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[Oct. 1976]

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

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

Attached for your review is an executive summary of the interim report of the President's Committee on Urban Development and Neighborhood Revitalization. A copy of the full report is at Tab A.

The report incorporates the changes agreed to in your meeting with the Committee last Sunday. It has been cleared by OMB, Bill Siedman, Bob Hartmann's office, and the Domestic Council.

At Tab B is a draft Presidential response to the report.

Attachments



[Oct. 1976]

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This report is a direct result of a White House meeting held last May that included city officials and neighborhood and community leaders from around the country, all of whom are concerned about the revitalization of our cities and their neighborhoods.

Secretary Hills and her colleagues recommend positive steps toward consolidating and improving Federal programs and involving citizens in local decision making.

The people of many of our nation's urban neighborhoods, and their elected officials, have taken the initiative in solving the problems of neighborhood revitalization.

Our best course of action in the future is to provide as much support as possible for responsible community and neighborhood leaders to preserve and improve the quality of life in our nation's neighborhoods.

Secretary Hills . . .



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[Oct. 1976]

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

President Ford created the Committee on Urban Development and Neighborhood Revitalization on June 30, 1976, stating a concern that "...the cities of this nation and the neighborhoods which are their backbone today face increasingly difficult problems of decay and decline." In the intervening months, members of the Committee have visited large and small cities in different parts of the country. We have talked with city officials, civic leaders, businessmen, neighborhood group leaders and individual citizens about their neighborhoods and their cities.

The Committee found that many urban areas have had difficulty in dealing with losses of jobs and industry, problems of racial tension, issues of crime and educational policy. But we also found many hopeful signs for the Nation's cities. With greater flexibility in the use of Federal assistance, many cities have taken innovative and effective steps to deal with their problems.

This interim report is a statement of the Committee's progress to date. It is not intended to provide a total strategy to solve the very complex problems of our urban areas. Rather, the report sums up the Committee's initial observations, assesses some of the Federal policies and programs which most directly affect the cities, states a set of principles for future Federal urban policy and sets forth preliminary recommendations. Finally, this interim report sets out an agenda for moving towards national urban policy reform.

The Committee does not recommend massive new Federal assistance to the cities. The Committee believes that if spending programs are properly coordinated and targeted to real needs, the billions of Federal dollars now being spent on domestic programs will more effectively help the cities. In contrast, new outlays, which mean either higher taxes on wage earners or a new inflationary spiral, could exacerbate the urban crisis.

The Committee's interim report articulates the following set of principles to guide Federal urban policy:

- The preservation of the Nation's housing stock, the restoration of the vitality of its urban neighborhoods, and the promotion of healthy economic development for its central cities must become a national priority, to be met by a creative partnership between the public and private sectors.



- Federal resources must be targeted to the areas of greatest need, recognizing the disproportionate social and economic burdens borne by individual communities or classes of citizens.
- The delivery of Federal assistance to urban areas must be made more efficient. The Committee recommends expansion of the use of block grants in providing Federal assistance to urban areas, because block grants are more efficient, more responsive to local needs, and ultimately more democratic methods of aiding the cities than the massive categorical programs of the 1950's and 1960's.
- In moving towards block grants, electoral responsibility for the use of Federal funds must be established, citizen participation and a role for neighborhood groups must be assured, the rights of minorities must be protected, and the capacity of local and state governments to administer their block grants should be improved. Finally, block grants should be structured to facilitate their creative combination at the local level with other sources of public and private funds.

On the basis of successful experiences with recent Federal block grant programs, the report recommends the consolidation of other existing categorical programs into block grants in several broad areas of federal assistance, including:

- housing subsidies;
- urban surface transportation;
- health services;
- and education.

