The original documents are located in Box 31, folder "Urban Development and Neighborhood Revitalization Committee" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

These developments have produced severe strains on older cities, forcing city governments to cope with the potentially devastating pressures of a stagnant or declining economic base coupled with a growing need for services which are becoming more and more expensive.

INSERT A

For some time my Administration has been examining these problems, and I have proposed major program consolidations in health, education, and social services.

Some eight weeks ago, I had the pleasure of meeting with representatives of many ethnic organizations that have been holding periodic gatherings here at the White House.

STATEMENT ON PRESIDENT'S URBAN COMMITTEE

The cities of this nation and the neighborhoods which are their backbone today face increasingly difficult problems of decay and decline.

Our society is one of constant change and movement. This fact has both its positive and negative effects. The areas most likely to suffer from technological, demographic, and social change are our older cities.

In recent years, rapid changes in communications, manufacturing, technology, transportation, and social expectation have combined to cause migration from older cities to the suburbs and to expanding areas in the South and West.

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Their number one recommendation, passed along to me by Bill Baroody of my staff, was that we should set up a task force within the Government to review all major Federal programs that have an impact upon urban and neighborhood life.

Today I am pleased to announce that I am appointing a Cabinet-level task force to carry out that mission. This new Presidential Committee on Urban Development and Neighborhood Revitalization will be chaired by Secretary Hills and its members will include Cabinet officers, several agency heads, and others.

Yesterday afternoon I met with Secretary Hills and other members of the committee and asked them to begin an immediate review of current Federal programs which have an impact upon cities and their neighborhoods.

They are to seek the perspectives of local officials and neighborhood groups on Federal programs which affect them and to develop recommendations for improvements in Federal policies and programs.

In setting up this committee, my premise is that many Federal programs now on the books are worthwhile and should be continued, especially those which encourage local initiative and local leadership. It is particularly urgent that the Congress act soon to re-enact the General Revenue Sharing program.

At the same time, it is clear that the Federal Government must find better ways to coordinate its many programs, that some programs should be consolidated and that still other programs should be phased out altogether. The commitment to serving our cities and urban neighborhoods need not require massive new funding programs; a great deal of Federal money is currently being spent. What is clearly required is that we make better use of resources that are already available.

In my discussions with ethnic leaders, I have also been impressed that the Federal Government can do more to encourage a greater sense of community, a sense of belonging within our urban centers. In this Bicentennial year, it is especially important that we seek to enhance the values of family, of community and of cultural diversity that have been the strength and richness of America for many years.

The Presidential Committee I have appointed will perform a great service for the country by helping to revitalize urban and neighborhood life in America.

June 30, 1976

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THE WHITE HOUSE
WASHINGTON
6/29/76

TO: RON

FROM: LARRY

Attached is the story from Monday's Star on the Watergate Reform Legislation. The Counsel's office has prepared guidance which is also attached.

S. 495: COMMENT

Q. What is the President's position on S. 495, as recently amended by the Senate Government Operations Committee, the so-called "Watergate Reorganization and Reform Act of 1976"?

A. The matter is being followed by the office of the Counsel to the President which has several concerns regarding the measure:

First, several features of the bill, i.e., Title I's authority for the creation of an independent Special Prosecutor and Title II's provision for enforcement of Congressional process and intervention or appearance by a congressional Legal Counsel in other litigation, are believed to be constitutionally inappropriate by the Department of Justice. In these instances, S. 495 could represent an unlawful encroachment upon the exclusive province of the Executive Branch.

Second, the provision of the bill calling for the creation of a Division of Government Crimes within the Department of Justice, is thought by the Attorney General to be administratively unworkable and unnecessary.

Third, although President Ford supports the concept of full public disclosure of personal finances by elected officials and senior personnel of the Federal government, a program carrying forward this concept would have to be mindful of relevant privacy concerns and provide a rational approach to public needs.

In closing, let me only note that the President strongly supports the Attorney General in the conduct of his office. In accordance with our usual policy, I am not prepared to comment at this time on the possibility of a veto of S. 495.

S. 495: CONTENT

Q. What would be provided by S. 495 as recently amended by the Senate Government Operations Committee, the so-called "Watergate Reorganization and Reform Act of 1976"?

A. The bill contains three titles:

Title I would create a Division of Government Crimes within the Department of Justice and also a statutory mechanism for the creation of an independent special prosecutor in certain defined instances.

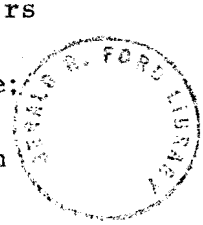
Title II would establish as an arm of Congress the Office of Congressional Legal Counsel. The duties of this office would be threefold:

First, the Counsel would defend Congress in any civil action questioning the validity of official Congressional action.

Second, the Counsel could bring a civil action to enforce a Congressional subpoena or order.

Third, the Counsel could intervene or appear as amicus curiae in a pending action in which the constitutionality of a law of the U. S. is challenged, the U. S. is a party, and the constitutionality of the statute is not adequately defended by counsel for the U. S.

Title III would require, under pain of a criminal penalty which could result in one year's imprisonment and a $10,000 fine, the annual filing of detailed financial reports by: (1) the President, Vice President, Members of Congress, justices or judges of the United States; (2) those not in office seeking election to Federal office; and (3) officers or employees of the United States who are paid at a rate equal to or in excess of the minimum rate prescribed for grades GS-16. The reports would include such items as: (1) the amount & source of each item of income in excess of $100; (2) the fair market value and source of any item received with a fair market value in excess of $500; (3) the identity and value of each asset held during the year which has a value in excess of $1,000; and (4) the identity and amount of each liability owed which is in excess of $1,000.



Levi Opposes Watergate Reforms

By Martha Angle
Washington Star Staff Writer

In a lobbying venture fraught with political hazards, Atty. Gen. Edward H. Levi has launched an 11th-hour campaign to block Senate passage of a major Watergate reform bill that has been under consideration more than 18 months.

Levi's sudden effort to derail the legislation, the major congressional response to the entire Watergate scandal, has surprised and dismayed its Senate sponsors, who had expected smooth sailing when the measure reaches the Senate floor next month.

They are especially baffled because Levi and other Justice Department officials repeatedly ignored requests from key senators for comments and suggestions on how to improve the legislation.

Justice Department opposition to the bill could prove politically awkward for President Ford, who can ill afford to appear opposed to Watergate reform legislation. Yet there are indications the White House may join Levi in fighting the bill on the Senate floor.

"THE WHITE House doesn't have a formal opinion at this time, but I can tell you our reaction is generally negative for the reasons expressed by Justice," said Kenneth A. Lazarus, associate counsel to the President.

The Watergate Reform and Reorganization Act has already cleared two Senate committees and is scheduled for floor action on July 19, the day the Senate will return from its recess for the Democratic National Convention.

It has broad bipartisan sponsorship and the support of virtually every element of the legal community except the Justice Department, including the American Bar Association and three former Watergate special prosecutors — Archibald Cox, Leon Jaworski and Henry Ruth.

The bill contains three main sections, and while Justice doesn't like any of them very much, Levi has directed most of his fire at the first part of the measure.

THIS WOULD create a division of government crimes within the Justice Department to probe and prosecute most allegations of official corruption. It also would establish a mechanism to trigger the appointment of a temporary special prosecutor in extraordinary cases, such as Watergate, where the impartiality of the Justice Department itself might be in question in the public mind.

"I think Mr. Levi feels this is a slap at him, which just isn't so. This bill is definitely not aimed at him," said Sen. Charles H. Percy, R-Ill., a chief sponsor of the Watergate re-

See WATERGATE, A-10

Today's Star

WATERGATE

Continued From A-1

form bill and a close personal friend of the attorney general.

"They've just suddenly concluded this bill would be a personal insult to the attorney general," echoed Sen. Charles McC. Mathias Jr., R-Md., who has heard from Deputy Atty. Gen. Harold Tyler on the Watergate bill.

Percy is one of several senators Levi has called or visited in the past two or three weeks in an effort to halt the bill's progress toward enactment. "He'd like it tabled. He just doesn't like the bill," said Percy.

