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KEY ISSUES CONCERNING  
THE LONG-RANGE POLICIES  
AND PROGRAMS OF HUD

PREPARED FOR  
OFFICE OF POLICY DEVELOPMENT  
AND RESEARCH  
U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT  
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KEY ISSUES CONCERNING THE LONG-RANGE POLICIES  
AND PROGRAMS OF THE U. S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

Prepared as a Draft Agenda for a Discussion  
Seminar Attended by Top-Level HUD Officials

Prepared by Anthony Downs  
Real Estate Research Corporation  
April, 1977

Dear Sir,

I am writing to you regarding the matter of the

contract for the supply of goods.

The contract was entered into on the 1st day of

January 1950.

The goods were supplied to you on the 15th day of

January 1950.

The goods were delivered to you in accordance with

the terms of the contract.

I am sure that you will be satisfied with the

quality of the goods.

I am, Sir, yours faithfully,

[Signature]

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## I. GENERAL HUD MISSIONS AND RELATIONSHIPS AMONG THEM

- A. HUD's Basic Focus. Should HUD shift emphasis from primary focus upon housing and housing-related activities to a broader concern with greater focus upon community and urban development issues too?

### Yes:

- Inadequate housing is not the major difficulty faced by either cities or their populations; rather, poverty, poor neighborhood conditions, fiscal difficulties, and population losses are far more significant. HUD's "urban development" mission requires it to focus more attention upon these issues in the future.
- Improving physical dwelling units alone does not really respond to the needs of people suffering from so-called "housing problems", as experience clearly shows. Unless broader issues are dealt with, improved units may soon deteriorate again.

### No:

- Although non-housing problems are crucial to the future of cities, dealing with most of them lies mainly within the jurisdiction of other federal agencies handling income maintenance, crime, and fiscal aid to cities. HUD cannot really do much effectively in these areas.
- Housing is still a critical national problem, not only because there are millions of substandard units, but also because many more households cannot afford decent units without subsidies. Moreover, the level of total housing production is a key factor related to big-city population losses and fiscal difficulties. So continued emphasis upon housing and related issues is vital, especially since no other federal or other agency has the concern with them that HUD should have.
- The housing industry is a major employer, and could conceivably employ many low-skilled inner-city workers now unemployed; hence concern with housing should be a key part of any program for economic development in cities and generally.

- B. HUD's Primary Constituents. What groups should HUD regard as its principal constituents? Should HUD policies be mainly designed to benefit the poorest and most deprived citizens, especially those in urban areas, or should HUD also consider other groups -- such as middle-class homeowners, local governments and the building industry -- as among its primary constituents?

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is essential for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the data.

3. The third part of the document focuses on the role of technology in data management and analysis. It discusses how modern software solutions can streamline data collection, storage, and processing, thereby improving efficiency and accuracy.

4. The fourth part of the document addresses the challenges associated with data management, such as data quality, security, and privacy. It provides strategies to mitigate these risks and ensure that the data remains reliable and secure throughout its lifecycle.

5. The fifth part of the document concludes by summarizing the key findings and recommendations. It stresses the importance of continuous monitoring and improvement of the data management process to adapt to changing organizational needs and external environments.



Possible Constituent Groups:

- Poor households, middle-class households, homeownership households, elderly households.
- All local governments, state housing agencies, mainly big-city governments, governments in rapid-growth areas (including suburbs).
- The building industry -- including builders, workers, financial institutions, etc.
- Unemployed persons in inner-city areas

Issues Highlighting Conflicts of Interest Among These Groups:

- Encouraging large-scale new housing production will reduce big-city population, thereby making neighborhood preservation more difficult.
- Large existing indirect subsidies to homeowners of all income levels reduce resources available for direct subsidies focused upon the poorest households.
- Forcing cities to allocate most CD funds into worst-condition neighborhoods benefits the poorest citizens, but reduces funds for halting just-starting deterioration in areas where moderate to middle-income households live, and weakens big-city ability to retain such households. It also makes joint public/private sector action more difficult since private investors are repelled by very high-risk areas.

Differing Perspectives:

- The major test for every HUD policy should be: What does it do for the poorest, most deprived households, especially those in inner-city areas? These households have the most pressing needs, constitute the potentially most incendiary force in our society, and are the least well-represented by other government processes. HUD should focus the maximum possible amount of resources on meeting their needs.
- Given the breadth of housing and urban problems faced by all elements in society, HUD must strive to assist a broad spectrum of groups rather than just the poorest. Doing so is more consistent with the political make-up of the Congress and of local governments, and encourages such fundamental values as homeownership and neighborhood stability. It also indirectly benefits the poor beyond the politically feasible level of direct benefits to them by accelerating the "trickle-down" process which is -- and will always be -- the main source of housing for low-income households.

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-- Local governments and the building industry are crucial elements of our economy; so their financial viability should be of vital concern to HUD. Moreover, their behavior will determine the likely quality of life in both present and future neighborhoods.

- C. Suburban/Central-City Balance and Total New Housing Production. A central issue of any urban policy is how the federal government should respond to the continuing outflow of households, jobs, and investment from many central cities and older suburbs to suburban new-growth areas. This outflow has helped millions of households improve their environments and housing standards, but has fiscally weakened central city governments and caused heavy concentrations of low-income households within their boundaries. The speed of the outflow is related to the total national level of new housing production. Very high-level annual production helps meet the shelter needs of the expanding number of households, replace obsolete units, and keep employment strong in the building industry. But most new housing is inevitably built on vacant land in the suburbs, thereby accelerating the outflow of population from older central cities. Should HUD encourage high-level new housing production, or seek to moderate such production in order to strengthen housing demand in older in-city neighborhoods -- even though resulting higher prices and rents there might injure the poorest urban households? (HUD's policy position on this issue is closely related to its positions concerning where new directly-subsidized housing should be located, whether HUD should try to influence employers to locate more jobs near inner-city neighborhoods, and what forms of fiscal aid to cities HUD should promote.)

For High-Level Production

-- The movement to suburbs is part of a very long-range trend towards lower density settlement resulting from ever-rising use of autos and trucks, and towards higher standards of living because so much of older central city housing is both obsolete and deteriorated (as is the infra-structure serving it). Therefore, trying to slow-down the outflow amounts to blocking many households from improving their living standards, especially since high-level new production "loosens" the entire housing market and creates more choices for all, including the poorest households. So HUD's basic policy should be to encourage high-level production, but also to help older cities accommodate themselves to its impacts.

For Moderated Production

-- Efforts to preserve or fiscally aid older cities are useless as long as high-level new housing production in the suburbs continues to drain demand away from those cities. Moreover, such production encourages energy-inefficient low-density settlement patterns, and leads to wasteful abandonment of existing buildings and infra-structures in city neighborhoods. HUD should encourage growth-limiting suburban and other land-use policies as a crucial part of seeking to revitalize declining urban centers.