The Committee's other recommendations include:

- A comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the states in which they are located.
- A review of Federal tax policies with a view to providing greater incentives for the preservation and rehabilitation of urban homes and buildings and for business investment in urban areas with high unemployment.
- An aggressive search for new means of increasing private sector employment opportunities for inner-city youths.
- A stand-by program of countercyclical block grant assistance to areas with high unemployment.
- Legislation to allow nonjudicial foreclosure of Federally insured properties to reduce the incidence of boarded-up housing.

- Vigorous enforcement of the Home Mortgage Disclosure Act of 1975 and the Equal Credit Opportunity Act amendments of 1976, with a view to eliminating "redlining."
- Expansion of the Urban Homesteading program.

The future agenda for the Committee includes study of the public and private roles in:

- Improving the commercial and industrial bases of our cities, particularly in the Northeast and North Central regions;
- The complex inter-relationship between the center cities and the larger metropolitan areas in which they are located;
- Reversing neighborhood decline, with a particular emphasis on the role of neighborhood organizations in preservation strategies;
- Improving the linkages between Federal assistance programs which provide funds to different recipients for similar purposes; and
- Meeting the needs of fast-growing cities to anticipate and plan for future growth patterns and public service needs.

The Committee members returned from 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 limitations of Federal policies and programs. We have agreed to an ambitious agenda for the Committee's future work. We intend to continue our efforts to improve Federal policies and programs for making our cities and their neighborhoods prosperous and more exciting places to live.

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[Oct. 1976]

THE WHITE HOUSE
WASHINGTON

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[Oct. 1976]

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Secretary Hills . . .



STATEMENT

In accepting the interim report today from the President's Committee on Urban Development and Neighborhood Revitalization, I would like to reiterate the principles which have guided me during the past two years in working to maintain the strength and vitality of America's urban areas.

America's cities want economic stability, they do not want a hand out. Cities are not fooled by grand schemes of national urban solutions nor by ~~elusive~~ promises of massive Federal aid.

Cities want the Federal government to support their efforts to solve their own problems by:

1. Maintaining the national commitment to the existing Federal programs essential to the quality of life in the cities;
2. Eliminating as much red tape as possible and returning to the hands of communities the authority and flexibility to solve their own problems.

These are the principles of my Administration's programs for the cities. These form the basis for my pledge to the nation's urban areas, a pact I offer on behalf of all Americans. To those older, larger cities, we say:

We will support you in your recovery. We will commit our resources as best we can to stand with you as you rekindle your economies, as you revamp your taxes, as you rethink the public services you can afford, as you restore your neighborhoods and as you make your own futures and chart your own future courses.

When and if we stand in your way, we will do all we can within the context of the national welfare, to eliminate Federal obstacles to your efforts to solve your own problems.

We have been guided by these principles as we put forward:

- General Revenue Sharing to return billions of tax dollars to communities everywhere.
- The Community Development Act to enable you to determine how to improve local housing and revive local neighborhoods.



- The CETA program let you determine how best to train and employ men and women in your cities.
- The Urban Mass Transit Assistance program to support local efforts to revitalize your cities by improving mass transit services.
- Support for the Law Enforcement Assistance Agency to bolster local efforts to reduce crime.
- Support for the Older Americans Assistance Act to aid community programs for the elderly.
- The Financial Assistance for Elementary and Secondary Education act to let communities decide how best to educate their children.
- The summer job opportunities programs providing more than a million and a half summer jobs this past year.
- An intensified antidrug abuse program to work on a national and international level in conjunction with your local efforts.
- A comprehensive energy program in conjunction with State and local efforts to develop new sources of energy, to promote conservation, and to reduce dependence on international oil sources.
- An expanded commitment to assist in building water pollution facilities so vital to the improved quality of life in the cities.

These and many other programs form the basis of our continuing pact with the cities.

I am very pleased therefore that the interim report I received today from the President's Committee on Urban Development and Neighborhood Revitalization has found broad acceptance of the wisdom of our approach and identified new areas where these principles can be applied ~~more~~ vigorously.

In the report, Secretary Hills has suggested that our focus should continue to be on:

- Preserving the nation's existing stock of housing, restoring the vitality of its urban neighborhoods and promoting a healthy economic development for the central cities.



