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DISTRICT OF COLUMBIA COMMUNITY DEVELOPMENT CORPORATION

DOCUMENTS

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON

BUSINESS, COMMERCE, AND TAXATION

OF THE

COMMITTEE ON

THE DISTRICT OF COLUMBIA

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 15363

TO ESTABLISH A DISTRICT OF COLUMBIA
COMMUNITY DEVELOPMENT CORPORATION

JUNE 19 AND 20, 1974

Serial No. 93-33

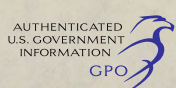
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DISTRICT OF COLUMBIA COMMUNITY DEVELOPMENT CORPORATION

WEDNESDAY, JUNE 19, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON BUSINESS, COMMERCE, AND TAXATION,
OF THE HOUSE DISTRICT OF COLUMBIA COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 1310, Longworth House Office Building, the Hon. W. S. Stuckey presiding.

Present: Representatives Stuckey (presiding) and Gude.

Also present: James T. Clark, legislative counsel; Daniel Freeman, assistant counsel; John Hogan, minority counsel; Rebecca Moore, subcommittee staff consultant; and Leonard O. Hilder and Ralph Ulmer, professional staff.

Mr. STUCKEY. This morning, we will hear testimony on H.R. 15363, the bill to create a Community Development Corporation similar to those already operating in 30 States. The Corporation will have broad powers to plan, finance and construct residential, commercial and public facilities in the District.

At this point, I would like to quote the Washington Post, which said,

The Corporation could be the only way for the city to break out of the doldrums that has settled over its housing and urban development aspirations. Without such a vehicle, the new popularly elected District government will face most of the same obstacles to successful urban renewal in moderate-price housing that confront the current, appointed government. A public development corporation could acquire land, issue bonds, lend money, insure mortgages, subsidize housing construction, exercise the power of eminent domain, and in general do what the city wants done to promote residential and commercial development.

And I would like to include in the record at this point an article, "D.C. Housing: A Home Rule Approach", which did appear in The Washington Post June 15, if there are no objections.

[The material referred to follows:]

[From the Washington Post, June 15, 1974]

D.C. HOUSING: A "HOME RULE" APPROACH

(By Thomas W. Lippman)

Behind the often-stated view that the District of Columbia should have financial independence from Congress is the assumption that the city could run itself better and be more responsive to its residents if it were free of congressional restraints and prejudices.

In the field of housing and urban renewal, we may get a chance to test that premise, to learn whether the new District government and the business community together, armed with money and independence, could successfully rebuild the ghetto, revive downtown, or produce housing for the poor.

A House District subcommittee has scheduled hearings June 19 and 20 on a bill to create a non-profit public development corporation, similar to those already operating in 31 states, with broad powers to plan, finance, and subsidize the development of residential, commercial and public-service facilities in the city.

In the view of its supporters, the corporation could be the only way for the city to break out of the doldrums that have settled over its housing and urban development aspirations. Without such a vehicle, they believe, the new popularly-elected District government will face most of the same obstacles to successful urban renewal and moderately-priced housing that confront the current appointed government. A public development corporation could acquire land, issue bonds, lend money, insure mortgages, subsidize housing construction, exercise the power of eminent domain and in general do what the city wants done to promote residential and commercial development.

And it could act, under the bill, without having to satisfy either the torpid federal bureaucracy, or hostile congressmen about the merits of any particular project. The corollary of course, is that if the corporation failed to produce satisfactory results, its directors, the city officials who appointed them, and the District businessmen who participated in its development proposals would have no one to blame but themselves. That would be genuine home rule—no subjection to federal inertia or congressional wrath, but no scapegoats either, freedom for the city to succeed or fail on its own.

Seldom has any District of Columbia bill started down the road to congressional consideration with so broad a range of support. The idea of creating the corporation has been endorsed by Del. Walter Fauntroy, the District's non-voting representative, who introduced the bill; by ranking members of the Senate and House District committees; by the Washington Board of Realtors and Board of Trade; by the "Little Hoover Commission," headed by Rep. Ancher Nelsen (R-Minn.); by James G. Banks, the chief housing officer of the current D.C. government, and by various citizen's groups.

The most fervid support is coming from the Redevelopment Land Agency, the existing, congressionally-created urban renewal agency, which is to be merged with the District government on July 1. RLA cleared southwest Washington and brought in the developers to build the new apartments and stores there, and put together Columbia Plaza and the low-income housing of Northwest One, along North Capitol Street.

But it has largely failed so far to bring about the rebuilding of the areas of the city scarred by the 1968 riots, or to get the proposed new town at Fort Lincoln off the ground. RLA has spent years in planning these projects, but its plans have been based on the assumption that federal subsidies would be available, and most of subsidy programs, discredited and tainted by scandal, have been scrapped.

In a recent appearance before the city council, RLA's executive director, Melvin Mister, blamed racial prejudice for this state of affairs. "Race remains an important factor in American life," he said, "and racial attitudes are affecting our ability to get the private investment and federal subsidies and guarantees necessary to development" in urban renewal areas.

But it is not that simple. Federal officials who administer the few subsidy programs still operating say that applications submitted through RLA sometimes require apartment rents that exceed allowable limits, come from unqualified developers, or have other defects that prevent HUD from approving them.

Here are two current examples of how the system fails:

RLA has been waiting for months for HUD to answer a request for permission to select a contractor for renovation of the O Street Market by negotiation, rather than by competitive bidding, so it can choose a company with experience in restoration work. HUD has procrastinated, as its own staffers on the project admit, while city officials and public blame RLA for moving too slowly on commercial development.

On the other hand, RLA applied for some available subsidy funds for an apartment project in the 14th Street area to be built by a developer whom HUD discovered to be in deep financial trouble. HUD is reluctant to approve this application, fearing it might have to foreclose on the property.

From RLA's point of view, action by a public development corporation responsible to the city government on a project like the O Street Market would eliminate these costly, frustrating delays and let the city do what it wants by its own

standards. Without the locally-operated development corporation, the city is dependent on federal aid and subject to the vagaries of the federal system.

From the federal point of view, if the city wants to take a flyer with a risky developer, that would be the corporation's problem, not HUD's, and the city could sink or swim with its own way of doing things. If a project failed, it would be the city corporation, not the federal government, that was stuck with the remains.

A public corporation, as envisioned in the Fauntroy bill, could entice the developers of low-income housing, and of commercial projects in areas that are now poor risks, by giving them cheap cleared land, insured mortgages and interest subsidies. If necessary, it could do its own building, eliminating the developer's profit to lower the cost still further.

The money would come from a starter loan of \$2 million from the U.S. Treasury, from revenue-sharing funds, from whatever the city government wanted to put up, from revenues generated by corporation-sponsored projects and from up to \$75-million in federally-guaranteed bonds that the corporation could issue. Whether Congress is going to authorize the creation of an independent corporation that could commit the federal government to back up its bonds without retaining veto power over specific proposals is questionable.

RLA officials and other supporters of the public development corporation have endorsed the idea that it should have independent authority to issue federally-guaranteed bonds, as the Fauntroy bill proposes, because that would make it fully independent of congressional review. However, if the corporation were to be created without that authority, its projects could be financed through the bonding power the District government will acquire for the first time under the home rule bill.

City bonds issued to finance projects that are not self-sustaining would still be subject to congressional review because the annual principal and interest payments are to be made through the regular budgetary process, which Congress controls.

It might all go nowhere, but the New York example indicates the idea's potential. In six years, the New York State Urban Development Corporation has built homes for 6,000 families, had 33,000 apartments under construction, and is well along on the creation of a spectacular new town in the East River. That is about the same length of time that Fort Lincoln, proclaimed a "new town," has stood almost vacant.

Mr. STUCKEY. Also we will include in the record copy of H.R. 15363, and staff résumé thereof as well as section-by-section analysis of some.

[The documents referred to follow:]

H.R. 15363, 93d Cong., 2d sess., by Fauntroy on June 13, 1974

A BILL To establish a District of Columbia Community Development Corporation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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SHORT TITLE

Sec. 101. This Act may be cited as the "District of Columbia Community Development Corporation Act of 1974".

DEFINITIONS

Sec. 102. As used in this Act:

(1) The term "corporation" shall mean the District of Columbia Community Development Corporation created by this Act.

(2) The term "bonds" shall mean and include the notes, bonds, and other evidence of indebtedness of obligations which the corporation is authorized to issue pursuant to section 118 of this Act.

(3) The term "person" shall mean and include natural persons, firms, associations, corporations, business trusts, partnerships, and public bodies, agencies, or instrumentalities.

(4) The term "project" shall mean a specified work of improvement including land, buildings, improvements, real and personal properties, or any interest therein, acquired, owned, constructed, reconstructed, rehabilitated, or improved by the corporation, or for which it has provided financial assistance, including but not limited to residential projects, public use projects, commercial and industrial projects, areas or buildings of special architectural or historic significance, projects involving a mix of such uses, or a "New Town in Town" project. The term "project" as used herein shall include necessary studies, surveys, plans, and specifications.

(5) The term "preliminary planning" means necessary preliminary studies, surveys, site plans, and specifications undertaken prior to the resolution of the board of directors approving any project.

(6) The term "site preparation" shall include relocation of occupants, removal of impediments to redevelopment or rehabilitation, and installation of appropriate supporting public facilities.

(7) The term "facility" shall mean and include structures and other physical improvements to real property.

(8) The term "real property" shall mean lands, structures, franchises, and interests in land, including lands under water and riparian rights, space rights and air rights, and any and all other interests in such property less than full title, such as easements, incorporeal hereditaments and every estate, interest, or right, legal or equitable, including terms for years and liens thereon by way of judgments, mortgages, or otherwise.

CREATION OF THE CORPORATION

Sec. 103. There is hereby created a body corporate of perpetual succession to be known as the District of Columbia Community Development Corporation, which shall be an instrumentality of the District of Columbia government.

BOARD OF DIRECTORS

SEC. 104. (a) The business and affairs of the corporation shall be managed by, and the powers herein granted to the corporation shall be exercised by, a Board of Directors (hereinafter referred to as the "Board").

(b) The Board shall consist of nine directors appointed by the Mayor of the District of Columbia (hereinafter referred to as the "Mayor"). Not more than three directors shall be employees of the District of Columbia government. The remaining directors shall possess knowledge and experience in fields of endeavor related to the activities of the corporation, including but not limited to planning, real estate development, construction, property management, finance, and community organization. A majority of the directors of the corporation shall be residents of, or conduct a substantial portion of their business in, the District of Columbia.

(c) The directors appointed by the Mayor shall assume their duties as directors upon approval of the Council of the District of Columbia (hereinafter referred to as the "Council") by a majority vote of members present and voting. The Chairman of the Board shall be designated by the Mayor. The directors shall serve for a term of three years except that the initial terms of the directors shall be staggered and shall expire as designated at the time of appointment. Directors shall continue in office until their successors have been appointed by the Mayor and confirmed by the Council. In the event of a vacancy occurring in office of an appointed director by death, resignation, or removal, the Mayor shall appoint a successor to serve for the balance of the unexpired term.

(d) The Board shall determine the general policies and procedures which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Board shall select and effect the appointment of qualified persons to fill the office of Vice Chairman and such other offices as may be provided for in the bylaws. Members of the Board shall receive compensation for their services; however, any member of the Board who is a full-time officer or employee of the District of Columbia or the Federal Government shall not, as such a member, receive compensation for his services.

(e) The Board shall have the power to select and appoint or employ such officers, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their service, as it may determine; and any such action shall be without regard to the Federal or District Civil Service and classification laws, except that any Federal or District employee who may be employed by the corporation may retain all rights and privileges under the Federal or District Government Employees retirement system. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. The provisions of subchapter III of chapter 73 of title 5 of the United States Code shall apply to officers and employees of the corporation in the same manner and to the same extent as if they were employees of the District.

(f) The Mayor may remove any director appointed by him for neglect of duty or misconduct in office, after giving him a copy of the charges against him, and an opportunity to be heard, in person or by counsel, in his defense, upon not less than ten days' notice. If any such director shall be removed, the Mayor shall file in the principal office of the corporation a complete statement of the charges made against such director and his findings thereon together with a complete record of the proceeding.

LIMITATION OF LIABILITY

SEC. 105. No officers, directors, or employees of the corporation, while acting within the scope of their authority, shall be subject to any personal liability resulting from the activities of the corporation.

AUDITS AND REPORTS

SEC. 106. The Mayor and the City Auditor may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable.

DIRECTORS' CONFLICT OF INTEREST

SEC. 107. When the corporation purchases from, sells to, borrows from, loans to, contracts with, or otherwise deals with any corporation, trust, association, partnership, or other entity in which any director of the corporation has a financial interest, direct or indirect, any such interest shall be disclosed in the minutes of the corporation and no director having such a financial interest may participate in any decision affecting such dealings. Any director who willfully misrepresents or fails to disclose any such interest shall be subject to personal liability for any damage to the corporation resulting therefrom. At the instance of the corporation any transaction approved under circumstances of nondisclosure by a director or directors shall be voidable.

TITLE II—POWERS OF THE CORPORATION

GENERAL POWERS OF THE CORPORATION

SEC. 201. (a) With respect to the general administrative affairs of the corporation, subject to the provisions of this Act, the corporation shall have power to—

- (1) sue and be sued;
- (2) adopt and use a corporate seal and alter same at pleasure;
- (3) make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this Act;
- (4) utilize or employ the services of personnel of any agency or instrumentality of the Federal Government or the District of Columbia, with the consent of the agency or instrumentality concerned upon a reimbursable basis, or to utilize voluntary or uncompensated personnel;
- (5) invest any funds held in reserve or sinking funds, or any moneys not required for immediate use disbursement, at the discretion of the corporation in obligations of the United States Government or obligations the principal and interest of which are guaranteed by the United States Government;
- (6) procure insurance (including surety bonds) against any loss in connection with its property and other assets and operations;
- (7) engage the services of consultants on a temporary basis for rendering professional and technical assistance and advice; and to provide compensation thereof in such manner and in such amounts as the Board may find necessary or desirable;
- (8) accept, including the right to contract for, any gifts or grants of property or financial or other aid in any form from the Federal Government or any agency or instrumentality thereof or from any source, and to comply, subject to the terms of this Act, with the terms and conditions thereof;
- (9) carry out its responsibilities and perform its functions through the creation of one or more subsidiary corporations; and
- (10) do any and all things necessary or advisable to carry out the purposes of, and exercise the powers granted by, this Act.

(b) With respect to the community development authority of the corporation, subject to the provisions of this Act, the corporation shall have power to—

- (1) acquire or contract to acquire from any person, firm, corporation, agency, or instrumentality of the United States or the District of Columbia, real, personal, or mixed property or any leasehold or other interest therein, by purchase, gift, condemnation, or devise; to own, hold, clear, construct, reconstruct, rehabilitate, improve, alter, or repair or provide for the clearance, construction, reconstruction, rehabilitation, improvement, alteration, or repair of any property; and to sell, assign, exchange, transfer, convey, lease, mortgage, or otherwise dispose of or encumber the same;
- (2) prepare or cause to be prepared, preliminary plans, building plans and specifications, and estimates of cost for site preparation and for the construction, reconstruction, rehabilitation, improvement, alteration, or repair of any project, and from time to time modify such plans, specifications, designs, or estimates;
- (3) grant options to purchase any project or renew any leases entered into by it in connection with any of its projects, on such terms and conditions as it may deem advisable;

(4) establish (through covenants, regulations, agreements, or otherwise) such restrictions, standards, and requirements as are deemed appropriate in carrying out the purposes of the Act;

(5) arrange or contract with the District of Columbia for the planning, replanning, opening, or closing of public rights-of-way and the construction or reconstruction of rights-of-way facilities and other public facilities, or for the furnishing of such rights-of-way or facilities by the corporation to the District of Columbia, or for the purchase of such properties or property rights by the District, or for the furnishing of other property or services in connection with a project;

(6) manage any project, owned or leased by the corporation, and to enter into agreements with the District of Columbia government or any agency or instrumentality thereof, or with any person, firm, partnership, or corporation, either public or private, for the purpose of causing any such project to be managed on a reimbursable basis;

(7) construct, manage, or operate any public facility for the District of Columbia government, at its request, and to construct or manage any public facility for any other public body at the request of such body;

(8) have the right of eminent domain over property not under the control of the United States Government or the District of Columbia government; and

(9) to borrow from public or private sources for the specific purpose of acquiring land to be held for future development in accordance with the city's approved comprehensive plan; if use or uses programmed for that land are not immediately feasible of attainment, to utilize such land for interim use as would not be inconsistent with the objectives of this Act.

(c) With respect to the financing authority of the corporation subject to the provisions of this Act, the corporation shall have power to—

(1) make, insure, purchase, and sell mortgage loans secured by a mortgage lien, including temporary loans or advances, and to make commitments therefor for the purpose of financing the acquisition, construction, or rehabilitation of any property in accordance with the purposes of this Act and under such terms and conditions as it shall establish;

(2) modify, subject to the provisions of any contract with note-holders or bondholders, with respect to rate of interest, time of payment of any installment of principal or interest, security or any other term of any mortgage, mortgage commitments, contracts or agreements to which the corporation is a party;

(3) in connection with any property on which it has made a mortgage loan, or provided any other form of financial assistance under this Act, to foreclose on any such property and otherwise deal with such property as may be necessary or desirable in order to protect the interest of the corporation therein;

(4) borrow money from private or public sources and to issue debentures including bonds and notes and to provide for the rights of the holders thereof;

(5) as security for the payment of the principal of and the interest on any debentures so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its properties, assets, revenues, or receipts;

(6) loan or grant moneys to private individuals, partnerships, or corporations for the purposes specified in this Act, including those in paragraph (1), and also to assist and encourage the provision of housing for rental or purchase by persons of low or moderate income, as determined by the corporation.

PROJECT APPROVAL

SEC. 202. (a) In accordance with the comprehensive planning and community development objectives adopted from time to time, by the Mayor and Council, the corporation shall prepare, and submit to the Mayor who shall, if he approves, submit it to the Council for a public hearing and approval by resolution an annual program, describing the activities it proposes to carry out during the subsequent year. Such program shall include the corporation's proposed annual budget and financial plan, including an estimate of the amount of bonds and debentures to be issued, and a description of the projects to be undertaken. Approval by the

Mayor and Council shall authorize the corporation to issue the notes, bonds, and debentures necessary to carry out its annual program.

(b) Following such approval, or in conjunction with it, the corporation shall submit specific project plans, including a description of the area, or areas, within which property may be acquired, rehabilitated, developed, or financial assistance provided, together with an estimate of financial cost and feasibility, and a description of the relocation plan for any residents or businesses likely to be affected. Before proceeding to carry out any such project plan that involves the acquisition of private property or the displacement of any resident or business, the corporation shall submit such plan to the Mayor who shall, if he approves, submit it to the Council for public hearing and approval, by resolution, with due notice having been given to affected occupants and property owners.

(c) In preparing both the annual program, and in the preliminary planning for each specific project plan, the corporation shall consult with those agencies of the District of Columbia government charged with the duty of preparing the annual city budget, and capital improvements program, the comprehensive plan, and the community development program for the city. In planning and carrying out each project, the corporation shall establish appropriate procedures for informing, involving and providing opportunities for review and comment by interested and affected citizens and organizations, including the Advisory Neighborhood Council, if existing for the area within which the project is located.

(d) Before approving the specific project plans under section 202(b) the Mayor and Council shall make a determination whether or not private enterprise is able or willing to accomplish satisfactorily, and in a timely manner, the proposed planning and policy objectives.

COMPLIANCE WITH LOCAL ZONING, BUILDING LAWS, AND REGULATIONS AND WITH LOCAL URBAN RENEWAL PLANS; EXEMPTIONS

SEC. 203. (a) In the execution of all projects, the corporation and any of its contractors shall comply with local zoning laws and regulations, with local laws and regulations related to the building and management of real property except as provided in subsection (b). With respect to compliance with this subsection, the corporation shall be deemed a private person.

(b) If an absolute majority of the Board determines that strict compliance with such local requirements would prevent construction of any project, the corporation may petition either the Zoning Commission or Council, as appropriate, for an exemption from such regulation, setting forth the reasons for such exemption and the public benefits to be derived therefrom. The petition for exemption shall be deemed to have been approved by the Council, unless the Council specifically rejects such a petition within sixty days from receipt thereof from the corporation. Such petition for waiver should be included with the submission of specific project plans in accordance with section 202(b) of this Act if the need for such waiver has been identified at that time.

SALE OF PROJECTS

SEC. 204. (a) The corporation may sell, transfer, or lease for a term not exceeding ninety-nine years, a project, or any portion thereof or interest therein, by resolution of an absolute majority of the board of directors whenever it finds that such sale, transfer, or lease furthers the purposes of this Act. This provision shall not apply to temporary leases of less than one year's duration. Such sale, transfer, or lease may be with or without public bidding or sale and upon such terms and subject to such provisions, limitations, requirements, covenants, and conditions as are necessary to further the purposes of this Act. The corporation shall establish policies and procedures intended to maximize competitive interest in the development of such property, and shall also establish procedures intended to insure that a reasonable value reflecting the purposes of the approved project is placed upon the property to be disposed of.

(b) Except when such sale, lease, or transfer is to a governmental agency or instrumentality or a nonprofit development company, the corporation shall cause to be published in the District of Columbia Register and in at least one newspaper of general circulation in the District of Columbia, a notice which shall include a statement of the identity of the proposed purchaser, or lessee, and his

proposed use or reuse of the project, or portion thereof or interest therein, the price or rental to be paid by such purchaser or lessee, all other essential conditions of such sale or lease, and a notice of a public hearing upon such sale or lease before an agent of the corporation at a specified time and place not less than thirty days after such publication. A hearing shall be held pursuant to such notice and prior to the sale, lease, or transfer proposed therein.

ACQUISITION OF REAL PROPERTY

SEC. 205. (a) Subject to the provisions of section 202 whenever the corporation finds that it is necessary or advisable to acquire any real property to carry out its purposes, and a price for such real property cannot be agreed upon within a reasonable period of time, with owner or owners thereof, or where such owner or owners cannot be found, it is authorized to acquire real property by eminent domain.

(b) Condemnation proceedings for the acquisition of real property for said purposes shall be conducted in accordance with subchapter II, chapter 13, title 16 of the District of Columbia Code. The title to properties acquired under this Act shall be taken by and in the name of the corporation and proceedings for condemnation or other acquisition of property shall be brought by and in the name of the corporation.

(c) The Federal Government and the District of Columbia government are authorized to convey land to the corporation through sale, lease, or transfer, with or without consideration.

RELOCATION REQUIREMENTS

SEC. 206. (a) The corporation may not commence acquisition, construction, reconstruction rehabilitation, alteration, or improvement pursuant to any approved project plan unless and until adequate provision as specified in section 202(b) is made for the relocation in decent, safe, and sanitary housing of all persons who will be displaced by the implementation of a proposed project.

(b) Relocation assistance, including payment to individuals, families, and businesses displaced by actions of the corporation shall be furnished by the District of Columbia Central Relocation Office, on a reimbursable basis, in accordance with local law and regulations, provided that the level of such assistance shall not be less than that specified in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Public Law 91-646).

(c) Families and individuals and businesses displaced as a direct result of any activities of the corporation under this Act shall be given a priority of opportunity to purchase or lease, as tenants or buyers in projects undertaken by the corporation, and shall receive a priority equal to that of persons displaced by Government action to fill vacancies occurring in housing owned, leased, or operated within the District of Columbia, by the Federal or District of Columbia governments.

AWARD OF CONTRACTS

SEC. 207. (a) The corporation shall make and publish regulations to assure that all goods, services, and supplies purchased are procured on the most favorable terms available, which shall include provisions for competitive bidding, except that the corporation shall maximize opportunities for participation in all phases of its activities by businesses owned or operated by a majority of persons who are members of a minority group. In this regard, the corporation shall be deemed a Federal agency for purposes of section 8(a) of the Small Business Administration Act.

TITLE III—FINANCES OF THE CORPORATION

PROJECT FUNDS AND BONDS OF THE CORPORATION

SEC. 301. (a) The corporation shall have the power and the authority to meet any project cost through the expenditure of funds appropriated by the Congress, through the expenditure of the proceeds of any government loan; through the issuance of bonds, notes, or other evidences of indebtedness for the purpose; and from any other funds which may be available to the corporation for the purposes of the Act from its own operations or from any other source or sources, including the District government budget and allocation of general or community development revenue sharing block grants.