For "Neutrality" Concerning Production Levels

-- The level of new housing production is mainly a result of national economic conditions and policies, and is not strongly influenced by HUD anyway (except for the amount of directly-subsidized new units). In view of the negative results of encouraging either high-level or low-level new production, HUD should not deliberately encourage either outcome (except by generating new directly-subsidized units). Rather, HUD should help both declining and growing areas cope with the specific problems they encounter as those problems arise. This posture is consistent with maximizing the range of choices available to individual households, rather than promoting any one form of choice more than others.

- D. Achieving National Goals Within the Great Diversity of Conditions Among Cities and Metropolitan Areas. How can HUD be sure its policies and programs are administered in each different area of the country in ways most effective under local conditions prevalent there, when there is such an immense diversity of conditions in different areas? And how can effective local adaptation of national HUD policies be made reasonably consistent with attainment of national urban goals?

Possible Approaches

- Strengthen HUD's Regional and Area Offices and give them more control over the program mix adopted in each part of the nation. This retains policy control within the federal government, but decentralizes it to meet local diversity. This approach is better than giving more discretion to local or regional government officials because the latter are rarely responsive to the same priorities sought by the national government. Local governments in many areas are especially unresponsive to their poorest and most deprived citizens.
- Strongly encourage development of a new set of metropolitan-area-wide institutions controlling application of federal programs within such areas. This would provide far more effective program mixtures than either those developed at the national level (they would be too uniform) or those developed at the existing local government level (they would be too parochial to cope with region-wide problems and systems). Until such regional decision-making mechanisms are developed, federal efforts to cope with most urban problems will remain futile anyway, since those problems are nearly all regional or national in nature. Everyone knows this, but only federal leadership backed by federal funds can possibly motivate each region to create such institutions.
- Rely on existing local government structures to a greater extent so they can adapt program mixtures to local conditions. This would most closely reflect the President's emphasis upon "grass roots" participation in government, and would gain strong political support from local governments and the Congress. It means placing fewer "strings" upon CD Block Grants and other federal urban funds.

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- Strengthen the control of HUD's central offices in Washington over local program mixture and administration, including adding more personnel so they can better adapt program administration in each area to local conditions there. This is the only way to provide true accountability for program results, and to carry out the national government's priorities in local action throughout the country.



## II. SUBSIDIZED HOUSING ISSUES

- A. The Best Form for Direct Housing Subsidies. To what extent should HUD emphasize income maintenance subsidies (such as the Section 8 existing program) rather than construction-tied subsidies (such as the Section 8 new construction program)? How should this emphasis be related to the Administration's proposed welfare reform efforts?

### Major Emphasis Upon Income-Maintenance Housing Subsidies

- HUD's major housing subsidy device should be direct payments to households, as in a housing allowance or the Section 8 existing program. This strategy attacks the largest single source of housing "needs," which is inadequate income in relation to high housing costs (rather than poor quality housing units). It also focuses aid on the poorest households, and can be tailored so that the average aid payment is much smaller per household than that required to provide newly-built housing for the poor. True, much of any housing allowance is sheer income maintenance and would not improve housing quality per se. But Congress will not pass a "pure" income maintenance or welfare reform program large enough to end poverty anyway; so using a series of specific-product-tied subsidies (such as housing allowances and food stamps) will provide a larger total amount of aid to those most in need. Moreover, housing allowances will make more intensive use of the existing inventory, thereby conserving resources, encouraging individual choices in the market, and helping aid large cities now suffering from depopulation. In contrast, subsidizing new construction directly would either further depopulate such cities (if most of the new units were in suburbs) or undesirably concentrate more poor households in already-low-income areas (if most of the new units were in such areas).

### Major Emphasis Upon Construction-Tied Housing Subsidies

- Income maintenance is the province of other federal agencies besides HUD, which should concentrate upon improving the nation's housing and urban neighborhoods. Direct subsidies for new construction can increase those types of units most needed by poor families but not provided by markets (such as many-bedroom units) -- hence not available under housing allowances. Such subsidies also allow location of low-income households in new-growth areas where most jobs are being created, but where high rents and prices in the existing and new inventories keep lower-income households out. And in the many areas with acute shortages of rental housing, housing allowances will just raise prices; whereas new-construction-tied subsidies will expand the supply available to the poor. True, Congress will not appropriate enough funds to make directly-subsidized new units available to anywhere near all households with low incomes. But no housing subsidy program is likely to achieve both horizontal equity and a really meaningful level of benefits

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per household anyway, because that costs too much. Furthermore, construction-tied direct subsidies will provide more employment in the building industry than housing allowances, and will enable older cities to create badly-needed new units in decaying inner-city neighborhoods where private capital refuses to do so unaided.

#### Emphasis Upon Using Both Types of Housing Subsidies in Variable Mixtures

-- The nation's housing needs are too complex to be well served by placing nationwide emphasis on either one or the other of the above approaches. Rather, what would be desirable is the ability for each metropolitan area to be served with a flexible mixture of both types of direct housing subsidies tailored to meet particular conditions in that area. This would require some area-wide housing subsidy agency (run either by HUD directly or by local governments acting in concert) capable of analyzing local housing market needs on a continuous basis, and possessing the authority and ability to determine and administer the particular mix of both types of subsidies most responsive to the area's particular needs (which may also vary within sub-markets inside that area). Thus, choosing the proper form of housing subsidies is directly related to how HUD resolves the administrative issue I-D raised earlier.

#### B. Coordinating HUD's Community Development and Subsidized Housing Activities.

How should subsidized housing be linked to CD funding through HAPs or other devices? To what extent should communities getting CD money be required to accept subsidized housing within their boundaries?

##### -- Some Causes of Lack of Co-ordination

- The timing of community CD planning and of HUD's approval of such plans (which must be within 75 days of filing for entitlement communities) is out of synchronization with the timing of HUD's allocation of subsidized units among market areas. The latter is more closely tied to HUD's overall budget cycle.
- The spatial areas used for allocating subsidized housing units are large market areas that do not correspond to the individual community boundaries used in HAP preparation and coverage. Moreover, HAPs do not cover all communities within a metropolitan area; whereas market areas do (although there may be no project proposals involving many of those communities).

