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Wednesday, April 9, 1975 4PM

Meeting at HUD - Re: Detroit HOusingg

THE WHITE HOUSE

WASHINGTON

MEETING TO DISCUSS DETROIT
Wednesday, April 9, 1975
4:00 p.m. (one hour)
Secretary Hills' Office

I. PURPOSE

To discuss a proposal prepared by Coleman Young, Mayor of Detroit, for the economic revitalization of the City which requires substantial Federal assistance.

II. PARTICIPANTS

HUD

Secretary Hills (will chair the meeting)
Under Secretary Mitchell
Warren Butler, Deputy Assistant Secretary for
Community Planning and Development
Rob Odle, Deputy Assistant Secretary for Housing Management
Dave Lafayette, Director, Office of Program Evaluation
and Analysis
Richard McGraw, Executive Assistant to the Secretary

OMB

Director Lynn
Don Derman, Deputy Associate Director,
Community and Veterans Affairs Division

Domestic Council

James Cannon, Executive Director
Tod Hullin, Associate Director

Detroit - Max Fisher (background information at Tab A)

III. BACKGROUND

The City of Detroit has developed a plan for economic revitalization of the City. This plan, which has been informally submitted to Director Lynn by Max Fisher, calls for the combined efforts of the Federal government, the State government, the City government, local business and labor organizations.

Detroit claims that its tax revenues have fallen far short of need and it faces a financial crisis: a \$25-35 million budget deficit. It cannot afford to increase present or to impose additional taxes, even if it were legally feasible.

The inelasticity of its revenue becomes more critical in periods of rapidly rising costs. The present period of inflation has accelerated price increases and the current recession has further stunted revenue growth. These elements have combined to create what the Mayor calls an "unmanageable revenue shortage" which he claims can only be rectified with Federal and State assistance.

Detroit calls upon the Federal government to intercede and to provide \$2.54 billion in a combination of direct grants-in-aid, interest-free loans, debt guarantees, and low-interest public facility loans, to finance developmental projects.

The Detroit Plan proposes programs for revitalization of

- employment
- industry
- commerce
- housing
- transportation
- public safety

The proposal outlines a Federal legislative program which centers on

- amending the Internal Revenue Code to provide that whenever an urban area is designated an urban area of severe economic depression, capital invested in its business center shall be eligible for an investment tax credit of 15%.
- amending the Internal Revenue Code to provide that the interest on industrial development bonds, regardless of the size of the issue, is exempt from Federal taxation so long as the proceeds are used to finance a facility which is to be located in an urban area of severe economic depression.

Other changes in Federal legislation are proposed in the following areas:

- food assistance
- mass transit
- housing

Mayor Young has requested a meeting with the President to discuss this proposal. On September 23, the President met with the Mayor for an hour in Detroit. He is the only big city Mayor with whom the President has had a substantive one-on-one meeting. The Schedule Office is inclined to turn down the Mayor's request for another meeting and is hopeful that the Domestic Council, OMB and the appropriate Cabinet officers will meet with the Mayor and discuss his proposal.

A brief profile of Detroit and an outline of the Mayor's proposal are presented at Tab B.

IV. OMB POSITION

Director Lynn has discussed the problems of Detroit with Mr. Fisher and Mayor Young on several occasions dating back to his days as Secretary of HUD. These conversations have continued in Mr. Lynn's new position as Director of OMB.

Preliminarily, the OMB staff feels that the proposal

- fails to put any of the proposed activities in a time frame so that it is impossible to provide an intelligent assessment of the Federal government's capacity to provide assistance;
- fails to identify specific Federal funding sources for the industrial and commercial plans;
- identifies some Federal funding for activities (such as community development and Law Enforcement Grant funds) which are now controlled by objective formula systems, and not subject to earmarking for a particular community.
- under-estimates the cost.

Additionally, OMB has identified a number of Federal programs which could provide funds that could assist the City in achieving the goals of their plan:

- Detroit is receiving \$56.8 million under CETA and an additional \$3.5 million under the Work Incentive Program. These funds can support a pretty wide mix of public service jobs and training programs.
- Detroit is eligible to apply for a broad range of assistance from the Economic Development Administration as an area suffering from chronic unemployment and low income.
- Detroit is eligible to receive about \$34 million from HUD in 1975 under the Community Development Grant Program. These funds can be used for a broad range of activities, including land acquisition and housing rehabilitation.

V. CONCLUSIONS

Preliminarily, I offer these tentative conclusions:

- The Administration has a number of existing authorities which are providing money to Detroit in an effort to address the problems they have outlined.
- The Administration cannot realistically meet Detroit's request for an additional \$2.54 billion in Federal assistance.
- Most of the proposed Federal legislation is not in line with current Administration thinking.
- Any effort by the Administration to coordinate or expedite the flow of Federal money into Detroit establishes a precedent that we cannot follow for all metropolitan areas.

VI. RECOMMENDATIONS

I recommend the following actions:

- Secretary Hills, as Chairman of the Domestic Council Committee on Community Development, should be given the responsibility for coordinating the Administration's review of and response to the Detroit revitalization proposal. Membership of the Committee includes the Secretaries of Agriculture, HUD, Treasury, Transportation, Commerce, Labor, HEW, Director of OMB.

- Secretary Hills should arrange a meeting with the Mayor as soon as possible to formally receive and discuss his proposal.

A



Max Fisher is an influential citizen of Detroit and Chairman of a group called "Detroit Renaissance" which is striving to revitalize the City.

