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10/20/76

Response by President Ford to the Report of the President's
Committee on Urban Development and Neighborhood Revitalization

I welcome the report from Secretary Hills and the President's Commission on Urban Development and Neighborhood Revitalization. This report reflects a realistic, common sense, practical approach to the urban condition. It is straight talk -- and not empty elusive, political promises.

This report clearly shows that the plight of many older American cities today results from a combination of complex and inter-related forces: not enough jobs, too many poor people, crime and the fear of crime, deteriorating housing and property values, inadequate schools, rising costs, declining public services, congested traffic and overcrowded mass transportation, and too often, lack of local political leadership.

But this report also shows:

- That there is hope, confidence and a will to succeed in American cities.
- That what the people of the cities want is individual opportunity and economic stability -- not a Federal handout.
- That what their leaders want is the chance and the resources to bring about their own revitalization and growth -- and not political promises of magic solutions from Washington.



My Administration, from its beginning, has followed a clear national urban policy: to provide the cities and their neighborhoods a fair share of Federal resources and the opportunity and flexibility to solve their own problems and manage their own growth and progress. This policy is based on the principle that the best government is that government closest to the people.

To carry out this policy, here are some of the things this Administration has done and will continue to do:

1. General Revenue Sharing. This is the most important program of Federal assistance to local governments in American history. Since 1972 we have returned to cities, counties, towns, communities and states _____ billion dollars to assist the people in meeting public needs. This program has already immensely helped our cities, and the General Revenue Sharing extension which I signed last week will provide _____ billion dollars more for these purposes.

2. Community Development. The first major legislation I signed as President was the Housing and Community Development Act of 1974. Through this Act we have provided more than one million new and renovated homes for American families. My goal is a home for every American family that wants to own a home and is willing to work and save for it. To reach that goal, I will continue economic policies that hold inflation down, reduce interest rates, and make more funds available for home mortgages. In addition, I will recommend changes to



reduce down payments and monthly payments on lower and middle price houses.

3. Transportation. There must be swift and convenient transportation within and into our cities and communities. In the last two years we have provided _____ billion dollars in Federal funds as our part in the working partnership with State and local governments to provide urban transportation.

4. Crime. I am determined to lead a Federal, State, local and community effort to make the streets and home of America safe for every man, woman and child. We must get the career criminals off the streets and into jails. We can do this with the certain sentences for Federal crimes I have proposed to Congress as a model for State and local governments. One of my top priorities in the first 100 days of the new term will be to rally all America behind Federal anticrime legislation.

5. Jobs. I am dedicated to the principle that every American who wants a job should have a job. We have trained _____ million Americans through the CETA Program and other Federal programs; but we need to do more. Last January I proposed a job creation program in high unemployment areas, but Congress failed to act. I shall propose to the next Congress a program to provide for young Americans the training and experience they need to practice a trade or a craft or a practical business skill. We must put all of America to work.

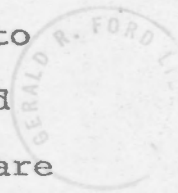


6. Education. The goal of my Administration is a quality education for every young American. We need reforms in Federal and State education procedures to make certain that teachers can spend more time teaching instead of filling out government forms. We need diversity and competition in education. We need to preserve our non-public schools and to make our public schools better.

7. Vigorous Economy. Most of all, our cities and neighborhoods need a strong and growing national economy, a healthy growth in useful productive jobs in private industry, and control of inflation. I will continue my commitment to combat inflation, to restore an orderly steady growth to the American economy.

All of the resources of government combined are not enough to solve our urban problems. We need good leadership -- good mayors, good city councilment, dedicated public servants who will put principles above politics, whatever their political party. The private sector must be the major participant, and a stable economy is the best way to encourage business and industry involvement.

Finally, our cities and their neighborhoods will not flourish nor fail because of what we do for them in Washington. Their success depends on what the people in the cities, and their leaders, do for themselves. They are succeeding and will continue to do so as long as honest and realistic solutions are arrived at locally, and supported nationally. I intend to see that this support is applied with wisdom, imagination and prudence, but, above all, with a conviction that our cities are irreplaceable resources which shall never be abandoned.



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But this report also shows:

- That there is hope, confidence and a will to succeed in American cities.
- That what the people of the cities want is economic opportunity, stable neighborhoods and local political decision-making -- not a Federal handout.
- That what their leaders want is the chance and the resources to bring about their own revitalization and growth -- and not political promises of magic solutions from Washington.

Because a majority of Americans live in metropolitan areas, the "problems of the cities" are, in concentrated form, largely those of American domestic policy generally. The forces of growth and mobility which have created our high standard of living and concentrated the majority of Americans in urban areas in recent decades are at work again. New opportunities in the suburbs and rural areas have led to the economic and social decline to many of our large urban areas. Federal policy in the 1950's and 60's like urban renewal mistakenly gutted the economic and social life of many cities in a misguided effort to build anew.

My Administration has sought to reverse this trend. Consistent with our overall domestic policy, my Administration, from its beginning, has followed a clear national urban policy: to provide the cities, the towns, the villages, communities and neighborhoods throughout the land with a fair share of Federal resources and the opportunity and flexibility to solve their own problems and manage their own growth and progress. This policy is based on the principle that the levels of government closest to the cities' problems are best able to respond.

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Finally, we must recognize that our cities and their neighborhoods will not flourish nor fail because of what we do for them in Washington. Their success depends on what the people in the cities, and their leaders, do for themselves. They are succeeding and will continue to do so as long as honest and realistic solutions are arrived at locally, and supported nationally. I intend to see that this support is applied with wisdom, imagination and prudence, but, above all, with a conviction that our cities are irreplaceable resources which shall never be abandoned.

THE WHITE HOUSE

WASHINGTON

October 20, 1976
1976 OCT 20 PM 4 13

MEMORANDUM FOR: JIM CANNON
FROM: JIM CAVANAUGH
SUBJECT: John McClaughry

I talked to John McClaughry this afternoon, who has spent a number of years thinking about the problems of cities and neighborhoods. He has quickly pulled together this proposed draft of some ideas.

I think that some of his ideas could be incorporated in the President's statement tomorrow commenting on the interim report from Carla Hills. I'm particularly intrigued by the neighborhood housing service proposal as it is a quasi-government function.

Could you coordinate with Paul O'Neill and Jim Reichley on a revised Presidential statement? I also recommend that you and Art or O'Neill talk to McClaughry sometime this afternoon. He can be reached at White House extension 6262 today.

Thank you very much.

Attachment

cc: Dick Cheney



From:
John McLaughlin *Clg* - *Jim Cannon*
Pat Quinn
Phil O'Neill
Jim Reilly

PRESIDENT'S NEIGHBORHOOD POLICY -- SUMMARY

- Philosophy:
- a) Continue revenue sharing and block grants to ensure flexibility and accountability in meeting urban needs
 - b) Add a complementary policy of empowering the people of urban neighborhoods to take the initiative in solving their own problems under their own control.

Target Group: White ethnic, black, hispanic and other neighborhood organizations and residents, particularly in the large cities of the eastern industrial states.

Proposals:

1. Community Development Block Grant Program: Maintain present level of resources or more; extend block grant approach into other areas; decline to require earmarking of CD funds for neighborhoods strongly enforce requirements of law specifying citizen participation and accountability.

