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PRESS CONFERENCE NO. 38

of the

PRESIDENT OF THE UNITED STATES

7:31 P.M. EDT
October 14, 1976
Thursday

In Room 450
The Old Executive Office Building
Washington, D.C.

THE PRESIDENT: Good evening. Will you please sit down.

I do have a brief opening statement. When I was chosen to be Vice President, I underwent the most intensive scrutiny of any man who has ever been selected for public office in the United States. My past life, my qualifications, my beliefs all were put under a microscope and in full public view. Nonetheless, all of you here tonight -- and many in our listening audience -- are aware of allegations that came forth in recent weeks involving my past political campaigns.

As I have said on several occasions, these rumors were false. I am very pleased that this morning the Special Prosecutor has finally put this matter to rest once and for all.

I have told you before that I am deeply privileged to serve as the President of this great nation. But, one thing that means more to me than my desire for public office is my personal reputation for integrity.

Today's announcement by the Special Prosecutor reaffirms the original findings of my Vice Presidential confirmation hearings. I hope that today's announcement will also accomplish one other major task -- that it will elevate the Presidential campaign to a level befitting the American people and the American political tradition.

For too many days this campaign has been mired in questions that have little bearing upon the future of this nation. The people of this country deserve better than that. They deserve a campaign that focuses on the most serious issues of our time -- on the purposes of Government, on the heavy burdens of taxation, on the cost of living and on the quality of our lives and on the ways to keep America strong, at peace and free.

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Governor Carter and I have profound differences of opinion on these matters. I hope that in the 20 days remaining in this campaign we can talk seriously and honestly about these differences so that on November 2 the American people can make a clear choice and give us, one of us, a mandate to govern wisely and well during the next four years.

Ladies and gentlemen, I will be glad to answer your questions.

Fran?

QUESTION: Mr. President, would you also like to set the record straight tonight on an issue that John Dean has raised?

Did you at any time use your influence with any Members of Congress or talk to lobbyist Richard Cook about blocking a 1972 Watergate break-in investigation by Wright Patman's House Banking Committee?

THE PRESIDENT: I have reviewed the testimony that I gave before both the House and the Senate committees and those questions were asked. I responded fully.

A majority of the Members of the House committee and the Senate committee, after full investigation, came to the conclusion that there was no substance to those allegations.

I do not believe they are any more pertinent today than they were then, and my record was fully cleared at that time.

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QUESTION: Mr. President, in the past several days you have made two major decisions, one to sell Israel compression bombs, sophisticated weaponry, even though their request had been hanging fire for many months. You also decided to give the wheat price support, the 50 percent boost, even though the Agriculture Department said the day before that there was no economic justification for these.

Can you state flatly that none of these decisions was designed to enhance you politically?

THE PRESIDENT: Categorically, those decisions were based on conditions I think justified fully the decisions that I made. In the case of the four items that were cleared for delivery to the Government of Israel, those items have been on the list for consideration. Those items have been analyzed by the various departments in our Government. And the net result was that I decided, after discussing the matter with my top advisers, that those items should be cleared for the Government of Israel.

QUESTION: On what justification do you give such weapons and why did you bypass the Pentagon and the State Department?

THE PRESIDENT: I made the decision, and that decision is mine --and they may have been a little disappointed that they did not have an opportunity to leak the decision beforehand--and I felt that it was a decision only for the Commander-in-Chief, and I made it as such, and based on recommendations that were made to me by responsible people, the top people, giving me advice in this regard.

On the other question regarding the increase in the loan rates, in May of 1975 I vetoed an agricultural bill on the basis that I thought it was not good legislation at that time. But I said at that time in the veto message that I would be very watchful to make certain that if conditions changed we would increase the loan rate.

In May of 1975, for example, the price of wheat was about \$3.35 a bushel. Recently, the price of wheat was about \$2.79 a bushel. There was a very severe drop. And in order to make certain that wheat will be marketed properly and the farmer will have an opportunity to market that wheat which he produced at our request of full production, and in order for the farmers, the wheat farmers, to have adequate financing to proceed with their fall planting of winter wheat, I decided that it was in the best interest of full production for the American farmer that those loan rates be increased. They were based on a commitment I made in May of 1975, and changed conditions today.

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QUESTION: Mr. President, in the course of the Watergate Prosecutor's investigation of your income taxes, your taxes were made public, leaked to the press at one point, and in those taxes, it showed at one point you took money from your political organization and used over \$1,000 for a family vacation to Vail and several hundred dollars for personal clothing.

I wonder if you would address the propriety of action like that.

THE PRESIDENT: I think you have to bear in mind, as I recall those initial payments, for airline tickets and for the others, were made out of what we call the Fifth District account, and within, I think it was a week, or two weeks at the most, I reimbursed that account fully in both cases.

QUESTION: In the case of reimbursements, the tax information also showed that your personal bank account, if it were, went down in the red something like \$3,000, but it was soon reimbursed, and there was a question left as to how you reimbursed that \$3,000.

THE PRESIDENT: That was my next paycheck. (Laughter)

I think a few people in this country have written checks and then waited until the end of the month and then mailed the checks -- maybe you haven't done it, but I suspect a few people have -- and we mailed those checks after we had the money in the bank account. But I wrote the checks before the end of the month. It is a perfectly legitimate thing and there was never an overdraft in my account. (Laughter)

QUESTION: Mr. President, there have been some questions a few weeks ago about your taking, accepting, golfing vacations and travel from lobbyists and corporations. It has been quite some time since these allegations were made. I wonder if you can clear this up tonight. Just how often, how many times, did you accept free travel and golfing vacations from lobbyists and corporations?

THE PRESIDENT: To the best of my recollection, the ones that came to light are the ones involved -- there might be one or two more, but I can't recollect the instances.

QUESTION: Mr. President, if I may follow up on Frances Lewine's first question, I don't think you quite answered the question. The question is not about your testimony at the time specifically, it is about the new allegations from John Dean that, in fact, you did discuss six times with Mr. Cook the matter of blocking the investigation by the House of Watergate and at the time you said, at the time that you went through your investigation, you mentioned, you said you did not recollect such discussions. Do you now recollect discussions with Mr. Cook on that subject?

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THE PRESIDENT: I will give you exactly the same answer I gave to the House Committee and the Senate Committee. That answer was satisfactory the House Committee by a vote of 29 to eight, and I think a unanimous vote in the Senate committee.

The matter was fully investigated by those two committees and I think that is a satisfactory answer. I am not going to pass judgment on what Mr. Dean now alleges.

QUESTION: Mr. President, would you oppose, on the Dean matter, would you oppose a review of White House tapes and investigation by the Special Prosecutor an investigation that has been called for by Congressman Conyers and Congresswoman Holtzman?

THE PRESIDENT: That is a decision for the Special Prosecutor to make. I have never, at any time, in the just previous investigations or at any other time, interfered with the judgment or the decisions of the Special Prosecutor, and I wouldn't in this case.

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QUESTION: Mr. President, you have been going up and down the country, most recently in New York and New Jersey, saying things are getting better, things have improved and there is a definite difference between you and your other candidate, Mr. Carter.

There is a 7.8 percent unemployment rate. The Commerce Department today announced that retail sales fell by 1.1 percent. The stock market took a nose dive. Mr. Friedman, a conservative economist, says nothing that either you or Mr. Carter offers will cause a change in the rise of Federal spending, and finally Mr. Greenspan -- your own advisor -- predicted today a continued 6 percent inflation rate.

THE PRESIDENT: Let me set the record --

QUESTION: I don't understand how things are getting better.

THE PRESIDENT: Let me set the record straight. There is a very distinct difference between Federal spending proposals by President Ford and those of Governor Carter. Governor Carter has endorsed, embraced, sponsored, 60-some new programs that will cost \$100 billion a year at a minimum and \$200 billion probably on an annual basis. So, there is a distinct difference between Governor Carter on the one hand and myself. He wants to spend more and I want to hold the lid on Federal spending.

Let's talk about the status of the economy. In the first quarter of this calendar year, the rate of growth of GNP was 9.2 percent. It fell in the second quarter to 4.5 percent. It looks like the third quarter will be in the range of about 4 percent.

I have checked with the responsible advisors to me in this area and they expect a resumption of the rate of growth of GNP in October, November and December of over 5 percent and probably closer to 6 percent, and they expect that same rate of growth in 1977.

We have had a pause, but we could not sustain the rate of growth of the first quarter of 1976, when it was 9.2 or .3. We are now coming out of the dip or the pause that we had, and I believe that all, or practically all, economists recognize that the economy is continuing to improve and will get better in this quarter and in 1977.

MORE

PRESIDENT'S PRESS
CONFERENCE

Page 7

QUESTION: Mr. President?

THE PRESIDENT: Yes?

QUESTION: Mr. President, in keeping the lid on Federal spending, are you willing to accept the continued physical and social deterioration of the big cities of this country? A Marshall plan sort of approach has been offered. Would you, if elected, move in that direction?

