CIO union, we have been hearing
9 more about the possibility of extending the National Labor
10 Relations Act to cover farm workers. What is your view on
11 that?

12 SECRETARY BUTZ: I think it should be, Mr. Kilpatrick.
13 You mentioned Caesar Chavez. He is on everybody's mind, of
14 course, and especially with these lettuce boycotts. I wouldn't
15 know where to go in Washington today to find non-union lettuce
16 Ninety per cent of our lettuce out of California and
17 Arizona is union lettuce. Most of it is packed by the Teamsters
18 Union and only 15 per cent by Chavez' union, but I think the
19 farmworkers should be given the right to organize after a
20 voluntary, free election, and not be coerced into it as some of
21 them have been under the Chavez system.

22 MR. KILPATRICK: What would your feeling be about prohibi-
23 ting strikes at harvest time, in such event?

24 SECRETARY BUTZ: That is a very difficult question. I
25 think our producers have to be given some kind of protection



Q. What is your position on ethnic purity?

A. That is not an expression I would use to describe any of my policies.

(If there are any further questions.)

Q. Whatever it's called, do you believe the Federal government should intervene to change the housing pattern of a neighborhood?

A. First, I believe that the diversity of American life is one of our greatest strengths.

Second, the Federal Government has an obligation to see to it that no person is prevented from living or working wherever he wants to, whatever his religion, sex or race.

Third, I will carry out all Federal statutes relating to fair housing.

(If there are any further questions.)

Q. Do you support scatter-site housing?

A. If you are talking about scatter-site housing such as was tried in New York State and in other areas, I do not believe this is an appropriate program for the Federal government to undertake.

Q. Do you support the use of Federal authority to affirmatively attempt to bring black families into all white neighborhoods?

A. No.



[1976]

QUESTION: (Senator Mondale) The 1968 Civil Rights Act directs the Secretary of HUD to administer its programs so as affirmatively to further the policies of fair housing. Can we expect you to administer this provision vigorously and enthusiastically?

HUD ANSWER: We are going to continue looking for new, practical ways of making our programs more effective in achieving equal opportunity in housing goals. A number of very important steps have already been taken. Thus, the project selection criteria for subsidized housing include a number of items which, specifically or indirectly, should result in projects that widen housing and housing-related opportunities for minorities. In conjunction with the project selection criteria, the Department has promulgated affirmative marketing regulations. These require builders and sponsors using Federal housing programs to publicize the availability of housing to minority citizens. Another significant action is represented by an agreement which HUD has entered into with the General Services Administration. This provides for cooperative



action between the two agencies to prevent the movement of Federal installations to locations where housing is and will be unavailable to low income and minority group employees.

WITNESS ANSWER: Equal housing opportunity is the law of the land and the policy of this Administration. I intend to meet my responsibilities under that law and policy.



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Basic choices concerning the shape and character of each local community should be made by the people who live there, not by Federal officials. The Federal Government should not attempt to impose assisted housing on any community, since the housing and land use questions involved are essentially local. Local officials must be entrusted with the decisions as to how much low income housing will be built, how it is to be built, and where it is to be built. Of course, while housing decisions should not be forced upon local communities, we also intend to see that no Federal housing funds are spent in communities which practice racial discrimination.

The problem with a local approval requirement in the Federal law is that it results in Federal dictation to local governments in the way they make their housing decisions. In this respect, such a provision is undesirable. Although elected local officials, not the Federal Government, must make the decision, it is inappropriate for the Federal Government to impose or set up a specific review and approval mechanism which local officials may neither need nor want

and which may result in further red tape and delays in many desirable projects.

WITNESS ANSWER: I do not think it appropriate for me to comment on any particular provisions that were being considered last year. Generally speaking, I feel the Federal Government should not impose a particular procedure or method for local governments to use in evaluating or controlling private housing. Moreover, it is essential that local officials have power over land use and other factors of local concern affecting these projects. Whether Federal legislation is needed, and what form any such legislation should take, to re-emphasize local responsibility in these matters are questions of importance to which I intend to address myself in the months ahead.

