

September 30, 1969

A BACKGROUND PAPER  
ON THE  
NEIGHBORHOOD DEVELOPMENT PROGRAM (NDP)

The Problem

The Neighborhood Development Program (NDP), which was launched under the last Administration upon passage of the 1968 Housing Act, has generated a demand for funds which far exceeds the money that can be made available for the program.

Approximately 1,200 communities are presently participating or have applications pending in the urban renewal program, of which NDP is a part. About 300 cities have submitted, or are on the verge of submitting, NDP applications. The estimated requests for funds from these 300 cities for this year threaten, and by 1971 would clearly exceed, the total amount of money available for the entire program, even if no renewal activities are funded in any of the other 900 non-NDP communities.

In part, the large demand for NDP stems from the fact that when the program was launched and the cities were encouraged to file applications, they were given no limitations, nor were they given reason to think their full funding expectations would not be approved.

This Administration has thus been confronted with a present and potential demand for NDP which has made it essential to impose management controls on NDP funding.

The Administration's Position

The Administration firmly supports the NDP concept. The program is a valuable and flexible tool to aid cities in achieving their renewal objectives. The NDP is designed to make it possible to take rapid action on urgent needs and to take immediate advantage of available development opportunities within the boundaries of one or more renewal project areas in a given community.

The Department firmly believes that the management controls imposed on NDP funding will preserve the NDP concept, fund as many city programs as possible, and deal in a responsible manner with the funding crisis facing the program.

The imposition of controls at this time is necessary because the Department has no right and no intention of starting--as some have advocated--a larger program than can be funded, with a hope or wish that Congress will make the kind of rapid and major change in renewal funding levels that would be required.

Moreover, the Administration has a deep sense of responsibility to the residents of program areas to avoid any further perpetuation of false expectations and promises which, based on the facts known today, have little or no hope of fulfillment. This is a practice which has understandably embittered many neighborhood residents in the past.

#### Availability of Funds

The problem begins with the basic fact that the total amount of money that will be available for all renewal, including NDP activities, is likely to range between \$850 million and \$1 billion for FY 1970.

The last Administration requested \$1 billion in the budget it submitted in January 1969 for Title I urban renewal funding in FY 1970. Shortly after coming into office, this Administration submitted a request to Congress for the exact same amount. The House-passed appropriations bill cut that figure to \$850 million, and Secretary Romney has strongly appealed to the Senate for a restoration of the full amount. Even if the Senate approves a higher figure, it will still be subject to adjustment in conference with the House, which will meet to resolve differences between the Senate and House passed bills.

Out of whatever sum Congress appropriates, the Department must give consideration to a wide range of needs in addition to NDP applications. The Department is faced with: regular urban renewal project applications from both NDP and non-NDP communities; requested increases for on-going renewal projects; and applications for such related programs as code enforcement, demolition, interim assistance in blighted areas, assistance to certified areas, and community renewal programs.

At the present time, the pipeline of pending applications for everything excluding NDP totals approximately \$1.4 billion.

It should be noted that shortly after the NDP legislation was enacted, the impending financial squeeze became apparent to the Bureau of the Budget under the last Administration. As

a consequence it placed hard and fast limitations on the program in December 1968, in order to avoid an escalation of hopes and expectations that likely could not be funded. This resulted in the funding of only 35 cities in FY 69.

Nature of the Competing Demand

To help understand the problem facing the Department at the present time, it is necessary to look at how the funds available in 1969 were actually spent:

Needed increases for on-going renewal projects that were started in prior years, and have incurred increases in land and development costs above the original estimates: \$409 million

Approval of new projects in cities which have previously participated in the program as well as in communities seeking assistance for the first time: \$465 million

Approval of such related programs as code enforcement, demolition, interim assistance in blighted areas, certified areas, and the Community Renewal Program: \$105 million

Approval of 1st year NDP action program in 35 cities. (Represents the net amount of funds from the FY 1969 appropriations. In addition, the 1st year NDP action programs for these cities utilized \$210 million, which the cities elected to transfer for that purpose from funds already under contract or reservation.) \$100 million (net)

The above breakdown indicates the nature and dimension of the competing demand for the renewal dollar. While the Department plans to introduce policies and practices that will reduce the amount required for increases for on-going projects, this will necessarily be a gradual process that will not release significant sums of money for other purposes in the immediate future. With respect to the other components in the overall breakdown, the rates indicated above are likely to remain approximately the same, so long as NDP remains an optional rather than a mandatory approach for the cities.

Congress established NDP as an optional program, and this Administration intends to preserve that free choice, without pressuring or coercing any community into adopting one approach over another.

The Demand for NDP Funds

In addition to the problem caused by all the competing demands for renewal funds, the NDP itself has unleashed a rapidly escalating demand for funds, which this year threatens, and by 1971 would clearly consume all available funds, leaving nothing for the 900 non-NDP communities.

The following table shows the projected demand for NDP funds. It does not include any estimate of demand for any communities beyond the 322 which have already submitted, or are on the verge of submitting, NDP applications:

	(Figures in millions)	
<u>Category</u>	<u>1970</u>	<u>1971</u>
35 cities already approved	\$375	\$375 <sup>1</sup>
287 applications pending or under active preparation	\$858 <sup>2</sup>	\$892
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	\$1,233	\$1,267

Footnotes:

1. Assumes no rate of increase over 1970 level of requests, even though the 1970 request represents a 22% increase over the \$310 million gross level undertaken in 1969.
2. Includes \$317 million of net new funds from FY 1970 appropriations, and \$541 million which the cities propose to transfer to NDP use from funds already under contract or reservation.

Prospects for Recapture of Funds

At the outset of NDP, it was hoped that significant sums of money would be returned to the Department to permit funding of other NDP applications, through the relinquishment by the

cities of funds already under contract or reservation which were in excess of the amount needed to fund the community's 1st year NDP action program. This expectation proved illusory.

Of the first 35 cities approved for NDP, only 11 released more than they required just for their 1st year NDP action program. In fact, on balance, the 35 cities required \$100 million from FY 1969 appropriations, in addition to the \$210 million they elected to transfer for NDP purposes from funds already under contract or reservation.

Thus there is little reason to expect that the NDP's will be a source for the recapture of funds in the future.

#### Basis for New NDP Controls

In an effort to preserve the NDP concept and its value as a flexible tool, the Administration has rejected arbitrary controls over the program, such as a \$1 million ceiling or a 20-acre limitation on the size of any program. Guidelines covering the management of NDP applications will be forthcoming.