Urban
Reimburse
7/23/74
Paul

2. Neighborhood Housing Services: Expand level of support from \$5 million in FY 77 to \$25 million in FY 78; decentralize program to regional level to avoid creation of another Washington bureaucracy; maintain national office only as R&D, technical assistance; information, coordination, etc.

3. Maintenance and Rehabilitation: Expedite processing of FHA §223(f) nonsubsidized rental refinancing mortgages.

4. FHA Reinsurance of Private Rehab Loan Pools: Create program similar to Wisconsin Indemnity Fund, whereby FHA reinsures reserve funds of private mortgage insurers, which in turn insure rehab loan pools set up by lending industry, city governments, etc.

5. Home Mortgage Disclosure Act: Support for prompt reporting by census tract areas instead of zip code; reiterate opposition to mandatory credit allocation; explore potential of discount rate bonus as reward to community-oriented banks and S&Ls; explore more effective packaging for GNMA mortgage backed securities originating in NHS or CDC areas.

6. Urban Homesteading: Triple HUD commitment to \$15 million in

7. Restoring abandoned HUD-owned properties: Instruct HUD, SBA, OMBE to work out cooperative agreements to permit rehab of HUD-owned abandoned homes by small minority contractors in minority areas.



8. New Foreclosure Procedures for Federally-Insured Mortgages: Enact new legislation providing for contractual foreclosure and clearance of title for all future FHA, VA, FmHA etc. owned, insured or guaranteed mortgages; apply to existing mortgages if legal and equitable.

9. Repair of Defects in FHA-Insured Properties: Create independent arbitral panels to pass judgment on claims arising under §518 of National Housing Act, regarding serious structural defects in FHA-approved homes.

10. Tax Law Changes:

(a) Five year writeoff for improvement and rehab in NHS, CDC, and other neighborhood renewal areas.

(b) Refundable tax credit for major rehab of owner-occupied homes in such areas.

(c) Waiver of recapture of accelerated depreciation benefits on rental housing when deeded to a NHS, CDC or similar group

11. Law Enforcement Assistance: Earmarking of up to \$15 million of LEAA's discretionary funds to explore neighborhood-based crime prevention programs.

12. National Commission on Neighborhoods: Support for Proxmire bill to create National Commission on Neighborhoods, which passed Senate in 1976 but died in House.

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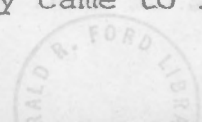
Draft 1 President's Neighborhood Policy Address

Oct. 19, 1976

For a decade now America has been concerned about the "crisis of our cities". The Kerner Commission, appointed by President Johnson, recited a shocking litany of urban ills. In response, Congress enacted a host of programs to minister to urban needs. Yet today, in 1976, millions of citizens in the neighborhoods of our larger cities are not truly satisfied with the results.

These Americans -- black and white, hispanic and oriental, of Irish, Italian, or Slavic origins -- are still faced with a real or threatened decline in their own neighborhoods. They are nervous about a trend toward absentee ownership. They are apprehensive about the abandoned house on the block, an invitation to crime and decay. They are concerned about their safety on the streets. They are concerned about their children's education, and the opportunities for decent health care. Perhaps most of all, they are worried that they might slowly lose that spirit of community, of interpersonal ties, of local neighborhood institutions, which sustained earlier generations in their moments of adversity. This dissatisfaction with results naturally led to a reexamination of the Federal government's whole approach to urban aid.

We began, a decade ago, designing programs in Washington to effect sweeping changes in our cities. Dedicated people in Washington undertook to draw up guidelines, spell out criteria, and disburse grants. They meant well. But we gradually came to learn



that Washington is a pretty poor place from which to try to solve the complex and challenging problems of the millions of Americans who live in our urban neighborhoods - or anywhere else for that mat

That realization led to a massive policy change beginning about 1971. The President and Congress agreed to turn back from the path of ever-proliferating categorical grant programs. They agreed to start consolidating urban aid into block grant programs which abandoned detailed instructions from Washington in favor of responsibility in City Hall.

A milestone in the implementation of this new approach was the Community Development Block Grant program, which I signed into law in August of 1975. This important measure consolidated seven categorical grant programs into one block grant. Over \$3 billion a year is now flowing to communities all across the country - twice as much as the funding level of the seven previous programs in 1970. This new approach has given local elected officials vast new latitude to employ resources in ways demanded by their own constituents, not by administrators in the Nation's Capitol. The regulations for this program now comprise only about 120 pages, compared to the 2600 pages of fine print under the previous categorical program. Only one application per year is required, compared to an average of five under the earlier programs. Applications average under 50 pages, instead of some 1400 as before.

I am convinced that the community development block grant approach has proved its value. Our task is now to improve upon its workings, and to expand the technique into other areas such as housing, health care, and education. Among the specific management steps we can and should take now are to move toward multi-year



funding, to permit effective planning for the use of the funds at the city level; and to more carefully coordinate the delivery of block grant funds with state and local budget cycles.

This expansion of block grant approach and the continuation of general revenue sharing will do much to ensure that needed resources are made available to the cities at the times they are needed. The block grant method provides flexibility at the local level, and increase accountability to the people, which no program administered from Washington could ever hope to attain.

It took us almost a decade to fully appreciate the wisdom of restoring resources and decision making power to local governments. Now, it seems to me, there is yet another step to be taken. That is a concerted effort to empower the people of our urban neighborhoods to mount their own serious grassroots effort to grapple with the challenging problems that beset them. This next step must reflect the spirit of Morgan Doughton's excellent new book, Peoplepower. We must focus on the creation of independent, grassroots capacity to solve grassroots problems. We must stimulate cooperative effort and mutual aid right in the neighborhoods where people live. We must assume that neighborhood groups have a genuine meaningful involvement in public decisions affecting their lives. We must sweep away obstacles to their own concerted action to improve their condition. We must avoid the creation of service bureaucracies and vast institutional structures imposed from above. We must encourage neighborhood power wielded by neighborhood people in solving neighborhood problems.

Today, across America, there are thousands, perhaps tens of thousands, of citizens groups working with great dedication to



preserve and improve the quality of life in their neighborhoods. In city after city people have stopped waiting for somebody in authority to get around to helping them. They are helping themselves. There are grassroots self-help organizations in black neighborhoods - hispanic neighborhoods - white ethnic neighborhoods in neighborhoods of every imaginable mixture of races, colors and creeds. This is the American tradition at its best, and it must be the task of the next administration to foster this burgeoning neighborhood self help movement. We must help people with needed resources, yes; but perhaps more importantly, we must create genuine opportunities for self help to become effective, and we must help to remove the obstacles - not a few of them created by thoughtless federal policies - to neighborhood advancement.

This new policy toward the cities must recognize and build upon one great source of strength: the rich variety of functioning urban neighborhoods - neighborhoods where Americans have built networks of interpersonal, family, cultural, economics, religious, and political relationships that form the warp and woof of true community.

Since I became President I have made it a special point to meet with leaders of many different racial and cultural groups. Last May 5 I had the privilege of meeting with 78 leaders of white ethnic urban neighborhoods at the White House. At that conference Msgr Gino Baroni, President of the National Center for Urban Ethnic Affairs, gave an eloquent and profound address. In it he said

We have transferred too much responsibility to the central government, and authority now stems from the involvement of so many state and federal bureaucracies in people's lives,



that these basic communities are drying up. The danger arises that more and more people will turn to government as the source of community. This will bring us closer to totalitarianism, to statism. We need to devolve more power to the neighborhood communities and to encourage the organization of voluntary self-help groups among the families, churches and community groups in the neighborhoods."