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- The initiative concerning subsidized housing projects comes from private developers, state housing agencies, and non-profit organizations (for Section 8 new construction) and from local housing authorities (for existing Section 8 subsidies). However, the initiative for HAP preparation comes from the CD agencies within participating local governments. There is often little interaction or joint planning between these sources of initiative, even though developers must get permission from local governments for most new construction projects.
- HUD itself tends to set aside many Section 8 allocations to help "bail out" existing 236 projects in trouble, or to meet long-standing commitments for 202 projects that have been in the pipeline for years. Neither type of set-asides is closely co-ordinated with the HAPs in the relevant metropolitan area.
- HUD does not have enough subsidy resources to come close to meeting the needs for such resources expressed in all local HAPs combined -- either nationally or in any specific area. Hence closer co-ordination of housing subsidy allocations with HAPs might reduce the credibility of the entire HAP process without coming much nearer to meeting locally-expressed needs.
- Some Possible Approaches to More Effective Co-ordination
  - The major burden for better co-ordination should be borne by HUD's Area Offices. The entire housing subsidy allocation process should be revised in timing and geographic coverage to correspond to the CD planning and application process. HUD officials charged with subsidy allocation should be required to aggregate all HAP needs within their areas as an initial step in the allocation process, and to justify their final allocations in relation to those aggregated needs. Market areas used for subsidy allocation should be altered to conform to CD planning jurisdictions (or combinations of them), plus nearby areas that are not CD participants. Thus, HUD should treat the HAPs it receives as operating documents within the allocation process expressing market-area demands.
  - A new set of metropolitan-area-wide housing planning and execution institutions should be set up to co-ordinate all the HAPs (and other needs from non-CD communities) within each area with all the subsidy allocations for that area. Existing A-95 review agencies or other area-wide planning agencies could be used for this function, or any other institutions agreed upon by the local governments in the area. Each such agency would develop a single unified over-all HAP for its entire area based upon aggregating the HAPs prepared by all participating CD communities. It



would then work with HUD's Area Office concerning how to use subsidy allocations for that entire area. No subsidy allocation applications would be approved by the Area Office without the consent of such an agency.

- Local communities participating in CD should assume most of the burden for co-ordinating their HAPs with the subsidy allocation process through use of Section 213 provisions concerning local review of all housing subsidy proposals. HUD Area Offices should more aggressively use the Section 213 device to create better co-ordination in this way, without major institutional innovations.
- All communities participating in the CD Block Grant program should be required to accept a reasonable amount of subsidized housing commensurate with their needs for such housing. Even non-participating communities should not be considered exempt from receiving subsidized housing. The HUD Area Office should be legally empowered to act as a "local housing authority of last resort" that could initiate existing Section 8 subsidies within both participating and non-participating communities that failed to accept subsidized housing needed by their residents. The HUD Area Office can now accept proposals for Section 8 new construction within such communities if those proposals conform to local zoning and other regulations. However, it would be unwise to require non-participating communities to prepare so-called "free-standing HAPs" as a prerequisite to receiving subsidy allocations. Then they could block any subsidized housing within their boundaries by failing to prepare a HAP, or by preparing one containing only economically non-feasible projects.

C. The Future of Public Housing. What should the future of public housing be -- in terms of both what to do with existing projects, and what types of additional public housing, if any, should be built?

Expand Public Housing

- There are now over 1.3 million public housing units containing almost 6 million people -- and holding significant fractions of the total population in many large cities. Public housing provides the only physically-decent housing that many very poor households can afford, because of the "deep" dual capital and operating-cost subsidies it receives. But many thousands of other similar households cannot get into such housing because few added units are being built. HUD should therefore both up-grade existing projects and push for a major expansion of public housing as the best means of helping the most deprived households. However, additional projects should be created without high-rise buildings and with much smaller concentrations of households than many of the large existing projects where most public housing problems have appeared.

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### Contract Public Housing

-- Public housing in most large cities is an abject failure. It has created enormous crime-ridden ghettos that entrap their residents in poverty, and blight surrounding neighborhoods and public schools because of their excessive concentrations of multi-problem families. HUD's long range policy should be to reduce the concentrations of very-low-income households now "stored" in these large projects. It should do so by encouraging their voluntary dispersion into the privately-owned inventory through Section 8 aids and a housing allowance. Existing projects should be gradually converted into mixed-income occupancy (by allowing over-limit households to remain and through planned conversions to moderate-and-middle-income occupancy), or in some cases reduced in size through demolition as vacancies build up. No new public housing projects should be created; rather, poor households should be aided with housing allowances. Successful existing projects in middle-sized or smaller communities should be retained and modernized, but no expansions should be carried out.

### Shift Public Housing Management to HEW

-- Public housing projects in many large cities have become the chief "residences of last resort" for thousands of multi-problem households. Even though they probably comprise less than 20% of all households in such projects, their destructive behavior produces an extremely negative environment for the remainder of the households therein, and for surrounding neighborhoods. Society should recognize that this outcome is not caused by the physical dwellings in which these households live. Rather, it is a social problem that cannot be dealt with effectively except through massive infusions of social and health services for these multi-problem households. Experience shows that such "saturation" cannot be accomplished as long as HUD, with its limited property management powers, is the supervisory agency over local housing authorities. Therefore, the entire existing inventory of public housing projects -- or at least those inhabited by many multi-problem families -- should be transferred from HUD to management by HEW. That would facilitate the provision of multiple social and health services within those projects. HUD should remain responsible only for building new public housing (if any is built), which would then be turned over to HEW for management.

- D. Encouragement of Homeownership. Should federal policy deliberately encourage homeownership (as it does now through indirect subsidies from income-tax deductions)? If so: (a) Should the encouragement be aimed at all income groups? (b) Should Section 8 benefits be extended to homeownership? (c) Should additional homeownership aids be developed for moderate-income households now pressed by rising housing costs? (d) Should special aids be extended to elderly homeowners to enable them to retain their existing homes?

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2. The second part outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the information gathered.

3. The third part focuses on the role of technology in modern data management. It discusses how cloud-based solutions and automation can significantly improve the efficiency and accuracy of data processing and reporting.

4. The fourth part addresses the challenges associated with data security and privacy. It stresses the importance of implementing robust security measures to protect sensitive information from unauthorized access and breaches.

5. The fifth part explores the ethical implications of data collection and analysis. It discusses the need for transparency in data practices and the importance of obtaining informed consent from individuals whose data is being collected.

6. The sixth part provides a detailed overview of the data lifecycle, from initial collection to final disposal. It outlines the key stages and the responsibilities of different departments involved in each stage.

7. The seventh part discusses the integration of data with other organizational systems. It highlights the benefits of a unified data ecosystem and the challenges of ensuring data consistency and interoperability across different platforms.

8. The eighth part focuses on the role of data in strategic decision-making. It discusses how data-driven insights can help organizations identify trends, anticipate market changes, and optimize their operations for long-term success.

9. The ninth part provides a summary of the key findings and recommendations. It emphasizes the need for a data-driven culture and the importance of continuous monitoring and improvement of data management practices.

10. The final part of the document includes a list of references and a glossary of key terms. It also provides contact information for the authors and a list of acknowledgments.

For Maximum Encouragement of Homeownership

-- Homeownership provides the most widespread and successful form of personal asset accumulation in American history; hence it is the key positive connection of most American households with the free enterprise system. Furthermore, experience shows that owner-occupants maintain their dwellings far better than renters and help form more stable communities (only 10% move per year as compared to 38% among renters). Therefore, HUD should encourage homeownership to the maximum extent possible, among all income groups. Section 8 assistance should be broadened to cover homeownership as well as rental (as has been done in the experimental housing allowance program). Present indirect subsidies to middle-and upper-income homeowners should be continued. Additional aids for moderate-income homeowners (such as shallow interest-rate subsidies) should be developed. Elderly households should be assisted in retaining their existing homes because they form a key group enhancing stability in many older in-city neighborhoods. Special homeownership counselling services should be developed to supplement any direct financial assistance.