Other senators Levi has personally lobbied include Majority Leader Mike Mansfield, Sen. Edward M. Kennedy, D-Mass., and Sen. Abraham Ribicoff, D-Conn.

THE WHITE HOUSE

WASHINGTON

June 29, 1976

MEMORANDUM FOR: BILL BARODY
JIM CANNON
MYRON KUROPAS
LYNN MAY
RON NESSEN 1st w/w

FROM: DAVE GERGEN DG

SUBJECT: President's Urban Committee

Upon request from Bill Baroody and Myron Kuropas Tuesday night, I have gone back to this afternoon's draft as a foundation for a Wednesday statement by the President.

My recommendation now is that Bill Baroody and Jim Cannon jointly agree upon a statement at the earliest moment. We can't continue down so many tracks much longer without going totally off the rails.

June 29, 1976

STATEMENT ON PRESIDENT'S URBAN COMMITTEE

Some eight weeks ago, I had the pleasure of meeting with representatives of many ethnic organizations that have been holding periodic gatherings here at the White House.

In my remarks that day, I asked those leaders if they would tell us what they think needs to be done to bring new life and vitality to our urban neighborhoods.

Their number one recommendation, passed along to me by Bill Baroody of my staff, was that we should set up a task force within the Government to review all major Federal programs that have an impact upon urban life.

Today I am pleased to announce that I am appointing a Cabinet-level task force to carry out almost exactly that mission. The new Committee on Urban Development and Neighborhood Revitalization will be chaired by Secretary Carla Hills and its members will include Cabinet officers, several agency heads, and others.

Yesterday afternoon I met with Secretary Hills and other members of the committee and asked them to begin an immediate review of current Federal programs which have an impact upon cities and their neighborhoods.

Thereafter, they are to seek the perspectives of local officials and neighborhood groups on Federal programs which affect them and to develop recommendations for improvements in Federal policies and programs.

In setting up this committee, my premise is that many Federal programs now on the books are worthwhile and should be continued, especially those which encourage local initiative and local leadership. It is particularly urgent that the Congress act soon to re-enact the General Revenue Sharing program.

At the same time, it is clear that the Federal Government must find better ways to coordinate its many programs, that some programs should be consolidated and that still other programs should be phased out altogether. The commitment to serving our cities and urban neighborhoods need not require massive new funding programs; a great deal of Federal money is currently being spent. What is clearly required is that we make better use of resources that are already available.

In my discussions with ethnic leaders, I have also been impressed that the Federal Government can do more to encourage a greater sense of community, a sense of belonging within our urban centers. In this Bicentennial

year, it is especially important that we seek to enhance the values of family, of community and of cultural diversity that have been the strength and richness of America for many years.

The task force that I am appointing will perform a great service for the country if it can help to revitalize urban and neighborhood life in America.

SUMMARY OF THE

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

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

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

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

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

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

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

— Federal resources must be targeted to the areas of greatest need, recognizing the disproportionate social and economic burdens borne by individual communities or classes of citizens.

— The delivery of Federal assistance to urban areas must be made more efficient. The Committee recommends expansion of the use of block grants in providing Federal assistance to urban areas, because block grants are more efficient, more responsive to local needs, and ultimately more democratic methods of aiding the cities than the massive categorical programs of the 1950's and 1960's.

— In moving towards block grants, electoral responsibility for the use of Federal funds must be established, citizen participation and a role for neighborhood groups must be assured, the rights of minorities must be protected, and the capacity of local and state governments to administer their block grants should be improved. Finally, block grants should be structured to facilitate their creative combination at the local level with other sources of public and private funds.

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

— housing subsidies;

— urban surface transportation;

— health services;

— and education.

The Committee's other recommendations include:

— A comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the states in which they are located.

— A review of Federal tax policies with a view to providing greater incentives for the preservation and rehabilitation of urban homes and buildings and for business investment in urban areas with high unemployment.

— An aggressive search for new means of increasing private sector employment opportunities for inner-city youths.

— A stand-by program of countercyclical block grant assistance to areas with high unemployment.

— Legislation to allow nonjudicial foreclosure of Federally insured properties to reduce the incidence of boarded-up housing.

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

-- Expansion of the Urban Homesteading program.

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

-- Improving the commercial and industrial bases of our cities, particularly in the Northeast and North Central regions;

-- The complex inter-relationship between the center cities and the larger metropolitan areas in which they are located;

-- Reversing neighborhood decline, with a particular emphasis on the role of neighborhood organizations in preservation strategies;

-- Improving the linkages between Federal assistance programs which provide funds to different recipients for similar purposes; and

-- Meeting the needs of fast-growing cities to anticipate and plan for future growth patterns and public service needs.

The Committee members returned from visits to American cities with a much stronger sense of the vitality of many cities and urban neighborhoods, and with a greater awareness of both the strengths and limitations of Federal policies and programs. We have agreed to an ambitious agenda for the Committee's future work. We intend to continue our efforts to improve Federal policies and programs for making our cities and their neighborhoods prosperous and more exciting places to live.

FOR IMMEDIATE RELEASE October 21, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

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

President Ford today released the interim report of his Committee on Urban Development and Neighborhood Revitalization, headed by HUD Secretary Carla Hills.

The interim report is a statement of the Committee's progress. It sums up the Committee's initial observations, assesses some of the Federal policies and programs which most directly affect the cities, states a set of principles for future Federal urban policy and sets forth preliminary recommendations. It also sets out an agenda for moving towards national urban policy reform.

GUIDING PRINCIPLES FOR URBAN POLICY:

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

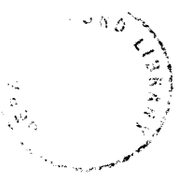
-- The preservation of the Nation's housing stock, the restoration of the vitality of its urban neighborhoods, and the promotion of healthy economic development for its central cities must become a national priority, to be met by a creative partnership between the public and private sectors.

-- Federal resources must be targeted to the areas of greatest need, recognizing the disproportionate social and economic burdens borne by individual communities or classes of citizens.

-- The delivery of Federal assistance to urban areas must be made more efficient. The Committee recommends expansion of the use of block grants in providing Federal assistance to urban areas, because block grants are more efficient, more responsive to local needs, and ultimately more democratic methods of aiding the cities than the massive categorical programs of the 1950's and 1960's.

-- In moving towards block grants, electoral responsibility for the use of Federal funds must be established, citizen participation and a role for neighborhood groups must be assured, the rights of minorities must be protected, and the capacity of local and state governments to administer their block grants should be improved. Finally, block grants should be structured to facilitate their creative combination at the local level with other sources of public and private funds.

more



RECOMMENDATIONS:

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

Housing -- States and localities would receive formula determined block grants. Locally elected officials would use the funds primarily to assist moderate and low-income families to rent or own housing.

Transportation -- Consolidation of many urban surface highway transit assistance programs. Exempted would be money to complete interstate highway assistance.

Health -- Consolidation of categorical health service and preventive program grants into a single block grant, similar to that proposed earlier this year by President Ford.

Education -- Consolidation of categorical educational assistance programs into a single block grant, modeled on proposals submitted earlier this year by President Ford.

The Committee's other recommendations include:

-- A comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the states in which they are located.

-- A review of Federal tax policies with a view to providing greater incentives for the preservation and rehabilitation of urban homes and buildings and for business investment in urban areas with high unemployment.

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

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more

-- The complex inter-relationship between the center cities and the larger metropolitan areas in which they are located;

-- Reversing neighborhood decline, with a particular emphasis on the role of neighborhood organizations in preservation strategies;

-- Meeting the needs of fast-growing cities to anticipate and plan for future growth patterns and public service needs; and

-- Improving the linkages between Federal assistance flowing to different recipients but with common objectives.

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

BACKGROUND

Formation:

President Ford created the President's Committee on Urban Development and Neighborhood Revitalization on June 30, 1976, stating a concern that "...the cities of this nation and the neighborhoods which are their backbone today face increasingly difficult problems of decay and decline."

Members are:

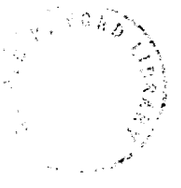
Carla A. Hills, Secretary of The Department of Housing and Urban Development, Chairman; William E. Simon, Secretary of the Treasury; Edward H. Levi, Attorney General; John A. Knebel, Acting Secretary of Agriculture; Elliot L. Richardson, Secretary of Commerce; William J. Usery, Jr., Secretary of Labor; Forest David Mathews, Secretary of Health, Education and Welfare; and William T. Coleman, Secretary of Transportation.