THE PRESIDENT: I would not embrace any spending program that is going to cost the Federal Treasury and the American taxpayers billions and billions and billions of dollars. We have good programs for the rehabilitation of our major metropolitan areas. I just signed a general revenue sharing bill. We fully fund the Community Development Act. We fully fund the mass transit legislation.

We have a number of very good programs that are in operation today, and about three months ago I appointed the Secretary of HUD, Carla Hills, to head a Cabinet Committee on Urban Development and Neighborhood Revitalization. That committee is working together very closely so that we get the full benefit out of all the Federal dollars now available to help our inner cities and major metropolitan areas.

I think we are doing a good job and to all of a sudden just throw money in doesn't make any sense because you are bound to have more deficits, more taxes and more inflation.

So, I think we ought to make the programs we have today work and they are working and will solve the problem.

Yes?

QUESTION: Mr. President, a review of your travel logs from this fall and last fall shows that for a comparable period last fall you spent exactly as much time on the road -- 15 days last fall -- when there was no campaign and no election than you have this fall when there is a hotly contested Presidential election.

Doesn't this lend a little bit of credence to Governor Carter's charge that you have been hiding in the White House for most of this campaign?

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THE PRESIDENT: Tom, didn't you see that wonderful picture of me standing on top of the limousine with the caption "Is He Hiding?" The truth is, we are campaigning when we feel that we can be away from the White House and not neglect the primary responsibilities that I have as President of the United States.

I think you are familiar with the vast number of bills that I have had to sign. We have done that. That is my prime responsibility, among other things. We do get out and campaign. We were in New York and New Jersey earlier this week. We are going to Iowa, Missouri and Illinois between now and Sunday.

We will be traveling when we can, but my prime responsibility is to stay in the White House and get the job done here, and I will do that and then we will campaign after that.

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QUESTION: Mr. President, how do you account for, at this rather late stage in the campaign, so many voters are telling pollsters that they remain undecided and many more are saying that they may not bother to vote at all?

THE PRESIDENT: It is disturbing that there are these statements to the effect that voters are apathetic. I believe we have tried to do everything we possibly can to stimulate voter participation. I want a maximum vote in this election on November 2 and in every way I possibly can we are going to stimulate it between now and November 2.

I can't give you an answer as to why there is apathy. I am going to do what I can to overcome that apathy and, naturally, I hope to convince 51 percent of the people in enough States so that we get enough electoral votes so that we can continue the policies of trust, peace and growing prosperity in the United States.

QUESTION: Mr. President, do you think it is proper for a Member of Congress to accept a golfing vacation or golfing weekend trip, and would you, now that you are in the White House, accept such a trip?

THE PRESIDENT: I have not accepted such a trip since I have been Vice President or President. And when I was in the Congress I have done as I said in the limited number of instances that have been in the paper.

Yes?

QUESTION: Mr. President, you said that in your debate with Jimmy Carter, your statement on Eastern Europe demonstrated a certain lack of ability to think fast on your feet. Without intending to once again review the merits of that debate, how important, in your judgment, is it for a President to think fast on his feet to do his job properly?

THE PRESIDENT: I think it is vitally important for a President to make the right decisions in the Oval Office, and I think I have made the right decisions in the Oval Office. I have admitted that in that particular debate I made a slip in that one instance, but I would like to compare that one slip with the documented instances that we found in Governor Carter's presentation a week ago when he made some 14 either misrepresentations or inaccurate statements.

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And while we are on that subject, I would like to say that I feel very strongly that the attitude that he took on that occasion, where he said America was not strong, where he said the United States Government had tried to get us into another Vietnam in Angola, and where he said the United States had lost respect throughout the world.

I don't approve of any candidate for office slandering the good name of the United States. It discourages our allies and it encourages our adversaries.

Yes?

QUESTION: Mr. President, on the debates, two of them have happened and one is to come. Do you have any thoughts perhaps on changing the rules for the third debate, and also, do you feel impeded since you are President and know more than you can say in public?

THE PRESIDENT: About the only improvement I would make is to get Mr. Carter to answer the questions. (Laughter)

QUESTION: Mr. President, could you tell us why it took you six days and four clarifications before you finally admitted that you had in fact made a mistake in the debate in your remarks on Eastern Europe?

THE PRESIDENT: I think it took some thoughtful analysis because, as someone may have noticed, there was a letter to the editor in the New York Times a day or two ago by a very prominent ethnic, a man by the name of Janovitz, as I recall, who said that my answer was the right one. But it all depends on how you analyze the answer.

But I wanted to be very clear to make certain that the Polish-Americans and other ethnics in this country knew that I knew that there are some 30 Soviet divisions in Poland and several of the other Eastern European countries.

On the other hand, I want to say very strongly that anybody who has been in Poland, for example, as I have in 1975, and seen the Polish people, the strong, courageous look in their face, the deep feeling that you get from talking with them, although they recognize that the Soviet Union has X number of divisions occupying their country, that freedom is in their heart and in their mind, and they are not going to be dominated over the long run by any outside power.

Now we concede for the time being the Soviet Union has that military power there, but we subscribe to the hopes and the aspirations of the courageous Polish people and their relatives here in the United States.

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QUESTION: Mr. President, if they tried to overthrow that power, would you look favorably on helping them in some way?

THE PRESIDENT: I don't think we should answer that question. I don't think it is going to happen. I don't think we should respond to that kind of a question in a press conference.

Yes?

QUESTION: Mr. President, you have had some harsh words for your opponent's performance in the second debate, and yet every public opinion survey that I have seen showed you lost that debate and it was one that was on foreign and defense affairs, which are supposed to be your strong suit.

Do you agree that you lost that second debate and, if so, why? Or, if you think you won it, why do you think that happened?

THE PRESIDENT: I think there is a poll that shows the conclusion you have just set forth. I don't necessarily agree with that, but there were some very specific answers that were given by people who were interrogated afterwards. If you will look at that list of special questions that were asked of people who responded, it showed that in those cases -- and I think they were the very fundamental ones on specific issues -- knowledge, firmness, strength -- that a majority of people thought I had prevailed.

QUESTION: Mr. President, the Federal Power Commission has authorized the increase in the price of new natural gas. That is something you favored. The original estimate was that it would cost the American consumer \$1.3 billion a year. Now we are told that it may be as high or higher than \$3 billion a year. Do you think that price increase should be rolled back or should it stand?

THE PRESIDENT: The fundamental issue is, if you don't get a price increase you are not going to have any new natural gas. So, the question is, are you willing to pay for enough gas to heat our homes and to heat our factories so people will have jobs? We have to give an incentive to people to go out and find new natural gas sources, and if you don't give them that incentive, there won't be any heat for their homes or heat for their factories and will lose the jobs.

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QUESTION: Are you willing to risk another jolt to the economy from this large price increase?

THE PRESIDENT: I think a bigger jolt would be to have the jobs lost and the houses cold.

QUESTION: Mr. President, earlier in your campaign you said you intended to stress positive themes. Yet, in your most recent campaign appearance you concentrated on attacking Governor Carter. Tonight you accused him of slandering the name of the United States.

Do you think you have done all you can to elevate the level of this campaign and can we expect you to continue the way you have been in the last week or so?

THE PRESIDENT: I think it is very positive to talk about tax reductions, as I have recommended to the American people that we increase the personal exemption from \$750 to \$1,000. That is very positive and very affirmative, and certainly in contrast to what Mr. Carter wants, which is to increase taxes for people with a medium or middle income level, which is about \$14,000. That is a distinct difference.

I am on the affirmative side. He is on the negative side.

QUESTION: Mr. President?

THE PRESIDENT: Yes, Sarah? (Laughter) You knew I would get around to you.

QUESTION: Thank you. When you were in Congress you filed an income tax return for those years saying that you had very little money left over. Like a lot of us, you have about \$5 left over for spending money, I believe.

I wonder if you had included your golf fees and your dues at Congressional and Burning Tree? I believe you belonged to both of them, didn't you, and they are very expensive. You must have been strapped for funds. Who was helping you pay those large golfing expenses? You golfed three to five times a week, I believe.

THE PRESIDENT: First, that is an inaccurate statement and you know it, Sarah. (Laughter) When you are the Minority Leader of the House of Representatives and on the job, you don't play golf three to five times a week. I am sorry you said that because you know that is not true.

Now, let me just say that I paid for those golfing dues or charges by check, and the committee and everybody else, the Internal Revenue Service, the Joint Committee on Internal Revenue Taxation, the FBI and now the Special Prosecutor have all looked into those in depth and in detail and they have given me a clean bill of health, and I thank them for it.

QUESTION: Mr. President, the Washington Post had an article today which noted that Ford Motor Company paid no taxes last year, paid no taxes the year before. Do you think that is fair and what are you going to do about it?

THE PRESIDENT: Well, I think it is proper to remind the American people that those tax laws which are on the statute books were written by the Democrats who controlled the Congress for the last 22 years. If they are wrong, it is the fault of the majority party in the Congress.

QUESTION: What are you doing to change that?

THE PRESIDENT: We have made recommendations to the Congress over the last year and a half for some modifications in the income tax legislation, but how that would affect that particular company I can't give you the answer.

