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D.C. DEVELOPMENT BANK

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HEARING

BEFORE THE

COMMITTEE ON THE DISTRICT OF COLUMBIA UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

S. 2196

TO ESTABLISH A DISTRICT OF COLUMBIA DEVELOPMENT
BANK TO MOBILIZE THE CAPITAL AND THE EXPERTISE
OF THE PRIVATE COMMUNITY TO PROVIDE FOR AN OR-
GANIZED APPROACH TO THE PROBLEMS OF ECONOMIC
DEVELOPMENT IN THE DISTRICT OF COLUMBIA

FEBRUARY 23, 1972

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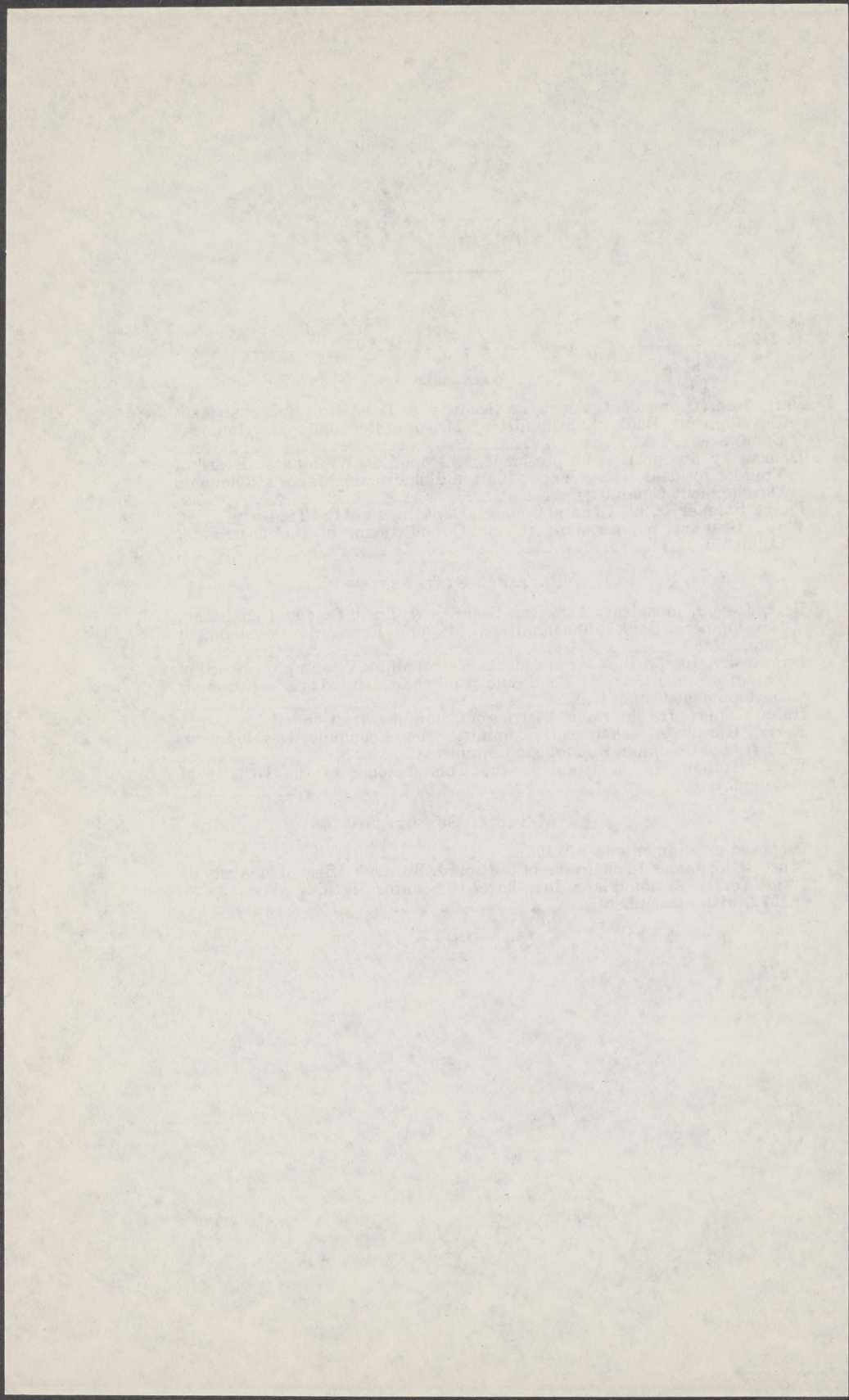
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D.C. DEVELOPMENT BANK

WEDNESDAY, FEBRUARY 23, 1972

U.S. SENATE,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D.C.

The committee met at 9:40 a.m., pursuant to notice, in room 6226, New Senate Office Building, Senator Charles McC. Mathias, Jr., presiding.

Present: Senator Mathias.

Also present: Robert Harris, staff director; and Carolyn W. Johnson; minority staff director.

Senator MATHIAS. Good morning, ladies and gentlemen. The committee will hear testimony this morning on S. 2196, a bill to establish a District of Columbia Development Bank.

This bill, which has been introduced by the distinguished chairman of this committee, Senator Eagleton, and myself, addresses itself to one of the most serious and urgent challenges facing the Nation's Capital, the challenge of economic development.

The District of Columbia, like most of our great central cities, has long suffered from what might be called an unfavorable balance of payments, economic and social, through the continuing exodus of jobs, investment capital and the middle class to the surrounding suburbs. We need imaginative measures to arrest and hopefully reverse this trend of drain and decline in the central city, to provide more jobs and stores for the city's residents and, above all, to restore economic vitality and hope to the city which should be a national model of urban health.

There is, as we know, no shortage of development proposals on the drawing boards or on the shelf. We have heard of plans to redevelop the so-called riot corridors, 14th Street and 7th Street, to build growth centers at major Metro stops; to make better use of the Anacostia waterfront and the New York Avenue corridor, and to establish many apartment condominiums, shopping centers, and other business developments. Yet, I think we have to face the fact that these projects are often relatively speculative and high risk compared to the safer opportunities—if we can use that word—in the suburbs.

Urban projects also may require large amounts of initial capital, special technical skills, and the coordination of many sponsors. These are needs which often go unmet and these are precisely the ingredients which the Development Bank has been designed to provide.

It is worth noting that the very existence of this bill reflects the kind of commitment by the city's private sector which the bill is intended to promote.

Local business leaders, the city government, and the administration have cooperated in developing this legislation just as they will have to cooperate in the work of the Development Bank itself.

We have a special incentive for prompt action as we approach the Nation's bicentennial, which is now less than 4 years in the future. The President has submitted an ambitious program for the improvement of those parts of the capital city where the Federal interest is extensive or paramount; yet, I think that far more must be done throughout the entire Washington community if we are really going to raise hopes as well as flags in 1976. The Development Bank can be a vital tool and a crucial force in the broad effort to revitalize the District of Columbia.

I now place in the record a copy of S. 2196—the District of Columbia Development Bank Act of 1971.

(The bill follows:)

92D CONGRESS
1ST SESSION

S. 2196

IN THE SENATE OF THE UNITED STATES

JUNE 30, 1971

Mr. MATHIAS (for himself and Mr. EAGLETON) introduced the following bill; which was read twice and referred to the Committee on the District of Columbia

A BILL

To establish a District of Columbia Development Bank to mobilize the capital and the expertise of the private community to provide for an organized approach to the problems of economic development in the District of Columbia.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "District of Columbia
4 Development Bank Act of 1971".

5 FINDINGS AND DECLARATION OF PURPOSE

6 SEC. 2. (a) The Congress finds that it is essential to
7 create a financial institution to focus private resources on the
8 problems of economic development in the District of Colum-
9 bia because:

II

1 (1) substantial economic development of many
2 components of the community is essential to the well-
3 being of the citizens of the District of Columbia;

4 (2) such economic development will require a
5 concerted effort by all segments of the community, in-
6 cluding the private financial institutions;

7 (3) many worthwhile community development
8 projects have not been undertaken successfully in the
9 District because of the lack of financial and technical
10 skills or initial capital by those citizens interested in
11 such projects;

12 (4) no institution or organization currently exists
13 to mobilize effectively the available expertise and capi-
14 tal of the District for such development efforts; and

15 (5) establishment of the proposed new institution
16 would recognize the problems incurred by the District
17 of Columbia due to the unique economic role of the
18 Federal Government in the city.

19 (b) It is the intent of the Congress that this institution
20 concentrate on assisting economic development projects
21 that have difficulty in obtaining necessary financial re-
22 sources or other support from customary private or govern-
23 mental sources. Such projects should include innovative or
24 other uncommon ventures, special risk situations, projects

1 of unusually large scale, and projects that would otherwise
2 be feasible only if financed collectively or fully committed in
3 advance.

4 (c) It is the further intent of the Congress that in
5 those projects where financing is already available, this
6 institution should help assure necessary technical resources
7 and effective coordination with other efforts to promote eco-
8 nomic development within the District of Columbia. Proj-
9 ects should enhance existing or future development plans
10 of the District and should be designed to increase the em-
11 ployment and economic opportunities of District residents.

12 (d) In the light of these findings and to accomplish
13 these purposes, the Congress hereby declares that it is nec-
14 essary to enact the provisions hereinafter set forth to estab-
15 lish a new financial institution.

16 CREATION OF BANK

17 SEC. 3. There is hereby created a body corporate to
18 be known as the District of Columbia Development Bank,
19 which shall have succession until dissolved by Act of Con-
20 gress and which shall not be an agency of the United States
21 Government. The bank shall maintain such offices as may be
22 necessary or appropriate in the conduct of its business, and
23 shall be exempt from section 6 of the Act of March 4, 1933
24 (47 Stat. 1567; D.C. Code, sec. 26-107).

BOARD OF DIRECTORS

1
2 SEC. 4. (a) The bank shall have a board of directors
3 which shall consist of eleven persons, including the Commis-
4 sioner of the District of Columbia, the Chairman of the City
5 Council of the District of Columbia, three officers or em-
6 ployees of the United States or the District of Columbia who
7 shall be designated by the President, and six directors who
8 shall each be elected by the shareholders of the bank. The
9 elected members of the board shall serve for a term ending
10 upon election and qualification of their successors at the next
11 annual meeting of the common stockholders of the bank.

12 (b) Each director who is an officer of the United States
13 or officer of the District of Columbia may designate an alter-
14 nate who shall be an officer or employee of the United States
15 or of the District of Columbia, respectively, to serve as direc-
16 tor in his absence. Any elective seat on the board which be-
17 comes vacant after the annual election of the directors shall
18 be filled by the board, but only for the unexpired portion of
19 the term. Any director who is full-time officer or employee of
20 the United States or of the District of Columbia shall not re-
21 ceive compensation for his service as director.

22 (c) The board of directors shall meet at the call of its
23 chairman, who shall require it to meet at least once each
24 month.

25 (d) One director of the bank shall be elected by the

1 board from among the elected members to serve as chair-
2 man of the board of directors. The president of the bank
3 shall be appointed by the board of directors, and shall serve
4 at the pleasure of the board. Subject to the general policies
5 of the board, the management of the bank shall be vested
6 in the president and he shall be the chief executive officer
7 of the bank.

8 INITIAL BOARD OF DIRECTORS

9 SEC. 5. In addition to the five Federal and District of
10 Columbia officials the six remaining directors shall be ini-
11 tially appointed by the President, by and with the advice
12 and consent of the Senate, for an initial term ending on the
13 date the directors elected at the first meeting of the share-
14 holders shall have qualified and assumed office. The chair-
15 man of the initial board shall be elected by and from among
16 the members of the initial board.

17 FINANCIAL AND TECHNICAL ASSISTANCE

18 SEC. 6. (a) The bank is authorized, subject to the
19 provisions of this section, to make commitments to purchase
20 and to purchase, service, or sell, or to guarantee in whole
21 or in part, any debt obligation or participation therein,
22 issued by an obligor to finance any project or activity
23 deemed by the bank to be consistent with the purpose of
24 this Act, and to make commitments to purchase and to pur-
25 chase, service, or sell, any equity instrument or participa-

1 tion therein, issued by an issuer to finance any project or
2 activity deemed by the bank to be consistent with the pur-
3 pose of this Act.

4 (b) The bank is further authorized to provide technical
5 assistance and training in the preparation and implementa-
6 tion of comprehensive development projects and programs,
7 including the formulation of specific project proposals.

8 (c) Loans and equity investments made by the bank
9 shall be in accordance with sound and prudent development
10 banking principles.

11 (d) The bank shall develop criteria and procedures to
12 assure that projects assisted by it are consistent with existing
13 or future plans for the economic development of the District
14 of Columbia, and take into account Federal and District pro-
15 grams which utilize Federal assistance for the development
16 of like or similar categories of projects.

17 (e) The bank shall be operated on a businesslike basis,
18 with the objective of assuring a reasonable return on the
19 funds invested, consistent with achievement of the economic
20 development goals. The bank is authorized to charge and col-
21 lect such fees as it deems reasonable, including premiums for
22 the guarantee or insurance of mortgages and loans made pur-
23 suant to this section. Any loan or guarantee made pursuant to
24 this section may be in an amount not exceeding the total cost
25 of the project to be financed with the loan or guarantee; and

1 shall be secured in such manner and be repaid in such period,
2 as may be determined by the bank; and shall bear interest at
3 a rate determined by the bank.

4 (f) Assistance authorized under this section shall not
5 be extended (1) for working capital, or (2) to assist estab-
6 lishments relocating from one area to another. The limitation
7 set forth in clause (2) shall not be construed to prohibit
8 assistance for the expansion of an existing business entity
9 through the establishment of a new branch, affiliate, or sub-
10 sidiary of such entity if the bank finds that the establishment
11 of such branch, affiliate, or subsidiary will not result in an in-
12 crease in unemployment in the area of original location or in
13 any other area where such entity conducts business opera-
14 tions, unless the bank has reason to believe that such branch,
15 affiliate, or subsidiary is being established with the intention
16 of closing down the operations of the existing business entity
17 in the area of its original location or in any other area where
18 it conducts such operations.

19 CAPITAL AND SURPLUS

20 SEC. 7. (a) The bank shall have common stock, hav-
21 ing a par value of not less than \$100 per share. Such com-
22 mon stock may be subscribed for by any private individual,
23 partnership, corporation, foundation, society, association,
24 or other organization, profit or nonprofit. Not less than
25 one-half of the amount subscribed for by any purchaser

1 shall be paid into the bank at the time of subscription; not
2 less than one-half of the remaining amount of each subscrip-
3 tion shall be paid into the bank not later than one year after
4 the time of subscription; and the entire amount of each sub-
5 scription shall be paid into the bank not later than two
6 years after the time of subscription. Any national bank or
7 bank chartered by the District of Columbia or any other
8 bank whose deposits are insured by the Federal Deposit
9 Insurance Corporation shall be authorized to purchase com-
10 mon stock issued by the bank pursuant to this section not-
11 withstanding the provisions of any other statute. Such pur-
12 chases shall be limited to 10 per centum of the purchasing
13 bank's capital and surplus. Any Federal savings and loan
14 association and any insured institution of the Federal
15 Savings and Loan Insurance Corporation as to which an
16 Act of Congress is competent to confer such authority is
17 hereby authorized without regard to any other provision
18 of law to invest in stock of the bank and in obligations or
19 securities of or issued by the bank or having the benefit of
20 any guaranty or insurance by the bank or of any commit-
21 ment or agreement therefor, but any such investment may
22 be made only to such extent, and shall be subject to such
23 conditions, restrictions, and prohibitions, as the Federal
24 Home Loan Bank Board may prescribe. Any insurance or
25 public utility company licensed by the District of Columbia

1 is hereby authorized without regard to any other provision
2 of law to invest in stock of the bank and in obligations or
3 securities of or issued by the bank or having the benefit of
4 any guaranty or insurance by the bank or of any commit-
5 ment or agreement therefor, but the Superintendent of In-
6 surance of the District of Columbia (in the case of insurance
7 companies) and the Public Service Commission of the
8 District of Columbia (in the case of public utility com-
9 panies) may by regulation or order prescribe limitations
10 upon such investments.