For More Moderate Emphasis Upon Homeownership

-- No one is opposed to homeownership, but encouraging it has definite limitations as a policy instrument, and can be extended to unfair lengths. Consequently, HUD should propose absolute limits on present per-household tax-deductibility benefits to shift more subsidy resources from the affluent to the poor. HUD should also be wary of encouraging very low-income households to buy homes. That often straps them financially, locks them into the purchase of obsolete homes in declining-value areas, and generates high levels of default that block neighborhood stability and preservation. Most very poor households (except the elderly) are renters; so HUD should not divert scarce Section 8 funds to homeowners (except perhaps for the elderly). Moreover, creating added homeownership subsidies for moderate-income households would further dilute the concentration of housing subsidies on those who need them most.

- E. Where to Locate Subsidized Housing. Where geographically should HUD encourage the development of more subsidized housing? This question applies both within metropolitan areas (inner-city areas, other in-city areas, inner-ring suburbs, outer-ring suburbs), and among major regions (Northeast, Midwest, South and West).

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### Encourage Scatteration

- HUD should push for the scatteration of additional subsidized housing units of all types (including those paid for through housing allowances) outside of existing areas of concentrated poverty. The only way to overcome the negative impacts of present poverty concentration upon large cities is by gradually creating a voluntary dispersal of poor households into presently non-poor areas (though perhaps in some minimal-sized clusters to avoid excessive isolation of the poor). This strategy would also locate many presently-unemployed households near expanding suburban jobs. Local resistance to such scatteration is so great that only a concerted national effort led by HUD will ever achieve it, perhaps using CD funding as a "carrot" and employing HAPs as major instruments.

### Encourage Concentration

- Requiring most new subsidized housing to be on dispersed sites will severely restrict the future amount of such housing, since political resistance to such dispersal is too strong to overcome in volume. Scatteration is also most costly because high-cost land (per unit) must be used. Moreover, such a policy prevents those communities that most need new subsidized units -- inner-city poverty areas -- from getting any sizeable number of such units. Experience proves that these deteriorated areas cannot attract any new construction without direct subsidies, and they need new building desperately. The so-called "dispersal strategy" is really a ruse for either preventing any subsidized housing from being built (if suburban resistance succeeds) or emasculating minority-group political power in cities (if suburban resistance does not succeed). Therefore, new subsidized housing should be concentrated in the areas of greatest immediate needs and greatest political acceptability.

### Maintain Neutrality Concerning Location

- It should not be HUD's function to determine where new directly subsidized housing is located. Rather, HUD should respond to local needs and specific project proposals as local governments and private developers present them. This form of "market-oriented" process will arrive at a better final outcome in each area than any Washington-based centralized planners can possibly conceive in advance. It also removes HUD from the no-win "political-hot-seat" of appearing to dictate to local communities where within their boundaries they must locate subsidized housing.

- F. Using Direct Housing Subsidies to Stimulate Total Housing Production. How should direct federal housing subsidies be related to the "filtering" or "trickle-down" process? Should such direct subsidies focus only upon aiding low-income households, to counteract the failure of that process? Or should such subsidies also be used to stimulate total housing production (as with GNMA interest subsidies

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2. The second section focuses on the role of technology in modern business operations. It highlights how digital tools and software solutions can streamline processes, reduce errors, and improve overall efficiency. The author notes that while technology offers significant benefits, it also requires careful implementation and ongoing maintenance to ensure it remains effective and secure.

3. The third part of the document addresses the challenges of managing a diverse workforce. It discusses the importance of fostering a positive work environment, providing opportunities for professional growth, and ensuring fair compensation and benefits. The text suggests that effective communication and leadership are key to addressing these challenges and maximizing the potential of the organization's human capital.

4. The final section discusses the impact of external factors on business performance. It notes that economic conditions, market trends, and regulatory changes can all influence an organization's success. The author advises that businesses should stay informed about these external factors and be prepared to adapt their strategies accordingly to remain competitive and resilient in a dynamic market.



for multi-family housing) so as to accelerate that process?

Focus Direct Housing Subsidies Only on Low-Income Households

-- Middle-and upper-income households need subsidies far less than the poor and already benefit from the largest housing subsidies of all: The income tax-reductions resulting from deductibility of mortgage interest and property taxes, and the non-reporting of imputed net income from home ownership. Moreover, the "trickle-down" process is extremely ineffective in many areas because the poor get mainly obsolete and deteriorated units. Hence HUD direct housing subsidies should focus entirely upon placing greater purchasing power in the hands of the poor to enable them to improve their housing immediately, either through occupancy of decent existing units or newly-built subsidized units. The total level of housing production should be influenced mainly by monetary and fiscal policies rather than direct subsidies.

Focus Direct Housing Subsidies Upon Non-Poor Households Too To Raise Certain Types of Production.

-- It takes far more subsidy dollars per household aided (including non-poor households) if HUD focuses direct subsidies only on the poor rather than on a broader income spectrum. Thus, the latter approach would be more efficient, spread benefits to more households, and help many deserving moderate-and middle-income households now hard-pressed by soaring housing costs. If total annual net housing output can be thus stimulated to exceed total net annual increases in households (as in the early 1970s), this will benefit the poor through "loosening up" the entire supply, expanding individual housing choices, and holding down rents and prices. Furthermore, higher total production will increase employment in the building industry, thereby providing jobs to many low-income workers. So direct subsidies should be provided for both low-income households and some non-poor households with somewhat higher incomes.

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2. The second part of the document outlines the various methods and tools used to collect and analyze data. It mentions that a combination of manual and automated processes is often employed to ensure the accuracy and reliability of the information. The text also highlights the need for regular audits and reviews to verify the integrity of the data and to detect any potential errors or discrepancies.

3. The third part of the document focuses on the role of technology in modern data management. It discusses how advanced software solutions and cloud-based platforms have revolutionized the way data is stored, processed, and accessed. The text notes that these technologies not only improve efficiency but also enhance the security and scalability of the data systems.

4. The fourth part of the document addresses the challenges associated with data management, such as data privacy, security, and compliance. It emphasizes that organizations must implement robust policies and procedures to protect sensitive information and to ensure that they are in full compliance with relevant regulations and standards. The text also mentions the importance of employee training and awareness in this regard.

5. The fifth part of the document discusses the future of data management and the emerging trends in the field. It mentions that artificial intelligence, machine learning, and big data analytics are expected to play increasingly significant roles in the coming years. The text notes that organizations should stay up-to-date with these developments and invest in the necessary skills and resources to leverage these technologies effectively.