Also, James T. Lynn, Director, Office of Management and Budget; Mitchell P. Kobelinski, Administrator, Small Business Administration; Michael P. Balzano, Jr., Director, ACTION; Samuel Martinez, Director, Community Services Administration; and William J. Baroody, Jr., Director, White House Office of Public Liaison; and Russell E. Train, Administrator, Environmental Protection Agency.

Work Plan:

At the suggestion of neighborhood leaders meeting at the White House May 5, 1976, who urged that Committee members visit cities, analyze programs that affect urban areas and draw on the experience of such key efforts as job training, rental subsidies, and community development, Committee members visited Boston, Cleveland, Baltimore, Hartford, Newark, San Diego, New Orleans, Pittsburgh, Oklahoma City, and Springfield, Ill.

They talked with city officials, civic leaders, businessmen, neighborhood group leaders and individual citizens about their neighborhoods and their cities.



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

For Example:

Baltimore -- a new convention center anchors the downtown commercial area.

Newark -- Gateway Center offers stores, restaurants and office space serving the entire eastern seaboard.

Oklahoma City -- a long term growth plan is linked to economic incentives and planned spending.

Hartford -- 13 neighborhood associations have banded together with business leaders to revise commercial strips and stabilize neighborhoods.

In summary, the Committee found that the problems of cities and neighborhoods are severe but their prospects are encouraging.

# # # #

Ron: Draft: Technical corrections only still being made. Grace

INTERIM REPORT

OF

THE PRESIDENT'S COMMITTEE ON URBAN DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION

OCTOBER 1976

DRAFT - NOT FOR DUPLICATION OR DISTRIBUTION

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

I. Introduction

President Ford created the President's Committee on Urban Development and Neighborhood Revitalization on June 30, 1976. The President stated in his announcement: "The cities of this nation and the neighborhoods which are their backbone today face increasingly difficult problems of decay and decline." He pointed in particular toward the nation's older cities, those which are forced "to cope with the potentially devastating pressures of a stagnant or declining economic base coupled with a growing need for services which are becoming more and more expensive."

The President's action to establish the Committee was a response to leaders of neighborhood organizations who came to the White House on May 5, 1976, for a conference on "Ethnicity and Neighborhood Revitalization." Participants in the conference urged the President to set up a task force within the Government to review all major Federal programs that have an impact upon urban and neighborhood life.

The backdrop for the Committee's mission is Federal policy in the 1950's and 1960's. During those years, in the older central cities, the Federal Government's emphasis was on massive "slum" clearance

and new social programs; at the metropolitan fringe, the emphasis was on providing inducements for rapid growth. Sound neighborhoods, which looked like slums to planners, were leveled; their residents were scattered to adjacent stable neighborhoods or the suburbs. Federally-financed freeways ploughed through other neighborhoods, causing further displacement and social upheaval and providing convenient avenues for suburban commuters. Freeways also provided a new "Main Street" for expanding commercial and industrial development outside the old city limits. Federal mortgage insurance provided by the Federal Housing Administration (FHA) and the Veterans Administration (VA) helped to spur development and push metropolitan boundaries farther and farther out.

In the middle, between downtowns cleared and rebuilt by urban renewal and the new "outer city," lie the older neighborhoods of our central cities and inner suburbs. These are the places which have historically provided homes and a sense of community for millions of Americans who came from foreign countries and rural areas to seek opportunities in our urban centers.

As Monsignor Geno C. Baroni, President of the National Center for Urban Ethnic Affairs, has said: "[T]he richness of any city is epitomized by healthy neighborhoods, a sense of place in which the human dimensions of family, friendship and tradition can be maximized..."

"It is not an exaggeration to say that historically our cities have offered unequaled physical, social and cultural richness. Even today, despite the staggering difficulties under which they labor, the urban areas of our country retain the potential for offering that wealth and there is growing agreement that a major national effort is in order so that such potential may be restored and utilized."

The long-range goal of the President's Committee is to shape policies and programs which make the most of the economic and social resources of the cities', recognizing the unique assets of the cities' diverse neighborhoods and people. To achieve that goal will take a long time: the problems are profound, the issues complex. Instant solutions do not leap out from analysis.

This interim report deals primarily with Federal programs; however, we recognize that action by State and local governments and the private sector are also critically important. Moveover, certain major issues, such as welfare reform and reform of the criminal justice system, which the Committee believes are important to urban development and neighborhood revitalization, are being considered in other forums and are not specifically addressed in this interim report.

The report also does not cover the same ground as the President's 1976 Report on National Growth and Development submitted in February, a report which compiles and analyzes a large volume of information relevant to cities. Nor do we review here the massive amounts of data gathered by such agencies as the Advisory Commission on Intergovernmental Relations, or by research centers such as the Urban Institute and the Brookings Institution, although their research and analyses have been helpful to the Committee.

Nor is this report intended to serve as a statement of a total urban strategy for this Administration. Rather, the report is intended as the preface to what must be a longer-range agenda. Its purpose is to sum up the Committee's initial observations, to assess some of the Federal policies and programs which most directly impact on cities, to make a few preliminary recommendations based on those observations and assessments, and finally, to suggest an agenda for moving toward national urban policy reform.

In looking ahead, the Committee recognizes the need to stay generally within existing funding levels. Sharp increases in Federal spending for new programs would mean one of two things: higher taxes on individuals and the job-producing private sector, or a new inflationary spiral caused by a huge Federal deficit. A thriving national economy, with increasing employment and decreasing inflation, will do more for our cities and neighborhoods than a panoply of new programs.

Just as important, we do not know whether substantial additional Federal expenditures for the cities would bring any significant long-term improvement in their condition. The tens of billions expended each year by the Federal government are spent in a tangled and often contradictory fashion. Properly targeted, in accordance with locally conceived long-range plans, these monies may prove to be quite ample.

Accordingly, a massive expansion of resources for central cities simply is neither feasible nor wise at this time. Instead, there should be a better targeting of existing resources. Although some increase in government spending may be called for and the flow of that spending may need to be changed, such decisions cannot be made until the Committee has completed the task of organizing and managing the resources we already have.

II. Summary of the Committee's Observations

The President's charge to the Committee directed us "to seek the perspectives of local officials and neighborhood groups on Federal programs which affect them," and carrying out that charge has been an important part of the work of the Committee during its first several weeks of operation.

The Committee also has compiled and begun to analyze information on the Federal programs which have an impact on cities and neighborhoods, and there have been numerous ad hoc meetings between Committee principals, as well as at the staff level, to explore opportunities for improved interagency cooperation. For example, Secretary Coleman (Transportation), Secretary Hills (Housing and Urban Development), and Secretary Richardson (Commerce) are discussing possibilities for improving the focus of their departments' programs in five cities (Buffalo, Atlanta, Baltimore, Washington, D.C., and Miami) where the Depart-

ment of Transportation is committing over $5 billion for new mass transit development.

Between August 2 and September 24, individual members of the Committee have visited the following cities: Boston, Cleveland, Baltimore, Hartford, Newark, San Diego, New Orleans, Pittsburgh, Oklahoma City, and Springfield, Illinois. The purpose of these visits was neither to defend old policies nor to unveil new ones, but rather to listen to what people had to say about their cities and neighborhoods, to see what they wanted to show us, and finally, to discuss with them how the Federal Government's efforts might more effectively be directed.

The city visits provided members of the Committee direct contact with mayors, key city officials, neighborhood leaders, businessmen, and individual citizens. We talked at length with mayors about their struggles to make ends meet, about state constitutional and statutory restrictions on city powers, about their efforts to work with state governments to achieve greater understanding and responsiveness to city problems, and about their frustrations in dealing with the multitude of Federal programs--each with its own requirements and regulations, and many outside of their management control entirely.

The Committee also visited neighborhoods and talked with neighborhood leaders about their efforts to fight

decay and restore stability and vitality, about their problems with City Hall, about Federal programs and tax policy which seem to be hindering their efforts, about "redlining," and about crime and racial tensions which threaten their neighborhoods.