11 (b) All moneys received by the bank in return for its
12 common stock shall be accumulated in a capital account. All
13 net earnings from the operations of the bank shall annually
14 be transferred to a surplus account. Such dividends as may
15 be declared, but not to exceed 6 per centum per annum on
16 the amount of paid-in capital, shall be paid by the bank to the
17 holders of its common stock and shall be charged against
18 the surplus account and shall be payable out of the net
19 earnings of the bank, for that year. No dividends shall be
20 declared or paid by the bank unless the bank has no out-
21 standing borrowings from the Treasury at the time of such
22 dividend declaration or payment, and the declaration or pay-
23 ment of such dividends will in no way impair the capital
24 account of the bank.

1 (c) Net earnings and dividends of the bank shall be
2 subject to applicable local, State, and Federal taxes.

3 OBLIGATIONS OF THE BANK

4 SEC. (a) The bank is authorized, with the approval
5 of the Secretary of the Treasury, to issue and have outstand-
6 ing obligations having such maturities and bearing such rate
7 or rates of interest as may be determined by the bank. Such
8 obligations may be redeemable at the option of the bank
9 before maturity in such manner as may be stipulated therein.
10 The aggregate amount of obligations of the bank outstanding
11 at any one time under this subsection shall not exceed fifteen
12 times the amount of subscribed capital and surplus of the
13 bank. The bank is authorized to purchase in the open market
14 any of its outstanding obligations. Interest payments of the
15 bank shall be subject to applicable local, State, and Federal
16 taxes.

17 (b) In addition to the obligations of the bank author-
18 ized to be outstanding in subsection (a) of this section, the
19 bank is authorized to issue obligations to the Secretary of the
20 Treasury and the Secretary is authorized to purchase such
21 obligations in amounts specified in appropriation Acts: *Pro-*
22 *vided*, That no obligations shall be purchased by the Secre-
23 tary until not less than \$2,000,000 in capital of the bank has
24 been paid in: *Provided further*, That such purchases out-
25 standing shall not exceed the lesser of twice the amount of

1 paid in capital or \$10,000,000. Such obligations shall bear
2 interest at a rate determined by the Secretary of the Treasury
3 taking into consideration the current average market yield
4 on outstanding obligations of the bank with remaining peri-
5 ods to maturity comparable to the average maturities of such
6 obligations issued to the Secretary, but shall not be less than
7 a rate determined by the Secretary of the Treasury taking
8 into consideration the current average market yield on out-
9 standing marketable obligations of the United States with
10 remaining periods to maturity comparable to the average ma-
11 turities of such obligations. There is authorized to be appro-
12 priated for use of the Secretary of the Treasury not to exceed
13 \$10,000,000 for purchase of obligations issued to him pur-
14 suant to this subsection. Such appropriations may remain
15 available without fiscal year limitation.

16 (c) Activities of the bank shall be subject to audit by
17 the General Accounting Office during such periods as there
18 are outstanding obligations issued by the bank to the Secre-
19 tary of the Treasury under section 8 (b) of this section.

20 GENERAL POWERS

21 SEC. 9. The bank shall have power—

22 (a) to sue and be sued, complain, and defend, in its
23 corporate name and through its own counsel;

24 (b) to adopt, alter, and use the corporate seal,
25 which shall be judicially noticed;

1 (c) to adopt, amend, and repeal by its board of di-
2 rectors bylaws, rules, and regulations as may be neces-
3 sary for the conduct of its business;

4 (d) to conduct its business, carry on its operations,
5 have offices, and exercise its powers in the District of
6 Columbia and other States as necessary to carry out the
7 purposes of this Act.

8 (e) to lease, purchase, or otherwise acquire, own,
9 hold, improve, use, or otherwise deal with any property,
10 real, personal, or mixed, or any interest therein, wher-
11 ever situated;

12 (f) to accept gifts or donations of services, or of
13 property, real, personal, or mixed, tangible or intangible,
14 in aid of any of the purposes of the Bank;

15 (g) to sell, convey, mortgage, pledge, lease, ex-
16 change, and otherwise dispose of its property and assets;

17 (h) to appoint such officers, attorneys, employees,
18 and agents as may be required, to determine their qual-
19 ifications, to define their duties, to fix their salaries, re-
20 quire bonds for them, and fix the penalty thereof; and

21 (i) to enter into contracts, to execute instruments,
22 to incur liabilities, and to do all things as are necessary
23 or incidental to the proper management of its affairs and
24 the proper conduct of its business.

1 AUDIT OF FINANCIAL TRANSACTIONS

2 SEC. 10. The financial transactions of the bank shall
3 be audited annually by an independent auditor. Such audit
4 shall be conducted in accordance with generally accepted
5 auditing standards by independent certified public account-
6 ants who are certified by the District of Columbia Board
7 of Accountancy. The audit shall be conducted at the place
8 or places where the accounts are normally kept.

9 AUDIT REPORT TO CONGRESS

10 SEC. 11. A report of each such annual audit shall be
11 transmitted by the bank to the President and to the Con-
12 gress not later than six months following the close of the
13 period audited. The report shall include the audit and a
14 statement (showing intercorporate relations) of assets and
15 liabilities, capital and surplus or deficit; a statement of
16 surplus or deficit analysis; a statement of income and ex-
17 penses; a statement of sources and application of funds; and
18 such comments and information as may be deemed neces-
19 sary to keep Congress and the President informed of the
20 operations and financial condition of the bank.

21 DEFINITIONS

22 SEC. 12. As used in this Act—

23 (a) The term "bank" means the District of Columbia
24 Development Bank created by section 3 of this Act.

1 (b) The term "obligation" means any bond, note,
2 debenture, or other instrument evidencing debt.

3 SEPARABILITY

4 SEC. 13. If any provision of the Act or the application
5 thereof to any person or circumstance, is held invalid, the
6 validity of the remainder of the Act, and the application of
7 such provisions to other persons or circumstances, shall not
8 be affected.

9 SUMMARY

10 This is Treasury proposed legislation to establish a Dis-
11 trict of Columbia Development Bank. The bank would con-
12 centrate on assisting economic development projects within
13 the District which would enhance the development plans of
14 the District, and which have difficulty in obtaining necessary
15 financial resources from customary sources. The bank's capi-
16 tal would be privately subscribed, and, after not less than
17 \$2,000,000 in capital of the bank have been paid in, it would
18 be authorized to issue up to \$10,000,000 of obligations to the
19 Secretary of the Treasury.

20 The Office of Management and Budget has requested that
21 Treasury submit the proposed legislation to Congress.

22 This is a revision of a draft previously submitted to the
23 Office of Management and Budget for clearance and incor-
24 porates modifications of a relatively minor nature suggested
25 by the Office of Management and Budget.

Before the committee calls the first witness, I would like to note for the record that the Chairman of the City Council, Mr. Gilbert Hahn, is unable to appear today but has submitted a prepared statement which will be included as part of the record.

(Mr. Hahn's prepared statement follows:)

PREPARED STATEMENT OF GILBERT HAHN, JR., CHAIRMAN OF THE CITY COUNCIL
OF THE DISTRICT OF COLUMBIA

Mr. Chairman and members of the Committee, I appreciate this opportunity to testify in support of legislation to authorize establishment of a District of Columbia Development Bank.

One of the major objectives of the City Council's work has been the improvement of the District's tax base and the general revitalizing of the District's economy.

An essential element in such revitalization is the revival of downtown. This, of course, is the basis for the Council's effort to push ahead with the Downtown Urban Renewal Program.

Closely related are our efforts to assure that the District takes full advantage of the opportunity offered by the construction of the subway by promoting intensive economic development around the Metro stations.

There are many parts to this general program. One important one is, of course, financing for new projects. Another is our desire to see imaginative projects that will make all the city, but particularly the downtown area, more interesting. These will attract people and help to hold those who are there now.

I endorse the legislation to establish a Development Bank for the District Government because I would look to it to assist those types of projects which we need but which might never get started if they had to depend exclusively on traditional funding sources.

Special institutions to promote development have been utilized in many countries. The idea has been discussed in the District for some time. Now that it has finally been embodied in an active proposal, I hope this Committee will help to push it forward rapidly.

Senator MATHIAS. Mr. Harold Kertz, chairman of the Economic Development Committee of the District of Columbia Republican Committee, has also submitted a prepared statement which will be placed in the record.

(The prepared statement of Mr. Kertz follows:)

STATEMENT OF HAROLD A. KERTZ, CHAIRMAN, COMMITTEE ON ECONOMIC
DEVELOPMENT OF THE DISTRICT OF COLUMBIA REPUBLICAN COMMITTEE

We believe that the purposes of S-2196 are worthwhile in every respect, as we recognize the need of the Washington community for a major infusion of investment capital to strengthen the city's economic foundation. We agree that the growing imbalance between the city's revenue and costs of government will not be cured, either by slashing the city's outlays or by increasing taxes. We feel that the real cure is to expand the tax base and to provide jobs. By doing so the exodus of capital, business and job opportunities to the suburbs will be halted. We are confident that the Development Bank will fill a long-felt need, without encroaching on existing Federal programs or without replacing private investment capital primarily devoted to high profit and low risk development.

While we support all of the declared purposes of S-2196, we question some provisions of the bill as drafted:

1. Why is it necessary or desirable to have five government officials on an eleven man Board of Directors? (Section 4[a]) We favor the elimination of the Commissioner and the Chairman of the City Council as members of the Board of Directors as their wishes could readily conflict with the wishes of the Board of Directors. With five government officials on the Board, the defection of one public member would be all that was needed to control.

2. The bill states at section 6(b) that it is the intention of Congress, where financing is readily available, the Bank should help assure "necessary technical resources." What is meant by "technical resources" and who is paying for the same? The stockholders of the Development Bank could hardly be expected to provide technical resources.

3. The bill intends that the Bank would be a "lender of last resort" and yet loans and equity investments would be made in accordance with sound and prudent development bank principles. (Section 6[c]). The image of sound and prudent bank is diametrically opposed to the image of a lender of last resort.

4. It would be a practical impossibility to obtain capital from private sources through sale of common stock, unless the investor has reasonable assurance that the investment is safe, and will produce a return at least equal to a Building and Loan savings account. A prudent investor would not find the stock of the Development Bank desirable.

5. The Development Bank would be authorized to borrow 15 times its capital and surplus. What large lender of money would risk making a loan to an institution engaged in making high risk and low yield investments.

6. Section 7(b) of the bill provides that no dividends shall be declared or paid if there are outstanding loans from the Treasury. The net result of this section could well mean that no dividends would ever be paid.

The above are a few of the questions for which answers should be provided before S-2196 is finally enacted into law.

Respectfully submitted.

HAROLD A. KERTZ.

Senator MATHIAS. The first witness is Mr. Samuel Pierce, General Counsel of the Department of the Treasury.

STATEMENT OF SAMUEL R. PIERCE, JR., GENERAL COUNSEL, DEPARTMENT OF THE TREASURY

Mr. PIERCE. Mr. Chairman, I am pleased to be here today to express the Administration's strong support of S. 2196, a bill to establish a District of Columbia Development Bank. This proposal would mobilize the capital and expertise of the private community to provide for an organized approach to the problems of economic development in the District of Columbia.

In his April 7, 1971, message on the District of Columbia, the President proposed that the Federal Government give special attention to helping the District government help itself in economic and human resources development. These proposals support a vigorous, expanding economy in the Nation's Capital and would help create a climate that favors economic growth. To assist business and industry in taking advantage of that climate, the President urged creation of a Development Bank for the District of Columbia. The president stated:

Such a Development Bank, forging a new partnership among Federal officials, local officials, and representatives of the private sector, would serve as an action center in assembling the necessary combinations of capital and management skills so that economic development opportunities do not go begging as they have sometimes done in the past.

Washington has been called, not too kindly but with a measure of truth, a "company town." Inevitably the Federal Government will remain a dominant factor in the metropolitan economy, but one-industry communities all over the Nation are seeing the wisdom of diversifying, and often it is the major employer in the community which takes the lead in broadening the economic base to create new jobs and wider prosperity. Certainly that should be the case in Washington, and can be if we move to establish the Development Bank.

In his October 13, 1971, message on "Minority Enterprise," the President repeated his recommendation for enactment of the District of Columbia Development Bank Act of 1971. Legislation to implement the President's recommendation was transmitted to the Congress by Secretary Connally on June 10, 1971. Mr. Chairman, we appreciate the introduction of this proposal, as S. 2196, by the leadership of this committee.

This legislation would create a corporate body to be known as the District of Columbia Development Bank, which would not be an agency of the United States.

The bank would have a board of directors consisting of 11 persons; the Commissioner of the District of Columbia, the Chairman of the City Council of the District of Columbia, three officers or employees of the United States or the District government designated by the President, and six directors elected by the shareholders of the bank. I should like to point out that the House bill, H.R. 11313, provides for 13 directors, with eight elected directors, and that we have no objection to the larger board provided in H.R. 11313. Under both versions, one of the elected members would be selected by the board to serve as its chairman, and the board would appoint a president of the bank to serve as the bank's chief executive officer.

The bank would assist economic development projects embracing housing, commerce, and industry by mobilizing the capital and expertise of the private sector, serving as catalyst and lender of last resort.

We have often found that the part of the private sector which would be willing to attempt some form of economic development within the city is so fragmented, lacking in technical and financial expertise, or lacking in startup funds, that it cannot get a project started.

This especially is true for large projects, projects which are innovative, or projects which involve special risk situations. The bank would determine the feasibility of a proposed project, organize the sponsors—no one of which might be able to take on the project individually—into a cohesive group, and mobilize and combine the private, Federal, and municipal planning and resources. The bank would pull together the many separate public, commercial, technical, and financial elements necessary to get any major development project "off the ground."

The bank also would be authorized to provide technical assistance and training in the preparation and implementation of comprehensive development programs, including formulation of specific project proposals.

The bank would be authorized to purchase debt obligations and equity instruments, and to guarantee debt obligations. Loans and equity investments would be made in accordance with sound and prudent development banking principles, and would be made with the objective of assuring a reasonable return on the invested funds, consistent with the achievement of economic development goals.

To be effective in mobilizing the maximum amount of direct private financial participation, the bank would project an image as the local lender of last resort. Using its capital and borrowed funds as startup or seed money, the bank would seek to induce other lenders and investors to support development projects through loans to and purchases of equity shares in the projects, or a combination of these methods.

The bank's function, thus, would be to assume the lead role in putting the project "package" together, through assistance in obtaining any necessary Federal and District approvals, infrastructure grants, or other public investment. Then the bank would help arrange for private financing and equity, and, if necessary, provide bank loan funds and equity participation.

The bank would not be in competition with private bankers, developers, businessmen, Government agencies, or community groups. Rather, it would be a logical and necessary complement to their efforts in obtaining the necessary approvals and financing for projects of difficult implementation.

The bank would be expected to obtain its capital entirely from private sources through the sale of common stock and issuances of debt obligations. At least one-half of the amount of common stock subscriptions would be paid the bank at the time of subscription with the remainder to be paid within 2 years after subscription. The bank would be authorized to borrow up to 15 times the bank's capital and surplus.

In addition, the bank would be authorized to issue obligations to the Treasury after the bank has at least \$2 million in paid-in capital. This source would be used only as standby support for the bank's borrowings in the public market. The Treasury's purchase could not exceed the lesser of twice the amount of the bank's capital, or \$10 million. The interest rate on these issues to the Treasury would be based on the rates paid by the bank on its other obligations of similar maturity, but not less than the average yield on outstanding Treasury obligations of comparable maturity.