QUESTION: Mr. President, in a recent speech -- I am afraid I don't recall where -- you cut a line from your text in which you said something about the campaign should not be just a quiz show to see who gets to live in the White House for the next four years. And I assume you stand by that advance text. Were you trying to suggest that the debates have not been as effective as they should have been, they have not kept up the level of the campaign?

THE PRESIDENT: Ann, you know, you read the advance text. I hope you are listening when I speak. You know, on many occasions, I add a little here and I take something else out. Oftentimes, I don't get those texts until maybe a half, three-quarters of an hour before I make the speech. So, I make the judgment myself. Those are the recommendations of the speechwriters.

Now, I didn't think that was an appropriate thing to say and, therefore, I didn't include it in the text that I gave to the meeting that you referred to.

QUESTION: Let me put it this way: Do you think the debates have helped keep up the level of the campaign?

THE PRESIDENT: I think the debates have been very wholesome. I think they have been constructive. I was the one that initiated the challenge. I believe that they ought to be an institution in future Presidential campaigns. I really believe that. And for that reason, I didn't think that sentence in that prepared text which I deleted reflected my own views.

MORE

QUESTION: Mr. President, thank you. A little while ago you gave us an idea of how you balance your family budget, you kite checks. (Laughter)

THE PRESIDENT: Oh, no, I don't. No, I don't. I have never been overdrawn, young lady.

QUESTION: The question is, then, how is it that you are able to live on from \$5 to \$13 a week in cash as has been reported by the Washington Post and the Wall Street Journal in 1972?

THE PRESIDENT: I repeat that the Internal Revenue Service, the FBI, the Joint Committee on Taxation, two committees in the House and in the Senate, and an overwhelming majority of the Members of the House and Senate, believed the testimony. They went back and checked every one of those income tax returns from 1973 back six years, and they gave me a clean bill of health. Now, it has been reinvestigated for the fourth time by the Special Prosecutor and he concurs with the previous investigations.

Those are the facts of life. I write checks.

Thank you all. Thank you very much.

THE PRESS: Thank you.

END (AT 8:00 P.M. EDT)



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

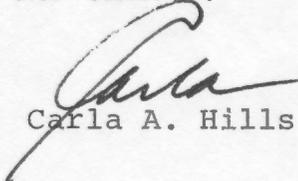
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October 15, 1976

MEMORANDUM FOR: Honorable James M. Cannon
Executive Director
Domestic Council
The White House

Attached is a second draft of a proposed report to the President from the Committee on Urban Development and Neighborhood Revitalization. It has been substantially revised to take into account the comments made by you as well as other members of the Committee with the exception of the comments made by the Office of Management and Budget, which in essence suggested deletion of the specific recommendations for action. As each change was made, my staff cleared the change with the staff of the Committee member whose comments prompted the change.


Carla A. Hills

Attachment



INTERIM REPORT
OF THE
PRESIDENT'S COMMITTEE ON
URBAN DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION

OCTOBER 1976

MEMBERS OF THE PRESIDENT'S COMMITTEE ON
URBAN DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION

Carla A. Hills, Chairman
Secretary
Department of Housing and Urban Development

John A. Knebel
Acting Secretary
Department of Agriculture

Elliot L. Richardson
Secretary
Department of Commerce

F. David Mathews
Secretary
Department of Health, Education,
and Welfare

Edward H. Levi
Attorney General
Department of Justice

William J. Usery, Jr.
Secretary
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William T. Coleman, Jr.
Secretary
Department of Transportation

William E. Simon
Secretary
Department of Treasury

James M. Cannon
Executive Director
Domestic Council
The White House

James T. Lynn
Director
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William J. Baroody, Jr.
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The White House

Michael P. Balzano, Jr.
Director
ACTION

Samuel Martinez
Director
Community Services
Administration

Russell E. Train
Administrator
Environmental Protection
Agency

Mitchell P. Kobelinski
Administrator
Small Business Administration

I. Introduction

President Ford created the President's Committee on Urban Development and Neighborhood Revitalization on June 30, 1976. The President stated in his announcement: "The cities of this nation and the neighborhoods which are their backbone today face increasingly difficult problems of decay and decline." He pointed in particular toward the nation's older cities, those which are forced "to cope with the potentially devastating pressures of a stagnant or declining economic base coupled with a growing need for services which are becoming more and more expensive."

The President's action to establish the Committee was a response to leaders of neighborhood organizations who came to the White House on May 5, 1976, for a conference on "Ethnicity and Neighborhood Revitalization". Participants in the conference recommended that the President set up a task force within the Government to review all major Federal programs that have an impact upon urban and neighborhood life.

The backdrop for the Committee's mission is Federal policy in the 1950's and 1960's. During those years, in the older central cities, the Federal government's emphasis was on massive "slum" clearance and new social

programs; at the metropolitan fringe, the emphasis was on providing inducements for rapid growth. Sound neighborhoods, which looked like slums to planners, were leveled; their residents were scattered to adjacent stable neighborhoods or the suburbs. Federally-financed freeways ploughed through other neighborhoods, causing further displacement and upheaval and providing convenient avenues for suburban commuters. Freeways also provided a new "Main Street" for expanding commercial and industrial development outside the old city limits. Federal mortgage insurance provided by the Federal Housing Administration (FHA) and the Veterans Administration (VA) helped to spur development and push metropolitan boundaries farther and farther out.

In the middle, between downtowns cleared and rebuilt by urban renewal and the new "outer city", lie the older neighborhoods of our central cities and inner suburbs. These are the places which have historically provided homes and a sense of community for millions of Americans who came from foreign countries and rural areas to seek opportunities in our urban centers.

As Monsignor Geno C. Baroni, President of the National Center for Urban Ethnic Affairs, has said: "[T]he richness of any city is epitomized by healthy neighborhoods, a sense of place in which the human dimensions of family, friendship and tradition can be maximized..."

"It is not an exaggeration to say that historically our cities have offered unequalled physical, social and cultural richness. Even today, despite the staggering difficulties under which they labor, the urban areas of our country retain the potential for offering that wealth and there is growing agreement that a major national effort is in order so that such potential may be restored and utilized."

The long-range goal of the President's Committee is to shape policies and programs which make the most of the economic and social resources of the cities, recognizing the unique assets of the cities' diverse neighborhoods and people. To achieve that goal will take time: the problems are profound, the issues complex. Instant solutions do not leap out from analysis.

This interim report deals primarily with Federal programs; however, we recognize that action by State and local governments and the private sector are also critically important. Moreover, certain major issues, such as welfare reform and reform of the criminal justice system, which the Committee believes are important to urban development and neighborhood revitalization, are being considered in other forums and are not specifically addressed in this interim report.

The report also does not cover the same ground as the President's 1976 Report on National Growth and Development submitted in February, a report which compiles and analyzes a large volume of information relevant to cities. Nor do we review here the massive amount of data gathered by such agencies as the Advisory Commission on Intergovernmental Relations, or by research centers such as the Urban Institute and the Brookings Institution, although their research and analyses have been helpful to the Committee.

Nor is this report intended to serve as a statement of a total urban strategy for this Administration. Rather, the report is intended as the preface to what must be a longer-range agenda. Its purpose is to sum up the Committee's initial observations, to assess some of the Federal policies and programs which most directly impact on cities, to make preliminary recommendations based on those observations and assessments, and finally, to suggest an agenda for moving toward national urban policy reform.

In looking ahead, the Committee recognizes the need to stay generally within existing funding levels. Sharp increases in Federal spending for new programs would mean one of two things: higher taxes on individuals and the job-producing private sector, or a new inflationary spiral

caused by a huge Federal deficit. A thriving national economy, with increasing employment and decreasing inflation, will do more for our cities and neighborhoods than a panoply of new programs.

Just as important, we do not know whether substantial additional Federal expenditures for the cities would bring any significant long-term improvement in their condition. The tens of billions of dollars now expended each year by the Federal government for the cities are spent in a tangled and often contradictory fashion. Properly targeted, in accordance with locally conceived long-range plans, these monies may prove to be quite ample.

Accordingly, a massive expansion of resources for central cities is neither feasible nor wise at this time. Instead, there should be a better targeting of existing resources. Although the flow of Government spending may need to be changed, such decisions cannot be made until the Committee has completed its task.

II. Summary of The Committee's Observations

The President's charge to the Committee directed us "to seek the perspectives of local officials and neighborhood groups on Federal programs which affect them," and carrying out that charge has been an important part of the work of the Committee during its first months of operation.

The Committee also has compiled and begun to analyze information on the Federal programs which have an impact on cities and neighborhoods, and there have been numerous ad hoc meetings between Committee principals, as well as at the staff level, to explore opportunities for improved interagency cooperation. For example, Secretary Coleman (Transportation), Secretary Hills (Housing and Urban Development), and Secretary Richardson (Commerce) are discussing possibilities for improving the focus of their departments' programs in five cities (Buffalo, Atlanta, Baltimore, Washington, D.C., and Miami) where the Department of Transportation is committing over \$5 billion for new mass transit development.