QUESTION: (Senator Brooke) Last year HUD instituted Housing Project Selection Criteria for evaluating and selecting projects from among the many proposals submitted to HUD. These criteria have come under criticism for several reasons: some say that they have slowed processing inordinately, some say that they are preventing HUD from building housing which it should build in inner-city areas, and some say it is forcing low-income housing into the suburbs. What are your comments on the criteria?

HUD ANSWER: The criteria relate not only to the site of a proposed project, but to other factors which HUD should consider in deciding whether or not to fund the project. They embody and implement portions of President Nixon's statement of June 11, 1971 on Federal policies on equal opportunity in housing, as well as the requirement in the Civil Rights Act of 1968 that the Secretary "administer the programs relating to housing in a manner affirmatively to further" fair housing. The criteria are intended to satisfy the rule of the Shannon case that HUD must have an institutionalized procedure for evaluating the racial impact of housing proposals.

An evaluation, recently completed, showed that the criteria are not preventing approval of HUD assisted housing in inner-city areas. Proposals from the nation's 267 Standard Metropolitan Statistical Areas constituted 56% of all proposals rated. Of these, 61% were for central city locations. The rejection rate for these central city sites was 14%, while that for suburban locations was almost the same at 13%.

Regarding alleged delays caused by the criteria, the evaluation revealed that the criteria typically did not take an unreasonable amount of time--other processing steps were usually a much more serious cause of delay.

While the evaluation revealed some problem areas requiring further analysis, on balance the Department believes the criteria are imposing a much-needed discipline both on HUD field staff and on the public and private developers of housing who are seeking subsidy assistance.

WITNESS ANSWER: I am sympathetic to the objectives of the criteria. The evaluation which HUD has recently completed

seems to indicate that it is accomplishing these objectives. I will, however, want to make my own judgments in this area.

(Attached are copies of the Housing Project Selection Criteria and the President's statement of June 11, 1971.)

Q: What is your position on ethnic purity?

A: That is not an expression I would use to describe any of my policies.

(If there are any further questions.)

Q: Whatever it's called, do you believe the Federal Government should intervene to change the housing pattern of a neighborhood?

A: First, I believe that the diversity of American life is one of our greatest strengths.

Second, the Federal Government has an obligation to see to it that no person is prevented from living or working wherever he wants to, whatever his religion, sex or race.

Third, I will carry out all Federal statutes relating to fair housing.

(If there are any further questions.)

Q: Do you support scatter-site housing?

A: *I believe that the chief voice in such matters should be that of the local community, with the full participation of all its citizens.

I believe the Federal role is to ensure that no one is denied housing on the basis of race, color, national origin or sex.

Q: Do you support the use of Federal authority to affirmatively attempt to bring black families into all white neighborhoods?

A: No.

Background

The Housing and Community Development Act of 1974 signaled a move away from Federal categorical grant programs toward greater community discretion. The 1974 Act provides for Community Development Block Grants which allow more flexibility



for communities to use Federal funds to meet their housing and urban development needs. The Act also provides for Federal rent supplements to eligible families, allowing them greater freedom of choice of where they can live, if they accept aid.

While the thrust of the 1974 Act is in the direction of greater autonomy for local communities who participate in Federal assisted housing programs, several provisions, which were not supported by the Administration, serve to limit that autonomy. The first of these requires a housing assistance plan from each participating community, which explains in detail how the community intends to meet its low-income housing needs, including not only eligible families who reside in the community but also those who could be "expected to reside" there. (The ambiguity to this provision has created a great deal of confusion among participants.) The second limiting aspect of the bill, provides for a degree of "affirmative" action in that sites for assisted housing must not be located in areas of minority concentration unless the community is already substantially integrated or there are overriding housing needs which can't otherwise be met.

In summary, the 1974 Act removes much of the Federal control over funds for assisted housing but qualifications remain, which limit community autonomy, confuse compliance and promote dispersal of low-income families.



Q & A ETHNIC PURITY/HOUSING ASSISTANCE (OPTIONAL APPROACHES)

Option 1: Step by Step Approach

Q: What is your position on ethnic purity?

A: That is not an expression I would use to describe any of my policies.

(If there are any further questions.)

Q: Whatever it's called, do you believe the Federal Government should intervene to change the housing pattern of a neighborhood?