In years that the bank has net earnings and has no outstanding borrowings from the Treasury, it would be allowed to pay its stockholders dividends limited to 6 percent on the amount of paid-in capital. The bank's earnings and dividends, and interest on the bank's obligations would be fully subject to local and Federal taxes.

Frequently in the past proposed solutions for the problems of community economic development were simply proposals to appropriate increasing amounts of Federal funds. Too little thought and attention was given to the availability of private financial resources or to the capacity of the intended recipients of the proposed Federal financial assistance to match such assistance with community development needs. The proposed D.C. Development Bank would seek to fill the gap between needs and available resources and to catalyze local efforts. Thus the bank would provide technical assistance and mobilize the private expertise and capital necessary to guide local project sponsors through the steps necessary for successful project development and implementation.

The Federal role would be limited. No Federal appropriations to the bank are contemplated. Rather, the Federal charter provided by the enactment of the bill would be indicative of general Federal support; the modest standby authority for the bank to borrow from Treasury would help to provide the assurances necessary for the bank to issue its own obligations in the market; and the provision in the bill for possible designation of Federal officers or employees to the board of directors of the bank would be a formal means for the bank to maintain direct contact with the Federal Government.

In conclusion, Mr. Chairman, the D.C. Development Bank is sound and constructive legislation from the standpoint of both the Federal Government and the District of Columbia. This legislation will fill a serious gap in our present delivery system and will further our common efforts to promote the economic development of the District of Columbia. I am happy to assure you of the administration's strong support for S. 2196 and to urge its prompt passage by your committee.

Senator MATHIAS. Mr. Pierce, we thank you for your statement. I'm very pleased to have your assurance of the administration's support for this bill. I think that may be a material help in getting prompt and favorable action on it. But I can't resist one or two questions. One of them is prompted by the fact that the distinguished former Secretary of the Treasury, Mr. Joseph Barr, is in the room.

Mr. PIERCE. You will have a great opportunity, sir. He will be here to testify as soon as I finish.

Senator MATHIAS. Seeing him here, leads me to ask you this: Would the bank finance projects solely within the territorial limits of the District of Columbia?

Mr. PIERCE. Well, we have gone over this problem a good deal, sir, and it is our opinion that this legislation should be limited to projects within the District of Columbia.

Senator MATHIAS. In your judgment would the bill, as drafted, have that effect?

Mr. PIERCE. The bill as drafted can be interpreted as having that effect. However, I believe that there should be certain amendments to the bill to make absolutely sure that that is the effect.

Senator MATHIAS. If you have suggestions as to language that would be helpful in this area, this committee would be glad to have you provide such language.

Mr. PIERCE. We will submit such language to you.

Senator MATHIAS. At your suggestion we will include that as part of this record.

Mr. PIERCE. Yes, sir.

(The information follows:)

PROPOSED AMENDMENTS TO S. 2196

- (1) On page 3, at line 8, following "development" insert "solely".
- (2) On page 5, at line 22, following "activity" insert "within the District of Columbia".
- (3) On page 7, at line 5, following "extended" insert "(1) for projects outside of the District of Columbia," and renumber clauses "(1)" and "(2)" as "(2)" and "(3)"; at line 7, strike "(2)" and insert "(3)".
- (4) On page 14, at lines 11-12, strike "concentrate on assisting" and insert "assist those".

Senator MATHIAS. In your statement you have repeatedly used the phrase that the bank will be a catalyst for projects which presumably the private banking community would not on its own be willing to undertake. You have also referred to the fact that the bank should operate on sound and prudent development banking principles.

Here again, for the record, I would just like to have your further views because we have had in many parts of the country an unhappy experience with institutions which were supposed to perform broadly this kind of function. FHA in some areas of the country, I think, is sticking so closely to such very sound and prudent principles that the projects that they undertake are ones than any bank would be happy to have. What exactly is your view of this particular area of discretion which the bank will have to exercise?

Mr. PIERCE. We would hope that the bank would get into those projects where financing would be normally difficult to obtain from customary private or governmental sources, and they would be projects that are innovative or are of an uncommon nature with specially high

risks, and maybe some very large projects that the banks would not be willing to undertake.

I think when we talk of sound development bank principles, we are talking principally about the bank looking at a project and seeing whether it has some community benefit and that should be taken into consideration in determining whether a loan should be granted. The benefit should be in line with the kind of economic development that the District of Columbia is seeking.

Also I would think that a loan of a development bank principal nature should be of a longer maturity—it would tend to be longer in maturity than the common loan given by commercial banks or by the average loan given by commercial banks.

Senator MATHIAS. But we are in agreement that what we are talking about is something which while not wildly speculative does provide more risks or at least the assumption of the risk portion of these projects.

Mr. PIERCE. There is no question about it, sir. It will involve a greater risk than the commercial banks will normally undertake.

Senator MATHIAS. And what we are really suggesting is that the investments that the bank will undertake will not be ones which will return quick or astronomical profits but will be an act of faith in the District of Columbia and its importance to the whole country, as well as to the metropolitan area.

Mr. PIERCE. That is true, sir. We would expect the bank to operate at a profit but certainly not at the profit level of a commercial bank. The profits would be much more limited.

Senator MATHIAS. Thank you very much.

Mr. Graham Watts, the Deputy Mayor, is our next witness. However, I see Mr. Danzansky and Mr. Barr are already at the table.

STATEMENT OF GRAHAM W. WATT, ASSISTANT TO THE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Mr. WATT. I think there is some significance to the fact we come to the table together to discuss this bill with you. I have presented a very brief prepared statement which I would ask be accepted for the record. I would like to summarize it and elaborate on it briefly in several respects, if I may.

Senator MATHIAS. It is so ordered.

(Mr. Watt's prepared statement follows:)

PREPARED STATEMENT OF GRAHAM W. WATT, ASSISTANT TO THE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Mr. Chairman and members of the committee, I am pleased to appear before you to support the enactment of the proposed "District of Columbia Development Bank Act of 1971."

The absence of sustained economic growth and the development of the city necessary to bolster our ability to raise sufficient revenue to provide for our financial needs is one of the most difficult problems confronting this city today. Because of this, all must be done that can be done to encourage economic growth and expansion within the District if we are to become and remain a self-sufficient and viable core for employment, commercial and other related activities. The District of Columbia Development Bank Act is specifically designed to meet this need. The Bill would establish an institution which would provide to us now an almost non-existent source of financial and technical assistance for projects within the District.

The proposed Bill is designed to complement rather than compete with existing Federal and District programs of economic development. There is presently insufficient capital available for many new development projects from conventional banking sources. The provisions of this Bill would meet this need.

I am particularly pleased that the proposed Development Bank would almost entirely concentrate on assisting projects that would have difficulty in obtaining support from conventional, private or governmental banking institutions. The Bill specifies that such projects should include innovative and other uncommon ventures, special risk situations, projects of unusually large scale and projects that would otherwise be feasible only if financed collectively or fully committed in advance. In my opinion, it is these types of projects which can offer the greatest potential for the expansion of our employment and tax base while at the same time providing services and products needed by the community.

I would note that the proposed legislation provides for an eleven-member Board of Directors of the Bank, including the District's Commissioner and Chairman of the City Council, three officers or employees of the Federal or District governments who would be designated by the President, and six directors to be elected by the shareholders of the bank. This Board appropriately provides representation for both the public interest and the private stockholders whose investments, of course, will be the initial impetus for the Bank and the continuing stimulus to the Bank's expansion.

Finally, I am pleased that the Bill sets the par value of the common stock to be issued by the Bank at \$100 per share, and allows purchase of the stock by any private individual, partnership, corporation, foundation, society, association or other organization, profit or nonprofit.

While it is proposed that the banks' major stockholders will be large-scale investors. I believe there are large numbers of people and groups in this town who would "invest" in the future of their city, even if that investment is only \$100 per share. The enactment of this Bill will give them that chance.

I believe the enactment of this legislation will greatly enhance the economic growth and development of this city. I urge its passage.

Thank you for the opportunity to appear before you today.

Senator MATHIAS. Let me say that the prepared statements of Mr. Danzansky and Mr. Barr will also be inserted in the record.

Mr. WATT. Thank you, sir. I am, of course, here on behalf of the District of Columbia, to express our support for the proposed District of Columbia Development Bank Act of 1971. We believe, as you do, Senator, that all that can be done must be done to encourage economic growth and development within the District of Columbia. Reference has already been made this morning to the President's endorsement of the economic development bank concept in 1971 on several occasions. In his message on the bicentennial in the District of Columbia, just earlier this month, the President in several passages refers to the need to increase our efforts to assist in the development of the inner-city areas. In another section: to mobilize the private sector and help bring commercial and residential activity back to the central part of the city, and refers again to his administration's continuing support to press for that effort. This, of course, related to the President's far-reaching, and I think extremely sensitive, view of the role of the District of Columbia in celebration of our Nation's bicentennial. This is a thought which you expressed so well earlier in your statement when you said that for 1976 we should raise hopes as well as flags. I think that the mechanism which the Development Bank would provide to us would speak very directly to that raising of hopes by fulfilling of hopes.

The bill would, of course, establish an institution which would provide a nonexistent source of financial and technical assistance. The bill is designed to complement rather than to compete with existing Federal and District programs of economic development, and the De-

velopment Bank would concentrate almost entirely on existing projects which would have difficulty in obtaining support from the conventional private or governmental banking institutions. These types of projects can offer the greatest potential for the expansion of our employment and tax base. In that regard I might again note parenthetically that the District of Columbia government and I personally have had a very great interest in the development and promotion of the Washington minority development planning in cooperation with the U.S. Department of Commerce through which we hope and expect that we will be able to increase the capacity of minority firms—entrepreneurial firms—to participate in growth, development, and prosperity of the greater Washington region. We think that we can do something here which might well serve as a model for the assistance to an ever-increasing number of small minority firms who with technical guidance, help, financial support, and a great deal of counseling can be made much more significant participants in the economic life and economic prosperity of our cities and of our country.

I believe, sir, that the enactment of this legislation will greatly enhance the economic growth and development of this city in many respects and I urge you and this committee to support its passage.

Senator MATHIAS. Thank you, Mr. Watt. I appreciate your endorsement of the thought that we want to unfurl hopes as well as flags. I am not unaware of, however, the fact, as a man once told me, one of the most dangerous things you can do in urban America today is to raise hopes. I'm very happy you have a couple of strong right arms with you who, I think, can be helpful in fulfilling those hopes.

Mr. Danzansky?

Mr. DANZANSKY. Thank you, Mr. Chairman.

(The prepared statement of Mr. Danzansky follows:)

PREPARED STATEMENT OF JOSEPH B. DANZANSKY, PAST PRESIDENT, METROPOLITAN WASHINGTON BOARD OF TRADE; PRESIDENT, GIANT FOOD, INC.; AND CHAIRMAN, MAYOR'S ECONOMIC DEVELOPMENT COMMITTEE

My name is Joseph B. Danzansky, and I am immediate past President of the Metropolitan Washington Board of Trade, the President of Giant Food, Inc., and Chairman of the Mayor's Economic Development Committee. I want to thank you for this opportunity to express support for the District of Columbia Development Bank.

Let me start by giving you some background information. The idea of a development bank for the District of Columbia dates back to the fall of 1968, when the District of Columbia's Overall Economic Development Program was being prepared by the Mayor's Economic Development Committee (which we refer to as "MEDCO") under an Economic Development Administration grant. The idea attracted a great deal of enthusiasm, even in its early stages, and a proposal to create a District of Columbia Development Bank became one of the key recommendations of the Overall Economic Development Program.

In January 1970, Mayor Washington appointed the Honorable Joseph Barr, formerly the Secretary of the Treasury, to MEDCO. MEDCO promptly made Mr. Barr the Chairman of its Development Bank Subcommittee. From this time, development of the proposal proceeded rapidly, with assistance from the Bureau of the Budget, the Treasury Department, and the Department of Commerce. Meanwhile, informal soundings of the local financial and business community led to assurances of financial support for the Bank. In February 1970, Mayor Washington assigned the Bank's creation to MEDCO as a top priority project. In his Budget Message last January and again in April in his Message on the District of Columbia, President Nixon stated his intention to present a bill to Congress providing for the creation of a Development Bank for the District of Columbia. In June, Secretary of Treasury Connally, on behalf of the Administration, forwarded to Congress the bill you are now considering.

The District of Columbia Development Bank is not seen by any of its supporters as a panacea for the gamut of ills besetting the residents of this city. The purpose of the Bank is to stimulate economic development, and by doing so, to create jobs and expand the tax base of the city.

We live in one of the nation's most beleaguered cities. The District of Columbia is unique among America's troubled urban centers by virtue of its status as the nation's only "Federal City". A host of public and private efforts to deal with the city's problems have been undertaken since the nation officially declared a "war on poverty" in 1964. But for want of funds, and other causes, none has succeeded to any significant degree.

The reasons for the private sector's limited participation in local development efforts are numerous and complex. In many instances, businesses are unable to pull together the various elements required for project implementation—capital, loans, grants, public investment, technical expertise, financial expertise, and so forth. Frequently this blocks projects that clearly are both economically viable and beneficial to the public. In other cases, projects are feasible only if jointly financed or if funding is fully committed in advance. Plans for development projects may never be implemented simply for lack of coordination among potential investors and available expertise.

The Bank's function, therefore, would be to assume the lead role in putting the "package" together, obtaining the necessary approvals, capital, loans, grants, infrastructure, and public investment. Then the Bank would combine them with available private financing, and cement the entire operation with Bank equity and loan funds as necessary. The Bank is designed to accomplish this without any special powers, such as those related to urban renewal. Furthermore, the Bank will not enjoy any special relationship to or any preferential treatment by development agencies, such as the District's Redevelopment Land Agency. In other words, the Bank is not empowered to influence decisions involving such matters as eminent domain, condemnations, and write-downs.

The Bank would not be in competition with private bankers, developers, businessmen, government agencies or community groups. Rather, it would be a logical and necessary complement to their efforts to obtain the necessary financing and approval for projects of difficult implementation.

The Bank's funds would be used so as to optimize their leverages and to induce the maximum private investment and financing in return for the minimum amount of Bank financing. In this way, the Bank would maximize its positive impact on the economic development of the region. To mobilize the maximum amount of third party money possible, the Bank would project itself as the local lender of last resort, willing to provide the missing money and technical assistance needed to implement a project that, without the Bank, probably would not become a viable reality.

In addition to assisting in the financing of development projects, the Bank would provide whatever technical assistance that is required to ensure the project's economic viability. Assistance of this nature would include packaging, feasibility studies, development of project proposals, and reimbursable technical project supervision.

Priority would be given to urgently needed, economically viable and potentially profitable undertakings that would increase employment in the city, broaden its tax base, and generally improve the condition and quality of life in the Nation's Capital.

Speaking as a member of the business community, I can tell you that interest runs high in finding some way to contribute to the development of our city. Most business executives have become aware of the link between the future of their corporations and the city's growth and prosperity. Businesses have not, however, contributed as they might for want of an appropriate mechanism. The District of Columbia Development Bank would provide a practical and urgently needed vehicle for mobilizing available public and private resources to improve economic and social conditions in the Nation's Capital.

The concept for this approach to the problems of economic development in the District has been developed over the past three years by interested government agencies and private groups. It is their firm belief that the creation of the Development Bank would enable the private sector, with encouragement and limited assistance from Congress, to take some major steps forward in the economic development of the District of Columbia.

Thank you very much.

