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The Department of Housing and Urban Development
and
The Office of Economic Opportunity

CONFERENCE ON HOUSING FOR THE POOR

May 23-24, 1966
Washington Hilton Hotel
Washington, D.C.

Agenda for
CONFERENCE ON HOUSING FOR THE POOR
Department of Housing and Urban Development
and
Office of Economic Opportunity
May 23-24, 1966
Washington, D. C.

Purpose: The purpose of this Conference is to evaluate the feasibility of providing several million additional standard housing units within the next five years, at prices the poor can afford. We are seeking from this Conference (1) a summary of what we do and do not know about how the poor are housed, in physical, economic and social terms; and (2) identification of alternative programs or combinations of programs and implementation strategies, that might make decent housing available for the several million poor households that would otherwise occupy substandard or overcrowded units by 1970.

Program

Monday, May 23, 1966

9:00 a.m.	Opening Remarks	Sargent Shriver, Director Office of Economic Opportunity Robert C. Wood, Under Secretary Dept. Housing & Urban Develop.
9:15 a.m.	Conference Procedures	Dr. Morton J. Schussheim Director, Office of Program Policy Dept. Housing & Urban Develop. Mr. Alvin L. Schorr, Deputy Chief, Research & Plans Office of Economic Opportunity
9:30 a.m.	Statement of Problems and Its Dimensions	Professor Charles Abrams Columbia University (The number of units and poor people in need of better housing; the extent to which rehabilitation and/or clearance are required; the costs involved; present locations of substandard units; composition of occupants by race, age, size and family composition; the national goal.)
11:00 a.m.	Social Issues	Professor Nathan Glazer University of California (The questions of deghettoizing the poor and particularly the nonwhite poor; the supplemental educational, counseling and back-up services required; the problems of a means test and establishing priority criteria; the attitudes of poor and non-poor to this housing; the difficulties and opportunities of relocation. Should standards be reduced, e.g. no air conditioning; room sharing; smaller room size; etc...)
1:00 p.m.	LUNCH	

Monday, May 23, 1966 (Cont'd)

2:30 - 5:00	Technological and Land Use Issues	Richard J. Canavan National Association of Homebuilders
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(The type of housing required and its location; the availability of land; architectural and city planning concerns, the technological problems and opportunities of a large-scale building and rebuilding program; the abilities of existing or proposed institutions to implement the program; prospects for cost reduction.)

Tuesday, May 24, 1966

9:30 a.m.	Economic Issues	Professor Chester Rapkin University of Pennsylvania
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(Alternative means of financing the program; the effect on the economy of a multi-billion dollar program; the effect on the total housing industry and construction costs; acceptable standards of space and quality; the effect on the values and condition of existing housing and neighborhoods; efficiencies that might result from a reevaluation of the economics of the housing industry.)

12:00	LUNCH
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2:00 - 4:00	Program Issues	Dr. Louis Winnick Public Affairs Program The Ford Foundation
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(The types of programs to meet the objective; possible expansion or redirection of existing programs and the invention of new kinds of programs; possible number of units to be developed; the phasing and possible mix of programs over a several-year period.)

List of Invited Participants
Conference on Housing for the Poor

Mr. Charles Abrams
Professor of City Planning
Columbia University

Mrs. Ruth Atkins
Community Representatives
Advisory Council
Office of Economic Opportunity

Mr. Richard J. Canavan
Staff Vice President
Builder Services Division
National Association of Homebuilders

Mr. Albert M. Cole
President, Reynolds Metals
Development Corporation

Dr. Robert Dentler
Center for Urban Education

Mr. John Eberhardt
National Bureau of Standards

Professor Bernard Frieden
Department of City and Regional Planning
Massachusetts Institute of Technology

Mr. Robert Gladstone, President
Robert Gladstone and Associates

Professor Nathan Glazer
University of California

Dr. William G. Grigsby
Institute for Environmental Studies
University of Pennsylvania

Mr. Nathaniel Keith
Consultant

Dean Burnham Kelly
College of Architecture
Cornell University

Mr. Saul Klamon
Director of Research
National Association of
Mutual Savings Banks

Mr. Arthur Levin
Potomac Institute

Honorable Sherman Maisel
Board of Governors of the
Federal Reserve System

Honorable Arthur Okun, Member
Council of Economic Advisers

Professor Chester Rapkin
Institute for Environmental Studies
University of Pennsylvania

Mr. Nathaniel H. Rogg
Executive Vice President
National Association of Homebuilders

Dr. John R. Seeley
Chairman, Department of Sociology
Brandeis University

Mr. Miles Stanley
National Advisory Council
Office of Economic Opportunity

Dr. Louis Winnick
Public Affairs Program
The Ford Foundation

Housing Poor Families

The Problem. A program to house all the nation's poor in decent housing at rents they can afford contains two distinguishable elements: 1) how to improve the housing conditions of those presently living in sub-standard quarters; and 2) how to lessen the financial burden of those who live in standard quarters at the price of devoting an excessive burden of their income for housing. OEO has estimated that upwards of 4 million poor families and poor unrelated individuals in 1964 lived in housing that was dilapidated, lacked plumbing facilities, or was overcrowded.^{1/} The number who overpay for standard housing is harder to estimate but is large. For example, in 1960 rent-income ratios were computed for 5.7 million families with incomes under \$3,000. 4.4 million of them were paying 25 percent of their income or more for rent. An additional .5 million were paying between 20 and 25 percent of their incomes.

In theory, housing needs of poor people should decline because of anticipated declines in the proportion of families who are poor and because of continued upgrading of the total housing stock. Between 1950 and 1960, however, poor families received only 2.5 million standard units out of a net overall increase of 19 million. That is, families representing 30 percent of the total in 1950 and 20 percent in 1960 showed 13 percent of the

^{1/} The incidence of housing characteristics in 1960 was applied to 1964 data about the poor population, producing a total of 4.1 million in such units in 1964. If one proceeds alternatively from the housing stock itself and the rate at which improved housing stock reaches poor families, an estimate as high as 5 million poor families in substandard housing would be produced.

net overall increase. Moreover, in some places and for some groups, "natural forces" may exacerbate the problem in the years just ahead. Low income families presently living in substandard housing are less mobile and have more deviant characteristics than those who were able to take advantage of the filtering process during the 1950s. And such forces as zoning and subdivision controls are likely to present new impediments to the distribution downward of standard housing. That the current welfare system --- an example of the pure income approach to housing --- has not produced larger results is another argument for seeking substantial approach to the supply side of the equation.

Obviously, some improvement will occur naturally and one must assume too that cash income maintenance programs will meet increasing portions of family income deficits. Reasoning from 4 million families and individuals in substandard housing in 1964 and additional millions paying more than they can afford for standard housing, one may estimate the objective more or less at will. OEO has estimated that the objective should be pitched to the expectation that the median income of families who should be reached would be \$3,000 (for a family of four). From this base, one must determine an overall objective within the target date of five or six years.

Developing a Program. In approaching the development of a program it is necessary to judge what may be built and what may be reclaimed. Such an approach represents more than simple economy. It allows room for families that may wish not to give up their homes and provides a pattern for continued

maintenance of the housing supply. In the decade from 1950 to 1960, something less than one-fourth of the net increase in standard dwellings represented rehabilitated units. On one hand, there has been considerable reduction in the stock of housing that lacks plumbing facilities and is comparatively easily rehabilitated. On the other hand, new aids are available for rehabilitation and new effort is to be invested in it. It is, in any event, necessary to make some assumption about the proportion of standard housing that would be secured by rehabilitation and the proportion that would be built new.

Similarly, it is necessary to make judgments about the geographic distribution of additional standard housing. Although substandard housing is disproportionately distributed in rural areas, some number of the people now using it will be seeking housing in urban areas. Finally, plans for a substantial program should include consideration of staging a buildup of the construction industry. For example, a net increase of 1 million units a year might be built up to at the rate of 200,000 or 300,000 each year for several years.

The supply of housing for low-income families can be increased either through government incentives to the private sector or through direct construction by public housing authorities. Incentives to the private sector include subsidization of land costs and reduction in the cost of borrowing building capital (low interest loans or subsidized interest rates). Use of

these aids provides an attractive incentive to private builders (and rehabilitation contractors) while permitting some control over the allocation of benefits and rentals or sales prices. However, these forms of assistance are not sufficient to produce housing in the \$50 a month range. To do this, poor families must also be subsidized. A program of the magnitude being described might be fashioned entirely out of two elements --- rental or purchase assistance and interest and land subsidization. The obverse side of these assistances are conditions as to beneficiaries and uses.

Obviously, many variants of the two elements are possible and alternative programs may be fashioned as well. Related questions that would arise include the uses and place of code enforcement, the type of research that might be most productive, the special needs of rural areas, the methods of assuring desegregation, and related needs for providing public and social services.

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 ~~very~~ 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^{ing} with those most concerned possible political acceptance of a UDC program involving new construction as well as rehabilitation.

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Subcommittee on Executive Reorganization of the
Senate Committee on Government Operations

Afternoon session - November 29, 1966.

Witness: Richard M. Scammon, Vice-President, Governmental Affairs
Institute, Washington.

Mr. Scammon testified on the need for a mid-decade Census, or an intercensal urban Census. He said that although the 1960 Census is out-of-date, obviously the 1970 census count won't be available for five years.

A big factor in the obsolescence of data is the increased mobility of the population. According to Mr. Scammon, there is a great need for area data rather than figures from a city as a whole. In the questioning by Senator Ribicoff this point was elaborated upon and it was stated that if information had been available concerning the situation in the Watts area of Los Angeles, the riots could have been avoided. Senator Ribicoff said that when a census was taken of Los Angeles the bad figures from such areas as Watts were offset by the figures from more affluent areas.

Senator Ribicoff pointed out that Mr. Cohen from the Department of HEW had used figures which dated back to 1961 when he testified before the committee and that government agencies cannot cure social ills without up-to-date statistics which point definitively to the location of those ills.

Senator Ribicoff and Mr. Scammon both agreed that a mid-decade census is necessary. Senator Ribicoff mentioned that the Office of Economic Opportunity is planning to take a special census in 1968 in standard metropolitan areas to compile pertinent data on such statistics as the median family income.

Mr. Scammon laid the blame for the fact that a census is taken only every ten years on the Budget Bureau. He said that the costs involved are so tremendous that the Budget Bureau would not agree to a more frequent census.

Method of taking the census

Senator Ribicoff asked whether or not the method of taking the census is important. He pointed out that a census was conducted in Watts where questionnaires were mailed to the residents. He questioned whether or not people at these levels would be interested enough to return the completed forms.

Lack of data on adult male Negroes

Senator Ribicoff also pointed out that in the last census between 15% and 20% of adult male Negroes were missed entirely. Mr. Scammon replied that there was a slippage in less affluent areas of cities, but he did not know whether Senator Ribicoff's percentages were entirely correct.

Advantages of a five-year census

Senator Ribicoff said that almost all grant programs are based on the number of people and their needs. He claimed that we must weigh the advantages of a five-year survey in relation to these programs. He said that a five-year census would be better for decision making by such administrators as the Secretary of HUD.

Central location for statistics.

Senator Ribicoff also asked whether there should be a central place for the gathering and keeping of statistics, rather than allowing each Department to have operations of its own. Mr. Scammon said that a task force headed by Congressman Gallagher recommended setting up a central bank for statistics, but that a big concern of the Task Force was the right of privacy of individuals in responding to questionnaires. Senator Ribicoff contended that where the information was merged, the problem of confidentiality was lost.

Problems

Senator Ribicoff said that the problem of taking an urban census has been to get people to do the work. It was also pointed out that in problem or foreign areas of a city, the census takers must be familiar with the area in order to gain the confidence of the people who are interviewed.

Spending in cities

Senator Kennedy asked through the Chairman whether it is possible to determine how much the government is spending in each city to rebuild. He wants to know how we can get better figures. Mr. Scammon said that this information should be available from the Census Bureau or through the Subcommittee.

Senators present:

Ribicoff
Javits

Hearings before the Subcommittee on Executive Reorganization
of the Senate Government Operations Committee

Afternoon session: November 30, 1966

Witness: Judge George Edwards, U. S. Court of Appeals, 6th Circuit,
Former Police Commissioner of the City of Detroit, 1962 and 1963.

Judge Edwards outlined for the Subcommittee the problems of law enforcement in the large cities of the U. S. with examples drawn largely from his own experiences in the city of Detroit. The Judge emphasized the problems of the Negro community and the fact that the attitudes of Negroes towards law enforcement are the product of their early environment mainly in the South. Judge Edwards said that most crime is committed by Negroes and inflicted on others of their own race. He said, however, that the large majority of Negroes are in favor of law enforcement and want to see it improved.

The Judge made the following suggestions:

1. Find out more facts in regard to complaints about police brutality.
2. Transfer troublemakers on a police force and those who use brutality.
3. End investigative arrests.
4. Increase police in high crime precincts.
5. Federal government must help localities combat organized crime.
6. Professionalize policemen by upgrading their standards through better training.
7. Promote Negroes on an equal basis with whites.
8. Ban police dogs in racial demonstrations.
9. Integrate police teams.
10. Raise the pay of policemen.
11. Hire more policemen.
12. Coordinate law enforcement agencies.
13. Establish a National Police Training College.
14. Establish high level boards within police departments to investigate charges against policemen.
15. Federal grants-in-aid should be made for police training.
16. End the autonomous nature of law enforcement bodies.

Witness: Robert Coles, M.D., Research Psychiatrist, Harvard University
Health Services.

Dr. Coles is a child psychiatrist who worked extensively in the South and studied the effect of racial tension on Negro children. He stated that the young Negro children who first attended white schools in the South and who had to endure many torments and antagonism showed a great strength of character. He said that it was a puzzlement to him that stress produces more strength of character than an environment of luxury or middle class tranquility. However, the Doctor pointed out that after the age of twelve, underprivileged children begin to realize that obedience to the Biblical teachings of their childhood will not pay off. After this realization the

slum youth. They go through what psychiatrists call "death of the heart." They then quite often become anti-social and turn to a life of crime or delinquency. The Doctor pointed out that some delinquents do wrong because they can find nothing right, nothing significant and challenging to do.

Main questions raised by the Subcommittee:

1. Racketeering in slum housing.

Senator Kennedy asked Judge Edwards whether organized crime plays a part in the creation and continuation of slum housing conditions. The Judge said that it probably does and Senator Kennedy told the Chairman that he thinks the Subcommittee should explore this possibility.

2. Defense by cities against rioting.

Senator Ribicoff asked the Judge what a city can do to defend itself against rioting and at what point the National Guard should be called in. The Judge said that all of his suggestions would help prevent riots, but once the riot had begun it could be counteracted only by quick organization and great mobility of substantial forces on the side of the law. He said that the force used must be overwhelming and disciplined. He believes that the National Guard should be called to a riot scene when police gunfire is needed.

3. Culture of poverty.

Senator Kennedy asked Dr. Coles whether there is a culture of poverty in the U. S. The Doctor replied that he does not think that we really have a culture of poverty because people are no longer isolated due to the existence and extensiveness of a mass media of communications. Through TV and other media practically everyone in this country is aware of the opportunities which exist or at least that there is a better way to live although the attainment of that life is not possible.

4. Bussing of school children.

Although Dr. Coles thinks that the Boston experiment in bussing children to the suburbs has been quite successful, Senator Ribicoff implied that in his view the money might better be spent improving slum education generally. Senator Ribicoff said that he did not think that the placing of very poor children in schools with affluent and well fed children was psychologically good for the underprivileged child.

5. Rehabilitation of slum dwellers.

Senator Ribicoff asked whether there is any hope for the most violent members of slum communities. The Doctor replied that in his opinion anybody can change if given something to fall back on. He cited as an example the autobiography of Malcolm X who was from a most unfortunate family and who turned away from a life of crime to become a leader.

6. Means of reaching slum children.

There was a general discussion of whether the vast amount of money being spent on education today is paying off. Senator Kennedy was very interested in finding better ways to help slum children.

Senators present:

Ribicoff
Kennedy

ITEMS OF INTEREST RELATED TO HUD RAISED AT HEARINGS OF
RIBICOFF SUBCOMMITTEE ON EXECUTIVE REORGANIZATION

December 2, 1966

JAMES M. HESTER, President, New York University

Mr. Hester evaluated the contributions which New York University and similarly situated educational institutions are making to the improvement of urban conditions. The shortage of available financial resources created by a lack of support from public sources was seen as the major obstacle to the broadening of the university role in urban affairs.

1. The Improvement of Research on Urban Problems

President Hester stated that the effectiveness of university research into urban problems was limited by the need to proceed on a project-by-project basis. The availability of funds adequate to finance long-term programs would lead to an increased university research contribution.

2. The Need for Greater University Participation in the Administration of Federal Government Programs Affecting the City

[Senator Ribicoff stressed that the solution of urban problems depends upon the recruitment of qualified persons to carry out programs which Congress has authorized. Unless the University can increase its supply of such personnel, the objectives of recently enacted laws will not be realized.

President Hester replied that N.Y.U. was fulfilling its responsibility to the city within the framework of existing financial resources.

GEORGE STERNLIEB, Professor, Rutgers University Urban Studies Center

Mr. Sternlieb maintained that federal programs aimed at alleviating substandard housing conditions have not achieved their objectives because federal housing policy has not taken into account the realities of the urban ghetto situation. The primary emphasis in urban rehabilitation should be on the response of the persons living in slum conditions to the measures designed to help them.

1. Public Ignorance of FHA programs

Mr. Sternlieb declared that the small ghetto landlord usually does not know that FHA assistance is available. The awareness of FHA programs is limited to large property owners.