### III. GENERAL URBAN DEVELOPMENT ISSUES

#### A. Providing Federal Fiscal Assistance to Cities.

- I. Direct Federal Fiscal Aid. Should federal funds or other aids be used to supplement the revenues of large cities containing disproportionate concentrations of low-income households, in addition to existing revenue sharing arrangements? (Possible forms of such aid include direct funding, guarantees of municipal bonds, federal interest subsidies for taxable municipal bonds, federal loans, and establishment of an Urban Development Bank).

#### Alternative Approaches

- The proposed changes in the CD Block Grant Formula that increase funds going to large, older cities should be adopted, but no further assistance to such cities should be passed by the federal government. These cities deserve some disproportionate financial aid because of their disproportionate share of the poor, but the formula changes would provide this elementary justice. Further federal aid beyond that would simply cause such cities to postpone the necessary and inevitable process of adjusting their levels of public activity to lower populations and private employment levels within their boundaries. Painful as that process is, it must be carried out over the long run in order to prevent gross inefficiencies in the use of resources by perpetuating uneconomic municipal activities. This is true because the decline of large cities is part of a long-range tendency towards lower urban density associated with rising standards of living and mobility among most American households. Yet experience shows that individual cities will postpone adjusting themselves to this long-range trend as long as they can, no matter how unwise that is in the long run -- since their elected officials are all serving short-run terms. The federal government should not reward their failure to face facts by giving additional fiscal aid -- particularly since most of it will be instantly dissipated in higher municipal salaries and benefits than would otherwise prevail, rather than improved services to residents.
- The fiscal, physical, economic, and social decline of large cities is a disaster to our entire society that must be opposed in every possible way. Therefore, large amounts of additional federal funds should be provided to large-city governments to help them offset the essentially non-market or "external" conditions within their boundaries that are causing firms and households to leave them. Those conditions are caused by society as a whole, and so society as a whole should pay to counteract them. Otherwise we will abandon billions of dollars of past investment in urban infrastructures and buildings precisely when

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we are trying to conserve resources. Furthermore, we will exacerbate potentially explosive social unrest among the urban poor and unemployed. Moreover, by failing to oppose unrestricted suburban or non-metropolitan growth, we would cause adoption of energy-wasting settlement patterns during a period of true energy crisis. In short, the factor determining how much federal aid we should provide to large cities should be the amount required to restore them to vitality -- even if it is an extremely large amount requiring vast increases in present federal aids. Once we have made that commitment, we can design the most appropriate "package" of particular forms of aid to meet the needs of these cities.

-- A truly balanced and wise policy position lies somewhere between the two extremes set forth above. Therefore, the most appropriate policy for HUD would be to encourage Congress to adopt the proposed CD Block Grant formula change, to look for additional particular "rifle-shot" means of helping cities fiscally that are not terribly costly, and to avoid any large-scale commitments of added federal aid to them. Among the "rifle-shot" type remedies that should be seriously considered are municipal bond guarantees and interest subsidies to taxable municipal bonds, since they involve relatively low budgetary impacts.

2. Counter-cyclical Fiscal Aid to Cities. To what extent should federal fiscal aid to cities be used as a counter-cyclical force -- with increased aid during recessions and reduced aid during periods of prosperity?

#### Favoring Counter-cyclical Aid Variation

-- Private industrial employment and other economic activities within large cities tend to decline sharply in periods of recession -- more so than in other parts of the nation. This causes a marked fall in the revenues of big-city governments, but their expenses do not decline commensurately unless they curtail municipal employment extensively. But such losses of jobs in the public sector during a recession further destabilize the economy and worsen the recession. They also raise unemployment precisely where it is already worst -- in low-income parts of big cities. Hence it would be desirable for the federal government to provide special counter-recession aid to cities that will help them maintain their employment and services as a stabilizing economic force, as well as keeping up their residents' quality of life. These special funds could then be reduced in periods of prosperity when city revenues are again rising along with renewed economic activity within their boundaries.



### Opposing Counter-cyclical Aid Variation

-- Counter-cyclical federal aid to cities sounds desirable, but in practice would never work as advertised. Most large cities are fiscally squeezed at all times because of recent losses in population and activity occurring during periods of prosperity as well as recessions. They would be happy to receive increased aid during recessions, but would vehemently oppose any subsequent reductions -- even supposedly "automatic" ones. Every increase in federal aid to cities today will be regarded as part of the absolutely essential minimum floor from which to start negotiations about what future levels of that aid should be -- especially by municipal employee unions, who are the chief direct beneficiaries of such aid. Soon city governments would be complaining about their unfair role as economic stabilizers in the same way that the homebuilding industry complains about the already counter-cyclical flows of mortgage financing into their business. This means that the federal government should base its level of fiscal aid to cities on long-range considerations, not upon any desire to use city governments as economically stabilizing forces during recessions and prosperity.

3. Federal Long-Range Project Funding for Cities. Should HUD provide some type funding for large-scale redevelopment projects, since cities are now avoiding both large projects and long-term ones because of CD's annual financing?

#### Background

- In the process of shifting from long-range funding reservations in the old urban renewal program to annual requests in the Neighborhood Development Program (NDP), HUD double-crossed many local governments by first assuring them annual funding would be certain to continue indefinitely -- and then stopping it entirely. For good reason, local governments became suspicious of HUD promises that any annual funding program could be relied upon to continue, so they have used annually-funded CD money only for projects that did not require long-range commitments of money.
- However, many activities crucial for the revitalization or even the preservation of large cities require long-range public funding, because they involve large-scale activities and commitments by private lenders or developers over many years. This is especially true of the kinds of non-residential projects essential to revitalization of economic activity in large cities, including retaining existing firms and attracting new ones.

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### Alternative Approaches

- Create a new federal funding program managed by HUD (perhaps UDAG is it) that provides city governments with long-term subsidy funding through initial set-asides of large grants of money per project, if the projects concerned meet certain criteria for effectiveness in achieving federal urban goals. In essence, this would be a categorical program similar to urban renewal in form, but perhaps requiring more commitment of private funding up-front before receipt of federal fund reservations. A grant program will be much more effective than a loan program because many large cities need federal subsidy funds as well as a long-term format for using federal funds. Subsidies are vital because many of the projects cities need to restore economic vitality are not economically feasible in themselves. They are non-feasible precisely because of the "social and economic externalities" within those cities that are driving firms and households to leave them. Hence if long-term federal funds are available only for projects profitable enough to pay off long-term loans, cities cannot offset the disadvantages caused by their disproportionate share of poor households and older structures, and will continue to lose jobs and people at a rapid rate.
- Do not use federal grants for long-term projects because they encourage wasteful spending on economically non-feasible activities. Instead, create a federal long-term lending program that provides low-interest loans for local agencies to use in developing major projects, normally in concert with private developers. This program could be an extension of EDA's existing loan programs, but with lower interest rates (which provide a shallow subsidy) and broader criteria for project eligibility (not necessarily connected with "depressed areas"). The program could be administered by either HUD or EDA.
- Experience with urban renewal proves that the federal government should not re-enter the business of passing judgment in detail on local applications for specific projects -- especially since the whole block grant approach was designed precisely to avoid such a procedure. Instead, HUD should seek to persuade Congress to make five-year funding commitments for the CD Block Grant program, or to allow individual communities to set aside a certain percentage of their annual allocations for longer-term projects. The latter could be done by allowing communities either to "save up" funds for several years, or to commit a certain percentage of future funds in advance to specific multi-year projects.
- No specific arrangements for long-term use of federal funds by local governments should be made, other than trying to provide enough federal aid to put them in good fiscal health. If local governments want to make long-range funding commitments, they should use normal capital markets to do so. This will keep the

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federal government out of the project-approval business for which it is so badly suited. If specific federal aids for long-term financing are to be created, they should take the form of assistance to cities in the bond market, such as partial repayment guarantees or interest subsidies for taxable bonds.