I agree wholeheartedly with those wise words from one who has labored long on the streets of our great cities. The time has come to add to the block grant approach a new component - the empowerment of the people in those diverse urban neighborhoods to bring their own resources to bear on their neighborhood problems under their own control.

Fundamental to that new thrust is the notion that government owes it to the people -- at the very least -- to stop being part of the problem. We cannot afford to initiate a massive and costly Marshall Plan for the Cities. Such an effort would derail our economic recovery and cause grave economic ramifications. But our thrust must now be not so much drastically increasing the quantity of aid, but of expanding the inherent power of people to act for themselves. To that end I now offer a number of proposals which, taken together with a continuation of general revenue sharing, can form a beginning of a still-evolving national policy for encouraging neighborhood revitalization under the leadership and control not of the people in Washington, but of the people in the neighborhoods themselves.

1. Community Development Block Grants:

I am proud to have had the opportunity to sign into law the community development block grant program. This program has been imaginatively used in many cities to encourage neighborhood based rehabilitation. I pledge the next Ford administration will




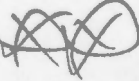
at least maintain the level of resources made available under the community development block grant program. And as I have already stated, I believe this approach should be adopted in other areas where categorical programs yet abound, such as housing, health care, education, and transportation.

There has been serious debate within the administration as to the advisability of imposing a Federal requirement that some stated percentage of the block grant funds be earmarked specifically for neighborhood improvement efforts. Sympathetic as I am to those needs, I have concluded that it would be a mistake for the Federal government to attempt to impose allocation requirements on the block grant program. This would certainly begin to lead us back to the categorical grant era, with its ponderous federal red tape, bureaucracy, and lack of flexibility and accountability.

But although I do not support the earmarking of CD funds for neighborhoods, I am concerned that the CD funds be used in strict accordance with the requirements of the law. The law requires that the local government give "maximum feasible priority to activities which will benefit low or moderate income families or aid in the prevention or elimination of slums or blight..." It requires the cities to publish advance information about the projected use of the funds. It requires the cities to hold public hearings on the proposed program, and to encourage citizen participation. The law also requires each city to submit a performance report after the fact, which relates the use of funds to the desired objectives.



I take these requirements of the law seriously. It should be the business of the citizens to determine the use of CD funds at the local level, within the broad guidelines established by Congress. But to do so the citizens must have timely information. They must actively participate in the local decision making process. They must have access to the performance reports. I do not propose that Washington sit in judgment on the substantive uses of the funds - that is and should be a purely local responsibility. But as chief executive I will insist that the procedural requirements of the law relating to publication of information and citizen involvement be very carefully observed. If the municipal government then makes unpopular decisions about use of CD funds, that government can be held accountable by the people of the city. True, citizen involvement will sometimes lead to tensions and confrontations. That is the price of having an effective democracy. I am convinced that the city administration which makes a sincere and straightforward effort to involve citizens and neighborhood groups in public decision making on community development is a city administration that will command broad loyalty and support among the people.

 2. Neighborhood Housing Services 

Two years ago the Federal Home Loan Bank Board and HUD initiated a small experimental program to try to reverse decline in several selected urban neighborhoods. Inspired by the highly successful Neighborhood Housing Services Program in Pittsburgh, the Urban Reinvestment Task Force has now stimulated NHS programs in some 26 cities.



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The NHS program is a low-keyed, grassroots effort to bring together the leadership of neighborhood people, the support of city governments, and the investment capacity of private financial institutions. The Federal government does nothing more that stimulate local action, make know-how available, and help to initiate a revolving home improvement loan fund for neighborhood preservation.

The success of the NHS program in Pittsburgh has been carefully studied. Roger Ahlbrandt and Paul Brophy, reporting the results in last January's Journal of Housing, concluded that its success was in large measure due to the fact that NHS is primarily a people program, not a government program:

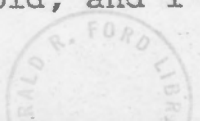
"In an NHS program," they reported, "neighborhood residents become involved because it is their neighborhood and they control the program. Financial institutions participate to protect existing investments in the neighborhood, to lessen redlining allegations, to increase deposits, to demonstrate their social consciousness, and because their perceived risk in the neighborhood is lessened as a result of strong city and citizen commitments toward the area. Local government participates because of strong pressure from citizens and financial institutions and because the program provides the opportunity to leverage public investment in other declining neighborhoods by stimulating private lending in these neighborhoods."

The NHS program is local; nongovernmental; and nonbureaucratic. It is self help, not a giveaway. It targets specific neighborhoods, involves good code enforcement, and promotes responsible resident ownership. Because it is founded on the "peoplepower" of neighborhood residents and institutions, and because it builds on the self-interest of residents, lenders, and city governments, this small effort has been a strong success.



The NHS program, in its three years of existence, has never had as much as \$5 million in its budget. I now propose a five-fold expansion of that budget to \$25 million for fiscal 1978. To make sure that the program does not suffer the fate of so many other promising programs, I further propose to decentralize the Urban Reinvestment Task Force program to the regional level. In effect, we will have as many as ten NHS programs. The expanding funding will be allocated in response to need and to local enthusiasm for participation. The national task force will retain responsibility for developing and testing new approaches, monitoring results, promoting cooperation with various Federal agencies and facilitating the exchange of information among the regional and local programs. But each regional task force will have control of its own budget and a mandate to use wide discretion to get results. And, I might add, those regional directors who get results can expect enhanced responsibilities in the future.

The Neighborhood Housing Services Program works. I am convinced this program can work in every city and in every urban neighborhood where citizens are willing to take an initiative to protect their quality of life and promote their own self interest. My goal is to expand the resources to cover more neighborhoods and ore cities, but at the same time prvent the mushroom of a new federal program which, if history is any guide, will, inevitably be converted or absorbed into another massive and unresponsive bureaucratic structure. That would signal the beginning of the end for effective grassroots progress. It is a mistake that we now should know enough to avoid, and I am determined to avoid it.



3. Maintenance and Rehabilitation:

One of the serious problems facing urban neighborhoods is maintaining the quality of existing housing. In central city areas undergoing ethnic and socioeconomic changes, rising operational costs have posed a very serious problem for preservation of the housing stock. The interest rate on improvement loans increases, and the term gets shorter. Property taxes rise. Maintenance costs escalate. Neglect of maintenance leads to landlord-tenant confrontations.

At some point in this process lending institutions conclude that no further investment in the neighborhood can prudently be made. At this crucial point the expectations of building owners shift from success to failure. They disinvest - cut out every possible maintenance expense, ignore the appeals of the tenants, go into terminal default of property taxes, stop making mortgage payments, milk whatever benefits they can get from it through tax writeoffs, and finally walk away from an abandoned hulk.

One new tool for coping with this disastrous cycle is section 223(f) of the National Housing Act, which I signed into law in the Housing and Community Development Act of 1974. The purpose of this new section was to use FHA mortgage insurance leverage to break the pattern of short-term, high interest, non-institution financing in older, declining urban areas. By permitting the reduction of debt service burdens through a stretchout of term and normal institutional interest rates, 223(f) financing can create enough net cash flow to finance needed maintenance and repairs.