(b) The corporation shall have the power and is hereby authorized from time-to-time to issue its negotiable bonds in such principal amount which in the opinion of the board of directors shall be necessary to provide sufficient funds for achieving its purposes. Except as may otherwise be expressly provided by the board of directors, every issue of its bonds shall be general obligations of the corporation payable—

(1) from its revenues generally ;

(2) exclusively from income and revenues of the project financed with the proceeds of such bonds ; or

(3) exclusively from the income and revenues of certain designated projects whether or not they are financed in whole or part with the proceeds of such bonds ; subject only to any agreements with holders of particular bonds pledging any particular revenue or moneys.

(c) Bonds issued under the provisions of this Act shall have all the qualities of negotiable instruments under the negotiable instruments law of the District of Columbia.

(d) The corporation is authorized to enter into any agreement or commitment with any Federal or local agency authorized to guarantee, and enter into commitments to guarantee, in whole or in part, the bonds of the corporation for the purpose of financing its projects and activities.

(e) The corporation is hereby authorized to issue bonds and notes in an aggregate amount of not to exceed \$75,000,000, excluding bonds and notes issued to refund outstanding bonds and notes. The notes, bonds, or other obligations of the corporation shall not be a debt or grant or loan of credit from the District of Columbia government, and the District government shall not be liable thereon.

(f) The corporation shall create and establish one or more special funds (herein referred to as "capital reserve funds") and shall pay into such capital reserve funds (1) any moneys appropriated and made available by private or public sources for the purpose of such funds, (2) any proceeds of sale of notes or bonds, to the extent provided in the resolution or resolutions of the corporation authorizing the issuance thereof, and (3) any other moneys which may be made available to the corporation for the purpose of such funds from any other source or sources. All moneys held in any capital reserve fund, except as hereinafter provided shall be used, as required, solely for the payment of the principal or bonds or of the sinking fund payments hereinafter mentioned with respect to such bonds, the purchase or redemption of bonds, the payment of interest on bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity, except moneys in any such funds shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such fund to less than the maximum capital reserve requirement (hereinafter referred to) except for the purpose of making with respect to such bonds payment, when due, of principal, interest, redemption premiums, and the sinking fund payments hereinafter mentioned for the payment of which other moneys of the corporation are not available. Any income or interest earned by, or increment to, any capital reserve fund due to the investment thereof may be transferred by the corporation to other funds or accounts of the corporation to the extent it does not reduce the amount of such capital reserve fund below the maximum capital reserve fund requirement.

(g) The corporation shall not issue bonds at any time if the maximum (herein sometimes called maximum capital reserve fund requirement) of the respective amounts for the then current or any future fiscal year of the corporation of annual debt service with respect to such bonds, such annual debt service for any fiscal year being the amount of money equal to the aggregate of (1) all interest payable during such fiscal year on all such bonds outstanding on the date of computation plus (2) the principal amount of all bonds outstanding on said date of computation which mature during such fiscal year, plus (3) all amounts specified in any resolution of the corporation authorizing any of such bonds as payable during such fiscal year as a sinking fund payment with respect to any of such bonds which mature after such fiscal year, all calculated on the assumption that bonds will after said date of computation cease to be outstanding by reason, but only by reason, of the payment of bonds when due and the payment when due and application in accordance with the resolution authorizing those bonds of all such sinking fund payments payable at or after said date of computation, will exceed the amount of such capital reserve fund at the time of issuance, unless the corporation at the time of issuance of such bonds, shall deposit in such fund from the proceeds of the bonds so to be issued, or other sources, an

amount which, together with the amount then in such fund, will not be less than the maximum capital reserve fund requirements.

(h) In computing the amount of the capital reserve funds for the purpose of this section; securities in which all or a portion of such funds shall be invested shall be valued at par or if purchased at less than par, at their cost to the corporation.

(i) To assure the continued operation and solvency of the corporation for the carrying out of its corporate purposes, provision is made in subsection (a) for the accumulation in such capital reserve funds of an amount equal to the maximum capital reserve fund requirement.

(j) To assure the continued operation and solvency of the corporation for the carrying out of the public purposes of this Act, provision is made for the accumulation in capital reserve fund of an amount equal to the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the corporation then outstanding. In order further to assure such maintenance of the capital reserve fund, the chairman of the corporation on or before September 30 shall certify to the Mayor such amount, if any, necessary to restore the capital reserve fund to an amount equal to the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on the bonds of the corporation then outstanding. The Mayor shall include in the annual budget of the District of Columbia government the amount so certified by the chairman of the corporation.

(k) The corporation shall create and establish such other fund or funds as may be necessary or desirable for its corporate purposes under the Act.

FORM AND SALE OF BONDS

SEC. 302. (a) The bonds shall be authorized by resolution of the board of directors, shall be of such series, bear such date or dates, mature at such time or times, not exceeding forty years from dates of issue, bear interest at such rate or rates, be in such denominations, be in such form, either coupon or fully registered without coupons, carry such registration, exchangeability, and interchangeability privileges, be payable in such medium of payment and at such place or places, be subject to such terms of redemption either with or without premium, as such resolution or resolutions may provide. The bonds shall bear the facsimile signature of the chairman and secretary of the board of directors together with the facsimile seal of the corporation. Coupon bonds shall have attached thereto interest coupons bearing the facsimile signature of the treasurer of the corporation. Any such bonds may be issued and delivered, notwithstanding that one or more officers whose facsimile signatures are upon such bonds and upon the coupons of any such bonds shall have ceased to hold these offices at the time the bonds shall actually be delivered.

(b) The bonds of the corporation may be sold in public or private sale, at such price or prices as the board of directors shall determine. Pending the preparation of the definitive bonds, interim receipts or temporary bonds may be issued to the purchaser or purchasers of such bonds, and may contain such terms and conditions as the board of directors may determine.

(c) Any resolution authorizing any bonds may contain provisions which shall be part of the contract with holders thereof as to—

(1) pledging the full faith and credit of the corporation for such obligations, or restricting the same to all or any of the revenues, rentals, or receipts of the corporation from all or any projects;

(2) the construction, improvement, operation, extension, enlargement, equipping, furnishing, maintenance, and repair of any project or projects and the duties of the corporation with reference thereto;

(3) the terms and provisions of the bonds;

(4) limitations on the purposes to which the proceeds of the bonds then or thereafter to be issued, or of any loan or grant, may be applied;

(5) the rate of rentals or other charges for use of the facilities of, or the services rendered by, the corporation, including limitations upon the power of the corporation to modify any leases or other agreements pursuant to which any rentals or other charges are payable;

(6) the setting aside of reserves or sinking funds and the regulation and disposition thereof;

(7) limitations on the issuance of additional bonds;

(8) the terms and provisions of any deed of trust or indenture securing the bonds or under which the same may be issued; and

(9) any other or additional agreements with the holders of the bonds.

(d) The corporation may enter into any deeds of trust, indentures, or other agreements with any bank or trust company or other person or persons in the United States having power to enter into the same, including any Federal agency, as security for such bonds, and may assign and pledge all or any of the revenues, rentals, or receipts of the corporation thereunder. Such deed of trust, indenture, or other agreement may contain such provisions as may be customary in such instruments or as the corporation may authorize, including (but without limitation) provisions regarding—

(1) the construction, improvement, operation, equipping, furnishing, maintenance, and repair of any project or projects and the duties of the corporation with reference thereto;

(2) the application to funds and the safeguarding of funds on hand or on deposit;

(3) the rights and remedies of such trustees and the holders of the bonds (which may include restrictions upon the individuals right of action of such bondholders); and

(4) the terms and provisions of the bonds or the resolutions authorizing the issuance of the same.

REMEDIES OF BONDHOLDERS

SEC. 303. (a) The rights and remedies herein conferred upon or granted to the bondholders shall be in addition to and not in limitation of any rights and remedies lawfully granted to such bondholders by the resolution providing for the issuance of bonds, or by any deed of trust, indenture, or other agreement under which the same may be issued.

(b) In the event that the corporation shall default in the payment of principal or interest on any issue of bonds after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or in the event that the corporation shall fail or refuse to comply with the provisions of this Act or shall default in any agreement made with the holders of any issue of bonds, the holders of 25 per centum in aggregate principal amount of the bonds of such issue then outstanding by instrument or instruments filed and proved or acknowledged in the same manner as a deed to be recorded may appoint a trustee to represent the holders of such bonds for the purposes herein provided.

(c) Such trustee, and any trustee under any deed of trust, indenture, or other agreement, may, and upon written request of the holders of 25 per centum (or such other percentages as may be specified in any deed of trust, indenture, or other agreement aforesaid) in principal amount of the bonds then outstanding, shall in his or its own name:

(1) by mandamus or other suit, action, or proceeding at law or in equity enforce all rights of the bondholders, including the right to require the corporation to collect rentals and other charges adequate to carry out any agreement as to, or pledge of, such rentals, and other charges and to require the corporations to carry out any other agreements with the holders of such bonds and to perform its duties under this Act;

(2) to bring suit upon such bonds;

(3) by action or suit, require the corporation to account as if it were the trustee of any express trust for the holders of such bonds; or

(4) by action or suit, enjoin any actions or things which may be unlawful or in violation of the rights of the holders of such bonds;

(5) by notice in writing to the corporation declare all such bonds due and payable, and if all defaults shall be made good, then with the consent of the holders of 25 per centum (or such other percentages as may be specified in any deed of trust, indenture, or other agreement aforesaid) of the principal amount of such bonds then outstanding, to annul such declaration and its consequences.

(d) Any trustee when appointed as aforesaid, or acting under a deed of trust, indenture, or other agreement, and whether or not all bonds have been declared due and payable, shall be entitled as of right to the appointment of a receiver, who may enter and take possession of the facilities of the corporation, or any part or parts thereof, the revenues or receipts from which are or may be applicable, to the payment of the bonds so in default, and operate and maintain the same, and collect and receive all rentals and other revenues thereafter arising therefrom in the same manner as the corporation might do, and shall deposit

all moneys in a separate account and apply the same in such manner as the court shall direct. In any suit, action, or proceeding by the trustee, the fees, counsel fees, and expenses of the trustee and of the receiver, if any, and all costs and disbursements allowed by the court shall be a first charge on any revenues and receipts derived from the facilities of the corporation, the revenues or receipts from which are or may be applicable to the payment of the bonds so in default. Said trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any function specifically set forth herein or incidental to the general representation of the bondholders in the enforcement and protection of their rights.

(e) Nothing in this section or any other section of this Act shall authorize any receiver appointed pursuant to this Act for the purposes of operating and maintaining any facilities of the corporation to sell, assign, mortgage, or otherwise dispose of any of the assets of whatever kind or character belonging to the corporation.

REFUNDING BONDS

SEC. 304. The board of directors is hereby authorized to provide, by resolution, for the issuance of refunding bonds for the purpose of refunding any bonds issued under the provisions of this Act and then outstanding, either by voluntary exchange with the holders of such outstanding bonds, or to provide funds to redeem and retire such outstanding bonds with accrued interest and any premium payable thereon, at maturity or at any call date. The issuance of such refunding bonds, the maturities and other details thereof, the rights of the holders thereof, and the duties of the issuing officials in respect to the same shall be governed by the foregoing provisions of this Act insofar as the same may be applicable. Refunding bonds may be issued by the issuing officials to refund bonds originally issued or to refund bonds previously issued for refunding purposes. The proceeds of the sale of any refunding bonds shall be paid to the treasurer and applied to the payment of the principal of, and the accrued interest and premium, if any, on the bonds for the refunding of which such refunding bonds shall have been issued.

(b) Notwithstanding the foregoing provisions of this section, no refunding bonds shall be issued unless the principal amount thereof plus the interest cost thereon to maturity, as determined by the issuing officials in accordance with accepted financial practice, shall be less than the sum of the principal amount of the bonds to be refunded, plus the interest cost thereon to maturity, determined as aforesaid.

AGREEMENT WITH THE DISTRICT OF COLUMBIA AND THE UNITED STATES

SEC. 305. The District of Columbia and the United States hereby pledge to and agree with the holders of any bonds issued under this Act, that the District of Columbia government and the United States Government will not limit the rights hereby vested in the corporation to fulfill the terms of any agreements made with the bondholders thereof, or in any way impair the rights and remedies of such bondholders until such bonds, together with the interest thereon, are fully met and discharged. The corporation is authorized to include this pledge and agreement of the District of Columbia government and the United States Government in any agreement with the holders of such bonds.

MONEYS OF THE CORPORATION

SEC. 306 (a) All moneys of the corporation, except as otherwise authorized or provided in this Act, shall be paid to the treasurer of the corporation. Such moneys shall be deposited in the first instance by the treasurer in one or more banks or trust companies, in one or more special accounts and each of such special accounts shall be continuously secured by a pledge of direct obligation to the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit in such account. Such securities shall either be deposited with the treasurer or held by a trustee or agent satisfactory to the corporation. All banks and trust companies are authorized to give such security for such deposits. The moneys in said accounts shall be paid out on a warrant or other order of the treasurer of the corporation, or of such other person or persons as the corporation may authorize to execute such warrants or orders.

TAXES AND FEES

SEC. 307. The corporation shall in all respects be subject to the payment of any local or Federal taxes or assessments upon any property acquired or used by it and to the payment of any and all license or inspection fees of the District of Columbia or the United States, except that the Council may waive in whole or in part taxes and fees payable to the District of Columbia.

ANNUAL REPORT

SEC. 308. On or before the last day of April of each year, the corporation shall file with the District of Columbia government, and in its principal office, and shall publish notice of the filing record thereof in the District of Columbia Register, an annual report for the immediately preceding fiscal year which shall include the following:

- (1) its operations and accomplishments including all projects approved and their status;
- (2) its receipts and expenditures;
- (3) its assets and liabilities;
- (4) a schedule of outstanding notes and bonds together with a statement of amounts redeemed or incurred; and
- (5) a general statement of objectives for the next fiscal year.

PUBLIC INFORMATION

SEC. 309. The corporation shall maintain and allow public access to its records, and the records of any subsidiary, at reasonable times and at a place it shall designate, and shall provide facilities for reproducing its records at a reasonable cost. These records shall include: the articles of incorporation; the bylaws; minutes of the board of directors' meetings; resolutions of the board of directors with a current index thereto, annual reports, copies of all contracts, grants, loans, deeds, mortgages, liens, leases, and insurance policies; investment portfolios; project plans as submitted for public hearing pursuant to section 202 or as finally approved; and any findings required by this Act.

LIABILITY OF THE CORPORATION

SEC. 310. The corporation shall not be immune from suit brought because of a tortious act committed by any of its agents acting within the scope of their authority or because of breach of contract by the corporation or other failure to comply with its legal obligations.

APPROPRIATION AUTHORIZED

SEC. 311. There is authorized to be appropriated the sum of \$5,000,000, which sum shall be placed to the credit of a special trust fund to be established for the aforementioned purposes of this Act. The special trust fund may be used by the corporation to enable it to commence operations and shall be repaid to the Treasury of the United States within five years after the date of enactment of this Act.

STAFF MEMORANDUM ON H.R. 15363

PURPOSE OF CORPORATION

- (1) Housing finance agency.
Directly or indirectly assist private construction and rehabilitation.
- (2) Developer of last resort.
In areas of high risk.
In cases where private investors are unwilling or unable to undertake certain projects determined to be in the public interest.
Corporation could finance, construct and manage *residential, commercial and industrial facilities*.
to improve neighborhoods.
to relieve underemployment or unemployment.
to increase tax base.

to attract private investment.

Corporation financed by sale of tax-exempt bonds.

backed by reserve funds (minimum capital amount necessary for repayment of one year's principal and interest on bonds or notes of the agency).

eligible to receive government and private loans and grants.

NEED FOR LEGISLATION

(1) In January 1975, city will have authority to undertake reorganization of planning, housing, urban renewal, zoning and development functions now carried on by a number of separate agencies.

A development corporation accountable and responsible to Mayor-Council and reflecting its policies is suggested to carry out planning, financing and building in order to act quickly and effectively.

The establishment by the City Council of a local community development corporation with various financial and legal powers may be subject to legal challenges relating to its authority.

The City Council may not legally be able to create a Corporation with sufficient powers and resources in certain areas, without further authority from the Congress.

(2) National urban renewal programs being replaced this year with a new form of Federal financial assistance involving revenue sharing block grants.

In order to carry out existing and new development programs, new local development mechanism should be *in place* as soon as the new city government takes office in January 1975.

(3) Reorganization of existing agencies won't do the job.

City needs powers and methods of financing, developing—presently, private investors reluctant to invest in certain areas and kinds of development because of:

difficulty of land assembly.

inefficient public review processes.

high cost of land for housing and industry.

high risk of realizing adequate return on investment

uncertain market.

high operating costs.

changing social, physical environments.

(4) Corporation could attract private investment, reduce costs and risks by:

Use of eminent domain to complete land assemblies.

Absorb costs of land acquisition through write-downs.

Direct loans for construction when private funds unavailable.

Private loan guarantees when otherwise unavailable.

Interest subsidies.

Operating subsidies.

Purchase of mortgages.

Direct construction for resale or lease to private entrepreneur.

THE CORPORATION

Board of Directors (9 members):

To be appointed by Mayor, with Council approval.

Three-year terms.

Not more than 3 members to be DC government employees.

Remaining to have expertise in planning, real estate development, construction, property management, finance, community development.

Mayor to designate chairman.

Corporation employees exempt from Civil Service requirements.

PROJECT APPROVAL

Corporation to prepare and submit annual program to Mayor and Council for public hearing and approval.

Program to include Corporation's proposed annual budget and financial plan, including estimate of bonds and debentures to be issued and description of projects to be undertaken.

The following approval, Corporation shall submit specific project plans including:

description of area or areas within which property may be acquired, rehabilitated, developed or financial assistance provided.

estimate of financial cost and feasibility.

description of relocation plan for any residents or business likely to be affected.

before carrying out any project that involves acquisition of private property or displacement, Corporation shall submit plan to Mayor who shall, if he approves, submit it to City Council for public hearing and approval.

adequate notice to be given affected occupants and property owners.

In planning and carrying out each project, Corporation shall inform, involve interested and affected citizens and organizations including Advisory Neighborhood Council, if existing.

Before approving specific project plans, Mayor and Council must make determination whether or not private enterprise is able or willing to carry out such projects.

START-UP FUNDING AND LEVEL OF BONDING AUTHORITY

H.R. 15363 proposes a start-up Treasury loan of \$5 million to be repaid in 5 years.

H.R. 15363 also proposes the issuance of up to \$75 million in notes or bonds to finance its activities.

Vermont bonding authority: \$20 million.

New York bonding authority: \$1.5 billion.

At least 12 other States have no statutory limit.

Major portion of Corporation's administrative and program expenses are expected to be met from interest on loans, fees, service charges, spin-off sales of property to private investors.

Participation in Federal loan or grant programs.

Financial obligations of Corporation would be its own, except:

if general income received by Corporation from sources were not sufficient to maintain a capital reserve fund equal to one year's principal and interest payments on all outstanding obligations, then the Mayor would seek approval in the DC budget for the remainder necessary to maintain such a capital reserve level.

To the extent that the Mayor and Council authorize the Corporation to undertake specific projects which do not generate sufficient income to pay for themselves, and other sources of income do not make up the difference, some direct public subsidy would need to be provided.

this subsidy could take the form of a direct appropriation in the District's operating budget or capital improvements program.

or might involve a portion of the city's general revenue sharing funds or community development revenue sharing funds.

Community Development Corporation concept is endorsed by

Nelsen Commission,

Clark Commission on Urban Renewal, and

Advisory Commission on Industrial and Commercial Development.

Thirty States with housing finance and development agencies:

Alaska.
Colorado.
Connecticut.
Delaware.
Georgia.
Hawaii.
Idaho.
Illinois.
Kentucky.
Louisiana.
Maine.
Maryland.
Massachusetts.
Michigan.
Minnesota.

Missouri.
New Jersey.
New York.
North Carolina.
Ohio.
Oregon.
Pennsylvania.
Rhode Island.
South Carolina.
South Dakota.
Tennessee.
Vermont.
Virginia.
West Virginia.
Wisconsin.

SECTION-BY-SECTION ANALYSIS OF H.R. 15363

TITLE I—GENERAL PROVISIONS

SECTION 101. SHORT TITLE

The title of the Act is the District of Columbia Community Development Corporation Act of 1974.

SECTION 102. DEFINITIONS

Includes definitions used in the Act.

SECTION 103. CREATION OF THE CORPORATION

Provides for the establishment of the Corporation as an instrumentality of the District of Columbia Government.

SECTION 104. BOARD OF DIRECTORS

Provides for the appointment of the Board of Directors of the Corporation consisting of nine members appointed by the Mayor and confirmed by the D.C. City Council. No more than three members of the Board may be employees of the District of Columbia Government, and the remaining members are required to have experience in one or more of the fields of planning, real estate development, construction, property management, finance, or community organization. A majority of the Board of Directors are required either to be residents of the District or to conduct a substantial portion of their business in the city.

The members of the Board shall serve for three year terms, and in the event of a vacancy the Mayor may appoint a successor to serve the balance of the expired term. The Chairman of the Board of the Corporation shall be appointed by the Mayor with the Vice Chairman and other officers shall be elected by the members of the Board. The members of the Board may receive compensation for their services, with the exception of those members of the Board who may be employees of the District or Federal Government, who shall not receive any additional compensation for their services.

The Board shall have full authority to appoint other officers, to hire employees, and to establish their appropriate responsibilities and compensation. The employment system established by the Corporation shall be outside of the Federal or District civil service system and classification laws, except that any Federal or District employees who may be employed by the Corporation may retain the right to participate under the Federal or District government employees retirement system. This provision is intended to assure that the Corporation has maximum flexibility to hire the best talent available, but recognizes the unusually high incidence of qualified employees in the Washington area who have significant investment in the Federal or District retirement system, which might act as a deterrent to their seeking employment with the Corporation. The Corporation shall establish an employment system based upon merit and efficiency, and the provisions of the Hatch Act prohibiting political criteria for employment or promotion, or involvement by the employees in political campaigns, is applied to employees of the Corporation.

The Mayor is given the authority to remove any director for neglect of duty or misconduct, after giving him a copy of charges against him, ten days notice, and an opportunity to be heard.

SECTION 105. LIMITATION OF LIABILITY

Provides that the officers, directors and employees of the Corporation are not subject to personal liability resulting from any activities taken on behalf of the Corporation.

SECTION 106. AUDITS AND REPORTS

Provides that the Mayor and City Auditor may examine and audit the books and financial transactions of the Corporation, and request special reports.

SECTION 107. DIRECTOR'S CONFLICT OF INTEREST

Provides that any director of the Corporation who has a financial interest in any activity which is related to any undertaking of the Corporation shall publicly disclose such interest, and shall not participate in any action of the Cor-

poration affecting such activity. Any director who fails to disclose such interest shall be subject to personal liability for any damages to the Corporation resulting from its action.

TITLE II—POWERS OF THE CORPORATION

SECTION 201. GENERAL POWERS OF THE CORPORATION

Describes the powers of the Corporation with respect to general administrative affairs, including the power to:

1. Sue and be sued;
2. Adopt a corporate seal;
3. Make and execute contracts necessary and convenient for the exercise of the powers and functions under the Act;
4. Utilize the services of Federal or District employees on a reimburseable or voluntary basis;
5. Invest funds in obligations of the U.S. Government, or obligations which are guaranteed by the U.S. Government;
6. Obtain insurance for any of its property and other assets;
7. Engage the services of consultants;
8. Receive or contract for grants of property or financial aid from Federal Government agencies;
9. Establish subsidiary corporations; and
10. Perform other ministerial functions necessary for the carrying out of the purposes of the Act.

With respect to development powers, which are to be exercised only after approval by the Mayor and City Council, and after a finding that private enterprise is unable or unwilling to perform the functions satisfactorily in a timely manner, the Corporation is authorized to:

1. Acquire real or personal property from any private or public entity by purchase, gift or condemnation, and to rehabilitate, improve, alter, demolish or construct improvements on any such property, and to sell, transfer, lease, mortgage or otherwise dispose of such property;
2. Prepare preliminary plans and cost estimates for construction, rehabilitation or alteration of a project (which is defined as a specified work of improvement including land, buildings, improvements, real and personal properties, or any interest therein required, owned, constructed, reconstructed, rehabilitated, or improved by the Corporation, or for which it has provided financial assistance);
3. Grant options to purchase any project or renew leases;
4. Establish restrictions and standards governing the disposition or use of any of its property;
5. Contract with the District of Columbia Government for opening, closing, improvement, purchase or sale of public rights-of-way and other public facilities;
6. Manage its own property, or to enter into agreement with the District of Columbia Government or a private entity for the management of property in conjunction with an approved project;
7. Construct, manage or operate public facilities for the District Government or any other public body, at its request;
8. Exercise the right of eminent domain for the acquisition of property not under the control of the U.S. Government or the District Government, in accordance with an approved project; and
9. Borrow funds from public or private sources for the acquisition of land to be held for future development in accordance with the city's approved comprehensive plan, and to use such land for interim uses that would not be inconsistent with the objectives of the Act.