We are informed that Mr. Fisher believes the Detroit proposal is too much of a "Christmas Tree" and feels that its focus should be on housing, mass transit and public safety.

This meeting is an effort to better understand the Detroit proposal and to outline the limits and sources of present and future Federal assistance.

Mr. Fisher is also one of the leading members of the American Jewish community. He has recently returned from a trip to Israel where he met a number of Israeli leaders. Prior to his departure, he met with the President to discuss the Middle East situation.

Mr. Fisher was appointed by President Nixon as a Special Consultant on Voluntary Action.

Background

BS, Ohio State, 1930; LLD, Ohio State, 1971;
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Chairman, Board of Directors, Aurora Gasoline Co., Detroit
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Director, Michigan Colson Gas Co.

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Manufacturers National Bank Detroit; Fruehauf Corp.;

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Southeastern Michigan, 1971 - ; Board, Sinai Hospital
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Republican; Married, 5 children

Clubs: Recess, Harmonic (NYC), Franklin Hills Country,
Standard, Economic (Detroit), Palm Beach Country

B



DETROIT PROFILE

Population: Detroit is the Nation's sixth largest city with a population of 1,418,600. Over the decade spanning the 1960 and 1970 Census, Detroit suffered a population loss of 9.4%. Since 1970, the estimated population loss is 6%. The percentage of minority residents has increased from 43.7% to 53% in the last five years. Fifty-five percent of the remaining residents would prefer to leave the city if they could.

Unemployment: Thirty-five percent of Detroit's labor force of 567,000 is involved in manufacturing which is dominated by the automobile industry. Currently, unemployment is estimated at 21% in the city proper. In some parts of the city, unemployment approaches 50%. For the month of February, the Greater Detroit unemployment rate was 16.2%.

Crime: Detroit leads the Nation with a homicide rate of 44.5 per 100,000 population. There were 800 murders in 1974 in Detroit, nearing three per day. To date, there have been 160 convictions of HUD-related contractors, brokers and employees. Nearly 500 convictions are expected according to the U.S. Attorney's office.

Housing: Almost 10% of the real estate parcels in the City are vacant. One-third of all properties within the City of Detroit are HUD-insured. Within the Detroit area, HUD owns 16,000 properties, 12,000 of which are in the City. This represents 20% of HUD's national inventory. Of those 12,000 properties, 8,000 are houses, and 4,000 are vacant lots. The City itself owns an additional 3,500 houses and store-fronts. The foreclosure rate has jumped almost 30% from September to December 1974. Private resources are committed, in the majority, to the riverfront Renaissance Center which is a large commercial and residential complex. The Renaissance Center is in trouble because of a lack of lease commitments. It is ultimately feared that the new units will further aggravate the vacancy problem in Detroit.

City Financing: Detroit is currently facing a \$25-35 million budget deficit. The City school system is on the verge of collapse. The City explains the cause of its difficulties as a declining taxation base in combination with increased costs. The City maintains that it is unable to raise additional revenues. Mayor Young states that 1,500 municipal employees will have to be removed from the City rolls. To dramatize the situation, he suggests that 500 policemen will be removed from the force.

DETROIT PROFILE - 2

Transportation: Detroit has a highly efficient 424 mile freeway system which is the principal transportation element in the City. Detroit also is a major shipping center by virtue of the St. Lawrence Seaway. The City is served by two international airports and eight major rail lines. Although 50% of the households within the center city are without access to an automobile, transit ridership has been declining. The City's Department of Transportation operates a fleet of 1,200 buses.

Detroit Proposal for Federal Assistance

Detroit proposes a \$2.5 billion assistance package of grants-in-aid, interest-free loans, debt guarantees and low-interest public facility loans. Some of the elements of this package require legislative action which are set forth below:

-- Urban Development

- Investment tax credits of 15% should be provided for capital investments in economically depressed areas with a 9% unemployment trigger.
- Interest on industrial development bonds for economically depressed areas should be exempt from Federal income taxation.

-- Food Assistance Programs

- The Agriculture and Consumer Protection Act of 1973 should be amended to increase supplementary food programs under USDA with an "economically distressed" 60% set-aside for urban areas with 9% unemployment.

-- Mass Transit

- Detroit proposes to build a 74.7 mile rapid transit system in order to revitalize the center city. Legislative amendments to the Urban Mass Transit Act are necessary to allow Detroit to qualify for 80% Federal and 20% local share funding of the \$2.05 billion project. Ten percent of the local share would be paid by the State of Michigan, while Detroit proposes that the remaining 10% city share be funded by the Department of Transportation. Detroit estimates that the cost of the initial phase of construction (17 miles and an intermodal terminal) would cost \$685 million.

DETROIT PROFILE - 3

-- Housing

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- Detroit also proposes a depressed urban area set-aside under the Housing and Community Development Act of 1974.

DOMESTIC COUNCIL CLEARANCE SHEET

DATE: April 8, 1975

JMC action required by: _____

TO: JIM CANNON

VIA: DICK DUNHAM _____

JIM CAVANAUGH _____

FROM: TOD R. HULLIN 

SUBJECT: Meeting to discuss Detroit (Wednesday, April 9)

COMMENTS:

DATE: _____

RETURN TO: TOD R. HULLIN

Material has been:

_____ Signed and forwarded

_____ Changed and signed (copy attached)

_____ Returned per our conversation

_____ Noted

Jim Cannon

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