Between August 2 and September 24, individual members of the Committee visited the following cities: Boston, Cleveland, Baltimore, Hartford, Newark, San Diego, New Orleans, Pittsburgh, Oklahoma City, and Springfield, Illinois. The purpose of these visits was neither to defend old policies nor to unveil new ones, but rather to listen to what people had to say about their cities and neighborhoods, to see what they wanted to show us, and finally, to discuss with them how the Federal government's efforts might more effectively be directed.

The city visits provided members of the Committee direct contact with mayors, key city officials, neighborhood leaders, businessmen, and individual citizens. We talked at length with mayors about their struggles to make ends meet, about State constitutional and statutory restrictions on city powers, about their efforts to work with State governments to achieve greater understanding and responsiveness to city problems, and about their frustrations in dealing with the multitude of Federal programs--each with its own requirements and regulations, and many outside of their management control entirely.

The Committee also visited neighborhoods and talked with neighborhood leaders about their efforts to fight decay and restore stability and vitality, about their problems with City Hall, about Federal programs and tax policy which seem to be hindering their efforts, about "redlining", and about crime and racial tensions which threaten their neighborhoods.

We talked with civic leaders and businessmen concerned about the viability of central city investments, about the availability of good housing and healthy neighborhoods for workers, about traffic congestion and mass transit and about the quality and growing costs of public services. All of these discussions provided the Committee additional insights into the complex long-term problems with which city leaders and citizens must cope.

At the heart of the problem facing the older central cities and inner suburbs in recent decades has been their inability to compete successfully for the people and investments they need to maintain an adequate tax base to support needed public services. Nationwide, employment grew in the suburbs by 3.2 percent between 1973 and 1975, and declined in the central cities by 3.7 percent. More importantly, there has been a general shift of population and development from the Northeast and North Central States to the South and West. More than 80 percent of the nation's population growth since 1970 has occurred in the South and West. Thus, some cities face problems that are much more severe than others. Among the eastern and northern cities visited by the Committee, for example, Baltimore lost 7 percent of its population, Pittsburgh lost 21 percent, and Cleveland lost 23 percent since 1960. Total employment has decreased by almost 7 percent in Boston, by 10 percent in Hartford, and by almost 21 percent in Newark.

Typically, central city population losses have been disproportionately high among middle and upper income groups, resulting in an even larger proportion of poor among those that remain. For example, the number of single parent and elderly households has increased significantly in the cities, and many of these households have only marginal incomes.

Between 1970 and 1974, the income of families moving out of central cities throughout the nation averaged \$1,034 more per family than the income of families moving in.

The movement of jobs and wage earners out of the central city has produced a corresponding erosion in its tax base, leaving fewer resources to pay for needed public services. As the cost of government in older cities has been going up, due in part to inflationary pressures, the property tax base which generates most local revenue has not kept pace. For example, between 1965 and 1973, Baltimore expenditures grew by 172 percent, but its assessed value increased by only 11 percent. In some cities, such as Newark and Cleveland, there has been an actual decline in assessed value. The fiscal position of many cities worsened during the recent recession, and the older cities were hit especially hard by the resulting unemployment and reduced revenues, forcing painful budget cuts and public employee layoffs.

Complicating the fiscal and economic plight of central cities is a tangle of social problems which threaten to stifle the civic morale of many neighborhoods. For example, racial discrimination in jobs and housing persists, closing off opportunities for improvement to those located in central city ghettos. At the neighborhood level, tension between racial and ethnic groups can cause rapid population

turnover destroying the fabric of community life and the stability of once sound neighborhoods.

Crime is another intractable problem plaguing the cities. The national crime rate is about 41 major crimes per 1,000 residents, but cities such as Baltimore, Boston, and Newark have about double the national rate. Crime and the fear of crime are having a devastating impact on neighborhoods which could otherwise remain stable or attract middle-income people back into the city.

Education is another major concern. Cross-city busing, violence in and around schools, and decline in educational quality have put center cities and older suburbs at a disadvantage relative to suburban schools, which are viewed as safer and of better quality. Widespread reliance on private schools in many large cities raises the cost of living for middle-class families who might otherwise choose to live there.

In spite of the problems described by the hundreds of officials and neighborhood residents with whom we talked, members of the Committee did not leave the cities with a litany of despair ringing in their ears.

Mayors showed us exciting examples of thriving downtown redevelopment including new parks and successful commercial enterprises. In Baltimore, a new convention center complex

provides an important anchor for the downtown commercial area, and complements other housing and renewal efforts centered around the thriving Baltimore harbor. The Gateway Center in Newark offers stores, restaurants and excellent new office space--all convenient to bus and rail transportation serving not only the metropolitan area but the entire Eastern Seaboard. Boston's new Government Center adds vitality to its downtown area, as do nearby renovations of historic Quincy and Faneuil Hall Markets.

Oklahoma City has just developed a long-term growth and development plan, and made some tough decisions in the process. It is overhauling its regulatory system to control growth, and linking this system with economic incentives and better planned uses of the city's spending capacity.

In their visits to neighborhoods, members of the Committee saw additional signs of progress and hope. In many cities, they visited stable and attractive neighborhoods which have provided vibrant community life, sometimes for generations, and show little or no sign of decline. Some of these are stable ethnic neighborhoods of long standing such as Little Italy in Baltimore, and some are racially integrated, such as the Garden District in New Orleans. These are the neighborhoods which must be preserved and which can be the foundation of future recovery.

The Committee also visited neighborhoods where significant revitalization is taking place--not just upper-income enclaves such as Beacon Hill in Boston and Bolton Hill in Baltimore. Neighborhoods proving to be particularly attractive are frequently located near downtown offices, and near universities, medical complexes, and other institutions which require a skilled or professional work force. Many of these neighborhoods, such as Stirling Street in Baltimore, Manchester in Pittsburgh, and the South End in Boston, contain historic or architecturally stunning buildings which appeal to young professionals and others attracted to city living.

The Committee saw signs of hope and tenacity even in the more troubled neighborhoods where outmigration, housing abandonment, commercial strip decline and racial tensions present an enormous and complex challenge.

In Hartford, for example, thirteen neighborhood associations have banded together into the Hartford Neighborhood Coalition in cooperation with the Greater Hartford Process, Inc., an organization of Hartford's business leadership. Secretary Richardson met with the Coalition and heard about efforts to revive commercial strips and to stabilize neighborhoods, about cooperative efforts between black and Puerto Rican businessmen, and about progress toward establishing an Urban Reinvestment Task Force program serving three Hartford neighborhoods.

In Baltimore, Secretary Hills met with the Executive Director and the President of the South East Community Organization, which is working to encourage homeownership and neighborhood stabilization in a predominantly white, working class community of about 78,000 persons. A particularly important SECO objective is to improve the economic base of South East Baltimore, and it has joined with the East Baltimore Community Corporation, a black community organization, to form a joint community development corporation.

The Committee believes that these signs of progress provide support for the hope that over the longer term some economic and demographic trends may be shifting toward the cities' favor.

For example, as the cost of new housing, gasoline, and other energy sources goes up, existing housing in central cities becomes a bargain in terms of basic living space, quality of construction, and location. A well-maintained, single-family home can be bought for under \$20,000 in most large, older cities, and a home needing upgrading can cost much less. The market for these homes is often weak for a variety of reasons, including concern for personal safety, and the quality of public schools and other public services. However, the number of young

adult households without children has increased sharply in recent years and will continue to increase. Since 1970, such households account for 58 percent of the total increase in new households. It is this group of households which may turn increasingly to urban neighborhoods as their preferred living environment. Between 1970 and 1973, young people, ages 20 to 25, made up the largest group of immigrants to urban areas. Such a trend could contribute significantly both to preserving older housing and to strengthening the urban tax base.

Another potential asset of older cities is the availability of large tracts of land which are either vacant or occupied by obsolete facilities such as railroad yards. This land typically is already served by roads, sewers, and utilities, and therefore offers good opportunities for eventual development or redevelopment. It would be naive to expect instant productive use of this resource, but its potential value in future decades should not be dismissed. The rising cost of new infrastructure and energy may once again give a competitive edge to central cities for some types of industrial, commercial and residential development.

Finally, the slowing growth and even population losses in some urban areas are not entirely a cause for despair. In the long run, slowed growth or population declines, if

accompanied by an increasingly heterogenous urban population, could decrease demands on the cities for expensive public services, reduce congestion and improve the quality of urban life.

In summary, the Committee found that the problems of cities and neighborhoods are severe, but that their prospects are hopeful. The next section of this interim report will address briefly the role of the Federal government in the cities.

III. The Federal Government and the Cities

The Federal government has been deeply involved in the shaping of our cities and metropolitan areas. Federal policies, particularly since World War II, have greatly contributed to the rapid expansion of metropolitan boundaries, through construction of the interstate highway system, and generous tax incentives which favored the building of new housing and commercial development rather than conserving the old. Even when the thrust was toward redeveloping blighted areas of the cities, the first response was urban renewal: tear down the slums and replace them with new buildings.

During the 1960's, the older central cities were being engulfed by problems of continuing deterioration, middle-income population loss, economic decline, and profound social stress. The Federal response was an

ambitious but frenetic outpouring of new Federal programs, targeted at narrow and specific aspects of the urban predicament.

