

STATEMENT ON URBAN DEVELOPMENT CORP.

One area the Federal government has neglected in its effort to make lower cost housing available is the use of technology and other innovations to help reduce costs.

Therefore, the idea of establishing an urban development corporation to create a large enough "market" in the field of rehabilitation so as to induce innovations is an attractive one.

The need to explore all ways of encouraging rehabilitation of sub-standard housing is ~~is~~ great.

However, there are a number of uncertainties and risks involved in launching a UDC program.

To begin with, it is unclear to what extent technological and institutional innovations can reduce costs. Furthermore, the economic feasibility of the program, and therefore the assumptions on the degree of financial support needed, is highly sensitive to such factors as acquisition costs, rehabilitation costs, and mortgage terms.

In addition, the program cannot be started small. It must be launched on a large enough scale to create the necessary "market" for innovation. Therefore, the program must have top-flight leadership, and it must have a firm commitment on the availability of 221(d)(3) below-market funds, FNMA special assistance, and rent supplements.

Given the proposed 30,000 unit target for the first two years and given the need to operate on a scale of around 10,000 units in any city, it should be understood that the program will have to be limited to a small number of cities.

It should also be understood that no matter what cost-savings may be achieved through innovation, major subsidies in one form or another will still be required to meet the housing needs of the poor.

Recommendations

The Task Force therefore recommends:

1. That a program along the lines proposed by HUD be inaugurated to test the capacity of UDC to stimulate technological innovations.
2. That the UDC should seek to encourage and to assist--through training, technical assistance, loans and otherwise-- the formation of competent and qualified local non-profit organizations to help carry out its mission.
3. That firm commitments be made on the availability of sufficient 221(d)(3) below-market funds, FNMA special assistance funds, and rent supplement funds to meet its program objectives.
4. That a clear understanding of the relationship of the UDC to existing local agencies concerned with housing and urban development be worked out before the program commences.
5. That careful consideration be given to explor<sup>ing</sup> with those most concerned possible political acceptance of a UDC program involving new construction as well as rehabilitation.

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