2. The Impact of FHA standards on Urban Rehabilitation

Mr. Sternlieb emphasized that the adoption of more sensible financing arrangements in the field of low income housing was imperative. A property owner in the ghetto who sought to bring his parcel up to FHA standards would commit "economic suicide". The FHA standards were described as completely divorced from the housing market and the capacity of the neighborhood to sustain such housing.

3. The Need for an Increased Emphasis on the Promotion of Home Ownership

Note [Mr. Sternlieb maintained that the experience with the public housing program indicated that better physical facilities will not produce by themselves a corresponding improvement in living conditions. The Ghetto resident will not support urban rehabilitation unless it promises to lead to some type of home ownership.

4. The Desirability of Greater Administration Awareness of Urban Problems

Senator Ribicoff criticized the failure of executive departments generally to concern themselves with the conditions that their programs are designed to affect. He declared that the testimony of Mr. Sternlieb would enlighten Secretary Weaver and his associates in the Cabinet.

LEE S. STERLING, Executive Director, American Property Rights Association, New York City

Mr. Sterling testified that the abolition of rent controls and the compulsory re-education of welfare recipients would be a large step toward the solution of New York City's housing problem. He demanded that New York City receive no demonstration cities money until rent control and welfare abuses were abolished.

ITEMS OF INTEREST RELATED TO HUD RAISED AT HEARINGS OF
RIBICOFF SUBCOMMITTEE ON EXECUTIVE REORGANIZATION

December 5, 1966 (morning)

CONSTANTINOS DOXIADIS, President, Doxiadis Association

Mr. Doxiadis maintained that the crisis of urban society could be alleviated only through an approach based upon systematic knowledge of human settlements. The great defect of existing urban development programs according to Mr. Doxiadis is that they have an impact on a limited segment of the totality of urban existence. These efforts confined to a single area cannot produce affirmative results because the problem of mass transportation or the dilemma of the central city are integrally related to the broader patterns of human settlement. The main points raised in the testimony and during the questioning period were the following:

1. The Failure of Federal Government Programs to Solve Urban Problems.

Mr. Doxiadis stated that the public housing and urban renewal programs have not prevented a worsening of the urban situation. The demonstration cities program was described as "a small beginning in the direction of coordinated action, small in size and small as compared to the areas it must cover."

2. The Need for Avoiding Increased Pressure on Urban Areas

[Mr. Doxiadis suggested that the crisis of the cities might be aggravated by a substantial increase in federal expenditures for urban development. An easing of the pressure of existing cities through the construction of new urban centers should be considered.

3. Federal Programs as a Mechanism for Acquiring Increased Knowledge of Urban Problems

Mr. Doxiadis stressed that an awareness of the interrelated character of urban problems should lead to an intensified study of social, economic, and political patterns prevailing in urban areas. He urged that government programs should be utilized to provide increased knowledge of these patterns.

4. The Preservation of Open Spaces

Mr. Doxiadis declared that the construction of public facilities in selected areas would encourage persons and businesses to locate themselves in a manner which would serve the interests of an entire urban region. The conservation of open land by the government is thus necessary to the creation of an infrastructure of public facilities which would make possible orderly urban development.

5. The Resolution of the Urban Crisis Depends Upon a Limitation of Community Autonomy

[Mr. Doxiadis called for overall federal government control of the patterns of human settlement. The continuation of community autonomy with regard to its own development will produce a worsening of the urban crisis.

Subcommittee on Executive Reorganization of the
Senate Committee on Government Operations

Afternoon session: December 5, 1966

Witness: Walter P. Reuther

Subject: Problems of the Cities

Mr. Reuther was accompanied by Jack T. Conway former Deputy Director of the Housing and Home Finance Agency and OEO. Mr. Reuther delivered his statement on behalf of the six and one-half million industrial workers represented by the Industrial Union Department of the AFL-CIO and the million and one-half members of the United Automobile, Aerospace and Agricultural Implement Workers of America.

He advocated a weaving of all the elements, housing, anti-pollution control and others, in combating urban blight. He said that these efforts must entail the most participation possible by everyone affected and there must be a maximum coordination of effort.

He also said that the problems of cities are beyond the economic capabilities of the local governments. However, he feels that the real drive and thrust must come from the local level.

[Mr. Reuther proposed the creation of a National Nonprofit Housing Corporation consisting of the best minds from labor, finance, industry, education, etc. He prefers this nongovernmental type of corporation because such an organization would not be entrenched in the bureaucratic patterns which are to be found in the government. He also thinks that this type of organization would not involve in-fighting which is sometimes prevalent in government organizations. In his opinion, a private organization would be much more flexible.

Mr. Reuther, in suggesting that the task of rebuilding the city be done by the total community, described the Detroit Metropolitan Citizens' Development Authority, of which he is now chairman. He said that this Authority is trying to rebuild the city and to qualify Detroit as a Demonstration City. This Authority now has the active participation of industry, retail stores, churches, civil rights groups and many others. He said they are trying to create a community partnership.

✓ Mr. Reuther described the three kinds of money which the group will use to build housing as "seed money", development money and mortgage money. He said that the seed money is needed to make the plans and stimulate interest in the program, but will not be returned to the donors or the government if made through grants. In this regard, he said that union pension funds could probably be used only for mortgage money because the funds are controlled by Boards which must decide whether the investment of the money is secure. He said that seed money and development money would not be a permissible investment for most pension funds.

One function of the nonprofit corporation, according to Mr. Reuther, would be to stimulate and encourage the building of low income housing by giving technical assistance to builders who would operate for a profit. He said that there would necessarily be experts available or on call. He said that the key to the whole problem of providing low income housing is to demonstrate the practical capability of making public planning compatible with private planning and building.

Mr. Reuther said that he is very enthusiastic about the Demonstrations Cities Bill. However, he criticized Congress' attitude toward the appropriation of money for domestic programs. He thinks that these programs should be funded ahead of time, so that the Departments will know what money is available and have the money in time to plan ahead. He thinks long term commitments should be made for domestic programs as well as for military programs and foreign aid.

While criticizing present practices of land use in cities, Mr Reuther suggested that a land bank should be created to help local communities provide land for low and moderate income housing. He said that the U. S. could learn a lot from Great Britain. He also pointed out that there are no slums in Sweden.

Mr. Reuther contended that the only way to reduce the cost of building houses is to apply modern, advanced technology as it has been applied to such fields as space exploration. He believes that a house worth \$16,000 according to present standards could be developed and sold for \$8,000 if industry is shown how to do it by research instigated by the government or a private non-profit corporation.

[Mr. Reuther was highly critical of the present systems of mass transportation in this country. He said that the car industry will eventually suffer from self-strangulation on the highways. He thinks it is ridiculous for a person to carry a ton and a half of metal with him to work everyday.

Main questions raised by Subcommittee:

1. Participation by private industry in rebuilding cities.

Mr. Ribicoff asked Walter Reuther what ratio would be desirable for participation by private industry and government in rebuilding cities. Mr. Reuther replied that he thought the minimum ratio should be \$1 of government money for every \$5 of private funds used. This was the ratio proposed by David Rockefeller.

2. Teaching migrants to live in the city.

The Chairman asked who teaches the farm people how to live in cities and how to avoid turning housing into slum areas. He claimed this is often the plight of public housing in many cities. Mr. Reuther said that the unfortunate thing is that most new city dwellers learn from the people who know the least about how to live in a city. He said that leadership must be organized from the slums to go back into the slums and show people how

to live and take care of rehabilitated and new housing.

[Senator Ribicoff said that later on in the hearings there will be an exposition of how public housing becomes a slum.

3. Government capability of curing ills of urban America.

Senator Ribicoff asked how is the government organized to take care of the problems of urban America. Mr. Conway said that the government is ready for a new Hoover Commission. He made the following suggestions which would in his opinion strengthen the government's ability to deal with the urban crisis:

- a. Strengthen the hand of the Secretaries and Agency heads.
- b. Group functions together as was done in the Defense Department and coordinate from above.
- c. Create another arm of the President to balance off the trimming and cutting of programs done by the Bureau of the Budget. This arm would plan and develop programs from which the President could select the most useful. The advanced planning function of the executive branch should not come under the Bureau of the Budget, because it should be done out front and not behind closed doors.
- d. Fund ahead so that the agencies won't have to beg for money each year.
- e. Create a mechanism (such as a local coordinator) which can take all the tools available and fit them to the needs of local communities rather than vice versa. Mr. Conway said that it takes a genius at the local level now to know how to take advantage of federal programs.

4. Role of labor in revision of the city.

Mr. Reuther admitted that organized labor has not done enough to help revitalize the cities. He wants labor to take a broad role. However, he showed much pride in a project undertaken by organized labor in the Watts area. He said that labor has created the Watts Neighborhood Unity Action Committee and he put in the record a report made by this committee in November of 1966. He said that eleven unions are participating. They created a council and have done such exciting things as holding classes and building playgrounds.

5. Community Development Corporations at the local level.

Senator Kennedy who was not present asked through the Chairman whether Mr. Reuther was in favor of Community Development Corporations at the

local level. Mr. Reuther said he is very much in favor of them. He wants a National Corporation to work with the total problem and to be backed up by local corporations.

6. National Nonprofit Housing Corporation.

Senator Ribicoff said that the only person he could think of who would be capable of assembling the necessary level of representation from foundations, universities, labor, finance, industry and other fields to participate in the national corporation, would be the President. The Senator said that he hopes the President will consider this proposal.

7. How to avoid continuation of a welfare state.

Congressman James Scheuer (D - N.Y.) who was present at the hearings asked Mr. Reuther how third generation welfare families and predictable drop-outs can be avoided. Mr. Reuther said that the recommendations made by the President's Commission on Automation should be implemented. He said that welfare programs often emphasize the wrong things and discourage incentives, such as earning outside money. He thinks that a recipient should be allowed to do this without losing his welfare payment so that the person will aspire to living on a higher plane.

Mr. Reuther said that another way to avoid a welfare state and put people to work is to have a standardized computerized employment system. At present, Mr. Reuther claimed, the fifty entrenched state systems are obstacles to the setting up of efficient computers which could match an unemployed person to a job within a matter of minutes. Mr. Reuther said that the whole person, his hobbies as well as his skills, is not taken into account under the present State systems.

8. Missing element in the slums.

Congressman Scheuer asked what is the missing element that has not been used to help the city and whether this element is more subsidized housing? Mr. Conway said that one reason the government has not helped enough in subsidizing housing is that in the beginning HHFA was a financial institution made available for private industry. He said that the Agency was not people oriented.

Change in Witness schedule:

Anthony Dechant, President, National Farmers Union will not testify on Tuesday December 6. Dr. William Doebele, Graduate School of Design, Harvard University was shifted from Wednesday to Tuesday instead.

Melvin Thom, National Indian Youth Council has been added to the list for Monday, December 12.

Members present:

Senator Ribicoff
Congressman James H. Scheuer, (D-NY)

This is being mailed to you

ITEMS OF INTEREST RELATED TO HUD RAISED AT HEARINGS
OF RIBICOFF SUBCOMMITTEE ON EXECUTIVE REORGANIZATION

December 6, 1966 (Morning)

BAYARD RUSTIN, Executive Director, A. Philip Randolph Institute

Mr. Rustin attributed recent manifestations of racial conflict to a national shortage of jobs, educational opportunities, and housing, which creates the fear that Negro advances will prove detrimental to whites. He urged the adoption of the proposed "freedom budget" so that scarcities in the fields of employment, housing, and education can be eliminated. An economic and sociological analysis of racial prejudice and alienation compels the conclusion that progress can be achieved only through a massive national commitment to the improvement of urban conditions. The main points raised in the testimony and the questioning period were the following:

1. The Effect of the Housing Shortage on Race Relations

Mr. Rustin stressed the importance of assuring all income groups effective access to the housing market. He pointed out that the existence of housing scarcities leads whites to support restrictive practices and forces Negroes to live in substandard housing.

2. The Failure of the Market Mechanism

Mr. Rustin supported the view of Professor Galbraith that social and esthetic values should have priority over financial considerations in urban development.

A. PHILIP RANDOLPH, President, A. Philip Randolph Institute

Mr. Randolph analyzed the problem of winning political support for the "freedom budget" approach to urban problems. He declared that a coalition of liberal elements could be formed with sufficient strength to win approval for the expenditure of \$185 billion of Federal funds over a period of ten years. The main points raised in the testimony and during the questioning period were the following:

1. The Effect of Federal Housing Policies

Mr. Randolph asserted that Federal programs have subsidized housing for persons in the middle and upper income groups to the neglect of the poor. The flight from the central city to suburbia has been made possible by Federal expenditures, while a much smaller amount has gone to provide the poor with high-rise segregated housing projects. Mr. Randolph noted that this conclusion was set forth in the report of the White House Conference on Civil Rights.

2. The Need for Planned Social Investment

Mr. Randolph advocated the adoption of a program of planning social investment in urban development rather than a counter subsidy for low-income housing.

150

Subject: Urban Problems

Mr. Phillippe said that GE has 300,000 employees in the United States, most of whom work and live in cities. He said that, as a consequence, his company is deeply concerned with the well-being of cities and the people who live and work there.

Mr. Phillippe pointed out that industry contributes to the problems of the cities through the disposal of unwanted wastes and traffic congestion, resulting from movement of industry's goods and people. On the other hand, industry is a major victim of these same problems because it suffers added costs from traffic congestion, air pollution, water pollution and vandalism.

GE has tentative plans to create entire new cities. A Community Systems Development Division has been set up to study:

1. Changes in the building process through the application of research and engineering to design electro-mechanical components that deliver better performance and lower-in-place costs.
2. Utilizing a systems planning approach to develop new prototype communities large enough to support a full complement of municipal services.

Mr. Phillippe said that work by GE scientists and information specialists has led to contracts for studies on applying systems analysis techniques to overall urban planning; to integrated police, fire and ambulance communication networks etc.

He suggested that there be more and better communication and cooperation between business leaders and political leaders in seeking the solutions to urban problems. He then described different projects in which his company has participated. He also said that more extensive research is needed into the demands of the city. GE is working to discover how it can effectively apply to city problems what was learned through its participation in systems development for the defense and the space programs.

TEMPO, a GE center in Santa Barbara, California, has an experimental program with the City of Detroit to introduce program packaging and budgeting techniques learned through its cost/effectiveness work on Defense Department problems. It is also working with the University of Minnesota on an experimental city program to be built near Minneapolis.

One big complaint which Mr. Phillippe made concerning present conditions was that building codes or housing codes, electrical or plumbing codes do not promote efficiency in construction and are, in fact, institutional inhibitors to efficiency in rebuilding our urban areas.

He also criticized present governmental policy in regard to the distribution of patent rights to inventions arising out of research and development carried on by private industry, but financed in whole or in part by the Government. He said that present policy discourages participation by private industry.

He approved of forming new types of combined public and private corporations geared to meeting urban needs, but did not favor a COMSAT type of corporation. He believes it would be better to have an agency like NASA, with an accepted objective for the general public. He said this is a social problem and should be kept in the nonprofit area. In his opinion, rehabilitation and low-income housing in general are not attractive to private investors. He said that Thomas Paine, the manager of GE's TEMPO organization, is urging creation of an Urban Development Corporation to build five million new housing units in slum areas over the next decade at an estimated cost of some \$50 billion.

3

Witness: Philip B. Hallen, President, Maurice Falk Medical Fund,
Pittsburgh, Pennsylvania.

Mr. Hallen told the Subcommittee that the potential role for the smaller foundations in the United States has not yet been tapped in relation to the urban condition.

He suggested that the Subcommittee or some other appropriate agency should convene at the national level a working conference on the crisis in the cities, inviting as many of the smaller foundations as could be interested and induced into attending such a session.

In Mr. Hallen's opinion, by utilizing its freedom to act in supporting and initiating solutions to the urban problems which are resistant to action by existing public agencies and institutions, the foundation can point out proven paths for society to follow.

Main questions raised by the Subcommittee:

1. Building codes as inhibitors to progress.

Senator Ribicoff was very interested in why localities keep antiquated building codes. He said that nearly every witness so far during the hearings has complained about obsolete building codes. Mr. Phillippe said that GE has two men making a study of building codes and that in examining these in each of the 50 states they have found that there have been no substantial efforts made to up-date these codes. Local people seem disinclined to make changes because they may have to learn new skills, local political interests are opposed, labor factors come into play, there is an inertia in this area, and most cities have piecemeal policies of purchasing.

It was agreed that the Demonstrations Cities Act may bring about some progress in this area because of the requirement in the Act that the cities have modern building codes in order to qualify for assistance.

2. Anti-pollution incentives.

Senator Ribicoff asked whether a vast tax write-off for anti-pollution measures would be an incentive to private industry to take steps in this direction. Mr. Phillippe said it would encourage private efforts in that field. However, the real problem is that it is not efficient to add to old plants. It would be better to build new plants with anti-pollution features, but it will take a long time to replace existing plants.

3. Building plants in Ghettoes.

Senator Kennedy of New York was extremely interested in trying to get private industry to build plants in such areas as Harlem and Bedford-Stuyvesant. After much questioning, the Chairman of GE finally admitted that his company would not be interested in locating in such areas because of the following disadvantages:

1. Would not be central to a market for the product.
2. Would not be close to supplies and materials.
3. The climate would not be attractive because of riots, labor strife, etc.
4. The cost of power and other items is too high in New York City.
5. It is too hard to get goods in and out because of traffic congestion.
6. Land costs are too high and large enough areas would not be available. (He said that GE is not interested in cottage-type industry which is carried on in the crowded country of Japan.)