With respect to providing financial assistance, the Corporation would be empowered to:

1. Make, insure, purchase and sell mortgage loans, including temporary loans or advances, for the purpose of financing the acquisition, construction or rehabilitation of any property in accordance with the Act;
2. Establish and modify, subject to the provisions of any contract with bondholders, the rate of interest and time of payment of any mortgage, contract, or other agreement;
3. Foreclose on any property for which it has issued a mortgage commitment or other form of financial assistance;
4. Borrow money from public or private sources and issue debentures, including bonds and notes, or to accept funds from other sources for its activities;

5. Mortgage and pledge any or all of its properties, assets, revenues or other receipts as security for the payment of principal and interest on any debentures it issued; and

6. Loan or grant monies to individuals, partnerships, or corporations, for purposes specified in the Act, including specifically the encouragement of the provision of housing for rental or purchase by persons of low or moderate income.

SECTION 202. PROJECT APPROVAL

Provides that the Corporation shall prepare and submit to the Mayor an annual program developed in accordance with the city's comprehensive planning and community objectives. This plan would describe the activities it proposed to be carried out during the following year, including a budget and financial plan, and a description of the projects to be undertaken. If such a proposed program is approved by the Mayor, he shall submit it to the City Council, which shall hold a public hearing prior to taking action.

Following such approval, or at the same time as the annual program is submitted, the Corporation shall also submit specific project plans, including a description of the areas in which properties may be acquired, rehabilitated, developed, or financial assistance provided, plus an estimate of financial cost and feasibility and a relocation plan for any occupants likely to be displaced.

Before proceeding to carry out any project plan that involves the acquisition of private property or the displacement of any resident or business, such project plans shall be submitted to the Mayor who, if he approved, shall submit it to the city council for public hearing and approval by resolution after due notice has been given to the affected occupants and property owners.

Both the annual program and each project plan shall be coordinated with the district government agencies responsible for preparing the city budget and the community development program for the city, and the Corporation shall also establish procedures for involving community organizations including, but not limited to, any Advisory Neighborhood Council which may have been established for the area within which the project is located.

Before approving any specific project plan, the Mayor and Council shall make a determination as to whether or not private enterprise is able or willing to accomplish satisfactorily, and in a timely manner, the proposed planning and policy objectives.

SECTION 203. COMPLIANCE WITH LOCAL ZONING, BUILDING LAWS AND REGULATIONS AND LOCAL PLANS

Provides that in carrying out its activities, the Corporation shall comply with all local zoning laws and regulations except that if a majority of the Board determines that compliance with local requirements would prevent construction of any project which has already been approved by the Mayor and Council, then a petition may be filed with either the Zoning Commission or the D.C. Council, (whichever is appropriate) for an exemption. This petition for exemption shall be acted upon by either the Commission or the Council within 60 days, or else it shall be considered to have been approved. The purpose of this section is to insure timely consideration of reasonable requests for changes in existing regulations where necessary and appropriate to permit development to proceed in accordance with an already locally approved project plan.

SECTION 204. SALE OF PROJECTS

Authorizes the Corporation to sell, or lease for a term not exceeding 99 years, a project (or interest therein) when a majority of the Board of Directors so determines that it would further the purposes of the Act. Such sale or lease may be negotiated or competitively bid, subject to such terms or conditions as the Corporation may determine, provided that the Corporation shall attempt to maximize the competitive interest in the development of property and shall insure that the sale or lease charged is reasonable in terms of the purposes and conditions imposed as a result of the approved project plan.

Except when property is disposed of to governmental agencies or nonprofit developer, the Corporation must: publish the notice of sale in a newspaper including the name of the purchaser, the proposed reuse of the property, and the

price to be paid; and then hold a public hearing pursuant to such notice prior to the sale, lease or transfer of the property.

SECTION 205. ACQUISITION OF REAL PROPERTY

Authorizes the Corporation to acquire real property by eminent domain, if necessary, to carry out the purposes of the Act.

SECTION 206. RELOCATION REQUIREMENT

Provides that anyone to be displaced as a result of activities of the Corporation shall be entitled to all relocation assistance and benefits at a level established by the District Government, but not less than those specified in the Federal Uniform Relocation Act. It further requires that any such displacees shall be given a priority of opportunity to purchase or rent space in projects undertaken by the Corporation and shall also be entitled to a priority of occupancy in government owned or assisted housing projects equal to other public displacees.

SECTION 207. AWARD OF CONTRACTS

Requires that the Corporation procure all goods and services under the most favorable terms available, including the use of competitive bidding, except that the Corporation shall maximize opportunities for participation in all of its activities by minority businesses. For purposes of this Act, the Corporation shall qualify for participation in the Small Business Administration set-aside contract program for minority businesses.

TITLE III—FINANCES OF THE CORPORATION

SECTION 301. PROJECT FUNDS AND BONDS

Authorizes the Corporation to obtain financing through the issuance of bonds or notes, or funds appropriated by the Congress, or other funds which may be available to the Corporation from other sources, including the district government budget and the allocation of local general or community development revenue sharing block grants.

The Corporation is authorized to issue up to \$75 million worth of bonds and notes in its own name, backed by its own income and assets. These obligations shall not be backed by the full faith and credit of either the district or Federal government.

As security for the bonds, and to enhance their marketability at a reasonable interest rate on a private market, the Corporation shall establish a capital reserve fund which shall be equal to one year's payment of principal and interest on all outstanding obligations of the Corporation. If at any time the income to the Corporation is not sufficient to maintain the capital reserve fund at this minimum level, the Chairman of the Corporation shall certify to the Mayor by September 30 of each year the difference, if any, between the amount in the fund and the amount needed to maintain the minimum reserve; the Mayor shall then include in the district's proposed budget the amounts so certified.

The Corporation is also authorized to establish such other funds as may be necessary or desirable to accomplish the purposes of the Act.

SECTION 302. FORM AND SALE OF BONDS

Authorizes the Corporation to establish the terms and conditions under which its bonds may be offered for sale, either through private placement or through competitive bid.

SECTION 303. REMEDIES OF BONDHOLDERS

Sets forth the rights and procedures of bondholders of the Corporation and obligations including the procedure for obtaining reimbursement in the case of any default of the Corporation's obligations.

SECTION 304. REFUNDING OF BONDS

Authorizes the Corporation to issue obligations for the purpose of refunding bonds and/or redeeming outstanding bonds.

SECTION 305. AGREEMENT WITH THE D.C. AND U.S. GOVERNMENTS

Provides that neither the District Government nor the U.S. Government will limit the rights and obligations of the Corporation with respect to the terms of any agreements made with bondholders.

SECTION 306. MONIES FOR THE CORPORATION

Provides that the monies of the Corporation shall be deposited in one or more banks or trust companies secured by a pledge of direct obligation to the U.S. Government.

SECTION 307. TAXES AND FEES

Provides that the Corporation shall pay all local or Federal taxes on any of its real properties, except that the D.C. City Council may waive in whole or in part any local taxes and fees which might be otherwise due.

SECTION 308. ANNUAL REPORT

Requires that by May 1 of each year, the Corporation shall file an annual report which describes its activities and accomplishments during the preceeding year, including the status of all projects, its receipts and expenditures, its assets and liabilities, its schedule of outstanding notes and bonds, and a statement of general objectives for its next fiscal year.

SECTION 309. PUBLIC INFORMATION

Requires that the Corporation permit public access to its records of official actions of its Board of Directors.

SECTION 310. LIABILITY OF THE CORPORATION

Insures that the Corporation shall not be immune from lawsuits because of actions committed by any of its agents acting within the scope of their authority or because of breach of contract by a Corporation.

SECTION 311. APPROPRIATION AUTHORIZED

Authorizes the appropriation of \$5 million to enable the Corporation to begin operations, and provides for repayment to the Treasury of the U.S. within five years of the enactment of the Act.

MR. STUCKEY. Our first Witness today is our colleague, the Honorable Walter Fauntroy, Delegate from the District of Columbia, and also the sponsor of the bill. Walter, we are delighted to have you as our first Witness on this very important bill.

STATEMENT OF THE HONORABLE WALTER E. FAUNTROY

MR. FAUNTROY. Thank you so very much, Mr. Chairman.

I want to express to you my appreciation for holding hearings on what I believe to be one of the most pressing issues facing the city today—how are we to organize the resources of local government and the private sector to combat the severe housing and economic development crisis confronting the District of Columbia? Three years ago, I proposed, in H.R. 3265, one part of a solution, an urban development corporation patterned after a similar corporation existing in New York State.

H.R. 15363

With the prospect of hearings on my measure and legislative action this year, I redrafted and updated my initial proposal to bring the

bill in line with events occurring over the past three years. That bill, H.R. 15363, is before you today. The most important of these events, of course, is the advent of home rule government. The home rule bill brings planning and housing functions directly under the control of the Mayor and City Council. Accordingly, H.R. 15363 more closely integrates the operations of the Corporation with the planning processes of the local government. Also, in line with these greater measures of self-government, the bill was modified to eliminate Federal guarantees of the Corporation's bonds. However, under Title V of the housing and community development bill passed last week by the House Banking and Currency Committee, community development corporations, such as is here proposed by H.R. 15363, would be entitled to a Federal guarantee for their bonds.

There is no more important issue facing the District than the alleviation of the truly horrifying housing situation endured by thousands of District residents. The District government has only limited tools available to it to reverse the tide of deteriorating neighborhoods by generating new housing and commercial development.

The District now has no structure adequate to the task of coordinating and effecting the orderly and efficient growth of the community.

NEED FOR LEGISLATION

The Community Development Corporation, proposed by H.R. 15363, would begin to meet that problem. The CDC would bridge the gap between government, where the power of planning and land assembly resides, and private enterprise, where the powers of development primarily rest. The CDC would give the District the power to build on its own initiative housing, commercial, and supporting facilities where the development objectives cannot be accomplished through the normal operation of private enterprise.

The CDC would have the authority to plan, finance, develop, and operate residential, commercial, and related facilities in "risk" situations where development is difficult under the normal operations of private enterprise. As such, the CDC would neither substitute for nor conflict with private action, but rather would create the basic conditions necessary to stimulate private investment. But private action would be guided by housing and commercial development goals established by local government and the Corporation.

Consistent with the actions taken in the Home Rule Act, the CDC is designed to be a part of the District government from the standpoint of overall policy and executive control, but would be a separate entity for administrative and financial purposes. The Corporation would have a Board of Directors which would be appointed by the Mayor and approved by the City Council. This Board of Directors would determine the general policies and procedures of the Corporation.

In accordance with the comprehensive planning and community development objectives adopted by the Mayor and City Council, the Corporation would submit an annual program to the Mayor and City Council, describing the activities it proposes to carry out during the subsequent year. Each year, the Corporation's proposed annual budget and financial plan, including an estimate of the amount of bonds and debentures to be issued and the projects which are to be undertaken,

must be approved by the Mayor and City Council and approved before the Corporation may proceed on any project. The approval of the specific plans can be given only after public hearings by the City Council, with due notice given to affected occupants and property owners of the area.

The Corporation's operations are further integrated with those of the local government by the requirement that the Corporation consult with agencies of the District charged with the duty of preparing the annual city budget, capital improvements program, the comprehensive plan, and the community development program for the city.

The Corporation would establish appropriate procedures for informing, involving, and providing opportunities for review by affected citizens and organizations. In addition, the Mayor and City Council must establish that private enterprise is either unable or unwilling to accomplish satisfactorily and in a timely manner the proposed planning and policy objectives.

The CDC would comply with all local zoning laws and regulations. However, where the Corporation determines that strict compliance with such regulations would prevent construction of any project, the Corporation may petition either the Zoning Commission or the D.C. Council for an exemption. The exemption would be automatically granted unless the Zoning Commission or Council takes action within 60 days of the request. This provides a mechanism that ensures that difficult policy questions related to zoning and codes are confronted and decided and not buried by bureaucratic inaction, as is now so often the case.

The Corporation has two major functions: community development and housing finance. With respect to community development, the Corporation may acquire property, construct or rehabilitate structures, sell, assign, lease, mortgage, or dispose of any of its property or structures.

The potential effectiveness of the Corporation comes from its ability not only to plan, but also to build and manage its projects. After their completion, the Corporation then has the ability to sell its projects, which will enable the Corporation to gain the capital with which to develop new projects and thereby stimulate growth to meet the ever rising and ever changing housing needs of the community. The rebuilding of the riot corridors has been stalled by the unwillingness or inability of the private investor to undertake higher risk development when more attractive and "safer" investments are readily available. The Corporation can fill the void and offer the development momentum necessary to attract private capital.

FINANCING

With respect to housing finance, the Corporation will have the power to make, insure, and sell mortgage loans secured by a mortgage lien. The Corporation will thus be able to provide a secondary mortgage market for the higher risk property in low income areas. The Corporation's financing powers will directly assist and encourage the provision of housing for rental or for use by persons of low or moderate income, where private financial institutions or Federal government programs are unable to do the job.

EMINENT DOMAIN

The Corporation will have the power to acquire real property by eminent domain. The Corporation will have the responsibility of relocating all displaced persons in decent, safe, and sanitary housing before proceeding with any approved project. Those individuals and families who are displaced by the Corporation's projects will be given priority in projects undertaken by the Corporation.

The Corporation and not the District will be primarily responsible for the Corporation's financing. The most important source of funds for the Corporation would be from the sale of corporate bonds. The Corporation would also have the authority to use funds appropriated by Congress, government loans, its own bonds, notes, or debentures, or the revenue from its own operations to meet its project costs. The Corporation would have the authority to issue bonds and notes not exceeding \$75 million, for which it shall be liable. To assure the continued operation and solvency of the Corporation, the Corporation, together with the District government, would create a capital reserve fund which would equal the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the Corporation then outstanding.

The Corporation would be subject to all local and Federal taxes, but the City Council may waive any or all local fees or taxes. This is a means of providing additional subsidies, particularly for persons living in low and moderate income housing.

APPROPRIATION AUTHORIZED

In order to commence operations, the Corporation will receive an appropriation of \$5 million, which will be repaid to the U.S. Treasury within five years.

STATE PRECEDENTS

The concept of the CDC is neither new nor untested. New York led the way in 1960 with a state housing finance agency and followed with an urban development corporation. In the next decade, eleven states followed New York's example. At present, 30 states have housing finance or development agencies, and another ten states are considering legislation to establish such agencies. These agencies' primary function has been to provide financial assistance for the construction of low and moderate income housing. In general, the state finance agencies have been given a broad range of authority which includes both evaluating housing deficiencies and developing programs to correct these deficiencies.

Twenty-nine states have a bonding limitation of at least \$50 million with the vast majority having a higher limit. Seventeen states have the authority to acquire land and 14 states have the authority to undertake the construction of or rehabilitation of housing. Over 20 states have the authority to make construction or mortgage loans.

The more experienced housing finance agencies have been able to deliver their projects for occupancy more rapidly than HUD. The agencies, although autonomous by statute, have established relation-

ships with other state bureaus and have thereby coordinated their planning activities with state departments of community affairs and local social service agencies. Hence the state housing finance authorities in existence have been able to function in harmony with other state agencies and have shouldered the responsibility of meeting state housing needs.

The District of Columbia needs a CDC. Rather than awaiting City Council action next year, Congressional authorization this year is necessary for a number of reasons. The first is timing. Because of the need to organize itself and sort out its legislative priorities, the new City Council might not establish a CDC for a considerable time. Action is needed now. Secondly, Congressional authorization would avoid this delay and accelerate the momentum of development in the Bicentennial period, taking advantage of new Federal housing legislation expected to go into effect in January of 1975. Finally, and of great importance, Congressional approval establishing the Corporation may avoid much time-consuming test litigation to determine the exact limits of the Corporation's authority, and also would result, I have been advised, in a higher degree of marketability for the Corporation's bonds.

If the CDC is authorized, the District government will have more flexibility in determining how it wishes to organize itself in terms of how much of which functions to assign to various city departments. The city will have at its disposal and control an instrument with which it can lead the way to an integrated and responsive program to meet the Nation's Capital's housing development needs.

Thank you, Mr. Chairman.

MR. STUCKEY. Thank you, Walter. We appreciate your statement. Let me ask just a couple of brief questions. You mentioned in your statement the timing of going ahead and creating the CDC now, instead of waiting for the elected City Council, and I agree with you; I think some time would be lost. Do you have any doubt that the new City Council might not go ahead and establish a CDC, if we do not now?

RECOMMENDS LEGISLATION NOW

MR. FAUNTROY. I have no doubt but that the City Council would ultimately adopt the Community Development Corporation. I say that against the background of the considerable experience of a number of inner city communities that have taken advantage of the planning capabilities available to citizens through the renewal process; but who, when it comes to development itself, have recognized for the last 4 or 5 years the urgent need of a corporation of this nature to attract the kind of tax-exempt money that would enable us to get the ball rolling in terms of development. So that there is an unusually high recognition in this community of the need of this type of corporation, and my only concern is that the new city government, having so many other adjustments to make, may not get around to this in time for us to get underway on land that is available; and within plans that are already approved, the kind of development that would make not only the city, but I think the nation, proud of the Nation's Capital during the Bicentennial celebration.

SCOPE OF THE CORPORATION

Mr. STUCKEY. Let me ask you this. Do you anticipate that there would be some situations where the CDC would be competing with a free-enterprise system? I know that it states that it will not, but I am curious as to what would be the determining factor as to when they would go in and take on a project where some aspects of the free-enterprise system might be willing to take this on.

Mr. FAUNTROY. Again, against the background of my considerable experience working in the areas to which I think the CDC would give its attention, let me say that there is no danger within the next few years of the CDC in any way competing with private enterprise and development. I can imagine that once CDC has capitalized and spent \$75 million a couple of times in some of these areas, to start the development ball rolling, that there will be instances where a question will develop; can this best be done by private enterprise, or do we still need the kind of development trigger that a community development corporation of this nature can give? And I think the fact that the CDC will be a function of District government, which is an elected process, will serve to resolve those kinds of conflicts. I just wish that we could leap over the initial periods of development, where we could anticipate that kind of development. Right now, it is not a problem.

Mr. STUCKEY. You said, "that the City Council has established that private enterprise is either unable or unwilling to accomplish satisfactorily in time for the proposed planning and policy objectives." I just hope those safeguards will be built in.

FUNDING

Do you have any doubts or any questions as to the ability to pay back the \$5 million within the five years?

Mr. FAUNTROY. Again, not at all; for the reason that I think the most pressing need for the kinds of facilities, both residential and commercial, that the CDC would address, assures the return on that investment. Or, to put it another way, the market for the housing, for the commercial facilities, has not left the city. The facilities and the housing have. Sound investment and development policies, which I think would have to be undertaken by a CDC that has as many responsibilities as we give it, combined with the overwhelming demand for the facilities which would be made available, virtually assure, I think, the solvency of this undertaking. And, as the experience in other cities—and New York State in particular—suggests, these corporations are substantial and solvent.

BONDS

Mr. STUCKEY. What about the sale of the bonds? Do you anticipate any problem with that?

Mr. FAUNTROY. I could just say that if inflation continues, the people who might be attracted to quasi-public corporation bonds, which are tax exempt, may find themselves looking to that means of investment almost exclusively. But the key to this, of course, is the fact that

the interest on bonds purchased here is tax-exempt, and I do know—well, I've read of, I do not know any, but I've read of a great many people who would love to get rid of some money in this way, at the same time that the taxes on the interest could be exempt. So, I do not think that that is going to be a problem. None of the others have had that problem.

Mr. Gude?

Mr. GUDE. Thank you, Mr. Chairman.

COMMUNITY INVOLVEMENT

I take great heart in this legislation, as I see a device by which we can break the logjam that seems to have developed at RLA, in which we have an accumulation of rundown housing and vacant lots around the city; and they are not going into either commercial or residential facilities. What worries me—and I like your observations as to—say this corporation is able to break this logjam, and get new housing on the market. What kinds of guarantees do you see in here that there will be the follow-through, to see that the type of community facilities and services are available, so that this is not like a lot of other housing across the nation, which will deteriorate back to ghetto and slum housing within a few years?

Mr. FAUNTROY. The key to the solution to the problem you point out is the amount of community involvement. Again, I bring to you the reasons for my sponsoring this bill. Five or six years ago, I had the vision—well, it has been a little more than five or six years ago by now—I had the vision of a community involved in the planning of the facilities; the physical planning of its community, and its social planning, could generate enough genuine citizen participation, on the one hand, to easily approve a balanced land use plan. And once that land use plan were approved, to plunge vigorously into the development.

The organization which I founded, the Model Inner City Community Organization, was successful, I think, in demonstrating the effectiveness of citizen participation in planning. It was at the point of development that we failed, because they did not have this kind of tool or this kind of authority to carry out development. I think that once we have the kind of authority that we are able—a community development corporation like this—to bring in the money to do the development, what we will have to do is to reconstitute groups like AMICO to insure that the developments that result from the action of the CDC are protected by adequate social planning, both with respect to the maintenance and upkeep of the facilities, and also with respect to the social and economic needs of the people who would enjoy them.

To make it more specific, it had been my vision that a community participation organization, once housing had been developed, would be involved in housekeeping, training, and social services for the people who would be moving into these new facilities. And it is that kind of factor which I think will assure that the investments which will be sound which produce the facilities will be protected by a concerned citizenry, organized for upkeep purposes.

Mr. GUDE. One area I have been particularly concerned about over the last several years has been the continuing reports of faster-rising food prices in the Washington metropolitan area vis-a-vis other metropolitan areas across the country; and I have done considerable investigation of this, and the Federal Trade Commission has had this problem under consideration for some time. Unfortunately, they dropped the case, although the Commission informed me that there was an oligopoly of food markets in the Washington area. They indicate it is not desirable, that they do not seem to be able to come to grips with the problem.

One of the needs we have here in the inner city is for more supermarkets, other than of the big chains which dominate this metropolitan area, and food prices that you have here in the inner city are the same ones that you have in the suburbs, and there is a consistently higher trend. I was wondering—you mentioned commercial facilities and the possibility of attracting supermarket competition into the area, and providing more facilities. The need is much greater in the inner city, but to the extent we get competition here in the inner city, it is going to help the entire metropolitan area.

FOOD SERVICE FACILITIES

Mr. FAUNTROY. Congressman Gude, you really strike a responsive note with me again on that point. I hope you do not mind if I take a little time to answer. The fact is that one of our greatest needs in this community development area in the communities where the government has already made a substantial investment, like the urban renewal areas, is to be able to attract food service facilities. I think, now, in the renewed area of a two-block area that we designated for commercial development four years ago, on Seventh Street adjacent to two brand-new 236 buildings that are now filled—one 217 units, another a 148-unit building—where, in the future, there will be a subway stop, and where in the last five years we have lost all but one major chain food service market. We have tried desperately—and I just might say, Safeway and Giant have moved out—to arrange for a market like big V Markets, which is a minority-owned effort, to provide food service within the inner city, to acquire and provide the service that is needed—the demand is there—but which, for reasons that are unclear to me, the major chains are not willing to exploit. One of the major problems with the Big V Markets of Washington—and I say Big V as a category, not as a specific market—is that it is next to impossible to get the kind of investment capital seed money that would enable it to provide the kind of economies of scale that the major chains can provide.

Now, I am sure that if we had this reservoir of bond money available to such entrepreneurs, we would no longer have the kind of oligarchy that has developed in this area, and I think if you keep me speaking, I may just beg you, Mr. Chairman, to get this to the floor real quickly, and let us get started. I think, in short, that is one area where, with sufficient capital, others can come in and effect the kind of economies of scale that will end what appears to be oligarchic control of food.

Mr. GUDE. When I mentioned the oligopoly situation, which the FTC commented on in the metropolitan area, the situation is more critical in the inner city.

Mr. FAUNTROY. Oh, it is.

Mr. GUDE. The oligopoly I spoke of, which the Federal Trade Commission commented on, is for the entire metropolitan area. But within the boundary lines of the District itself, it is even greater, as you mentioned.

Mr. FAUNTROY. It is.

Mr. GUDE. To the extent that the bill could possibly use amendments or changes to help foster this competition, I think it might be helpful that we might have some further discussions to that end. But I do not want to impede its passage to the floor.

Mr. STUCKEY. Thank you, Mr. Fauntroy. We certainly appreciate your testimony, and the answers to the questions this morning. I agree with you. I think that there are a lot of pressing aspects to this bill, that the Subcommittee should certainly go ahead as quickly as possible. Thank you.

Mr. FAUNTROY. Thank you.

Mr. STUCKEY. The next Witness this morning, James Banks, director, Office of Housing programs for the District of Columbia. Mr. Banks, we are delighted to have you with us, and if you would like, we would be delighted to have you summarize your testimony this morning. But that is entirely up to you.