We talked with civic leaders and businessmen concerned about the viability of central city investments, about the availability of good housing and healthy neighborhoods for workers, about traffic congestion and mass transit and about the quality and growing costs of public services. All of these discussions provided the Committee additional insights into the complex long-term problems with which city leaders and citizens must cope.

At the heart of the problem facing the older central cities and inner suburbs in recent decades has been their inability to compete successfully for the people and investments they need to maintain an adequate tax base to support needed public services. Nationwide, employment grew in the suburbs by 3.2 percent between 1973 and 1975, and declined in the central cities by 3.7 percent. More importantly, there has been a general shift of population and development from the Northeast and Northcentral states to the South and West. More than 80 percent of the nation's population growth since 1970 has occurred

in the South and West. Thus, some cities face problems that are much more severe than others. Among the eastern and northern cities visited by the Committee, for example, Baltimore lost 7 percent of its population, Pittsburgh lost 21 percent, and Cleveland lost 23 percent since 1960. Total employment has decreased by almost 7 percent in Boston, by 10 percent in Hartford, and by almost 21 percent in Newark.

Typically, central city population losses have been disproportionately among middle and upper income groups, resulting in an even larger proportion of poor among thost that remain. For example, the number of single parent and elderly households has increased significantly in the cities, and many of these households have only marginal incomes. Between 1970 and 1974, the income of families moving out of central cities throughout the Nation averaged $1,034 more per family than the income of families moving in.

The movement of jobs and wage earners out of the central city has produced a corresponding erosion in its tax base, leaving fewer resources to pay for needed public services. As the cost of government in older cities has been going up, due in part to inflationary pressures, the property tax base which generates most local revenue has not kept pace. For example, between 1965 and 1973,

Baltimore expenditures grew by 172 percent, but its assessed value increased by only 11 percent. In some cities, such as Newark and Cleveland, there has been an actual decline in assessed value. The fiscal position of many cities worsened during the recent recession, and the older cities were hit especially hard by the resulting unemployment and reduced revenues, forcing painful budget cuts and public employee layoffs.

Complicating the fiscal and economic plight of central cities is a tangle of social problems which threaten to stifle the civic morale of many neighborhoods. For example, racial discrimination in jobs and housing persists, closing off opportunities for improvement to those located in central city ghettos. At the neighborhood level, tension between racial and ethnic groups can cause rapid population turnover destroying the fabric of community life and the stability of once sound neighborhoods.

Crime is another intractable problem plaguing the cities. The national crime rate is about 41 major crimes per 1,000 residents, but cities such as Baltimore, Boston, and Newark have about double the national rate. Crime and the fear of crime are having a devastating impact on neighborhoods which could otherwise remain stable or attract middle-income people back into the city.

Education is another major concern. Cross-city busing, violence in and around schools, and decline in educational quality have put center cities and older suburbs at a disadvantage relative to suburban schools, which are viewed as safer and of better quality. Widespread reliance on private schools in many large cities raises the cost of living for middle-class families who might otherwise choose to live there.

In spite of the problems described by the hundreds of officials and neighborhood residents with whom we talked, members of the Committee did not leave the cities with a litany of despair ringing in their ears.

Mayors showed us exciting examples of thriving downtown redevelopment including new parks and successful commercial enterprises. In Baltimore, a new convention center complex provides an important anchor for the downtown commercial area, and complements other housing and renewal efforts centered around the thriving Baltimore harbor. The Gateway Center in Newark offers stores, restaurants and excellent new office space--all convenient to bus and rail transportation serving not only the metropolitan area but the entire Eastern Seaboard. Boston's new Government Center adds vitality to its downtown area, as do nearby renovations of historic Quincy and Faneuil Hall Markets.

Oklahoma City has just developed a long-term growth and development plan, and made some tough decisions in the process. It is overhauling its regulatory system to control growth, and linking this system with economic incentives and better planned uses of the cities spending capacity.

In their visits to neighborhoods, members of the Committee saw additional signs of progress and hope. In many cities, they visited stable and attractive neighborhoods which have provided vibrant community life, sometimes for generations, and show little or no signs of decline. Some of these are stable ethnic neighborhoods of long standing such as Little Italy in Baltimore, and some are racially integrated, such as the Garden District in New Orleans. These are the neighborhoods which must be preserved and which can be the foundation of future recovery.

The Committee also visited neighborhoods where significant revitalization is taking place--not just upper-income enclaves such as Beacon Hill in Boston and Bolton Hill in Baltimore. Neighborhoods proving to be particularly attractive are frequently located near downtown offices, and near universities, medical complexes, and other institutions which require a skilled or profes-

sional work force. Many of these neighborhoods, such as Stirling Street in Baltimore, Manchester in Pittsburgh, and the South End in Boston, contain historic or architecturally stunning buildings which appeal to young professionals and other attracted to city living.

The Committee saw signs of hope and tenacity even in the more troubled neighborhoods where outmigration, housing abandonment, commercial strip decline, and racial tensions present an enormous and complex challenge.

In Hartford, for example, thirteen neighborhood associations have banded together into the Hartford Neighborhood Coalition in cooperation with the Greater Hartford Process, Inc., an organization of Hartford's business leadership. Secretary Richardson met with the Coalition and heard about efforts to revive commercial strips and to stabilize neighborhoods, about cooperative efforts between black and Puerto Rican businessmen, and about progress toward establishing an Urban Reinvestment Task Force program serving three Hartford neighborhoods.

In Baltimore, Secretary Hills met with the Executive Director and the President of the South East Community Organization, which is working to encourage homeownership and neighborhood stabilization in a predominantly white,

working class community of about 78,000 persons. A particularly important SECO objective is to improve the economic base of South East Baltimore, and it has joined with the East Baltimore Community Cooperation, a black community organization to form a joint community development corporation.

The Committee believes that these signs of progress provide support for the hope that over the longer-term some economic and demographic trends may be shifting toward the cities' favor.

For example, as the cost of new housing, gasoline, and other energy sources goes up, existing housing in central cities becomes a bargain in terms of basic living space, quality of construction, and location. A well-maintained, single-family home can be bought for under $20,000 in most large, older cities, and a home needing upgrading can cost much less. The market for these homes is often weak for a variety of reasons, including concern for personal safety, and the quality of public schools and other public services. However, the number of young adult households without children has increased sharply in recent years and will continue to increase. Since 1970, such households account for 58 percent of the total increase in new households. It is this group of households

which may turn increasingly to urban neighborhoods as their preferred living environment. Between 1970 and 1973, young people, ages 20 to 25, made up the largest group of in-migrants to urban areas. Such a trend could contribute significantly both to preserving older housing and to strengthening the urban tax base.

Another potential asset of older cities is the availability of large tracts of land which are either vacant or occupied by obsolete facilities such as railroad yards. This land typically is already served by roads, sewers, and utilities, and therefore offers good opportunities for eventual development or redevelopment. It would be naive to expect instant productive use of this resource, but its potential value in future decades should not be dismissed. The rising cost of new infrastructure and energy may once again give a competitive edge to central cities for some types of industrial, commercial and residential development.

Finally, the slowing growth and even population losses in some urban areas are not entirely a cause for despair. In the long run, slowed growth or population declines if accompanied by an increasingly heterogenous urban population, could decrease demands on the cities for expensive public services, reduce congestion and improve the quality of urban life.

In summary, the Committee found that the problems of cities and neighborhoods are severe, but that their prospects are hopeful. The next section of this interim report will address briefly the role of the Federal Government in the cities.

III. The Federal Government and the Cities

The Federal Government has been deeply involved in the shaping of our cities and metropolitan areas. Federal policies, particularly since World War II, have greatly contributed to the rapid expansion of metropolitan boundaries, through construction of the interstate highway system, and generous tax incentives which favored the building of new housing and commercial development rather than conserving the old. Even when the thrust was toward redeveloping blighted areas of the cities, the first response was urban renewal: tear down the slums and replace them with new buildings.

During the 1960's, the older central cities were being engulfed by problems of continuing deterioration, middle-income population loss, economic decline, and profound social stress. The Federal response, was an ambitious but frenetic outpouring of new Federal programs, targeted at narrow and specific aspects of the urban predicament.