Mr. Phillippe said that GE had a 30-year-old plant in a ghetto area which it was recently forced to sell because of the disadvantages and hardships. He would not name the location, and told Senator Kennedy that he would tell him the location in private. He said that some of the things which had happened to the plant were very unusual and that he had suffered personal unpleasant experiences when visiting the plant.

Although Senator Kennedy contended that there would be an untapped market for workers and goods in such an area, the Chairman of GE seemed unconvinced and would not agree that his Company might be interested in locating in such an area.

Senator present:

Ribicoff and Kennedy of N. Y.

Mr. Jones 6651

HEARINGS BEFORE THE SUBCOMMITTEE ON EXECUTIVE REORGANIZATION
OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Afternoon Session: December 7, 1966

BRUCE P. HAYDEN, Vice President, Mortgage and Real Estate Department,
Connecticut General Life Insurance Company

Mr. Hayden defined the conditions under which life insurance corporations and other businesses could increase their participation in the urban redevelopment process. The extension of Government financial assistance programs to profit ventures as well as nonprofit organizations and the effective exercise of the planning and coordinating function on the part of Government were described as necessary to the achievement of greater business involvement in the rebuilding of the cities. The main points raised in his testimony and during the questioning period were the following:

1. The Weakness of Nonprofit Ventures

Mr. Hayden testified that development efforts undertaken by nonprofit concerns usually result in failure due to a lack of knowledge and experience. The tendency to limit Government financial support to nonprofit organizations is thus undesirable.

2. The Gathering of Housing Costs

Mr. Hayden stressed the importance of reviewing the divergence between housing construction costs and general price levels which forces builders to tolerate low quality work. The continuation of reliance upon easier financing arrangements will prevent a solution of the costs problem.

3. The Organization of the Attack upon Urban Problems

Mr. Hayden stated that an agency should be created with the responsibility for making a total systems approach to the problems of urban housing. Such an agency could be organized along the lines of either NASA or COMSAT.

JAMES W. ROUSE, President, The Rouse Company

Mr. Rouse described the steps taken to plan and finance the Columbia project which involves the development of an entire new city within the next 12 years in an area midway between Washington and Baltimore. The experience of the Rouse Corporation and the Connecticut General Life Insurance Company with regard to Columbia can be applied to the reconstruction of the central cities according to Mr. Rouse. The main points raised in his testimony and during the questioning period were the following:

1. The Need for Concentration of Financial Resources upon a Single City

Mr. Rouse suggested that all urban renewal and demonstration city funds should be utilized to accomplish the total and successful renewal of a single large American city. The country needs to be convinced that urban problems are capable of solution.

2. The Place of Profit Considerations in Urban Redevelopment.

Mr. Rouse declared that the construction of new cities and the reconstruction of old ones so that the real needs of their people are satisfied will be a profitable enterprise. Once the market success of well-planned development projects is established, the solution of the nation's urban problems will be possible.

Mr. Jones

HEARINGS BEFORE THE SUBCOMMITTEE ON EXECUTIVE REORGANIZATION
OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Afternoon Session: December 6, 1966

WITNESS: Lee Rainwater, Professor of Sociology and Anthropology,
Washington University (St. Louis)

SUBJECT: Poverty and Deprivation in the Crisis of the American City

Professor Rainwater told the Subcommittee that until we make really significant headway in solving the poverty problem (and thereby also the problems of race and ethnicity) it will prove impossible to plan urban environments in a rational way, in a way that is useful and satisfying to urban populations.

He started by describing one particular lower class Negro community which, with a dozen colleagues, he studied intensively for the past 3 years. This is the Pruitt-Igoe Housing Project in St. Louis. Built in 1954, the project was the first high-rise public housing in the city. It consists of 33 eleven story slab shaped buildings designed to provide housing for about 2,800 families. At present, it houses about 10,000 Negroes in 2,000 households. What started out as a precedent-breaking project to improve the lives of the poor in St. Louis, a project hailed not only by the local newspapers but by Architectural Forum, has become an embarrassment to all concerned. In the last few years, the project has at all times had a vacancy rate of over 20 percent. News of crime and accidents in the project makes a regular appearance in the newspapers, and the words Pruitt-Igoe have become a household term for the worst in ghetto living in lower class Negro homes, as well as in the larger community.

Pruitt-Igoe, in Professor Rainwater's opinion, condenses into one 57-acre tract all of the problems and difficulties that arise from race and poverty, and all of the impotence, indifference, and hostility with which our society has so far dealt with these problems. Processes that are sometimes beneath the surface in less virulent lower class slums are readily apparent in Pruitt-Igoe. Because Pruitt-Igoe exists as one kind of Federal Government response to the problems of poverty, the failure of that response will perhaps be of particular interest to the Committee, Professor Rainwater said.

Professor Rainwater brought out the following facts in regard to Pruitt-Igoe:

1. All the whites have moved out and the population is now all Negro.
2. The overall vacancy rate is 20 percent.
3. The project is plagued by the innumerable, such as broken glass and trash, dangerous elevators, mice and cockroaches.

4. The tenants misbehave by throwing things out of windows, hurting people, etc.
5. Tenants, therefore, have a jaundiced view of the Public Housing Program.

Professor Rainwater said that we must start with an understanding of why lower class life is this way. He believes the lower classes act this way because of two problems:

1. Inability to find work and adequate pay.
2. Because of lack of finances, they live among other individuals similarly situated, individuals who, the experience of their daily lives teaches them, are dangerous, difficult, out to exploit or hurt them in petty or significant ways. And they learn that in their communities they can expect only poor and inferior service and protection from such institutions as the police, the courts, the schools, the sanitation department, the landlords and the merchants.

Professor Rainwater contended that efforts to solve the general problems of urban management will forever be frustrated, or at least much, much more costly without a solution to the problem of poverty, both urban and rural.

He proposed channeling national income (particularly the yearly increment in national income) to families in the lower thirty to forty percent of the population so that a family income floor is established which is not too far below the median income for American families as a whole.

Professor Rainwater thinks that there are basically two strategies implicit in the various programs and suggested plans for doing something about poverty. One, by far the most entrenched at present, might be called the services strategy, and the other the income strategy.

In his opinion, the problem with the services approach is that to a considerable extent it carries the latent assumption either that the poor are permanently poor and therefore must have special services, or that the poor can be changed (by learning productive skills, by learning how to use their money more wisely, by developing better attitudes, etc.) while they are still poor and that once they have changed they will then be able to accomplish in ways that will do away with their poverty.

A second problem, he said, with the services approach is that the priority of needs of the poor is categorically established when the service programs are set up.

An example he described is that the Federal public housing program provides a service to each household in Pruitt-Igoe in the form of a subsidized apartment that costs about \$545 a year. This amounts to a fifth of the mean family income of the tenants in the project. It is very likely that from the point of view of the needs of many of the families who live in Pruitt-Igoe that \$545 could be put to much better use.

The Professor said that those economists who have pursued this line of thinking in studying the problem of poverty have suggested that the income strategy requires three elements:

- A. An aggregational approach--which involves general economic planning directed at the maintenance of tight full employment with a real unemployment rate (that is, taking into account labor force drop outs) that is extremely low. Such an employment rate has characterized this country only during the height of World War II.
- B. A structural approach--which compensates the tendency for unemployment among low skilled workers to remain at relatively high levels even under conditions of tight, full employment. Such an approach would require that Federal programs to bring about full employment be tied to guarantees of labor force entry jobs for unskilled men, and guarantees of training on the job to upgrade those skills. In this context, that is tight, full employment at all skill levels, a high minimum wage would also be necessary and would not have the negative effect of hastening the replacement of men by machines.
- C. An income maintenance program--which fills in the income gap not touched by the tight full employment programs. The income maintenance program would be required for families with disabled or no male head and where the wife should not work because of the ages or number of the children. Such a program could take the form of family allowances, a negative income tax, or an annual reorganization of the Government's current income maintenance programs (particularly AFDC and other types of public assistance) since these are by far the most stigmatizing poverty programs now in existence.

WITNESS: Milton Kotler, accompanied by two associates.

Mr. Kotler described to the Subcommittee the activities and accomplishments of the ECCO project in Columbus, Ohio. He said that the success of this project and the solving of the majority of urban problems ~~there is~~ there is neighborhood self-governing decision. The neighborhood, ~~constituted as a non-profit, tax-exempt, democratically structured,~~ constituted as a non-profit, tax-exempt, democratically structured, corporation with its own assembly, officials, and revenues is the

principal agent of change to rebuild our slums into a legal community of culture, freedom, and prosperity. The neighborhood must become a legal community of self help and self-governing decisions with the sufficient capacity to relate to other organizations, public and private, for the resources and technical assistance required to build a better city.

Mr. Kotler made the following recommendations:

1. The Federal Government can assist the formation of neighborhood corporations by funding their administrative costs and program operations.
2. The independent neighborhood corporations of a city should become delegate agencies of the existing Community Action Organization.
3. The neighborhood corporations would use the Federal funds to subcontract to private industry to rebuild the city.
4. An alternative is for the neighborhood corporation to become a delegate agency of the local housing authority.

WITNESS: William A. Doebele, Jr., Professor of City and Regional Planning, Associate Dean for Development, The Graduate School of Design, Harvard University, Cambridge, Massachusetts.

Professor Doebele made the following recommendations:

1. That it request the Secretary of the Department of Housing and Urban Development to initiate at the earliest possible opportunity, in cooperation with appropriate professional organizations and universities, a comprehensive study of manpower resources in the field of urban affairs, relating the same to the needs of both the public and private sectors, and the requirements not only of existing programs, but those contemplated or likely within the next decade.
2. That the current \$500,000 appropriation for fellowships for graduate study in community planning and allied fields, first provided for in the Housing Act of 1964, but not funded until this year, be immediately increased to at least \$10 million per year, and extended to cover urban studies in many fields and at many levels of training.
3. That since the most critical shortage of personnel is at the top policy positions, a special fund of \$5 million per year for 5 years be appropriated for the purpose of promoting the establishment, at selected universities, of programs designed to give special and advanced education to young persons already showing great promise for leadership in urban affairs, on the

analogy of the advanced management programs of leading schools of business administration, certain programs of the Woodrow Wilson School at Princeton University, the Neiman Fellowships, and the new Kennedy Institute at Harvard.

4. That an equivalent sum be appropriated for the purpose of doing research and establishing pilot programs relating to the training of inhabitants of slum areas to participate effectively in the actual rebuilding of their own environment.
5. That a sum of not less than \$20 million per year be made available to an appropriate Department or a national council, for distribution to universities and other research organizations for studies to increase as rapidly as possible our basic understanding of the nature of urbanization and urban areas.
6. That a separate sum of not less than \$250 million per year be established under the administration of one or several Federal Departments for the construction of large-scale experimental urban environments, to test and evaluate, using the methods of the social and natural sciences, the effects of a wide range of possibilities which are now technologically feasible but cannot be built because of financial, legal or other constraints.

In reply to a question by Senator Kennedy, the Professor said that he would put a priority on his first recommendation, the second suggestion next, and then number five as third priority. Senator Kennedy was very impressed with the professor's recommendations to get more information about urban environments, since this is one of the reasons the problems have not been solved at this time.

Main questions raised by Senators Ribicoff and Kennedy (the only members present):

1. Pruitt-Igoe public housing project in St. Louis.

Senator Ribicoff asked Professor Rainwater whether there were any advantages at all to living in Pruitt-Igoe, and the Professor replied that the tenants were pleased with the interiors of the apartments, but that the world that has grown up around the project and within its boundaries is what gives the project its bad name.

Ribicoff was interested in whether this project sheds any light on public housing in general. The Professor said that it shows that public housing should be built at scattered sites and in small settlements.

2. Use of public housing money.

Senator Ribicoff broached the possibility that public housing money might be put to better use by letting each person procure his own private housing with an equivalent amount each month (about \$30).

A proposal made at a previous session was also discussed. That proposal would be to have an urban homestead similar to the old Homestead Act. Professor Rainwater also pointed out that Denmark uses cooperatives and nonprofit cooperatives to provide low-income housing by giving the owner a subsidy to rent up to 20 percent of his building to low-income families (rent subsidies). Professor Rainwater told Senator Ribicoff that he definitely would substitute something else for the present public housing program although the program works better in some places than in others.

3. Cooperation between HUD and other agencies in Pruitt-Igoe.

Professor Rainwater told the Subcommittee that there have been many efforts to coordinate activities in this project by HUD and the Labor Department, but they have never really gotten off the ground. He said there is not a tremendous amount of coordination. In 1961, a Concerted Programs Services was begun, but was not very successful.

4. Role of the Universities.

Professor Rainwater, in reply to Senator Ribicoff, said that he did not think that a University could use the money that is being spent on Pruitt-Igoe and do a better job than the Government is doing now. He said that his group are not practitioners. He thinks the real problem in public housing is political. Whether the country is willing to do a better job. He thinks the role of the university is to develop programs for the young people and to try and understand the community.

5. Higher incomes - key to the problem.

In Professor Rainwater's opinion, the real key to urban slums is to provide people with an adequate income. He thinks this has priority over housing and everything else. The solution to the problem of inadequate income would simplify all the other problems.

WILKINS DEPLORES Problems of U.S. Cities Viewed ANY URBAN AID CUT

Tells Senators Such Savings
Would Be 'Criminal'

Special to The New York Times

WASHINGTON, Nov. 30 —Roy Wilkins asserted before a Senate subcommittee today that it would be "criminal" for either Congress or the Administration to cut back budget expenditures on social and urban programs.

The executive director of the National Association for the Advancement of Colored People made this point a day after President Johnson announced, at a news conference in Texas, that he was canceling or deferring \$5.3-billion worth of Federal programs in the current fiscal year.

The President insisted that none of the cuts would "short-change the young, or the needy, the ill or the old." Sources here confirmed today that the cuts would not require elimination of key Great Society programs but would delay the award of some grants and require some belt-tightening as well.

Mr. Wilkins said after the hearing that although he was disturbed by the possible consequences of some of the cuts—he did not specify them—he had intended his remarks largely as a "warning to the new Congress," which, he feared, might interpret Mr. Johnson's action as a "mandate" to begin making further slashes.

The Negro leader was one of four witnesses who appeared before hearing of the Senate Government Operations subcommittee on urban problems. In other points, he:

Described the "black power" movement of some young Negro activists as "too dangerous, too amateurish, too teen-agerish, too much like a student prank," adding: "It isn't as bad as it sounds, but it's mischievous."

Charged that Federal job-training programs had in some cases helped perpetuate racial discrimination.

"Existing Government programs," Mr. Wilkins said in a statement, "have fallen far short of providing any sub-

stantial cure for Negro unemployment."

"Unfortunately," he went on, the administration of Federal manpower development and employment programs "has often been marked by outright racial discrimination and by pre-conceived, stereotyped ideas of what jobs Negroes can and should hold. When colored applicants have been accepted, they have often found themselves being trained for blue-collar, service employment, frequently in dying industries."

The three other witnesses were Harry Golden, author and publisher of The Carolina Israelite; Dr. Robert Coles, Harvard research psychiatrist, and Judge George Edwards of the United States Court of Appeals for the Sixth Circuit.

Mr. Golden proposed that the Negro be given a 10-year, \$100-billion "indemnity"—in the form of welfare, housing, and education programs—to pay for his confinement "during the greatest wealth-producing period in the history of the world."

The Negro's struggle for justice, he said, "has not been to alter a single institution. He did not want to burn the bastille, or get rid of the tax on tea, nor did he demand a new parliament, or a new Constitution." "What he has been telling us is that the American institu-

tions are so desirable that he wants in on them," he said.

Judge Edwards struck a responsive chord in the subcommittee when he called for more and better-trained policemen in urban areas and suggested establishment of a national police academy similar to the service institutions at West Point and Annapolis.

The subcommittee chairman, Senator Abraham A. Ribicoff, Democrat of Connecticut, called for vastly improved police protection last August following the panel's first round of hearings on city problems.

Dr. Coles, a child psychiatrist, reviewed his experience with poor children and their parents in Southern towns and Northern ghettos and said that in many cases he had found "strength" and "vitality" despite huge obstacles.

He said, moreover, that he had become less "convinced" that racial prejudice "is the decisive issue confronting our cities."

Whites and Negroes, he said, share the same basic fears of unemployment, high prices, illness, and the like.

"There is nothing in the minds of any group of Americans," he concluded, "that necessarily compels our present problems to continue."



United Press International Telephotos

Harry Golden, left, the writer, and Roy Wilkins, executive director of the National Association for the Advancement of Colored People, testifying yesterday at hearing of a Senate subcommittee on problems of American cities.

*Ribicoff
Hearings*

Ribicoff Gathers 50 Witnesses for City-Crisis Attack

By Andrew J. Glass
Washington Post Staff Writer

*Ribicoff
Hearings*

Sen. Abraham A. Ribicoff (D-Conn.) yesterday disclosed that he intends to submit a broad legislative package to the new Congress dealing with what he called "the problems of rebuilding urban America."

"We're off on our own," the Senator said in an interview. He thus made it clear that he plans to champion the cause of the cities on Capitol Hill next year whether or not he receives backing from the Johnson Administration.

"One of the great problems," Ribicoff went on, "is the tendency of the Executive branch to run the whole show."

While Ribicoff, a former Cabinet member in the Kennedy Administration, did not say so, it was nevertheless understood that the White House has offered him virtually no support for his urban legislative drive.

3 Weeks of Hearings

The Ribicoff proposals will be shaped, in large measure, through a series of public hearings encompassing all phases of urban life that will begin on Tuesday and continue for three weeks.

Nearly 50 witnesses will appear before Ribicoff in the Senate Caucus room—and on television. The hearings promise to serve as the sole legislative activity of any consequence to occur before the new Congress convenes next January.