Today, an estimated 80 percent of Federal assistance to State and local governments is still delivered through categorical grant programs. There are over 1000 such programs, administered by over 50 agencies, each with its own set of administrative guidelines designed to accomplish specific operational or service responsibilities. The Committee found there were complex, varying application and administrative processes and narrow, restrictive program guidelines. This morass of conflicting requirements is more likely to prevent than to assure effective use of Federal resources at the State or local level. Many of these programs also by-pass State and local elected officials, eliminating a locus of coordination and accountability for success or failure.

As local leaders, both public and private, confront their problems, they find themselves in a double bind. First, they have very limited influence on the tax and other incentives which are pulling people and jobs out of their communities; and second, they have limited management control over a large share of the very resources intended by Washington to help them.

The Committee found, however, that cities can begin to attack their problems much more effectively when substantial Federal assistance is provided on a flexible basis. Mayors were unanimous in their enthusiastic support for the General Revenue Sharing Program, which has helped them maintain vital services and stave off debilitating tax increases. In Newark, for example, where over 60 percent of the land is occupied by tax-exempt government buildings, public housing, hospitals, transportation facilities, and educational institutions, the city was able to reduce an extremely high property tax rate.

Nationally, more than \$6 billion a year in General Revenue Sharing funds have been funneled to over 38,000 units of State and local government through an automatic formula that frees the recipients of cumbersome application requirements and administrative expense. This program combines the efficiency and accountability that comes from allowing local governments to determine their own priorities, and respond to their own individual needs.

Mayors and local officials also say their cities and neighborhoods have benefitted from the increased flexibility provided by two major block grant programs--the Community Development Block Grant Program (CDBG), operated by HUD, and the Comprehensive Employment and Training Act (CETA), operated by the Department of Labor. These programs

replaced about 24 categorical programs, and provided funds for broad purposes on a formula basis relatively free of onerous Federal requirements.

The CETA program has transferred to local and State elected officials the resources to develop and implement a comprehensive program for employment opportunities and job training for unemployed, economically disadvantaged and underemployed persons. CETA consolidated 17 special purpose programs which had been funded through a bewildering array of general purpose governments, community action agencies, labor unions, private corporations and nonprofit contractors, allowing local elected officials little leverage for coordinating such programs or using them in combination with other Federal programs.

Under the Title I CETA job training program, about \$3.5 billion will be spent in FY 1976 and 1977, permitting 445 city, county, and State prime sponsors to serve in FY 1977 an estimated 1.3 million economically disadvantaged, unemployed, and underemployed persons. The CETA public service employment programs (Title II and Title VI) will provide a total of \$2.5 billion to support 310,000 public service jobs by the end of 1976 in areas of high unemployment.

The Community Development Block Grant Program, signed into law by President Ford in August of 1974, consolidated

seven categorical programs for community development into a single block grant. Over \$3 billion a year goes to communities across the country--double the funds provided under the categorical programs in 1970. Local officials have wide latitude in setting local priorities and deciding what kinds of programs they want to fund.

City officials have also observed a substantial reduction in red tape in the CDBG program. It has only about 120 pages of regulations, compared to about 2600 under the categoricals. It requires only one application each year, compared to an average of 5 per year for cities previously. Applications average about 40 to 50 pages, compared to 1400 under the previous programs.

The popularity of CDBG among local officials rests on its successful use by local governments in creative neighborhood preservation strategies. For example, the City of Baltimore is allocating \$800,000 from its block grant to reduce the interest rate on rehabilitation loans, using a sliding scale of from zero to seven percent, depending on family income.

Boston and Newark are using block grant funds to make grants to homeowners who fix up their property. These grants take the form of a cash rebate for a portion of the cost of improvement. In Newark's Cleveland Hill

neighborhood, Secretary Hills (HUD) and Secretary Coleman (DOT) visited a family that is improving its home with new gutters, porch replacement, a new electrical system, bathroom renovation, and painting. These improvements are valued at \$7,633; after they are completed, the city will provide the family with a \$2,030 cash rebate.

Secretaries Hills and Coleman also met with residents of Newark's Roseville and Ironbound neighborhoods who praised the program for helping them improve their homes and communities.

In New Orleans, CDBG funds have been combined with city funds and general revenue sharing funds to build the Louis Armstrong Park and Recreation Center which will complement the adjacent commercial and tourist district. Mayor Landrieu of New Orleans has also established a joint planning office to administer the CDBG, CETA, and Department of Commerce economic development programs so that community development projects can be tied into job training for the unemployed and strengthening the city's economic base. Because the Committee recognizes that some communities have had more difficulty in linking their Federal block grants, the four agencies with major block grant programs have begun to assess the constraints to such linkages.

One of the key issues the Committee discussed with neighborhood groups was whether the Federal government should require local governments to allocate block grant funds to the neighborhood level. In the Baltimore and Hartford neighborhood revitalization efforts described earlier, city governments did allocate CDBG funds directly to neighborhood organizations so that neighborhood leaders and residents could determine their own priorities for revitalization. Oklahoma City, in particular, seems to have been successful at involving its neighborhoods in planning for the community's growth and development. The fact that the block grant provides annually to the city a publicly known amount of flexible funds provides the opportunity for neighborhood groups to take their case for support to City Hall.

Reports to HUD indicate this is occurring in many other cities as well. Since money is necessarily limited and needs are great, there is not always consensus and harmony between the neighborhoods and City Hall. Some neighborhood people would like to see direct or mandated funding of neighborhood groups by the Federal government. But the preponderance of opinion is that the block grant approach is preferable because of its certainty and flexibility. There is growing recognition that cutting the

pie should be the mayor's job--not a Federal bureaucrat's-- and the mayor who ignores well-organized and motivated neighborhoods can and should expect retribution at the polls.

Federal grant programs cannot in themselves solve the problems of the cities, local officials emphasized in discussions with Committee members. Longer-term economic development is essential, and this involves the effective combination of both public and private efforts. A number of Federal initiatives is being used to achieve such public-private action.

The programs of the Economic Development Administration (EDA) have demonstrated a wide variety of approaches to economic stabilization and job creation in urban areas. In a number of cities, abandoned, underutilized or blighted industrial areas have been upgraded to encourage firms to remain in the city and to attract new firms. Such industrial areas are often adjacent to residential neighborhoods and afford residents permanent private sector jobs.

In some cases the location or expansion of firms has been aided by EDA business development loans and loan guarantees. EDA industrial redevelopment funds also have been used to upgrade and replace community infrastructure, including industrial access roads, building site preparation, sewer and water lines, streets, sidewalks and street lights.

Another focus of recent Federal action has been the revitalization of neighborhood commercial strips. A healthy commercial area not only has a positive impact on the economy of the neighborhood, but also can serve as a catalyst for more general neighborhood improvements to housing and public services. Neighborhood businesses provide employment opportunities and income for residents; help to generate a supply of capital to the area; and provide a convenient place for residents to purchase necessary goods and services. A program to further this type of neighborhood commercial revitalization requires a strong local merchants' association, neighborhood support, working capital and rehabilitation assistance to individual businessmen. EDA is presently carrying out a demonstration program using technical assistance funds to help neighborhoods develop local programs which employ EDA business loans and loan guarantees for such revitalization activities. As part of this program, the Office of Minority Business Enterprise is providing technical assistance to help minority entrepreneurs to form such local business associations and to develop programs.

The Small Business Administration (SBA) is another Federal agency which is stepping up its support for commercial

and industrial development aimed at revitalizing neighborhoods. For example, the SBA has taken its Local Development Company loan program--rarely used in large cities until recently--and is directing it toward neighborhood-based economic improvement. SBA Administrator Kobelinski is currently working with a selected group of target cities to involve neighborhood organizations, local officials, and financial institutions in private sector development.

Another economic development initiative designed to create more jobs, mainly in the private sector, is a new demonstration program jointly funded by the Departments of Commerce, Labor, and Housing and Urban Development. This program will help cities coordinate the use of community development, economic development, and employment and training funds, together with strong private sector involvement and cooperation, to strengthen local economies. The three Departments have made demonstration grants which are expected to total \$4.8 million over two years to the following ten cities: Albuquerque, Baltimore, Bridgeport, Buffalo, Chicago, Dayton, Kansas City, Oakland, Philadelphia, and Pittsburgh.

Central business district improvement is the objective of innovative transit projects sponsored by the

Department of Transportation. DOT is funding transit malls in several cities in which major shopping streets are closed to auto traffic, and the street space reserved for pedestrians and shuttle bus systems. Some of these grant funds are being used for special paving, lighting and street furniture which supports the mall concept.