It can help the owner retain his expectations of financial success. It can help the mortgagee salvage the bulk of the outstanding debt by preserving the economic viability of the structure, although perhaps not at the level of value anticipated when the mortgage was first made.

As of the end of August, some 29 projects involving 4511 dwelling units had been refinanced under §223(f). Another 243 applications involving over 41,000 units were in the pipeline. I have instructed Secretary Hills to expedite the processing of 223(f) applications in general, and especially so when the property is in an area where a NHS program, community development corporation, or other effective neighborhood-controlled renewal effort is under way.

4. FHA Reinsurance of Private Rehabilitation Loan Pools

In numerous cities, including those with NHS programs, local lending institutions have cooperated to pool home improvement loan risks. In Washington, for example, the 16 savings and loan associations operating in the District took an initiative as early as 1972 to create a program called SAFE - Savings Associations Financial Enterprises. SAFE makes construction loans on new and rehab properties, and arranges a long term mortgage takeout by one of its member firms. It has worked closely with the Washington NHS program.

The idea of the pooled risk approach to rehab and construction loans, initiated and spearheaded by private lending institutions in cooperation with city governments and neighborhood organization



is an idea which deserves strong support.

I will propose to the next Congress the enactment of legislation authorizing HUD reinsurance of the reserve funds of private mortgage insurance companies which agree to coinsure the risk pools established by city government, lending industry associations or neighborhood organizations. Under this demonstration program, a city government or an association of lending institutions would establish a pooled risk loan program to make rehab and improvement loans in a neighborhood where an NHS, CDC, or other strong neighborhood-controlled renewal effort is under way. A private mortgage insurance company would bid for the privilege of coinsuring all loan pools in a region. HUD would then contract to reinsure the private mortgage insurance company's reserve fund against excessive losses. This process is quite similar to that under the Wisconsin Indemnity Fund Act, which has been tried and found effective.

Instead of putting the Federal government up front, it puts the Federal government at the back of the line and allows the private sector to take the initiative. The private sector would accept normal losses at the first and second levels; the Federal government would be responsible for losses only where they were unexpectedly excessive. Frankly, by limiting this reinsurance program to areas featuring a strong neighborhood-based renewal program, I have very little concern that the Federal government would have any significant exposure. This three-tier insurance mechanism minimizes Federal intrusion, but it will give new confidence to the private sector by guarding their funds against



wholly unexpected levels of risk.

5. Home Mortgage Disclosure Act

Last year Congress passed and I signed into law the Home Mortgage Disclosure Act. This act requires lending institutions to report the number and amount of originated and purchased real estate loans by zip code or census tract. This information, the first of which was made public on September 30, is important to neighborhood organizations and depositors, for it will let them know whether the lending institutions they patronize are in turn reinvesting in their neighborhoods, or investing the money elsewhere.

With that information, neighborhood residents and depositors can negotiate with the lending institutions on behalf of reinvestment in the area. If the institution is adamantly opposed to reinvestment of a reasonable portion of its assets in the affected neighborhood, the depositors have every right in a free enterprise system to withdraw their funds and deposit them in another institution whose lending policies are more to their liking. In an extreme case, they might even seek to establish a new lending institution to fill a market gap.

I approved this legislation because it makes important information available to consumers and depositors, who can make decisions in their own economic self-interest. I will urge that the information required to be disclosed be made public by census tract, instead of by the larger zip code areas, just as soon as it is administratively feasible.

Many critics of red-lining have urged mandatory credit



allocation policies, to force lending institutions to reinvest in declining neighborhoods. I have opposed that prescription in the past and I remain strongly opposed to it today. Such a politically inspired mandate would seriously interfere with the lending obligations of the management of a lending institution to stockholders or despositors. For - and this is a fact we must fact - forced lending in some urban areas is simply not fiscally sound. It would vitiate the judgment of the firm's management, which is obliged to seek a fair return for its investors and despositors. It could quite possibly lead to the destruction of the private lending industry as we know it.

Rather than forcing lending institutions to make loans in areas where the prospect of repayment is weak, I advocate providing a competitive reward to those lending institutions which show faith in the capacity of community leaders and local government to upgrade the economic soundness of a neighborhood. I have requested the Chairmen of the Federal Home Loan Bank Board and the Federal Reserve Board to explore a discount rate reduction for lending institutions based on the portion of their assets invested in neighborhoods where a citizen-controlled improvement effort is underway. Under such a plan lending institutions which are working actively to reverse decline in urban neighborhoods would gain the benefit of perhaps as much as a one percentage point lower cost in discounting loans at the Federal Reserve or at the Home Loan Bank, as the case may be.

In addition, I have asked the Government National Mortgage Association to explore with private lending institutions the



possibilities for devising a streamlined packaging plan for assembled mortgages originating in NHS or similar program areas for sale on the private market as mortgage backed securities. The more efficiently that cooperating lending institutions can turn over mortgage loans, the more eager they will be to so use their available resources to promote neighborhood revitalization objectives. Depending on the recommendations produced, I plan to support one or both of these incentives.

6. Urban Homesteading

The rapid growth in HUD's inventory of foreclosed properties in the early 70's has stimulated the creation of an urban homesteading program. Under this program, a family willing to rehabilitate its own unit can obtain a vacant building from HUD. The participating city government supplies a subsidized rehab loan. If the family renovates the unit to code requirements and lives in it for a specified length of time, the title passes free and clear for a nominal sum. In many ways this parallels the earlier Homestead Act of 1862, through which the Federal government disposed of millions of acres of its public land inventory to aspiring farmers who agreed to clear it and bring it into production. The urban homestead program similarly seeks to expand home ownership, a key ingredient in preserving urban neighborhoods.

Twenty three cities selected in a national competition in 1975 are now participating in urban homesteading demonstrations. HUD is awarding \$5 million in rehab loan funds and another \$5 million in properties, and the cities are adding \$40 million in city funds.



I now propose to triple the HUD contribution to the urban homesteading program so that it can expand in present and in additional cities. I will recommend a HUD commitment of \$15 million in both FY 77 and FY 78 for this purpose.

7. Restoring Abandoned HUD-Owned Properties

In addition to the Urban Homesteading effort, I will recommend a nation wide cooperative effort between HUD, the Small Business Administration, and the Office of Minority Business Enterprise to get HUD-owned abandoned homes back on the housing market, again with preference to those neighborhoods where citizen-controlled grass-roots revitalization is under way.

HUD has long had certain procedures for liquidating its inventory of repossessed homes and apartments. Those procedures require bidding by qualified contractors who undertake to restore the units to habitability. To be a qualified contractor, rather stringent bonding, insurance and other requirements must be met.

The problem seems to be that many of the HUD owned properties are in minority areas of the cities, while the great majority of qualifying contractors are established white-owned firms which can readily meet the bonding and insurance requirements. These white-owned firms are reluctant to bid on rehab jobs in minority neighborhoods for reasons of vandalism, theft, and possible bodily harm. Minority contractors, who are eager for the work, are relatively small and have difficulty meeting the HUD qualifications.

Recently HUD and SBA have made a breakthrough to solve this apparent impasse. SBS is empowered by law to contract with other federal agencies, like HUD, and in turn subcontract to small businesses. SBS also has authority to obtain bonding and financing



for small businesses until they attain enough stature to stand alone. Thus SBS can contract with HUD to rehabilitate the buildings then subcontract the work to minority contractors while assisting them to meet the bonding and insurance requirements.