Nearly 50 witnesses will appear before Ribicoff in his

capacity as chairman of the Executive Reorganization subcommittee of the Senate Government Operations Committee.

Sen. Robert F. Kennedy (D-N.Y.) is expected to attend the sessions.

The Ribicoff panel held three weeks of hearings last summer on "the crisis in the cities." They produced several abrasive encounters between Kennedy and witnesses, who were drawn mainly from men holding elective or appointive posts.

The current hearing list, released for publication today, leans heavily toward non-governmental witnesses. They come from such diverse fields as private finance and psychiatry.

Tuesday's witnesses will be David Rockefeller, president of New York's Chase Manhattan Bank, and Richard Scammon, vice president of the Governmental Affairs Institute and a former director of the Census Bureau.

The hearings will conclude Dec. 15 with testimony from the Rev. Dr. Martin Luther King Jr., president of the Southern Christian Leadership Conference. Ribicoff said this will mark the first time that Dr. King has ever testified before a congressional group.

Virtually the entire roster of the Nation's Negro leaders also will appear before the panel. They include Roy Wilkins, executive director of the National Association for the Advancement of Colored Peoples; A. Philip Randolph, president of the Brotherhood of Sleeping Car Porters, AFL-CIO; Floyd McKissick, national director of the Congress of Racial Equality, and Whitney M. Young Jr., executive director of the Urban League.

Other leading witnesses at the hearings include Walter Reuther, president of the United Auto Workers, AFL-CIO, and McGeorge Bundy, president of the Ford Foundation and a former Special Assistant to President Johnson.

TAX SHARING PLAN OFFERED BY G.O.P.

Rep. Goodell Asks Allotting
of 3% of Income Tax

WASHINGTON, Nov. 26 (AP) — A House Republican leader has already drafted a plan for sharing Federal taxes with state and local governments that will be a cornerstone of Republican policy in the next Congress.

The plan calls for turning back 3 per cent of Federal income tax receipts to states and localities to use as they see fit. The amount would rise gradually to 5 per cent.

Offered by Representative Charles E. Goodell, Republican of upstate New York, the plan is the first concrete proposal by the House Republican leadership since the Republican election triumphs of Nov. 8.

"This proposal seeks to provide for the great public needs of the 1960's and 1970's by equipping state and local governments to meet these needs," Mr. Goodell said. "It is an alternative to the philosophy of the Great Society," he added.

Not Replacing Anything

Mr. Goodell, chairman of the Republican Planning and Research Committee, said in a statement that tax-sharing would provide needed general aid funds without reducing state and local governments to administrative subdivisions of Washington.

It is not being offered, at least originally, as a substitute for any existing programs, he said, although in time it may permit some of them to be cut back.

A tax-sharing plan was proposed in 1964 by Walter W. Heller, then chairman of the President's Council of Economic Advisers, but after a brief flurry

of interest the White House apparently put it aside. Representative Henry S. Reuss, Democrat of Wisconsin, has also suggested it in the House.

Mr. Goodell said his plan differed from Mr. Heller's in making a specific allotment of tax receipts to local communities.

The plan calls for distributing 50 per cent of the funds for state purposes, with 45 per cent to be redistributed by the states to local governments, and 5 per cent to strengthen the executive and management functions of states.

The state and local governments would have full discretion over how the money was used, but each state would be required to submit its plan for allocating the money and make an annual report on how it was spent.

Treasury Post Planned

The office of administrator of general aid would be established in the Treasury Department to assume Federal responsibilities under the plan.

Mr. Goodell's plan calls for distributing 90 per cent of the Federal income tax distribution to the states on a basis of population. The remaining 10 per cent would be used to raise the per capita allotment in the 17 poorest states.

Using estimated income tax payments for 1967, Mr. Goodell said that \$1.8-billion would be available for distribution. The average basic allocation would be \$8.50 per person, with the equalizing funds raising the poorer states by as much as \$6.

Although the Federal Government would have no control over how the states and localities used the money, Mr. Goodell said, such use would have to comply with Federal law, including the Civil Rights Act ban on using money for programs in which there is racial discrimination.

Mr. Goodell would also require a review and possible revision of the program by Congress after four years.

MARIANNE MEANS . . . In Washington

The Ghetto Plight at Cabinet Level

Should the urban Negro ghettos be rebuilt or should their residents be scattered to the white suburbs?



MEANS

The struggle among high administration officials for an answer to that question has been intense since a heated argument erupted in the White House office of Joe Califano many weeks ago.

Bureau of the Budget Director Charles Shultze set off the tense exchange when he began discussing the urban crisis before nearly a dozen cabinet and sub-cabinet members assembled beneath Califano's stark black and grey abstract paintings. Shultze presented a list of 15 suggestions for improving condition in the cities.

SOME OF THE PARTICIPANTS in that high-powered session were chagrined that Shultze failed to include a proposal tackling what they consider the biggest urban problem of all — unemployment. Secretary of Labor Willard Wirtz observed testily that the problem of the cities is centered upon the plight of the poverty-stricken Negro. Ghettos. He pointed out that the unemployment rate among Negroes is twice that of whites, and stressed he believes providing jobs in the ghettos is the key to helping the cities.

Then-Attorney General Nicholas Katzenbach and then-Assistant Secretary of Commerce Eugene Foley (Katzenbach is now in the State Department, Foley has gone into private life) echoed Secretary Wirtz. They added their own pleas for new programs to attract industry and job-producing projects into the ghettos.

One official present, however, interjected that he opposed such efforts to rebuild the slums until conditions were improved for the poor, uneducated Negroes of the rural south. He said he preferred trying to resettle slum Negroes. "If you make the urban ghetto livable all you'll have is the Mississippi Negro moving North and reducing the area to a slum again," he said.

"You've got to face the fact that the ghetto

is here to stay and make it a decent place to live," Foley protested.

The meeting, as often happens in government, didn't settle anything. It is, however, a dramatic illustration of the painful but secret process now going on inside the White House as the administration prepares for 1967.

PRESIDENT JOHNSON has long been concerned about the problems of the urban centers, where 70 percent of the population lives, and has repeatedly indicated that city problems will make up a large share of his 1967 legislative program. In addition, his interest in the cities must certainly have been reinforced by the warning of this month's election, in which the GOP demonstrated impressive gains in the normally Democratic big city vote.

(Although that same election seemed to indicate a national atmosphere of entrenchment which foreshadows difficulty for the administration in Congress if its programs for the cities are deemed too expensive or too visionary).

Without much fanfare and largely without public notice the White House has set about in several ways to work on the problems of the cities. Passage last season of the Demonstration Cities Bill, was of course, a small but important beginning. A special task force has been assigned to produce new ideas for the cities which could be included in administration measures.

AND THAT CABINET-LEVEL group, which meets weekly in Califano's office, acts as a watchdog over the presently existing programs in an effort to see they are fully utilized.

Meanwhile, the Justice Department is planning shortly to conduct a landlord-tenant conference in the capital. The conference will bring together state and local officials and lawyers from across the country to discuss procedures which might be adopted to protect slum tenants.

A major slum problem is the failure of landlords to make essential repairs upon their dwellings. Tenants, who often cannot read nor write, seldom know the identity of their landlord and have no way of pressing him into action.

← Note

CITIES MAY GET U.S. PARKING AID

11/30/66

Roads Chief Hints Proposal
to Divert Highway Funds

By MARJORIE HUNTER

Special to The New York Times

WASHINGTON, Nov. 29—

The Administration is expected to ask Congress next year to clear the way for the use of highway funds to help cities finance off-street parking.

Strongly backed by Federal highway officials, the proposal is known to be under serious consideration at high levels.

A strong indication that the Administration has virtually decided to push for such an amendment to the Federal Highway Act in the next Congress came today in a speech by Rex M. Whitton, the Federal Highway Administrator.

In a speech to the American Association of State Highway Officials in Wichita, Kan., and released by his office here, Mr. Whitton said:

"It is my belief that we will have to do something to provide financial assistance to cities for off-street parking."

Mr. Whitton did not set a target date. Nor did he propose any specific amount of money. However, sources close to the Administration say that the proposal is almost certain to be presented to the Congress convening in January.

Under the present Federal highway law, funds cannot be used for parking facilities. The bulk of the money is used to help states acquire rights-of-way and construct highways.

Many members of Congress would almost certainly oppose diversion of funds from roadbuilding into construction of parking facilities.

This opposition would likely be particularly strong at this time, for President Johnson last week ordered a sharp cutback in the Federal highway program in an effort to quell inflationary pressure in the economy.

The Federal Government had originally planned to commit \$4-billion to \$4.4-billion in highway funds in the present fiscal year ending next June 30. This has been cut back to \$3.3-billion.

This will make an interesting test on the use of highway trust funds for broad urban transportation purposes.

This will slow roadbuilding in every state. The greatest impact will be on the interstate superhighway system, a 41,000-mile system that is now slightly more than half completed.

Under the cutback, New York State's Federal-aid limitation bill will be \$171,445,000, of which just \$183,000 has been placed under contract since last June 30. New York's share last fiscal year was \$210,587,664.

In pushing for authority to divert funds into off-street parking, Federal highway officials argue that it would less costly in most cases to erect parking facilities than to construct new streets.

By removing existing street parking, they point out, one or two additional traffic lanes can be opened to vehicles.

Federal highway officials are also seeking other solutions to urban traffic problems. One proposal is for what they call "street stretching."

In his speech today, Mr. Whitton described "street stretching" as converting existing sidewalks into vehicle traffic lanes. Pedestrian walks would be provided in arcades built into the first floor of buildings.

"This obviously is not a cheap solution to increasing the traffic capacity and safety of streets," Mr. Whitton said. "But it certainly is less expensive and disruptive than removing entire buildings for new street or freeway constructions."

PRIVATE ATTACK ON SLUMS BACKED

11/30/66

Senate Panel Endorses Bid
for Heavy Investment

By ROBERT B. SEMPLE Jr.

Special to The New York Times

WASHINGTON, Nov. 29

Proposals aimed at attracting huge sums of private capital into slum rehabilitation received strong endorsement today as the Senate Government Operations subcommittee began a second round of hearings on what has been called the crisis in the cities.

Senator Jacob K. Javits, New York Republican, a subcommittee member, said he was "encouraged" by recent reports that the Johnson Administration had such a plan under study.

Senator Abraham A. Ribicoff, the subcommittee chairman, declared that the task of providing decent housing in slums was "not going to be solved by Government alone."

He indicated that he would listen sympathetically to any proposal involving a joint public-private assault on ghetto housing.

A Tentative Proposal

The Administration's tentative proposal, developed over the last six months and refined by the Department of Housing and Urban Development, calls for creation of a national, nonprofit, semi-public Urban Development Corporation that, its sponsors hope, would attract heavy private investment into slum rehabilitation by providing a variety of Federal incentives and guarantees.

The substance of the plan was disclosed in The New York Times on Sunday.

Even though no member of the subcommittee would commit himself to a specific approach, today's hearings indicated a lively interest in the plan on the part of Mr. Ribicoff and Mr. Javits, as well as the committee's lead witness, David Rockefeller, New York financier.

Mr. Rockefeller, president of the Chase Manhattan Bank, declared that, "urban rehabilitation is primarily a task for private enterprise." But, in response to sustained questioning from Mr. Javits, he conceded that business would be reluctant to make heavy capital outlays in slum areas because the risk was great and the profit returns poor.

Role as Contractor

However, the New York banker also declared that business would probably be able to provide substantial help as a "contractor" acting for the Government—which is one of the roles for business envisioned in the proposal now under study in the Administration.

Under the plan, the Urban Development Corporation would help acquire rundown housing—using money from private sources such as banks and foundations as well as Government funds—and then invite industry to rehabilitate it cheaply and efficiently.

In this way, the report describing the plan was, the corporation would "fuse the presently fragmented purchasing power" of the Government with the managerial and technological capacity of "American industrial organization."

The program's sponsors have said that neither new appropriations nor new legislation could be immediately required.

The plan, in its final form, recommends as a first step the purchase and rehabilitation of 30,000 units in several cities, requiring about \$400-million. Earlier versions of the plan predicted that in 10 years it could provide—assuming initial success—5 million rehabilitated or newly built slum units at an aggregate cost of \$50-billion.

Appears Pessimistic

Mr. Ribicoff urged Mr. Rockefeller, who at times appeared pessimistic about awakening business enthusiasm for large-scale investment in slums on anything other than a contractual basis, to examine not the obstacles to redevelopment but the "hopes and the possibilities."

He suggested that business, especially the construction industry, would find in slum rehabilitation an enormous market for supplies ranging from flooring material to disposal units.

Mr. Rockefeller also had kind words for local redevelopment plans such as that envisioned by Senator Robert F. Kennedy in the Bedford-Stuyvesant area of Brooklyn. The Kennedy plan calls for the establishment of a nonprofit corporation to engineer the rehabilitation of Bedford-Stuyvesant housing.

The New York banker described the approach as "most hopeful."

He also expressed considerable interest in Mr. Javits's suggestion that the Government help industry form a technological consortium similar to the supersonic transport program.

The New York Republican pointed out that the Government was currently pouring large sums of money into the aircraft industry in the quest for a successful supersonic line.

He suggested, and Mr. Rockefeller agreed, that some kind of "broad-scale management group" might be established with Government help and put to work devising answers to the

Ribicoff
Hearings

Point for HUD to Ponder

The Washington Post - Nov. 28, 1966

The controversy between Montgomery County and the Department of Housing and Urban Development holds a much broader interest than the rezoning of three square miles in the Washington suburbs. We do not, of course, wish to minimize the importance of nullifying the butchery of planning by the old Montgomery County Council in its lame-duck rampage. But this is an interesting test case which is certain to have an important bearing on the relations between HUD and local governments in all parts of the country.

HUD must necessarily invest its matching funds for the purchase of park land and the protection of open space in accord with the standards that Congress and the agency have prescribed. It cannot be expected to assist a county which makes a farce of planning and zoning protection. At the same time, however, HUD must avoid usurpation of the powers of local government and the use of pressure in deciding local issues.

In the case at hand, we think HUD went over the line in applying pressure at a moment when the unfortunate situation in Rockville seemed to be righting itself. Unquestionably its intentions were good. But unless its pressure can be relaxed, the result may be to defeat its own purpose. Senator Brewster and numerous local officials have pointed out to HUD that the net effect of its pressure on the new County Council to cancel its predecessor's last-minute rezoning decisions may be to throw the entire controversy into court on the issue of intimidation.

A significant precedent for such suits is readily at hand. The grant of an exception to the Soviet Union to permit the construction of an embassy-chancery in Chevy Chase was upset in court some months ago because the State Department had brought pressure on the District's Board of Zoning Adjustment. HUD officials should realize that any specific zoning change which they impose upon unwilling local zoning authorities is highly vulnerable to legal attack.

HUD needs to have assurance that the reckless zone-busting policies of the old Council in Montgomery County have been abandoned. It needs assurance that proper safeguards will be adhered to in areas for which Federal aid is sought. But these assurances appear to have been given not only by statements from the new Council but also by its vigorous action to wipe out the effects of the rezoning spree, so far as that is possible. The grand jury investigation into possible irregularities and abuses affords further evidence of the new atmosphere in Rockville.

In view of these vigorous efforts to undo the wrongs of the past and to adopt sound new policies, we think HUD should withdraw its freeze of Federal funds for the Maryland suburbs before the Council decides the rezoning cases which it has reopened. HUD could again suspend the matching funds if the final policy which emerges should prove to be unsatisfactory. But if it insists on turning the thumb-screw while the Council is sitting on these controversial cases it may defeat its own purpose and greatly embarrass the cause of proper development of the National Capital suburbs.

'Instant Room' Installed Through the Roof

THE NEW YORK TIMES - November 30, 1966



Dangling on hook of a large crane, pre-assembled kitchen and bathroom unit is hoisted over East Fifth Street on Lower East Side in "instant rehabilitation" demonstration.



Moments later, unit is lowered toward roof of the building for which it is destined, an unoccupied old-law tenement in which a hole has been made from the roof down.

Experiment Testing New Rehabilitation Methods Here

By STEVEN V. ROBERTS

A giant crane swung a pre-assembled kitchen and bathroom unit through a hole in the roof of a five-story old-law tenement on the Lower East Side yesterday. Within an hour workmen had bolted it into place and would have had it ready for use except for the plumbers' strike.

The job was part of a progress report on "instant rehabilitation" — an experiment that aims at cutting the time for renovation of a slum building to 48 hours.

When the experiment began last April the plan was to test new materials and rehabilitation techniques on two unoccupied tenements at 633 and 635 East Fifth Street. Conrad Engineers, the California company that is conducting the experiment said it would be ready for the 48-hour trial on No. 637 in midsummer.



The four-month strike of construction plumbers and other delays have set back the final trial until February or March, according to Edward Rice, president of Conrad Engineers.

When the glistening bathrooms and kitchens were installed yesterday at No. 635, structural defects in the 70-year-old tenement caused the unit to rest at least an inch above the existing floor.

This seemed to symbolize the consensus among housing experts on "instant rehabilitation"—that it is a promising experiment that has produced some, but by no means all, of the answers to the problem of renovating slum housing.

Moreover, the experts believe, it should be only the beginning of an intensified research program to find better technical and financial tools to produce decent housing in the country's slum areas.

Mr. Rice noted that many construction materials had been tested in the first building. The tenement now contains vinyl floors that require no refinishing for 10 years, ceramic bathroom tiles that stick together without liquid cement and wall-board that is so tough that workmen had trouble cutting holes in it for electric wiring.

Expandable windows that adapt to the irregular shapes of the old window frames have been installed. Garbage chutes lead into a Swedish device that compresses the refuse, disinfects it, and even sprays it with perfume.