- Targeting Federal resources to areas of greatest need, equalizing disproportionate social and economic burdens borne by individual communities or classes of citizens.
- Improving delivery of Federal assistance to urban areas through preference for block grants, electoral accountability and citizen participation, etc.

Among its recommendations the Committee urges that in the coming year we emphasize:

- Comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the States in which they are located.
- Review of Federal tax policy to find ways of providing greater incentives for the preservation and rehabilitation of urban homes and buildings.
- Study of means to increase employment opportunities for inner city youths.

These are sound recommendations and ones which I intend to apply during the coming year, for they build on the lessons and experiences of America's attempt to preserve its urban resources, our cities and their neighborhoods.

Finally, there is no urban program more important to the cities and their attempts to solve their problems than a thriving national economy. I include, therefore, as an integral part of my pact with the cities a continued commitment to combat inflation and to restore steady growth to the American economy. Like all levels of government, cities have realized the necessity of checking the progressive expansion of their budgets. Bringing our promises into line with our resources is something citizens everywhere are demanding. By maintaining our economic growth we can restore the quality of life in America while assuring an end to uncontrolled government spending.

Our cities and their neighborhoods will not flourish nor fail because of what we do for them in Washington. Their success depends on what they do for themselves. They are succeeding and will continue to do so as long as honest 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.



cc: Lynn May



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

October 1, 1976

file
later copy sent
Hold for
May's
comments

~~EYES ONLY~~

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

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

I am pleased to transmit to you this draft of the Committee's interim report to the President. It is essential that you restrict circulation of the draft since Committee members have not yet reviewed the document and the President has not authorized its release.

In order to report our progress to the President as soon as possible, I ask that you communicate your comments on the draft to me, or to my Special Assistant, Leonard Zax, at 755-6810, by close of business, Friday, October 8.

Carla A. Hills
Carla A. Hills

Enclosure

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 <input checked="" type="checkbox"/>		PICK UP FROM <input type="checkbox"/>	
NAME JAMES CANNON		NAME CARLA A. HILLS	
LOCATION EXECUTIVE DIR. DOMESTIC COUNCIL		LOCATION HUD	
REC'D/REQ'D BY	NAME Bill Kelly	DATE	
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INTERIM REPORT
OF
THE PRESIDENT'S COMMITTEE ON URBAN DEVELOPMENT AND
NEIGHBORHOOD REVITALIZATION

OCTOBER 1976

DRAFT - NOT FOR DUPLICATION OR DISTRIBUTION

This draft of the Committee's interim report was prepared at the Department of Housing and Urban Development, with the assistance of staff from other agencies. Changes will be made after discussions with Committee members.



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 in part 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 urged the President to 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. 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 social 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 further and further 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 unequaled 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 cities' potential so that millions of Americans of diverse ethnic and racial backgrounds can preserve or re-create healthy urban neighborhoods. To achieve that goal will take a long time: the problems are profound, the issues complex. Instant solutions do not leap out from analysis.

The Congress, too, is recognizing this challenge by moving to create a National Commission on Neighborhoods, an action we welcome and support. The National Commission on Neighborhoods will have a two-year life, and will

consist of twenty members: two members each from the Senate and the House of Representatives, and sixteen public members appointed by the President including neighborhood organization leaders, other civic leaders, and local government officials.

The National Commission on Neighborhoods will complement the work of the President's Committee. The President's Committee intends to establish a close liaison with the Commission so that the Commission's interim recommendations can be implemented immediately whenever possible.

There are subjects, welfare reform, for example which the Committee believes are important to urban development and neighborhood revitalization, but which are beyond the scope of 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 repeat here the massive amounts 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.

Rather, we submit this report as the preface to what must be a long-range agenda. Its purpose is to sum up the

Committee's initial observations, to assess those observations against the background of past and present Federal policies and programs relating to cities, and finally, to make recommendations for moving toward national urban policy reform.