Today, an estimated 80 percent of Federal assistance to State and local governments is now delivered through categorical grant programs. There are over 1,100 such programs, administered by over 50 agencies, each with its own set of administrative guidelines designed to accomplish specific operational or service responsibilities. The Committee found there were complex, varying application

and administrative processes and narrow, restrictive program guidelines. This morass of conflicting requirements is more likely to prevent than to assure effective use of Federal resources at the State or local level. Many of these programs also by-pass State and local elected officials, eliminating a locus of coordination and accountability for success or failure.

As local leaders, both public and private, confront their problems, they find themselves in a double bind. First, they have very limited influence on the tax and other incentives which are pulling people and jobs out of their communities; and second, they have limited management control over a large share of the very resources intended by Washington to help them.

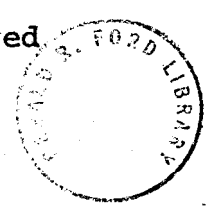
The Committee found, however, that cities can begin to attack their problems much more effectively when substantial Federal assistance is provided on a flexible basis. Mayors were unanimous in their enthusiastic support for the General Revenue Sharing Program, which has helped them maintain vital services and stave off debilitating tax increases. In Newark, for example, where 60 percent of the land is occupied

by tax-exempt government buildings, public housing, hospitals, transportation facilities, and educational institutions, the city was able to reduce an extremely high property tax rate.

Nationally, more than $6 billion a year in General Revenue Sharing funds have been funneled to over 38,000 units of State and local government through an automatic formula that frees the recipients of cumbersome application requirements and administrative expense. This program combines the efficiency and accountability that comes from allowing local governments to determine their own priorities, and respond to their own individual needs.

Mayors and local officials also say their cities and neighborhoods have benefitted from the increased flexibility provided by two major block grant programs--the Community Development Block Grant Program (CDBG), operated by HUD, and the Comprehensive Employment and Training Act (CETA), operated by the Department of Labor. These programs replaced about 24 categorical programs, and provided funds for broad purposes on a formula basis relatively free of onerous Federal requirements.

The CETA program has transferred to local and State elected officials the resources to develop and implement a comprehensive program for employment opportunities and job training for unemployed, economically disadvantaged



and underemployed persons. CETA consolidated 17 special purpose programs which had been funded through a bewildering array of general purpose governments, community action agencies, labor unions, private corporations and nonprofit contractors, allowing local elected officials little leverage for coordinating such programs or using them in combination with other Federal programs.

Under the Title I CETA job training program, about $3.5 billion will be spent in FY 1976 and 1977, permitting 445 city, county, and State prime sponsors to serve in FY 1977 an estimated 1.3 million economically disadvantaged, unemployed, and underemployed persons. The CETA public service employment programs (Title II and Title VI) will provide a total of $2.5 billion to support 310,000 public service jobs by the end of 1976 in areas of high unemployment.

The Community Development Block Grant Program, signed into law by President Ford in August of 1974, consolidated seven categorical programs for community development into a single block grant. Over $3 billion a year goes to communities across the country--double the funds provided under the categorical programs in 1970. Local officials have wide latitude in setting local priorities and deciding what kinds of programs they want to fund.

City officials have also observed a substantial reduction in red tape in the CDBG program. It has only about 120 pages of regulations, compared to about 2600 under the categoricals. It requires only one application each year, compared to an average of 5 per year for cities previously. Applications average about 40 to 50 pages, compared to 1400 under the previous programs.

The popularity of CDBG among local officials rests on its successful use by local governments in creative neighborhood preservation strategies. For example, the City of Baltimore is allocating $800,000 from its block grant to reduce the interest rate on rehabilitation loans, using a sliding scale of from zero to seven percent, depending on family income.

Boston and Newark are using block grant funds to make grants to homeowners who fix up their property. These grants take the form of a cash rebate for a portion of the cost of improvement. In Newark's Cleveland Hill neighborhood, Secretary Hills (HUD) and Secretary Coleman (DOT) visited a family who are improving their home with new gutters, porch replacement, a new electrical system, bathroom renovation, and painting. These improvements are valued at $7,633; after they are completed, the city will provide the families with a $2,030 cash rebate.

Secretaries Hills and Coleman also met with residents of Newark's Roseville and Ironbound neighborhoods who praised the program for helping them improve their homes and communities.

In New Orleans, CDBG funds have been combined with city funds and general revenue sharing funds to build the Louis Armstrong Park and Recreation Center which will complement the adjacent commercial and tourist district. Mayor Landrieu of New Orleans has also established a joint planning office to administer the CDBG, CETA, and Department of Commerce economic development programs so that community development projects can be tied into job training for the unemployed and strengthening the city's economic base. Because the Committee recognizes that some communities have had more difficulty in linking their Federal block grants, the four agencies with major block grant programs have begun to assess the constraints to such linkages.

One of the key issues the Committee discussed with neighborhood groups was whether the Federal government should require local governments to allocate block grant funds to the neighborhood level. In the Baltimore and Hartford neighborhood revitalization efforts described earlier, city governments did allocate CDBG funds directly to neighborhood organizations so that neighborhood leaders and residents could determine their own priorities for revitalization. Oklahoma City, in particular, seems to

have been successful at involving its neighborhoods in planning for the community's growth and development. The fact that the block grant provides annually to the city a publicly known amount of flexible funds provides the opportunity for neighborhood groups to take their case for support to City Hall.

Reports to HUD indicate this is occurring in many other cities as well. Since money is necessarily limited and needs are great, there is not always consensus and harmony between the neighborhoods and City Hall. Some neighborhood people would like to see direct or mandated funding of neighborhood groups by the Federal government. But the preponderance of opinion is that the block grant approach is preferable because of its certainty and flexibility. There is growing recognition that cutting the pie should be the mayor's job--not a Federal bureaucrat's--and the mayor who ignores well-organized and motivated neighborhoods can and should expect retribution at the polls.

Federal grant programs can not in themselves solve the problems of the cities, local officials emphasized in discussions with Committee members. Longer-term economic development is essential, and this involves the effective combination of both public and private efforts. A number of Federal initiatives are being used to achieve such public-private action.

The programs of the Economic Development Administration (EDA) have demonstrated a wide variety of approaches to economic stabilization and job creation in urban areas. In a number of cities, abandoned, underutilized or blighted industrial areas have been upgraded to encourage firms to remain in the city and to attract new firms. Such industrial areas are often adjacent to residential neighborhoods and afford residents permanent private sector jobs.

In some cases the location or expansion of firms has been aided by EDA business development loans and loan guarantees. EDA industrial redevelopment funds also have been used to upgrade and replace community infrastructure, including industrial access roads, building site preparation, sewer and water lines, streets, sidewalks and street lights.

Another focus of recent Federal action has been the revitalization of neighborhood commercial strips. A healthy commercial area not only has a positive impact on the economy of the neighborhood, but also can serve as a catalyst for more general neighborhood improvements to housing and public services. Neighborhood businesses provide employment opportunities and income for residents; help to generate a supply of capital to the area; and provide a convenient place for residents to purchase necessary goods and services. A program to further this type of neighborhood commercial revitalization requires a strong local merchants' association, neighborhood support, working capital and

rehabilitation assistance to individual businessmen. EDA is presently carrying out a demonstration program using technical assistance funds to help neighborhoods develop local programs which employ EDA business loans and loan guarantees for such revitalization activites. As part of this program, the Office of Minority Business Enterprise is providing technical assistance to help minority entrepreneurs to form such local business associations and to develop programs.

The Small Business Administration (SBA) is another Federal agency which is stepping up its support for commercial and industrial development aimed at revitalizing neighborhoods. For example, the SBA has taken its Local Development Company loan program--rarely used in large cities until recently--and is directing it toward neighborhood-based economic improvement. SBA Administrator Kobelinski is currently working with a selected group of target cities to involve neighborhood organizations, local officials, and financial institutions in private sector development.