Two one-bedroom and one three-bedroom apartment will be built on each floor of the tenement buildings. The average development cost will be about \$13,000 an apartment, Mr. Rice estimated, as opposed to about \$23,000 for new construction.

"There is such a tremendous need for better housing in New York that it is worth rehabilitating these tenements," he said. He asserted that the cost of demolishing the city's 43,000 old-law tenements—those built before 1901, with minimal standards for ventilation and sanitary facilities—would be prohibitive.

Housing experts are debating

whether old-law tenements are "seriously questions" the wisdom of rehabilitating. Peter L. Abels, housing director for Mobilization for Youth, an anti-poverty program, praised the current experiment but said he

dom of renovating the tenements on the Lower East Side. They cover 85 per cent of their building lots and front on streets only 60 feet wide.

November 29, 1966

MEMORANDUM

TO : Members of Task Force

FROM : ArDce Ames AA

SUBJECT: Secretary Weaver's Suggestions for the Long-Term Study

The following are suggestions for the long-term study made by Secretary Weaver at his meeting with members of the Task Force, November 28:

1. Take stock of existing programs that deal with problems of the city; seek to spot gaps, overlapping and duplication in an effort to achieve a more coherent approach.
2. Explore the role of State Government in dealing with the problem of urbanization, especially the areas beyond central city boundaries which are characterized by sprawling development and proliferation of governmental units.
3. Seek to develop an urban land policy, which might start with the relatively simple matter of establishing appropriate criteria for use of surplus property sold by the Federal Government.
4. Re-examine the role of FHA in light of today's conditions; determine whether modification or new mechanisms should be developed to deal with new and higher risk housing needs.
5. Analyze problems of determining where sufficient mortgage money is to come from to meet rapidly expanding housing needs in the years ahead; explore ways of inducing flow of investment funds in this field.
6. Consider the problem of urban transportation.
7. Explore possible inducements and incentives to gain greater cooperation by suburban governments in achieving major urban development goals.
8. Examine the problem of achieving equal opportunity, and providing economic, as well as ethnic and racial dispersal in urbanized areas.
9. Consider problems and development of policy on new towns.

114TH STREET REHABILITATION PROJECT

DATA SUMMARY

SCHEDULE		
ACQUISITION AND PLANNING STARTED	-	9/64
FHA COMMITMENT RECEIVED	-	4/65
CONSTRUCTION STARTED	-	6/65
FIRST BUILDING COMPLETED	-	10/65
ESTIMATED PROJECT COMPLETION	-	3/68

COMPLETED AND OCCUPIED TO DATE		
10 BUILDINGS - 107 IND. UNITS		

UNITS AND RENTS		
APT. SIZE	NO. OF UNITS	RENT \$ RANGE
0 - BR	36	\$58
1 - BR	172	\$77 - \$84
2 - BR	124	\$86 - \$96
3 - BR	74	\$94 - \$101
4 - BR	45	\$99 - \$105
5 BR	7	\$106 - \$112
TOTAL	458	AVERAGE \$904

* Includes gas.

DEVELOPMENT COST		
ITEM	AMOUNT	PER D. S.
CONSTRUCTION	\$3,980,377	\$8.691
CONTRACTOR'S FEE	340,950	745
ARCHITECT'S FEE	209,025	456
FINANCING AND CARRYING	648,348	1,416
LEGAL AND ORGANIZATION	110,000	240
LAND (Including Relocation)	890,000	1,943
TOTAL	\$6,178,700	\$13.491

OPERATING BUDGET	
SCHEDULED RENTAL INCOME	\$493,776
LESS: VACANCY ALLOWANCE	24,159
EFFECTIVE INCOME	469,617
LESS: OPERATING - \$189,691	
DEBT SERVICE - 265,654	455,345
BALANCE	\$137,422

11/27/66

November 23, 1966

MEMORANDUM

TO : All Members of the Task Force

FROM: ArDee Ames

Attached are the draft sub-committee summaries for the
December 1 report.

Enclosure

A PILOT PROGRAM TO PROMOTE HOMEOWNERSHIP AMONG SLUM RESIDENTS

by Anthony Downs

The desire to own a home is a basic part of our tradition. Today 62% of American families have achieved that desire. Yet there are still millions of families who would like to own their own homes, but cannot. They are too poor to do so under present financing arrangements. At least, half a million such households now rent substandard housing in our metropolitan areas. A chance to own a decent home of their own might have a profound effect upon their attitudes towards society. Instead of feeling like frustrated and helpless transients floating along in the poverty and filth of the slums, they could begin developing a chance of control over their own destiny. They could gradually build a stake in their communities, and would learn how to use and benefit from legal and political institutions they now regard with hostility.

Furthermore, providing the low-income household with home-ownership assistance would now be giving them the same advantage we already extend to millions of middle-income and upper-income households. These households now receive a large subsidy in the form of federal income tax deduction for the interest and property taxes paid on their homes. This subsidy amounts to at least \$1.7 billion per year for just the wealthiest 20% in the form of all public housing payments, welfare payments, and tax deductions combined. Clearly, tax deductions aren't much help to families

with little or no taxable income. So simple justice demands that we encourage home ownership for them in some other way more suitable to their needs.

Therefore, we recommend enactment of a pilot program of aid to low-income families to help them achieve home ownership. This program should concentrate upon slum dwellers because they now have at least an opportunity to own decent homes, and because it would help improve slum living conditions in general. The program should assist slum residents either to move out of slums by buying homes elsewhere, or to acquire ownership of newly rehabilitated units in neighborhoods which will be up-graded through a wide variety of other programs too -- as in the Model Cities Program. This home-ownership program would help low-income families buy single-family houses, individual units in multi-family condominiums, or apartment buildings which they operated as resident landlords -- replacing absentee landlords who had neglected their properties.

Several types of aid would be involved in this program. First, the slum housing units involved would be substandard ones rehabilitated by a public agency or a non-profit group before being sold to new owners. Second, below-market-rate loans should be used to finance owners on a no-down payment basis. Third, potential owners should receive advanced training in the skills of minor maintenance, financing, and other responsibilities of ownership. Fourth, new owners from the lowest-income groups would need a monthly housing supplement similar to the rent supplement but applicable to ownership payments. Fifth, some tenants in resident-landlord buildings would receive rent supplements. Sixth, owners should receive follow-on counseling about financing, and repairs.

Seventh, the public agency running the program would agree to buy back the housing involved during a fixed period in case the owners could not carry the required burdens.

In our opinion, this is a program solidly in the American tradition, and well worth trying.

DRAFT SUMMARY ON LANDLORD-TENANT

by Julian Levi

- I. Archaic landlord-tenant law and principles, once appropriate to an agricultural society, must be reformed and modernized to meet the need of industrialized urban America.

Ancient legal doctrine construing a lease as a conveyance of an interest in land rather than an agreement leads to the holding that the obligation of the tenant to pay rent is independent of the duty of the landlord to repair and maintain the premises. The sole remedy thus available to the tenant to secure his rights is limited to his vacating the premises and then granting termination of the lease or himself repairing the premises, financing the cost and thereafter creating a set-off against further rents.

Such limitations, while onerous to all tenants, are intolerable in their application to poor people. Their choice of accommodation within their means is minimal. They cannot finance repairs nor often even gain access to parts of the premises requiring repair. While state and local governments prescribe minimum standards for housing accommodations, outdated legal practices thwart the poor in direct assertion of their rights.

II. Reformation of landlord-tenant law is a state and local government responsibility burdened with consequence to the national welfare.

While appropriate solutions may vary between jurisdictions certain broad principles must be applied throughout:

A. State and local enforcement of building, health, and safety codes must be streamlined and improved. Administrative flexibility and fact-finding must be fostered and the power of local courts strengthened. The obligation of code compliance must be a prior charge on the property itself and all rights within rather than merely a personal obligation of the owners.

B. Compliance with law must be a basic part of every agreement and every right. Obligations of landlord and tenant alike as provided in building, health and safety codes must be construed as creating independent rights enforceable by direct legal action. Determination of such issues in the court room must be facilitated.

C. Public funds must not reward illegal conduct. Appropriate rent withholding procedures must be developed for the welfare tenant. Appropriate actions must be taken in all public acquisition to the end that prices paid disregard values achieved from income derived in property operation contrary to minimum building, health and safety codes.

While these responsibilities are local, the Federal government can and has assisted: (1) the establishment of neighborhood legal centers in slums by the directive of the Office of Economic Opportunity who are making a major effort to help tenants secure their rights to safe and sanitary housing: (2) the convening of a conference by the Attorney General to develop new procedures to insure that the rights of tenants are fully and effectively enforced; (3) the appointment of a commission to make a comprehensive review of codes, zoning, taxation and development standards.

III. Practices and activities of the Federal government while indirect, inept, enforcement of fire prevention, housing, building, and sanitation law as a responsibility of local government can be of decisive importance:

(1) Section 101a of Public Law 171 qualifies federal assistance upon the appropriate local public body undertaking "positive programs" and "workable programs" for community improvement through the "adoption, modernization, administration and enforcement of housing, zoning, building and other local laws, codes and regulations relating to land use and adequate standards of health, sanitation and safety and building, including the use of occupancy of dwellings." Administrative regulations heretofore issued by the Secretary of Housing and Urban Development should be clarified to direct specific enumeration and attention to the application and enforcement of local codes and ordinances related to life, health and safety throughout the locality and to demonstrate increased effort and progress in such enforcement. Such enforcement of minimum codes shall be required as protection of life and health of occupants irrespective of whether a basically sound and stable area is to be created. The Secretary of Housing and Urban Development can further

implement the purposes of the legislation through the development of major uniform statistical reporting whereby a yardstick of comparable municipal performance may be established.

(2) The Secretary of Housing and Urban Development can take existing regulations to the end that mortgage insurance available through the Federal Housing Administration for property acquisition, rehabilitation and improvement must be conditioned upon code compliance. At the same time mortgage insurance and grants under section 312 can be promoted and expedited. Special personnel can be designated in each insuring office of the Federal Housing Administration with the specific assignment of coordinating the insuring activities of that agency with city building departments and community organizations to the end that division of property financing for complete rehabilitation to meet code standards be greatly expedited.

(3) The Secretary of Health, Education and Welfare can by administrative regulation require that each local authority participate in administration and disbursement of relief funds available in collaboration with appropriate local authorities systems of housing inspection and certification to the end that appropriate withholding of rents where justified be undertaken.

(4) All departments of government concerned with property acquisition wherever federal investment is involved can require that the acquisition public authority demonstrate and certify that no part of the award granted or payment made represents values achieved by operation contrary to local codes of building, health, and safety.

(5) All departments of government dealing with the audit and verification of real estate and mortgage assets can require certification as to the property concerned no complaints are presently pending by any local authority charging violation of local minimum codes, building health and safety.

* * *

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IV. At this time property owners in deteriorated or declining city areas assume that the municipality either cannot or will not enforce the building, housing, health and sanitation laws - an assumption based on experience and occasions supported by federal statement:

"Characteristic of a typical slum area is the overcrowding of housing units well beyond the levels permitted by local codes. Any effort to enforce the occupancy standards of the code would have as its immediate consequence a massive displacement of the families occupying the overcrowded units. This might be acceptable if it were coupled with a concurrent program to make available to such families decent housing at prices they can afford. Unfortunately, the latter tends to be far slower and more costly than the carrying out of code enforcement. In many cases local courts have recognized this consequence and, as a matter of public policy, have refused to permit enforcement action.

"By its very nature, a program of code enforcement requires property owners to make substantial investments in repairs and improvements in order to avoid prosecution. Unless that investment is coupled to an increase in rental returns or property values, the owner is likely never to be able to recover the cost. But since we are still dealing with a seriously blighted area, neither the increase in rentals or property values is likely to occur. The present tenants usually cannot afford higher rentals, particularly if occupancy is reduced and there are fewer wage earners to pay the rent. Tenants with higher incomes usually cannot be persuaded to move into a still blighted area. The value of the property in a private sale cannot be expected to increase unless the rentals increase nor would the repairs or improvements add significantly to the property value in the event of a future public condemnation.

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"It has been argued that rigid code enforcement in deteriorated areas will so depress property values that new purchasers will be able to afford to make the necessary repairs without increasing rents. In fact, this does not happen on any broad scale. While our understanding of the factors which motivate owners of slum property is very limited, a recent study does cast some light on this. The large 'sophisticated' owners of slum property usually have so little of their own money invested that any feasible reduction in cost of purchasing could not equal the cost of needed repairs. On the other hand, the small 'unsophisticated' investor is usually incapable of taking advantage of any such economic effects.

"In sum, it is our belief that concentrated code enforcement by itself in badly blighted areas would result in more turmoil than improvement of housing conditions. But to say that this one approach will not work is not a satisfactory answer to a very real and pressing problem. Although we have not yet arrived at anything we regard as an adequate solution, it would be extremely valuable to present some of the problems and possible approaches in order to bet broader consideration."

"Staff Report Housing and Urban Development
forwarded by the Secretary to Senator John
Sparkman, Chairman Subcommittee on Housing,
Senate Committee on Banking and Currency,
July 26, 1966."

The assumption becomes an unfulfilled prophecy:

- A. Property owners reduce expenditures for property maintenance and repair wherever possible.
- B. Tenant and community morale collapse.
- C. Constructive community leadership is denied creditability.

If it be assumed that power of state and local government to regulate housing condition in order to preserve life, health and safety is a prior charge on all interest in property, then the equation as to the feasibility of property repair to minimum standards is simply whether the gross rent roll will cover current operating expense, current taxes, and principle and interest payments to cover the cost of repair.

Antecedent mortgage commitments as well as the equity investment are irrelevant to the issue. Where mortgagees and property owners, contrary to existing assumptions, are convinced of this contingency, their conduct concerning property repair and maintenance would be altered significantly. In this circumstance it would not be necessary that public action be asserted against each property in a given neighborhood in order to reverse the prior assumptions.

A formidable case exists therefore for selection of a few neighborhoods in which after complete inventory of structure condition, ownership, mortgage debt, and prior history of code enforcement, an experimental program be undertaken by the appropriate local public authority, working in collaboration with the local community, in which a number of the possible sanctions were enumerated were employed. The effort is attractive in: (1) presenting a new attack upon the syndrome of community decline and collapse; (2) offering promise of reduced public expenditures by imposing costs upon non-conforming properties; (3) generating increased volume compliance with minimum codes and standards.

ADDENDA TO THE SUMMARY REPORT TO PRESIDENT

Neighborhood centers

1. Substitute the word "community" for "city" where it appears.
(Purpose: to imply a broader universe than just the local government.)
2. As a possible alternative to having the demonstration carried out by the federal inter-agency group: Have one or all of the federal agencies provide a "pool" or an "earmarking" of funds for the demonstration, but establish an independent Advisory Council to carry the program out, or to recommend to the appropriate agency or agencies how it should be carried out.
(Questions: would legislation be required? would the impetus for reconciling differing requirements among the federal agencies be lost? would the leverage necessary to get appropriate state and local agencies to participate be lost?)

Homeownership by the poor

1. Insert the following after the 2nd paragraph:

The program should be viewed as a means of assisting people and achieving human values, rather than as a device for improving building conditions and maintenance. It should also avoid "locking" people into bad investments, financial burdens they cannot manage, and slum ghettos only.

June 2, 1967

MEMORANDUM

To: Members of Task Force

From: Richard C. Leone

The attached papers are not meant to be improvements on the Ylvisaker draft of May 15, 1967. They are simply attempts to include more material for discussion on June 8.

Work on other proposals is going forward. Mike Danielson and I are working on a revised structure (really two parts - race and income segregation and a related section of fiscal and institutional capacity). We hope to have most of these in detailed outline form at the next meeting.

The enclosed, of course, are confidential.


Executive Secretary

DRAFT INTRODUCTION

America and its communities are changing with unsettling rapidity.

Most of this change has been healthy; and most of the problems it has caused tend to evoke their own solutions. This country - despite its transitional strains and its freely-voiced complaints - has an immense capacity for self-correction.

There is always a temptation - and a pressure - to over-react: to give equal ear to every complaint, to chase off after every problem, and to wind up with congeries of programs which may slow up rather than accelerate the nation's natural and long-run capacity for self-correction.

Evidence is accumulating that such has already happened in the federal government's response to urban problems over the past twenty years.

These have been years of improvisation, and probing. On balance, they have been constructive. But neither in scale nor impact have they caught up with the dimensions and force of the nation's urban trends and developing problems.

The time has come to move from improvisation over a wide front, and in sometimes contrary directions, to an effort

- a) which is aimed at selected problems of transcending importance;
- b) which is of a scale large enough to make a difference;
- c) which is not dissipated by conflicting policies and administrative arrangements;

- d) which offer powerful incentives to state, local and private initiative, and thereby move toward a "steady state" of continuous problem-solving;
- e) which begin to erase the public's skepticism -- its growing feeling that public programs are not to be taken seriously, that more is promised than will ever be delivered.

The Task Force believes that the first priorities for public action in urban America are related to the growing disparity between city and suburb. - A disparity which is expressed in the segregation between white and black, the gap between income in central city and in suburb, the uneven economic growth in our metropolitan areas, and in our capacity for response to the problems of central cities.

Today too many of our central cities have become the political jurisdictions and geographic areas in which accident, design and even progress have housed an inordinately high proportion of our problem people and an outsized share of our problems of public policy.

The Task Force on cities decided early in its deliberations to focus on these urban disparities.

We have identified two major approaches. The first is a straightforward discussion of urban segregation by race and income and some recommendations intended to alleviate its effects. The second involves a series of recommendations - some modest, some sweeping - intended to increase sharply our ability to deal with urban problems creatively, responsively, and on a larger scale than is presently possible.