STATEMENT OF JAMES G. BANKS, DIRECTOR, OFFICE OF HOUSING PROGRAMS, DISTRICT OF COLUMBIA

Mr. BANKS. Thank you, Mr. Chairman. I will be as brief as possible.

Mr. Chairman and Members of the Committee, it is my pleasure to appear today to discuss H.R. 3265 and H.R. 15363, bills which would establish an urban development corporation in the District of Columbia. The idea embraced in these bills is one that is not unfamiliar. It has been tried in a number of jurisdictions. It has been studied locally by private groups and is being studied currently by the city. Because of new developments and ideas in this area the bill which is now before this Committee—H.R. 15363—is a substantially revised version of H.R. 3265 which was drafted several years ago.

RECOMMENDS H.R. 15363

I have studied the revised bill. It seems to me that it represents the direction in which the city wants to go. The District Government supports the idea of the need for an urban development corporation to act as a developer of last resort, and as a high risk finance agency. We are fully aware from experience here and in other jurisdictions that certain types of development which are essential to the viability and continued growth of the city will not occur if the city has to rely solely on private enterprise. Private enterprise will not take the risks which are involved in some development projects which the city needs. A private development corporation with some type of city subsidy will be necessary if we are to have certain types of development started.

AMENDMENTS PROPOSED

Accordingly, the District Government can support enactment of a bill to establish an urban development corporation. We do, however, have a number of amendments to recommend which we think will strengthen the bill and reaffirm the Congressional commitment in the D.C. Self Government and Governmental Reorganization Act that local planning be centralized in the Mayor and City Council. Discussing these recommendations in the order they appear in the bill, they are as follows:

Powers of the Corporation: Sec. 201

There are several items in section 201 which may need to be revised to avoid unnecessary problems and clarify certain powers. We think section 201(a)5 should provide that funds can be invested in obligations which are guaranteed by the U.S. Government as well as the District Government. In our view, Section 201(b) (7) should be eliminated since there is no need for this Corporation to construct or manage public facilities. We think section 201(c) (6) should be revised to provide that "low and moderate income persons" should be defined by the City Council as may be provided in any program approved under section 202 by the Mayor and City Council. This is in keeping with the probable actions which the City will have to undertake once Community Development Revenue Sharing comes into being in lieu of the present HUD categorical grant programs which define "low and moderate income persons."

We suggest that the power of eminent domain be deleted. Such powers must be retained by the City to assure equitable use of this powerful public authority.

Project Approved: Section 202

An annual program and budget, similar to the annual urban renewal Neighborhood Development Program, is to be prepared by the Corporation and presented to the Mayor and Council for their approval. We believe planning, programming and budgeting for an instrumentality of the D.C. Government, such as this one, must be lodged within the City Government's housing and community development organization.

We say this based on our concern that housing and community development policies, plans, programs and budgets originate from one source and not be fractionalized. The Nelson Commission and the Clark Commission, advising the City Council's Housing and Urban Development Committee, recognized the need to consolidate policy making. Placing planning, programming and budgeting within the Corporation would create another orbit of policy control outside of the City Government. The bill states only that the Corporation should "consult" with District agencies in the development of its plans. This does not require the Corporation to conform with other District departments plans and programs. The bill should clearly provide that the Mayor is responsible for community development planning and

that the Corporation's activities and projects will be designated in the Mayor's plans.

BIANNUAL BUDGET

It is also our view that the program budget should probably be a biannual one with suitable provision for amendment at the initiative of the Mayor. This would allow sufficient lead time to produce visible results before the Corporation returns to the City Council and the Mayor with another request.

At the time of the biannual presentation, the specific plans should be presented along with the projected relocation workload. The language under "Project Approval" should include specifics to be provided by the plan. Among these should be height, bulk, density of proposed buildings, unit mix of proposed housing, including projected rental and sales prices; projected floor space of commercial and industrial buildings and their projected rentals; circulation and parking.

COUNCIL APPROVAL

We also think it important that the bill require the Council to approve Corporation programs and projects by "act". This will protect the integrity of the Mayor's approval of Corporation proposals in the event the Council recommends changes which are acceptable to the Corporation. It will also provide some security to the developers involved in the Corporation's projects since the "act" of the Council will be subject to a 30-day layover period during which the Congress can express its approval or disapproval; if the Congress does not disapprove a project, then it can proceed with a degree of certainty which would not be possible if the Council proceeded by resolution only.

BOARD OF DIRECTORS

The Mayor should be authorized to appoint the Chairman and Vice Chairman of the Board of Directors. This will reassure that the Board is responsive to the Chief Executive of the City. For the same reason, we also think members of the Board should serve at the pleasure of the Mayor instead of as provided in Section 104(f). We think those provisions of Section 104(e) which would preserve to Corporation employees rights which they had when they were Federal or District Government employees are unnecessary and convey the idea that the Corporation may be staffed with personnel transferred from existing civil service jobs. There is no reason to assume that this may occur.

COMPLIANCE WITH LOCAL CODES SEC. 203

The Corporation should not have the power to override local codes, particularly when it is an instrumentality of the D.C. government. If local codes appear to need revision, they should be changed permanently by the City government through its professional review committees, as is the current practice. Should the Corporation feel changes in codes are needed, it should bring that concern to the attention of the Zoning Commission or codes division of the Department of Economic Development.

RELOCATION FINDINGS

The bill should clearly state whether or not displacees from Corporation activities are "public displacees."

If so, their priority to occupy publicly owned, leased, or operated housing is guaranteed by the D.C. Relocation Regulations and Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. We suggest reference be made here to both the D.C. Relocation Regulations and the Mayor's Relocation Advisory Committee which recommends legally required "relocation findings" to the Mayor and establishes the sequencing of public displacement projects to be serviced.

We further suggest that specific relocation findings be made for each site as it nears development to assure accuracy in the finding. The bi-annual projection of total relocation would serve as a ballpark projection only and would not be a legally required "finding."

SALE OF PROJECTS

Sec. 204(b) should clarify if the hearing prior to sale is to be held by an agent of the Corporation and whether that hearing is subject to the D.C. Administrative Procedures Act.

PROJECT FUNDS AND BONDS OF THE CORPORATION

In the interest of maintaining the integrity of budget control by the City, we suggest that Sec. 301(a) state that any funds appropriated by the Congress go to the District Government rather than directly to the Corporation.

We want to avoid having the Corporation, as a separate entity, approaching the Congress with independent budget requests which may affect the overall District Government funding picture.

We also do not support the provision in the bill which gives the Corporation the power to issue its own bonds. The City can use its power to issue bonds to raise funds which may be required by the Corporation.

EXISTING DEVELOPMENT CORPORATION

The District has recently created a development corporation mechanism comprising the entities of the Model Cities Housing and Economic Development Corporations and the former OEO-funded nonprofit HDC.

This single development corporation will have a revolving loan fund for housing loans for repairs, seed money for new development, and risk money for commercial ventures with an equity return.

The corporation will be empowered to operate throughout the Model Neighborhood as well as the Fourteenth Street corridor, most of which is currently designated urban renewal areas. The Corporation's components' track record includes ownership and management of two moderate rent apartment buildings, loan money to permit minority purchase and operation of several inner city businesses employing Model Neighborhood residents, and rehabilitation underway of approximately fifty single family homes for moderate income sales.

This Corporation, we feel, can serve the city well until such time as a better financed corporation with broader powers and no geographic limits within the city is established.

I hope, Mr. Chairman, that my comments have conveyed our general support for the concept of a development corporation while expressing the City's reservation about certain provisions.

I hope our concerns will be given consideration in any redrafting of the bill. Several District departments stand ready to participate in any rewriting.

Thank you for this opportunity to testify. I will be happy to answer questions.

Mr. STUCKEY. Thank you, Mr. Banks.

BENEFITS OF DEVELOPMENT CORPORATION

Mr. Banks, of course, with the reservation that you do oppose the forming of the CDC, do you think that this will help in certain areas, particularly the areas in the part of the city that was burned down during some of the riots?

Do you think it will be able to help in areas like that?

Mr. BANKS. I do, indeed. For example, in the Fourteenth Street Corridor, where we have not been able to attract private funds for commercial investment, I think that a corporation of this kind can initiate commercial development which will generate private interests. I think that the market is there for the success of a commercial venture, and I think that the government needs to have an instrumentality which will start the ball rolling, so to speak.

Mr. STUCKEY. And yet, you do not feel like the economic development corporation's policy of housing and designating the area as an urban renewal area, you do not feel that these forms of correcting the problems of the Fourteenth Street Corridor have really been effective so far?

Mr. BANKS. Unfortunately, the Model Cities area did not extend to the Fourteenth Street Corridor until last month, and this merged corporation I just mentioned has just been merged and is not, as a matter of fact, fully operational at the moment. And I feel that it can be helpful in the Fourteenth Street Corridor.

Mr. STUCKEY. Do you feel the financial obligations of the corporation would be a burden on the local and national taxpayers, or do you feel that the corporation can pay its own way?

Mr. BANKS. That is probably one of the most complicated parts of this consideration. As I indicated in the testimony, I feel that the funds for the operation of the corporation should be raised by the city government. I think that it is highly possible, as long as we have categorical grants from HUD for Model Cities or urban renewal, that some of those funds could be committed by the city to absorb any losses which this corporation might experience during its first years of operation.

If indeed we have the Better Communities Act, the city would have the authority to use some of those funds for the same purpose. So I think the city has or will have the means of providing the kind of support which would be required to make certain that no burden of

consequences falls either on the District government or the Federal government.

Mr. STUCKEY. Mr. Banks, how do you visualize the CDC, if and when it is formed, relating to the other agencies or something like the proposed National Housing and Urban Development bill, or the existing urban renewal projects?

Do you see it as setting off separately doing its own thing or integrating it within the existing programs?

Mr. BANKS. I see the city beginning July 1 under the home rule bill reorganizing itself to develop annual community development programs, and being rather specific about it, and identifying in those plans those areas or those projects for which there is no expressed private interest in developing, and to go directly to the corporation with those projects and say, for example on the Fourteenth Street Corridor, we need this site developed. We have made it available to private interests. They have not taken it. This is the kind of building we want built there and we sell them the land and they build the building in accordance with the general plan.

I see that kind of specific relationship between the corporation and city government.

Mr. STUCKEY. Thank you, Mr. Banks.

Mr. Gude?

Mr. GUDE. No questions.

Mr. STUCKEY. Thank you, Mr. Banks.

Mr. HOGAN. Mr. Chairman, may I just ask one question?

Mr. STUCKEY. Certainly. I am sorry.

FINANCING

Mr. HOGAN. Mr. Banks, I think that the items brought up in your statement, the recommendations for amendments, are excellent, especially as to the power of eminent domain, relocation and other things.

I wonder, are you familiar with the New York Urban Development Corporation in New York State?

Mr. BANKS. I have read quite a lot about it. I have not visited with the organization or seen anything of its projects.

Mr. HOGAN. One of the problems they have had—they have approximately \$800 million outstanding now, which they have raised through bonding authority. And I have a copy of their recent prospectus for \$100 million in general purpose bonds that they were trying to issue. The prospectus is dated May 1, 1974, and the underwriters were First Boston Corporation and five or six other underwriters.

They withdrew this offering from the market because the best rate they could get was eight percent, and these are not taxable. Now, theretofore I think the offering was stated to be at seven percent. The prospectus called for seven percent. Theretofore, I think the highest rate they had paid was something like four percent, with an eight percent tax-free, Federal tax-free rate. You would have an effective rate, I suppose, to the average individual of somewhere, maybe 12, 13, 14 percent. And I wondered what category you fell in on the progressive rates for the Federal taxes.

Given that fact, the fact that they withdrew this, and it is unknown—I spoke to one of the officials of the New York Development

Corporation itself—do you think that the government, the District government that will be taking over in January will be willing to pay the high rate of 8 percent, possibly more, that they might have to effect in order to set up a corporation such as this?

Mr. BANKS. That is, of course, a critical question. Obviously, the advantage of issuing bonds which are tax-free is to enable the corporation or the city to get funds at lower interest rates than would be possible on the market. And there has been some indication—I read an article the other day that some investors are becoming somewhat leery about investing in bonds of this kind, and therefore the interest rates are going up.

I would think, as I suggested in this testimony, that it would be much more probable that bonds issued directly by the city government would enjoy better marketability than those that would be issued by a corporation without a direct relationship to the city government.

Mr. HOGAN. And that is why your recommendation was that the approval should be an act of the local government rather than by resolution, I take it, so that you would have that additional assurance?

Mr. BANKS. That is correct.

Mr. HOGAN. Given that fact, is there possibly some argument for the fact that maybe the new government should have the authority to decide how it wants to put this thing together?

Mr. BANKS. Do you mean in terms of the total corporation?

Mr. HOGAN. In terms of how it should be organized—established.

Mr. BANKS. I think there is a lot of merit to the arguments which have been made, which were made by Mr. Fauntroy, to the effect that the time is a critical question. There are a number of actions which must be taken before a corporation of this kind could get into operation, and I therefore feel that it would be beneficial to have this legislation prior to January 2.

Mr. HOGAN. You would have the authorization for the bonding going up to Congress for the layover period based on the acts of the Council.

What would be the action as far as the Appropriations Committee is concerned? Would they have any authority to review the bonding authority?

Would you have the authority of the development corporation to issue bonds within the 14-percent limitation of the local government?

Mr. BANKS. As it is proposed in this bill, as I understand it, that authority would be separate from the authority for raising capital funds, and the 14-percent limitation.

Mr. HOGAN. That is right.

But under your proposal, would you want it under the 14 percent limitation?

Mr. BANKS. The city, I think, would have to use its best judgment year to year as to whether it wanted to try to fund it under the bonds issued with the 14 percent limitation or under the revenue bonds which it has also authorized to be issued in the home rule bill.

Mr. HOGAN. The New York State prospectus for the \$100 million bond which they pulled back from the market indicated that they started, I think, in 1968. They actually got going in 1969, and the prospectus indicates that they do not expect to be in the black until 1979. That would be ten years from the date of the organization of the

corporation. Now, that was based principally, I gather, on non-taxable interest bonds going at about four or four plus percent on the market. And I assume if you had to go out and issue bonds that carried, let us say eight percent or even seven percent, and that was the principal rate that you were paying on your bonds, that the period within which you could get in the black with a corporation such as this would be substantially longer than the ten years which New York is experiencing.

Mr. BANKS. I would assume that to be true, but my general position with respect to a corporation of this type, which I identify as a last resort corporation, is that in some instances in order to generate private interest in investment, the Government may have to take some losses, and I think that is almost inevitable and that is the reason I referred to a possibility and probability of the D.C. Government using some form of present categorical grants from HUD to bail out the corporation in its early years and assigning some reserve over the years, provided the Better Communities Act passes to facilitate this kind of function.

Obviously, if we are saying, in effect, that the Federal or District Government has to take some risk in neighborhoods where private interests are not willing at this time to take it, it envisions some possibility at least of loss, and I think that should be taken as a matter of course in the purpose of this corporation.

The purpose of the corporation, as I see it, is to play the role of catalyst, but the assumption is that while the Government may lose some money in the process of playing this catalytic role, over the long haul, having generated private interest and private investment, it will get that back in the form of new taxes and more employment opportunities and better housing and so forth.

HOUSING

Mr. HOGAN. There have been statements about the role that this corporation would play with respect to housing in the District of Columbia. The principal thrust of this bill is not a housing agency.

Now the State of Minnesota has a state housing agency. Virginia has a state housing agency. Obviously, it mainly assists in the housing market in those states. This goes much further than that in the sense that it is a development corporation such as there is in New York State. Some of it, I suppose—and I do not know whether they have a separate subsidiary which is a housing agency, which is part of the development corporation in New York—how would you envisage this corporation here? Would it be a subsidiary of the corporation? Would it be just part of the function of the corporation?

Mr. BANKS. I see the housing function as being an integral part of the operation of the corporation. I think we are talking about community development and that is what I see this as. We are talking about total community development and the corporation having the authority to engage in development of any sort that is required to achieve the community development objectives.

So I do not think it ought to be restrictive. I think it ought to be broad enough to include commercial, industrial and housing. But I

think the projects it undertakes ought to be identified specifically by the city as it promulgates its community development plan.

Mr. HOGAN. Thank you, Mr. Chairman.

Mr. STUCKEY. Thank you, Mr. Banks. The article you submitted will be included at this point.

We are running a little short of time. The House is going in session today at 11:00 o'clock, and if it is agreeable with the witnesses who have not testified so far, if you would all be kind enough to submit your statement for the record. If it would be possible and agreeable to those of you who are here, please come to the witness table at one time; some of us do have some questions from having read your statements.

We would like to ask would that be agreeable to everyone? Does anyone have any objections to doing it that way?

[No response.]

Mr. STUCKEY. Very well. I think we can move on.

Mr. Mister, Mr. Miels, Mr. Linowes, Mr. Comings, Mr. Hopkins and Dr. Reuss.

[The prepared statements of Dr. Margaret Reuss, Mr. Hugh Miels, Mr. R. Robert Linowes, Mr. William D. Comings, Jr., Mr. Albert R. Hopkins, Jr., and Mr. John J. Gunther follow their remarks.]

[The articles referred to follow:]

SLAMMING THE BACK DOOR?—BOND BUYERS GROW UNEASY OVER "MORAL OBLIGATIONS"

More and more, New York City is borrowing from the State's experience with imaginative public financing. Gotham is now using public corporations to incur debt outside its constitutional limitations. And, Fun City increasingly is issuing debt to finance current operating expenditures.

So states a Report on the Debt Structure of The City of New York issued today by NY State Comptroller Arthur Levitt, a Democrat. His figures show the City with a long-term outstanding debt of \$6 billion, plus \$1 billion of the back-door financing variety.

Ironically, the City's bypass financing may be on sounder footing than that of the State. Thus, if the City defaults, the State under law is required to divert State aid due the City to pay the bondholders.

(By Margaret D. Pacey)

Last week's largest tax-exempt offering—\$103 million of New York State Housing Finance Agency bonds—went off without a hitch on Thursday, considering the state of the market. Bearing as high as a tax-free 6 $\frac{7}{8}$ % coupon, the A-1 rated 40-year issue attracted strong demand from individual investors. Under other circumstances, the sale would have been pretty much a run-of-the-mill affair. However, for reasons apart from the high yields being demanded by investors these days some New York State bonds—as well as New Jersey's—are being subjected to hard scrutiny.

Not all New York bonds, to be sure. Those issues which have been submitted to voter referendum, and which consequently are backed by the full faith and credit of the state, are relatively unaffected. New York has roughly \$3.4 billion of such "municipals" outstanding.

VOTERS IGNORED

But, in recent years New York State (and others) have been tapping the bond market with a series of hybrid tax-exempts. These differ from traditional issues because they lack voter approval. Instead, the borrowings have been authorized by the state legislature, but fashioned in such a way as not to represent direct liabilities of New York, hence, voter okay has not been necessary.

The bulk of these bonds, though, do carry the "moral obligation" of the state to make good if for any reason default occurs.

In the light of the recent controversy over the bonds issued by the Port Authority of New York (Barron's, May 6), there's at least a question among bond dealers as to how good those "moral" IOUs are. The Port Authority issue revolves around repeal of a covenant which expressly forbids use of any of that agency's funds for mass transit, and thus represented additional security for investors. In recent weeks, New Jersey (which together with New York holds sway over the bi-state agency) has repealed that covenant; in New York a bill passed by the legislature awaits Governor Malcom Wilson's signature to become law.

A court suit (in New Jersey) already has been instituted on the matter and the ripples are being felt. Thus, the aforementioned HFA issue came to market—but at a high cost to the issuer. The underwriting spread was an unusually large \$23 a bond; a more typical cost is \$16.

BOLD AND IMAGINATIVE

Apart from the moral questions involved in a government body unilaterally reneging on a commitment, the action could make such "back-door" financing increasingly difficult. Hence state and local governments which have followed New York's lead in the use of such bonds may be forced to find new sources of funds.

Also known as voter-bypassed bonds, the hybrids were developed for New York in the early 1960s by John Mitchell, more recently Attorney General, but then bond counsel to New York State. The financing was labeled "bold, new and imaginative" when announced at the time by Governor Nelson Rockefeller, who planned to use them to finance an ambitious state-wide construction program.

Such tax-exempts have rapidly taken hold. In New York alone, the amount of bonds outstanding ballooned from \$129.2 million in 1962 to \$5.6 billion in 1972, and on March 31 of this year stood at \$7.9 billion. This is well above the voter-approved outstanding debt of \$1 billion in 1962, \$3.3 billion in 1972 and \$3.4 billion in 1974. What's more, some \$9 billion of such "fancy" financing has been authorized, and 15 of the new-fangled agencies established to raise money in this fashion have no limit on the amount of debt they can issue. Such figures compare with the \$2.8 billion of voter-approved bonds which have been authorized but not issued.

THE MOST BINDING

There are basically three types of such hybrid financing (see table). One involves lease-purchase agreements, and are the most binding. The bonds are secured by rental revenues derived under a long-term legal contract signed by the state and a public corporation. These issues are designed to be self-supporting, with specific revenues to which bondholders can look for repayment. The cash received from the state as rent is being used to pay bondholders interest on the debt and for amortization of the principal.

Then there are bonds secured by commitments of state aid. These are somewhat similar to lease-purchase agreements, but are not limited to state projects. Instead, they help provide money for municipalities for construction of local facilities by the establishment of a borrowing agency, such as the Community College buildings financed by the Dormitory Authority. As in the case of the lease-purchase-backed bonds, there is a legal binding contract between the state and the issuing agency that help secure the underpinnings of the financing.

That's not the case with the so-called "moral obligations," which also happen to be the fastest growing of the breed. They enjoy no access to the state's purse on a regular basis; in fact, such access is only available if the state lawmakers pass the necessary legislation. Nonetheless, "moral" IOUs outstanding have nearly quadrupled in the past decade; in the past two years, the total has mushroomed from \$2.7 billion to \$4.1 billion.

NOT ENFORCEABLE

Usually, the moral obligations carry a disclaimer similar to the one used by the New York State Urban Development Corp. last year in selling its \$100 million of 6½s of 2013. Should there be any deficiencies, said the indenture, "all moneys

to be paid to the Corporation . . . must first be appropriated by the State Legislature . . . such provision does not constitute a legally enforceable obligation to the State or create a debt enforceable against the State. . . ."

Encouraged by New York State's success in marketing moral obligations, other states are following suit. To illustrate, New Jersey recently sold a \$302 million issue to build its Hackensack Meadowland Sports and Exposition Complex. Previously, the Garden State had issued \$150 million in Housing Finance Agency bonds and \$16 million for the South Jersey Port Corp.

As the accompanying table shows, New York's HFA has all three outstanding. Additionally, some agencies established by voter referendum are also in the bypass market. For instance, the New York Thruway Authority earlier this year sold \$100 million of moral obligation bonds. However, it also has in the public's hands \$500 million of debt issued in 1951 which were voter-approved.

Doubtless there are investors sitting with these hybrid tax exempts who believe they carry a state guarantee. Initially, such bonds were advertised as "a corporate agency of the State of New York." Not until Arthur Levitt, New York State Comptroller, hammered at the New York Stock Exchange and the SEC was the wording changed to read "not an obligation of the State of New York."

As a rule, bondsmen dislike moral obligations. And so do investors. As one commercial banker asks: "Would you lend a lot of money to someone who promises to repay you, but will do so only verbally, and absolutely refuses to sign a note?" There always is the possibility that a rebellious legislature will simply refuse to honor the bonds because it may not be politically feasible. A legislature is not bound to honor the bonds.

So far the problem has yet to arise. True, the New Jersey legislature has approved payment of around \$3 million over a three year period (1971-1973) to make up deficiencies suffered by the Camden Port. Doubtless more will have to be appropriated. The Port does not expect to be self-supporting and able to cover its debt service charges until 1976. But so far, the moral obligations have yet to be tested, and for good reasons: none of the agencies has gotten into serious trouble, they are relatively new and, in some instances, part of the proceeds of the debt issued goes to pay interest on the bonds.

RETROACTIVE REPEAL

The action of the legislatures of New Jersey and New York in overwhelmingly voting to retroactively repeal a legal covenant in Port Authority bonds prohibiting aid to mass transit hardly can inspire investor confidence. In the Port Authority case, the two states have no obligation to make good on the debt. However, the anti-mass-transit-aid covenant was designed to assure the quality of the PA bonds. Now, the politicians see the Port Authority's well-regarded credit as an attractive way to finance badly needed expenditures for mass transit.

The proposed use of the surplus isn't the principal question. The legal (and moral) issue is. True, some years ago, holders of Triboro Bridge & Tunnel bonds approved decision of that agency's funds for aiding the subway in New York City. The inducement: an additional quarter of a point in interest. However, the Port Authority, with \$1.2 billion in funds outstanding, is not seeking bondholder approval.