4. Directing Added Federal Aid into High-Priority Activities. How can federal assistance to cities be directed into what HUD considers high-priority activities (such as repairing and replacing worn-out and obsolete city infra-structures, and rehabilitating older housing) rather than being used by cities mainly to raise wages and fringe benefits of existing municipal employees?

#### Alternative Approaches

- Experience shows that any unconstrained federal funds received by municipal governments will be used to a significant extent to either reduce local taxes, or raise municipal-worker wages and fringes, or both -- rather than to improve the actual quality and quantity of services provided to local residents -- especially to the poorest ones. Now that so many large cities are fiscally squeezed by declining tax bases and populations, they will be particularly likely to use federal funds to maintain the status quo in terms of municipal employment, while continuing to increase the salaries of those still employed, rather than to pursue the developmental or revitalization goals that HUD considers of high priority. At first glance, it might seem that maintaining police forces or teaching staffs at present levels clearly provides better police protection and education than shifting to lower levels of municipal employment. But in reality, there is no demonstrated correlation between numbers of such workers and objective measures of quality of life in the cities concerned (such as crime rates or educational achievement performance). So maintaining public staffs at current levels is more beneficial to their members than to the general public -- particularly since the compensation of those staffs continues to rise with no visible offsetting gain in productivity. To protect federal taxpayers from thus transferring their money to municipal workers without any other clear gains to society, HUD should constrain all federal funds to particular uses insofar as possible. That means using almost categorical programs rather than "pure" revenue sharing or block grants. At the very least, HUD should require all funds it provides to cities to be used for specific purposes related to urban development and revitalization, rather than for general urban services.
- Many large cities have adopted highly innovative and effective methods of community development under the quasi-permissive format of the CD Block Grant program. They are able to design programs with far less red tape that are far more sensitive to local conditions than HUD could. This is especially true in view of the immense variety of local conditions found in American cities -- and

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8. The eighth part of the document discusses the role of data in building a data-driven culture. It highlights the need for leadership to promote a culture where data is used to inform decisions and drive performance.

9. The ninth part of the document discusses the importance of data in measuring organizational performance. It highlights how data can be used to track key performance indicators and identify areas for improvement.

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HUD's need to employ one set of rules everywhere if it exerts detailed control over its funds. In order to thus encourage local initiative, but still have most of it focused upon basic HUD goals, HUD should make maximum use of the CD Block Grant format, without constraining cities any further with strait-jacketing detail regulations. Moreover, HUD should consider as one of its main functions the dissemination to all interested cities of information concerning those specific methods adopted with unusual effectiveness by local innovators in one or a few cities. This approach of limited constraint on federal fund uses plus major dissemination efforts (far beyond those now done by HUD) represents the best compromise between excessively rigid national bureaucratic control and wasteful funnelling of federal aids into nothing but local municipal compensation.

- The purpose of federal financial aid to cities should be to enable local government leaders to take those actions they believe are best suited to the continued prosperity and vitality of their own communities. Given the immense diversity of local conditions throughout the nation, HUD is in no position to make judgments from Washington about which such actions are best suited to local needs. If local officials want to use federal funds to cut taxes or raise municipal compensation, that is because they believe such action will improve the viability of their communities more than those types of spending that HUD -- in its dubious nationwide wisdom -- thinks would be best for them. Hence HUD's basic approach should be to determine itself (with Congress) what level of financial aid would be appropriate for cities, but to avoid placing any detailed constraints upon how that aid is used by its recipients.

B. Strengthening the Economies of Large Cities Experiencing Job Outflows.

- I. Coping with the Spatial Mis-match Between Jobs and Unemployed Workers. Many people believe there is a serious spatial mis-match between where unemployment is greatest (in inner-city areas) and where jobs are growing fastest (in suburban areas). What type of policy response should HUD adopt towards this condition?

Alternative Approaches

- Bring Jobs Back into Cities. The best response is to create incentives for private and public employers to locate more job opportunities near where presently-unemployed workers live -- that is, near inner-city neighborhoods. This is a tough task, but the alternatives are certain not to work. All past attempts to create

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adequate housing opportunities for low-and moderate-income households in suburban job-growth areas have failed. Moreover, future attempts face overwhelming political opposition from both suburbanites and central-city politicians. Improving transportation linking workers and suburban jobs is too difficult because urban transportation systems are designed for convergent and circumferential movement, not for divergence to many scattered job sites. Moreover, any approach other than bringing more jobs to cities leads to further abandonment of existing structures in those cities, and multiplies their fiscal problems. So HUD and other federal agencies should focus on creating truly effective incentives for firms to locate near inner-city areas. These could include zone-based wage subsidies (perhaps using unemployment assistance money), major tax credits for such employment, federal aids for plant construction and financing, and other substantial (and thus costly) actions.

- Create Dispersed Low-and Moderate-Income Housing. Dozens of attempts to "lure" industry back into inner-city areas have been made; all have either failed or been of trivial size. Employers will not come back into such areas in any numbers until high crime rates, vandalism, and poorly-educated workers are no longer prevalent there. Yet those conditions will not change as long as thousands of the lowest-income households are concentrated together in inner-city neighborhoods. Therefore, the only long-range approach that can work is gradually reducing the concentration of the poor in such neighborhoods by creating housing for them scattered in many parts of each metropolitan area, especially near major suburban employment centers. True, this is a difficult task, and cannot be accomplished rapidly. But recent court decisions in some areas, plus the potential leverage of the CD program and HAPs, have improved its prospects in the past few years. Moreover, no other strategy promising faster results is likely to prove more effective.
  
- Improve Transportation and Job Placement for Inner-City Workers. Neither trying to lure many jobs back into large cities nor creating lots of low-and moderate-income housing in the suburbs has the slightest practical chance of coping with this spatial mis-match within the next two decades -- at least not on any meaningful scale. Therefore, society should tackle the linkage of jobs and workers through improved transportation and job placement services with far more imagination, effort, and funds than have heretofore been even dreamed of. Even subsidizing widespread private use of low-cost second-hand automobiles should be seriously considered -- it is probably much cheaper than subsidizing housing units or wages. Moreover, making unemployed inner-city workers very

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inexpensive to suburban employers through a wage subsidy could create far more opportunities for them. This would be especially effective if linked to vastly expanded job placement services for such workers, and much stronger enforcement of affirmative action hiring programs in the suburbs.