In looking ahead, the Committee recognizes the necessity to restrain Federal spending growth. It would be politically expedient in the short run to recommend large increases in present programs, or to invent costly new programs attractive to this or that interest. But in the long run, sharp increases in Federal spending 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 economy will do more for our cities and neighborhoods than a panoply of new programs. Some modest increase in spending may be possible; but clearly, we need to rely primarily on doing a better job of organizing and managing the resources we already have.

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 several weeks 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 have 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 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 intelligently 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, and about the quality of public services--particularly education. 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. Since 1960, for example, among the cities visited by the Committee, Baltimore lost 7 percent of its population, Pittsburgh lost 21 percent, and Cleveland lost 23 percent. 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 among middle and upper income groups, resulting in an even larger proportion of poor among those that remain. Between 1970 and 1974, for example, the income of families moving out of central cities throughout the Nation averaged \$1,304 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. Random attacks on people and property by teenage hoodlums are frequently cited as the first signs that a neighborhood is in trouble.

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.

In their visits to neighborhoods, members of the Committee saw additional signs of progress and hope. In many cities, we visited stable and attractive neighborhoods which have provided vibrant community life, sometimes for generations, and show little or no signs 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 (Commerce) 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 Cooperation, 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 alone, 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, particularly if some additional incentives are available. 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.

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 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 implicated 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, with heavy subsidies to 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.

Thus, in the 1950's and the 1960's, there was a network of Federal incentives for new development, at the same time 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, particularly during the 1960's, was an ambitious but frenetic outpouring of new Federal programs, targeted at narrow and specific aspects of such problems as health, welfare, housing, education, unemployment, and transportation. Each program was designed independently of all the others, producing a morass of confusing and

conflicting program application requirements, formulas, and regulations.

An estimated 80 percent of Federal assistance to State and local governments is now delivered through these categorical grant programs. There are over 1,100 such programs, administered by over 50 agencies. In the health area, for instance, the State or local government is faced with a choice of 230 programs administered by 10 agencies. There are 23 for facilities planning and construction; 22 for narcotics addiction and drug abuse.

Each of these 1,100 programs has its own set of administrative guidelines designed to accomplish specific operational or service responsibilities, but the result is that these guidelines often prevent rather than assure effective use at the State or local level. The Committee found inadequate grant disseminating information, complex and varying application and administrative processes and narrowness and restrictiveness in program guidelines.

Finally, many of these programs by-pass State and local elected officials who are held accountable by their constituencies.

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 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 has 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 provide 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 \$3.2 billion will be spent in FY 1976 and 1977, permitting 431 city, county, and State prime sponsors to serve an estimated 1.3 million economically disadvantaged, unemployed, and underemployed persons. With the continued improvement in the economy in 1977, more emphasis will be placed on training of economically disadvantaged 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 1975, consolidated seven categorical programs for community development into a single block grant. Over \$3 billion a year goes to communities all across the country--double the funds provided under the previous 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 2,600 under the categoricalals. 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 1,400 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 0 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 who are improving their 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.

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. 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.

Effective use of Federal grant programs can only be a partial solution to the problems of the cities, the Committee members found as they visited with local officials. Longer-term economic development is essential, and this involves welding local public-private partnerships.

To stimulate innovation in economic development and create more jobs mainly in the private sector, the Departments of Commerce, Labor, and Housing and Urban Development are jointly funding a demonstration program which will use community development, economic development, and employment and training funds, together with strong private sector involvement and cooperation, to achieve

local economic development objectives. The three Departments have made demonstration grants totaling \$4.8 million over two years to the following ten cities: Albuquerque, Baltimore, Bridgeport, Buffalo, Chicago, Dayton, Kansas City, Oakland, Philadelphia, and Pittsburgh.

The Small Business Administration is also supporting commercial and industrial development which can have catalytic effects in helping revitalize neighborhoods. Using loan programs rarely used in large cities until recently, SBA is making long-term, low-interest loans to encourage economic development, and is funding a demonstration in ten cities to stimulate investment in urban commercial and industrial firms.