It is now time to expand this creative partnership from the cities where it has been used to all cities where HUD owns repossessed units in minority neighborhoods. I have instructed the Secretary of HUD and the Small Business Administrator to make sure that every district office of their respective organization is provided with detailed legal and administrative information on making this collaboration effective. I have further directed the Office of Minority Business Enterprise to inform its many local business development organizations about the possibilities for new jobs for minority contractors. This kind of creative interaction, I am convinced, do much to put an end to the blight of HUD-owned abandoned properties which threaten to draw down aspiring neighborhoods unless repaired and inhabited, and to increase the number of home owners.

8. New Foreclosure Procedures in Federally Insured Mortgages

One serious problem faced by HUD in disposing of foreclosed properties is obtaining clear title under state laws. Often this process may drag on for years. In the meantime no purchase can be concluded, and the abandoned hulk may be reduced to rubble. The continual existence of abandoned buildings can do as much as any single factor to discourage citizen initiative in rebuilding their own neighborhoods.

The ultimate solution to this problem lies in creative changes in state laws. Until such changes can be produced, however,



quick, effective, nonjudicial foreclosure in all mortgages insured, guaranteed, or owned by any agency of the United States. Under such a procedure, contractual provisions would be written into the mortgage agreement whereby all parties agreed to an expedited process in case of a default sufficient to cause foreclosure. Such a provision would allow an independent foreclosure commissioner to carry out the foreclosure -- once all forbearance procedures are exhausted -- and deliver to the subsequent purchaser a title free of all claims by mortgagor, mortgagee and other claiming through them. The mortgagor would waive any right to a redemption period under state law. To the extent legally possible and equitable, I would urge that this provision be incorporated in all existing mortgages in which there is a Federal involvement, where the mortgage is not currently in foreclosure. Legislation to effect these changes was proposed to the Congress in 1973 but not acted upon. I will urge its enactment in 1977.

9. Repair of Defects in FHA Insured Properties

Under section 518(b) of the National Housing Act, the Secretary of HUD is authorized to correct serious structural defects that appear in FHA-insured homes within a year after the insurance commitment is made, if the defect is one which normally diligent inspection should have uncovered. Congress passed this section in 1974 because thousands of buyers of FHA-insured central city homes had discovered that their new dwellings had serious structural defects which FHA had failed to detect when issuing the insurance.

When a home buyer buys a home which has been approved for a long term mortgage by a federal agency supposedly expert in such



matters, it seems to me that he has some right to believe that what he is getting is sturdy enough to last as long as the mortgage. When within a year the house threatens to collapse, he has a right to some redress from the agency that collaborated in leading him down the primrose path. This is why section 518(b) was enacted, with my support.'

It turns out, however, that something over 80% of the claims made to HUD under section 518(b) are rejected. Many of them perhaps even a majority of them, are not compensable claims under the terms of the law. But there is certainly a suspicion afoot in the land that the HUD officials which make decisions about compensation have little incentive to look at complaints from the homeowner's point of view. Like all other officials of the government, they are under pressure to hold down costs to the government. In addition, it is difficult for an official of any agency to sign his name to a statement suggesting that he agency made a mistake.

I do not want to hand out millions of dollars to claimants who do not have an honest case. But on the other hand, I do not see how citizens can have much faith in a processing system where the judge is asked to rule against himself and pay the fine from his own pocket. That is the system we have now. I recommend that it be changed.

I have instructed the Secretary of HUD to develop as quickly as possible a procedure for independent arbitration of §513(b) claims. The HUD city director and an appropriate neighborhood organization would each be asked to name arbitrators who would together select a third panelist from a list of disinterested



professionals compiled by a local bar, architect, or contractor association. Citizen claims under §518(b) would then be settled in an impartial manner. To this every citizen is entitled. It may cost the Federal government slightly more in awards, but justice demands that it be done.

10. Tax Law Changes

I will also propose three important tax law changes to the next Congress, aimed at facilitating neighborhood revitalization efforts. While the many details remain to be worked out, the broad outlines are relatively clear.

When a rundown structure is rehabilitated, the cost of improvements must be capitalized over the expected remaining life of the building. I will propose an accelerated five year writeoff of all qualifying improvements to structures located in areas in which qualifying neighborhood revitalization programs are under way. This fast writeoff will decrease the owner's tax burden, thus increasing the building's cash flow and encouraging renovation and good maintenance.

In the case of homeowners, in qualifying areas, I will propose a small but significant refundable tax credit to encourage owner rehabilitation. The actual language of the tax revisions will have to be carefully designed to guard against abuse and to ensure that lower income homeowners have full opportunity to claim the benefits.

As a third tax change, I will recommend that whenever the owner of existing rental housing on which accelerated depreciation has been taken deeds that building to a local NHS,



CDC or similar organization there will be little or no recapture of accelerated depreciation benefits upon the transfer. This provision will encourage owners of declining buildings to donate those buildings to a neighborhood-based renewal organization rather than to squeeze out the last dollar and then walk away. Both of the provisions will, incidentally, give owners of neighborhood housing a considerable incentive to promote a strong neighborhood organization so that the benefits of these provisions may become available.

11. Law Enforcement Assistance

The Law Enforcement Assistance Administration was created by Congress in 1968 as part of the war against crime. Over the years LEAA has channeled billions of dollars to state and local law enforcement agencies and to the courts and corrections systems. I have asked that this program be extended for five additional years at \$1.2 billion per year.

While LEAA has achieved much of value in its efforts to bolster these state and local agencies, it has to date exhibited little initiative in stimulating citizen programs to make neighborhoods safe. While I continue to believe that there should be an emphasis on technology and on cooperation with state and local public officials, I do not think that emphasis on technology and on cooperation with state and local public officials, I do not think that emphasis should be exclusive.

I have instructed the Administrator of LEAA to allocate up to \$15 million of the discretionary funds in the agency's FY 77 budget to support neighborhood based anti-crime programs. Many efforts have been undertaken with local and nongovernmental



support across the country. In numerous cases they have been very effective in reassuring neighborhood residents that their neighborhood will continue to be a relatively safe place in which to live. Once again, I will ask that these funds be allocated preferentially to neighborhood organizations where strong efforts are under way to arrest decline and improve the quality of life.

12. National Commission on Neighborhoods

The Senate recently passed a bill, authored by Senator Proxmire with the strong support of neighborhood groups across the country, to create a national commission on neighborhoods. Unfortunately, this bill died in the House in last month's rush to adjournment. While the program I offer today seeks to lay a basis for a long-overdue national neighborhood policy, much more work needs to be done. It is only right that people from neighborhood organizations have a strong voice in helping to shape the policies that so directly affect their lives and properties. I thus welcome inclusion of spokespersons from neighborhood organizations as members of the proposed commission, and I will join with Senator Proxmire and others in securing its enactment early in the 95th Congress.

* * * * *

For six years following the passage of the landmark Housing and Urban Development Act of 1968 those responsible for national housing policy focussed almost exclusively on creating sufficient new housing units to meet a challenging national goal. In 1974 Congress began to take a second look. And it saw that in the rush to run up a "body count" of housing we had begun to lose sight of the fact that human beings do not live in "units." They live in neighborhoods. They live amidst their schools, churches,



commercial districts, and recreation centers. They are flesh and blood people, not dry statistics.

And so in 1974 Congress added to the 1968 declaration of national housing policy two new and important findings.