A: First, I believe that the diversity of American life is one of our greatest strengths.

Second, the Federal Government has an obligation to see to it that no person is prevented from living or working wherever he wants to, whatever his religion, sex or race.

Third, I will carry out all Federal statutes relating to fair housing.

(If there are any further questions.)

Q: Do you support "scatter-site" or "dispersed" housing?

A: I think this is too important an issue to use code words -- words that not everyone understands -- What exactly do you mean by "scatter-site" housing?

Q: Do you support the HUD's affirmative action program under the terms of the Housing and Community Development Act of 1974?

A: As I said, I will enforce all Federal statutes relating to fair housing.

Option 2: Single Comprehensive Response

Q: What is your position on ethnic purity?

A: That is not an expression I would use to describe any of my policies. If, however, you are talking about the appropriate Federal role in assuring fair and equal housing for all Americans, I believe that the Federal Government should enforce fair housing laws, while allowing for maximum community autonomy in the development of local housing programs.

I intend to see to it that no person is prevented from living or working wherever he wants, whatever his religion, sex or race. I do not think, however, that the Federal Government should dictate to communities where low-income families should reside.

Local officials must be entrusted with the decisions as to how much low income housing will be built, how it is to be built, and where it is to be built. Of course, housing decisions should not be forced upon local communities, but clearly Federal funds must not be spent in communities which practice racial discrimination nor should they be used in a way which perpetuates racial discrimination.

Background:

The Housing and Community Development Act of 1974 signaled a move away from Federal categorical grant programs toward greater community discretion. The 1974 Act provides for Community Development Block Grants which allow more flexibility for communities to use Federal funds to meet their housing and urban development needs. The Act also provides for Federal rent supplements to eligible families, allowing them greater freedom of choice of where they can live, if they accept aid.

While the thrust of the 1974 Act is in the direction of greater autonomy for local communities who participate in Federal assisted housing programs, several provisions serve to limit that autonomy.

The first of these requires a housing assistance plan from each participating community, which explains in detail how the community intends to meet its low-income housing needs,

including not only eligible families who reside in the community but also those who could be "expected to reside" there. The ambiguity to this provision has created a great deal of confusion among participants.

The second limiting aspect of the bill, provides for a degree of "affirmative" action in that sites for assisted housing must not be located in areas of minority concentration, unless the community is already substantially integrated or there are overriding housing needs which can't otherwise be met.

What all this means, as a practical matter, is that Federal Housing and Community Development funds will be made available only to a community which has developed a plan which (a) identifies the housing needs of low-income persons within the community and (b) makes provision for meeting the identified need. Where there is a need for additional low-income housing, it must be constructed in an area which is not a low income area. This is in effect a Federal incentive to "scatter-site" or dispersed housing.

The policy of the Ford Administration is to assist low-income families in obtaining decent homes and suitable living environments through programs which:

- emphasize the use of existing houses rather than new construction so more families can be assisted with a given amount of Federal resources;
- maximize freedom of choice by offering a subsidy directly to the low-income family;
- rely on the private market for the construction, financing, and management of housing for federally-subsidized families.

COMMUNITY ECONOMIC RECOVERY ACT

Proposal: Authorize \$1 billion for cities and counties with high unemployment to assist in the maintenance of basic municipal services and to aid in stimulating local economic recovery.

Background: As the economy recovers and as the national employment picture improves steadily and substantially, there continue to be selected cities and counties which are lagging behind the nation's economic revitalization.

In these areas recovery becomes increasingly difficult because the maintenance of basic municipal services requires an increased local tax effort which in turn poses an additional obstacle to reviving that local economy. These cities and counties are thus trapped in a vicious cycle of decline.

Purpose: Provide temporary, emergency support to assist these areas during a period of recovery to maintain essential services while avoiding tax increases. This would provide a bridge which would give them an opportunity to participate in the national economic recovery.

Description: The program would be activated when national unemployment averages 7% or more for a quarter. Every city or county which has had an unemployment rate of 6% or greater for that quarter would be eligible. When the national unemployment rate falls below 7%, a supplementary fund would be available on a formula basis to those cities and counties with unemployment rates which continue to exceed 8.5%.