Communities throughout the country are also using Federally-initiated demonstration programs to help stimulate and support local efforts to improve and rehabilitate housing in neighborhoods threatened by deterioration. The Committee found that the Urban Reinvestment Task Force has been an effective local tool for counteracting disinvestment trends in potentially sound, but endangered neighborhoods. The Task Force, which is a joint effort by HUD and the Federal Home Loan Bank Board, provides revolving loan funds, technical assistance and other financial aid to partnerships of local residents, financial institutions and local governments which have developed promising strategies to arrest early neighborhood decline. Over 30 cities are now involved in programs sponsored by the Task Force. HUD is increasing its support for the Task Force from \$2.5 million in FY 76 to \$4.5 million in FY 77, so that the Task Force's programs can be expanded to a total of

55 cities. Of the cities visited by members of the Committee, Boston, Cleveland, and Baltimore have operating Urban Reinvestment programs, as well as Pittsburgh, whose local innovation served as the national model. Newark, New Orleans, and Hartford are commencing programs.

The Urban Homesteading program, administered by HUD, also helps to revitalize neighborhoods and recapture deteriorating and abandoned housing stock. Twenty-three cities selected in a national competition in 1975 are now using HUD-acquired properties and subsidized rehabilitation loans in coordinated neighborhood preservation programs. Urban Homesteading represents a \$65 million Federal/local investment: HUD is awarding \$13 million in rehabilitation loans, and \$11.25 million in properties to the participating cities, and the cities are spending more than \$40 million of their own funds to restore and recycle selected ailing neighborhoods.

The Committee recognizes that demonstration programs are small in scale relative to the problems they address. Yet they can provide models for achieving substantial progress, and can point the way toward program changes which will benefit cities and neighborhoods across the nation.

IV. Defining the Federal Role

The Committee believes that national policy on urban development and neighborhood revitalization must be based on certain basic principles concerning the proper role of the Federal government. We are in agreement on those basic principles, as well as on a set of preliminary recommendations for action, and an agenda for future study.

The principles which the Committee believes should govern the Federal role in urban affairs are as follows:

A. The Federal government should establish, as a national priority, the preservation of the nation's existing stock of housing, the restoration of the vitality of its urban neighborhoods, and the promotion of healthy economic development for its central cities.

The nation has entered a period of scarce resources and simply cannot continue to absorb either the social or economic costs of throwing away whole neighborhoods. Accordingly, the preservation of our nation's cities and neighborhoods should be added to other national policy objectives, such as decent housing, environmental protection, and economic growth.

Since Federal policy is only one of the factors which will determine the future of our urban centers, that policy must envision a partnership with the private sector and with State and local governments.

The Committee believes that a lasting solution to the urban crisis cannot rely on massive Federal funds for temporary public service jobs or on underwriting existing municipal debt, insulating local governments from the responsibility to weigh carefully local needs. Rather, the Committee believes that the Federal funds should be funneled to help cities build and modernize their capital infrastructure and in so doing expand jobs for construction workers, the poor and unemployed as well as to provide new opportunities for small business, including minority contractors.

B. The Federal government should target Federal resources to areas of greatest need, recognizing the disproportionate social and economic burdens borne by individual communities or classes of citizens.

The Federal government has a continuing responsibility to back up its policy commitments with financial assistance on a scale large enough to make an impact. But public funds are limited, and they should be directed to the areas of greatest need. Generally, formula allocations should replace grantsmanship to assure fairness in the distribution of Federal funds.

C. The delivery of Federal assistance to urban areas should be made more efficient by adhering to sound management principles.

The delivery of Federal assistance to the cities should be improved by strengthening the decision-making roles of general purpose State and local governments. The present Federal delivery mechanism is frustrating to public officials at all levels of government and baffling to citizens at the neighborhood levels who are searching for ways to improve their communities. The duplicative and restrictive requirements of current Federal categorical programs diminish both their effectiveness in meeting local problems and the capacity of State and local government to link Federal, local, and private resources in dealing with the complex problems of urban areas. Based on its contacts with public officials and neighborhood groups, the Committee believes that the following principles, while not universally applicable to all situations or programs, should generally guide the delivery of Federal assistance.

1. Preference for Block Grants

The Committee believes that the chief elected officials of State and local governments, working with their citizens, should have more discretion to plan and manage their own strategies to meet national objectives, rather than being burdened by Federal dictates often ill-fitted to their communities.

Many Federal categorical grants should be simplified and consolidated into block grants which afford greater flexibility to State and local government. For most service and developmental activities, State and local governments should be able to make decisions on the specific services to be funded within broad Federal guidelines as to the purposes and beneficiaries intended to be served. Block grants should be flexible so that the recipients can adapt Federal resources to the needs and conditions of their communities and can maximize the linkage of Federal resources and other local, private, and public resources.

2. Electoral Accountability and Citizen Participation

Accountability for the use of Federal block grant funds should be clearly fixed, usually in the local or State chief elected official. However, those officials should seek the participation of citizens in the planning and management of Federal funds. Citizens in affected neighborhoods, in particular, should have a voice and the impact of Federally-funded programs on their neighborhoods should be carefully considered. In appropriate cases, neighborhood organizations should play a direct role in program planning and management.

The result should be an expansion of meaningful participation in the use of Federal resources, a strengthening of the State and local political process, and a reduced ability of narrow special interests to dominate Federal program decisions.

3. Preserving Federally-Guaranteed Rights

Although block grants are intended to afford the widest possible local discretion, national policy requires that the rights and interests of minority citizens be protected. Therefore, Federal block grant programs should ensure that the needs of minority groups are considered in the allocation of funds and that minority rights are guaranteed in the management of Federally-funded programs.

4. Support for Local Management and Planning Capacity

The Federal government should help to ensure that local planning and management capacity exists to implement additional block grant programs. The Committee believes that present block grant funds are generally being managed effectively. However, State and local governments may need further planning and management capability as new block grant programs are created. The Federal government should help to build that capability.

5. Facilitating Program Linkages

The Federal government should increase the opportunities for State and local government to use different Federal programs in a flexible and coordinated manner. The difficulty of creatively linking the many existing categorical programs is one of the major problems of such grants, and block grants must be designed to avoid similar problems. In some cases, this will mean the establishment of new cooperative relationships between States and localities.

Similarly, it is essential that both State and local recipients of block grants are encouraged to work together in making program decisions involving areawide problems. Decisions involving transportation facilities, pollution control, economic development and housing will have major regional impacts. The Federal government should design its programs to encourage consideration of such regional effects and to promote effective intergovernmental cooperation.

6. Research and Development

The Federal government should have a coordinated program of research and demonstrations aimed at finding out which approaches to solving problems work best. In addition to sponsoring its own research and demonstrations,

the Federal government should work with communities to identify promising innovations initiated at the local level. The results both of Federally-sponsored and locally initiated demonstrations should then be widely distributed so that communities across the nation can build on successful techniques and avoid mistakes.

V. Recommendations

1. The Committee recommends the following steps towards the consolidation of existing categorical programs into block grants.

In city after city, Committee members were told about and saw evidence of the success of the present Federal block grant programs. For example, community development block grants, in their first two years, have proven to be a far more effective means of delivering Federal aid than the seven narrow categorical programs they replaced. The Committee recommends building on this demonstrated success by consolidating other Federal aid programs into functional block grants. In general, the Committee believes that such program consolidation will substantially increase the effectiveness of the Federal funds now being expended.

The following list of possible functional block grant proposals is intended to be suggestive rather than definitive--a starting point in giving more control over public funds to State and local governments and to the individual taxpayer.

a. Housing Assistance Block Grants

Several existing housing subsidy programs could be consolidated into a housing assistance block grant, providing cities and States with formula-determined allocations of long-term funding for housing assistance. Such a consolidation would reduce the complex Federal regulations and "red tape" that now attend the various Federal housing programs. Responsibility and accountability for the delivery of housing assistance would be lodged where it belongs--with local and State chief elected officials. Mayors could develop their own innovative housing programs suited to local market conditions and local needs as well as better coordinate housing assistance with other community development activities.

b. Urban Surface Transportation Block Grants

Several current urban highway and transit assistance programs also could be consolidated into block grants, allocated on a formula basis to urbanized areas. These

block grants could be available for a broad range of activities including planning, resurfacing, and rehabilitating roads; acquiring, constructing, rehabilitating and maintaining transit facilities; and transit operating subsidies (the latter category perhaps being limited to some percentage of an area's allocation each year). Of course, the block grants would not affect funding for the completion of the Interstate Highway System or the Rural Highway System.

c. Health Services Block Grants

Because Congress has not yet acted on the Administration's recent health block grant proposal, the Committee recommends resubmittal of health services block grant legislation to the next Congress.

d. Education Block Grants

To improve the quality of education in urban neighborhoods, the Committee recommends resubmitting to the Congress the education block grant proposed last year which would consolidate several categorical assistance programs into a single block grant.

2. The Committee recommends a comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the States in which they are located.

For example, the Administration has already proposed raising the per capita ceiling on general revenue sharing

grants to localities from 145% to 175% of the State's average per capita amount. This formula revision would direct more Federal Revenue Sharing funds to a number of large cities: Philadelphia (\$10.6 million), Detroit (\$8.2 million), Baltimore (\$4.4 million), Boston (\$4.4 million), St. Louis (\$2.9 million).

Similarly, in its coming Report to the Congress, HUD should consider the extent to which the community development block grant funding formula recognizes the relative needs of different cities, particularly older declining cities. The Department should recommend changes to the formula based on this analysis. Among the criteria that might make the formula a better measure of need are the age of a city's housing stock and whether it is losing non-poverty population. Similar changes may be warranted for formulas in other programs providing funds for physical or economic development.