Major efforts are being made to integrate innovative transit projects with the revitalization of central business districts. The Department of Transportation 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 for shuttle bus systems. DOT permits some of its grant funds in these projects to be 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 revitalize neighborhoods. The Committee found that the Urban Reinvestment

Task Force has been an effective local tool for counter-acting 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 government which have developed promising strategies to arrest early neighborhood decline. Over 30 cities are now involved in the two types of programs sponsored by the Task Force: Neighborhood Housing Services and Neighborhood Preservation Projects. 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, as well as Pittsburgh, whose local innovation served as the national model, have operating Urban Reinvestment programs. 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 \$50 million Federal/local investment: HUD is awarding \$5 million in rehabilitation

loans, and \$5 million in properties to the participating cities, and the cities are spending about \$40 million of their own funds to restore and recycle selected ailing neighborhoods.

The challenge we face as a Nation is to devise urban policies which take advantage of city and neighborhood assets, as well as respond to their needs with sensitivity and fairness. Such policies must look first to the necessity for local leadership to assure primary responsibility for charting the course of each city. Yet Federal Government must continue to strive for a better understanding of its impact on cities and urban neighborhoods so that local leaders and citizens have a fair chance to realize their hopes for better communities.

IV. RECOMMENDATIONS

A. THE FEDERAL ROLE

The Committee believes that national policy on urban development and neighborhood revitalization must be based on a clear understanding of the proper role of the Federal Government. Our specific recommendations for future action start from the following five broad principles.

1. The Federal Government should establish policies so that Federal funds are used to achieve national purposes.

Federal programs must operate according to national policies and priorities which have been established by the Congress and the President. For example, it is national policy to provide the opportunity for all Americans to enjoy decent housing, good neighborhoods, and a productive job. National policy is also committed to ending unlawful discrimination and to ensuring that Federal funds are not used to encourage or perpetuate discrimination. National policy further calls for protecting citizens from environmental hazards and promoting environmental quality.

The Committee's focus on cities and neighborhoods

leads us to recommend another national policy objective. We believe that national policy should be directed on a priority basis toward preserving, to the maximum extent possible, the useful life of the Nation's present housing and the vitality of its urban neighborhoods.

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. We do not intend to frustrate necessary new development; however, we do believe that our complex set of economic incentives should encourage preservation.

2. The Federal Government should strengthen the decision-making roles of state and local governments.

The Federal Government must work to restore effective leadership to elected state and local officials within broad national policies and standards. The present non-system of Federal aid is frustrating to public officials at all levels of government and baffling to citizens at the neighborhood level who are searching for ways to improve their communities.

The Committee believes that the chief elected officials of state and local governments, working with citizen groups must have maximum discretion and

flexibility to plan and manage their own strategies, rather than being burdened by Federal dictates which are irrelevant to their city.

3. The Federal Government should provide substantial federal assistance on an equitable basis for meeting national goals.

The Federal Government has a continuing responsibility to back up its policy commitments with financial assistance. Such assistance should be on a scale large enough to make a substantial impact, and should be distributed in a way which relates the amount of assistance provided to the areas of greatest need.

4. The Federal Government should encourage area-wide cooperation to address neighborhood and urban problems which cut across political jurisdictions.

For example, major decisions involving transportation facilities, pollution control, and housing have a regional impact. It is essential that both the states and the localities involved have an opportunity to work together on a regional basis in making such decisions. The Federal Government should design its programs and planning requirements to encourage effective area-wide cooperation.

5. The Federal Government should have an ambitious 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 disseminated so that communities across the Nation can build on successful techniques and avoid mistakes.

B. SPECIFIC RECOMMENDATIONS

1. The Committee recommends the adoption of four management principles to govern the reform of Federal assistance programs to state and local governments.