- Employ a "Combined Strategy" Using All the Above Approaches. This problem is so huge and intractable that all three of the above approaches should be used simultaneously to tackle it. That has the best chance of producing both some short-term results and really important long-term ones. The real problem is getting society to place high priority on tackling this issue. Therefore, HUD should use its leadership position concerning urban policy within the federal government to get at least the federal "establishment" to treat this as the single most important domestic issue.
  
  - Leave This Issue to Other Federal Agencies. Tackling endemic unemployment and transportation problems that have plagued the nation for decades is beyond HUD's competence. HUD's leaders would simply be deceiving themselves, and the nation, if they placed high priority within the department on the non-residential aspects of this issue, which really lie within the purview of other federal agencies like EDA and the Department of Labor. Instead, HUD should stick to activities closer to the heart of its mission -- especially the provision of adequate housing and neighborhood conditions for all Americans. Thus, seeking to create appropriate housing for low-and moderate-income households throughout our metropolitan areas is an appropriate goal for HUD -- as is improving neighborhood conditions in inner-city areas. But pretending to be able to "resolve" this larger spatial mis-match through HUD policies would generate inflated expectations of what government can do. It would therefore grossly violate the President's pledge to be honest with the citizenry in order to restore their respect for government.
2. Using CD Block Grant Funds For Economic Development. To what extent should HUD encourage use of CD Block Grant funds by local governments for purposes of economic development rather than housing or neighborhood preservation? (Examples are helping retain existing institutions and firms, creating inner-city industrial parks, strengthening downtown areas, improving obsolete infrastructures, and creating employment for inner-city workers.)

#### Alternative Approaches

- The real need in most big cities is more jobs, not more housing or even better neighborhoods. Once sources of decent income are available to the unemployed poor, they will be able to support good-quality housing and neighborhoods. And without more jobs, spending federal funds on these other goals

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will be sheer waste, since cities will continue to decline. So HUD should encourage local governments to focus CD Block Grant funds -- and other HUD funds like the proposed UDAG -- on economic development activities in those cities where the job base is declining. In fact, economic development should have the highest priority of any federal fund use by local governments.

- Retaining and increasing employment in cities is certainly a crucial goal, but any federal funds used to pursue it should come from agencies other than HUD. Examples are EDA for loans and grants to up-grade non-residential areas and businesses, the Department of Labor for inner-city wage subsidies, and the Treasury for tax credits encouraging inner-city investment. HUD's role should be to help cities preserve and up-grade their residential neighborhoods. Inadequacies in such areas are a key reason people and jobs leave big cities, and no other federal agencies can help improve these areas. Furthermore, as experience with urban renewal shows, if HUD funds can be used for economic development, those funds will nearly all be diverted away from aiding the poorest and neediest people and areas to improving business profits and downtown land values. So HUD should continue focusing CD Block Grant funds -- and UDAG too -- primarily upon housing and residential neighborhood improvement.
- The whole purpose of block grant funding is to let local governments set their own priorities for what to do with federal funds within their boundaries. Hence HUD should try to broaden the types of activities permissible for CD Block Grant funds to include economic development activities; but it should leave it entirely up to each community to decide how to use those funds.

3. Allocating CD Funds Among Types of Neighborhoods and Encouraging Private Sector Investment in City Revitalization. Should HUD seek to influence the way in which local governments allocate CD Block Grant and other funds among different types of neighborhoods (that is, very deteriorated areas, marginally deteriorating areas, and good-condition areas)? And how can HUD encourage maximum private-sector investment in the revitalization of city neighborhoods? (Since these two different issues are closely related, they are treated together here.)

#### Background

- The shift from categorical federal funding to CD Block Grant funding has permitted many communities to change the spatial allocation of federal funds within their boundaries. Instead of concentrating use of such funds on the poorest



areas in the worst condition as was required under urban renewal and Model Cities, many communities have begun spreading the funds around to other neighborhoods not in such bad condition -- especially those just starting to deteriorate. Some observers regard this as very undesirable development which should be changed through HUD and Congress exerting pressure on local governments to re-focus federal funds on the worst-condition areas.

- In view of the limited amount of federal funds available to revitalize large cities in comparison with the immense total costs of doing so adequately, it appears essential to attract private capital into this effort too. However, private capital will usually not voluntarily enter joint public-private ventures that are highly risky, unless government provides some means of reducing that risk. But improving the worst-quality portions of large cities -- where needs are most intense -- is very risky. The concentration of poor households there weakens demand from residents, and discourages other households and firms with money from entering or remaining in such areas.

#### Alternative Approaches

- Reduce Private Risks of Investing in the Poorest Neighborhoods. It is desirable to focus both public and private funds upon up-grading the poorest and most deteriorated areas. This is true both because they need help the most, and because then their residents will not just shift en masse to other nearby areas and generate another "blight and flight" syndrome there. So HUD should help create as many private risk-reducing devices for such investment as possible. These could include FHA insurance in high-risk areas, federal loan guarantees on bank or insurance company financing of projects in such areas, a federally-funded Urban Development Bank to finance projects in such areas, etc.
- Mandate Private Investment in the Poorest Neighborhood. Local banks and savings and loans should be required to make funds available for use in these neighborhoods at least in proportion to the percentage of savings they receive from such areas. Moreover, large insurance companies and bank trust departments should be required to set aside a certain percentage of their investable assets each year for use in designated "economic development zones" within large cities. These are small prices for the affluent to pay for helping preserve the basic institutions that underlie their survival and prosperity.
- Focus Physical Redevelopment Efforts on Less Risky Neighborhoods. Although income-maintenance funds, social services support, and job-creation activities should focus upon the poorest and most deteriorated neighborhoods, funds invested in physical up-grading should be used there only sparingly. They should mainly finance demolition of abandoned structures, landscaping of

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vacant lots, and some cosmetic improvements. Most money for substantial rehabilitation and other physical up-grading, however, should be invested in areas of marginal deterioration that can still be preserved from major decline. This strategy is desirable because:

- It is less costly per housing unit or household aided than improving very deteriorated areas -- hence the limited funds available will aid far more people.
- There is not enough money available to really "save" the worst-condition areas, even if all that money is spent there. Hence focusing most available money in such areas produces no effective long-term results; whereas putting the funds in marginal areas will do so.
- Failure to focus major efforts in not-badly-deteriorated areas will encourage those firms and households already leaving such areas to continue doing so. Thus a "worst-first" strategy does nothing to halt the outflow of people and jobs that is fiscally harming so many large cities. That is likely to harm the poorest residents more than failing to try physically up-grading their neighborhoods directly.
- Far more private investment funds can be persuaded to up-grade marginal areas than badly-deteriorated ones -- if public funds are put into certain key infrastructure improvements there. Hence much greater leveraging of public funds is possible through this approach, and therefore more total spending upon revitalization can be achieved.
- The best long-range strategy for coping with badly-deteriorated areas is to preserve the marginal areas around them, help remaining residents gradually move into those nearby areas, and eventually carry out complete redevelopment after these worst areas have emptied out.
- Do Not Seek to Influence the Location of Private Investment. HUD should encourage use of public-sector funds in those areas where private investment is unwilling to go, without trying to influence private funds to go there. Then the public sector can act as a "developer of last resort" in the worst-condition areas, and private capital can focus on marginally-deteriorating areas. This would create the most efficient "financial division of labor" in an overall city revitalization program, and reduce the necessity for achieving difficult -- even fruitless -- joint ventures of public and private funds in high-risk locations.