The extent to which any of these formula revisions can be accommodated within approximately the same program funding currently provided should be determined on a program-by-program basis after further analysis.

3. The Committee recommends a general review of Federal tax policy with a view to providing greater incentives for the preservation and rehabilitation of homes and buildings.

As a general principle, the tax system should not make maintenance or rehabilitation of existing housing less attractive than investment in newly constructed properties. Because the tax system is so complex, however, the ramifications of this principle may be difficult to determine. Moreover, tax incentives, because of their impact on the Federal budget, require the same scrutiny as new spending programs.

Based on its work so far, the Committee believes the following specific areas of Federal tax policy hold the most promise for encouraging the preservation and revitalization of cities and neighborhoods.

a. The Committee recommends that the tax provisions governing depreciation be reviewed to determine their effect on investment in the rehabilitation and maintenance of existing structures in central cities.

The Committee's preliminary review indicates that the current rules for calculating depreciation allowances under the income tax may favor new construction over the maintenance of existing structures, with negative consequences for central cities. The desirability of review is suggested by the following brief summary of present provisions.

The tax code allows accelerated depreciation on various property investments. Accelerated depreciation allows larger tax deductions for depreciation to be taken in the early life of the investment. The resulting postponement of tax liability amounts to an unsecured interest-free loan from the Treasury. Generally, investors in newly constructed residential properties may take a faster rate of accelerated depreciation than second and subsequent purchasers of existing residential properties. Only straight-line depreciation (non-accelerated) is allowed to the purchaser of an existing structure with less than 20 years of remaining useful life. A still greater difference in tax depreciation treatment exists between purchasers of newly constructed and existing non-residential property, with the former allowed to use accelerated depreciation and the latter only straight-line depreciation. By altering the owner's cash flow, these rules affect the timing and location of new construction, the rate of turnover of ownership, and, especially, the incentive to maintain existing structures to prolong their lives. To the extent that tax policy makes investment in new construction more attractive than the maintenance or rehabilitation of existing structures, that policy may exacerbate the decline of central cities by encouraging businesses and people to locate in newer structures in outlying areas.

b. The Committee recommends a detailed study of tax policies to encourage homeowners to invest in the preservation and improvement of older housing.

The revitalization of an urban area depends on the preservation and rehabilitation of its stock of existing structures. The Committee is particularly concerned about the older homes in urban neighborhoods owned by lower and middle income families. Federal, State and local tax policies can affect significantly private decisions to invest in the maintenance and rehabilitation of these structures. The tax laws and their inter-relationships are complex, but tax policies to encourage maintenance and renovation of the existing housing stock deserve further study.

c. The Committee recommends that tax incentives for business investment in areas of chronically high unemployment, along the lines already proposed by President Ford, be explored.

To revitalize our older declining cities, more jobs must be generated. Many urban areas, with high unemployment levels, require new incentives to attract business location and expansion. Such incentives could be made available through the tax system, with the provision of more liberal depreciation deductions for new plant construction, expansion or rehabilitation in jurisdictions with unemployment rates

consistently above 8 percent. President Ford presented a similar, but more broadly focused proposal in his Budget for Fiscal Year 1977. Alternative incentives which should be considered include an additional investment tax credit for business investment in declining areas. The tax credit could be progressive with respect to an area's unemployment rate, with higher tax credits in areas with higher unemployment rates.

4. The Committee recommends that the public and private sectors seek new ways to increase employment opportunities for inner-city youths.

The labor force is now swollen by a disproportionate number of young adults born during the post World War II baby boom. In 1974, more than 2.5 million young people between the ages of 16 and 24, half of all unemployed, were seeking work and unable to find it. Among black teenagers the unemployment rate is more than five times the national average. These young unskilled workers seeking employment are located disproportionately in our central cities. As industries providing jobs for unskilled labor have increasingly deserted the central cities of the North Central and Northeastern States, the problem of unemployment in those areas has become even more serious.

As the growth in the labor force tapers off in coming years, the problem of unemployment among these entry level workers will diminish. In the interim, new ways should be developed to mitigate the costs this problem imposes on our urban centers. The magnitude of Federal spending on employment and training in general and on youth employment in particular (for example, over \$1.2 billion in CETA programs serving youth) attests to the recognition this problem is receiving, but several new avenues of experimentation should be explored.

First, the Department of Labor's current demonstration of the use of relocation information and assistance as an adjunct to job training should be carefully evaluated to determine its impact on high unemployment areas and expanded if justified by the results.

Second, consideration should be given to ways of facilitating the transportation of inner-city residents to new jobs in the suburbs.

Third, further careful study should be given to mechanisms, such as Defense Manpower Policy #4, for harnessing Federal procurement policies to provide jobs in high unemployment areas.

Finally, a high priority should be given to developing approaches for encouraging greater private sector participation in the economic redevelopment of inner-cities. The recent report of the municipal task force of the Business Roundtable, representing several of the nation's major corporations, called for a broader, deeper commitment by the corporate community to our central cities. From that commitment should be forged a public-private partnership to revitalize our older urban areas.

5. The Committee favors a standby program of countercyclical block grant assistance to urban areas with high unemployment along the lines of legislation introduced by Congressman Brown and Senator Griffin.

The Administration's current economic policies should continue to reduce unemployment, eliminating the need for countercyclical assistance. Over the past 18 months the national economy has improved dramatically. Unemployment is down from 8.9 to 7.8 percent; employment has increased by 3.7 million; the Gross National Product has increased by \$264 billion, or 18 percent; and per capita disposable personal income is up by \$719, or 15 percent. Simultaneously, the rate of inflation has been cut in half.

At the same time, the recovery has been geographically uneven. While the national unemployment rate has declined, there are areas where high unemployment rates have not come

down because the overall recovery has not yet fully taken hold. In some areas, including Detroit, Buffalo, and Miami, there has been marked improvement, but the unemployment rates remain high relative to the rest of the nation. In many cases, these geographical disparities have been translated into serious fiscal problems for the affected cities.

A multi-billion dollar countercyclical public works and public service employment bill has been enacted. Despite its cost, however, that legislation is a poorly designed response to the problem. The legislation is not sufficiently targeted at areas of serious unemployment and has categorical restrictions which will hamstring local officials in making efficient use of the available funds. Moreover, no jobs will be created by the public works program for several months. The last accelerated public works bill, passed in 1962, did not have a job creation impact until late 1964, and disbursements for public works projects funded under that bill are still ongoing.

In contrast, the flexibility provided to local officials by a countercyclical block grant would greatly enhance their capacity to use Federal aid to their communities' best advantage and to convert those funds into private sector jobs quickly and efficiently.

A countercyclical block grant bill passed the House of Representatives in 1976, only to be eliminated in a conference committee. This bill, sponsored by Congressman Brown and Senator Griffin, would have provided an overall level of assistance on the basis of the national unemployment rate and allocated that assistance to recipient communities on the basis of their individual levels of unemployment. Thus, Federal funds would have been provided when and where they were most needed. These countercyclical block grant funds could have been used for any local physical or economic development activities, providing private sector jobs and at the same time improving the long-term economic health and physical infrastructure of economically troubled recipient cities.

To avoid cities exacerbating their economic distress by firing public employees and cutting public services in a recession, the Brown-Griffin proposal also allowed a proportion of each city's funding to be used to maintain public employment levels, complementing local uses of CETA Title II and VI funds in maintaining public services.

This limited voluntary use of block grant funds for public employees' salaries would have provided cities with needed flexibility during periods of temporarily decreased revenues, without creating a dependency on Federal aid or swelled public payrolls.

We do not believe that further countercyclical aid will be necessary, but we do believe a countercyclical block grant program should be available on a standby basis.

6. The Committee recommends that requirements under the Home Mortgage Disclosure Act of 1975 and the Equal Credit Opportunity Act Amendments of 1976 be vigorously enforced, and that the information generated be systematically assessed with a view to eliminating "redlining".

The arbitrary denial of home mortgage and commercial lending based solely on location has been a serious problem in some older urban neighborhoods, but there has been little evaluation of its scope, impact, or causes. The Home Mortgage Disclosure Act provides an important first step in determining the dimensions of this problem. The data generated by the Act also should provide locally elected officials with an early warning of threatened disinvestment, so that timely remedial actions can be taken.

7. The Committee favors a law permitting nonjudicial foreclosure on abandoned structures.

One of the frustrating and demoralizing problems of many urban neighborhoods is the presence of abandoned buildings which are frequently vandalized and are havens for drug addicts. In many States, lengthy and complex foreclosure procedures prevent local governments from getting rid of these blighting structures. The Committee recommends legislation establishing a nonjudicial foreclosure procedure allowing city governments to move promptly to demolish abandoned buildings.

8. The Committee recommends an expansion of HUD's Urban Homesteading Demonstration, begun in late 1975, within currently participating communities and to additional cities.