The Committee is convinced that the Federal Government must permit much greater discretion, flexibility, and responsibility at the state and local level if urban and neighborhood problems are to be addressed effectively. Based on its consultations with public officials and neighborhood groups, the Committee

believes that the following principles, while not universally applicable to all programs or situations, should generally guide the delivery of Federal assistance.

- a. Preference for block grants for broad program purposes;
- b. Preference for funding through local and state chief executive officers;
- c. Participation by citizens and their neighborhood organizations in the program planning process;
- d. Preference for multi-year funding;
- e. Preference for timing the delivery of Federal assistance to coincide with local and state budget cycles.

Pursuant to these principles, the Committee has reviewed several broad categories of Federal assistance provided to states and urban areas to determine which are amenable to consolidation into block grants. In general, the Committee believes that beneficial program consolidation can be achieved without major increases in total Federal spending. The advantages of block grants are that they deliver funds more effectively by eliminating conflicting and complex individual program requirements and other Federal "red tape;" by decreasing Federal and local personnel and other administrative overhead costs; by increasing the adaptability of Federal funds to local needs and priorities; and by maximizing the accountability of local officials.

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

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

a. Housing Assistance Block Grants

The following existing housing assistance programs should be consolidated into a housing assistance block grant:

- o Section 235 Homeownership Assistance
- o Section 236 Rental Housing Interest Subsidies
- o Section 202 Direct Loans for Elderly Housing
- o Section 8 Rental Assistance
- o Conventional Public Housing
- o Section 101 Rent Supplements
- o Section 312 Rehabilitation Loans
- o Section 501 and 515 Farmers Home Administration Interest Subsidy programs

Cities of over 50,000 in population and States would be provided with a formula-determined allocation of long-term funding for housing assistance in place

of the current federally-run housing assistance programs. Consolidating these programs should reduce the complex federal regulations that now attend the various federal housing programs and put the responsibility and accountability for the delivery of housing assistance where it belongs--with the local chief elected official. Freed from the constraints of Federal program requirements, local officials could develop innovative ways to provide housing assistance well suited to varied local market conditions and needs. Block grants also should facilitate the coordination of housing assistance and the other community development activities with which it is so integrally related.

b. Health Services Block Grants

Congress has refused to act on the President's health block grant proposal submitted in 1976; hence the Committee recommends an alternative consolidation of health care programs for low income families. Specifically, the following 14 categorical grants should be consolidated into a single \$1.45 billion per year Health Services Block Grant:

- o Community Mental Health Centers
- o Alcohol Abuse Project and State Formula Grants

- o Venereal Disease Control
- o Immunizations
- o Rat Control
- o Lead-Based Paint Poisoning Prevention
- o Community Health Centers
- o State Formula Grants [314(d)]
- o Maternal and Child Health
- o Family Planning
- o Migrant Health Services
- o Emergency Medical Services
- o Hypertension Treatment
- o Drug Abuse Project and Formula Grants

This block grant will allow state and local officials to use available Federal health funds to meet local needs rather than Federal guidelines, and to deliver funds quickly rather than suffer the "red-tape" of 14 separate, duplicative, and restrictive Federal programs. Finally, the block grant would require the recipient governments to plan for the use of their funds with public participation, substituting electoral accountability for the Washington bureaucrat.

c. Education Block Grants

To improve the quality of education in urban

neighborhoods, we recommend consolidation of 25 elementary, secondary, adult, vocational and handicapped categorical assistance programs into a single \$4.1 billion block grant.