For each quarter with a 7% unemployment, \$100 million would automatically be available. For each one-tenth of a percent over 7%, \$40 million would be added to the amount to be distributed.

Funds would be distributed on the basis of the general revenue sharing formula and unemployment in that community.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

... following
INFORMATION

FER 5 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: HIGHLIGHTS OF SUCCESSES OF THE COMMUNITY
DEVELOPMENT BLOCK GRANT PROGRAM

As a follow-up to a request you made of me during one of our briefings on the 1977 Budget, I am attaching some selected examples of successes that have taken place during the first year of operation of the Community Development Block Grant Program.

Attachment

cc: DO Records
Director's chron
Director
Deputy Director
Mr. Derman
Mr. Hamm

CVA/DADerman/psl 2/4/76

HIGHLIGHTS OF SUCCESS
OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The following are some points which can be used in Presidential speeches to indicate the success of the community development block grant program.

- . Federal regulations which a community must follow have decreased from 2,600 pages under the categorical programs to 25 pages for the block grant program.
- . A community need only file one application, consisting of 50 pages, rather than the previous average of five applications consisting of 1,400 pages.
- . Processing and approval of a community development block grant application averaged 49 days. Under the categorical urban renewal program, processing took over two years.
- . In 1975, 819 localities received community development funding for the first time.
- . A HUD survey of block grant recipients found that:
 - 60 Percent perceived a decrease in the amount of processing snafu under the new program.
 - 74 Percent perceived a decrease in the level of Federal interference under the new program.
 - 63 Percent had shifted their highest funding priorities, usually from conventional urban renewal in a designated area to numerous neighborhood improvement activities in many areas.
 - 71 Percent of the funds disbursed were targeted for areas with predominantly low- and moderate-income families.
- . Three cities in the Uintah Basin in Utah have used CD funding for public improvements needed as a result of growth due to oil resource development in the area.

- . Salt Lake City used its block grant funds to match other Federal funds and established a park in a low-income area of the city.
- . Toledo, Ohio, has established a Fair Housing Center. To date the Center has resolved six cases of racial discrimination, all settled out of court.
- . Muskegan, Michigan, utilized its community development grant plus \$5 million in local funds to finally complete a downtown urban renewal project which had been underway for seven years.
- . Elgin, Illinois, acquired playgrounds adjacent to all public housing projects in the city.
- . Orange, New Jersey, is using its community development grant funds for acquisition and site preparation of an economic development area. Rheingold Brewery now plans to substantially expand its plant into the new area.
- . Community development grant recipients have made successful innovations in utilizing their funding as a leverage to attract further private, local, and State investments, especially with regard to rehabilitation activities:
 - The city of Buffalo, New York, in attempting to maximize the funds it had available for rehabilitation, instituted a program of loan guarantees, interest subsidies, and grants as a sweetener to attract private capital.
 - To stimulate rehabilitation and bring structures up to code standards, Boston, Massachusetts offers a rebate of a percentage of the cost of rehabilitation work, depending on the type of structure.
 - Winston-Salem, North Carolina, stimulates the renovation of certain neighborhoods by offering a cash payment of \$2,000 to those who would move into the areas and renovate the homes.



- Louisville, Kentucky, has established a rehabilitation program financed with community development grant funds, local private investment, and the Kentucky Housing Corporation.
- Duluth, Minnesota, used \$700,000 of community development grant funds for an interest writedown on \$2,000,000 worth of rehabilitation loans for low-income residents.

Also in Duluth, the city used \$115,000 of community development grant funds to generate \$70,000 in State and private contributions for park improvements.

cc: Deputy Director
Mr. Derman
Return, Housing (7001)
Chron

CVA:Barrett:kas 1/30/76

3rd page rewritten/retyped/sv 2/4/76

Housing
REQUESTED

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

INFORMATION

FEB 5 1976

MEMORANDUM FOR THE PRESIDENT

FROM: James J. Lynn
SUBJECT: Housing Assistance Plans -- Community Development Block Grants

During one of your recent briefings for members of Congress, Congressman Latta strongly criticized the housing assistance plan requirement of the community development block grant program. This memorandum provides you with some information regarding that requirement.