The Urban Homesteading Program currently operates in 23 cities, which have received over 2,000 homes valued at \$11.25 million from the HUD-owned inventory. The program has been extremely successful, both in providing home ownership opportunities for a limited number of moderate income Americans and in eliminating the blighting influence of boarded-up HUD-acquired properties. Cities have developed ambitious plans for the revitalization of homesteading project neighborhoods involving total public and private investments of over \$40 million and have shown an impressive ability to develop creative local variations on the homesteading theme.

VI. The Committee's Future Agenda

The Committee has not, in the time available for this interim report, dealt fully with many of the issues and questions raised in its preliminary investigation of urban and neighborhood problems. The Committee's next steps will be to appoint task forces to develop further its interim recommendations and, in addition, to undertake a more thorough and systematic analysis of the complex conditions contributing to the urban predicament.

Our longer-term investigation should focus on the fundamental causes of urban and neighborhood decline, and propose a coordinated strategy involving the Federal, State, local and private sectors. Ideally, the Committee's study will spark national discussion on the urban condition, so that the recommendations emerging from its study will have the advantage of broad consensus and will be based on deeper understanding of the problems of our urban centers.

For example, the Committee should assess carefully the causes and impact of the weakening commercial and industrial bases of older Eastern and Northern cities. On the basis of a study of the dynamics of economic change in these hard-pressed cities, the Committee should develop a strategy to harness Federal resources and encourage private sector action to reduce unemployment and ameliorate the problems caused by

industrial and commercial relocation. This strategy would address the problems of obsolescence of urban industrial plants and the shifts in transportation patterns which have adversely affected central cities in general and older Northeastern urban centers in particular.

Second, the Committee should explore the complicated interrelationship of center cities and their outlying suburbs, including the demographic trends which have concentrated low-skilled, relatively immobile and often minority populations in the central cities, while more affluent households have migrated outward. It has been charged, for example, that suburban dwellers often reap employment and cultural benefits from living near a city, but resist contributing to its maintenance.

Third, the Committee should study the causes of residential neighborhood decline. Individual neighborhoods are the building blocks of the urban structure and their decline an integral part of the urban crisis. An aging housing stock, the burden of property taxation, possible "redlining" by financial institutions, the loss of neighborhood schools, the quality of public services and the accessibility of commercial facilities are among the factors whose impacts on neighborhood transition should be addressed. The Committee should evaluate successful techniques for neighborhood preservation or revitalization,

giving particular attention to the potentially important role of cohesive neighborhood organizations. The continued encouragement of and reliance upon local leadership that is politically sensitive to neighborhood groups could prove to be one of the keys to the successful rebuilding of our cities.

The Committee is aware of the large body of public and private research on many of these topics. That research, however, is too fragmented to be immediately useful for policy purposes. It also leaves several important gaps and unanswered questions, which the Committee believes must be dealt with more systematically before formulating a comprehensive strategy for urban development and neighborhood revitalization.

While the immediate fiscal problems and deterioration of many older urban areas demand attention, the Committee believes that the needs and problems of more stable and even growing urban areas should not be ignored. Virtually all local governments have suffered the effect of rising public expectations and increasing costs for public services.

Perhaps even more significantly, many fast-growing cities have been unable to adopt realistic growth management policies to accommodate their new patterns of growth. Uncontrolled development is already producing inefficient patterns of service delivery which will burden governments for decades to come. The costs of environmental degradation

permitted under the pressure of development will be borne by local taxpayers for generations.

Finally, the diversity of Federal assistance demands the development of improved linkages among programs which flow to different levels of government for different specific purposes but with common objectives.

We wish to repeat our opening observation. When existing Federal funding is targeted in such a fashion as to meet the specific problems of given cities by politically responsive local leaders, we may well find that the tens of billions of Federal dollars spent each year in the cities is adequate to the task. All that we can be certain of now is that the continued uncoordinated spending of the past must be discontinued.

The Committee members have returned from their visits to American cities with a much stronger sense of the vitality of many cities and urban neighborhoods, and with a greater awareness of both the strengths and the limitations of Federal urban policy. We intend to continue our efforts to improve Federal policies and programs, so that our cities and their neighborhoods can become more prosperous and more exciting places to live.

THE WHITE HOUSE

WASHINGTON

October 16, 1976

MEMORANDUM FOR: JIM CANNON
FROM: LYNN MAY *Lynn May*
SUBJECT: Briefing Paper and Interim Report

Attached is the briefing paper for the President's meeting with the principals of his Committee on Urban Development and Neighborhood Revitalization. Included in the briefing paper is a copy of a summary of the interim report under discussion. Your copy of the full interim report is attached.

cc: Art Quern

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ITEM TO BE PICKED UP

REQUEST FOR SPECIAL SERVICE

INSTRUCTIONS: Indicate sequence of action by inserting a "1" in appropriate box below to show which action is first and "2" for that which follows.

DELIVER TO



PICK UP FROM



NAME

James Cannon

NAME

LOCATION

Domestic Council
The White House

LOCATION

REC'D
BY

NAME

Carla A. Hills - HUD

DATE

10/14/76

REC'D
BY

NAME

DATE-TIME

TRIP NO

COURIER

YELLOW

WHITE

PINK

To be signed and returned to Courier

For receiving unit

Pending copy for Office Services

HUD-33 (12-67) Previous editions may be used

10:10 AM
Review

Sunday

THE WHITE HOUSE

WASHINGTON

3 PM

October 14, 1976

Coleman
OMB

Baroody

MEMORANDUM FOR: JIM CANNON

FROM: LYNN MAY *Lynn May*

SUBJECT: Interim Report of President's Committee on Urban Development and Neighborhood Revitalization

Secretary Hills has sent to you a revised draft, reflecting major member agency comments, including those from the Domestic Council staff. She recommends that the report be submitted to the President with the understanding that it will become a public document.

The revised report lays out the initial observations of the Committee. It contains an assessment of urban problems, as well as a review of past and present Federal policies and programs relating to cities. It closes with a recommended set of principles to guide future Federal urban policy and specific programmatic changes.

According to Secretary Hills, the major agencies belonging to the Committee only recommended specific language changes (largely reflected in this second draft) but had no problem with submission of the report to the President or public release. OMB, on the other hand, objected to several aspects of the report and recommended that the report not be submitted to the President, because the report would ultimately become a public document and thus might tie up the President's future options in this area. Two of the report's aspects which OMB objected to have been omitted or rewritten in the second draft:

- Stated preference for multi-year funding (omitted).
- Recommendation that block grant funding be revised to furnish more funds to older cities (new draft says this issue should be studied).



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The second draft makes no condescension to OMB's objections that:

- The tax reform recommendation should seek to remove current incentives to new construction rather than give equal tax incentives to existing construction, (HUD claims Treasury agrees with the report's recommendations).
- Support of the Griffin Brown countercyclical block grant legislation may be unnecessary given, the cumulative aid to cities contained in the other recommendations.
- The recommended expansion of urban homesteading program is premature.
- All of the recommendations for block grant approaches to housing, urban surface transportation, health services and education require more analysis.

The real disagreement between OMB and HUD concerns the timing of the report's submission to the President and the nature of the public release. Secretary Hills believes the complete report should be submitted now as an affirmative Ford Administration approach to urban problems. OMB maintains that the recommendation contained therein requires greater review and if released now would restrict the President's flexibility.

You might want to discuss the matter with the President and other senior advisers to determine whether or not the interim report should be formally submitted and made public, containing recommendations that have not gone through the normal decision process.

THE WHITE HOUSE

WASHINGTON

October 16, 1976

MEETING WITH PRINCIPAL MEMBERS
OF YOUR COMMITTEE ON
URBAN DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION

Sunday, October 17, 1976

2:00 p.m. (1 hour)

The Cabinet Room

From: Jim Cannon

I. PURPOSE

To discuss the content and disposition of the Committee's interim report.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background:

You have met twice with the full Committee since its creation on June 30, 1976. The Committee, under the chairmanship of Secretary Hills, has developed a draft interim report for you which sets forth its assessment of urban problems, reviews past and present Federal policies and programs related to cities, makes recommendations for national urban policy reform, and identifies areas for further study. See Tab A for a summary of the report.

Secretary Hills recommends that the report be formally submitted to you, with the understanding that it will become a public statement of your deep concern that Federal dollars be more responsive to local needs. Director Lynn, on the other hand, objects particularly to the report's recommendations advocating (i) countercyclical assistance to cities; (ii) various block grant proposals; and (iii) expansion of the Urban Homesteading demonstration -- all on the grounds that such recommendations would prejudice your future flexibility. OMB further believes additional analysis of these proposals is required, since some very specific changes in current policy are recommended, which may or may not be in accordance with your 1978 budget decisions. All of the block grant pro-

posals, except the housing and urban surface transportation initiatives, are modifications of prior proposals advocated by your Administration.

Your guidance on the disposition of the report will be requested at the meeting.

B. Participants:

Carla Hills
William T. Coleman, Jr.
James M. Cannon
L. William Seidman
Paul O'Neill (in place of Jim Lynn)

Secretary Richardson was invited but is unable to attend.

C. Press Plan:

None

III. TALKING POINTS:

None

Attachment