STATEMENT OF JOSEPH B. DANZANSKY, PAST PRESIDENT, METROPOLITAN WASHINGTON BOARD OF TRADE; PRESIDENT, GIANT FOOD, INC.; AND CHAIRMAN, MAYOR'S ECONOMIC DEVELOPMENT COMMITTEE

Mr. DANZANSKY. I am grateful to you for including my total statement in the record. I really think you have said it all in your opening statement. I am going to give you a byline on the raising of hopes as well as flags in 1976 for about 24 hours and then I plan to use it, without the byline. It is a great statement and I think that that is really why we are here.

Just speaking for a moment as the immediate past president of the Washington Board of Trade and as the current chairman of the Mayor's Economic Development Committee: I would like to say that the business community has been long-looking for a viable means of contributing properly to the economic development of our town. The vehicle has been missing. We have taken sporadic shots at it through the viability of banking, and so on; different banks have different policies. Everyone wants to help. I haven't found in the last 4 or 5 years of activity in this community one business firm that has refused to help when given an economically viable project on which to be of assistance. I think this provides that vehicle. Judge Pierce has described it and Graham Watt has spoken for the District of Columbia government. I think we are extremely fortunate.

The Mayor's Economic Development Committee had this Development Bank as one of its projects in 1968 and it never did get off the ground until the Mayor, in his wisdom, appointed former Secretary of the Treasury Joe Barr to our committee. He immediately was made chairman of that subcommittee and then it started to roll. He's done a yeoman's job and the business community is grateful to him. I am positive that the business community will subscribe initially to the number of shares of stock on a development surplus basis because we are limited to a 6-percent return on investment at any time—6-percent dividend at any time. I think they will respond and we are grateful to you and to the distinguished chairman of this committee for having introduced this bill.

Senator MATHIAS. I thank you very much. You have, in a sense, anticipated the one question I want to ask you. Is the money going to be forthcoming from the business community? That, really, is the unique feature of this bill. It is not another attempt to finance the solution to local problems from the Federal Treasury. It is a bill which calls upon the business community. I think your assurance that the bill, which has its origin in the District, will be financed through the District is perhaps the most important assurance we can give the rest of this committee and the entire Senate in bringing the bill to final passage. So, the assurance you have just given us, I think, is going to be immensely important.

Mr. DANZANSKY. If we can't produce it, sir, it dies. Mr. Barr, the Mayor, and I have had meetings with distinguished business leaders in the city and we have every right to expect they will go along.

Senator MATHIAS. I think that really is the key to this whole proposition. I am very happy to have that assurance.

Mr. Barr.

(The prepared statement of Mr. Barr follows:)

PREPARED STATEMENT OF JOSEPH BARR, PRESIDENT, AMERICAN SECURITY AND TRUST CO.; AND CHAIRMAN, DEVELOPMENT BANK SUBCOMMITTEE, MAYOR'S ECONOMIC DEVELOPMENT COMMITTEE

My name is Joseph Barr and I am President of the American Security and Trust Company. I also serve as Chairman of the Development Bank Subcommittee of the Mayor's Economic Development Committee. I very much appreciate this opportunity to appear before you in support of H.R. 11313 and H.R. 11501, providing for the establishment of a District of Columbia Development Bank.

My vision of a development bank for the District of Columbia goes back several years. If you will forgive a personal reference, when I had the honor of serving as Secretary of the Treasury, I was also the United States Governor in all of the international financial institutions of which the United States was a member. During my years as Under Secretary, I had primary responsibility for looking after United States interests in the international development banks to which our Country belongs, including the World Bank and its affiliates, the International Development Association and the International Finance Corporation (IFC). The IFC is of particular interest to us in our concern today with a development bank for the District of Columbia. The main function of the IFC is to "stimulate and encourage the flow of private capital (both foreign and domestic) into productive investments" in the less developed member countries. Together with private investors, it finances enterprises "which will contribute to development where sufficient private capital is not available on reasonable terms".

After observing the operations of this organization for a time, I found myself wondering (as I am sure others have) if such a successful mechanism had to be confined to the less developed countries. Why could we not apply the same concept and techniques in a developed country where there are pockets of underdevelopment and unexploited investment opportunities? I gave this question a good deal of thought and concluded that there are no good reasons why we should neglect to use these time-tested tools and techniques for our own domestic purposes.

On leaving the Federal Government and becoming a local banker, I was invited to be a member of the Mayor's Economic Development Committee. There I was delighted to find that this Committee had been encouraging the adoption of the concept of a development bank for the District of Columbia since late 1968. Since joining the Committee I have been pleased and privileged to lend my efforts to the implementation of this project.

After becoming a banker in Washington, my experience has confirmed my view that there is a tremendous need and scope for a development bank in the District of Columbia. Our major objectives in the District of Columbia are the provision of adequate employment opportunities for all our citizens and a tax base that grows at a rate which, in real terms, yields the revenue required to provide essential community services. I do not need to tell this distinguished Committee that we are having difficulty achieving these two objectives and that long-term trends are not encouraging.

Recent estimates indicate that unemployment in the District of Columbia is around 5 percent in contrast with substantially lower rates in the suburban Metropolitan Washington Area. Moreover, with movement of businesses, new investment, and therefore, jobs, out of the Central City, the District of Columbia tax base has been growing only slightly in monetary terms and probably has been declining in real terms. Thus, there is a dire need to stimulate new investment and encourage the flow of capital into the Central City. A development bank in the District of Columbia could be of great assistance in doing this. The private sector effort would be aided significantly by the creation of a disinterested, prestigious and responsible financial institution having sufficient resources and expertise to translate plans into profit-generating projects.

The development bank would act as a catalyst in bringing together the various elements necessary to get a development project "off the ground"—the sponsors, promoters, or "developers" the economic financial and technical analysts, the bankers or other financial groups or agencies. In doing so, it would make possible the implementation of projects which would not have been otherwise identified as feasible investment opportunities. Such projects would normally be innovative in character, involve special risk situations or require unorthodox funding combinations.

The question may arise: Why cannot established banks or other financial institutions do the same thing? The answer in part is that as commercial banks, we are "highly regulated" and operate within fairly rigid legal constraints. Moreover, as financial institutions we tend to specialize. We cannot do everything equally well so we tend to do what we can do best. Normally, we do not have in-house expertise to evaluate the feasibility of specialized development projects and we are not in a position to invest our time, effort and depositor's money to check out the feasibility of an unusual project (the kind of thing we normally would not touch anyway). Furthermore, after all the effort of investigation, the proposal may not prove out. In short, the financial community is fragmented and specialized. There are several different kinds of financial institutions, but there are no development banks.

A development bank is an institution designed to be a means of mobilizing resources and skills with the aim of channeling them into undertakings deemed likely to have a beneficial effect on economic development. Unlike an investment bank, a development bank tends to be the "prime mover" rather than simply a financial intermediary. A development bank would normally perform a variety of functions such as: identifying promising projects, appraising the economic, financial and technical feasibility of projects; bringing potential participants together; putting a "package" together; obtaining the necessary approvals; firming up the financing arrangements of participants; providing technical assistance to the sponsors; providing a portion of the loan and equity capital in the combination required and issuing guarantees where necessary.

So far as I know, there are no banks in the United States that are able to perform all these functions at the present time. The financial institutions which are most closely akin to a development bank, I suppose, are the Small Business Investment Corporations (SBIC) and, more recently, the Minority Enterprise Small Business Investment Corporation (MESBIC). But, while these institutions are empowered to provide equity as well as loan funds, they are created primarily to assist small individual businesses. A development bank, on the other hand, is established to promote the economic development of an area and provides an efficient mechanism for participation of private businesses in the process. Indeed, the D.C. Development Bank Bill before you provides that to be eligible for bank assistance, a project or activity must enhance the District's existing or future development plans embracing housing, commerce and industry. While eligibility criteria for SBIC assistance include ceilings on the size of the first assisted, size is not a criterion of eligibility for Bank assistance. Indeed, very large-scale ventures having great impact on the local economy may receive Bank assistance. Without the approval of the Small Business Administration, a SBIC may not invest more than 20% of its combined paid-in capital and surplus in any single enterprise.

The Development Bank would not be so limited. SBIC's may not guarantee loans made by others unless such a guarantee is made in conjunction with their own long-term financing, and even so the guarantee liability together with its financing must come within the aforementioned 20% ceiling. The Bank may guarantee in whole or in part any debt obligation, so long as the action is consistent with the Bank's purposes. The test for the Bank is the extent to which the project promotes economic development.

Like SBIC's the District of Columbia Development Bank would be privately owned, but the Bank's profit objective is limited to a 6% return. By contrast, the return of SBIC's having \$45 million capital averaged 31.3% in F.Y. 1969. Thus, the control and ownership of SBIC's generally rests with venture capital institutions interested in maximizing profits. However, in order to insure consideration of the public interest, control of the District of Columbia Development Bank would be mixed public and private.

There are a number of potentially feasible projects which, if sponsored, "packaged" and implemented by the Development Bank, could make significant contributions to the economic development of Washington. Let me give some examples. We believe there is a great need for conveniently located shopping centers in the inner city which will provide a quality of service to residents comparable to that available in the suburbs. Similarly, a systematic approach to stimulating and developing tourist facilities would be helpful. The coming of the METRO will bring with it opportunities for commercial development around subway stops—opportunities which need to be carefully appraised both from the point of view of their short- and long-term effects.

In the Nation's capital, there are at any time a number of projects and programs designed to increase the efficiency and social responsibility with which government and government-related agencies carry on their work. For example, the President recently issued an Executive Order relating to the planning, acquisition and management of Federal space (E.O. 11512).

Among other things, the Administrator of the General Services Administration is called upon, in the selection of sites for Federal facilities, to give consideration "to the need for development and redevelopment of areas and the development of new communities". This Executive Order, together with the announced policy of the General Services Administrator "to keep Government operations located in the Washington, D.C., area housed in facilities located within the District, particularly where the low income employees of the occupying agency or agencies live primarily within the District" would appear to imply that there could be a very special role to be played by an institution such as the proposed Development Bank. The bank would be in an excellent position to bring together all of the participants who are capable and willing to make their resources available to achieve a specified development goal.

I have outlined but a few of the possible activities of a District of Columbia Development Bank but there are obviously many additional opportunities. I do not depict the Development Bank as a panacea for all of the economic development problems of the District of Columbia, but I do see it as a major step in the right direction. I have the strong feeling that we are about to start something and I am immensely pleased to give my warm support to this bold new initiative.

Thank you.

STATEMENT OF JOSEPH BARR, PRESIDENT, AMERICAN SECURITY & TRUST CO.; AND CHAIRMAN, DEVELOPMENT BANK SUBCOMMITTEE, MAYOR'S ECONOMIC DEVELOPMENT COMMITTEE

Mr. BARR. Mr. Chairman, I am appearing here as a rather esoteric witness.

Senator MATHIAS. I don't think you are an esoteric witness at all, not only as the former Secretary of the Treasury but as evidence of the banking community's acceptance of this principle. That is extremely important. If we were going to create a new dog-eat-dog situation in the District, it would be, as Mr. Danzansky says, a still-birth.

Mr. BARR. Let me say I am a bit unique in our culture today in that I spent 10 years of my life in the Congress and in the Treasury of the United States, being intimately involved with the affairs of the international institutions—the International Financing Corporation. This is a concept we, as a nation and as the world, have embraced. Since its inception in the Breton Woods Conference, in 1944, I think it has had a significant impact on development in the world. When the Mayor appointed me to this committee and I found they were looking at this concept for the District, I started asking myself if techniques which had worked in many parts of the world wouldn't work in sort of an underdeveloped area which most cities are today. I came to the conclusion they might. At least we have a track record in the world. Everybody has been giving you compliments; I am going to take the liberty of correcting the Chair, if I may, sir.

You said there have been other institutions like this. There have been no such institutions like this in the United States. There are institutions like this in Korea, Thailand, Colombia, Brazil, Morocco, Tunisia, and in many parts of the world. They have been very, very successful. But this is a new venture for the United States, Mr. Chair-

man and, may I say to you, sir, that the investment banking community of this country is watching with great interest this bill on which your name appears. If it works in the District of Columbia, it opens a new approach to the problems of central cities through the rest of the United States with the cooperation of their own States.

You put your finger on it, and I think Mr. Pierce put his finger on it; when you said there are no lack of projects, no lack of plans, that have been floating around the District of Columbia. This is true of most central cities. What has been lacking, as Mr. Pierce points out, is the lack to pull together the many separate, public, commercial, technical, and financial items—all these items necessary to get any major development project off the ground. In essence, what we are asking the Congress to create here is a partnership—a partnership with the District of Columbia, the Federal Government, and the private sector—with our own private funds committed to join together in an institution scrutinized by the Congress, to get away from some of the separations we have necessarily had to live with between private and governmental approaches, to attack the problems and see if we can't get some of this off the ground.

I think, sir, you will find, there are many young men in all of the great investment banking houses of this time—we don't have too many people in the room—but there will be a lot of people watching what happens to this bill.

Senator MATHIAS. Thank you very much, Mr. Secretary.

The Chair is happy to stand corrected on the point that we are creating something new, unique, and valuable. I hope that it not only works here but it does become a prototype for other areas because, certainly, so much that we have tried to do just has not done the job. If this is the new tool that will do it, it will be an enormous step forward. We thank you very much.

Mr. BARR. It is certainly worth a chance.

There is a track record, as I say. It is a new venture for this country but not for the world.

Senator MATHIAS. Let me ask you one question which might suggest a different climate here from the operation which exists in some of the other parts of the world where similar development banks have been established.

Do you see any chance for trouble in the existence of Redevelopment Land Agency here in the District and in the interrelationship that might develop? Perhaps any one of you might want to answer that.

I raise that question, not because I have any personal apprehension about it, but because it has become one of the points of criticism that has been raised.

Mr. WATT. I don't think there is a hazard to be concerned about there, for this reason: the operations of Redevelopment Land Agency are highly regulated and highly controlled. Redevelopment Land Agency pursues only these projects which have been approved by appropriate public agencies after public hearing. Redevelopment Land Agency can acquire land only in accordance with land evaluation appraisals which are made quite independently of Redevelopment Land Agency and are approved by the Department of Housing and Urban Development—Federal agency. Redevelopment Land Agency may dispose of land only in accordance with land disposition appraisals which again are independently made and are subject to review and approval by the Department of Housing and Urban Development. I see there being no opportunity whatsoever for any type of collusive activity or any activity involving Redevelopment Land Agency and the development bank in any way except in the public interest as we've defined it in the legislation.

Senator MATHIAS. Thank you very much.

Mr. Pierce is going to submit the additional suggestions for changes of language.¹ If any other witnesses have additional thoughts on this, we will hold the record open for several days for such additional information.

(Subsequent to the hearing the following material was received:)

¹ See p. 21.

Jimmie Muscatello's

Military and Civilian Tailors

614 - 12TH STREET, N. W.
WASHINGTON, D. C. 20005

EXECUTIVE 3-7547 & 48

February 28, 1972

Hon. Charles McC. Mathias, Jr.
Minority Member
Senate D. C. Committee
J. S. Senate
Washington, D. C.

URGENT

Dear Senator Mathias:

Re: ^{Your} D. C. Development Bank Bill

We were not advised of the hearings which you chaired on your Bill, co-sponsored by Senator Thomas F. Eagleton, on Wednesday, February 23, so we have had no opportunity to testify. The first we knew about the bill was when we read the Washington Post on February 24 and ran across an article on your hearings which said in part:

"Although Sen. Charles McC. Mathias, Jr. (R-Md.), a sponsor of the bill at the administration's behest, was the only member present for the hearing, staff members indicated the committee would report favorably on the measure and predicted uneventful passage by the full Senate."

You have often sponsored Home Rule legislation, and have deplored the fact that District citizens don't have the vote. We request you to let us testify on your Bill.

Yet here you are, sponsoring a Bill, and holding hearings which affect people whom you do not even notify of your hearings, and do not hear. We request our right to be heard.