The general belief—which will be tested in the courts—is that such repeal is unconstitutional, since the federal constitution prohibits states from passing any law impairing the obligation of contracts. Wall Street bondmen as well as several PA commissioners are strongly opposed to the move. However, only Gustave Levy, senior partner of Goldman, Sachs and a PA commissioner, is willing to be quoted. Says he: "I'm one million percent against it."

Whatever happens, some damage may already have been done. Repeatedly the two legislative bodies of the covenant has raised doubt as to how much faith can be placed in a State's moral obligation. Such issues already ranked at the bottom of the ladder in terms of ratings, and this can only serve to drive their prices up if future offerings can be sold at all.

Meanwhile, bondmen regard the bond issues of New Jersey Sports & Exposition Authority, the Urban Development Corporation and Battery Park City. The three are still in the start-up phases and not generating revenues. To meet their obligations they are at present more likely to be dependent on the moral obligation clause and might have to call on the legislatures to make up any deficiencies.

Battery Park City, for example, has \$200 million of bonds outstanding. The authority plans to use the funds to finance construction of bulkheading and landfill of 100 acres in downtown New York City, along the Hudson River. However, it will be some time before revenues start coming in. To date about 40 acres have been filled and construction on 2,500 units of apartment housing will start this summer. About \$40 million of the \$200 million has been spent or contracted out; the entire project is slated for completion in 1983.

Similarly, the New Jersey Sports Complex, sometimes referred to as the New Jersey "Swamps," is still a question mark. From an investment viewpoint, if no other, it is regarded by many "pros" as the most vulnerable, since bailing out a horse-racing track and a stadium in the event of deficiencies might prove politically unpopular.

As for UDC, one bond house last month sent out a bullish report on the corporation. It reasoned that 90% of UDC's function is in housing, and that its future is assured since the Federal government is heavily involved in housing subsidies and tax rebates. However, others are not as favorably inclined. Created in 1968 to develop low and moderate income residential housing, UDC suffered a cut in rating by Moody's from A to Baa-1 in October, 1973. The corporation, with close to \$1 billion of bonds outstanding, has paid some debt service charges through the application of bond proceeds and its debt service reserve fund is funded out of bond sales.

One worry about moral obligation bonds is a practical one. That is, if a sizable number of such agencies require aid, legislatures might be hard put to fund them. "If taxes can't be hiked," says one bond trader, "what would be cut, the police or hospital budgets which have been voter approved?"

N.Y. State Comptroller Arthur Levitt, a vigorous opponent of back-door financing, insists that people have the right to know where their taxes are going. Hence, in order to help restore the public's faith in government, he urges that there be "no further programs with the support of the moral commitment clause."

BACK-DOOR FINANCING BY THE STATE OF NEW YORK (AS OF MAR. 31, 1974)

State Programs Financed by Lease-Purchase Rental	Total Authorized	Outstanding
	millions	
Correction Facilities (Dorm. Auth.)	\$50	\$2
Highways (Thruway Auth.)	100	100
Mental Hygiene Facilities (H.F.A.)	1,050	572
Office Buildings Financed by:		
Albany County-South Mall	No Limit	626
Other Municipalities	No limit	60
Retirement Systems	No limit	33
State Univ. Academic-Type Fac. (H.F.A.)	No limit	1,551
State Health Fac. (Dorm. Auth.)	No limit	10
Programs Supported by Periodic State Aid Payments		
Community Colleges (Dorm. Auth.)	No limit	110
City University (Dorm. Auth.)	No limit	241
Municipal Health Facilities (H.F.A.)	800	402
Municipal Health Facilities (M.C.F.F.A.)	1,000	0
Mental Health & Retardation Facilities (H.F.A.)	100	21
Senior Citizens Center (H.F.A.)	50	0
Youth Facilities (H.F.A.)	100	20
Debt Backed by "Moral Obligation"		
Battery Park City Auth.	700	200
United Nations Dev. Corp.	75	55
Atomic & Space Dev. Corp.	No limit	10
Dormitories—State Univ. (Dorm. Auth.)	No limit	475
Environmental Facilities Corp.	No limit	49
Hospitals & Nursing Homes (H.F.A.)	1,950	763
Hospitals & Nursing Homes (M.C.F.F.A.)	2,000	49
Housing (H.F.A.)	2,100	1,433
Job. Dev. Auth.	75	5
New York State Mortgage Agency	750	163
Municipal Bond Bank Agency	1,000	0
Regional Transportation Authorities:		
Capital District	No limit	0
Central New York	No limit	0
Metropolitan (NYC Region)	No limit	0
Niagara Frontier	No limit	1
Rochester-Genesee	No limit	1
Urban Development Corporation	2,000	968

STATEMENTS OF DR. MARGARET REUSS, HOUSING AND COMMUNITY DEVELOPMENT TASK FORCE OF THE SOCIAL PLANNING COMMITTEE OF THE DISTRICT OF COLUMBIA HEALTH AND WELFARE COUNCIL; MELVIN MISTER, EXECUTIVE DIRECTOR, REDEVELOPMENT LAND AGENCY; HUGH MIELDS, COMMUNITY DEVELOPMENT CONSULTANT; R. ROBERT LINOWES, METROPOLITAN WASHINGTON BOARD OF TRADE; WILLIAM D. COMINGS, JR., SENIOR VICE PRESIDENT-DEVELOPMENT, NATIONAL CORPORATION OF HOUSING PARTNERSHIPS; ALBERT R. HOPKINS, JR., EXECUTIVE DIRECTOR, ANACOSTIA ECONOMIC DEVELOPMENT CORPORATION

Mr. STUCKEY. We certainly appreciate all your cooperation. I think it will speed things up.

Dr. Reuss, we are particularly delighted to have you with us today. Dr. Reuss is the wife of our colleague, Congressman Reuss.

I have a couple of questions I would like to start off with.

Mr. Mister, you have stated in your prepared statement that you agree that a corporation such as proposed here is needed. Why have not the existing Federal Housing and Renewal programs been adequate?

NEED FOR LEGISLATION

Mr. MISTER. Mr. Chairman, there are several reasons why we feel a corporation is needed and the existing corporations have not been successful.

First of all, the existing program which we carry out at RLA is an urban renewal program. Essentially, it gives us the authority to be a landholder. We buy and sell land. But the existing programs do not provide any financial tools or powers to actually achieve development and one of the reasons we have so much vacant land now, as Mr. Gude indicated before, is that we do not have the kind of finance and development authority for the city for housing and commercial facilities.

HUD did a study of some of the existing housing programs and found that the State finance agencies, on the average, gets housing built in 12 to 16 months. The existing HUD programs, according to the study, take around 34 months to get things built. So that we think that we can get some savings of time by having this housing finance agency built into this law.

Secondly, the Congress is now considering and we are hoping that the House is going to pass this week new housing and community development legislation. The Senate has already passed a bill. The House bill includes, in Title V, Federal financial assistance for State development agencies, very similar to the proposal before this committee.

If that legislation were enacted, Federal guarantees would be provided for the bonds to be issued by this corporation, which would also help its financing.

So we are hopeful that both of these pieces of legislation will be enacted because if we get our local law passed, we will be able to take

full advantage of the new Federal legislation which will bring about some significant improvements at the national level which we can tap into locally.

And finally, the point that I think both Mr. Banks and Mr. Fauntroy made, there are a number of profitable development opportunities in the intercity, but frequently, a developer has to look at his alternatives and, while he may be able to make a profit at 7th and O streets, in terms of commercial development, if he can make the same return for less risk elsewhere, he may decide to go elsewhere and we will not get the development in as timely a way as we need.

With the kind of new authority included in this legislation, we think some of those past problems can be overcome.

RLA RECOMMENDATIONS

Mr. STUCKEY. As to the Redevelopment Land Agency, at this point, do you feel it is restricted because it cannot undertake some of the kinds of activities proposed for this corporation and do you feel like a corporation will give you broad authority?

Mr. MISTER. Again, I think, as has been indicated by the city government on July 1, RLA as a part of the city government can be abolished, reorganized, restructured, and we are assuming and hoping that the city government will undertake some kind of alterations in its entire community development operation, and RLA would fit into that.

These new powers the city will have. We think if we can get them now, it will make it easier for the new city government to create an effective organization and arrangement for community development. But the new powers really involve new authority for the city government, which we think is essential.

As far as RLA is concerned, it is the development aspects in this bill that we think are critical, both in terms of financing and the powers to build the private enterprise loan.

EMINENT DOMAIN

Mr. STUCKEY. Do you feel that eminent domain is necessary for the corporation?

Mr. MISTER. As the bill is written now it is apparent that the Commission can only exercise the power of eminent domain when it has been approved by the Mayor and City Council. The concern we have about whether the corporation has eminent domain or not has to do with the financing. It is my understanding that the corporation does not have the power of eminent domain and the city has the power of eminent domain. The property has to be acquired in the name of the city, which means that the city might have to use its funds to acquire the property, which means the acquisition of that property would have to go through the normal, regular appropriations process rather than having the corporation perhaps with money provided by the city, actually buy the property either through a Federal grant or through some other source of revenue.

Mr. STUCKEY. Thank you.

If you all will bear with us, I think the Subcommittee has a quorum call right now.

If you would take over for us, Mr. Fauntroy.

Mr. FAUNTROY. (Then presiding). Yes.

LOW AND MODERATE HOUSING

Thank you, Mr. Mister. We just have one more question for you and that is how would this corporation help provide low and moderate income housing?

Mr. MISTER. Mr. Chairman, there are several ways that that would happen.

First of all, the fact that the corporation would be able to finance the construction of housing and take risks, where perhaps private investors perhaps would not take risk means that we could get financing for some housing where otherwise we may not be able to get it in as timely a way as possible. But just getting the housing built is one thing.

Second, the corporation's ability to borrow money more cheaply would mean that the rental in the housing would be less, just from the standpoint of the financing and activities. Another way is that most of the other state housing finance agencies around the country have taken advantage of the Federal subsidy programs, so that the corporations around the country have been able to get from the Federal Government a direct grant without going through the Federal Government process, and that is the reason, I indicated earlier, when you have a state finance agency you can sometimes get housing built in half the time it requires when you have to go through the full Federal process as in the past; and I think the new legislation will continue that approach with the subsidy money or the leasing funds if the House bill passes and is enacted by the Congress and signed by the President, would provide those direct subsidies to the corporation, and the processing of the application would be done locally without going through the HUD bureaucracy.

That is an additional way, that is, the Federal subsidy is an additional way for providing the subsidy.

We hope that there will, in addition, be some kind of arrangement that will be some continuation of the housing leasing program, so that it is possible to piggyback Federal subsidies on to the cheaper borrowing weight to make sure that Federal housing is provided for people with a wide range of incomes.

Mr. FAUNTROY. Thank you, sir.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY,
Washington, D.C., June 28, 1974.

HON. WILLIAMSON S. STUCKEY, JR.,
*Chairman, House District Subcommittee on Business, Commerce and Taxation,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: To supplement my testimony concerning the need for a local public development corporation as proposed in H.R. 15363, I would like to submit for the record information relating to the experience of several such corporations which have been established in other states.

Sincerely,

MELVIN A. MISTER,
Executive Director.

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE NEW YORK STATE URBAN
DEVELOPMENT CORPORATION

1. UDC has never had to request direct financial support from the State in fulfillment of the "moral obligations" clause which provided back-up security for its bonds. That is, the residential, public, and commercial projects financed or developed by UDC have produced enough revenue by themselves to make public subsidies unnecessary.

2. UDC does request annually from the State legislature approximately \$6 million in State funds to carry on a number of activities which are not related to specific revenue producing projects. These include:

- a. direct financial assistance to local community groups for general planning and start-up expenditures.
- b. special technical assistance functions such as support of affirmative action programs for minority contractors
- c. establishment of new regional offices and start-up overhead expenditures for UDC.

3. In the current fiscal year, faced with the HUD moratorium on Federally assisted housing programs, UDC requested and received, approximately \$5 million to maintain their overall staff and administrative infrastructure at its current level until the new national housing assistance legislation was passed. This decision was made voluntarily by the State in order to avoid a cut-back in staff and a subsequent gap in program continuity and capacity; it was not the result of any unwise investment decisions made by the Corporation requiring a public bail-out.

4. In a recent offering of \$100 million, UDC chose to reject the proposed interest rate of 8%, because even though it might represent a "fair" rate under current inflated market conditions, UDC decided to wait and see if better terms might be obtained at a later time.

NEW YORK STATE URBAN DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements as of October 31, 1972 and for the year then ended are shown for comparative purposes. Reference should be made to the Financial Statements, including the Notes thereto, included in the 1972 Annual Report of the Corporation and to the Accountants' Report on the 1972 Financial Statements, which expresses no opinion as to the statement of assets, liabilities and fund balance and the statement of operations but does express an opinion on the statement of sources and uses of cash.

Note A—Activities:

(1) The New York State Urban Development Corporation ("UDC" or the "Corporation") was created in April 1968 by the New York State Urban Development Corporation Act ("Act") as a corporate governmental agency of the State of New York ("State") constituting a political subdivision and public benefit corporation.

Pursuant to and in accordance with the Act UDC is authorized to plan, design, acquire, develop and construct certain (i) residential housing developments for low, moderate and middle income tenants, (ii) industrial and commercial facilities and (iii) civic facilities. UDC is also authorized to plan and undertake the clearance, reconstruction and development of substandard or insanitary areas within the State. It undertakes projects within this authorization at the request of municipalities, the State, private persons or at its own initiative, to meet public needs not met by private enterprise.

(2) UDC primarily relies on borrowed funds to meet the requirements of its development and mortgage lending program. It is authorized by the Act to issue its own bonds and notes. As is generally the case with real estate development operations, UDC begins to expend these borrowed funds for projects several years in advance of the time when such projects will generate cash. Hence, as indicated in the accompanying consolidated statements of sources and uses of cash, UDC's cash receipts from sources other than borrowings are less than its cash requirements for operating expenses and debt service. It is UDC's present estimate, based upon its operating experience to date and a variety of constantly changing assumptions about the future, that such condition will continue through its fiscal year ("FY") ending October 31, 1981. Substantial new construction

starts which have the effect of extending the construction and rent up period beyond FY 1981, could cause such condition to continue beyond FY 1981. For the magnitude of additional borrowing requirements, see Note I(3).

(3) Prior to UDC's first bond issue in February 1971, UDC's activities were principally financed by appropriations from the State. The bulk of those appropriations were "first instance" advances, which are to be repaid to the State without interest. The balance were "regular fund" appropriations, which are received as grants and do not require repayment.

The first instance advances are to be repaid in accordance with applicable State law and an agreement of June 23, 1973 between UDC and the State Director of the Budget ("Director"), which requires repayment through annual installments beginning with \$2,000,000 on November 30, 1974, increasing by \$1,000,000 per year to \$7,000,000 due on November 30, 1979, with the balance of \$22,802,000 due on November 30, 1980.

(4) UDC continues to seek annual, regular fund State appropriations to fund certain recurring high risk and nonrevenue producing activities it undertakes pursuant to its public mandate and for certain other aspects of its operations. In March 1973, the State Legislature enacted a regular fund appropriation of \$4,500,000 for UDC for the above-described purposes for the State's fiscal year beginning April 1, 1973. In FY 1974, UDC will require State appropriations to cover that portion of its expenses charged to operations and not covered by operating revenues because it is seeking to maintain present production capacity despite recent reductions in or elimination of Federal housing assistance programs which have led to a reduction in the number of starts of UDC's housing projects. As a result of this reduction in project starts, UDC's fee revenues from projects will be reduced in FY 1974 or thereafter. Following UDC's request, the Governor has recommended in his Executive Budget for the State's fiscal year beginning April 1, 1974, a regular fund appropriation for UDC in the amount of \$12,350,000. This recommendation is subject to the approval of the State Legislature.

In June 1973, the Legislature enacted a law that prohibits UDC from going forward with certain residential projects in towns and villages over the objection of local governing bodies. This legislation also provided for a \$3,200,000 appropriation to UDC for reimbursement of the actual net cost incurred by UDC with respect to residential projects that are terminated, including terminations resulting from the prohibition in such legislation. This same legislation also increased UDC's borrowing authorization from \$1.5 billion to \$2 billion to permit the planned continuation of other UDC programs.

(5) UDC's activities are divided primarily into three distinct functions: development, financing and regulatory.

In its role as developer, UDC takes what it considers necessary risks to bring together the component parts of a project, namely, land, feasibility determination, design, construction, financing and third-party owners and lessees, for its residential, commercial, industrial and civic project program. UDC bears certain risks as developer and incurs most of the costs until such time as a project is sold, leased or terminated.

UDC functions as a financing agency by providing both construction or interim financing (mortgage advances) and long-term financing (mortgage loans) for, generally, 95 percent of the cost for residential projects and up to 100 percent for nonresidential projects, which have been sold or leased to third parties.

From the beginning of each residential project, UDC functions as a regulatory agency to ensure compliance with the New York State Private Housing Finance Law. After occupancy, UDC supervises the third party owner's management of each residential project.

Note B—Principles of Accounting and Basis of Preparation

(1) In performing its functions as a developer, UDC incurs costs in determining the feasibility of potential projects and costs and relating to the construction and development of such projects. These costs are accumulated to the point of sale or lease of each project. Under such cost accumulation system, the following costs are capitalized with respect to each project: (i) direct costs incurred (land acquisition, planning and design and construction) (ii) interest expense on borrowed funds used to finance the project and (iii) operating expenses allocable to projects (salaries and other indirect costs incurred in relation to the planning, evaluation, preparation, development or financing of projects).

The direct costs of each project plus related interest during the period of construction (the major portion of total project cost) are to be recovered as follows:

In the case of projects that are sold and for which UDC furnishes the short and long-term financing (which covers the majority of UDC projects), such costs are charged to the UDC mortgage loan advance at the time of sale, to the extent then incurred, and are to be recovered by repayment of such mortgage commencing after the completion of the project.

Where no UDC mortgage financing is to be provided, these costs are to be recovered from the purchaser at the time of project sale.

In the case of projects that are leased, such costs are to be included in the basis on which rental payments are computed.

The allocation of UDC operating expenses to projects is based primarily on staff time records or on the functions of the organizational units involved. These costs are deferred until a project is sold or leased, at which time they are expensed (costs applicable to projects sold or leased). These costs are generally recoverable by the fees earned when projects are sold or leased.

In instances where an adverse determination (due to project termination or otherwise) as to the recoverability of any of the above costs is made, a reserve is provided in the period in which such determination is made by a charge to operations (see Notes D(2) and G(4)).

(2) UDC charges various fees, at the time a project is sold or leased, for risks borne and services rendered to that date. Thereafter, UDC charges fees when the service or costs to which such fees relate are performed or incurred. All fees so charged are usually included in the project mortgage, except (in the case of residential projects) UDC's Project Development Fee, Lending Agency Charge (to the extent it relates to the post construction period) and Regulatory Agency Fee, which are to be paid to UDC from project revenues or from funds provided by the project owner. Fees and interest are generally recognized as income when charged, except where (i) the project sale is subject to a material condition whose occurrence would obligate UDC to repurchase the project, (ii) the obligation for future payment is subject to material conditions, (iii) the project purchaser has not paid or adequately secured a significant portion of the equity financing to be provided for the project, or (iv) at the time of sale there exist unusual, unquantifiable uncertainties as to the recoverability of project costs not otherwise reserved for. See Note G(5).

(3) UDC generally charges interest and a Lending Agency Charge to each project from the date UDC expends funds for the project, at rates higher, by defined amounts, than the interest rates incurred by UDC in borrowing such funds. The interest charged is taken into income commencing at the time a project is sold or leased, at which time interest costs previously deferred are expensed. UDC's interest charges to residential projects prior to project completion are included in UDC's mortgage loan advances.

(4) UDC issued long-term bonds in February 1971 and in August 1972, in order, among other considerations, to establish a borrowing capability in the bond market commensurate with the size of its program. The amount of such bond issues exceeded UDC's then current needs. These excess funds were temporarily invested. The excess (\$3,779,000) of the interest cost attributable to that portion of the proceeds of such bond issues which was temporarily invested pending its use in UDC projects (including \$5,564,000 (1972)) over the interest income earned from such investments (including \$4,965,000 (1972)) is being amortized over the lives of such bond issues. Following these initial long-term borrowings, UDC, in FY 1973, instituted a regular financing policy whereby it borrows both long and short-term funds based primarily upon its project needs. Therefore, any differential between interest income and expense attributable to temporary investments of borrowed monies is recognized in current operations.

(5) The increase in Fund Balance during the years ended October 31, 1973 and 1972 consists of the excess of revenues and the State regular fund appropriations over expenses.

(6) The accompanying financial statements include the accounts of all UDC subsidiaries as defined in the Act other than subsidiaries engaged in the projects which have been sold by UDC (whether or not such sale gave rise to income and expense recognition) as at October 31, 1973 and 1972.

Note C—Project Development Fees Receivable:

UDC's Project Development Fees are recognized as income as described in Note B(2) and are paid over, or at the end of, a fixed period after the sale of the projects to which they relate. Project Development Fees receivable are estimated to be due as follows:

During the fiscal year ending Oct. 31—		<i>Amount</i>
1974	-----	\$5,749,000
1975	-----	4,315,000
1976	-----	891,000
1977	-----	288,000
Total	-----	11,243,000
Less unamortized discount based on imputed interest at 7½ percent per annum	-----	703,000
Total	-----	10,540,000

At October 31, 1973, \$8,097,000 of such receivable was secured by unconditional, irrevocable bank letters of credit or comparable security acceptable to UDC. The remaining balance of \$3,146,000 of such fees receivable is unsecured, including \$1,224,000 due FY 1975 and thereafter.

FINANCES OF THE CORPORATION

The audited financial statements of UDC as of October 31, 1973 and 1972 and for the years then ended are included herein and should be read in conjunction with the notes thereto and the following discussion of the finances of UDC. The Financial Statements are accompanied by the Accountants' Report of S. D. Leidesdorf & Co., independent certified public accountants, on the October 31, 1973 Financial Statements, which expresses no opinion as to the statement of assets, liabilities and fund balance taken as a whole and as to the statement of operations but does express an opinion as to the statement of sources and uses of cash.

Operationing Revenues

UDC finances its operations from appropriations and from operating revenues, which include fees (see discussion under caption "Project Fees" below), interest, including interest subsidies, and rents. As is generally the case with development organizations, UDC's projects do not begin to generate revenues until sold or leased. During the year ended October 31, 1973, as reflected in the consolidated statement of operations for such period, expenses charged to operations, before taking State appropriations of \$6,976,000 into consideration, but, after provision for possible project losses of \$13,967,000, exceeded gross revenues derived from operations by \$5,562,000. Primarily because of a reduction in UDC's housing production, it expects that its fee revenues may be reduced during or after FY 1974, and accordingly UDC is seeking substantially increased State appropriations. See discussion under caption "State Appropriations" below.

Cash Flow

During the period from 1968 to the present UDC has been engaged in developing a pipeline of projects and a system of implementing these projects through initial planning, design, construction and occupancy. (See discussion under caption "Operations of the Corporation—General Methods of Operation".) At the present time a large number of projects has passed through initial stages of feasibility analysis, design and construction and have passed the project closing stage; additional projects are in the pipeline and will reach construction and closing stages during the remainder of 1974 and thereafter subject to the availability of federal subsidies where needed. As is generally the case with development operations, UDC begins to expend funds for projects well in advance of the time when such projects will generate cash. Feasibility studies, engineering studies and design work, and often land acquisition and actual construction, occur prior to project closing. Although UDC is reimbursed for such expenditures at project closing and receives certain fees and accrued interest at that

time as well, such reimbursements and fees are paid to UDC for the most part by including them in project mortgages, *i.e.*, they are paid out of funds which UDC has loaned to the project and which it in turn has borrowed and on which it must pay debt service. It is not until UDC begins to receive interest and principal repayments on its mortgages or rental payments on leases that it has a source of non-borrowed cash to pay debt service on its obligations. See discussion under the caption "Operations of the Corporation—Mortgage Loans and Payments" above.

Although UDC believes the "fast track" system accelerates project completion, this system still generally requires from two to four years from initial feasibility work to cash generation. In the case of new communities, the elapsed time is materially longer. UDC is required to pay debt service on its bonds for some time prior to its receiving debt service on its mortgages and rental payments on its leases. To date UDC has made a number of cash flow studies dealing with the relationship between its net cash receipts (including principal repayments to UDC) and its debt service obligations. Based upon a variety of constantly changing assumptions about the future (including the continuation of UDC's present borrowing limit of \$2,000,000,000, the substantial completion of its project construction and rent-up prior to FY 1979, the recovery from land sales and leases of a major portion of UDC's investment in upstate new community land and site improvements, and the repayment of New York State's "first instance" appropriation in accordance with the terms of the existing agreement between UDC and the State Director of the Budget (see discussion under caption "State Appropriations" below)). UDC presently estimates that only after FY 1978 can UDC's debt service obligations be paid from cash receipts based upon net operating revenues. This period will be longer if UDC finances substantial additional construction starts requiring the payment of substantial construction costs after FY 1978. During this time UDC intends to meet the excess of (i) its debt service obligations (including required repayments of "first instance" appropriations), construction costs and operating costs over (ii) its current cash receipts by additional borrowing.