The Housing and Community Development Act of 1974, which established the community development block grant program, requires that each applicant for these funds prepare a housing assistance plan. This requirement was not an Administration initiative. It was added on the House side, in the negotiations, as a way of getting Congressman Ashley to drop a requirement of housing block grants.

The housing assistance plan is to address three points: (1) the condition of the housing stock in the community and the housing assistance needs of lower income persons residing or expected to reside in the community; (2) an annual goal for providing dwellings or assistance to these persons; and (3) the general location of proposed housing for lower income persons. An applicant may use community development block grant funding to finance the preparation of the housing assistance plan.

Most block grant applicants consider the housing assistance plan requirement the most troublesome. For many localities, this is the first incident of involvement by elected officials in the housing area. In previous years, all decisionmaking had been left to public housing authorities, HUD, and private builders.



The most burdensome requirement of the housing assistance plan is the "expected to reside" clause. Neither communities nor HUD have data from which to project future residents or their income levels. For 1975, HUD essentially waived this requirement due to the lack of data. This waiver resulted in at least one court suit. The city of Hartford contended that its suburban governments should not be allowed to use their entitlement funds because they had not met the "expected to reside" requirement with regard to low-income residents, thereby indicating that the suburbs expected Hartford to continue to bear the burden of housing and providing services for a large low-income population. The judge agreed that the suburban governments would have to meet this requirement and could not utilize their funds until they had revised their applications to include this information. HUD is currently making efforts to locate and provide data for applicants attempting to meet the "expected to reside" requirement.

In the first year, the burden of producing a housing assistance plan proved too much for several applicants. Three applications were disapproved because of refusal to cooperate in the housing assistance planning process; 16 applicants withdrew their applications.

In the long term, HUD hopes to tie the amount of subsidized housing assistance a community receives to the specifications in its housing assistance plan. In this way, the elected officials will assume responsibility not just for housing planning but also for implementation of that plan.

Because the community development grant program is only a year old, it is difficult to assess the total impact of the housing assistance plan requirement. There will be some communities who will not apply for community development grants because of such a requirement. There will undoubtedly also be further litigation as to what has to be done to comply with the requirement. It is still too early to tell how serious these problems will be, but they could turn out to be substantial.

THE WHITE HOUSE

REQUEST

WASHINGTON

March 25, 1976

MEMORANDUM FOR JIM CANNON

FROM:

LYNN MAY *Lynn May*

SUBJECT:

Philadelphia's Community Development
Block Grant *John*

Attached is a memorandum from ~~Jim~~ Rhinelander, Under Secretary of HUD, describing the agenda of a meeting to be held today between Mayor Frank Rizzo and HUD Regional Administrator, Russ Byers. Rhinelander has indicated to me that if Mayor Rizzo does not appear to be interested in cooperating with HUD in clearing up the mismanagement in the Philadelphia Redevelopment Authority, he will be informed that HUD may withhold part of Philadelphia's second year Community Development Block Grant funding.

I have discussed this matter with Steve McConahey, who indicated he would inform other appropriate individuals affiliated with the White House.

cc: Jim Cavanaugh
Art Fletcher





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

March 25, 1976

Honorable Lynn May
Associate Director
Domestic Council
The White House
Washington, D.C. 20500

Dear Mr. May:

This is to provide you with a copy of the material which will be the subject of discussions to be held at 4:00 PM this afternoon between the Mayor of Philadelphia and Russ Byers, HUD Regional Administrator, and other HUD officials. A summary of the items to be discussed include long standing audit findings as follows:

A. Code Enforcement Program

1. Properties not brought up to code standards;
2. Unsupported claims;
3. Ineligible overhead costs;
4. Unsupported postage meter charges;
5. Incorrect computation of fair market value;
6. Questionable program costs in a program of nuisance abatement and demolition work which continues under the Community Development Block Grant;

B. Relocation

1. Ineligible charges for operating costs of other City branches of government;
2. Failure to return uncashed relocation checks;
3. Failure to verify claim forms;
4. Changing and altering dates of moves submitted by claimants;
5. Lengthy delay in payments in violation of HUD regulations;
6. Improper application of HUD waiver rules resulting in ineligible payments;
7. Non-payment of relocation payments to claimants eligible under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

8. Relocation payment checks issued to improper parties;
- C. Rehabilitation Program
1. Rehabilitated properties not brought up to rehabilitation property standards - contractor paid for uncompleted work;
- D. Hiring Practices
1. Hiring of persons not meeting minimum qualifications.