If your Senate District Committee staff had done its home work, instead of promoting legislation--something which is not what they are paid to do and in fact are forbidden to do--then you would have been informed by them that we had testified on the D. C. Development Bank Bill before the Subcommittee headed by Chairman Earle Cabell, the Subcommittee on Business, Commerce, and Fiscal Affairs, on December 7, 1971.

The Washington Post did have the good sense to report ^{to the public} on your one-sided hearings, and we immediately called your office and complained about being denied a hearing, and we also requested to be heard. We repeat our request to be heard on your Bill, this is a basic Constitutional right which we are sure you do not want or intend to deny us.

Jimmie Muscatello's

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Page 2

We simply cannot understand why your Senate D. C. Committee didn't ask Congressman Earle Cabell about the witnesses on H. R. 11313, the House Bill to establish the D. C. Development Bank. Congressman Cabell would have been most happy to advise you of his reservations about your Bill to set up such a bank in the District of Columbia.

Principal

If the staff members of the Senate D. C. Committee were unwilling to do such primary research, then your own personal staff should have done it, since you were ~~one of the~~ Bill's sponsors. We request our right to testify before you, just as Rep. Cabell let us testify before his Subcommittee. The Washington Post reported (Feb. 24, 1972) that: "Similar legislation is pending action by the House District Committee. A subcommittee chaired by Rep. Earle Cabell (D-Texas) held similar hearings on the measure last Nov. 10 but has yet to make its recommendation to the full committee." This is a most significant news report.

Apparently what was planned by someone on the Senate side was a move to push this D. C. Development Bank Bill through the Senate--probably with one or two Senators on the Floor--and then bring pressure on the Subcommittee headed by Chairman Earle Cabell to report out the Bill despite his own deep reservations about it. Isn't this true?

Your own staff could also have ascertained, by probing a little bit further, that we had complained about the D. C. Development Bank Bill to the Nelsen Commission on November 13, 1971.

We are writing to you to request the opportunity to be heard on your Bill to establish the D. C. Development Bank. This is a matter of a vital Constitutional right--which you have no right to abridge, and we are sure you do not want to abridge.

Jimmie Muscatello's

Military and Civilian Tailors

614 - 12TH STREET, N. W.
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We are writing, also, to request that you include our entire statement to Congressman Cabell's Subcommittee on December 7, 1971 in your own Hearings, as printed, so that our testimony will be available to all of the Members of the Senate D. C. Committee and the U. S. Senate as well. We call your attention, particularly, to pages 3, 4, 5, 6, 7, in which our views on the D. C. Development Bank Bill legislation in the House of Representatives are set forth at length, along with suggested amendments which we hereby request you to include in your own D. C. Development Bank Bill before you report it to the full Senate District Committee. Our suggested amendments appear on page 7 of our testimony to Chairman Cabell's Subcommittee.

We are writing to you to make the following entirely Constitutional requests--

- 1) We request you, as the principal sponsor of the D. C. Development Bank Bill, to provide that its benefits will be provided first to the small businessmen in urban renewal areas including the small businessmen in Metro stop and urban renewal areas in the Downtown retail core urban renewal project area.
- 2) We request you to include in your bill the two amendments which we outlined in our testimony to Chairman Cabell's Subcommittee.
- 3) We request that you consider the fact that small businessmen in subway areas cannot obtain financial aid from the SBA-Small Business Administration, and act on this too.
- 4) We request that you consider the fact that Big Business finds it easy to obtain financing, but it is almost impossible for small businesses to obtain conventional or SBA financing in urban renewal areas. The House D. C. Committee a few years ago heard testimony that the Downtown Urban Renewal Plan would displace 3,000 small businesses. Your Bill must not be used to finance such a massive displacement, and we request that you include a statement in your bill that it shall not be so used.

Jimmie Muscatello's

Military and Civilian Tailors

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Finally, we think it is important to note that the SW Urban Renewal Project in the District of Columbia kicked out 750 small businesses, and 23,500 people, 70% of whom were low-income Blacks.

This Urban Renewal Project today includes mostly large businesses, L'Enfant Plaza, and only two of the former small businesses, Flagship and Hogates.

This SW Project was launched in 1953 when President Eisenhower was President, and President Nixon was Vice President. *It brings in only \$3 million on \$180 million invested, less than 2 percent.* Surely, the Republicans, including yourself, want to be remembered for constructive endeavors, and not as the party which is responsible for kicking small business out of the heart of the Nation's Capital. This could be a major campaign issue if it is financed and carried out by means of your D. C. Development Bank Bill with the help of Treasury funds.

May we have our attached statement, and this letter included in your printed Hearings on your D. C. Development Bank Bill?

And will you please advise us when we can testify on your D. C. Development Bank Bill?

Respectfully yours,

James J. Muscatello
James J. Muscatello
Chairman of the Board

BASYAP-Businessmen Affected Severely by the Yearly
Action Plans, Inc.
614- 12th St., N.W.
Washington, D. C.

Jimmie Muscatello's

Military and Civilian Talk

614 - 12TH STREET, N. W.
WASHINGTON, D. C. 20005

EXECUTIVE 3-7547 & 48

December 7, 1971

STATEMENT OF JAMES J. MUSCATELLO, CHAIRMAN, BASYAP, TO THE
HOUSE DISTRICT SUBCOMMITTEE ON BUSINESS, FINANCE AND FISCAL
AFFAIRS

I am James J. Muscatello. I am a small businessmen located at 614-12th St., NW. I am in the clothing business. I believe in the free enterprise system. I have been in business in Washington for twenty-five years. I am very disturbed at what is happening under urban renewal in the District of Columbia. Please include my statement in the record.

I am Chairman of the Board of a new, city-wide small business organization incorporated as Businessmen Affected Severely by the Yearly Action Plans. We are recognized by the courts, the NCP, the RLA, the City Council, the Mayor, and Metro. I have just been appointed to the new Special Citizens Urban Renewal Commission of 23 members appointed by the D. C. City Council.

The City Council appointed this Commission because of the failure of urban renewal to rebuild the burned-out areas in the three-and-a-half years that have elapsed since the city was put to the torch in April 1968. (See editorial from the Washington Post attached)

The small businessmen at the subway stops are guinea pigs for a type of urban renewal which, ultimately, will kick-out 2,500 small businessmen from the mile-square downtown urban renewal area, according to a letter from Chairman John L. McMillan which is attached to my statement.

Chairman McMillan says that-- "A Special subcommittee of the House District Committee in 1962 and 1963 studied the redevelopment program in the District of Columbia. Although the downtown program was only in preliminary stages, the Subcommittee reported that it would displace about twenty-five hundred businesses most of which would be forced to close their doors permanently and those that survived would undoubtedly be forced to relocate in other areas."

The Washington Post on Sunday, December 5 carried a major story about a \$100 million dollar rebuilding plan in the Shaw area which it said is stymied by the RIA. It reported that the plan would focus on U Street, along the Metro route, that T Street town houses would be restored, the project would be staged to minimize relocation, buildings like the Dunbar Hotel, Jarvis Funeral Home and Thompson Dairy would remain. The Post said that "Community attitudes would never permit another Southwest with its large scale dislocation".

We don't know how this will work, having just seen it in the paper, but it seems to be based on preserving the businesses--like the Arthur Cotton Moore Plan which we sponsored and helped pay for. RIA has stymied it--just as it has the Moore Plan. Meanwhile, as President Nixon said in a Message to Congress and I quote:

"Scarcely any of the shops and homes destroyed during the riots of last April have been rebuilt, and very few of those damaged have been made habitable or usable again. These rotting, boarded-up structures are a rebuke to us all, and an oppressive, demoralizing environment for those who live in their shadow. They remind us again of the basic fact that the principal victims of violence are those in whose neighborhoods it occurs."

We can't understand why RIA and NCPD and the City Council don't concentrate on rebuilding the burned-out areas as President Nixon called for, instead of concentrating on kicking the small businessmen out of the downtown area.

The small businessmen at the subway stops downtown need the help of your Subcommittee at this very moment, very desperately, or they will all be kicked out. Here are the major parts of the plan to destroy them:

1. A D. C. Development Bank which will, as Chairman Gilbert Hahn of the D. C. City Council testified to your Subcommittee on November 10, finance

"the prompt beginning of our downtown urban renewal program (which) has been motivated by our view of the importance of the revitalization of downtown. We have also consistently taken the position that the construction of the subway system will serve the purposes of the District only if construction of the subway is accompanied by massive and intensive economic development of the areas around Metro stations in the District of Columbia."

It is clear that the D. C. City Council intends to use this bank to finance "massive and intensive economic development of the areas around Metro stations" at 12th and G, and 7th and G Streets, NW, only after the small businessmen are kicked out.

In other words this new Development Bank is designed to finance the takeover of these areas by big developers of choice.

It is unfair to take the property of the present owners, kick out the merchants, and then use the new Development Bank to finance the new developments.

Part of the new massive and intensive economic development, according to the resolution adopted by the NCPC on November 4, 1971, will be, and we quote:

"New or relocated department stores should be located on Seventh, F and G Street frontages as a drawing power and to encourage pedestrian movement along the entire frontage of these major shopping streets."

Let me point out that the affected property owners and small merchants in the downtown subway stop areas at 12th and G, and 7th and G Streets, NW, sponsored the Arthur Cotton Moore Plan which would have, itself, provided for massive and intensive economic development of the areas around the Downtown D. C. Metro stops.

But the small businessmen are not the developers whom RLA, NCPC, and Chairman Hahn and the City Council have in mind.

We don't know who the lucky people are whom RLA, the NCPC, and Chairman Hahn and Mr. Tucker of the City Council have in mind to replace us -- but you only have to look at the SW Urban Renewal Project to see that it is Big Businessmen whom RLA brought in to replace the 750 small businessmen who were expelled. That project cost \$180,000,000 ^{in tax funds} /and returns \$3,000,000 in taxes, a return of less than 2 per cent.

In this context, then, H. R. 11313 and the D. C. Development Bank becomes vitally important as a test of Congressional intent, as final proof of the direction this city will take in development, and whether Congress intends to guarantee that small business has a future in this city which small businessmen have served from the beginning.

As presently drawn, the D. C. Development Bank is clearly to be used to provide financial assistance in the takeover of the 6-acres in the 2nd and 3rd Year Action Plan areas at the subway stops at 12th and G, 13th and G, and 7th and G Sts., NW.

It is clearly regarded by its sponsors, by Chairman Gilbert Hahn of the D. C. City Council, Mr. Danzansky of Giant Food and the Board of Trade, and Joseph Barr of American Security and Trust--the bank which is the leader in Downtown Progress, all of whom testified before your Subcommittee, as an essential tool to finance the Big Business "developers of choice", the builders, speculators, and investment bankers who are scheduled to take the place of the present small property owners and merchants. They do not intend this new Bank to help the small businessmen.

Let me point out that President Nixon saw the D. C. Development Bank, instead, as diversifying and broadening the economic base of this city in his Message to the Congress, calling for such a Bank to be established, on April 7, 1971.

President Nixon saw it as creating new jobs and a wider prosperity in what he compared to a "company town" and a "one-industry" community. He was right, of course.

He did not call for kicking out the small businessmen--yet this is precisely what the Development Bank would help do. Mr. Hahn, Mr. Barr, and Mr. Danzansky clearly stated this new Development Bank was essential to their plans for building at the subway stops. As drawn, H.R. 11313 would defeat President Nixon's objectives.

As presented to your Subcommittee H.R. 11313 would not carry out President Nixon's views, it would not implement his message to Congress, it would, instead, narrow the economic base, and concentrate the prosperity in the hands of a few lucky insiders.

The Moore Plan would, if financed by the Development Bank, obtain massive and intensive development, as shown by this quote from Mr. Charles C. Johnson of the NCPC's Urban Renewal Committee taken from the October 7, 1971 transcript of the NCPC:

"In terms of the density of development and the purposes for use of the property around the mass transit stops, we in no way change that concept that the City Council had."

Mr. Johnson was referring to the Arthur Cotton Moore Plan which his Committee had approved.

It was at this critical juncture, when the fate of the small businessmen could have been fairly resolved by the adoption of the Moore Plan, that City Council Chairman Gilbert Hahn, Jr., and Vice Chairman Sterling Tucker, caused a letter to be presented to the full NCPC which said in part that:

"We consider the Arthur Cotton Moore proposal to be in direct conflict with the policy for the redevelopment of downtown which we have established. We would view the Commission's approval of this proposal instead of the plan developed by RIA in accordance with our direction as a nullity.

"We recommend that you approve the disposition controls prepared by RIA and your own staff. If instead you approve the Moore plan and submit it to us, we will call upon our fellow Council Members immediately to vote with us to reject it."

This extraordinary letter caused the NCPC to vote to postpone its pending decision on the Moore Plan for one month, during which a solution fair to the small businessmen was to be sought and meetings would be held with the small businessmen, the RIA, the NCPC, the City Council, and the Mayor's Office.

NCPC officials tried but were unable to arrange such a meeting with Chairman Hahn and Mr. Tucker, they told us.

There were no such meetings. I went to the NCPC, RIA, the City Council, on three separate occasions. I talked to Mayor Washington. He appeared interested and sympathetic. Nevertheless, the meetings were never held with us.

On November 4, as a result of the Hahn-Tucker letter, the NCPC caved in and voted down the Arthur Cotton Moore Plan as Chairman Hahn and Mr. Tucker demanded. This was done even though Chairman Johnson of the NCPC's Housing Committee said the Hahn-Tucker letter was "coercive" and that it was "predetermining the facts before a public hearing, which I think the law requires the City Council to have".

NCPC Member Paul Thiry added that, "Actually, as I read this letter, a statement of this kind shouldn't be made prior to a public hearing."

We submit a copy of the Hahn-Tucker letter for information and action by your Subcommittee, and we make the following points:

A. We request your subcommittee to give its legal opinion of such a "coercive" letter, which was "predetermining the facts before a public hearing", to quote Chairman Johnson of the NCPC's Housing Committee, in the light of whether we can obtain justice at the scheduled Hearings of the City Council on December 14. The Hahn-Tucker letter caused the NCPC to reject the Arthur Cotton Moore Plan.

B. Should the small businessmen participate in the December 14 hearings scheduled by the City Council for December 14 on the proposed modification of the Urban Renewal Plan in view of the Hahn-Tucker letter? Haven't their legal rights to an objective and fair hearing already been jeopardized?

C. The proposed modification of the Urban Renewal Plan to be considered by the D. C. City Council on December 14 was never presented to the small businessmen by the NCPC, or its Housing and Urban Renewal Committee. Doesn't the National Housing Act and the city's Workable Program require participation, and require RIA to provide, and the NCPC to provide, participation and timely access to information and the decision makers?

D. The Housing Act of 1964 in Sec. 307 provides for rehabilitation. Rehabilitation was denied the small businessmen by the NCPC as a result of the Hahn-Tucker letter.

E. The Hahn-Tucker letter, to repeat, says: "We would view the Commission's approval of this (Moore) proposal instead of the plan developed by RIA in accordance with our direction as a nullity." Shouldn't the RIA-Hahn-Tucker-City Council plan for clearance be considered a nullity instead of the Moore Plan? What planning functions did Congress give the RIA if any? What is the legal basis for RIA planning? We find that the law establishing the RIA gave the planning functions to the NCPC, so what is the legal basis of the Hahn-Tucker letter demanding that the NCPC bow to City Council demands?

F. Mr. Hahn and Mr. Tucker should disqualify themselves from hearing the proposed modification of the Urban Renewal Plan on December 14 since they dictated its terms.