Our recommendation involves consolidating the following programs:

Elementary and Secondary Education

- o Aid to the Disadvantaged
- o Support and Innovation Grants

Education for the Handicapped

- o State Grants
- o Severely Handicapped
- o Specific Learning Disabilities
- o Early Childhood Education
- o Regional Vocational, Adult and Postsecondary Education
- o Recruitment and Information
- o Special Education Manpower Development

Adult Education

- o Matching formula grant program to educate adults who have not completed high school

School Libraries

- o Grants to provide library resources and textbooks, equipment and student guidance

and counseling in public and private primary and secondary schools

Vocational Education

- o Basic Vocational Education
- o Programs for Students with Special Needs
- o Consumer and Homemaking Education
- o Work-Study
- o Cooperative Education
- o State Advisory Councils
- o Curriculum Development
- o Research

National Impact Projects

- o Vocational Innovation
- o Innovation and Development for the Handicapped
- o Deaf-Blind Centers
- o Media Services and Captioned Films
- o Regional Resource Centers for the Handicapped

In recent years, the Federal Government has recognized a responsibility to help ensure adequate educational opportunities for those with special needs, such as the educationally deprived and the handicapped. However, a reduction in the current number and complexity of Federal education programs could aid states and localities in setting their own priorities and targeting funds to the areas of greatest need--particularly schools in urban

neighborhoods. This recommendation builds on a proposal made by the President earlier this year, which the Congress has, as yet, failed to pass.

The object is to provide Federal funds with a minimum of Federal regulation and a maximum of local control. We believe that the educational needs of urban neighborhoods can be most effectively and creatively met by allowing greater flexibility in the use of these Federal funds. The Federal Government should not presume to know what is best for every school child in every neighborhood in the country.

d. Urban Surface Transportation Block Grants

Many current highway and transit assistance programs could be consolidated into a block grant, which would be allocated on a formula basis to cities above 50,000 in population. Smaller communities could be served by a similar block grant program with the States as recipients. Among the categorical programs which might be consolidated into such a block grant are:

- o Highway assistance to urban areas
- o Highway safety projects
- o Section 5 Urban Mass Transit Administration (UMTA) formula grants
- o UMTA discretionary capital grants for bus

systems

- o UMTA and Federal Highway Administration planning assistance.

These block grants should be available for planning; reconstruction and improvement of roads and transit ways; acquisition, rehabilitation and maintenance of transit facilities, equipment and rolling stock; and transit operating assistance (the latter category being limited to some percentage of an area's allocation each year). Non-formula discretionary grants and loans should be available to supplement formula allocations, where necessary, for major new urban highways or fixed guideway transit systems shown to be cost-effective.

Like the other block grant proposals, a transportation block grant could simplify the provision of Federal assistance, make it more amenable to meeting local needs as well as more likely to be used in tandem with other public and private resources, and make local elected officials directly accountable for local transportation funding decisions.

3. The Committee recommends changing existing revenue sharing and block grant funding formulas to

direct more Federal dollars to cities which are losing population, and have declining economies and aging housing stock or community infrastructures. The Committee therefore 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 States average per capita amount. This change would direct a total of \$32.5 million to the following large cities: Philadelphia (\$10.6 million), Detroit (\$8.2 million), Baltimore (\$4.4 million), Boston (\$4.4 million), St. Louis (\$2.2 million).

Other formula revisions should be studied, including a freeze on population figures at the 1970 level for those cities losing population, to stem the loss of Federal funds to such declining areas that results from regularly updating population estimates in Federal funding formula calculations. Similarly, in its December Report to Congress, HUD should propose a revision to the community development block grant funding formula

which gives greater recognition to the special needs of older cities.

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

4. 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 investment in existing housing and other real estate less attractive than investment in newly constructed property. 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. Review of the Tax Provisions on Depreciation

We recommend that the tax provisions governing depreciation be reviewed, with the object of eliminating the relative disadvantage imposed on investment in existing structures.

The Committee's preliminary review indicates that the current tax treatment of depreciation discriminates against the types of real estate investment more likely to be available in central cities. 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 investors in existing residential properties. Only straight line depreciation (non-accelerated) is allowed on existing structures with less than 20 years of useful life. A still greater difference in tax depreciation treatment exists between newly constructed and existing non-residential property, with the former allowed to use

accelerated depreciation and the latter, only straight-line depreciation. Such disparities make investment in new construction more attractive than investment in existing structures, and thus may be encouraging the decline of central cities by encouraging businesses and people to locate in new structures in outlying areas.

b. The Committee recommends a detailed study of the possibility of providing tax incentives to 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. Tax incentives are one potential way to encourage the maintenance and renovation of these homes. The tax laws are complex, and development of appropriate incentives will require time; however, the tax incentive approach is promising and merits further study.