Another economic development initiative designed to create more jobs mainly in the private sector, is a new demonstration program jointly funded by the Departments of Commerce, Labor, and Housing and Urban Development. This program will help cities coordinate the use of community development, economic development, and employment and training funds, together with strong private sector involvement and cooperation, to strengthen local economies. The three Departments have made demonstration grants which are expected to total $4.8 million over two years to the following ten cities: Albuquerque, Baltimore, Bridgeport, Buffalo, Chicago, Dayton, Kansas City, Oakland, Philadelphia, and Pittsburgh.

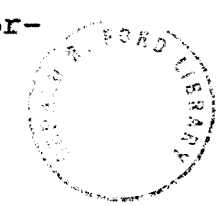
Central business district improvement is the objective of innovative transit projects sponsored by the Department of Transportation. DOT is funding transit malls in several cities in which major shopping streets are closed to auto traffic, and the street space reserved for pedestrians and shuttle bus systems. Some of these grant funds are being used for special paving, lighting and street furniture which supports the mall concept.

Communities throughout the country are also using Federally-initiated demonstration programs to help stimulate and support local efforts to improve and rehabilitate housing in neighborhoods threatened by deterioration. The Committee found that the Urban Reinvestment Task Force has been an effective local tool for counteracting disinvestment trends in potentially sound, but endangered neighborhoods. The Task Force, which is a joint effort by HUD and the Federal Home Loan Bank Board, provides revolving loan funds, technical assistance and other financial aid to partnerships of local residents, financial institutions and local government which have developed promising strategies to arrest early neighborhood decline. Over 30 cities are now involved in programs sponsored by the Task Force.

HUD is increasing its support for the Task Force from $2.5 million in FY 76 to $4.5 million in FY 77, so that the Task Force's programs can be expanded to a total of 55 cities. Of the cities visited by members of the Committee, Boston, Cleveland, and Baltimore, as well as Pittsburgh, whose local innovation served as the national model, have operating Urban Reinvestment programs. Newark, New Orleans, and Hartford are commencing programs.

The Urban Homesteading program, administered by HUD, also helps to revitalize neighborhoods and recapture deteriorating and abandoned housing stock. Twenty-three cities selected in a national competition in 1975 are now using HUD-acquired properties and subsidized rehabilitation loans in coordinated neighborhood preservation programs. Urban Homesteading represents a $50 million Federal/local investment: HUD is awarding $5 million in rehabilitation loans, and $5 million in properties to the participating cities, and the cities are spending about $40 million of their own funds to restore and recycle selected ailing neighborhoods.

The Committee recognizes that demonstration programs are small in scale relative to the problems they address. Yet they can provide models for achieving substantial progress, and can point the way toward program changes which will benefit cities and neighborhoods across the nation.



IV. Defining the Federal Role

The Committee believes that national policy on urban development and neighborhood revitalization must be based on certain basic principles concerning the proper role of the Federal government. We are in agreement on those basic principles, as well as on a set of preliminary recommendations for action, and an agenda for future study.

The principles which the Committee believes should govern the Federal role in urban affairs are as follows:

A. The Federal government should establish, as a national priority, the preservation of the nation's existing stock of housing, the restoration of the vitality of its urban neighborhoods and the promotion of healthy economic development for its central cities.

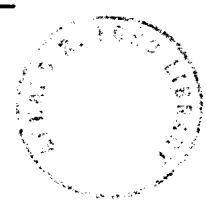
The nation has entered a period of scarce resources and simply cannot continue to absorb either the social or economic costs of throwing away whole neighborhoods.

Accordingly, the preservation of our nation's cities and neighborhoods should be added to other national policy objectives, such as decent housing, environmental protection, and economic growth.

Since Federal policy is only one of the factors which will determine the future of our urban centers, that policy must envision a partnership with the private sector and with State and local governments.

The Committee believes that a lasting solution to the urban crisis cannot rely on massive Federal funds for temporary public service jobs or to underwrite existing municipal debt, insulating local governments from the responsibility to weigh carefully local needs. Rather, the Committee believes that the Federal funds should be funneled to help cities build and modernize their capital infrastructure and in so doing expand jobs for construction workers, the poor and unemployed as well as to provide new opportunities for small business, including minority contractors.

B. <u>The Federal government should target Federal resources to areas of greatest need, recognizing the disproportionate social and economic burdens borne by individual communities or classes of citizens</u>.



The Federal government has a continuing responsibility to back up its policy commitments with financial assistance on a scale large enough to make an impact. But public funds are limited, and they should be directed to the areas of greatest need. Generally, formula allocations should replace grantsmanship to assure fairness in the distribution of Federal funds.

C. The delivery of Federal assistance to urban areas should be made more efficient by adhering to certain management principles.

The delivery of Federal assistance to the cities should be improved by strengthening the decision-making roles of general purpose State and local governments. The present Federal delivery mechanism is frustrating to public officials at all levels of government and baffling to citizens at the neighborhood level who are searching for ways to improve their communities. The duplicative and restrictive requirements of current Federal categorical programs diminish both their effectiveness in meeting local problems and the capacity of State and local governments to link Federal, local, and private resources in dealing with the complex problems of urban areas. Based on its contacts with public officials and neighborhood groups, the Committee believes that the following principles, while not universally applicable to all situations or programs, should generally guide the delivery of Federal assistance.

1. Preference for Block Grants

The Committee believes that the chief elected officials of State and local governments, working with their citizens, should have more discretion to plan and manage their own strategies to meet national objectives, rather han being burdened by Federal dictates often ill-fitted to their communities.

Many Federal categorical grants should be simplified and consolidated into block grants which afford greater flexibility to State and local governments. For most service and developmental activities, State and local governments should be able to make decisions on the specific services to be funded within broad Federal guidelines as to the purposes and beneficiaries intended to be served. Block grants should be flexible so that the recipients can adapt Federal resources to the needs and conditions of their communities and can maximize the linkage of Federal resources and other local, private, and public resources.

2. Electoral Accountability and Citizen Participation

Accountability for the use of Federal block grant funds should be clearly fixed, usually in the local or State chief elected official. However, those officials should seek the participation of citizens in the planning and management of Federal funds. Citizens in affected

neighborhoods, in particular, should have a voice and the impact of Federally-funded programs on their neighborhoods should be carefully considered. In appropriate cases, neighborhood organizations should play a direct role in program planning and management.

The result should be an expansion of meaningful participation in the use of Federal resources, a strengthening of the State and local political process, and a reduced ability of narrow special interests to dominate Federal program decisions.

3. Preserving Federally Guaranteed Rights

Although block grants are intended to afford the widest possible local discretion, national policy requires that the rights and interests of minority citizens be protected. Therefore, Federal block grant programs should ensure that the needs of minority gorups are considered in the allocation of funds and that minority rights are guaranteed in the management of Federally-funded programs.

4. Support for Local Management and Planning Capacity

The Federal government should help to ensure that local planning and management capacity exists to implement additional block grant programs. The Committee believes that present block grant funds are generally being managed effectively. However, State and local governments may need further planning and management capability as new block grant programs are created. The Federal government should help to build that capability.

5. Facilitating Program Linkages

The Federal government should increase the opportunities for State and local governments to use different Federal programs in a flexible and coordinated manner. The difficulty of creatively linking the many existing categorical programs is one of the major problems of such grants, and block grants must be designed to avoid similar problems. In some cases, this will mean the establishment of new cooperative relationships between States and localities.

Similarly, it is essential that both State and local recipients of block grants are encouraged to work together in making program decisions involving areawide problems. Decisions involving transportation facilities, pollution control, economic development and housing will have major regional impacts. The Federal government should design its programs to encourage consideration of such regional effects to promote effective intergovernmental cooperation.

6. Research and Development

The Federal government should support research and demonstration efforts in order to identify effective solutions to urban problems and widely disseminate the results. Further, Federal research and development activities, like the programs they support, must be integrated and coordinated to achieve a broad focus.

V. Recommendations

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

In city after city, Committee members were told about and saw evidence of the success of the present Federal block grant programs. For example, community development block grants, in their first two years, have proven to be a far more effective means of delivering Federal aid than the seven narrow categorical programs they replaced. The Committee recommends building on this demonstrated success by consolidating other Federal aid programs into functional block grants. In general, the Committee believes that such program consolidation will substantially increase the effectiveness of the Federal funds now being expended.