2. Proposed Amendments to H. R. 11313 - we request your Subcommittee to include the following two amendments in H. R. 11313 to protect the present property owners and small merchants in the subway stop areas:

(A) Page 4, line 9, after the word "bank," add the following new sentence:

"Four of the elected members of the board shall be small businessmen, one of whom shall be principally engaged in business within each of the NDP project areas."

(B) Page 7, line 23, after the word "operations," add the following new sentence:

"Under criteria and procedures to be developed by the Bank the first priority of assistance authorized under this section shall be accorded to establishments located in urban renewal areas and engaged in, or participating in, projects or activities promoting economic development in such areas, which assistance shall be extended on terms no less favorable than those on which assistance is extended for projects or activities lacking the first priority."

We offer these amendments to H. R. 11313 with the view that it would be a disaster to celebrate our Nation's Bicentennial with the almost complete displacement and destruction in the Nation's Capital of the small business community which has been the backbone of this city since it was established as the seat of government.

The Congress adopted the 5th and 11th Amendments, the Workable Program of the Housing Act, and Section 307 of the Housing Act of 1964 with the clear intent of providing due process, equal justice, protection of property rights, and the protection of businesses and property owners.

In fact, President Johnson said, in signing the Housing Act of 1964 that it was a landmark in legislative history because, as he put it--

"The plight of property owners in urban renewal areas is recognized in this measure. Provision is made so they can rehabilitate their homes and businesses instead of having to move from the path of the bulldozers."

Have we gotten into the position in the Nation's Capital where due process, equal justice, and protection of property rights under the 5th and 11th Amendments no longer count, no longer matter?

3. D. C. City Council Hearings on December 11 - As advertised in the Evening Star on December 3, 1971, the D. C. City Council will consider a proposed modification to the Urban Renewal Plan adopted by the National Capital Planning Commission on November 4, 1971.

This plan, according to the notice of public hearing published in the Evening Star will, among other things, designate streets and alleys to be closed or opened; designate 8th Street between Pennsylvania Avenue, NW, and M Street, NW as a pedestrian way. "Also to be considered at this public hearing is the D. C. Redevelopment Land Agency's program for relocating site occupants to be displaced in carrying out the Urban Renewal Plan as modified

This proposed modification of the Urban Renewal Plan was never presented to the affected small businessmen by the NCPC.

In fact, we waited the entire month of November to meet with the RIA, NCPC, City Council, and the Mayor's office, pursuant to the NCPC resolution adopted on October 7 -- as I said earlier-- but this meeting was never held.

The proposed modification to the Urban Renewal Plan was, we learn, presented to some of the NCPC members at lunch on November 4, other NCPC members didn't see it until about 5 minutes before it was voted on at the full Commission, it wasn't considered by the NCPC's Urban Renewal and Housing Committee, and the small businessmen never have seen it, and the NCPC never took the trouble to present it to us. The NCPC did this on April 2, 1970 also.

We, therefore, request your Subcommittee to ask the D. C. City Council not to hold hearings on this proposed modification of the urban renewal plan on December 11, and to send it back to the NCPC with a direction that the small businessmen be permitted to present a rehabilitation plan for their area -- and that the Arthur Cotton Moore Plan be considered without dictation and coercion by Chairman Hahn and Vice Chairman Tucker of the D. C. City Council.

4. The Arthur Cotton Moore Plan and Airspace Rights - The U. S. Senate passed, on December 1, 1971, a bill, S. 1367, which authorizes the Commissioner of the District of Columbia to lease airspace above and below freeway rights-of-way within the District of Columbia.

Here is a case where the Congress of the United States, at the request of the District of Columbia Government, is providing the D. C. Government the authority to lease, and obtain financial returns from leasing, the airspace on land which is obtained by purchase as well as by use of eminent domain.

Yet the very same District Government, through the RIA, NCPC, and the City Council actions in rejecting the Arthur Cotton Moore Plan at the subway stops, has been denying -- and is in the process of denying to the affected small businessmen their constitutional rights to lease or sell their own airspace. Instead, the RIA will soon be taking the property as well as the airspace from the small businessmen by eminent domain and letting "developers of choice" build massive and "unusually large scale" projects, including department stores, financed by the D. C. Development Bank unless it is amended as we suggest, and request.

There can be no justification -- none at all -- for the Congress to give the District Government rights which the District Government denies the affected small businessmen.

We request your Subcommittee to halt the taking of the airspace rights of the small businessmen at subway stops, and we further request you to give these many affected small businessmen and property owners the same rights by law to lease or sell their airspace as the Senate has now provided to the District Government by means of S. 1367.

Let me quote from the Congressional Record the statement by Senator Mansfield on December 1, 1971, which appears on page S 19918 and which proves that airspace development is widely accepted in this nation. Senator Mansfield said, and I quote--

"The multiple use concept of freeway airspace has already proven itself a valuable tool in the development of urban centers throughout the nation. Today, nearly 750 joint development and multiple use projects have been planned, begun, or completed in metropolitan areas such as Los Angeles, Chicago, Baltimore, and Minneapolis-St. Paul. The comprehensive plan for the National Capital proposed by the National Capital Planning Commission in February 1967, envisioned the use of airspace in several areas throughout the District."

Certainly, the denial of the substantial values of their airspace to the affected small businessmen at the subway stops by the NCPD decision of November 4, 1971, due to the dictation by the Hahn-Tucker letter from the City Council, clearly denies the protections guaranteed by the 5th and 14th Amendments. We request your subcommittee to give us all the benefits of the protection of the law and the Constitution.

The Arthur Cotton Moore Plan would have given the small businessmen their airspace rights. The Federal Government itself recognizes the substantial value of airspace rights, as shown by a study prepared by the Real Estate Research Corporation in cooperation with the Bureau of Public Roads. It states (page 31):

"Substantial value may be attributed to these rights; for example, air rights in Manhattan often sell for 80 percent or more of the fee value (In some areas the fee values approach \$300 per square foot, in which case the air rights can be worth about \$240 per square foot)."

A study of air rights made for the Federal Department of Housing and Urban Development has a 32-page section devoted to the legal rights of property owners which cites many Court decisions relating to airspace rights.

Now, for instance, the HUD-study by Barton-Aschman points out that the 5th and 14th amendments to the Constitution are deeply involved in airspace rights, and that State, County, and local municipal governments, as well as all Federally-aided programs and Federal agencies must take the 5th and 14th Amendments into account in all airspace projects and give full protection to property owners.

It is in view of these Federal studies that we ask this Subcommittee to give us the protection of the Constitutional rights of due process, equal justice, and protection of property rights provided by and guaranteed by the 5th and 14th amendments.

RLA has paid Jordan Piano Company at 13th and G \$250 per square foot for its property, paying more than \$1,500,000 for 1800 square feet. It has offered S. S. Kresge, we were told, about \$100 a square foot for its corner property at 11th and G Street, NW. It has offered other owners in the 2nd Year Action Plan area as little as \$40 per square foot. It has offered not one red cent for the airspace rights of the small businessmen.

Yet local appraisers have said that even in the case of two-and-three story buildings in the subway stop areas, the value of airspace rights can be established in condemnation cases in the courts to be worth 50-to-70 percent of the fee value of the land itself.

Recognition of the substantial values of airspace rights of the present property owners would nearly double the cost of the RLA Plan for clearance.

is undoubtedly one of the major reasons why the RLA, the NCPC, and the D. C. City Council have so adamantly opposed the Arthur Cotton Moore Plan.

The RLA, NCPC, and the District Government have some 14 airspace projects underway or completed in this City now. Among them the James Forrestal Navy Department Building at 10th Street and Independence Avenue SW, which is built on stilts in the airspace above 10th Street, in the SW Urban Renewal Project Area.

If the Federal Government and the District Government and RLA and NCPC can build the James Forrestal Navy Department Building in the airspace, why deny the affected small businessmen in the subway stop areas ^{the same} right to build in their airspace as proposed by Arthur Cotton Moore?

We request your Subcommittee to take steps to effectively protect the small businessmen from seizure of their airspace rights without recognition of their value by RLA, the NCPC, and the D. C. City Council.

We do not plead for our own rights alone. Recognition of the Arthur Cotton Moore Plan will prevent the displacement of 2,500 to 3,000 small businessmen from the downtown urban renewal project area, and set a precedent for protecting small businessmen nation-wide in urban renewal projects.

4. Improve NCPC and RLA - We ask your Subcommittee in all fairness to amend the RLA and NCPC authorizing laws to provide an improved urban renewal program and fairer agencies by requiring the appointment of small businessmen to these agencies as full members and advisors.

We strongly dissent from the views of those who feel that the NCPC functions, and the RLA itself, should all be concentrated in the District Government.

If this were done, in view of the Hahn-Tucker letter which is substantial proof, there soon would be only a handful of small businesses left in the District of Columbia.

More than 750 small businesses were ejected from the SW urban renewal project. 62 percent of them subsequently failed to reopen their doors--twice the national average--according to information contained in the Hearings by the House D. C. Committee several years ago.

As we told the Nelsen Commission on Organization of the D. C. Government on November 13, the Congress should insist that the terms of the D. C. Redevelopment Act of 1945 be observed. That Act made the NCPC and the City Council full partners. It provided a relation like the two House of Congress. It did not give the RLA planning powers. It gave the planning powers to the NCPC. It did not provide for City Council dictation such as took place due to the Hahn-Tucker letter.

Unless this terrible situation is corrected at once, other similar miscarriages of justice will take place. If there is a miscarriage of justice in the House of Representatives, the Senate usually sees to it that justice is done. No one has suggested that the House or Senate be carved up, abolished, or dismembered when they make mistakes.

It is up to Congress to see that its laws are obeyed, just as it insists that laws against crime be enforced.

It is up to Congress to see that its laws are enforced, not destroyed and subverted by criminal elements or special interests.

Amendments to improve RLA and thereby protect small business and provide long-overdue improvements are attached. They deserve serious consideration by your Subcommittee.

5. The Workable Program - This program was established by Congress to provide property owners, citizens, small merchants and others in urban renewal areas some fundamental protections and basic rights by requiring the local government, the planners, and the urban renewal authorities to provide timely access to information and to the decision makers.

However, in the case of the affected property owners and small businessmen at the downtown subway stops the RLA and the NCPC have denied them these rights.

On the other hand, the people in the burned-out areas have been given these rights of participation, particularly in the Shaw Area.

In the Downtown area, the organization known as Downtown Progress has been given a major role in the Workable Program in the subway stop areas at 12th and G, and 7th and G Streets even though that group has only two members in these areas.

While the 70 owners and merchants have been denied participation, in other words, by RLA and NCPC, Downtown Progress has been given full participation, and has managed to get all the major properties owned by its members excluded from the clearance program. All the competition of the small merchants will be ended by their being expelled from the area as soon as Chairman Hahn and Vice Chairman Tucker arrange to have the D. C. City Council to approve the clearance plan they dictated to the NCPC by their letter of October 6, 1971 a copy of which is attached.

We strongly object to this role for Downtown Progress in the Workable Program, and we ask your Subcommittee to end this disgraceful situation where the affected property owners and merchants have to get their information second hand from Downtown Progress.

We also request your Subcommittee to launch an immediate investigation of the Workable Program, in such fields as the failure to enforce the Housing Code.

The Metropolitan Washington Planning and Housing Association newsletter, "The Advocate" (Nov. 1971 issue) reports, and we quote:

"One must candidly conclude that we have taken two steps backward for every step forward' in urban development in Washington during the last two years, the District City Council admitted in its ambivalent approval of the City's Workable Program for 1971-1973. The September 21

approval of the Program was reluctantly recommended by Sterling Tucker, chairman of the Council's Housing and Urban Development Committee, along with his seven-page critique of the program....Among Tucker's chief criticisms of the Workable Program were that:

"--It did not delve into the relationship between housing code inspections and actual compliance of the code or to the decent maintenance of the existing housing. 'This', he said caustically, 'would seem to be the purpose of the housing code.' While the inspecting agency annually issues over 200,000 housing code violations, the Corporation Counsel successfully prosecutes less than five criminal housing code cases each year. Less than \$500 is generated annually for code violations.... The severity of the District's housing crisis was underestimated (by the Workable Program).... The Workable Program noted that there are at least 30,000 substandard housing units; Mayor Washington, City Council Chairman Gilbert Hahn, Tucker and others have repeatedly claimed there are 100,000 substandard housing units.

"--Few public housing units are planned for renewal areas though over 60% of the potential relocatees in those areas can afford only public housing units.

"The final Program was the result of a draft that had been dismissed by Council on July 20 as completely deficient."

We request your Subcommittee to investigate this Workable Program at once, and to direct HUD not to finance its various elements until the District Government makes the Program into a real one, instead of one/just to get Federal funds. ^{deliberately designed}

Until this is done housing will continue to deteriorate, the housing code will be ignored, the city's poor will be poorly housed at high rentals, and the small businessmen will be denied their basic rights of participation, and timely access to the decision makers and vital information.

6. New Height for Buildings Downtown - On April 6, 1971, the D. C. City Council adopted a resolution calling (1) for clearance at subway stops; and (2) calling for new building heights of 20-25 stories in the Downtown Urban Renewal Area except at subway stops. The City Council resolution says the new heights have the support of the entire D. C. Government, and that the D. C. Government will ask Congress for the height to be extended to make the new 20-25 story buildings possible.

Now we note that the published notice of the December 14 hearings brings in the "Act to Regulate the Height of Buildings in the District of Columbia." So this is the beginning of the plan to increase heights downtown except at subway stops, where the RLA and the City Council intend to hold up height increases which might interfere with their clearing the small businessmen out.

At a recent symposium held by the City Council the Architect of the Capitol, George M. White, and J. Carter Brown, chairman of the Commission of Fine Arts, along with Nathaniel Owings, author of the Pennsylvania Avenue Plan, strongly opposed breaking the height limits in the District.

Just this past week, the Architect of the Capitol opposed increased height on the old Providence Hospital site before the House D. C. Committee in hearings held by Rep. Stuckey's committee, and the increased height was denied by Congress.

If the City Council continues to push for increased height downtown, then it should be provided the present owners and small merchants at the subway stops on an equal basis with the rest of downtown. To do otherwise would be to deprive the present owners and merchants of a large part of the value of their present holdings.

It will probably come about that after the small merchants and property owners are displaced by the RIA's clearance plan -- as Chairman Hahn and Mr. Tucker plan -- then the new owners will be given the increased height sought for the rest of the downtown urban renewal area by the City Council.

If this takes place the present owners and merchants will have been denied basic constitutional rights under the 5th and 14th Amendments by the D. C. City Council. To grant some downtown areas greater height of as much as 120 feet, which doubles the present height, and to deny this height to the small merchants and property owners is most unfair, and it is spot zoning, in addition.

Yet, the RIA and the City Council plan to proceed with clearance now-- because if they waited until the Congress considered the heights of 20-25 stories they could not take the property from the small businessmen at this time.

So, here again, is a case of justice denied, and Constitutional rights circumvented by RIA and the City Council.

We request your Subcommittee to launch an immediate investigation of this matter, and to ask RIA, NCPC, and the City Council to send the entire Modification proposals back to the NCPC with a request that the small businessmen be given their basic rights.

We request your Subcommittee to protect us, and include our statement in the Hearing Record. We also ask that our testimony and our suggested amendments be studied, and that the height limits not be raised by Congress. We believe Capitol Architect George White, and Mr. J. Carter Brown of the Fine Arts Commission are right, and fair.

THE EVENING STAR

Washington, D. C., Friday, December 3, 1971

NOTICE OF PUBLIC HEARING—MODIFICATIONS TO THE URBAN RENEWAL PLAN FOR THE DOWNTOWN URBAN RENEWAL AREA. Pursuant to Section 6(b)(2) and Section 12 of the District of Columbia Redevelopment Act of 1945, approved August 2, 1946 (Public Law 592, 79th Congress), as amended, and Section 105 (d) of Title I of the Housing Act of 1949, as amended, the District of Columbia Council will hold a public hearing on Tuesday, December 14, 1971 at 10:00 a.m. in the Council Chambers in City Hall (Room 500), 14th and E Streets, N.W., Washington, D.C., to consider a proposed modification to the URBAN RENEWAL PLAN FOR THE DOWNTOWN URBAN RENEWAL AREA.