UDC's present policy is not to start, or incur new legal obligations to start, construction of any project which together with all other projects then completed or under construction would cause the total of all costs of projects then completed or under construction financed or to be financed out of UDC bond or note proceeds to exceed the maximum amount of bonds and notes authorized to be issued under the Act, as it may from time to time be amended. This policy does not limit UDC's use of proceeds of outstanding or future borrowings for (1) payments into the debt service reserve funds, (2) non-project expenditures, such as payments of debt service on such borrowings and payments of operating expenses not allocable to projects, and (3) project costs of any projects now or hereafter in the preconstruction phase (including interest and operating expenses allocated to such projects) until and unless any such project starts in construction.

Project Costs

At the present time UDC has completed or under construction projects with an aggregate estimated cost of completion of approximately \$1,429,000,000, of which the portion that has been and is to be financed by UDC on a long-term basis approximates \$1,298,000,000. Substantially all of this amount is expected to have been expended by FY 1977. In addition with respect to those projects completed or under construction UDC has deposited and within the next three years expects to deposit a total of approximately \$127,000,000 in debt service reserve funds securing UDC's bonds, and by the end of the same period expects to have expended a total of approximately \$138,000,000 to meet other requirements of its operations and program (other than expenditures on projects) not covered by operating revenues and State appropriations. In addition UDC expects to start projects in FY 1974 which will increase the amount to be financed by UDC. Such project starts and increased financing requirements will increase the amounts to be deposited in the debt service reserve funds and to meet other requirements of its operations and program.

In performing its function as a developer, UDC incurs costs in determining the feasibility of potential projects and costs relating to the construction and development of such projects prior to sale thereof. These costs which have been expended and deferred (*i.e.*, capitalized) aggregated \$151,574,000 as of October 31, 1973. See Notes B(1) and D(1) to the Financial Statements. The direct

costs of each project (land acquisition, planning and design and construction) plus related interest costs are expected to be recovered as follows:

In the case of projects that are sold and for which UDC furnishes the short- and long-term financing (which covers the great majority of UDC projects), such costs are charged to the UDC mortgage loan advance at the time of sale, to the extent then incurred, and are to be recovered by repayment of such mortgage commencing after the completion of the project.

Where no UDC mortgage financing is to be provided, these costs are recovered from the purchaser at the time of project sale.

In the case of projects that are leased, such costs are included in the basis on which rental payments are computed.

As at October 31, 1973 UDC had established total reserves for possible losses for all its projects in an amount of \$11,250,000. These reserves have been established for possible project losses including (i) risks that projects for which costs have been incurred might not be feasible, (ii) construction and other project cost overruns and (iii) mortgage defaults or other losses. The reserves for losses applicable to projects not yet sold or leased aggregated \$4,500,000 and reserves for losses applicable to mortgage loans and advances and leased projects aggregated \$6,750,000. More experience will be required to provide a basis for evaluating the adequacy of these reserves. See Notes D, F and G to the Financial Statements.

Project Fees

Generally, UDC project closings occur after the commencement of construction. At that time UDC recognizes certain fees, and becomes entitled to other fees which are generally payable at completion of project construction and thereafter. As reflected in the Consolidated Statement of Operations, UDC recognized as income fees of \$16,885,000 for the year ending October 31, 1973. Fees are in many cases recognized as income prior to actual receipt thereof. For principles of income recognition, see Notes B (2), B (3) and C to the Financial Statements.

UDC's fees for its residential projects at present are:

(a) For services performed, risks borne and value contributed by UDC as developer until a project is sold or leased, an Initial Development Fee (including a Special Administrative Service Fee) aggregating approximately 2.15% of estimated project construction cost which is charged and recognized as income at the project closing; also, for most projects commencing construction during and after 1971, a Project Development Fee of up to 4% of estimated project cost, taking into account the profit normally realized by private developers in the sale of equity interest in residential projects financed by UDC, which fee is usually payable by the developer at completion of construction and, in some cases, several years thereafter, and is recognized as income at the project closing;

(b) For review of designs, supervision of construction, and related services, a Supervisory Agency Fee of 1.7% of estimated mortgage amount, a portion of which is generally charged and recognized as income at the project closing and the remainder prorated over the period of construction;

(c) For its services as a lending agency in arranging construction and mortgage financing, a Loan Processing Fee of 0.3% of the mortgage loan, charged and recognized as income at the project closing; thereafter, over the life of the loan, interest and Lending Agency Charge, at a combined annual rate of approximately 1.0% above its effective cost of borrowing, for administrative services, self-insurance against loan and mortgage losses and other costs related to its lending operations; and

(d) For its services as a regulatory agency to regulate, oversee and assist project management in operating the project in compliance with applicable laws and agreements, an annual Regulatory Agency Fee presently set at \$6.00 per rental room per year.

The Initial Development Fee, Special Administrative Service Fee, Supervisory Agency Fee, Loan Processing Fee and Lending Agency Charge during the construction period are items of project cost included as advances by UDC under the mortgage loans to its subsidiaries.

UDC also charges various fees and charges in its non-residential projects. They typically include the following:

(a) For services rendered, risks borne and value contributed by UDC as developer of, or in connection with development of, the project, and also for UDC's supervision or review of designs, supervision of construction and

related services, a Development Fee which normally is charged and recognized as income at the project closing; and

(b) For UDC services in arranging construction and mortgage financing, and for administrative, financing and loss reserve expenses related to UDC's financing operations, a Lending Agency Charge which in part is charged and recognized as income at the project closing and the remaining part of which is annually charged and recognized as income over the life of the mortgage or is included in lease rentals and recognized as income when such rentals are charged.

Fees and charges in non-residential projects are presently determined on a case-by-case basis in view of the wide diversity among such projects as regards UDC's services, role and risks, UDC's financial involvement, and similar factors.

Federal arbitrage requirements

Under the provisions of current proposed and temporary Federal regulations relating to the "arbitrage" provisions of Section 103(d) of the Code as amended, so long as the aggregate of UDC's residential project loans and certain of its civic project loans exceeds 90% of the total amount of UDC's loans at any time outstanding, UDC believes that it may collect interest, including fees and charges in the nature of interest, on its residential and non-residential project loans at a rate which exceeds the interest cost on each of its bond issues attributable to such loans by $1\frac{1}{2}\%$, or more if necessary to cover the costs of its program. State law presently limits to $8\frac{1}{2}\%$ the interest UDC may charge on its residential project loans and HUD practice currently limits UDC's markup to 1%. While UDC expects that permanent regulations with respect to Section 103(d) of the Code may differ from the current proposed and temporary regulations, UDC expects that such regulations, when promulgated, will permit it to collect interest, including charges for its services as a lending agency, with respect to its residential project loans at a rate at least sufficient to cover, over the life of such loans, the costs of borrowing the funds used to make such loans plus an allocated portion of expenses attributable to its residential lending program, including allowances for bad debt losses and costs of maintaining a debt service reserve fund. UDC is presently collecting interest, including charges for its services as a lending agency, with respect to residential project loans attributable to its respective bond issues at rates which exceed the composite interest rates on such bond issues by approximately 1%.

The arbitrage provisions do not limit the amount of fees and rents not in the nature of interest chargeable by UDC on any of its projects. In cases in which UDC leases its property in connection with any of its projects, it expects to collect rent on such leases sufficient to cover costs of borrowing plus appropriate allocated expenses.

State appropriations

The State of New York made appropriations to UDC for the State fiscal years up to March 31, 1974 totaling \$77,036,000 for purposes of financing UDC operations and projects. Of this total \$55,336,000 are "first instance" appropriations which UDC is to repay to the State as described below. UDC, by statute and agreement with the New York State Director of the Budget, is obligated to repay, without interest, the above-described first instance appropriations. Pursuant to a former agreement UDC repaid to the State \$5,534,000 on March 31, 1972, the full amount then due under the agreement. The current agreement provides for repayment through annual installments, beginning with \$2,000,000 on November 30, 1974 and increasing by \$1,000,000 per year to \$7,000,000 on November 30, 1979, with the balance of \$22,802,000 due on November 30, 1980. Under the former agreement, the entire amount outstanding at April 30, 1973 was repayable out of the proceeds of UDC's first bond issue after April 1, 1974.

Since its inception in 1968 UDC has received State regular (non-repayable) fund appropriations as follows:

State fiscal year beginning April 1,	Regular Appropriation
1968 -----	\$5, 000, 000
1969 -----	—
1970 -----	3, 000, 000
1971 -----	4, 000, 000
1972 -----	2, 000, 000
1973 -----	7, 700, 000
1974 -----	9, 550, 000

These funds have been appropriated principally to fund non-revenue-producing or high risk project-related activities (such as special planning studies for projects uncertain to be carried out or equal opportunity or low-income neighborhood technical assistance programs). UDC will require State appropriations in the future to cover such special high risk and non-revenue-producing activities and will modify its operations to the extent required by available State appropriations and Federal subsidies. In addition, in 1974, UDC has received State appropriations to cover that portion of its expenses charged to operations which is not covered by operating revenues (i) because it is seeking to maintain present production capacity despite recent reductions in or eliminations of Federal housing assistance programs which have led to a reduction in UDC's housing production (see discussion above) and (ii) because it expects that its fee revenues will be reduced during or after FY 1974 because of the reduced level of project sales, and in 1973 and 1974 UDC received special appropriations with respect to certain terminated projects (see Note A(4) to the Financial Statements).

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

1. Since becoming fully operational in March, 1970, the Authority has made commitments for 16,063 homes, an investment of \$312 million. This includes mortgages totaling \$202 million for 11,007 homes, and feasibility commitments and mortgage reservations totaling \$110 million for 5,056 homes.

2. Since March, 1970, the Authority has sold \$432.6 million of securities, including \$110 million of bonds and \$322.6 million of notes. The Authority has retired \$203.3 million of these securities, leaving an outstanding balance of \$229.3 million on June 30, 1973.

The State Legislature increased the Authority's bonding capacity from \$300 million to \$450 million beginning January 1, 1973, and to \$600 million beginning January 1, 1974.

The Authority sold \$140 million of tax-exempt securities on the national market in the past year, including \$20 million of bonds to finance long-term mortgages and \$120 million of notes to finance construction.

3. The low interest rates on these securities, ranging from 5.85 to 6.93 percent on bonds and 2.9 to 6.5 percent on notes, enables the Authority to offer mortgage and construction loans at rates well below conventional financing rates. The variation in range of interest rates is due to the change in market conditions from time to time. Authority securities are becoming increasingly well received by the national financial community.

4. Authority securities are direct and general obligations of the Authority, and its full faith and credit are pledged for payment of the principal and interest.

The securities are not a debt of the State of Michigan. However, the Authority statute provides that any deficiency in the capital reserve fund underlying the bonds shall be certified to the Governor for inclusion in his budget.

The Authority is required to deposit in the capital reserve fund proceeds from the sale of bonds equal to one year's debt service on bonds issued. In addition, the Legislature has appropriated \$2 million for deposit in the fund as additional security to bondholders.

The capital reserve fund contained \$11.2 million on June 30, 1973, exceeding requirements by about \$3.4 million.

5. Authority construction and mortgage loans are repaid entirely from rent and mortgage payments, and from federal housing assistance programs for low and moderate income persons.

Except for specific purpose funds appropriated by the Legislature, the Authority's program is conducted at no cost to the state.

Specific purpose funds appropriated by the Legislature include \$2 million in the capital reserve account, a \$1 million revolving fund for loans to assist non-profit groups with their housing activities, \$1.75 million for special grants to communities, and \$2.75 million for land acquisition and development.

6. The Authority supported creation of the Michigan Construction Code Commission and is working with the commission to develop a statewide construction code which the Authority believes will be a direct benefit to all citizens of Michigan, especially low and moderate income persons.

7. The Authority has no foreclosures among its multiple family housing developments, and foreclosure has been initiated against the owners of only 17 of the 905 single family homes financed by the Authority.

8. The Authority administers interest reduction and rent supplement subsidies provided by the U.S. Department of Housing and Urban Development.

Authority-financed homes may be insured or guaranteed by FHA, the Farmers Home Administration or the Veterans Administration.

9. The Authority administers a \$1 million revolving fund appropriated by the Michigan Legislature to make interest-free loans to non-profit housing corporations, enabling them to engage in housing development activities.

As of June 30, 1973, the Authority had authorized such loans totaling \$1.3 million to 32 non-profit groups. The outstanding balance of these loans was \$835,966.

10. The Authority administers a \$1.75 million fund appropriated by the Legislature to make grants to local communities for land and building acquisition, improvements, renewal, relocation or conservation, and for neighborhood conservation activities.

As of June 30, 1973, the Authority had authorized grants from this fund totaling \$681,695, and the amount disbursed totaled \$120,306.

11. The Authority administers a \$2.75 million fund appropriated by the Legislature to purchase land suitable for housing developments, to provide site improvements, and ultimately to sell the land to qualified sponsors or municipalities for construction of housing for low and moderate income persons.

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE ILLINOIS STATE HOUSING DEVELOPMENT AUTHORITY

By the close of fiscal 1973, 21 multi-family developments were completed or under construction in 18 cities throughout Illinois—a total of 5,347 townhouse and apartment units. More than 2,000 were already occupied by moderate- and middle-income families, with an estimated 1,000–1,500 more units expected to be leased or sold by the end of calendar 1973. Yet no tax revenues were utilized in the process.

The Authority makes construction and long-term mortgage loans to nonprofit or limited-profit developers at rates well below conventional financing through the sale of its own tax-exempt securities. Interest on IHDA revenue bonds and other securities is exempt from all federal and Illinois taxes. They can be sold, therefore, at a lower rate to investors than comparable taxable securities.

Loans are made to developers essentially at the same rates IHDA pays on the securities it sells. The developers' lower financing costs are then passed on to the consumer in a combination of lower rentals and higher housing quality and amenity levels. This means that qualified middle-income families pay as much as \$35–50 monthly below conventionally financed housing, and have facilities that often include carpeting, central air conditioning, swimming pools, community centers, tot-lots and related conveniences.

This lower-interest financing generally has been coupled with interest-assistance funds allocated through Section 236 of the National Housing Act administered through the United States Department of Housing and Urban Development. Until the moratorium on those federal funds early in January 1973, all IHDA-financed developments devoted at least one-third of their units to moderate-income families eligible for the Section 236 subsidy. Their monthly payments reach as much as \$140 below the expected conventional rental.

The moderate-income units are indistinguishable from the so-called "IHDA market" units, thereby creating unique mixed-income developments that have become social and physical assets to their communities.

The battle for decent housing is fought on many fronts. In addition to its program of multi-million dollar mortgage loans, the Illinois Housing Development Authority offers a wide range of help to nonprofit, community-based organizations seeking to develop or rehabilitate housing on a smaller scale to solve local needs.

Most commonly this comes in the form of a "development advance," an interest-free loan made to cover various mortgagable preconstruction costs of housing development. This financing, which may be for land costs, architectural or consulting services, is essential to the small nonprofit housing development organization seeking its basic financing from the federal government. Various monies must be spent in advance of final financing but is often not immediately available to the organization, although it will eventually be part of the final mortgage loan. IHDA, therefore, makes the funds available from a revolving fund to

those groups that have developments or rehabilitation projects declared feasible by HUD. In some cases, where the organization is engaged in development of single-family homes, a special revolving fund is set up specifically for that group for construction costs.

More than two dozen community organizations have benefited from the development advance program since its inception. A total of nearly \$3 million has gone to develop or rehabilitate thousands of homes and apartments in all parts of the State, including vital projects on urban renewal land in the ghettos of our larger cities. Had it not been for the IHDA advances, many of these areas would not have been developed.

The financing activities of the Illinois Housing Development Authority center on its authorization to borrow funds by issuing notes and bonds to the investing public. Funds so obtained are lent by the Authority to not-to-profit and limited-profit entities for the purpose of developing and constructing low-, moderate- and middle-income housing.

During fiscal year 1973 IHDA issued \$85,976,000 of its Housing Development Bond Anticipation Notes. Of this amount, \$44,395,000 represented funds borrowed for the purpose of extending new mortgage loans, and \$41,581,000 represented funds borrowed for the purpose of refunding previously issued Housing Development Bond Anticipation Notes. The interest cost to the Authority on these issues ranged from a low of 2.99 per cent per annum in December, 1972, to 4.59 per cent per annum, in June, 1973.

Proceeds from the sale of such notes and bonds are converted into two general types of assets. The first, mortgage loan receivables, represents loans made to not-for-profit and limited-profit entities. These funds are committed at an interest cost equal to that incurred by the Authority plus a service fee calculated at one-half of one per cent per annum on the unamortized principal. The second, cash and investments, consists of funds not yet advanced but reserved for the completion of individual developments. Cash and investments are converted to mortgage loan receivables as phases of construction are completed.

During fiscal year 1973 the Authority negotiated a new note-financing agreement. This agreement provides the Authority with a \$50,000,000 line of credit from 21 Illinois banks for the interim financing of various housing developments. The most significant difference between this agreement executed on June 30, 1973, and the previous note financing agreement executed on March 31, 1972, is that the agreement presently in force provides that the Authority may issue notes at the lesser of seven per cent or 65 per cent of the prime rate, whereas the previous agreement required the Authority to issue notes at the lesser of seven per cent or 75 per cent of the prime rate.

For the fiscal year ended June 30, 1973, the Authority received no appropriations from the State of Illinois. During the year ended June 30, 1973, the Authority returned to the State of Illinois \$1,583,817 of unused land acquisition appropriations, together with investment income, from prior fiscal years.

The Authority expects to refund the bond anticipation notes within the time permitted by statute (five years) by issuing bonds maturing within a maximum of fifty years from the date of issue. The General Assembly of the State has authorized the Authority to have bonds and notes outstanding for any of its corporate purposes in an aggregate principal amount not to exceed \$500,000,000.

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE CONNECTICUT STATE HOUSING DEVELOPMENT AUTHORITY

In summary, CHFA is a state housing finance corporation, administered by a Board of Directors of eight members, under whose direction an exceptionally qualified staff in housing financing executes the mandates of the General Assembly.

Pursuant to Public Act 208 enacted by the 1972 General Assembly, CHFA may:

1. Establish income limits for low and moderate income families as a basis for eligibility for CHFA financing. (In the event that federal subsidies are utilized, federal income limits, if lower, will prevail.)
2. Originate construction loans for multi-family housing and provide permanent financing in the form of home or multi-family mortgages. Since CHFA is an approved HUD-FHA mortgagee and a GNMA-FNMA seller, such financing may be insured by HUD-FHA, guaranteed by the Veterans'

Administration (for properties of one to four units), insured by CHFA or financed on a conventional basis by CHFA without mortgage insurance or guarantee.

3. Provide financing through purchase of loans and mortgages originated by a lending institution at an agreed-upon rate of interest for construction and permanent financing.

4. Assist such borrowers as on-profit sponsors, limited dividend sponsors, low income housing cooperatives, housing authorities, and low and moderate income families and individuals.

5. Finance any residential structure type, whether it is existing, new or rehabilitated; for rental or individual, co-op or condominium ownership; including related commercial and other facilities.

6. Purchase or issue either insured or uninsured mortgages at the discretion of the Authority up to a limit of \$100,000,000 of uninsured mortgages in the total portfolio.

7. Hire the specialised staff required for effective technical analysis, review, construction supervision and housing management.

8. Exercise its rule-making power to set any regulations and conditions which are necessary to meet its purpose of providing low and moderate income housing and to safeguard its investments.

9. Insure mortgages.

10. Contract for mortgage servicing.

11. Provide advance loans for preliminary exhibits to establish feasibility.

Funded through the issuance of tax-exempt revenue bonds—which are general obligations of the Authority with the full faith and credit of the Authority pledged for the payment of the interest, principal and redemption price on its bonds—the Connecticut Housing Finance Authority is self-sustaining and receives no monies from the State.

In summary, to date, CHFA has made the following investment in mortgages or committed for early purchase as follows:

Cumulative 1970 through 1973

Units purchased (1,125)-----	\$22, 508, 729
Units committed (1,444)-----	29, 094, 992
Total (2,560)-----	51, 603, 721

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE MASSACHUSETTS HOUSING FINANCE AGENCY

The Massachusetts Housing Finance Agency is an independent lending institution which was created by the Commonwealth of Massachusetts to finance housing for persons with low, moderate, and middle incomes. MHFA makes loans for new construction and rehabilitation of multi-unit housing developments in which at least twenty-five percent of the residences are made available to low-income persons. Low income is defined for each city and town by either the Local Housing Authority or the Massachusetts Department of Community Affairs.

MHFA funds its loans through the sale of tax-exempt notes and bonds to private investors. These securities are backed by a pledge of the mortgages on the properties financed by the Agency and by the revenues that are derived from those mortgages. The bonds are also secured by a capital reserve fund.

MHFA is authorized to issue notes and bonds worth up to an aggregate principal amount of one billion dollars. The Agency's operating expenses are supported by fees and charges paid by the developers who use MHFA's financial services. *In this way, the Agency operates at no expense to the taxpayers of Massachusetts and does not add to the state debt.*

During the fiscal year 1973 the cumulative production of the Agency passed the mark of 20,000 housing units. These were financed by loans totalling more than \$440,000,000. Construction loans of \$40,632,067 were converted to long-term mortgage loans for 16 completed developments, a total of 2,285 residential units. The long-term loans were funded by a bond issue in April at a net interest cost of 5.685% down from a rate of 5.915% a year earlier.

Thirty-six new loans totalling \$158,718,221 were closed, enabling the construction of 6,661 units. An additional \$170,114,573 of the Agency's bonding capacity was committed to finance 40 new developments with residential units numbering

6,713. Also during the fiscal year 93 new proposals for housing developments were submitted by private developers.

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE NEW JERSEY HOUSING FINANCE AGENCY

As of October 31, 1972, the Agency has authorized a total of mortgage commitment of \$336,943,601 for 13,956 units in 60 developments. This compares most favorably with commitments at this time last year of \$207,884,870 for 8,739 housing units in 33 developments. In fiscal year 1972, the Agency authorized loan commitments of \$129,058,731 for 5,217 housing units in 27 projects.

By the end of fiscal year 1972, there was a total of 16 developments open for occupancy with 3,671 housing units and construction was in progress on 27 other developments.

With the exception of the initial State appropriation of \$50,000 in 1967, all of the Agency's achievements have been accomplished at no cost to the New Jersey taxpayer. Entirely self-supporting the Agency receives its operating funds from fees collected in financing developments and their investment.

The New Jersey Housing Finance Agency makes low-interest mortgage loans to qualified developers and sponsors to finance the construction or rehabilitation of housing for rental or cooperative ownership by moderate-income families.

Loans made by the Agency can cover construction and permanent financing of housing developments and related facilities. There is no limit to the size or number of developments the Agency can finance. Both limited-dividend and non-profit sponsors are eligible to receive loans.

The Agency was created to meet the housing needs of New Jersey's moderate-income families—those with incomes of up to \$21,000 annually. Due to sharply increasing construction costs, the Agency is unable to serve families with incomes much below \$12,000 without some form of rent reduction subsidy. Provided by the U.S. Department of Housing and Urban Development (HUD) under the terms of the 1968 Act bearing the Department's name, two Federal rent subsidy programs, for either moderate or low-income families are available. The aim of these programs is to limit an eligible family's expenditure for rent to 25 percent of income. Sponsors interested in these subsidy programs should notify the Agency upon initial application.

The Agency makes mortgage loans for up to 50 years to limited-dividend and non-profit housing sponsors. This money is raised by the sale of Agency revenue bonds to private investors and institutions. Because the bonds are not subject to Federal income taxes, the Agency can lend mortgage money at interest rates 2 to 2.5 percent below prevailing market rates. Agency bonds have been rated as "AA" by the two leading rating companies in the nation, Moody's and Standard and Poors.

The Agency is repaid the mortgage loans wholly from the rental or carrying charges collected on the housing. The Agency then retires the bonds. The full faith and credit of the State of New Jersey is not directly pledged, but that of the Agency is pledged. Reserve funds and accounts always have been maintained at their statutory requirements.