We also have found it convenient to add three smaller sections to our report; on innovation, the model cities program, and an agenda for future study.

While we recommend that Federal action in these areas be altered, refocused and expanded, we admit two general caveats.

1. That our knowledge of how to deal with urban problems both physical and human is still limited. That a period of intensive and well-managed experimentation is a necessary first step in any large scale strategy for altering the pattern of urban development.

2. While we believe that the sorts of programs we are recommending should have the highest national priority, we recognize how politically and practically difficult it is to spend a larger portion of our resources on the urban poor and the central cities. This is true fundamentally because the present system of urban development works quite well for most people. Most Americans are happy in suburbs, they have done well in the system, and they look forward to doing better. Our report focuses on the disaffected and they are few. Their potential impact on American society, however, is enormous.

The overriding problem of our cities is segregation by race and income. There are no urban solutions of any validity which do not deal directly with the questions posed by this segregation.

The facts are these: 23% of the total population of our central cities is Negro, and 35% of these Negroes have incomes in the poverty range. Within five years, assuming present population trends and allowing for current levels and even greater effectiveness of ameliorative public programs, the proportion of Negroes to central city population will rise to 28%, with a constant percentage remaining in poverty. By 1978, both proportions will be 35%. By 1983, our central cities population will be 44% Negro, nearly two-fifths of them poor.

These are percentages of the total population of all our central cities. By 1973, at least ten of our major cities will be predominantly Negro; by 1983, at least twenty, including Chicago, Philadelphia, Cleveland, Detroit, etc.

To repeat, these are our projections of which will happen if (1) present population trends continue, (2) there are no sudden and surprising changes in public attitudes, and (3) current governmental policies and levels of spending remain in force.

The Task Force believes that a significant change in (1) - despite the notorious unreliability of population trends - is unlikely. We believe that changes in (2) also are both unlikely and unpredictable.

Given these uncertainties our report focuses on (3) - current governmental policies and level of spending -. We recognize Government action is only one element in the process of urban decline. And, while it may not be a sufficient condition for turning the tide, it is certainly a necessary one.

The sheer magnitude of the problem is staggering. Our population models tell us that simply holding the size of central city ghettos to their present size will require movement of approximately 600,000 Negroes a year into predominantly white suburbs. Such a figure would represent from ten to fifteen times the present rate of Negro out-migration. Our crude cost calculations for providing a minimum acceptable level of social services in all central city ghettos indicate Federal expenditure patterns of staggering and unlikely proportions.

We believe that to alter these projections significantly, quantum leaps will have to be taken in public policy and levels of spending. Yet without a massive effort disparities between white and black, affluent and poor, city and suburb will grow larger. The probability for potentially dangerous confrontation which divides American society along these lines will continue to increase. We do not presume to calculate how high that probability is but we are quite sure that it is high enough to be cause for urgent concern.

It is apparent then that segregation by race and income in our great metropolitan areas is outstripping whatever we are now doing to offset it. Yet the Task Force recognizes that American society

in 1967 is not prepared to pay the costs of a fully integrated urban society. We know that integration will not be possible in the life of this Administration, but we suggest a place to start - a line of policy which will build towards a future breakthrough.

In summary, the Task Force identifies as a problem of the greatest national urgency the growth and poverty of central city ghettos and the related race and income segregation in urban areas.

- 1) We believe that this situation already provides a driving force in urban decline and that its importance is increased by the unequal pattern of urban development.
- 2) We are convinced that a dramatic confrontation between white and Negro, affluent and poor, growth and decline already is building in most of our urban areas.
- 3) In the absence of state, Federal and local action on a wide front accompanied by enlightened private activity, these problems will grow larger, more dangerous to American society and increasingly difficult to solve.

We therefore recommend a series of strategies designed to:

1. Increase individual access to jobs, education, income, housing and other social services.
2. Increase racial and income integration in metropolitan areas.
3. Increase the proportion of middle-class population, especially Negro, in central cities.
4. Increase the ability of new immigrants to adjust to urban life.

Priorities

1. The specific proposals based on these policies, indeed the policies themselves, may often seem to be in conflict.
We believe that these contradictions are more apparent than real, and that the very limits of our present ability to achieve any of the above goals on a large scale makes it imperative for us to move in several directions at once.
2. While it is clear that a large scale of effort is required we believe that the first stage must focus on experimentation and refined efforts in many areas of present activity.
3. While a truly integrated and stable urban society is our ultimate goal, we believe our ability in the short run to attain massive integration is quite limited. We, therefore, place an especially high priority on those policies designed to create a larger middle class with a stake in the city.
We seek methods of increasing stability as the proportion of Negroes in cities continues to increase.
4. As a minimum, we believe that it is a matter of the highest national urgency to attempt to "integrate" ghetto populations into the mainstream of American life by raising their income levels and the level of accessible social services.
5. We have ordered our recommendations in response to a crude attempt at cost effectiveness - feeling that some attempt at systematic ordering was better than none at all.

6. We have seen no value in asking the President to spend his urban resources, political and financial, on proposals which are unacceptable to American society in 1967; we of course urge him to continue his leadership in educating the American people to the necessity of accepting our central cities ghetto residents as full participants in American society. Only such a development can offer hope for our cities and the people who live in them.

We intend our proposals as far as possible to be consistent with the following principals:

1. Federal assistance should be tied not to institutions but to individuals.
2. Federal assistance to state and localities should be designed to strengthen the role of political executive wherever possible.
3. The administration of programs should be carried out at the lowest level possible and with the greatest flexibility possible.
4. Programs designed to up-grade ghetto life should also make a contribution to integration - if possible.
5. New institutions should be created only under the most unusual circumstances.

Proposals

We have divided our proposals into two sections. The second are those which are in some ways most desirable and ambitious but which seem to us to be only long-run possibilities. The first are meant to be the first stage - perhaps about five year - developments in urban policy making.

RECOMMENDATIONS

The Task Force recommends a number of specific proposals designed to offer incentives for the integration of Negroes with whites, to raise the level of social services to the poor within the central city or to create a more stable middle-class society within the city. Naturally there is a great deal of overlap between the objectives of each of these recommendations. None of them are pure "integration" or "up-lift" or "civilization" programs. We have made some judgments on the practicality of each of these recommendations. They are divided into those which might be possible under present social circumstances and those which depend on more fundamental changes in the attitudes of the American people.

Employment is the most meaningful, direct and permanent means of providing the poor American with an opportunity for full participation in society. The following recommendations regarding employment are intended for the short run, say the next five years.

1. The major problem with federally supported manpower programs is fragmentation between Cabinet agencies and within Departments. This proliferation of manpower programs, often with a special target group for each program, only compounds the difficulty of any city or agency has in designing and implementing a comprehensive and comprehensible employment and training effort.

The Task Force recommends the consolidation of presently separated manpower programs into a single comprehensive manpower grant. This move would allow development of sufficient local

manpower programs under the aegis of a single agency to absorb the important functions of recruitment, selection and processing, training, placement and follow-up of the poor. A first step would be the consolidation of those programs administered by the U.S. Department of Labor including institutional training, on-the-job training, neighborhood youth corps, concentrated employment program, and the employment service. Strong incentives for cooperation with vocational rehabilitation, and OEO employment operations should be explicit in the legislation.

2. In the absence of significant consolidation manpower programs, the Task Force recommends an expansion and refocusing of the on-the-job training program to provide higher subsidies to private industry to undertake the training of the poor. It has become clear that without the close cooperation and participation of private industry that permanent and meaningful employment will not result from even excessive employment and training expenditures. Reimbursement for training cost should be doubled and perhaps quadrupled and the 26 weeks presently allowed should be expanded to a full year. OJT should provide for a greater staff for job development and for counseling and follow-up after placement in a job training position.

3. OJT is most relevant in the development of commercial and manufacturing jobs for the poor in the area of the central city. In order to compensate for the decline of these jobs in the city the Task Force recommends an expansion in public employment - the Task Force recommends an expansion in the new careers idea in public employment such as

embodied in the Scheuer amendment to the Economic Opportunity Act.

This program combines the advantages of providing entry level employment for the poor with meaningful grading in work and professional training. When operated successfully it serves the goal of enrichment as well as that of assisting in the creation of a more stable middle class in central cities. This recommendation also takes into account the dramatic expansion in service related employment in the public sector.

4. The Task Force is impressed by the number of employment opportunities lost to central city residents because of their lack of access to the newer centers of employment in the metropolitan area. The HUD financed demonstration in the Watts area of Los Angeles has indicated the important relationship between deficient transportation to those sites and the willingness and ability of area residents to accept employment and training. We recommend an expansion in the number of such projects in major metropolitan areas which would include either new mass transit routes or subsidized fares.

5. The Task Force recommends a joint effort by HUD and the Department of Labor to negotiate the national model agreement for employment with the building trade unions which would permit large scale slum rebuilding experiments to make greater use of slum labor. We recognize that ~~this~~ the implementation of this recommendation would not solve any significant proportion of the employment problem but it would have useful symbolic value in the ghettos of central cities.

It is becoming increasingly apparent that integration of economic classes is a critical factor in educational achievement. The recommendations of the Task Force reflect this relationship.

1. Any program of Federal aid for elementary and secondary school construction should offer incentives for facilities designed to increase the integration of students. For example, "bonus" funds would be available for educational parks within cities, suburban exchange schools and for consolidated school districts. In addition, funds for the modernization and replacement of older school plants in central cities should be offered.

2. To help increase the mobility of the ghetto child and to make possible a variety of new educational institutions, we recommend a program of educational subsidies for low-income children which would be administered as scholarships for use at any approved elementary and secondary educational institution. Those funds which did not have the effect of integrating poor children with affluent children, would be available for compensatory educational programs in the central cities. Presumably, some parents may wish to have the "scholarships" aid in the creation of new institutions which might be operated by universities, corporations or neighborhood groups.

The Task Force recommends the following program(s) to assist returning servicemen who come from low-income backgrounds. (TO BE FILLED IN LATER - IDENTIFIED AS A GAP)

GAP - HOUSING RECOMMENDATION

GAP - OTHER EDUCATIONAL RECS

There are a number of recommendations which the Task Force feels are clearly beyond the capacity of the American political system at the present time, either because of their outright integrating objective or because of institutional defects not likely to be resolved in the immediate future. These include:

1. A program which would operate much like the GI Bill of Rights which would place entitlements in the hands of the poor to maximize personal choice in selecting educational, training and employment assistance. The funds could be used by the individual to gain certification in regular educational institutions or for training on the job with the employer receiving reimbursement for his training costs. The great advantage of this approach is in avoiding the seemingly endless tangle of referrals, delays, and insensitivity encountered in the present, fragmented system.
2. A program of bonuses tied directly to the degree of integration achieved in a school district, up to 25% Negro enrollment. Such a program would focus very clearly on integrating currently all-white suburban districts.
3. An expanded housing subsidy program which would grant or loan funds to Negroes for down-payments on homes outside the central city, etc.....
4. The development of metropolitan-wide institutions which would be responsible for opening housing and employment opportunities for central city Negroes. To facilitate increased housing for Negroes, the Federal government might institute a revolving development fund which would be available to these institutions. etc.....

June 2, 1967

MEMORANDUM

To: Task Force Members

From: Richard C. Leone

Downs, MacInnes, Frederic and I had a long and rambling session with Assistant Secretary of HUD Charles Haar and his deputy. The following two portions of our discussion may be of interest to the Task Force.

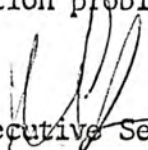
1. It's quite clear that the metropolitan development plans of HUD do not take the ghetto and dispersion into account. The reasons for this are not a lack of interest or understanding of the problem. It is simply that the metropolitan programs themselves are "a weak reed" to carry the heavy burden of integration. Our discussions brought out the unremarkable fact that we would be likely to lose our metropolitan programs if we attempted to force integration through the use of them.
2. It is generally agreed that a more promising route for approaching the metropolitan aspects of integration is to the use of the states or providing the cities with special leverage on suburbs. To discuss only the state example here: it appears much more likely that a political executive responsive to pressures from Negroes and indeed to pressures in general will be more likely to work on the kind of problems we are interested in. We should be thinking here of the urban governors of the large northeastern and midwestern states who are undoubtedly somewhat responsive to the problems of central cities. These areas include a large proportion of the cities we are most concerned about.

In short, our feeling was that placing the responsibility for some of these movements in populations (even by the most roundabout means) would be most likely to have a payoff if we depended upon political executives.

I think that one of the principal advantages we've seen in our discussion of metropolitan approaches to the problem goes beyond the feeling that metropolitan-wide solutions are rational. Some of us have seen the metropolitan unit as less responsive to the anti-integration pressures - just as the courts are less responsive than the Congress. The problem, of course, is that the courts exist and metropolitan bodies do not. This has led us in turn to suggest that in round "one" we might create such bodies working with the "winners" such as water and sewer grants, etc., and, then, in round "two" ask them to take on some of the tasks of integration. My reaction to this is based largely on the experience

with authorities in the New York Metropolitan region. They too have taken on the winners but no one has yet figured out a way to force them to take on some of the losers (the commuter railroads, for example).

This is not meant to say that we should leave our metropolitan development corporation, metropolitan services corporation, etc., out of the final report but that we should think about them a bit more in the perspective of what are the most effective and promising ways of building something larger than a city and to the integration problem.



Executive Secretary

June 16, 1967

MEMORANDUM

To: Members of Task Force

From: Richard C. Leone

Enclosed are major portions of the draft report.

We realize that some of these are still in a crude form

but they should give everyone something to think about

and work on between now and Thursday. We will be revising

the draft and should have a cleaner and perhaps more refined

copy for our meeting in Washington.



Executive Secretary

TABLE OF CONTENTS

1. Letter of Transmittal
2. Introduction (?)
3. Problem Statement
4. Strategy for Meeting Problem
 - I. Increasing our knowledge of solutions to urban problems
 - II. Federal action to strengthen state and local ability for meeting the problem of urban disparities
 - III. Focusing and increasing the level of Federal assistance directed at urban disparities
 - IV. Reforming the administration of Federal urban programs to provide simplification flexibility and decentralization
 - V. Increasing the prospects for integration in metropolitan areas

INTRODUCTION

America and its communities are changing with unsettling rapidity.

Much of this change has been healthy; and many of the problems it has caused tend to evoke their own solutions. This country - despite its transitional strains and its freely voiced complaints - has an immense capacity for self-correction.

But for most of America's cities and an increasing number of the people living in them change has meant deterioration, continued unemployment, and growing alienation from the rest of urban society. No self-correction promises to rebuild our cities and reunite our urban population - and, if present problems are transitional, they are more likely to be succeeded by even greater difficulties than by natural solutions.

There is always a temptation - and a pressure - to overreact: to give equal ear to every complaint and to chase off after every problem.

We believe, however, that some problems of American cities are of such transcending importance as to command a national response on a grand scale. We believe further that the next 5 years will be a critical last chance to develop the capacity to alter present trends of urban development. For we are building toward a confrontation between Negro and white, between the mainstream and the disaffected, and between the affluent and the poor - a confrontation whose symptoms already are apparent in the sporadic and ominous violence which flares up across the nation in our urban centers both large and small.

We foresee a time when this militancy will engage a larger share of central city populations. Their demands for employment opportunities, compensatory education, and other services are increasing, while the economy of the city and its ability to respond are in decline.

Only the President of the United States can lead the national effort which is required to change this pattern. And, he will need strong and committed allies and new and flexible instruments of policy.

Thus, the task force believes that the first priorities for public action in urban America are related to the growing disparity between city and suburb - a disparity which is expressed in the segregation between white and black, the gap between income in central city and in suburb, the uneven economic growth in our metropolitan areas, and in our capacity for response to the problems of central cities.

The task force on cities decided early in its deliberations to focus on these urban disparities.

We have divided our report into two major components. The first is a straightforward description of urban disparities, by race, income, and economic development. The second involves a series of recommendations - some modest, some sweeping - intended to increase sharply our ability to deal with urban problems creatively, responsively, and on a larger scale than is presently possible.

While we believe that the sorts of programs we are recommending should have the highest national priority, we recognize how politically and practically difficult it is to spend a larger portion of our resources on

the urban poor and the central cities. This is true fundamentally because the present system of urban development works quite well for most people. Most Americans are happy in suburbs, they have done well in the system, and they look forward to doing better. Our report focuses on the disaffected and they are few. Their potential impact on American society, however, is enormous.

THE PROBLEM

The overriding problem of our cities is segregation by race and income. There are no urban solutions of any validity which do not deal directly with the questions posed by this segregation.*

The facts are these: _____ of the total population of our central cities is Negro, and _____ of these Negroes have incomes in the poverty range. Within 5 years, assuming present population trends and allowing for current levels and even greater effectiveness of ameliorative public programs, the proportion of Negroes to central city population will rise to _____, with a _____ percentage remaining in poverty. By 1978, both proportions will be _____. By 1983 our central city population will be _____ Negro, nearly two-fifths of them poor.

These are percentages of the total population of all our central cities. By 1973 at least ten of our major cities will be predominantly Negro; by 1983, at least twenty, including Chicago, Philadelphia, Cleveland, Detroit and Baltimore.

This development might be cause for optimism rather than concern, since American minority groups traditionally have sought and won political power in cities. In some cases their ascendancy was

*Our report discusses this segregation as it affects Negroes.