The proposed modification to the Urban Renewal Plan to be considered at the public hearing was adopted by the National Capital Planning Commission on November 4, 1971 and referred to the District of Columbia Council for review and approval pursuant to Section 6(b)(2) and Section 12 of the District of Columbia Redevelopment Act of 1945, as amended. The proposed modification to the Urban Renewal Plan changes Map No. 2, "General Land Use Plan," May (No. 4, "Renewal Action Areas," Map No. 5, "Land Disposition," and Map No. 5, "Site Development Plan," to (1) designate additional areas for renewal action including acquisition for clearance and redevelopment in accordance with the uses specified in the Plan; (2) designate for disposition in accordance with the Plan certain areas previously designated for acquisition; (3) designate streets and alleys to be closed or opened; and (4) designate 8th Street between Pennsylvania Avenue, N.W. and M Street, N.W. as a pedestrian way. The modification adds a new Section 633.00 to the Plan which establishes Development Controls for Disposition Lots located in the Retail Core for which disposition is authorized, including special requirements respecting, among other things, off-street parking and special development requirements establishing arcades for Disposition Lots fronting on F and G Streets; the location and percentage of frontage at the ground floor of buildings to be used for Retail Trade and Service Establishments; and the percentage of area for Retail Trade and service Establishments to be provided for small businesses; and provisions respecting relocation assistance for businesses displaced by public action in the Project Area.

In addition, the modification amends Section 431.10 of the Plan to specify general land use and development standards for the Retail Core; and adds new Sections 437.00 and 438.00 which establish objectives and standards for pedestrian ways and secondary movement systems located in the Project Area; adds a new Section 690.00, which, for the purpose of the "Act to regulate the Height of Buildings in the District of Columbia," designates as "business streets" all streets within or adjacent to the Retail Core; and revises, by amendment or addition thereto, other provisions of the Development Objectives, General Land Use and Circulation Plan, Land Disposition, and Site and Development Plan contained in the Urban Renewal Plan.

Upon approval of the above modification to the Urban Renewal Plan for the Downtown Urban Renewal Area by the District of Columbia Council, and the U.S. Department of Housing and Urban Development, the Plan, as modified, will be carried out pursuant to the District of Columbia Neighborhood Development Program administered by the District of Columbia Redevelopment Land Agency with financial assistance provided under Title I of the Housing Act of 1949, as amended.

Also to be considered at the public hearing is the D.C. Redevelopment Land Agency's program for relocating site occupants to be displaced by carrying out the Urban Renewal Plan as modified.

The Downtown Urban Renewal Plan, the proposed modification to the Plan and the relocation program will be available for examination prior to the public hearing and will be open for discussion at the hearing. Those persons wishing to examine the proposed modification to the Urban Renewal Plan and relocation program may do so Monday through Friday between the hours of 9:00 a.m. and 4:00 p.m. at the Office of the Secretary to the District of Columbia Council, Room 509, City Hall, 14th and E Streets, N.W., and at the District of Columbia Redevelopment Land Agency, Room 929, 1325 G Street, N.W., between the hours of 8:15 a.m. and 4:45 p.m., Monday through Friday.

Individuals and representatives of organizations intending to present a statement at the hearing are requested to furnish their names, addresses, and telephone numbers, as well as the names of the organizations they are representing (if any) in writing or by telephone to the secretary, District of Columbia Council not later than the close of business on December 10, 1971. The telephone number is 638-2223 (please ask for Mrs. Gwyn Lee). Notwithstanding the foregoing provisions, any person or organization desiring to be heard will be afforded an opportunity to be heard at such hearing. ROBERT S. MOORE, Assistant Secretary, District of Columbia Council, 623.10



RECEIVED
GOVERNMENT OF THE DISTRICT OF COLUMBIA

1971 OCT 7 AM 9 50 CITY COUNCIL

WASHINGTON, D.C. 20004

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HENRY K. WILLARD, II
JOSEPH P. YELDELL
Councilman

NCPC

October 6, 1971

Mr. Ben Reifel, Chairman
National Capital Planning Commission
1325 G Street, N. W.
Washington, D. C. 20005

Dear Mr. Reifel:

We are writing to you in advance of your Commission's meeting to advise you as clearly as we can of our position on the question of downtown urban renewal.

The recommendations of the Commission's Housing and Urban Renewal Committee to approve the Arthur Cotton Moore proposal at the two major Metro stops in the downtown area is contrary to the expressed policy of the City Council and is unacceptable to us.

In June of 1970, after extensive public hearings, the Council approved the acquisition of four sites at 7th and G and 12th and G Streets. At that time, we directed RLA to come back to us with a plan for downtown development by January of this year. This was done and after further hearings the Council in April ordered that plans be developed by RLA immediately for the high density development of the 7th and G and 12th and G Street sites.

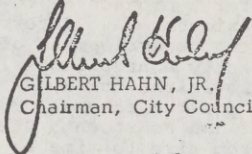
The Council directed that the intensive and immediate redevelopment of these sites take place because of our view that this was the only way in which the redevelopment of downtown could successfully take place. We continue to believe this.

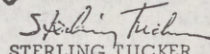
We consider the Arthur Cotton Moore proposal to be in direct conflict with the policy for the redevelopment of downtown which we have

|| established. We would view the Commission's approval of this proposal
|| instead of the plan developed by RIA in accordance with our direction as
|| a nullity.

|| We recommend that you approve the disposition controls prepared
|| by RIA and your own staff. If instead you approve the Moore plan and
|| submit it to us, we will call upon our fellow Council Members immediately
|| to vote with us to reject it.

Sincerely yours,


GILBERT HAHN, JR.
Chairman, City Council


STERLING TUCKER
Vice Chairman and
Chairman, Housing and Urban
Development Committee

Substance of proposed D. C. Code Amendments giving housing priority over commercial redevelopment and protecting small businessmen from unnecessary displacement.

1. D. C. Code §5-705 is amended by the addition of a new section (f) as follows:

- (f) No action shall be taken by the Agency to acquire land for a project as to which the District Commissioners have determined under 42 U.S.C. 1460 that the redevelopment of the project area for predominantly nonresidential uses is necessary until the provisions for a new housing provided for in plans for the renewal project areas of Shaw, H Street and Fourteenth Street, as their boundaries may from time to time be established, have been substantially completed. The provisions of sections 5-723(b) and (c) shall be applicable to any project as to which the District Commissioners have determined under 42 U.S.C. 1460 that the redevelopment of the project area for predominantly nonresidential uses is necessary.

2. D. C. Code §5-705(b) is amended by the addition of new paragraphs (3) and (4) as follows:

- (3) In any project as to which the District Commissioners have determined under 42 U.S.C. 1460 that the redevelopment of the project area for predominantly nonresidential uses is necessary, the expiration of a period of eighteen months from the approval by the District Commissioners of the redevelopment plan of the project area and findings thereafter made by the District Commissioners that such plan has been demonstrated to be economically feasible and, as to each parcel to be acquired, that the owner has been granted maximum opportunity during such period to participate in such plan, by private redevelopment, by long term lease, and by other means, and has nevertheless declined to participate.
- (4) Citizen involvement in the steps and plans required by subparagraphs (1), (2) and (3) by affording owners, tenants, and employees in a proposed project area and all other interested persons relevant and timely information and direct access to decision making.

3(a). D. C. Code §5-717a(a) is amended by the addition of the following:

Any submission by the Agency of an application for assistance for a project which provides for demolition and removal of buildings and improvements shall include evidence that a survey of building condition was made of the project area, that all results of such survey were made available to interested persons, and that such persons were afforded adequate opportunity to challenge such results.

3(b) D. C. Code §5-717a(d) is amended by the addition of the following:

The Agency may submit as non-cash credits for any fiscal year any amounts approvable pursuant to section 110(d) of the Housing Act of 1949, as amended, which have been included in the budget of the District of Columbia as submitted for such fiscal year; and such submission shall be effective upon approval by the Congress of such non-cash credits as included in such budget.

4. D. C. Code Title I is amended by the addition of a new section 1-730 as follows:

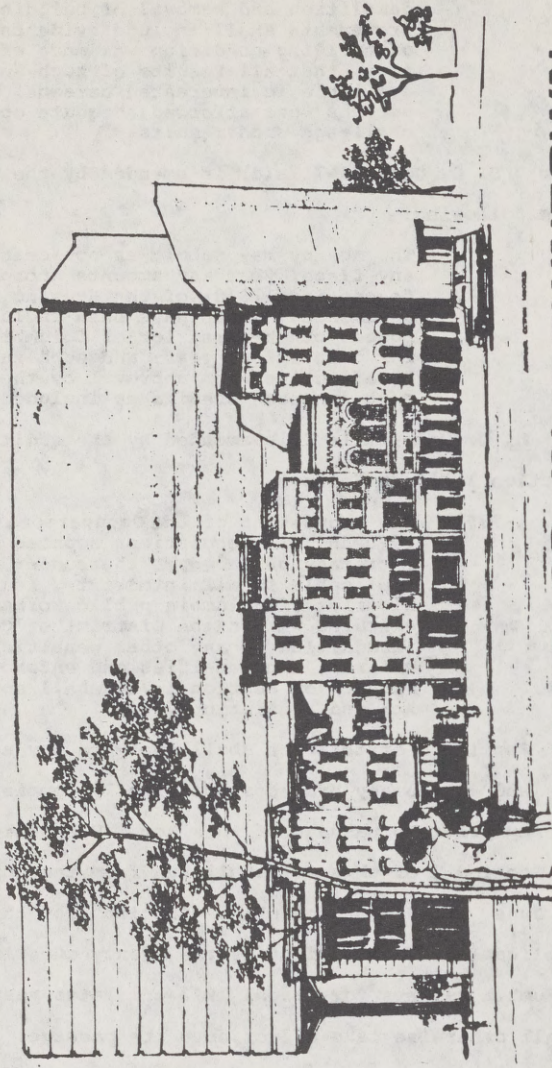
1-730. The provisions of the Occupational Safety and Health Act 1970 and all regulations adopted by the Secretary of ~~Health~~ thereunder shall be applicable to all interstate, federal, and District of Columbia public works projects executed within the District of Columbia; and, in addition to any other penalties and procedures, the penalties and enforcement procedures of section 1-714 shall apply to said Act and regulations.

5. Section 1 of this Act shall apply to any acquisitions of land and to any projects not finally completed by the Agency prior to passage of this Act. The period specified in Section 2 of this Act shall run from the approval subsequent to June , 1971 of the plan. Section 3 of this Act shall be applicable to submissions by the Agency and District of Columbia budgets for fiscal 1973 and later years. This Act shall otherwise take effect upon its passage.

* * * * *

the advocate

november, 1971



A NEW WAY TO GO IN DOWNTOWN

"A great opportunity to preserve both the income and the excitement of the downtown we love while building on it that additional capacity for increased income and employment," is how MWPFA president James O. Gibson earnestly praised architect Arthur Cotton Moore's innovative air-rights concept for the redevelopment of the areas around the G-Street METRO stations.

The Moore concept will be presented to the D. C. City Council in Dec., following several stormy sessions of NCPC in which land use controls were identified as a "home rule issue".

Acknowledging the value of city government to set these policies, NCPC tabled considerations in October and asked James Banks, the Mayor's representative on the Planning Board, to convene meetings with affected parties. No such meetings took place. At the November meeting, however, the original land use controls (calling for total demolition and the presentation of cleared land to private developers) were voted and sent on to the council.

Speaking before the Urban Renewal and Housing Committee of the National Capital Planning Commission on Oct. 4, Gibson said the MWPFA Board of Directors was "unanimous in their enthusiasm for the Moore proposal."

The Moore idea would substitute originality and a penchant for the individual quality and character of downtown Washington for the conventional approach to redevelopment of condemnation, demolition and clearance. The median time for urban renewal in the entire United States is 10 years; in Washington, it has taken as long as 20 years. This standard approach is so time-consuming because those immediately affected fight relocation, which invariably leads to the death of their own businesses.

Moore's proposal would retain the existing structures and the businesses they house on two sections facing G St. between 12th and 13th Sts., almost the entire square block (except for the corner section of H and 11th Sts.) between F and G and 11th and 12th Sts., and the entire square block between G and F and 6th and 7th Sts.

The majority of the lots on these blocks have 3- and 4-story buildings, with the usual row-house backyards, courts, alleys, and small accessory storage buildings. The overall impact is of low density with a large amount of open space. Instead of destroying these buildings, some of which have historical and architectural significance, Moore would have new buildings built on the air rights above them. The many open lots, backyards, courts, alleys, and accessory rear buildings would yield the room to drill a grid of columns to support the new air rights' buildings.

Moore maintains his plan would permit the businesses to remain in continuous operation with only minor disruption, yet it would allow for the full density permissible under zoning -- the goal of the city government. Moore's preliminary analysis of the plan indicated that the cheaper purchase of air rights rather than land, would offset increased construction costs. These air rights monies would more than compensate the old buildings owners or leaseholders for their satisfactory rehabilitation. His estimates indicate that air rights would cut the costs of renewal by as much as one-third to one half. For example, conventional renewal of the block surrounded by G, H, 12th and 13th Streets would amount to \$7,492,475; air rights construction could slash this to \$3,561,785.

"After 22 years of urban renewal flogging only one simplistic approach with frequently disastrous results and long delays," Moore said, "it would seem a modest step to recognize the complexity and intricacy of the living city and devise a more flexible, less catastrophic approach to urban renewal. Maybe we can get a unique downtown out of a unique marriage of old and new."

While speaking before NCP's Urban Renewal and Housing Committee, Gibson defended the Moore proposal against reservations from RLA. He was joined by Thomas W. D. Wright, A. I. A., Paula Echeverria, Margaret Reuss, Joseph Wilkes, A. I. A., and Lawrence Stinchcomb, Chairman of MWPFA's new Artists and Architect's Council. The substance and perhaps motivation of the RLA reservations, Gibson said was "their

own very strong bias" which favors land cleared and cleaned which they believe will appeal most to a developer. But, Gibson revealed, developers had advised MWPFA that they could be more attracted to settling over existing business activity which could be upgraded to standards than they would to "a cleared wasteland".

Gibson answered the RLA reservations point-by-point:

1. RLA claimed that an adequate feasibility study of one site would take one month and at least another 3 months for the other three sites. Gibson questioned this time lag and asked why the studies could not be done simultaneously. MWPFA offered RLA personnel assistance and data to accelerate the studies.
 2. The studies' costs would be \$196,000 RLA claimed. MWPFA again volunteered assistance to reduce these costs. "But", Gibson, said, "the costs must be balanced against the cost of that loss of income to the city in the sales taxes from those businesses during a period of time in which they would otherwise be displaced."
 3. RLA doubted the engineering feasibility of the Moore proposal, chiefly on the basis of their claim of poor soil conditions in the Downtown area. Between surface and bedrock -- 100 to 150 feet -- are layers of weak, silty clay, with ground water at approx. 30 feet. Soil conditions, according to Metro's engineer, appear to be at least 6000# or double RLA's figure. In any case, the conditions cannot be constant and could vary considerably (10,000# assumed on block 455) and should be a simple matter to obtain as a part of the feasibility study.
- RLA argued the need for a 26 foot square spread footing by reducing the soil bearing to 3000# and by doubling the loads on the columns, a fourfold increase. There are many technical ways of handling the situation, soil stabilization, other types of foundations, and Gibson introduced a memo from Edward Echeverria, President of Planners, Inc. which suggested a variety of likely solutions.
4. Any disruption that RLA claimed the existing business would suffer from construction of the air rights' buildings was dismissed by Gibson as preferable to that caused by demolition, relocation and, probably, permanent banishment from the central business district.