These findings are significant in character, involving millions of dollars potentially, to which the City and its agencies have been non-responsive in the past.

The City of Philadelphia has submitted its second year Community Development Block Grant application for \$60,829,000 to the HUD Area Office in Philadelphia. The application is presently under review and according to law HUD must take action on the application within 75 days after receiving the application. The law provides that Block Grant applications will be approved unless the Secretary of HUD determines: 1) that the applicant's description of its Community Development needs and objectives is plainly inconsistent with generally available facts and data; 2) that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant in its application and 3) that the application does not comply with the requirements of Title I of the Housing and Community Development Act of 1974 or applicable laws or proposes activities which are ineligible under the Block Grant program.

The Secretary also has authority to approve less than a city's full entitlement amount if the city proposes to undertake ineligible activities and has not corrected the deficiency before the expiration of the 75 day review period. Moreover, the Secretary may make a conditional approval, restricting the use of Block Grant funds only where: 1) local environmental reviews have not been completed;

Honorable Lynn May
March 25, 1976
Page 3

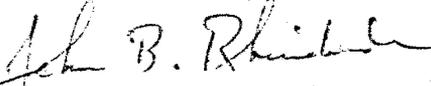
2) the requirements that other funding sources be sought first in the case of public services or flood or drainage facilities have not been satisfied; 3) a Housing Assistance Plan meeting the most recent requirements of the Department has not been submitted to HUD prior to the expiration of the 75 day review period; and 4) there is substantial evidence of the city's failure to comply with the Act or other applicable federal laws.

HUD has experienced past difficulties with the City of Philadelphia in administering HUD programs in that city. There have been problems also with the City's responding satisfactorily to findings made in audits of these programs.

Depending upon the result of the discussions to be held today it may be necessary for the Secretary, using her discretion, to condition the use of second year program funds for administrative and program costs.

We are making available to Chairman William A. Barrett of the Subcommittee on Housing, Banking and Currency copies of the documents which will be discussed with the Mayor.

Sincerely,


John B. Rhineland

Enclosures

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

INFORMATION

April 13, 1976

MEMORANDUM FOR: Jim Cannon
FROM: Dick Parsons 
SUBJECT: Federal Housing Programs and Ethnic Purity

Herewith, some background the President should have concerning the nature of current Federal housing programs.

On August 22, 1974, the President signed the Housing and Community Development Act of 1974, which replaced seven Federal categorical grant programs, such as Urban Renewal and Model Cities, with a single "block grant" program for community development. While the concept of the new program was to give local governments as much decision-making responsibility as possible in the community development area, the legislation did set forth seven specific goals, or national priorities, to govern the use of community development funds. One of these goals was the "reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of low income."

To secure funding under the new Act, a community must file an annual application with the Federal government which, among other things, contains a Housing Assistance Plan. The Housing Assistance Plan must:

- Accurately survey the condition of the housing stock in the community.
- Estimate the housing assistance needs of lower-income persons.
- Specify an annual goal and a three-year goal for the number of dwelling units or persons to be assisted under the community's program.
- Indicate the general locations of proposed new housing construction units or projects for low-income persons.

With respect to the last item [i.e., the locations of new projects], the regulations implementing the Act set forth three objectives, one of which is "promoting greater choices of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons."

What all this means, as a practical matter, is that Federal Housing and Community Development funds will be made available only to a community which has developed a plan which (a) identifies the housing needs of low-income persons within the community and (b) makes provision for meeting the identified need. Where there is a need for additional low-income housing, it must be constructed in an area which is not a low-income area. This comes pretty close of requiring "scatter-site" housing.