In many cities, of course, we are referring to a problem which includes Negroes and Mexican Americans or Negroes and Puerto Ricans. We have included these groups in our cost calculations (see below), since many of their problems - low income, poor educational achievement, substandard housing, high birth rates, etc. - are similar to those of central city Negro and white poor.

accompanied by municipal corruption and inefficiency, but overall the experience has been a healthy one for our pluralistic political system. But unlike the others the Negro ascendancy may not be accompanied by economic power, dispersion and assimilation. This traditional function of the city simply has not worked as well for Negroes. We therefore fear that the changes in city life and political control implicit in the above population trends will not parallel the coming to power of other immigrant groups. It may, in fact, increase the possibility of a dangerous confrontation which divides American society along city-suburban lines. We do not know how high the probability of this confrontation is but we are certain that it is high enough to be a cause for concern.

Its potential dangers lie in the following:

1. The growing disaffection and alienation of Negro ghetto residents and increasing militancy which results, together with increasing violence in cities.
2. The still powerful force of out-migration by white middle-class residents from the city.
3. The growing disparities in income and economic growth between city and suburb.
4. The inability of moderate political leadership to respond to the pressures of larger and larger poor populations.

The obvious response to all this is that we need more integration and we need it right away. Of the Negroes who live in cities _____ percent are segregated by race. We thus recommend integration in cities not only because it is morally right and not only because of the reasons listed above, but also because of the two cultures which are developing in urban society along racial lines. The demands of the one and the resistance of the other portend continued violence which ultimately will test severely the values of American society.

Integration, if it does nothing else, may help to reduce tensions. It also may serve to prepare whites for the larger integration which must come in the future.

The sheer magnitude of the problem is staggering. Our population models tell us that simply holding the size of central city ghettos to their present size will require the movement of approximately 600,000 Negroes a year into predominantly white suburbs. Such a figure would represent from 10 to 15 times the present rate of Negro out-migration. Our crude cost calculations for providing even a minimum acceptable level of social services in all central city ghettos indicate federal expenditure patterns of geometric and unlikely proportions.

The disparities between city and suburb go far beyond the race and income of their populations. Every available indicator of economic activity dramatizes the deteriorating competitive position

of the central city (there are of course substantial differences between cities - what is true of investment in Newark is hardly descriptive of Los Angeles). In several investment categories, selected cities are lagging behind the rest of the nation by a factor of from two to three. Specifically:

- Retail establishments increased by 7% for the Nation but declined by 9% in these central cities.
- Manufacturing value added increased between 1947 and 1958 by 96% for the rest of the Nation, but by only 41% in cities.
- Per capita income changes in city relative to suburb.
- Decline in manufacturing jobs in cities and suburban growth in employment.
- Predicted job gap.
- Increasing welfare costs.

It has become painfully clear that jobs, investment and services are by-passing the cities at a rate which seriously inhibits the cities' capacity for meeting problems which grow in magnitude and nastiness.

The above might be altered radically by changes in population trends or public attitudes. Such changes, however, are both unlikely and unpredictable. Given these uncertainties, our report focuses on current governmental policies and levels of spending. We recognize that government action is only one element in the process of urban development and decline. And, while it may not be a sufficient condition for turning the tide, it is certainly a necessary one.

We believe that to alter these projections significantly quantum leaps must be taken in public policy and levels of spending.

It is apparent that segregation by race and income in our great metropolitan areas is outstripping whatever we are now doing to offset it. The Task Force knows that integration will require more than laws and federal policies, but we suggest the place to start - a line of policy which will build towards a future breakthrough.

In summary, the Task Force identifies as a problem of the greatest national urgency the growth and poverty of central city ghettos and the related race and income segregation in urban areas.

- 1) We believe that this situation already provides a driving force in urban decline and that its effect is increased by the unequal pattern of urban development.
- 2) We are convinced that a dramatic confrontation between white and Negro, affluent and poor, growth and decline already is building in most of our urban areas.
- 3) In the absence of state, federal and local action on a wide front accompanied by enlightened private activity, these problems will grow larger, more dangerous to American society and increasingly difficult to solve.

* * * *

We therefore recommend a series of strategies designed to:

1. Increase individual access to jobs, education, income, housing and other social services.
2. Increase racial and income integration in metropolitan areas.
3. Increase the proportion of middle-class population, especially Negro, in central cities.
4. Increase the ability of new immigrants to adjust to urban life.
5. Increase the ability of all levels of governments to deal with these problems.

* * * *

Meeting the goals will be costly and difficult. It will require, in our judgment, a well organized process of innovation, focusing resources at scale, moving towards increased flexibility and strengthening the position of mayors, some governors, urban universities and others who can be counted as urban allies. Our strategy for urban change and the recommendations which flow from it is designed to overcome five critical limits or present abilities for meeting urban goals.

- 1) Capacity is limited by difficulty of effecting metropolitan integration directly.
- 2) Capacity is limited by city and state fiscal and administrative weakness.
- 3) Capacity is limited by the dispersion and low level of Federal assistance to cities.
- 4) Capacity is limited by Federal procedures, program practices, centralization, and inflexibility.
- 5) Capacity is limited by the state of the art for solving urban problems.

The five sets of recommendations which follow are intended to outline a strategy which will increase significantly the ability of Federal, state and local governments to respond to the problems posed by urban segregation and disparities.

I. Increasing race and income integration in urban areas

The Problem

Of all the problems the Task Force has addressed, none is more vexing than the question of devising effective strategies to integrate metropolitan areas. We nonetheless believe that the highest priority must be given to integration. Without it, ghetto families will be denied the opportunities enjoyed by the urban majority; they will be forced to live in the least attractive housing at increasing distances from the growth sector of the urban economy; and the problems of a disaffected minority will be concentrated in the central cities.

Although improving the standard of living is absolutely essential if ghetto residents are to move into the mainstream of American life, it is illusory to believe that enrichment alone will guarantee integration. The residential patterns of every American city and metropolitan area document the fact that income does not provide Negroes with the same freedom of choice that other Americans enjoy in the urban housing market. Equally important, the decentralized political system of the metropolis employs land use and other public controls to limit severely housing opportunities in suburbia for all lower income families.

A prime impediment to the dispersion of the ghetto is the fact that large numbers of city dwellers and suburbanites are opposed to residential integration and integrated education. In the

central cities, the opponents of integration usually have more influence at City Hall than the residents of the ghetto. In the suburbs, the Negro has no political voice; and the local political system employs a variety of devices to satisfy its constituents' desire to exclude Negroes in particular, and lower income families in general, from their neighborhoods.

As a practical matter, an integration strategy must encompass the metropolitan area. Given the projected ghetto growth rates and the likelihood of Negro majorities in a number of major cities, integration cannot be accomplished within the confines of the central city. In fact, an integration strategy which excludes the suburbs would only serve to hasten the exodus of white families from the central cities.

Another reason for developing dispersion strategies in a metropolitan context is the fact that the housing market functions over an entire metropolitan area. Operating within a local rather than metropolitan context, federal housing programs, especially those aimed at the disadvantaged, have done little to foster dispersion. In fact, more often than not, these programs have encouraged residential segregation.

Few metropolitan areas have governmental arrangements which would permit the development and implementation of a metropolitan-wide integration strategy. Even fewer are populated by a significant number of suburbanites who have demonstrated a positive interest in an integrated metropolis. Instead, most metropolitan

areas are governed by highly decentralized political systems. Local governments of small scale control the vital parameters of community life - the schools, land use, and the tax base. Highly responsive to their relatively homogenous clientele and sensitive to threats to local autonomy or the tax base, most suburban governments show little interest in assuming any responsibility for the general welfare problems of the metropolis.

Efforts to create metropolitan governments have been spectacularly unsuccessful. Moreover, political realities and the proclivities of white middle class reformers have led almost all metropolitan government plans to focus on service and physical resource problems. The Task Force knows of no metro proposal that gives serious attention to the problems of the ghetto. Nor is there any evidence that the few metropolitan governments created in the past two decades have used their broader jurisdictions to attempt to foster the integration of the metropolis.

Federal efforts to encourage metropolitan planning and coordination also have avoided the policy areas most likely to affect the pattern of residential segregation. Substantial progress has been made during the past few years toward securing regional approaches to transportation, air pollution, and water supply. Conspicuously absent from this list are programs that might be used to promote integration, such as public housing, rent supplements, and aid to education. The

sad truth is that the emerging metropolitan institutions are concerned almost exclusively with the problems of suburban development and white middle class families in cities and suburbs. Unless there is a radical change in the outlook of these planning and review agencies, they are likely to widen the gap between city and suburb.

Finally, open housing legislation has had minimal impact on integration in the metropolis. In the absence of national legislation, there is a bewildering variety of state and local fair housing codes. These nearly always exempt the most common form of suburban housing - the single family dwelling. Another major weakness is the cumbersome, case by case approach based on individual complaints, a process which requires legal sophistication and/or support which usually is unavailable for the ghetto dweller. The federal government's record in this area is also unimpressive - neither FHA nor VA have moved aggressively to secure maximum impact from the 1962 executive order banning discrimination in housing financed by federally guaranteed mortgages.

Recommendations

1) National performance standards (see Section IV) should stress integration as an integral aspect of general development programs.

2) Incentive grants (see Section IV) should be used to encourage general development programs for entire

metropolitan areas which would tie federal support for suburban improvements to progress toward ending the racial and income imbalances between cities and suburbs.

3) Some form of incentive grants, particularly for metropolitan areas, should be tied specifically to housing and education programs which foster integration, such as scattered site public housing, educational parks, etc.

4) Section 204 of the Demonstration Cities and Metropolitan Development Act should be expanded to cover programs that affect housing.

5) All federal housing programs should place a strong emphasis on dispersion, including the relocation policies in urban renewal. Federal mortgage policies should be developed to encourage the construction of lower cost housing units through relating down payments, interest rates, and the repayment periods to the cost of the unit. Such a policy should include the use of subsidized mortgages where appropriate.

6) A comprehensive national fair housing act with the broadest possible coverage should be enacted. An executive order should be issued prohibiting segregation in all forms of housing assisted directly or indirectly by any federal agency. The order should be positively enforced, using the techniques developed in the federal government's efforts to eliminate job discrimination in all forms of federally financed employment.

7) The federal government should stimulate the creation of and provide financing for metropolitan development corporations which would undertake to provide integrated low-cost housing outside of ghettos. The federal government would provide initial working capital and extend long term credit from a national revolving fund. Such corporations would accumulate land for integrated housing, provide assistance in job location for out-migrants, and aid suburbs in preparing effective education programs for new residents.

8) Because job opportunities are likely to open up faster than housing opportunities, we recommend a program of transportation assistance with the following characteristics.

- a) Responsive to changing locations of both jobs and workers.
- b) Focused on initial period of "job finding" and "job holding."
- c) Transferable from one individual to another depending on need.
- d) Non-competitive with the private market.

Where such travel is relatively concentrated, this demand can be met through subsidized public transportation. For more dispersed travel from ghetto residences to suburban jobs, short term publicly-assisted automobile leasing arrangements will be needed.

9) The Administration should realize that the greatest potential lever for change in this area is the courts.

The Task Force urges the Administration to hasten the inevitable Supreme Court rulings which will ban de facto school segregation and the employment of land use controls for social, economic and racial discrimination. Given the revolutionary impact of these anticipated rulings, it is not too early to begin contingency planning to assure their speedy implementation with a minimum of public disorder.

II. Federal action to strengthen city and state capability for meeting the problem of urban disparities

Problem

Implementing the strategies for urban change discussed in this report depends ultimately upon actions taken by state and local governments. We assert that strengthening the positions of governors and especially mayors will be of critical importance in this process. Their ability to deliver services is seriously limited by administrative weakness and fiscal strain. Yet they are the only public officials with the potential authority necessary to effectively manage the large-scale attack on urban problems which we believe is essential. They too - and our population projections indicate that this is certainly true of mayors - will be under increasing pressures to respond to the frequent, now almost steady state, urban crisis of poverty and segregation.

The administrative problem breaks along the following lines:

- Fragmentation of program responsibility among semi-autonomous agencies, often reinforced by their counterparts at the federal level, bypasses and weakens the position of mayors and governors.

- State and local officials are under direct and close pressures to deliver and their high political mortality rates indicate that delivery is enormously difficult in the present system.

- State and local government is in a disadvantageous competitive position for directing talented, imaginative staffs. The political executives management problems are compounded by the lack of personal staff; there are few institutions analagous to the executive office at the state and local level.

- Possibilities for a meaningful decentralization to federal field offices are severely limited by the realities of political authority in the federal system and by present congressional-bureaucratic arrangements in Washington.

- Local officials must conduct an enormous number of negotiations with truncated federal agencies to receive any aid.

At the same time the cost of urban services is on the rise. We can expect increasing per capita costs for social services and we can expect an increasing proportion of city dwellers to require them. The cities thus are caught in a process of cumulative deterioration which can be reversed only by shifts in the residence of poor people or higher income by city residents. The problem is particularly acute for large cities. During fiscal year 1965, for example, municipal expenditures per capita were approximately three times as high for cities with populations exceeding 1 million as they were for communities with populations under 50,000. In short, we see the following as critical limits on cities to pay their own bills:

- Cities are under increasing demands for social services while their revenue capabilities are increasingly inadequate to pay for even existing levels of services.

- Social service costs are rising more rapidly than other costs in the economy.

- Some cities are already in danger of becoming populated almost exclusively by people who can simply not afford to live elsewhere and whose need for services is very great.

- Problems of raising additional revenue within jurisdictions such as cities are immense, due in part to the high mobility of resources between states and localities in the federal systems. Cities are forced to rely heavily on property and consumption taxes, both of which are highly regressive in nature.

- The dependence on property taxation on housing for city revenues may be a positive detriment to providing more standard units for the urban poor.

Recommendations

1) Regardless of past failures the population projections and trends we foresee clearly indicate that most mayors and many urban governors, of necessity, will be increasingly responsive to the problems of city ghettos. They can be the President's most important allies in fulfilling our national urban goals. They must be the focus of any meaningful decentralization of the federal system.

2) In addition to the fiscal flexibility and decentralization recommended below, we urge that present aid programs operate through the political executive and not semi-autonomous bureaucracies.

3) To build toward a capability similar to that of the federal executive office, we recommend direct grants to mayors and governors for staff assistants on city problems.

4) To increase the competence of state and local government personnel we recommend increased federal assistance for training and continued efforts in the direction of inter-governmental exchanges of personnel.

5) Legislation should be promoted permitting state and local governments to waive federal tax resumption of securities in return for a federal grant equivalent to the federal taxes collected on the interest from such securities. Some estimates indicate that this could result in an added .6 to 1 billion dollars per year.

6) Federal assistance to cities should be significantly increased; and the existing impediments to the effective use of federal aid at the local level should be eliminated. The components of this recommendation are presented in detail in Parts III, IV, and V below.

III. Focusing and increasing the level of Federal assistance to cities

The Problem

1. Many of our present programs fail to reach the central city poor with enough resources to make a difference.

2. Simple extension of present programs - leaving effectiveness aside - to reach the central city poor would cost in manpower, education, health, housing and legal services _____ billion dollars a year.

3. Unless we reach a scale of sufficient size we will find as we have found in the past our efforts are dissipated by trying to reach too many people, in too many cities, with too many programs.

4. Policy responsibility at the Federal level must be focused in strengthened urban agencies.

Recommendations

The following programs are meant to focus resources on increasing urban integration and enriching the lives of those who remain in big city ghettos. In each program area, we have attempted to order our recommendations in terms of some rough priorities and time phases with employment having the highest overall priority.

Our expertise in the following program areas is limited. We have listed only recommendations which seem to us to be most relevant to an overall city strategy. Our suggestions are in no sense exhaustive.

We hope to:

- Overhaul existing programs and redirect existing resource commitments to increase their impact on the ghetto.
- Increase commitments in the most critical program areas for implementing broad goals.
- Develop new approaches to tackle those aspects of ghetto enrichment and dispersion not affected by existing programs.
- Tie Federal assistance to disadvantaged individuals where appropriate.

1. Employment

A. The Task Force recommends the consolidation of presently separated manpower programs into a single comprehensive manpower grant. This move would allow development of sufficient local manpower programs under the aegis of a single agency which would absorb the important functions of recruitment, selection, and processing, training, placement and follow-up of the poor. This step

would include consolidation of those programs administered by the U. S. Department of Labor including institutional training, on-the-job training, neighborhood youth corps, concentrated employment program in the employment service with the Vocational Rehabilitation and OEO employment operations.

B. In the absence of significant consolidation programs, the Task Force recommends an expansion and refocusing of the on-the-job training program to provide higher subsidies to private industry for training of the poor. Reimbursement for training costs should be doubled and perhaps quadrupled and the 26 weeks presently allowed should be expanded to a full year. OJT should be provided with a greater staff for job development and for counseling and follow-up after placement in a job training position.

C. In order to compensate for the decline of manufacturing and commercial jobs in the city, the Task Force recommends an expansion in public employment through the new careers idea as embodied in the Scheuer Amendment to the Economic Opportunity Act. New careers provides entry level employment for the poor with meaningful upgrading in work and professional training.

D. The Task Force recommends an increased number of demonstration projects - of all types - to test the important relationship between deficient transportation to work sites and the willingness and ability of city residents to accept training and employment.

E. The Task Force recommends a joint effort by HUD and the Department of Labor to negotiate a national model agreement for employment with the building trade unions, which would permit large-scale slum rebuilding experiments to make greater use of slum residents. We recognize that the implementation of this recommendation would not solve any significant proportion of the employment problem but it would have useful symbolic value in the ghettos of central cities. The Department of Commerce should be involved to reach similar agreements with employers in the construction industry.