Congress found that "policies designed to contribute to the achievement of the national housing goal have not directed sufficient attention and resources to the preservation of existing housing and neighborhoods." Congress found that the progress toward new housing construction has been in large measure offset by the disintegration of the housing stock and the quality of life in existing urban neighborhoods. And Congress declared that renewed attention must be given to saving our existing neighborhoods as we continue to encourage new housing construction.

I support that declaration of the Congress. It is time to restore the focus of our national housing efforts to the local human scale, the scale that human beings can understand and cope with, the scale of the church, fraternal lodge, church congregation and block club; the scale of the neighborhood lending institution deeply concerned with the future of the neighborhood it serves. It is activity on this small, human scale that creates the fabric of community, and the framework for meaningful liberty.

With this new emphasis I wholeheartedly agree. And today, to the people of North Philly and East Boston, of Federal Hill and East L.A., of Seco and The Hill, and to all the people of our cities whose energies and talents must now be unleashed if our cities are to bloom once again, I say that our slogan must be - Neighborhoods First!



Urban

Reichley
10/20/76

Response by President Ford to the Report of the President's Committee on Urban Development and Neighborhood Revitalization

I welcome this report from Secretary Hills and the President's Committee on Urban Development and Neighborhood Revitalization.

This report, which I have already gone over, reflects a realistic, common sense, practical approach to the urban condition in present-day America. It is straight talk -- not vague or empty political promises.

The report clearly sets forth the social and economic problems that now afflict some of our older cities, such as crime and the fear of crime, above average unemployment, overcrowded schools, and deteriorating housing.

But the conclusion of the report is optimistic. Secretary Hills and her colleagues found that:

- There is a dynamic spirit of self-help at work in practically all American cities.
- The people of the cities are self-reliant and eager to come to grips with their own problems.
- Their leaders, for the most part, are looking for help in developing local solutions -- not for political promises of magic remedies from Washington.

Since I took office two years ago, my Administration has pursued a clear national urban policy: To provide cities and their neighborhoods with the help they need, within the limits of fiscal prudence, to solve their own problems and manage their own growth and progress. This policy is based on my belief that government should be kept as close as possible to the people, and that local officials understand local problems better than distant Federal bureaucrats.

Let me mention just a few of the elements in my Administration's urban strategy:

- ✓ -- General Revenue Sharing -- the most important program of Federal assistance to local governments in American history.



- ✓ -- The Housing and Community Development Act of 1974 -- the first major legislation I signed after I became President. Through this Act we have provided more than one million new and renovated homes for American families. And we are giving more than \$3 billion each year for aid in community development, which the cities administer themselves.
- ✓ -- Our working partnership with State and local governments to provide efficient mass transportation for all our cities.
- My war against crime, to help make the streets and homes of every American community safe for all its people.
- My job creation program for areas of chronic high unemployment, which will bring special help to most of our cities -- a program which Congress unfortunately has so far failed to pass.
- Our \$3.3 billion Federal aid to education program, which will give each school district freedom to use Federal funds in ways that best meet its particular problems and needs.

The report of the Committee on Urban Development and Neighborhood Revitalization recommends a number of innovative additions to our overall urban strategy.

Among these are:

- Bringing together all Federal housing assistance programs into a single block grant program, to be administered by the cities themselves -- as we have already done with community development.
- Urban Surface Transportation Block Grants, which would bring together all highway and transit assistance programs into a single block grant.
- Tax incentives to homeowners to invest in the preservation and improvement of existing housing in central cities.
- Development of cooperative approaches by government and the private sector to increase employment opportunities for inner-city youth.



- Nonjudicial foreclosure of abandoned structures in central cities -- a way to clean out abandoned buildings which now tend to be targets for vandalism and to become havens for drug addicts.
- Expansion of our Homesteading Program, under which homes are now being made available to families that will rehabilitate them and use them in 23 cities.

All of these proposals will be carefully studied by my Administration and by me, and some will undoubtedly be included in my legislative program next year.

But I wish to reemphasize the central conclusion of this report -- the salvation of the cities lies in the cities themselves. All the Federal government can do is to help. This we are more than eager to do -- are doing, and will continue to do more.

I am deeply gratified that Secretary Hills and her colleagues have found -- as I have found in my travels around the country -- that the people of our cities are determined and eager to get on with the job.



Reichley
10/20/76

Statement by JFH President

Response by President Ford to the Report of the President's
Committee on Urban Development and Neighborhood Revitalization

Body Issue Number 0

I welcome this report from Secretary Hills and the President's
Committee on Urban Development and Neighborhood Revitalization.

action is expected in July. We are making that report

TK

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THE WHITE HOUSE

WASHINGTON

October 20, 1976

MEMORANDUM FOR JAMES CANNON

FROM: ROGER B. PORTER *RBP*

SUBJECT: Committee on Urban Development and
Neighborhood Revitalization

Mitchell Kobelinski of the Small Business Administration is aware of the President's Committee on Urban Development and Neighborhood Revitalization. He thought the attached might be of interest to you.

Attachment

FACT SHEET

SBA Neighborhood Revitalization

The National Urban Neighborhood Revitalization Program - a new initiative by SBA - began in August with a demonstration project to stimulate neighborhood commercial and industrial revitalization in older stable urban areas of a dozen target cities, including: Providence, Rhode Island; New York; Buffalo; Philadelphia; Pittsburgh; Chicago; Cleveland; Indianapolis; St. Louis; Denver; San Francisco; and Oakland.

Administrator Kobelinski is visiting target cities to energize the program publicly in cooperation with local officials, neighborhood leaders, small business owners, and leaders of the financial institutions. The SBA has contracted for technical expertise for the program from the National Development Council and the National Center for Urban Ethnic Affairs.

The Urban Neighborhood Revitalization Program has met with favorable reaction, substantial interest, and significant participation by neighborhood commercial business owners, local officials, and neighborhood groups. Results since the August initiation show that 92 initial loan applications have been made by individual business concerns in 41 neighborhoods in 12 cities, with a total revitalization financing potential (public/private) of \$23 million. The program seeks to leverage a multiple of 3 to 4 dollars of private investment in the individual loan transactions, with maximum possible

utilization of loan guaranty authority rather than direct government loans. Cooperative SBA - local activity in the dozen target cities also includes the formation of 46 Local Development Companies which serve as the financing mechanism for much of the revitalization endeavor.

Our goal is to provide long term investment dollars for urban neighborhoods. SBA will be emphasizing the use of private sector financing under the umbrella of SBA guarantees, and local initiatives through leadership coming from neighborhoods and from Local Development Companies incorporated specifically to stimulate commercial and industrial reinvestment in urban neighborhoods. SBA has several major economic development tools specifically designed to provide long term fixed asset financing-land, building, machinery and equipment, as well as working capital.

The Small Business Administration will be making Urban Neighborhood Revitalization one of its top priorities during Fiscal Year 1977. SBA's ultimate goal is to stimulate private financing into urban neighborhoods in all major cities across the country. SBA's short-term goal is to stimulate long-term commercial and industrial financing in urban neighborhoods at an annual rate of \$250 million by September 30, 1977.

O'Neill

DRAFT
10/19/76
7:30 p.m.

File

Sotnick

in response

Response by President Ford to the Report of the President's
Committee on Urban Development and Neighborhood Revitalization

1 I welcome the report from Secretary Hills and the President's
Commission on Urban Development and Neighborhood Revitalization.