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

a. Housing Assistance Block Grants

Several existing housing subsidy programs could be consolidated into a housing assistance block grant, providing cities and States with formula-determined allocations of long-term funding for housing assistance. Such a consolidation would reduce the complex Federal regulations and "red tape" that now attend the various

Federal housing programs. Responsibility and accountability for the delivery of housing assistance would be lodged where it belongs--with local and State chief elected officials. Mayors could develop their own innovative housing programs suited to local market conditions and local needs as well as better coordinate housing assistance with other community development activities.

b. Urban Surface Transportation Block Grants

Several current urban highway and transit assistance programs also could be consolidated into block grants, allocated on a formula basis to urbanized areas. These block grants could be available for a broad range of activities including planning, resurfacing, and rehabilitating roads; acquiring, constructing, rehabilitating and maintaining transit facilities; and transit operating subsidies (the latter category perhaps being limited to some percentage of an area's allocation each year). Of course, the block grants would not affect funding for the completion of the Interstate Highway System or the Rural Highway System.

c. Health Services Block Grants

Because Congress has not yet acted on the Administration's recent health block grant proposal, the Committee recommends resubmittal of health services block grant legislation to the next Congress.

c. Education Block Grants

To improve the quality of education in urban neighborhoods, the Committee recommends resubmitting to the Congress the Education Block Grant proposed last year which would consolidate several categorical assistance programs into a single block grant.

2. The Committee recommends a comprehensive review of present Federal aid formulas to determine their impact on "declining" cities and the States in which they are located.

For example, the Administration has already proposed raising the per capita ceiling on general revenue sharing grants to localities from 145% to 175% of the State's average per capita amount. This formula revision would direct more Federal Revenue Sharing funds to a number of large cities. An additional $30.5 million would go to the following large cities: Philadelphia ($10.6 million), Detroit ($8.2 million), Baltimore ($4.4 million), Boston ($4.4 million), St. Louis ($2.9 million).

Similarly, in its coming Report to the Congress, HUD should consider the extent to which the community development block grant funding formula recognizes the relative needs of different cities, particularly older declining cities.

The Department should recommend changes to the formula based on this analysis. Among the criteria that might make the formula a better measure of need are the age of a city's housing stock and whether it is losing non-poverty population. Similar changes may be warranted for formulas in other programs providing funds for physical or economic development.

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

3. The Committee recommends a general review of Federal tax policy with a view to providing greater incentives for the preservation and rehabilitation of homes and buildings.

As a general principle, the tax system should not make maintenance or rehabilitation of existing housing less attractive than investment in newly constructed properties. Because the tax system is so complex, however, the ramifications of this principle may be difficult to determine. Moreover, tax incentives, because of their impact on the Federal budget, require the same scrutiny as new spending programs.

Based on its work so far, the Committee believes the following specific areas of Federal tax policy hold the most promise for encouraging the preservation and revitalization of cities and neighborhoods.

a. The Committee recommends that the tax provisions governing depreciation be reviewed to determine their effect on investment in the rehabilitation and maintenance of existing structures in central cities.

The Committee's preliminary review indicates that the current rules for calculating depreciation allowances under the income tax may favor new construction over the maintenance of existing structures, with negative consequences for central cities. The desirability of

review is suggested by the following brief summary of present provisions.

The tax code allows accelerated depreciation on various property investments. Accelerated depreciation allows larger tax deductions for depreciation to be taken in the early life of the investment. The resulting postponement of tax liability amounts to an unsecured interest-free loan from the Treasury. Generally, investors in newly constructed residential properties may take a faster rate of accelerated depreciation than second and subsequent purchasers of existing residential properties. Only straight-line depreciation (non-accelerated) is allowed to the purchaser of an existing structure with less than 20 years of remaining useful life. A still greater difference in tax depreciation treatment exists between purchasers of newly constructed and existing non-residential property, with the former allowed to use accelerated depreciation and the latter only straight-line depreciation. By altering the owner's cash flow, these rules affect the timing and location of new construction, the rate of turnover of ownership, and, especially, the incentive to maintain existing structures to prolong their lives. To the extent that tax policy makes investment in new construction more attractive

than maintenance or rehabilitation of existing structures, that policy may exacerbate the decline of central cities by encouraging businesses and people to locate in newer structures in outlying areas.

b. The Committee recommends a detailed study of tax policies to encourage homeowners to invest in the preservation and improvement of older housing.

The revitalization of an urban area depends on the preservation and rehabilitation of its stock of existing structures. The Committee is particularly concerned about the older homes in urban neighborhoods owned by lower and middle income families. Federal, State and local tax policies can affect significantly private decisions to invest in the maintenance and rehabilitation of these structures. The tax laws and their inter-relationships are complex, but tax policies to encourage maintenance and renovation of the existing housing stock deserve further study.

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

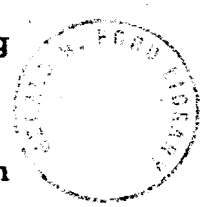
To revitalize our older declining cities, more jobs must be generated.

Many urban areas, with high unemployment levels, require new incentives to attract business location and expansion. Such incentives could be made available through the tax system, with the provision of more liberal depreciation deductions for new plant construction, expansion or rehabilitation in jurisdictions with unemployment rates consistently above 8 percent. President Ford presented a similar, but more broadly focused proposal in his Budget for Fiscal Year 1977. Alternative incentives, which should be considered include an additional investment tax credit for business investment in declining areas. The tax credit could be progressive with respect to an area's unemployment rate, with higher tax credit in areas with higher unemployment rates.

4. The Committee recommends that the public and private sectors seek new ways to increase employment opportunities for inner-city youths.

The labor force is now swollen by a disproportionate number of young adults born during the post World War II baby boom. In 1974, more than 2.5 million young people between the ages of 16 and 24, half of all unemployed, were seeking work and unable to find it. Among black teenagers the unemployment rate is more than five times the national average. These young unskilled workers seeking employment are located disproportionately in our central cities. As industries providing jobs for unskilled labor have increasingly deserted the central cities of the North-central and Northeastern states, the problem of unemployment in those areas has become even more serious.

As the growth in the labor force tapers off in coming years, the problem of unemployment among these entry level workers will diminish. In the interim, new ways should be developed to mitigate the costs this problem imposes on our urban centers. The magnitude of federal spending on employment and training in general and on youth employment in particular (for example, over $1.2 billion in CETA programs serving youth) attests to the recognition this problem is receiving, but several new avenues of experimentation should be explored.



First, the Department of Labor's current demonstration of the use of relocaton information and assistance as an

adjunct to job training should be carefully evaluated to determine its impact on high unemployment areas and expanded if justified by the results.

Second, consideration should be given to ways of facilitating the transportation of inner-city residents to new jobs in the suburbs.

Third, further careful study should be given to mechanisms, such as Defense Manpower #4, for harnessing Federal procurement policies to provide jobs in high unemployment areas.

Finally, a high priority should be given to developing approaches for encouraging greater private sector participation in the economic redevelopment of inner-cities. The recent report of the municipal task force of the Business Roundtable, representing several of the nation's major corporations, called for a broader, deeper commitment by the corporate community to our central cities. From that commitment should be forged a public-private partnership to revitalize our older urban areas.

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

The Administration's current economic policies should continue to reduce unemployment eliminating the need for countercyclical assistance. Over the past 15 months the national economy has improved dramatically. Unemployment is down from 8.9 to 7.8 percent; employment has increased by 3.3 million; the Gross National Product has increased by $190 billion, or 13 percent; and per capital disposable personal income is up by almost $500, or 9 percent. Simultaneously, the rate of inflation has been cut in half.

At the same time, the recovery has been geographically uneven. While the national unemployment rate has declined, there are areas where high unemployment rates have not come down because the overall recovery has not yet fully taken hold. Unemployment in New York City has remained above 10 percent during the recovery; in the San Francisco-Oakland area, above 11 percent. In some areas, including Detroit, Buffalo, and Miami, there has been marked improvement, but the unemployment rates remain high relative to the rest of the nation. In many cases, these geographical disparities have been translated into serious fiscal problems for the affected cities.

The Committee recommends a standby program of countercyclical block grant assistance to provide funds to such troubled cities during future periods of recession.