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

To revitalize our older declining cities, more jobs must be generated, particularly for the jobless minorities concentrated in these areas. 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, which would have resulted in a revenue loss to the Treasury of \$300 million. Alternative incentives include an additional investment tax credit for business investment in these jurisdictions. The tax credit could be progressive with respect to an area's unemployment rate, with higher tax credit in areas with higher unemployment rates.

5. The Committee recommends broadening the CETA training concept to include the availability of relocation information and assistance for unemployed persons living in areas of high unemployment.

One of the most serious problems facing older core cities is that they have suffered a significant

loss in low-skill jobs but an increase in unskilled workers. This imbalance has left the cities with a disproportionate share of national unemployment, especially among black teenagers. A high priority must be given to providing such unskilled city youths with skills and jobs.

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

Over the past 15 months the national economy has improved dramatically. Unemployment is down from 8.9 to 7.9 percent; the Gross National Product has increased by \$190 billion, or 13 percent; per capita disposable personal income is up by almost \$500, or 9 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 of continuing high unemployment, in which the overall recovery has not yet fully taken hold. Unemployment in New York City has remained above 10 percent during the recovery; in the San Francisco-Oakland area, above 11 percent. 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.

The Committee recommends a program of countercyclical assistance to provide funds to troubled cities with high unemployment on an individualized basis. The Committee supports enactment of the Brown-Griffin proposal, which passed the House of Representatives only to be eliminated in a conference committee. The Brown-Griffin bill 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 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, Brown-Griffin allowed a proportion of

each city's funding to be used to maintain public employment levels. This limited voluntary use of block grant funds for public employees' salaries provides cities with needed flexibility during periods of temporarily decreased revenues, without creating the dependency on federal aid or swelled public payrolls likely to be produced by a program of categorical subsidies for public employment.

In general, the flexibility provided to local officials by the Brown-Griffin countercyclical block grant proposal would greatly enhance the capability of local officials to use Federal countercyclical aid to the best advantage in their communities and to convert those funds into private sector jobs quickly and efficiently.

Congress has already enacted a massive multi-billion dollar public works bill. Despite its cost, however, that bill is not an adequate response to the problem of urban unemployment. It will not begin to create jobs for from 18 months to two years. 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.

Now is the time to set in place a permanent countercyclical urban aid program to provide funds when a

recession occurs rather than after the recovery is well underway.

7. The Committee endorses the President's expressed intention to seek tax relief for families who choose alternatives to public education.

By providing families with greater choices of educational opportunities, city living can be made more attractive to young families with children.

8. The Committee recommends that requirements under the Home Mortgage Disclosure Act of 1975 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.

9. 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 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 such structures.

10. The Committee recommends that HUD's Urban Homesteading Demonstration, begun in late 1975, be expanded within currently participating communities, and to additional cities. We recommend a total program level of \$15 million in both FY 1977 and FY 1978.

The Urban Homesteading Program currently operates in 23 cities which have received 900 homes valued at \$5 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.

11. The Committee recommends a review and

strengthening of the A-95 process for areawide reviews of applications for Federal assistance, particularly as we move towards greater reliance on block grants to local governments.

The Committee also recommends consideration be given to providing specific incentives to areawide cooperation within existing program frameworks, such as HUD's bonus allocations of housing assistance funds to areas with Regional Housing Opportunity Plans.

Finally, the Committee recognizes the importance of Federally supported planning in the achievement of regional cooperation. The Federal Government should continue to support, through programs such as comprehensive planning grants, the capacity building and operation of areawide bodies which can serve as focal points for regional coordination.