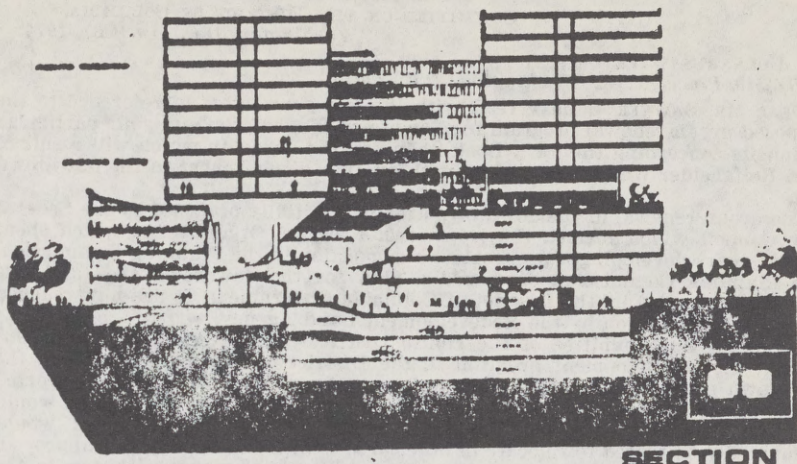
5. RLA's contention that the new construction floor area ratios would net 400,000 more sq. ft. than under the Moore proposal are denied by the plans for full density under either approach. Possibly, RLA had excluded the sq. footage of the rehabilitated areas.

6. The Moore proposal would prohibit parking on two blocks and make it difficult on another, RLA claimed. Gibson noted that Moore would allow considerable parking on one block; the other two were too small, he said, to justify a separate parking structure under any plan. The MWPFA President reminded the Committee that NGPC had earlier considered banning all parking from these areas.

7. The RLA claim that the cost of air rights might rise above 25% of the land costs were questioned. Other cities' experiences contest this, Gibson said. And, were the RLA prediction correct, air rights would still be less than the land costs necessary for total acquisition.

8. The quality of present urban commercial architecture was condemned by Gibson while refuting RLA's contention that the structures on the four blocks were not of such aesthetic or historical significance to warrant the "extra" effort of the Moore concept. The city's fight for full density under present floor area ratios has produced for the nation's capital "the massive monolithic, dull and hideous structures that now dominate the western edges of L Street, N and M Streets in downtown Washington. . . Those buildings which Moore would have us save are living equities in our city; . . their preservation would be a commitment to the diversity of styles which enriches all great cities."

9. Since only 1 to 3% of the businesses in the broad downtown urban renewal area will be affected by the Metro renewal plan, RLA considers their importance insufficient to justify the added governmental efforts of the Moore plan. But, pleaded Gibson, "the piece by piece erosion of the Washington small businesses must come to a stop somewhere. The needed opportunity for corrective measures exists now. The Moore plan considers the human dimension - regardless of its size.

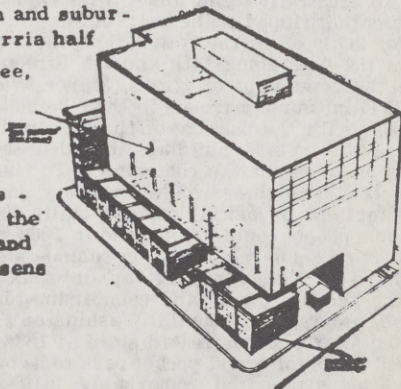


SECTION

10. RLA holds that the complexity inherent in the Moore design coupled to that inevitable in the paperwork of urban renewal, would discourage investors and inhibit the full development of the downtown area. Gibson assured the Committee that the maintenance of the existing properties would enhance the appeal of the area as a viable, commercially desirable site.

Past redevelopment in the District has been suburban- and middle-class oriented, Gibson said. He criticized the conventional response to the economics of development of "monolithic office blocks" that cater to 9-5 commuters as abandoning the commercial significance of downtown because these same office workers shop at suburban areas. The "new life" in Washington, he said, is moderate-income, heavily black, D.C. resident-oriented. The District Government must recognize the qualities of its own constituency and not those of the metropolitan and suburban areas. As Paula Echeverria half

facetiously told the Committee, "If we do not recognize this quality, Art Buchwald will find much new material for future columns on the new breed of ground floor tenants - banks and stock brokers and the loss of olfactory, digestive and intellectual joys of delicatessens and book shops."



U.S. HOUSE OF REPRESENTATIVES,
 COMMITTEE ON THE DISTRICT OF COLUMBIA,
 Washington, D.C., April 27, 1970.

Mr. ROLAND SAWYER,
 3017 44th Place, N.W., Washington, D.C. 20016

DEAR MR. SAWYER: I have read with interest your letter in reference to the proposed urban renewal program for downtown Washington and your particular comments concerning the Park Book Shop and the hardship which will result to Mrs. Reifsnider who is confronted with another displacement in the downtown area.

The urban renewal of the downtown area was initially proposed by the Federal City Council which formed the Downtown Progress Organization which spent several years developing a proposal as a suggestion to the Planning Commission. The Planning Commission developed a plan for the downtown area and this plan was approved by the District of Columbia Government. It has now reached the point of execution by the Redevelopment Land Agency.

A Special Subcommittee of the House District Committee, in 1962 and 1963 studied the redevelopment program in the District of Columbia. Although the downtown program was only in preliminary stages, the Subcommittee reported that it would displace about twenty-five hundred businesses most of which would be forced to close their doors permanently and those that survived would undoubtedly be forced to relocate in other areas. Once a formal plan is approved, as has been done in this case, the only possibility is to secure a change in the plan. This may be done by the District of Columbia Government in cooperation with the Planning Commission. Any such change, however, requires public hearings and formality similar to those required for the adoption of the original plan. At the very best, this is a very difficult procedure.

With kindest regards, I am

Sincerely yours,

JOHN L. McMILLAN, M.C.,
 Chairman.

[From the Washington Post, Monday, Apr. 5, 1971]

THREE YEARS LATER, THE SHAMES REMAIN

It was shortly after 7 p.m. on a balmy April 4, 1968, when the first bulletins hit the transistor radios in the crowds that regularly filled the intersection at 14th and U Streets NW—Martin Luther King had been shot in Memphis. A little more than an hour later, the dread word had come: "Martin is dead." The awful news raced by word of mouth up the busy 14th Street corridor, with shock soon turning to frustration and anger wild enough to trigger more than three days of rioting that ripped at the heart of Washington.

For many of us, the traumatic scenes are still vivid—the huge clouds of smoke from the fires along 14th and 7th Streets NW and H Street NE, the open looting, the screaming of sirens, Mayor Washington on television, federal troops with Palm Sunday fronds in their helmets, families in search of shelter.

Still, with the passage of three years now, these memories fade and it is the aftermath—ruined buildings, boarded storefronts, debris and desolation—that lives on to haunt the community. To the passerby, or worse yet, to the people who live with these riot scars every day, little has changed—and no flood of explanations by officialdom can really sink in anymore.

Some people could understand in 1968 why Mayor Washington's early hope for a start on some rebuilding by summer's end had become impossible. Then came Richard M. Nixon, only 11 days into his presidency, 1969, paying a sudden visit to the riot-torn areas and committing his administration in ringing terms to a crash program to rebuild Washington's inner city. Standing in front of the gutted Waxie Maxie record store at 1836 7th Street NW, the new President unveiled plans for a vest-pocket park to be built on the site of four burned-out buildings—plans prepared, remarkably, in less than two days. George Romney, Secretary of Housing and Urban Development, and Mayor Washington stood with Mr. Nixon as a wrecking crane took symbolic swipes at Waxie Maxie's south wall, and there was appropriate awe at the speed with which the federal bureaucracy had been made to move.

But that wasn't all for that day; Mr. Nixon, along with presidential adviser Daniel Patrick Moynihan, had much more in store, and it was laid out in a strong special message on the District of Columbia that held great promise for the rebuilding efforts. Said the President:

"Scarcely any of the shops and homes destroyed during the riots of last April have been rebuilt, and very few of those damaged have been made habitable or usable again. These rotting, boarded-up structures are a rebuke to us all, and an oppressive, demoralizing environment for those who live in their shadow. They remind us again of the basic fact that the principal victims of violence are those in whose neighborhoods it occurs."

The decisions on what to do, Mr. Nixon emphasized, rested with the people and the city government; the federal government would be ready with full support for programs, and a pledge of "the utmost Executive energy in responding to formal applications from the District."

A top White House aide said the President and the mayor were pressing for a start on 7th Street by September 1 and on the other corridors by December, adding that "forward motion is the basic ingredient."

It was, as Mayor Washington said then, "an exceedingly bright day for the District of Columbia."

But within less than two months, bickering began among community groups over who should develop the renewal plans, who would man the planning staffs and who would control the federal funds.

Add to this the National Capital Planning Commission, the Redevelopment Land Agency, the Model Cities Commission, the City Council, the city's Reconstruction and Development Corporation and almost anybody else with a plan—and things dragged. By June of 1969, the hopes for a start on construction were pinned on spring of 1970.

Now—three frustrating years since Dr. King's assassination—some gutted structures have been razed, some debris cleared, some parks created. But nothing yet has touched the charred, hollow shells of most of the buildings; the even more eery desolation of these areas at night; the hardening cynicism of the residents; or the desperation of the isolated businessmen who are trying to make these neighborhoods live again; the criminal industry—drugs, prostitution and the rest—that has moved in as the shaken shopkeepers moved away.

So now what? For one thing, the city's renewal agency says rebuilding is so far behind schedule that no new projects should be considered until those already planned are built. One housing project has been built, and only one other is under way. Almost \$70 million in federal funds has been spent, most of it to buy up property for future development, but credit is tight, construction costs are rising and relocation housing for the most part simply doesn't exist. Melvin Mister, executive director of the Redevelopment Land Agency, has urged that little or no more property be bought up if demolition would displace more people. Delegate-elect Walter E. Fauntroy agrees, and suggests further that an urban development corporation would be better equipped than RLA or private enterprise to increase the housing inventory.

And so it goes—officialdom is busy, but tangible results do not meet the eyes. On the one hand, Mr. Mister is telling staff writer Eugene L. Meyer that "sometimes, people have short memories . . . I'm not satisfied with the amount of new development, but it's not necessary to say it looks just like after the riots"; and on the other, Leroy Martin is telling staff writer Ivan C. Brandon that "it's been three years and they ain't done nothing. If this was Connecticut Avenue, it would have been fixed a week after the riot. The Man just don't care about us and all that talk don't mean nothing. They ain't never gonna rebuild this street and they want us to die just like it."

Today it serves little purpose to lay the blame for all this on anyone in particular, there's probably enough for everyone to share.

But is there no sense of emergency here? There has to be, if we are to believe that Washington is not decaying, if the cancer of hopelessness is to be arrested, and if the promises of officialdom are to be any less hollow than the shells of buildings that stand in the riot corridors.

[From the Washington Post, Monday, Oct. 4, 1971]

PLANNING AND POLITICS

We are much intrigued by a proposal, advanced by architect Arthur Cotton Moore, that would give this city new, revenue producing office space around the Metro stops along downtown G Street. The proposal would preserve the handsome old buildings which, under the current renewal plans, are to be demolished, and it would retain the small businesses which are now to be relocated against their will. Mr. Moore would perform this feat by placing the new building on "stilts" over the old. We think it merits very careful consideration. The new buildings (and tax income) the renewers now have in store for us are obviously necessary. But preserving and restoring old buildings seems to us just as vital if the renewed downtown is to have greater appeal than the suburban shopping centers—or at any rate different appeal. And keeping small business downtown seems to us absolutely essential. With far more modern and better stocked large stores in the shopping centers, small specialty stores and services have become one of the main reasons for shopping downtown.

You would think our city officials would see it that way, too, and would therefore be eager to approve the money to study the fiscal and technical feasibility of the Moore plan. Well, they did. The mayor called a closed meeting of his top officials last week which decided to appropriate up to \$150,000 for the purpose. But it also decided not to go ahead with the project whose feasibility is to be studied, but to press forward with the previous plans for G Street which call for displacement of 123 small business tenants and owners and the demolition of six acres of old buildings.

The reasons for this cynical maneuver, as given to our reporter Eugene Meyer, are that the feasibility study is justified because the Moore idea might, after all, be used elsewhere some day but that it would cause too much of a delay on G Street. The Southwest waterfront urban renewal project was delayed some 20 years because determined small businessmen fought it. The G Street merchants, we gather, are just as determined and have already taken their case against the urban renewers to court.

[From the Washington Post, Thursday, Oct. 14, 1971]

CITY PLANNING WITHOUT CONVICTION

City planning, as practiced by most American cities, is often confusing and frustrating (reflecting no doubt, as the planners keep pointing out, the confusion and frustrations of urban society). But in Washington the dilemma is infinitely aggravated. This city's planners must not only reconcile the usual, irreconcilable conflicts within the city (how to tear down a slum without displacing its inhabitants, for instance). They must also try to reconcile the conflicts between the interests of the federal government and the people of this city. Elsewhere the relatively simple question as to whether or not to build another freeway bridge is ultimately settled in a municipal election. In Washington it becomes a national *cause celebre*, the subject of federal legislation and the object of a titanic power struggle between congressional committees and cabinet departments, if not of Congress and the courts.

We have therefore cautioned against abolishing the National Capital Planning Commission, as has been repeatedly suggested under both the Johnson and Nixon administrations. In other cities, to be sure, independent planning commissions, removed from the rough and tumble of practical politics in city hall, have recently fallen into disfavor. It was an illusion to believe that there is an objective, purely intellectual and disinterested way to figure out where and how to build a road, say, or a school or a housing project. And hopes to the contrary notwithstanding, prestigious citizen members have failed to give prestige to the planning commissions. This is also true in Washington where few citizens have ever heard of the planning commissioners the President has appointed to represent them and where the commission has often in the past neglected the needs of the people, particularly for housing, in order to accommodate the desires of the federal government.

We nevertheless believe it essential that an independent planning agency with a competent professional staff arbitrate and coordinate the development proposals of the federal and district governments, which is what, back in 1952, the Planning Commission was set up to do.

But this cause is pretty hopeless if the Planning Commission itself abdicates its independence and professional judgment. That is what seems to have happened last week. A subcommittee of the Commission had twice approved a new concept for the redevelopment of the city's old retail core around the proposed Metro stations proposed by architect Arthur Cotton Moore. Though still subject to careful technical and financial scrutiny, this proposal would save some 70 small businesses and their handsome old stores by constructing the new offices above and behind the old buildings. It promises to give downtown the charm and unique attraction which the present, cataclysmic and aseptic renewal plan somehow lacks.

Two city councilmen, chairman Gilbert Hahn, Jr., and vice chairman Sterling Tucker, however, are opposed to any revisions and improvement in the present plan. That's their privilege. They sent a joint letter to every member of the Planning Commission saying that they consider the Moore proposal "in direct conflict with the policies of the redevelopment of downtown which we have established," which is hard to understand since the policies of Messrs. Hahn and Tucker surely do not call for the displacement of promising small businesses. But that is not the point. The point is that two councilmen puffed and the National Capital Planning Commission caved in. It voted to table the Moore Plan which it had been ready to approve.

That doesn't give us much faith that the Commission would stand up to the federal government. Nor is it our idea of sound, professional and independent planning.

Senator MATHIAS. Thank you very much. The hearing is adjourned, subject to the call of the Chair.

(Whereupon, at 10:30 a.m. the above-entitled matter was adjourned, subject to the call of the Chair.)



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