C. Increasing the Neighborhood Focus of Urban Programs.

- I. Using Neighborhoods as Formal Policy and Program Units. Should HUD encourage much greater emphasis upon urban neighborhoods as social and governmental entities, both through HUD's own policies and by local governments generally? To what extent should such encouragement include efforts to get local governments to decentralize more service delivery and policy-setting to neighborhood-level institutions and organizations?

Alternative Approaches

- HUD should place maximum emphasis upon using neighborhoods as the key units for both city revitalization and normal city operations. This will help "de-  
volve" more true authority and power over day-to-day policies and actions of local government down to the level where the average urban citizen can directly influence things far more than at present. Hence it will help overcome the feelings of powerlessness and alienation that underlie many inner-city problems. It will also make downtown city-hall administrators far more sensitive to the real concerns and interests of low-income residents that they would be otherwise -- as experience from urban renewal and anti-poverty program citizen participation activities shows. Therefore, HUD should press for legislation and administrative rules that require local governments to set up neighborhood structures and use them both for handling federal funds and for normal operations.
- Many cities are already using neighborhoods as planning and action units where there are effective local organizations with which to work. This tendency should be encouraged through HUD's provision of information and guidance concerning how to achieve effective action at the neighborhood level (as in the Neighborhood Preservation Catalog). But there should be no mandating of either action or institutional change compelling use of neighborhood units by all cities, since they are not always appropriate and can be harmful.
- Neighborhood sovereignty can be an invitation to narrow parochialism and flagrant discrimination against "outside" groups, unless it is carefully circumscribed and monitored by agencies with wider areas of jurisdiction. Neighborhood organizations are also almost always biased against significant changes in the status quo -- even when they involve improvements in local conditions.

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2. Using Neighborhood Preservation as a Major Policy Approach. Neighborhood preservation appears to be a key focal point for any attempt to use the existing housing stock, revitalize older cities, and conserve national resources. Yet it also seems to be a very slow, tedious, and surprisingly costly process compared to constructing wholly new neighborhoods on vacant land -- especially because of the fragmented ownership and power structures in existing neighborhoods. This situation gives rise to the following specific issues:

a. Should HUD place really great reliance upon this "week reed" in its policies?

Yes

- HUD needs to use the neighborhood as the basic unit for dealing with the preservation of cities. It is the unit already perceived as relevant by housing markets, and is an appropriate unit for coping with the immense variations among local conditions across the nation.
- Using the neighborhood as a basic unit for public programs provides a small scale focus to program activity to which individual residents of cities can meaningfully relate, thus helping them overcome feelings of powerlessness and alienation.
- If the society wants to revitalize older cities, the neighborhood is the only viable unit for activities aimed at this goal -- there are no alternatives.
- Preserving neighborhoods is consistent with the national purposes of conserving resources and avoiding future wasteful use of energy through creating lower and lower densities in urban settlement patterns.
- Many cities have already chosen neighborhoods as appropriate planning and action units for their preservation and up-grading activities, so HUD should reinforce this exercise of local sovereignty on their part.

No

- Emphasizing preservation of the existing inventory at first seems a prudent conservation measure, but is actually more wasteful than meeting future housing needs by emphasizing new construction. There is no large-scale rehabilitation industry, and probably can never be one. Cost estimation is too difficult for large-scale production; the political maneuvering

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necessary to cope with displacement and existing local organizations is too time-consuming for developers to endure; and rehabilitation is not economically feasible when done at union wages, but unions will oppose large-scale rehabilitation at lesser rates. So preservation is really an inefficient process that ultimately creates refurbished older housing units far inferior to newly-built ones at very little -- if any -- less cost per unit.

- Using the neighborhood as a key unit, rather than the existing overall local government, creates an added layer of time-consuming political maneuvering and citizen participation that greatly adds to the cost of any final products. Hence dealing directly with overall municipal governments is a better method.
- Although some neighborhoods are definitely worth preserving, trying to apply a uniform national preservation approach to other neighborhoods would be either ineffective or undesirable or both. Many low-income areas have such high population turnover that no meaningful preservation efforts can be organized there. Others are so badly deteriorated that the best strategy would be to empty out and demolish them, rather than trying to preserve what is left.

b. If neighborhood preservation is to receive major HUD emphasis, how can the process be made faster and more effective ?

#### Alternative Approaches

- The biggest obstacle to speed and effectiveness is HUD's own red tape and excessive regulation of local efforts. HUD should therefore reduce its own requirements as related to neighborhood preservation and give maximum discretion to local governments to design and carry out their own approaches. In this approach, HUD should conceive of its roles as mainly providing funds and collecting and disseminating information among local governments concerning which of their efforts appear to be working well.
- HUD should develop a standardized procedure for effective neighborhood preservation efforts, based upon a survey of past experiences in many cities, and then mandate that approach in all communities using CD Block Grant funds for neighborhood preservation. The approach might have several basic methods to be used, depending upon which of five to ten prototype situations prevailed in each community concerned.

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-- HUD should expand the resources presently being used in the Neighborhood Housing Services Program across the nation so that this method can be used in 5-10 times as many areas as it now serves. Since it is a voluntary approach, this would not involve excessively mandating over-standardized procedures in diverse areas.

c. What incentives can be developed to encourage existing property owners in older neighborhoods to improve their normal maintenance efforts?

-- Increasing Resident Confidence in the Neighborhood's Future

- Make visible public investments in up-grading the local infrastructure such as improving streets, putting new street-lights, planting trees, etc.
- Remove the poorest-condition structures through demolition.
- Sponsor television documentaries on local stations promoting the area's attractive features and showing satisfied residents endorsing improvements in the area and its future.
- Adopt local ordinances requiring all city employees (including police, teachers, etc.) to live within the city limits, thereby raising demand for housing within the city.

-- Reducing the Costs to Residents of Normal Maintenance

- Have the local assessor guarantee no increased assessment for 3-5 years for any improvements through rehabilitation.
- Provide free or subsidized materials for up-grading (such as free paint).
- Provide rebates in municipal property taxes as a fraction of total spending upon property up-grading (with some upper limit).

-- Increasing the Resources Available to Residents for Maintenance

- Provide improved financing availability for rehabilitation loans from local banks and savings and loans, and for higher-risk loans from a pool for such loans formed by local financial institutions.
- Provide free or subsidized materials (as mentioned above).

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