2 This report reflects a realistic, common sense, practical ^{assessment} ~~approach~~
of the urban condition. It is straight talk -- ~~and~~ not empty
~~elusive~~ political promises.

3 This report clearly shows that the plight of many older
~~American~~ cities ~~today~~ results from a combination of complex and
inter-related forces: not enough jobs, too many poor people,
~~and~~ ^{and} crime and the fear of crime, deteriorating housing and property
^{INSERT} ~~values,~~ ^{A+B} ~~inadequate schools, rising costs, declining public~~
~~services, congested traffic and overcrowded mass transportation,~~
~~and too often, lack of local political leadership.~~

But this report also shows:

- ~~That~~ there is hope, confidence and a will to
succeed in American cities.
- ~~That~~ what the people of the cities want is individual
opportunity and economic stability -- not a Federal
handout.
- ~~That~~ what their leaders want is the chance and the
resources to bring about their own revitalization and
growth -- and not political promises of magic
solutions from Washington.



My Administration, from its beginning, has followed a clear national urban policy: to provide the cities and their neighborhoods throughout the land with opportunity, flexibility, incentives and a fair share of Federal resources to solve their own problems and manage their own growth and progress. This policy is based on the principle that the best government is that government closest to the people.

7

To carry out this policy, here are some of the things this Administration has done and will continue to do:

8

1. General Revenue Sharing. This is the most important program of Federal assistance to local governments in American history. Since 1972 we have returned to cities, counties, towns, communities and states 30.2 billion dollars to assist the people in meeting public needs. This program has already immensely helped our cities, and the General Revenue Sharing extension which I signed last week will provide 25.6 billion dollars more for these purposes *over the next 3 3/4 years*

9

2. Community Development. The first major legislation I signed as President was the Housing and Community Development Act of 1974. *3, Housing* ~~Through this Act we have provided more than one million new and renovated homes for American families.~~ *INSERT E* My goal is a home for every American family *in a safe and clean environment* ~~that wants to own a home and is willing to work and save for it.~~ To reach that goal, I will continue economic policies *to drop* ~~that hold inflation~~ *down* *will allow* ~~down, reduce~~ interest rates *to drop* and make more funds available *INSERT D* for home mortgages. *3, Housing* ~~In addition, I will recommend changes to~~

~~reduce down payments and monthly payments on lower and middle price houses.~~

10 3. Transportation. There must be swift and convenient transportation within and into our cities and communities. ~~In the last two years,~~ We have provided several billion dollars in Federal funds as our part in the working partnership with State and local governments to provide urban transportation.

11 4. Crime. I am determined to lead a Federal, State, local and community effort to make the streets and home of America safe for every man, woman and child. We must get the career criminals off the streets and into jails. We can do this with the certain sentences for Federal crimes I have proposed to Congress as a model for State and local governments. One of my top priorities in the first 100 days of the new term will be to rally all America behind Federal anticrime legislation.

12 5. Jobs. I am dedicated to the principle that every American who wants a job should have a job. ~~We have trained~~ ^{of have been trained} Millions Americans through the CETA Program and other Federal programs; but we need to do more. Last January I proposed a job creation program in high unemployment areas, but Congress failed to act. ^{we must also find a way} ~~I shall propose to the next Congress~~ ~~a program to provide for young Americans the training and experience they need to practice a trade or a craft or a~~ ~~practical business skill.~~ } We must put all of America to work. *Atch*



6. Education. The goal of my Administration is a quality education for every young American. We need reforms in Federal and State education procedures to make certain that teachers can spend more time teaching instead of filling out government forms. We need diversity and competition in education. We need to preserve our non-public schools and to make our public schools better.

g. ^{Vigorous} ~~Stable~~ Economy. Most of all, our cities and neighborhoods need ^{Strong and growing} a national economy, a healthy growth in useful productive jobs in private industry, and control of inflation. I will continue my commitment to combat inflation, to restore an orderly steady growth to the American economy.

~~All of the resources of government combined are not enough to solve our urban problems. We need good leadership -- good mayors, good city councilmen, dedicated public servants who will put principle above politics, whatever their political party. The private sector must be the major participant, and a stable economy is the best way to encourage business and industry involvement.~~

Finally, our cities and their neighborhoods will not flourish nor fail because of what we do for them in Washington. Their success depends on what the people in the cities, and their leaders, do for themselves. They are succeeding and will continue to do so as long as honest and realistic solutions are arrived at locally, and supported nationally. I intend to see that this support is applied with wisdom, imagination and prudence, but, above all, with a conviction that our cities are irreplaceable resources which shall never be abandoned.

Inserts

(3) A. These basic problems, in turn, have brought about declines in local public services resulting in inadequate schools, congested traffic and overcrowded mass transportation.

B. In many cases, conflicting and inconsistent Federal ~~and state~~ ^{and local} programs, have contributed to the plight of cities by undermining effective local political leadership.

C. Through this Act, we have provided \$8.6 billion in block grants to American communities for use as they see fit in meeting their local community development needs.

D. and restrain pressures for increases in housing costs. ^{sharp upsurge in housing starts last month as well as by the} Further evidence that these policies are succeeding is provided by the recently announced reduction in the interest rate on mortgage loans insured or guaranteed by the Federal Government. This rate is now lower than it has been since ~~June 30, 1973~~ ^{April 1975} making it easier for middle-income families to become homeowners. I have also recommended reductions in downpayment requirements on FHA-insured loans.



DRAFT
10/20/76
6:00 p.m.

Statement by President Ford in response to the Report of the
President's Committee on Urban Development and Neighborhood
Revitalization:

I welcome the report from Secretary Hills and the President's Committee on Urban Development and Neighborhood Revitalization. This report reflects a realistic, common sense, practical assessment of the urban condition.

It is straight talk -- not vague or empty political promises.

This report clearly shows that the plight of many older cities results from a combination of complex and inter-related forces: not enough jobs, ~~for~~ many poor people, crime and the fear of crime and deteriorating housing and property values. These basic problems, in turn, have brought about declines in local public services resulting in inadequate schools, congested traffic and overcrowded mass transportation. In many cases, conflicting Federal and State programs and red tape have contributed to the plight of cities by undermining effective local political leadership.

But the conclusion of the report is optimistic. Secretary Hills and her colleagues found that:

- There is a dynamic spirit of self-help at work in practically all American cities.

- The people of the cities are self-reliant and eager to come to grips with their own problems.
- Their leaders, for the most part, are looking for help in developing local solutions -- not for political promises of magic remedies from Washington.
- The people of urban neighborhoods are taking the initiative in solving their own problems under their own control.

Secretary Hills's report recommends ways we can better utilize the billions of dollars the Federal government invests in the cities each year. We will carefully study these proposals and include some of these recommendations in my legislative program to the new Congress.

Since I took office two years ago, my Administration has followed a clear urban policy: to provide the cities and their neighborhoods a fair share of Federal resources and the opportunity and flexibility to solve their own problems and manage their own growth and progress.

To carry out this policy, here are some of the things this Administration has done and will continue to do:

1. General Revenue Sharing. This is the most important program of Federal assistance to local governments in American history. Since 1972 we have returned to cities, counties, towns, communities and states \$30.2 billion to assist the

people in meeting public needs. This program has already immensely helped our cities, and the General Revenue Sharing extension which I signed last week will provide \$25.6 billion more for these purposes over the next 3 3/4 years.