F. As a long-run possibility, we suggest a program which would operate much like the GI Bill of Rights which would place entitlements in the hands of the poor to maximixe personal choice in selecting educational, training and employment assistance. The funds could be used by the individual to gain certification in regular educational institutions or for training on the job with the employer receiving reimbursement for his training costs. The great

advantage of this approach is in avoiding the seemingly endless tangle of referrals, delays, and insensitivity encountered in the present, fragmented system.

2. Education

A. Any program of Federal aid for elementary and secondary school construction should offer incentives for facilities designed to increase the integration of students. "Bonus" funds could be available for educational parks within cities, suburban exchange schools and for consolidated school districts. Funds should also be included for the modernization and replacement of older school plants in central cities.

B. We recommend a program of educational subsidies for low-income children which would be administered as scholarships for use at any approved elementary and secondary educational institution. "Bonus" funds could be available for schools which are integrated or are experimental.

C. Sizer recommendations (see paper)

3. Special recommendations for urban veterans

A. We give the strongest endorsement to Department of Defense Manpower programs, such as "Project 100,000" and "Project Transition".

B. We recommend a stepped-up outreach activities in the Veterans Administration to trace those with the greatest need for assistance at the point of separation and especially after separation.

C. We urge FHA and VA loans to servicemen and veterans to finance proposed or existing individually owned one-family units in projects containing five or more units.

D. We recommend that VA be given a special mandate and the capacity to assist ghetto veterans in obtaining such urban skills as planning, social service work and community developments.

4. Income maintenance and welfare

A. Any well conceived strategy for the city requires substantial increases in consumer demand. City dwellers need a sustained and substantial upward movement in payment levels for

(1) unemployment compensation

(2) welfare payments

(3) minimum wage

B. The present welfare system must be altered to make it a more effective instrument in dealing with ghetto dependence.

- (1) Altering AFDC man in the house requirements to permit
- (2) Altering outside income requirements to eliminate the in-effect 100% income tax rate and thus encourage

C. We should move towards having a larger proportion and perhaps all welfare payments at the Federal level. Continued reliance on localities and states for a share places an added strain on their frequently regressive tax systems and inhibits the development of more reasonable national standards for welfare.

5. Public Facilities

A. We urge greater use of the location of public facilities - both Federal and Federally supported - as a lever in securing actual integration, open housing and employment opportunities. Those facilities which can be located in cities, especially community colleges and hospitals, should be considered a part of overall development and city enrichment plans. Public employment for low-income groups should be related to any new facility - including those in the suburbs. This new focus of responsibility should become a major concern of the Secretaries of HEW and HUD.

B. The Department of Housing and Urban Development should be given a primary role in coordinating all Federal urban capital investment as part of national integration and enrichment strategies.

6. Housing

A. To achieve integration there must be continued emphasis on compliance with desegregation guidelines in housing financed through the Federal mortgage programs. This is especially important in suburban developments which will account for 90% of the new housing over the next 25 years.

The flow of resources into financing housing is affected by interest rates, alternative investment opportunities, and other forces, some of which are greatly influenced by Federal policy.

B. Lower interest rates to stimulate a minimum annual construction rate in housing should be a national objective. The effects of low interest rates on the supply of low- and moderate-housing "swamps" the effects of Federal "housing programs" as such.

C. Investment incentives such as tax credits and depreciation schedules should be applied to housing in the same way that they are applied to other capital goods.

Every mechanism for maintaining a constant flow of investment into housing should be explored by the Administration. These might include the issuance of longer term certificates at higher interest rates to attract the investing power of pension funds and insurance companies. Certificates should be issued by the Federal National Mortgage Association.

D. The Task Force recommends expanded use of devices such as leased, scattered site public housing rehabilitated through use of the "turnkey" approach with purchase options for the tenants.

E. Homeownership incentives for central city ghetto residents similar to the Veterans' Administration's no-down payment programs should be offered.

F. The Task Force recommends that the multi-family mortgage operations be separated from the present Federal Housing Administration which would then be charged with insuring only single-family mortgages.

In the absence of such surgery, we believe that the age and inflexibility of most FHA officials renders any alternative recommendation unworkable.

7. Special Recommendations on the Community Action Program

a) The Task Force believes the community action idea is a major innovation in Federal programming and reflects the emphasis on demonstration and experimentation which is critical for increasing our problem-solving capacity.

The Community Action Program should be retained within an independent OEO with its charter for flexible and innovative programs.

b) A first step toward employing performance criteria in distributing scarce CAP funds should be taken.

These criteria should include the CAP's innovative capacity, its ability to coordinate other relevant agencies and to operate its own programs.

c) Demonstration funds should be increased accompanied by tighter research controls applied to projects.

d) Guidelines to insure CAP participation in Model Cities planning and execution should be promulgated.

e) The development of community action agencies as parts of the local political and governmental system should be encouraged.

IV. Reforming the administration of federal urban programs to provide simplification, flexibility and decentralization

The Problem

The American federal system is being slowly strangled by the complexity of contemporary intergovernmental relations. Cities and states are fighting a losing battle to extract maximum advantage from a bewildering variety of federal assistance programs. Administrative shortcomings seriously compromise the prospects of many of the imaginative federal programs developed in recent years. The Task Force has grave doubts about the capacity of this over-burdened system to manage the new efforts needed to move the ghetto resident into the mainstream of American society.

By accident rather than design, the federal government has created an extremely categorical, fragmented, and complicated approach to urban programming. Each program area tends to develop its own set of specific program goals and controls, a close relationship with a specialized clientele, and a narrow perspective on the problems of cities and suburbs. Because the federal government seeks to achieve general policy objectives through highly detailed program controls, most federal programs are characterized by an overcentralization of detail, administrative rigidity, long delays in processing applications, a multiplication of required consents, a failure to innovate, and a lack of responsiveness to specialized local needs. Cities

confront delay and confusion in the funding of their programs; they witness an inability of federal agencies to work with one another in making sense of federal programs in urban areas.

The burdens of an already overloaded system of intergovernmental relations have been multiplied by the rapid expansion of federal domestic programs during the past seven years. Most of the new programs are categorical and involve detailed federal program controls. In an effort to advance laudable national policy goals, such as metropolitan coordination and highway safety, additional detailed requirements have been imposed on existing programs. The net effect has been to complicate further the bureaucratic maze that stands between federal resources and urban problems.

The Task Force is especially concerned about the failure of the federal government to build sufficient flexibility and opportunities for state and local discretion and innovation into the federal aid system. Many of the problems of large city ghettos are quantitatively and qualitatively different from those of the poorer neighborhoods of smaller cities. Solutions to many of our most vexing urban problems are neither obvious nor universally applicable. Yet relatively few federal programs permit the development of locally-determined strategies for cities and metropolitan areas.

In its stress on local innovation and flexibility, the Model Cities Program represents a welcome departure from the

rigid programmatic approach. By emphasizing systematic planning and coordination of federal categorical grant programs, Model Cities seeks to reduce overlap and duplication of effort. But constituent-agency relations, formula grants, inflexible requirements, and specialized administrative practices tax the ability of any city to tie these many disparate strands into an effective program. In addition, Model Cities program standards are added to those required by the component programs without any compensating simplification of the process whereby applications for assistance are approved. Innovation, flexibility, and coordination are easily stymied by a process whose practical effect is to pyramid requirements, multiply consents, and increase the time lag in bringing resources to bear against problems.

The Task Force is impressed with neither the record nor the potential of existing instruments for securing interagency coordination of grant programs, such as Bureau of the Budget intervention to resolve interagency conflict, interagency committees, the metropolitan expediter, and HUD's convenor order. The Administration's experience with the community action program and the neighborhood centers unhappily indicates that substantial coordination cannot be achieved at the federal level without substantial changes in the grant-in-aid mechanism.

The massive effort needed to overcome the problems posed by the ghetto will be financed largely by some form of federal

grant-in-aid. To the degree that such grants are programmatic, the Task Force is convinced that it is absolutely essential to streamline and simplify the distributive mechanisms. Instead of extending and expanding categorical aids, the Administration should stress consolidation, decentralization, and flexibility.

In the opinion of the Task Force, however, fragmentation, administrative complexity and rigidity, overcentralization of detail, inadequate coordination, and lack of innovation are endemic to the programmatic approach. Even the most imaginative reforms are likely to have only a marginal impact if grant programs continue to multiply at their present rate. Of course, this growth rate would be accelerated if all the Task Force's recommendations were translated into individual grant programs.

An increased federal commitment to urban problems and a national effort focused on ghetto deficiencies requires a substantial reorientation of roles and responsibilities in the federal system. The Administration began this task with the development of the Poverty and Model Cities programs. The Task Force believes the time has come to expand the application of these concepts through the development of a highly flexible, locally-based system of grants-in-aid which substitutes general purpose assistance for programmatic grants and national performance standards for detailed program controls.

It should also be noted that the recommendations have been designed to permit the partial application of these concepts.

Thus, the implementation of these proposals may be staged over time, with the most promising program areas selected for initial treatment. It also will be possible to retain federal program standards in those areas where such controls are deemed in the national interest.

Recommendations

1) Application, processing, and review procedures should be streamlined in all non-formula grant-in-aid programs. The goals of internal program reform should be: (a) to simplify application procedures through the development of standardized methods; (b) to reduce sharply the time between application and approval or rejection of a grant request; (c) to reduce multiple consents; (d) to check the trend toward pyramiding requirements; and (e) to employ standardized review and audit procedures. Responsibility for the implementation of this recommendation should be lodged in the Bureau of the Budget.

2) Greater use should be made of earmarking of grants to facilitate the funding of programs like Model Cities and community action which cut across program and agency lines. This device should be used to enhance the focusing of federal resources on ghetto problems.

3) Whenever possible, new grant programs should be merged with existing programs. Consolidation of related grant programs, along the lines of the Partnership in Health Act of 1966, should be given high priority. Grant consolidation reduces the number

of separate negotiations which any jurisdiction would have to carry on in order to design relatively comprehensive local programs.

4) Provision should be made for consolidated applications for two or more related grants administered within a single department. Such intra-agency grants would permit a state or local agency to deal with a single representative of the appropriate department when applying for related grants.

Implementation of this recommendation requires the establishment of an intra-agency grant office within each department, preferably in the office of the secretary. The intra-agency grant office would receive and process the application for an intra-agency grant, coordinate the review of the application with the appropriate agencies within the department to insure that program standards were being met, and act as the final granting authority, subject to appropriate review at the departmental level.

5) Provisions should be made for consolidated applications for two or more related grants administered by agencies in two or more departments. Such inter-agency grants would permit a state or local agency to deal with a single federal agency when the federal grants needed to finance a comprehensive project are administered by two or more departments. Implementation of this recommendation requires the designation of an agency to receive applications for inter-agency grants, to coordinate the review of the application with the appropriate agencies to insure

that program standards are being met, and to act as the final granting authority, subject to appeal by the appropriate departmental heads. The Task Force believes that the inter-agency grant coordinating function should be assigned to the same agency which is designated as the principal federal urban agency, as recommended in Part III above. Legislation to implement this recommendation would not authorize the waiver of statutory provisions such as eligibility for grants, matching ratios, or program duration.

6) Performance standards should be substituted for detailed program standards wherever feasible. Standards should be simple, general, quantifiable where possible, and applicable to a wide variety of contexts. Performance standards should relate to general societal goals rather than to specific program objectives. Thus, a housing performance standard might be the proportion of substandard dwelling units, not the number of public housing units. National performance standards should focus on the urban goals of integration and enrichment.

7) The substitution of performance standards for program controls should be accompanied by the pooling of funds in existing grant programs. An essential first step in pooling is the establishment of functional pooling arrangements which permit

the unrestricted use of funds in a general functional area, such as housing, manpower training, health, or transportation. In housing, for example, public housing, urban renewal, and rent supplement funds would be pooled, to be employed by the appropriate local or state agency to implement a comprehensive housing program. All programmatic restrictions would be removed from the use of pooled funds; thus, funds derived from the public housing program might be used to finance rent supplements, rehabilitation, code enforcement, or some other locally devised strategy designed to overcome housing deficiencies.

8) Where federal funds are functionally pooled, the basic requirement for eligibility should be a comprehensive program in the functional area which relates local deficiencies and needs to the appropriate national performance standards. Comprehensive housing, manpower, health, or transportation programs should be developed by the appropriate local or state agency. Comprehensive programs would specify local deficiencies in terms of national standards, set forth program goals to meet the national standards, and indicate in a general way the projects to be undertaken to reach the program goals during the life of the comprehensive program. When all funds functionally pooled are from programs within a single agency or department, that agency or department should approve the comprehensive program and monitor its implementation. When functionally pooled funds are drawn from two or more departments, the principal federal urban agency recommended

in Part III should approve the comprehensive program and monitor its implementation.

9) Provision should also be made for the pooling of federal funds across functional lines. Under this type of arrangement, some or all of the federal aid flowing into a neighborhood, municipality, county, metropolitan area, or state would be pooled, with all programmatic restrictions removed from the use of the pooled funds. Eligibility for general pooling should be based on the preparation by the appropriate local or state unit of a general development program based on national performance standards. General development programs would be similar to the comprehensive functional programs discussed in the previous recommendation, except that their scope would be substantially broader. General development programs would be approved by the principal federal urban agency recommended in Part III, which would also monitor the implementation of the general development program.

10) To facilitate the preparation of comprehensive functional programs and general development programs, federal technical assistance and planning aid should be expanded. In the case of comprehensive functional programs involving two or more agencies, and in all instances of general development program preparation, technical assistance and planning aid should be funneled through the principal federal urban agency as recommended in Part III. As a first step toward implementing the previous recommendations, the federal government should finance the preparation of a

number of comprehensive functional programs and general development programs by a variety of local and state units.

11) The federal government should initiate a program of general purpose assistance to local and state governments. We recommend that two types of general purpose grants be developed - deficiency grants and incentive grants.

a) Deficiency grants are general purpose formula grants designed to provide supplemental federal assistance for local units, the magnitude of which would be related to need and capability. An equalization formula to accomplish this purpose would be based on population, per capita income, tax base, tax effort, and perhaps other measures of social, economic, and infrastructure deficiencies. Deficiency grants could be used by the recipient local or state unit for any public purpose consistent with a general development program. Eligibility for deficiency grants would be determined by the principal federal agency recommended in Part III through its approval of a general development program. Given the magnitude of the ghetto problem, the Task Force recommends an initial outlay of \$ billion for deficiency grants, which would provide \$ per ghetto dweller.

b) Incentive grants are general purpose grants distributed by the principal federal agency recommended in Part III. Incentive grants could be used to supplement pooled

funds or interagency grants. The availability of general purpose agency grants should enhance the ability of the principal federal agency to promote inter-agency grants, pooling arrangements, and comprehensive functional and general development programs. A significant proportion of incentive grants should be used to stimulate the preparation and implementation of general development programs which give high priority to ghetto problems, especially integration.

V. Increasing knowledge of solutions to urban problems

The Problem

The Task Force believes that if this society were ready to commit the resources required for its cities, new technologies and knowledge could make our efforts more effective and relevant than is presently possible.

We emphasize the advantages of the Federal government as a funder, controller and evaluator of demonstrations and experiments - an advantage which is readily apparent in the aerospace industry. This advantage is presently being dissipated by fragmentation of problems by agency mission, lack of long-term financing of experimentation and basence of sensitive feedback mechanisms to influence policy-making. In addition, the efficiency of our efforts to solve urban problems may be limited by the small scale of our programs and even demonstrations.

Recommendations

1. The flexibility and emphasis on innovation characteristic of the Model Cities Program should be exploited by concentrating resources - as far as possible - on 4 or 5 cities and/or metropolitan areas capable of implementing well-structured and controlled experiments.

To achieve this would require at least the following:

-- Assignment of responsibility for the design and evaluation of the experiments to the new Assistant Secretary for Research and Development in DHUD.

-- Informal allocation of resources from agencies other than HUD, (for example, project demonstration monies in HEW and Labor) for use in the selected cities.

-- An aggressive Federal role in providing technical assistance to these "key" cities.

2. The creation and funding of an institute for basic urban research, along the lines of RAND or IDA in the defense area. The institute should be Federally funded, independent of day-to-day departmental control and able to undertake long-term research projects.

Initially, the institute would not undertake operation or funding of action projects, but would concentrate on basic research into urban economics, data collection and analysis, etc.

3. A strengthened and better-financed demonstration and experimentation role for DHUD and its Assistant Secretary for Research and Development. This should include the ability to finance long-term projects independent of fiscal year restrictions and development and action projects in fields other than housing. A high premium should be placed on joint funding with other agencies for projects cutting across several service sectors.

4. The evolution of a developmental organization which can undertake large-scale investments in new systems, such as new housing ideas. This institution might be developed by the Assistant Secretary for Research and Development in DHUD. It should have the funds, flexibility and authority to underwrite construction of new types of schools or hospitals or houses on a scale large enough to make a difference. This agency also could expend the developmental work done by OEO in basic manpower and health systems, or combine them with the physical elements of a sector. The first target of large-scale development should be constructing more efficient and flexible low-and moderate-income housing.

5. The capacity of local and state governments to undertake research and development should be increased with the aid of positive Federal action. Subsidies to regional or urban universities are one means of achieving this; financing of research staffs for governors and mayors is another. Federal programs, such as Model Cities and Community Action, which stimulate innovative and experimental action projects should be expanded as the best hope for building local development capacity.

6. We believe the natural advantage enjoyed by the Federal government for financing and evaluating research and development should be strengthened in all departments. Within department, R&D outputs should feedback to the Secretary to insure that R&D projects affect on-going programs and policies and open new directions. Responsibility for monitoring government-wide urban R&D activity should be centralized either in the Executive Office or in HUD. Without centralization, the results of research in one agency are not likely to become inputs in the policy-making of another.