I believe that the President's general position should be that the proper role for the Federal government in the housing area is to assist State and local governments in meeting their housing needs, as determined by them, in a manner consistent with Federal law. He should be careful to avoid denouncing completely the "scatter-site" housing concept, at least for the moment.

cc: Ron Nessen
Lynn May



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

April 22, 1976

MEMORANDUM FOR: The President
FROM: Carla A. Hills
SUBJECT: Federal Fair Housing Policy and Our
Ethnic Heritage



FEDERAL FAIR HOUSING POLICY AND OUR ETHNIC HERITAGE

"Fair housing" for low and moderate income persons has two separate connotations, which are frequently confused:

First: racial discrimination, which violates our Constitution and our civil rights laws.

Second: the more complex notion of economic integration, or the placement of subsidized low and moderate income housing in the suburbs.

This Administration seeks through two major programs established by the Housing and Community Development Act of 1974 to create housing alternatives for our low and moderate citizens.

One, it offers to pay local housing authorities and housing owners the difference between a fair market rent and the rent which tenants can afford with between 15 and 25 percent of their income. This program allocates rental assistance funds to metropolitan and non-metropolitan communities on the basis of poverty, population, overcrowding and housing needs.

Many local housing authorities operate in jurisdictions extended by State statute beyond the limits of city boundaries. And private owners may offer low and moderate income housing, either new or substantially rehabilitated, in any geographic area, subject to local zoning laws and land use restrictions.

Two, it offers funds to communities for community development on condition that they address the housing needs of low and moderate persons residing and expected to reside there. The genesis of this condition is to require communities that benefit from economic development (and hence a healthy tax base) to shoulder the burden of housing a share of the low and moderate income persons who work in the community and would like to live there.

These related programs -- rental assistance and block grants -- are directed toward one of seven express objectives of the 1974 Housing and Community Development Act:

"the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income."

Both programs comply with the spirit and the language of the Supreme Court in the Gautreaux opinion, wherein the Court said:

"HUD's discretion regarding the selection of housing proposals to assist with funding as well as its authority under a recent statute to contract for low and moderate income housing directly with private owners and developers can clearly be directed towards providing relief to the respondents in the greater Chicago metropolitan area without pre-empting the power of local governments by undercutting the role of those governments in the federal housing assistance scheme."

It is too early to comment on the full ramifications of the Gautreaux case, which was based not on economic integration but rather on unconstitutional discrimination; until the District Court fashions the remedial plan.

But insofar as economic integration is concerned the Federal government has no statutory power to force low and moderate income housing into any neighborhood. No Federal aid is injected into neighborhoods that do not want it.

The Federal government does have statutory power to encourage communities to offer low and moderate income persons greater housing opportunities.

Hence, the Federal government encourages neighborhood vitality but does not destroy black pride or an ethnic heritage.

THE WHITE HOUSE
WASHINGTON

DATE: 4/23/76

TO: JIM CANNON

FROM: *Lynn May*
LYNN MAY

Comments:

FYI

St. Louis Epitomizes Shift Of Federal Urban Funds

*Aid That Once Went to Deteriorating
Sections of City Is Now Directed to
the Well-to-Do Neighborhoods*

By PAUL DELANEY

Special to The New York Times

changed much, the way the city spends it has. The shift in funding formulas has had such effects as the following:

¶ There are no major projects or programs planned for the inner city areas that received massive funding under such categorical programs as Model Cities, concentrated employment and work incentive programs.

But some block grant funds will be used to staff and equip community health and recreational facilities built under old programs, according

"New York Times" Monday, April 19, 1976

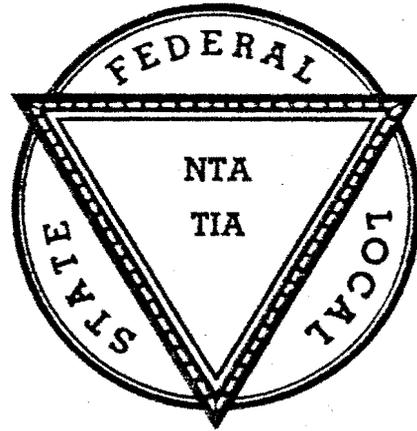
Ford: N.Y. Situation Is Unique

"New York, by its own action, has pulled itself out of the problem that it had."