The Agency receives its operating funds from a fee of one (1) percent collected at the mortgage loan closing, an annual service charge of one-half ($\frac{1}{2}$) percent collected during the construction period, and one-quarter ($\frac{1}{4}$) percent per annum charge collected during the period of permanent financing. In addition, a financing charge of 1.5 percent collected at the mortgage closing pays for the mortgage financing costs. *Beyond a one-time, start-up appropriation from the State Legislature, the Agency is completely self-supporting.*

SOME FACTS ABOUT THE FINANCIAL OPERATIONS OF THE PENNSYLVANIA HOUSING FINANCE AGENCY

PHFA anticipates financing 3,000 units at a total cost of \$40 to \$60 million in fiscal 1974. The Agency expects to participate in the development of \$100 million worth of construction during fiscal 1975.

The Agency is self-supporting with operating expenses and staff salaries covered by fees paid to the Agency by developers. The PHFA charges a fee of two per cent of the mortgage, payable at the initial closing for expenses incurred in issuing notes and bonds and preliminary project reviews. For administering

outstanding notes and bonds, servicing the loans and supervising management of the development, the Agency will charge an annual fee of one-half per cent of the initial face amount of the mortgage.

Under the Housing Finance Agency Law, PHFA may lend funds to qualified developers for the construction, reconstruction, or rehabilitation of rental and single or multifamily units. The bonds and notes issued for housing construction will be payable out of Agency revenues, including the proceeds of its mortgage loans. The bonds and notes are, under the law, not debts of the Commonwealth or any of its subdivisions.

The Agency is required to maintain a capital reserve fund with monies equal to the entire principal and interest payment due on its bonds and notes during the calendar year. If it anticipates any deficiencies in the fund or defaults in the payment of interest and principal during the year, the Agency must submit an estimate of the needed funds to the Governor and General Assembly. The Governor then must place the amount of the deficiency in the State budget.

The Pennsylvania Housing Finance Agency is a body corporate and politic created by the Housing Finance Agency Law, December 3, 1959, P.L. 1688, as amended. The Act became effective March 27, 1961 when the Governor declared by proclamation that sufficient funds were available for its administration. The Agency was activated July 11, 1970 upon the signing of a grant contract funded by appropriations of the Legislature in its 1970 session.

Pursuant to the Act, the Agency is authorized and empowered to finance the construction and rehabilitation of housing units for sale or rent to low and moderate income persons or families or the elderly. Bonds and bond anticipation notes issued under the provisions of the Act shall not be deemed to constitute a debt liability of the Commonwealth of Pennsylvania or any subdivision thereof.

[Mr. Gunther's prepared statement for RLA follows:]

STATEMENT BY JOHN J. GUNTHER, CHAIRMAN, D.C. REDEVELOPMENT LAND AGENCY

The Redevelopment Land Agency strongly supports H.R. 15363 which would establish a local corporation responsible to the Mayor and Council to assist in the financing of new construction and rehabilitation of housing in the District of Columbia, and, where private resources are lacking, to undertake the development of residential, commercial, industrial or public facilities. We believe such a vehicle is essential in order to improve neighborhoods, relieve unemployment and attract private investment. The bill provides that the Corporation's Board would be appointed by the Mayor with the consent of the City Council, and would carry out its activities only in areas, and in accordance with plans, approved by the Mayor and the Council.

It would function in a manner similar to the Housing Finance Agencies and Public Development Corporations which have been established in thirty-one states, drawing its financial resources from the sale of its own bonds, which could either be tax exempt or backed by Government guarantees or reserve funds. It would also be eligible to receive governmental and private loans and grants for locally approved community development purposes.

NEED FOR LEGISLATION

We believe this bill is particularly timely in view of both opportunity and need. That is, the Mayor and Council now have the authority to develop an overall city budget and capital improvements program. Under home rule, the city will have increased authority and capacity to undertake comprehensive planning, and to reorganize its housing, renewal, and zoning functions in order to improve effective program management. New housing and community development legislation now pending before the Congress will replace a number of separately funded individual programs, such as urban renewal and model cities, with a system of block grants to city governments for a broader range of community development activities.

In addition to these increased planning, budgeting, and programming responsibilities, however, there is a need for new local capability to assure the prompt and effective implementation of the public policies and programs which are developed by the new locally elected government. Reorganization alone is not enough. In our view, based on our experience, the city needs new powers and

methods of financing if it is to accomplish the development goals to which it is already committed, and if it is to undertake new ones. And, it needs them as soon as possible. Our Agency, in particular, feels a sense of urgency because we have had the responsibility to prepare land for new development and then to seek investors. Our experience has been that in too many cases, there are unnecessarily long delays in the processing of various kinds of applications at all levels of government; also, it is becoming increasingly difficult to make effective use of the existing programs of housing assistance.

LOCAL POWERS REQUIRED

They just don't work quickly or satisfactorily enough and there is an urgent need for some new local powers, such as those proposed by this bill for a Community Development Corporation. They include:

- the authority to provide various forms of financial assistance for housing development and rehabilitation in the District, in a manner similar to housing finance agencies in other states;

- the authority to undertake the financing, construction, management and/or leasing of specific projects where necessary to carry out approved public policy objectives, and where private enterprise is unable or unwilling in a timely fashion to bear the total risks and cost involved.

RELUCTANCE OF PRIVATE INVESTORS

At the present time, private investors are reluctant to invest in a number of areas of the city and in certain kinds of development because of the following factors:

- difficulty of land assembly;
- cumbersome and time-consuming public review processes;
- high cost of land for certain uses (e.g., housing and industrial);
- high risk of obtaining an adequate return on investment because of such factors as an uncertain market, high operating costs, and changing social and/or physical environment.

I might say, Mr. Chairman, that I also serve as Executive Director of the U.S. Conference of Mayors, and these problems are by no means unique to Washington, D.C. They are shared by all major cities. The only difference is that in an increasing number of states, there are additional mechanisms such as State Finance Corporations and local Industrial Development Commissions to deal with them.

BENEFITS FROM LEGISLATION

The Community Development Corporation proposed by this bill could be of great benefit by overcoming these constraints in a number of ways which would serve to attract private investment by reducing costs and risks, through the use of one or more of the following:

- Direct loans for construction when no private funds are available;
- Guarantee of private loans for construction when not otherwise available;
- Interest subsidies;
- Operating subsidies;
- Insurance of private mortgages;
- Purchase of mortgages;
- Use of eminent domain to complete private assemblies, or to assure parcels of adequate size for economically feasible development;
- Absorption of some of the costs of land acquisition by resale for private use at a write-down sufficient to produce an adequate return on investment;
- Direct construction by the Corporation for resale, or lease to private developers or operators;
- Provision of direct or indirect housing assistance payments for lower income persons.

As I understand it, the activities of the Corporation would be intended to support and supplement those of private investors, developers, and financial institutions—not to substitute for them or to act independently of them. The authority and resources of the Corporation would be directed towards attracting and stimulating private market activity by filling gaps in existing public and private development ventures and assuming risks and costs which cannot be absorbed by others in pursuit of approved public development policies.

Insofar as how such a Corporation would relate to the existing urban renewal program now carried on by RLA, the following points might be made:

The Home Rule Act required that on July 1, 1974, the RLA become an instrumentality of the District Government, and can be reorganized or abolished by the new city government.

The newly elected Mayor and Council will no doubt wish to clarify, refine, and restructure the city's overall planning, housing, urban renewal, and zoning functions to take maximum advantage not only of home rule but also of the new national housing and urban development legislation.

It should be noted, however, that the new national housing legislation, now under consideration by the House Banking and Currency Committee, would eliminate the traditional urban renewal program grants to agencies such as RLA, and instead to provide block grant funds directly to cities, including the District of Columbia which will determine how, where, for what, and by whom they will be allocated.

If a Community Development Corporation is authorized, then the District Government will have that much more flexibility in determining how it wishes to organize itself in terms of how much of which functions to keep in various city departments and how much it chooses to place in the Corporation.

Until such time as these decisions are made by the new local government, it is not possible to state which, if any, of the activities now carried out by RLA would be passed on by the city to the Corporation.

ACTION NOW

We believe, however, that action to establish a local community development corporation should proceed now, for the following reasons:

Timing: Because of the need to organize itself and sort out its legislative priorities, the new Council might not establish a local development corporation for a year or more. It is needed sooner in order to maintain and accelerate the momentum of development in the bicentennial period and to take advantage of new federal housing and community development legislation expected to go into effect in January, 1975.

Legal authority: In most of the 31 states which have already established finance or development agencies, there has been time-consuming test litigation to determine the exact limits and definition of powers set forth in the authorizing legislation. Inasmuch as there may be some question about the meaning and extent of the new City Council's legislative powers in some areas—particularly financing—it would be desirable to obtain Congressional approval backing up the Council's authority in this area, if for no other reason than to reduce the chances of protracted lawsuits on the issue.

Financial back-up: The general obligations of the Corporation would not be guaranteed by the full faith and credit of either the local or Federal Government (although the Corporation might utilize existing Federal housing and community development programs). Other state finance agencies have found, however, that their bonds are more marketable at a lower interest rate if there is a capital reserve fund sufficient to meet one year's principal and interest on all outstanding obligations, and if this capital reserve fund is backed up by a moral obligation of the Chief Executive to seek appropriations to maintain that fund as necessary. Because of the budgetary relationship of the District Government to the Congress, it is questionable whether the adoption of such a provision by the City Council alone would be acceptable to the private bond market, in the absence of some action by the Congress to authorize the city's potential obligations in this area.

In summary, Mr. Chairman, we support this bill because we believe it to be essential to allow the District Government to move ahead in partnership with private enterprise, in the same way as other States and Cities have found necessary to accomplish locally approved public planning, land use, and development policy objectives.

Mr. FAUNTROY. Now I wonder if I may, just to try to obtain the kind of information we want, I would just ask each of you to outline your basic position on the bill with specific emphasis on any amendments that you would want to see included, and for that purpose I think I will just call on Mr. Hugh Miels first.

Mr. MIELDS. Thank you, Mr. Chairman.

I will be very brief. I am a private consultant and I have worked for the Redevelopment Land Agency over the past several years in conjunction with a variety of housing and renewal programs. We did file a report with the RLA last June in which we recommended that a community development corporation be created and that report was entitled, "A Case for a Community Development Corporation for the District of Columbia." And I have indicated in my prepared statement that the presentation made to the RLA board is attached, and Mr. Chairman, it is not attached. But I do have a copy with me and I would like to request that it be included as a part of the hearing record.

Mr. STUCKEY. Without objection.

AMENDMENTS PROPOSED

Mr. MIELDS. I have no specific objections to make to your bill. I would like to comment, however, on two aspects of the bill which I feel are quite important and which I think need to be discussed in a little more detail than heretofore.

One of them is the approval section of the bill, Section 202, which I think, in my judgment, is far too burdensome both from an administrative point, both from the standpoint of the corporation as well as the Mayor and City Council. The number of specific details, project details, required from the corporation of the condition precedent to approval by the Mayor and Council and the manner in which they apparently need to be presented, is just too much.

I think it would be beyond the capability of the Mayor and Council to endure, having to conduct other business of the city, I think, and I think the issue, how these programs and specific projects are handled between the corporation and the Mayor and the Council, with some broad exceptions, are issues that can be resolved best by the corporation, Mayor and Council conforming, of course, to some broad mandates in the bill. And I think those mandates simply need to relate to the fact that any project or program of the corporation needs to conform to the planning and development goals of the District, that any plan or program developed by the corporation must have the benefit of the views and opinions of the residents and business people who are going to be impacted by that project. But they must demonstrate that the financing proposed is reasonably sound with adequate funds either secured or promised and that the private sector will have maximal opportunity to participate as appropriate, and, of course, while I did not mention it specifically in my testimony, they should conform to the uniform relocation procedures.

I think part of the problem with the District and with most major cities in the United States is there is too much red tape, too much bureaucracy, too much involvement in checking and rechecking the details of these projects.

The operating agencies are required to come back for minor adjustment, fine tuning of projects. Those things simply add to delay and ultimately, the cost of the project.

I would hope that the District Government would be sufficiently competent so that these kind of detailed mandates and requirements

can be best left out of the bill and can be adequately handled by the professionals, both in the corporation and in the Government itself.

FINANCING

I also feel very strongly that the obligations of the corporation should be outside the city's debt limit. I believe that the New York State Urban Development Corporation approach is a sound one. It puts the obligation on the corporation to perform. It does not put it in a position where it can fall back and say, well, the District is going to cover me because the bond payments, the principal interest payments have to be made by the District. So there is no real burden on the corporation in an instance where it is funded by general obligation bonds to really perform, and I think it is important that we understand that the corporation we are talking about is a performance-oriented corporation, one designed to achieve production and not to stand pat and wait for the last word.

ZONING AND BUILDING CODES

I have one more. I do think that it is extremely important that this corporation have the authority to override local law and regulations relating to zoning and building and the management of real property. I think it is essential that it be able to exercise that particular initiative and I do not think it will but I think it is important that it have that option. I think delays in processing, delays in waiting for applications to be approved, for approvals to be delivered, are very costly, and these costs are always passed on to the consumer. No developer, public or private, should have to suffer needless delay or unduly burdensome administrative requirements without some way of appeal.

I think the override, in effect, provides an appellate process, and I think that while its use is limited to the development corporation, I suggest that in the long run it will have very beneficial effects to the private developers and the city as well.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Miels follows:]

STATEMENT OF HUGH MIELDS, JR.

Mr. Chairman and Members of the Subcommittee, my name is Hugh Miels, Jr. I am a resident of the District of Columbia and a private consultant specializing, for the most part, in community development and intergovernmental relations. To give you some idea as to my background and experience with renewal and local government over the past 25 years and the clients I have served—in effect my credentials to appear here before you today—I have attached a copy of my résumé which I hope is properly brief and to the point.

BACKGROUND

The realization that a Community Development Corporation should be established for the District of Columbia is not new, despite the fact that this is the first time the issue has been brought before the Congress. The absence of a strong city-wide development entity has for some years now been identified as a major constraint to comprehensive development by a number of individuals and commissions familiar with the housing and renewal problems of the District. There is, as I believe these hearings will demonstrate, general agreement on the immediate and pressing need for a community development agency with public powers, with facility for drawing upon a wide range of sources for financing, and

with ability to undertake programs that are neighborhood-wide in scale, in order to insure an adequate revitalization of the City's problem areas.

In August 1971 the Washington based consulting firm of Linton, Miels and Coston in a report entitled "Recommended Actions to Increase Housing in NDP Areas" explored the field of possible existing potential developers, and verified that none were capable of addressing the particular development needs of the inner city.

In 1971 Congressman Fauntroy introduced his bill, HR 12301, to create a development corporation for the District of Columbia, patterned after the New York State Urban Development Corporation. The New York State Urban Development Corporation has been extremely successful and was, before the federal housing freeze, the largest single corporate developer of assisted housing for low and moderate income families in the United States. Congressman Fauntroy introduced a similar bill, HR 3265, in 1973.

In August of 1972, the Commission on the Organization of the Government of the District of Columbia, under the Chairmanship of Congressman Ancher Nelsen, endorsed the idea of a Community Development Corporation, and included a staff paper on the subject entitled "Establishment of a Housing and Community Development Authority" in its final report.

In September of 1972, the Special Citizens Advisory Commission to the D.C. City Council, under the Chairmanship of Reuben Clark, Esq. and which was created at the recommendation of the Vice Chairman of the Council, Sterling Tucker, also recommended the creation of a development corporation for the District of Columbia. The Advisory Commission cited basically the same reasons for its conclusion as to the need for a development corporation as were stated in the LM&C study and the Nelsen Commission report.

While the various recommendations so far then proposed varied somewhat as to the specific powers the corporation should have, all agreed that the Corporation would have to be fully responsive to the public needs of the City as expressed by the Mayor and the City Council. In any event, the differences in approach taken by the various proponents of the corporation proposal did not appear so substantive that a consensus on a final model seemed at all difficult to achieve.

In June 1973 LM&C filed a final report entitled "A Case for a Community Development Corporation for the District of Columbia" with the RLA Board. The Report recommended that the RLA Board endorse the concept and take such steps as it deemed feasible to secure approval of appropriate legislation by the Congress at the earliest possible date. The presentation made to the RLA Board of Directors in 1973 is attached, Mr. Chairman, and with your permission I offer it for inclusion in the record of these hearings.

There has been considerable experience throughout the United States with the use of housing and development corporations. To a large extent the range and the scope of this activity has been documented in the recent report of the Department of Housing and Urban Development, *Housing for the 70's*. Chapter 5 of the HUD report outlines, in considerable detail, the extent to which these agencies operate and the nature of their successes in recent years. Mr. Chairman, with your permission, I would like to suggest that Chapter 5 of the report, *Housing in the 70's*, be included as a part of the hearing record.

CITY RESPONSIBILITY

Without intending to repeat points already made by other witnesses, I would like to review the case for the Community Development Corporation by briefly addressing myself to the issues relating to the renewal responsibilities and obligations of the City itself. The City must not only have the will to act affirmatively to ensure good housing for all its residents, regardless of income, in viable and attractive neighborhoods, it must also seek to develop the resources and the institutions necessary to implement the programs designed specifically to achieve these particular goals.

Community development on a continuing basis—in effect the constant renewal of the City—is a basic responsibility of government. The government's role is to constantly seek to identify areas of development concern and opportunity, to make certain that uses which adversely affect the fabric of the community are eliminated and, equally important, that development opportunities are recognized and acted upon to properly conserve and enhance community life.

We have, in the past, generally accepted the proposition that when such physical conditions become intolerable government has an obligation to step in and do something—and usually that “something” has been an effort at clearance or rehabilitation—but almost always on a scale which limits itself almost entirely to those structures and areas which are in the state of most obvious and flagrant disrepair. Usually we stop there, hoping that other non-governmental forces will step in and act to restore, or at least hold the neighborhood in a state of minimum livability. In the past, for the most part, we have always stopped short of encouraging government to undertake actual development. Normally, with the exception of the limited amounts of subsidized housing we have built so far, if private enterprise doesn't step in and act, nothing much, or at least not enough, happens.

By now, I think, it is recognized that government has a legitimate role and, in fact, an obligation, to *induce* private development by actually initiating certain kinds of development itself. An important part of the Corporation's work will be to create new and broader opportunities for private participation in the ongoing renewal process. But, we must recognize the fact that the private sector always—or almost always—has the option of investing elsewhere. Inevitably, the private sector invests where the prospects for a superior profit are clearest and most inviting.

But, the existence of a relatively high development risk doesn't necessarily mean lack of development opportunity, particularly if you are analyzing such opportunities in terms of achieving desirable social objectives. For example, the case can be made for the provision of a service or a facility or a combination of both in an area which needs such a stabilizing force or element to prevent further decay, deterioration and/or decline in livability. Simply because the private sector finds development in such an area potentially unrewarding from the standpoint of profit doesn't necessarily mean that development is not needed, or for that matter isn't highly desirable.

It should be made very clear at this point that we are not making the case for public development action as a substitute for private sector involvement. Rather, what we are addressing is how do we maximize private involvement and at the same time accommodate the need for development activities which serve clearly stated and acceptable community social objectives and for which there is no known ready and willing private developer.

The idea of the Community Development Corporation is to provide the District government with the special kind of production-performance oriented entity it needs in order to be able to take advantage of—to seize—important development opportunities to assure the continuing renewal of the City and to achieve the social goals of the community.

Beyond that, the Corporation itself must be provided with independent sources of funds to finance the development program it will be mandated to undertake by the community. The Corporation's operations will be predominately business-like rather than governmental. It will engage in a large number of business transactions which we normally identify as private in nature.

Since we will expect the Corporation to be innovative in order to take advantage of new technology and new ideas, it will need to have considerable administrative flexibility, much more so than we usually associate with a public line agency. As a matter of fact, the Corporation should, if it's run properly, serve as a constant challenge to the District bureaucracy because the Corporation will have to have an orientation which emphasizes the production goals the community will set for it through the Mayor and the Council.

On this point I would like to note that in my view, Section 202 of the bill relating to project approval looks far too administratively burdensome, both on the Corporation as well as the Mayor and the City Council. The number of specific project details required from the Corporation as a condition precedent to approval by the Mayor and the Council and the manner in which they apparently need to be presented appear to be just too much.

AMENDMENTS PROPOSED

All the bill need require is that the Mayor and Council must satisfy themselves that the Corporation's programs and projects:

1. Conform to the Planning and Development Goals of the District.
2. Have had the benefit of the views and opinions of the residents and businesses affected by the program or projects.

3. Are based on reasonably sound financial plans, with adequate funds promised or secured.

4. That the private sector will have maximum opportunity to participate as appropriate.

In addition, the Corporation will have to develop a capability for development which will, of necessity, have to be equal to or superior to its counterparts on the private side. I hope for superiority because I think all will agree that the kind of tasks the Corporation will be expected to undertake will require the highest level of individual competence, professional experience and capability.

FINANCING

With reference to financing, two things I think should be made clear. First, the Corporation must be eligible for and receive grants to write-down the costs of land and provide housing for low and moderate income families. Second, since the development activities the Corporation will engage in will produce revenues and will in fact provide the Corporation with an opportunity to largely support itself, it should have to depend on its own sources of revenue. The Corporation must be obligated to go to the marketplace for funding largely on the basis of its past performance record and the confidence that the community and the Congress place in its work and accomplishments.

The obligations of the Corporation should be outside the City's debt limit. This is so because the funds raised are to be used for essentially private revenue producing facilities, and it should not be necessary for the City to pledge its full faith and credit to activities which are clearly the responsibility of the Corporation. City bonds might mean a slightly lower interest rate, but in principle this form of financing is more appropriately used for strictly public construction projects.

Moreover, the City's bonding authority may be considered inappropriate in this case since such bonds are normally related to specific projects which may have to be subjected to voter approval in a referendum. The Corporation's bonds are intended to establish a kind of revolving fund to be used for a broad range of purposes rather than be tied legally and permanently to only one specific project.

CORPORATION AUTHORITY

Finally, I know there will be some objections to the authority granted the Corporation to override local law and regulations relating to zoning and the building and management of real property. For my part, I think it is absolutely essential that the Corporation be able to exercise that particular initiative—not that I think it will ever have to. But, inordinate delays in the processing of applications for approval in these areas cost dearly and those costs are always passed on to the consumer. No developer—either public or private, should have to suffer needless delay or unduly burdensome administrative requirements without some way to appeal. The override provides, in effect, an appellate process. While its use is limited to the Development Corporation, I suggest it will, in the long run, prove helpful to the private developers of our City as well.

The bill before the Subcommittee, H.R. 15361, despite the reservations I have noted above, I think represents a fair consensus and synthesis of all the recommendations made so far to provide the District of Columbia with this important development capability.

As proposed, it will enable the District under the leadership of a duly elected Mayor and Council to do a much more effective job of renewal by permitting it to take advantage of the more critical and important development opportunities which exist in the District but which are not acted upon by the private sector for lack of the requisite level of profit opportunity. Moreover, the Corporation should also provide the District government with a development performance yardstick against which it can more reasonably assess and measure the actions and accomplishments of private sector developers both in terms of providing shelter as well as in non-residential construction activity.

It is a good bill, the Corporation is needed now. I urge you to recommend it to your colleagues in the House of Representatives for their approval.

RÉSUMÉ OF HUGH MIELDS, JR.

EDUCATIONAL BACKGROUND

Born in Marshfield, Wisconsin, March 3, 1923, Mr. Mields received a Bachelors Degree cum laude in Political Science in 1947, and attended the Graduate School in Regional Planning at the University of Wisconsin.

WORK AND EXPERIENCE

Mr. Mields serves as a consultant on community development to the City of Chicago, the City of Norfolk, and the Redevelopment Land Agency of the District of Columbia. He is an Associate of the Academy for Contemporary Problems which was established in 1971 by the Battelle Memorial Institute to assist citizens, technical experts and decision makers solve urgent public problems. He is also a Lecturer on New Community Development at Ohio State University.

Former clients include Rancho San Diego (New Town) Development Corporation, California; Pontchartrain Land Corporation (New-Town-In-Town), New Orleans; Cedar-Riverside (New-Town-In-Town), Minneapolis; Newfields (New Town), Dayton, Ohio; Riverton (New Town), N.Y.; the National Commission on Urban Growth; the American Institute of Architects; the President's Commission on Urban Housing; and, the U.S. Agency for International Development.

Mr. Mields has served as Associate Director of the U.S. Conference of Mayors; Assistant Administrator for Congressional Liaison with the Housing and Home Finance Agency (now HUD); Assistant Director for Federal Activities of the American Municipal Association (now the National League of Cities); Assistant Director for Urban Renewal with the National Association of Housing and Redevelopment Officials; and, Economic Analyst and Planning Analyst for the City of Milwaukee.

He has travelled extensively abroad and, in the course of his study of new towns and new communities legislation, Mr. Mields visited new town development in England, Sweden, Finland, the Soviet Union, Germany, the Netherlands, France, and Brazil.