2. Community Development. The first major legislation I signed as President was the Housing and Community Development Act of 1974. Through this Act we have provided \$8.6 billion in block grants to American communities for use as they see fit in meeting their local community development needs.

3. Housing. My goal is a home for every American family in a safe and clean environment. To reach that goal, I will continue economic policies to hold down inflation, ~~that will~~ allow interest rates to drop, and restrain pressures for increases in housing costs. Further evidence that these policies are succeeding is provided by the recently announced reduction in the interest rate on mortgage loans insured or guaranteed by the Federal Government. This rate is now lower than it has been since April 1975, making it easier for middle-income families to become homeowners. I have also recommended reductions in downpayment requirements on FHA-insured loans.

4. Transportation. There must be swift and convenient transportation within and into our cities and communities.

We have provided several billion dollars in Federal funds as our part in the working partnership with State and local governments to provide urban transportation.

5. Crime. I am determined to lead a Federal, State, local and community effort to make the streets and homes of America safe for every man, woman and child. We must get the career criminals off the streets and into jails. We can do this with the certain sentences for Federal crimes I have proposed to Congress as a model for State and local governments. One of my top priorities in the first 100 days of the new term will be to rally all America behind Federal anticrime legislation.

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9. Vigorous Economy. Most of all, our cities and neighborhoods need a strong and growing economy, a healthy growth in useful productive jobs in private industry, and control of inflation. I will continue my commitment to combat inflation, to restore an orderly steady growth to the American economy.

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will continue to do so as long as honest and realistic solutions are arrived at locally, and supported nationally. I intend to see that this support is applied with wisdom, imagination and prudence, but, above all, with a conviction that our cities are irreplaceable resources which shall never be abandoned.

THE WHITE HOUSE

WASHINGTON

September 10, 1976

MEMORANDUM FOR: JIM CANNON
ART QUERN

FROM: NORM HURD
DEAN OVERMAN
JANET BROWN

SUBJECT: Highlights of "Financial Environment
Indicators for City Governments"
(Prepared by the Census Bureau for the
Domestic Council, May-August, 1976)

PURPOSE OF MEMORANDUM

The purpose of this memorandum is to summarize briefly the highlights of "Financial Environment Indicators for City Governments," which was prepared by the Census Bureau for the Domestic Council.

The Census Report consists of a 36-page narrative statement plus seven statistical appendices totaling more than 100 pages.

OBJECTIVE OF STUDY

This Report was prepared by the Census Bureau at the request of the Domestic Council to:

1. ~~Describe the basic statistical information available on economic, demographic and financial aspects of cities;~~
2. Explore the possibility of ~~assembling~~ ~~this information into a useable form for examining the fiscal condition of cities to determine, if possible,:~~
 - a. ~~Basic causes of fiscal stress~~
 - b. ~~Probable trends in financial health~~
 - c. ~~Alternatives for alleviating fiscal problems,~~

METHODS USED

The Bureau completed the following steps:

- (1) ~~Reviewed pertinent literature,~~
- (2) ~~Assembled available statistical information for 22 cities of various size and location,~~



- (3) Through ~~correlation analysis, selected 33 key indicators of fiscal health and performed basic calculations of pertinent ratios and percentages,~~
- (4) Prepared ~~narrative descriptions~~ of the finances and related factors of ~~five "typical" cities~~ (Appendix E), and,
- (5) Briefly outlined a ~~proposal for intensive case studies of six to twelve cities.~~

MAJOR FINDINGS (pp. 2-4 and 32-36)

Among the major ~~findings~~ were the following:

1. A ~~significant amount of pertinent statistical information is available~~ on major factors affecting city finances.
2. Although most of the available data were obtained for other purposes, it is ~~adaptable~~ for use in studying city financial problems.
3. Use of this statistical information, at best, can ~~provide only a general indication of financial stress.~~
4. In most cities, ~~increasing interest costs~~ apparently are ~~not important~~ factors in financial strain.
5. ~~Increasing employee benefits~~ -- and especially pensions -- are one of the ~~major reasons~~ for steadily mounting total city expenditures.
6. In order to complete a more thorough analysis of city financial strain, ~~additional statistical information should be obtained~~ on a regular basis. (See p. 34 of the Report).
7. The ~~exact degree~~ of financial strain of a particular city ~~or a prediction~~ of future strain ~~cannot be determined~~ from the available statistical information.

SUMMARY

The study has been a highly educational one for all participants in the Census Bureau and the Domestic Council.

It provides an excellent basis for assessing further work in this field and allows us to prepare an outline delineating the future course of this project on State and local government finances.



DRAFT
10/20/76
6:00 p.m.

Statement by President Ford in response to the Report of the President's Committee on Urban Development and Neighborhood Revitalization:

I welcome the report from Secretary Hills and the President's Committee on Urban Development and Neighborhood Revitalization. This report reflects a realistic, common sense, practical assessment of the urban condition.

It is straight talk -- not vague or empty political promises.

This report clearly shows that the plight of many older cities results from a combination of complex and inter-related forces: not enough jobs, too many poor people, crime and the fear of crime and deteriorating housing and property values. These basic problems, in turn, have brought about declines in local public services resulting in adequate schools, congested traffic and overcrowded mass transportation. In many cases, conflicting and inconsistent Federal and State programs and red tape have contributed to the plight of cities by undermining effective local political leadership.

But the conclusion of the report is optimistic. Secretary Hills and her colleagues found that:

-- There is a dynamic spirit of self-help at work in practically all American cities.

R. FORD

- The people of the cities are self-reliant and eager to come to grips with their own problems.
- Their leaders, for the most part, are looking for help in developing local solutions -- not for political promises of magic remedies from Washington.
- The people of urban neighborhoods are taking initiative in solving their own problems under their own control.

Secretary Hills's report recommends ways we can better utilize the billions of dollars the Federal government invests in the cities each year. We will carefully study these proposals and include some of these recommendations in my legislative program to the new Congress.

Since I took office two years ago, my Administration has followed a clear urban policy: to provide the cities and their neighborhoods a fair share of Federal resources and the opportunity and flexibility to solve their own problems and manage their own growth and progress.

To carry out this policy, here are some of the things this Administration has done and will continue to do:

1. General Revenue Sharing. This is the most important program of Federal assistance to local governments in American history. Since 1972 we have returned to cities, counties, towns, communities and states \$30.2 billion to assist the

people in meeting public needs. This program has already immensely helped our cities, and the General Revenue Sharing extension which I signed last week will provide \$25.6 billion more for these purposes over the next 3 3/4 years.

2. Community Development. The first major legislation I signed as President was the Housing and Community Development Act of 1974. Through this Act, we have provided \$8.6 billion in block grants to American communities for use as they see fit in meeting their local community development needs.

3. Housing. My goal is a home for every American family in a safe and clean environment. To reach that goal, I will continue economic policies to hold down inflation, that will allow interest rates to drop, and restrain pressures for increases in housing costs. Further evidence that these policies are succeeding is provided by the recently announced reduction in the interest rate on mortgage loans insured or guaranteed by the Federal Government. This rate is now lower than it has been since April 1975, making it easier for middle-income families to become homeowners. I have also recommended reductions in downpayment requirements on FHA-insured loans.

4. Transportation. There must be swift and convenient transportation within and into our cities and communities.

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