He said city officials renegotiated labor and pension contracts, fired employees, negotiated financial obligations with those who have loaned them money and "Uncle Sam is going to get

NOTES

NATIONAL TAX
ASSOCIATION-TAX
INSTITUTE OF AMERICA



SYMPOSIUM

**THE MAYFLOWER
WASHINGTON, D.C.**

JULY 14-15, 1976

URBAN FISCAL PROBLEMS

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URBAN FISCAL PROBLEMS

Wednesday, July 14, 1976

9:00 a.m.-12:00 noon

Introductory Remarks

LAURENCE N. WOODWORTH
President
National Tax Association-Tax Institute
of America

EXPENDITURE CONSIDERATIONS

Chairman (9:00 a.m.-12:00 noon)

ALAN CAMPBELL, Dean
Maxwell Graduate School of
Citizenship and Public Affairs
Syracuse University

I Analysis of Wage and Pension Cost

WILLIAM S. THOMAS
Executive Vice President
Metropolitan Life Insurance Co.

BERNARD JUMP, JR.
Professor of Economics
Maxwell Graduate School of
Citizenship & Public Affairs
Metropolitan Studies Program
Syracuse University

Break—10:30 a.m.-10:45 a.m.

II The Fiscal Decline of Older Cities: Causes and Cures

DICK NETZER, Dean
Graduate School of Public Administration
New York University

GEORGE STERNLIEB, Director
Center for Urban Policy Research
Rutgers University

Wednesday, July 14, 1976 (cont'd)

2:00 p.m.-5:00 p.m.

Chairman (2:00 p.m.-5:00 p.m.)

PHILIP M. DEARBORN, Executive Director
District of Columbia Municipal
Research Bureau, Inc.

**III Improving the Process for Local
Spending Decisions: Federal and
State Mechanisms for Regulation
and Control**

• **The New York City Experience**

HONORABLE JOHN E. ZUCCOTTI
First Deputy Mayor
New York City

• **General Experience With Expenditure
Control**

JOHN SHANNON
Assistant Director
Advisory Commission on
Intergovernmental Relations

Break—3:30 p.m.-3:45 p.m.

**IV The Federal Government's Role in
Relieving Cities of the Fiscal
Burden of Low Income
Concentration**

RICHARD G. LUGAR
Indianapolis, Indiana

ROBERT D. REISCHAUER
Economist
Special Assistant to the Director
Congressional Budget Office
U.S. Congress

Thursday, July 15, 1976

9:00 a.m.-12:00 noon

REVENUE CONSIDERATIONS

Chairman (9:00 a.m.-12:00 noon)

OLIVER OLDMAN
Director of International Tax Program
Harvard Law School

DETACH HERE

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Thursday, July 15, 1976 (cont'd)

V Diversification of the Local Revenue System—Income and Sales Taxes, User Charges, Federal Grants

FREDERICK D. STOCKER
Professor of Economics and
Public Administration
Ohio State University

VI Property Tax Developments—Modernization, Classification, Site Value

RONALD B. WELCH
Economist
Sacramento, Calif.

Break—10:30 a.m.-10:45 a.m.

VII Metropolitan Fiscal Disparities—Central City/Suburban Division of Tax Base, Regional Approach

ROY W. BAHL
Director of Metropolitan Studies Program
Maxwell Graduate School of
Citizenship & Public Affairs
Syracuse University

RICHARD E. HECKERT
Senior Vice President
E. I. duPont de Nemours Co.

2:00 p.m.-5:00 p.m.

Chairman (2:00 p.m.-5:00 p.m.)

WAYNE F. ANDERSON
Executive Director
Advisory Commission on
Intergovernmental Relations

Thursday, July 15, 1976 (cont'd)

VIII Overhaul of the Federal Aid System—Redesigning Revenue Sharing, Block Grants

ROBERT P. STRAUSS
Economist
Joint Committee on Internal Revenue
Taxation, U.S. Congress

Break—3:00 p.m.-3:15 p.m.

IX Critical Issues in Municipal Financing—Taxable Bonds, Disclosure

• **The Taxable Bond Option**

FRANK E. MORRIS
President
Federal Reserve Bank of Boston

• **Financial Disclosure to Investors**

A. A. SOMMER, JR.
Partner
Jones, Day, Reavis & Pogue



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