Congress has already enacted a massive multi-billion dollar countercyclical public works and public service employment bill. Despite its cost, however, that

legislation is an inadequate response to the problem. This program is not targeted at areas of serious unemployment and has categorical restrictions which will hamstring local officials in making efficient use of the available funds. Moreover, no jobs will be created by the public works program for several months. The last accelerated public works bill, passed in 1962, did not have a job creation impact until late 1964, and disbursements for public works projects funded under that bill are still ongoing.

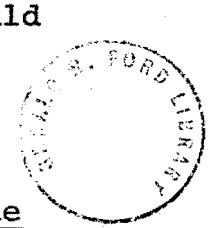
In contrast, the flexibility provided to local officials by a countercyclical block grant would greatly enhance their capacity to use Federal aid to their communities' best advantage and to convert those funds into private sector jobs quickly and efficiently.

A countercyclical block grant bill passed the House of Representatives in 1976, only to be eliminated in a conference committee. This bill sponsored by Congressman Brown and Senator Griffin would have provided an overall level of assistance on the basis of the national unemployment rate and allocated that assistance to recipient communities on the basis of their individual levels of unemployment. Thus, Federal funds would have been provided when and where they were most needed. These countercyclical block grant funds could have been used for any local physical or economic

development activities, providing private sector jobs and at the same time improving the long-term economic health and physical infrastructure of economically troubled recipient cities.

To avoid cities' exacerbating their economic distress by firing public employees and cutting public services in a recession, the Brown-Griffith proposal also allowed a proportion of each city's funding to be used to maintain public employment levels, complementing local uses of CETA Title II and VI funds in maintaining public services. This limited voluntary use of block grant funds for public employees' salaries would have provided cities with needed flexibility during periods of temporarily decreased revenues, without creating a dependency on Federal aid or swelled public payrolls.

Although we believe that countercyclical aid will not be necessary in the near future, a standby countercyclical block grant program should be available if another recession begins, rather than again waiting for Congress to debate the form which assistance should take until well after the recovery is underway.



6. The Committee recommends that requirements under the Home Mortgage Disclosure Act of 1975 and the Equal Credit Opportunity Act Amendments of 1976 be vigorously enforced, and that the information generated be systematically assessed with a view to eliminating "redlining". The arbitrary denial of home mortgage and commercial lending based solely on location has been a serious problem

in some older urban neighborhoods, but there has been little evaluation of its scope, impact, or causes. The Home Mortgage Disclosure Act provides an important first step in determining the dimensions of this problem. The data generated by the Act also should provide locally elected officials with an early warning of threatened disinvestment, so that timely remedial actions can be taken.

7. The Committee favors a law permitting nonjudicial foreclosure on abandoned structures.

One of the frustrating and demoralizing problems of many urban neighborhoods is the presence of abandoned buildings which are frequently vandalized and havens for drug addicts. In many States, lengthy and complex foreclosure procedures prevent local governments from getting rid of these blighting structures. The Committee recommends legislation establishing a nonjudicial foreclosure procedure allowing city governments to move promptly to demolish the abandoned buildings.

8. The Committee endorses an expansion of HUD's Urban Homesteading Demonstration, begun in late 1975, within currently participating communities and to additional cities.

The Urban Homesteading Program currently operates in 23 cities, which have received 900 homes valued at $5 million from the HUD-owned inventory. The program

has been extremely successful, both in providing home ownership opportunities for a limited number of moderate income Americans and in eliminating the blighting influence of boarded-up HUD acquired properties. Cities have developed ambitious plans for the revitalization of homesteading project neighborhoods involving total public and private investments of over $40 million and have shown an impressive ability to develop creative local variations on the homesteading theme.

VI. The Committee's Future Agenda

The Committee has not, in the time available for this interim report, dealt fully with many of the issues and questions raised in its preliminary investigation of urban and neighborhood problems. The Committee's next steps will be to appoint task forces to develop further its interim recommendations and, in addition, to undertake a more thorough and systematic analysis of the complex conditions contributing to the urban predicament.

Our longer-term investigation should focus on the fundamental causes of urban and neighborhood decline, and propose a coordinated strategy involving the Federal, State, local and private sectors. Ideally, the Committee's study will spark national discussion on the urban condition, so that the recommendations emerging from its study will have the advantage of broad consensus and will be based on deeper understanding of the problems of our urban centers.

For example, the Committee should assess carefully the causes and impact of the weakening commercial and industrial bases of older Eastern and Northern cities. On the basis of a study of the dynamics of economic change in these hard-pressed cities, the Committee should develop a strategy to harness Federal

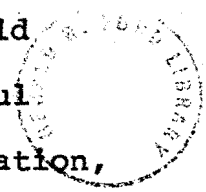
resources and encourage private sector action to reduce unemployment and emeliorate the problems caused by industrial and commercial relocation. This strategy would address the problems of obsolescence of urban industrial plants and the shifts in transportation patterns which have adversely affected central cities in general and older Northeastern urban centers in particular. This study would also have to assess the impact of changing life style preferences, and the implications of fuel and labor cost differentials.

Second, the Committee should explore the complicated inter-relationship of center cities and their outlying suburbs, including the demographic trends which have concentrated low-skilled, relatively immobile and often minority populations in the central cities, while more affluent households have migrated outward. It has been charged, for example, that suburban dwellers often reap employment and cultural benefits from living near a city, but resist contributing to its maintenance. The Committee should examine this hypothesis and consider whether economic and social burdens and benefits should be more equitably distributed.

Third, the essential vulnerability of cities

to both cyclical and structural economic change should be better understood. Because of the socio-economic make-up of their employment base, many center cities suffer disproportionately from national economic slumps, and are less able to adjust to basic changes in their commercial and industrial bases. The Committee should consider, therefore, the extent to which the national costs of urban decline warrant differential Federal treatment to compensate for these chronic problems, or to assist such cities in adjusting more fully to changing economic environments.

Fourth, the Committee should study the causes of residential neighborhood decline. Individual neighborhoods are the building blocks of the urban structure and their decline an integral part of the urban crisis. An aging housing stock, the burden of property taxation, possible "redlining" by financial institutions, the loss of neighborhood schools, the quality of public services and the accessibility of commercial facilities are among the factors whose impacts on neighborhood transition should be addressed. The Committee should evaluate successful techniques for neighborhood preservation or revitalization, giving particular attention to the potentially important role of cohesive neighborhood organizations. The continued encouragement of and reliance upon local leadership that is politically sensitive to neighborhood groups could prove to be one of the keys to the successful rebuilding of our cities.



The Committee is aware of the large body of public and private research on many of these topics. That research, however, is too fragmented to be immediately useful for policy purposes. It also leaves several important gaps and unanswered questions, which the Committee believes must be dealt with more systematically before formulating a comprehensive strategy for urban development and neighborhood revitalization.

While the immediate fiscal crisis and deterioration of many older urban areas demand attention, the Committee believes that the needs and problems of more stable and even growing urban areas should not be ignored. Virtually

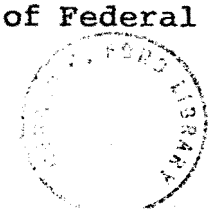
all local governments have suffered the effect of rising public expectations and increasing costs for public services.

Perhaps even more significantly, many fast-growing cities have been unable to adopt realistic growth management policies to accommodate their new patterns of growth. Uncontrolled development is already producing inefficient patterns of service delivery which will burden governments for decades to come. The costs of environmental degradation permitted under the pressure of development will be borne by local taxpayers for generations.

Finally, the diversity of Federal assistance demands the development of improved linkages among programs which flow to different levels of government for different specific purposes but with common objectives.

We wish to repeat our opening observation. When existing Federal funding is targeted in such a fasion as to meet the specific problems of given cities by politically responsive local leaders, we may well find that the tens of billions of Federal dollars spent each year in the cities is adequate to the task. All that we can be certain of now is that the continued uncoordinated spending of the past must be discontinued.

The Committee members have returned from their visits to American cities with a much stronger sense of the vitality of many cities and urban neighborhoods, and with a greater awareness of both the strengths and the limitations of Federal



urban policy. We intend to continue our efforts to improve Federal policies and programs, so that our cities and their neighborhoods can become more prosperous and more exciting places to live.