Mr. Mields' professional affiliations include the National Housing Conference, the American Institute of Planners (affiliate member), the American Society for Public Administration, the National Association of Housing and Redevelopment Officials, and the Urban Land Institute (member of the Board of Trustees and Executive Group of the New Communities Council).

Mr. Mields is the author of *Federally Assisted New Communities: New Dimensions in Urban Development* published by the Urban Land Institute. His recent articles include, among others; "Congress and Urban Growth Policy," *The Bureaucrat*, Vol. 2, No. 1 (Spring 1973) and, "The Federal New Communities Program: Prospects for the Future" in *New Towns: Why-And for Whom?* edited by Harvey S. Perloff and Neil C. Sandberg (New York: Praeger, 1973).

Mr. FAUNTROY. Thank you so much, Mr. Mields. I may be back to you in a minute but I want to go right now to Mr. William Comings, who does have a commitment to which he must go, the Senior Vice President of Development, National Corporation of Housing Partnerships.

Mr. COMINGS. I will be very brief. The National Corporation for Housing Partnerships is a Congressionally chartered, privately financed corporation that is engaged in the encouragement, development and operation of low and moderate income housing nationwide. We have in excess of 20,000 units that we have committed and we have activity in 33 states and the District of Columbia.

FINANCING

I would like to focus on one major area of the bill, one that has been commented upon but not given the emphasis in this morning's testimony, and that is the finance aspect of the bill as opposed to the development aspect.

The state housing finance agency movement—and it is really a movement—has become increasingly important in the last 12 months. What has happened to construction costs, operating costs, including energy costs, the cost of money, plus what has happened to the Federal Government and its substantial withdrawal from the development of housing and housing production programs has really made it essential for state housing finance agencies to become operational, as has been testified to this morning. Some 30 states have HFAs, and we at National Housing Partnership have had an opportunity to work with a number of them. Many of them are still coming onstream and generally, in terms of timing, it does take a year between legislation and activity, just in terms of necessary court tests, etc.

There are several key factors with regard to what a state HFA can do. It can move quickly and it can, properly structured, provide both interim and permanent financing at less than market rates. And what this means is that you can reach, with that indirect subsidy coming from the tax exempt bonds you can reach a segment of the population that you cannot otherwise reach with an FHA program or a conventional program.

When you add to that either an intersubsidy program, such as we have had under Section 236, or housing assistance payments program, such as is embodied in the administration Section 23 program in the housing bill, you can reach low income as well.

And HUD has set up its procedures whereby a FHA can very much streamline and simplify this process of development. What I would hope that the proposed community development corporation could do and would be structured to do in addition to the development powers that we have talked about today, is to serve as an active and very streamlined housing finance agency.

I think that having this resource available will very much encourage private enterprise activity in the City of Washington and can be a very valuable tool. Indeed, without some forum of development corporation or HFA, we are going to pretty much have our hands tied behind us, in the near future anyway, in terms of development of low and moderate income housing in the District.

Mr. FAUNTROY. Thank you.

ZONING AND BUILDING CODES

Just before you leave, Mr. Comings, how important is the provision concerning the expediting of process for zoning and building code decisions, in your judgment?

Mr. COMINGS. Zoning and building codes decisions? It is vital, every aspect of it—today, what has happened with construction costs in the last 12 months has been truly staggering if there is a delay on any aspect of it, whether it is a delay in zoning or a delay in processing. A delay in processing, and we have seen it in case after case by the Federal Government, we have a project, for instance, in Wooster, Massachusetts that had a nonprofit sponsor. Originally, it was to be housing for the elderly. It is near downtown. It had everything going for it except that it just took too long to get there. And that project is completely out of the bounds of economic feasibility. Fortunately, in Massachusetts we have recourse to the Massachusetts State Housing

Finance Agency, and that is providing an avenue to recast that project.

But delays, significant delays, whether it be a technical amendment of zoning or whether it be a processing delay or whether it be an elaborate review and approval project, will result in higher costs, which inevitably results in higher rents or quite possibly, complete economic infeasibility of a project.

Mr. FAUNTROY. Thank you.

Mr. HOGAN. May I just ask a question?

Mr. FAUNTROY. Yes, of course.

Mr. HOGAN. Part of the problems of delay in Governmental activity are as a result of the Government ruling over the private interest. This is always true. The protections are in there sometime for the protection of the private homeowner, if there is going to be development in its area. There are delays, both in the private and public sectors because of zoning requirements and all of that kind of thing.

But do you not believe that that provides some kind of protection for the individual who has an interest as private owners and private land owners?

Mr. COMINGS. I think, in terms of the zoning override or a major undertaking, I attempted in my written testimony submitted for the record, to differentiate between the two functions, the HFA function and the development corporation function.

Have I said that before? It seems to me that when the Government takes on the role of developer of last resort there are a whole host of things that must be considered and a variety—you really need a system of checks and balances.

I think, on the other hand, where you are through your Governmental entity providing construction money or permanent financing on a project that otherwise has been privately designed and will be privately owned and privately managed, I think it is quite a different function. Under that type of function I would not see—that is a straight financing arrangement and there would not, in my assumption, be any special provisions as to zoning and the like, that would conform to zoning.

Mr. HOGAN. It is only when the corporation would take up the total development without the private assistance that you would have them override the local—

Mr. COMINGS. Either in the total sector or there may be situations, and I think this is one of the very interesting aspects, there may be situations where a combined, I do not think it is an all—either the public has got to do it all, because private enterprise cannot do it. I think there may be a sort of middle ground on some proposals whereby a private developer, in conjunction with the community development corporation, takes on a development, thereby utilizing some of the powers of the community development corporation to solve pressing problems, but still having the ability of private enterprise to undertake and complete development on a timely and cost-conscious basis.

FINANCING

Mr. HOGAN. You indicate that \$75 million is too low for housing. You are looking at mainly the housing aspects of this bill, are you not?

Mr. COMINGS. I was looking at mainly the housing finance as opposed to the development, and I was just really looking at, if you

are talking about any sort of substantial development and you are talking about providing permanent loan funds and you are talking about that. With today's cost, the cost of building a project today, it does not take too many units, a couple of hundred units to get you to a \$5 million project.

Now if, in fact, you have an HFA function and you are putting out money, my point was that that could be very restrictive.

Mr. HOGAN. The overhead on a housing finance agency and the overhead on a corporation would be substantially different, would they not?

Mr. COMINGS. One role is much more limited than the other.

Mr. HOGAN. The housing finance agency aspect of the bill, the overhead on that should be relatively low, should it not?

Mr. COMINGS. (Nods in the affirmative.)

Mr. HOGAN. Is that not the experience of the states?

Mr. COMINGS. It is.

Mr. HOGAN. The corporations, on the other hand, the overhead for the cost of financing the corporation would be substantially higher?

Mr. COMINGS. Because they are doing much more. They are acquiring lands, doing plans, and there is substantially more involved to being a developer than there is to being a lender.

Mr. HOGAN. You figure that \$75 million is too low for the housing agency.

What figure would you put for housing?

Mr. COMINGS. I am not totally familiar with all of the state legislation. But I think some of the state legislation has been quite opened on that.

Mr. HOGAN. How about for the corporation?

Mr. COMINGS. I have no number for that.

Mr. HOGAN. What is the rate that most of the states have been paying for their financing up to this point, do you know?

Mr. COMINGS. It is varied. We are still in discussion with a number of states that believe that they can provide long-term financing to us at seven percent or less, and that is including a half a point, which is the typical agency fee. So many agencies, I think, are still looking for funds at around six percent.

Mr. HOGAN. Are you aware of the problems up in New York?

Mr. COMINGS. I am not familiar with the total situation. I am not competent to comment on that.

Mr. HOGAN. They had a \$100 million offering at eight percent and they refused to go to the market at eight percent.

Do you raise money of your own?

Mr. COMINGS. We have funds that are invested with us by 270 major U.S. corporations and financial institutions. In addition, as individual housing projects proceed to the point of development, we sell limited partnership interests in specific projects or groups of projects to other investors, thereby rolling over our investment so that we can continue to operate.

Mr. HOGAN. But you had an initial funding, I take it?

Mr. COMINGS. We had an initial funding by private investors.

Mr. HOGAN. That was money that was just contributed or invested by—

Mr. COMINGS. It was invested essentially in the National Housing Partnership for use in the development of low and moderate income housing. Those funds are not either construction mortgage funds or permanent mortgage funds. That is equity capital.

In all cases, we operate either in conjunction with a Federally insured loan, a state loan, a municipal loan or occasionally a conventional loan.

Mr. HOGAN. Do you have an annual report indicating what your return is on your capital investment?

Mr. COMINGS. Yes, sir. We do. I have furnished that.

Mr. HOGAN. You have already furnished it?

Mr. COMINGS. Yes, sir. I have.

Mr. HOGAN. Thank you, Mr. Chairman.

Mr. FAUNTROY. Mr. Gude, you may have one question or so of Mr. Comings. He has to leave.

Mr. GUDE. I was wondering, Mr. Comings, if you had any particular thoughts about cities. I meant particularly a question about the mayor having removal authority or appointment with removal at any time.

Mr. COMINGS. Mr. Gude, I can only comment—and again, I will address my comments at the HFA function rather than at the development corporation function—that the successful state agencies, and I will define “success” as in terms of production, in terms of being able to deliver and to deliver good housing in some quantity on an accelerated basis—have had substantial autonomy. Certainly, they are created by the state. But they, through their executive director and their board of directors, have been able to move with a fair degree of latitude and flexibility within the broad standards set forth by the legislature or what have you.

Mr. FAUNTROY. Thank you, Mr. Comings. You may leave as your time requires.

Mr. COMINGS. Thank you, Mr. Chairman.

[The prepared statement of Mr. Comings follows:]

STATEMENT OF WILLIAM COMINGS ON NATIONAL HOUSING PARTNERSHIP VIEWS
WITH RESPECT TO THE NEED FOR NEW ADMINISTRATIVE AND FINANCIAL ARRANGEMENTS
TO ENCOURAGE PRODUCTION OF LOW AND MODERATE INCOME HOUSING

Mr. Chairman and members of the subcommittee. My name is William Comings. I am Senior Vice President—Development of the National Corporation for Housing Partnerships. NCHP is a congressionally chartered, privately financed organization, formed to stimulate the development of low and moderate income housing nationwide. NCHP has committed funds for the construction or rehabilitation of 21,867 units of housing in 145 projects in 33 states and the District of Columbia. About 80% of these units are currently under construction or completed.

We are pleased to have this opportunity to express our views on the housing provisions of the proposed District of Columbia Community Development Corporation Act of 1974. There are two main areas covered by the proposed legislation—finance and development. I would like to comment separately on these two major topics:

FINANCING

First, finance. The establishment and growth of state housing finance agencies is an increasingly important factor in the production of low, moderate and middle income housing today. With the high costs of construction, financing and operation of housing and the breakdown or elimination of most federal housing production programs, state housing finance agencies provide a means to reach a

sector of the population that cannot otherwise afford decent housing. Typically these agencies provide construction and permanent financing on a direct loan basis at considerable saving in interest. This is usually set at $\frac{1}{2}$ of 1% over the rate the HFA must pay on its bonds. These savings translate directly into lower rents or lower monthly payments for moderate and middle income families. When combined with a direct subsidy program, lower income families can be reached as well. For example, the Administration's Section 23 Housing Assistance Payments Program has special provisions for state agency participation that will save many months of processing time and can literally mean the difference between success and failure of an individual project.

The National Housing Partnership current is participating in the development of numerous state agency financed projects. We have 12 projects totaling 2500 units under construction or completed, financed by state agencies in Massachusetts, New York, Illinois, Michigan, and Pennsylvania. In addition, we are working on projects that will be financed on an interim or permanent basis by state housing finance agencies in Virginia, West Virginia, Wisconsin, Minnesota and Maryland. These projects range from small projects with all units receiving federal Section 236 interest reduction subsidies to major developments serving a wide variety of income levels—a portion of the units with federal subsidies and a greater portion at market rates, but with advantageous rent levels resulting from the lower interest rates.

AMENDMENTS PROPOSED

There are several essential ingredients to a successful state housing agency. I would like to comment on two of these:

1. There must be adequate protection for the bonds so that favorable financing can be obtained, which in turn can be passed on to the resident in the form of lower rents or monthly payments. Reliance on federally insured mortgages is an unsatisfactory solution since HUD processing with all its delays and requirements would then be retained. Moral obligation language along the lines included in the proposed legislation has been used successfully in other states.

2. The HFA must be a professional staff that has the latitude to move quickly and independently to process and approve loan applications. Experience has shown that close ties between the finance function and a governing body—be it a legislature or, in this case, a city council—does not result in successful projects. Therefore, the legislation should be clear that the Corporation has the authority to make loans to private developers upon approval of only its own Board of Directors. We would also suggest that the \$75 million ceiling is too low with respect to an active housing finance agency function. Further, we do not think relocation assistance should be required of private developers obtaining only financing from the Development Corporation.

We believe the availability of a state housing agency for the District of Columbia is a necessary step if there is to be any substantial construction or rehabilitation of low and moderate income housing in the District of Columbia.

DEVELOPMENT

The second major aspect of the legislation is development. Experience has shown that it is substantially more difficult to produce low and moderate income housing in Washington, D.C. than in many other cities. To the degree that the Development Corporation can assist private development groups in overcoming one or more of the varied administrative, processing and economic problems in producing housing, it can play a useful role. In our view, the Corporation itself should develop only as a last resort and then only to the extent necessary to attract a private developer. In most instances, private enterprise will be able to produce effectively with assistance by the Development Corporation on one or two key elements. Accordingly, we think direct development activities by the Corporation should be on a limited scale and subject to detailed review and control by the City Council.

Thank you for this opportunity to comment upon this important legislation for the District of Columbia. I will be glad to answer any questions you might have.

Mr. FAUNTROY. I would like to return to Mr. L. Robert Linowes of the Washington Board of Trade.

Mr. LINOWES. Thank you.

My name is L. Robert Linowes, and I am an attorney with offices in the District of Columbia and Maryland. I am here today as a member and representative of the Metropolitan Washington Board of Trade.

SUPPORT LEGISLATION

I want to say, on behalf of the Board, that we very strongly support this bill. We believe it is a landmark piece of legislation, and we want to commend you, sir, for its introduction and initiation, and we sincerely hope that all efforts will be made to have it passed as soon as possible.

ZONING AND BUILDING CODES

I do want to comment on a couple of aspects of the bill and some of the remarks made today. It is interesting, particularly statements made by the last two speakers concerning the override of the building code and zoning ordinances. I guess it depends on what ox is being skewered at a particular time. It does not seem to bother anyone if there is what has been characterized as "administratively burdensome delays" for getting approvals or denials or just getting any action on applications when it applies to the private sector.

But apparently we are very much concerned when it applies to the quasi-public sector. I would publicly suggest that if these processes are burdensome, if they are unreasonable, then they should be changed and we should not use the back door to attempt to give a particular edge to this particular corporation or unit to avoid the requirements of the law in order to proceed in the manner in which they wish to proceed.

So we would strongly support the position taken by Mr. Banks on behalf of the city that the corporation not be given the power to override zoning or other requirements that are contained in the law at the present time.

EMINENT DOMAIN

With the matter of eminent domain, we believe that eminent domain should be within the power of the corporation. I think that Mr. Mister set forth very well some of the reasons why it should remain within the corporation, and we endorse them. If we have to go through the process of going to the District of Columbia government and getting them to act, and then going through the process of conveying it back to the corporation for whatever purposes, I think—talk about administrative burdens, that would be horrendous, and we would respectfully urge that that power continue to remain within the scope of the authority of the development corporation.

EXPERIENCE IN THE STATES

The development corporation generally, and the experience that has existed in the over 30 States that have adopted such legislation, has generally been very good. It has not been everything it should be, of course. But nothing is. But it has served a very useful purpose.

We think Washington, D.C. needs it and needs it very, very desperately, and we urge that the new District government be given this new tool when it comes into existence.

PRIVATE DEVELOPMENT

One other question that we would like to raise and I think is going to require some further consideration is a matter dealing with making a determination as to whether or not the private sector has had the opportunity or is willing to undertake a particular project. We respectfully suggest that this language is far too fuzzy, and we think could lead to some substantial trouble because it is quite indefinite. No standards are set. We think that possibly with respect to that particular provision, that some standards and procedures be set forth so that that determination can be properly made, both by the corporation and by the mayor and city council. In that way, it will clear the air and settle the matter in a hopefully definitive situation, and we would be very happy to submit to you, within a very short time, some proposed amendments.

In summary, however—and I know that you want to cut this as short as possible—the Board of Trade, which represents 1400 businesses in the metropolitan Washington area, wants to very strongly go on record as being in support of this corporation and this legislation, with just minor changes.

Mr. FAUNTROY. Thank you very much, and as you know your official statement has been included in the record.

I do want to specifically ask that you provide us with that language on the question which you raised last in your presentation, and I want to thank you.

Mr. Gude?

Mr. GUDE. I just wanted to say, Mr. Chairman, that Mr. Linowes brings out this panel great expertise and knowledge in the field of zoning and planning and land use, and we value his testimony.

Mr. LINOWES. Thank you, sir.

Mr. FAUNTROY. Counsel?

EMINENT DOMAIN

Mr. HOGAN. I was wondering if we could ask Mr. Mister, who now is bringing eminent domain proceedings for RLA?

Mr. MISTER. At present the arrangement is that after the planning commission now and city council approves urban renewal plans, those plans specify with precision which properties are to be acquired, we then acquire the property in the name of the D.C. Redevelopment Land Agency, and in those cases where we cannot settle on the price with the owner we file for condemnation in the Federal courts.

Mr. HOGAN. Who is that action brought in the name of?

Mr. MISTER. In the D.C. Redevelopment Land Agency, so the proposal contained in this legislation before you today is very similar to the process used now.

Mr. HOGAN. The reason for that, I assume, is that you are currently an independent agency of the District government?

Mr. MISTER. Yes, sir. After July 1—we have not resolved all of the transition issues yet—but after July 1, it is fairly clear that the Corporation Counsel will process our cases not through the Federal courts, but through the district courts.

Mr. HOGAN. Has it been resolved yet in whose name the condemnation proceeding will be brought?

Mr. MISTER. I am fairly certain that they will still be brought in the name of the D.C. Redevelopment Land Agency as an instrumentality of the D.C. government.

Mr. HOGAN. Is there any reason why this corporation here, why the condemnation proceedings of this corporation should be handled any differently?

Mr. MISTER. Again, as Mr. Banks indicated in his testimony, there is a feeling on the part of the city that the eminent domain powers should be exercised by the city. I am not—I think that is one of the things we would want to work on in trying to perfect some language. It is my understanding of the situation now that before eminent domain can be exercised—and this bill would continue that—the city government, the mayor and the city council, would have to decide that a piece of property is to be acquired by this corporation. From that point on, the fact that the corporation actually administers that seems to me may be consistent with the testimony of Mr. Banks, and it may not be.

I think that we would certainly like to work on perfecting some language, because we do not—from our standpoint, as far as the bill is concerned, we really do not see any problem with the existing arrangement.

However, there may be some problem that we are not really aware of. But we think the existing arrangement gives the city government the proper authority, but permits the corporation, once the city has decided to buy the property, to get it back in the best and fastest way possible. We can settle with the owner.

If the corporation settles with the owner there would be no need for condemnation. If it is necessary to go to condemnation, the corporation might do so. Some of that might be handled outside the context of the bill by the District government issuing regulations or something. So again, I think it is one of these areas where there is no real substantive difference that I can understand between the views of the agencies and the view of the cities.

It is one of those things, I think that can be handled through the language or Committee report in the bill.

Mr. HOGAN. I gather there is a substantive difference between your proposal and the approach that would probably be adopted by the District government as it relates to RLA after the transfer is effected here?

Mr. LINOWES. Yes, but I do want to point this out. I really do not understand, frankly, the hang-up on the part of the District of Columbia government, if it is a real hang-up, concerning the matter of the use of the eminent domain power, since the mayor and council will make the initial determination as to whether or not the property should be acquired. Now, what we are really talking about is fundamentally mechanics. If the mayor and the city council makes a determination that it should be acquired, based on the recommendations that have been made by the corporation, then to what degree does it make any further difference if the action is brought in the name of the District of Columbia or brought in the name of the development corporation?

It does financially, because if it is brought in the name of the development corporation it is their funds that are going to be allocated for that purpose, and hopefully the particular development corporation may be able to move more quickly in making its determination and in trying to proceed than the city government can as part of the total process. So I would agree with the city's position if it did not make the initial determination as to whether x piece of property were to be acquired or not.

If it did not have that, if it did not make that determination, I could understand it, because they would not want a separate agency making that determination. But here the mayor and council are making that determination right at the very start before any part of that project can proceed.

[The prepared statement of Mr. Linowes follows:]

STATEMENT OF R. ROBERT LINOWES—ON BEHALF OF THE METROPOLITAN
WASHINGTON BOARD OF TRADE

STATEMENT OF R. ROBERT LINOWES—BEFORE THE SUBCOMMITTEE ON BUSINESS,
COMMERCE AND TAXATION OF THE HOUSE DISTRICT OF COLUMBIA COMMITTEE ON
H.R. 15363

Good Morning! I am R. Robert Linowes, an attorney with offices in the District of Columbia and Maryland. With me, this morning, is Mr. Robert C. Larson, Senior Vice President of The Taubman Company.

We are here this morning on behalf of the Metropolitan Washington Board of Trade, as members of that organization. Mr. Larson and I are familiar with the functions and responsibilities of public development corporations now operating in an ever-increasing number of states and major American cities, and we have studied carefully the proposal before this Committee.

More than 30 states and cities have established public development corporations, or similar entities, as a key element in their efforts to bolster dwindling housing stocks and to revitalize sagging commercial and industrial sectors. The bill before you seeks to accomplish these twin objectives, represents an enlightened view of the dynamics of today's urban environment, and confronts head-on the most difficult problems obstructing full prosperity for the District of Columbia. The Board of Trade supports H.R. 15363 and we commend Delegate Fauntroy for his initiation of this landmark legislation.

In addition to our general support of H.R. 15363, Mr. Chairman, we have a number of specific observations, based on our study of the Act, which we hope will assist you and the members of the Committee during your deliberations. Attached to my testimony you will find a compendium of recommendations adopted by the Board of Directors of the Board of Trade in October, 1973. This morning, then, we will comment briefly on some of the recommendations contained in the attached statement.

ROLE OF PRIVATE INITIATIVE

We believe that there should be no misapprehension that the Public Development Corporation is designed to supplant private initiative in the financial and development sectors. We endorse, then, an approach which calls for an assessment by the Mayor and Council of the probability of private enterprise successfully undertaking a project before a Corporation commitment is brought to bear. With this in mind, we urge the Committee to include in Section 202(c) a requirement that, in the preparation of both the annual program and in the preliminary planning for each specific project, the Corporation survey carefully the private sector to determine, if an exclusively private effort can accomplish the same, thereby making Corporation resources available for other projects less susceptible to solely private initiative. The provision [Section 202(d)] for a final determination by the Mayor and Council of private sector interest and readiness to undertake specific projects makes eminent sense and reinforces the basic philosophy espoused, herein.

CONTROL AND SUCCESS

We believe that any new major thrust, such as the proposal before this committee, must demonstrate a record of performance and accomplishment before experiencing rapid expansion in budget, authority and staff. Accordingly, we support Section 202 which outlines the project approval process and delineates the roles of the Mayor, City Council and the citizenry in that process. We believe that the process, as designed, will ensure that thoroughness, thoughtful planning and fiscal responsibility characterize the Corporation's conduct of its responsibilities. In this regard, we believe, and hope that the record reflects our view, that only a manageable number of initial projects be undertaken, initially, by the Corporation. Subsequent efforts, and the resources so made available, should be based upon the level of achievement attained in preceding endeavors.

PLANNING

The Corporation will not require a large planning component to accomplish its goals and objectives. Clearly, the bulk of the planning responsibility should continue to remain with the City government with the Corporation's efforts reflecting and responding to the broad planning perspective of the City government. As provided in Section 202, the projects considered by the Corporation *are* to be responsive to the City's community development objectives and comprehensive planning. This language should be maintained.

ZONING/BUILDING CODE OVERRIDE

Section 203(b) provides that if the Corporation is unable to proceed or complete a specific project due to impeding building codes or zoning regulations, then, the Corporation may petition the City Council or Zoning Commission for an exemption from compliance with the regulation. Should the City Council or Zoning Commission fail to respond within sixty days, the Corporation may deem such inaction as the waiver requested in the petition.

The Board of Trade opposes this section on the grounds that it provides a competitive edge to the Corporation. Private and non-profit developers have had in the past and will continue in the future to endure delays and added costs due to zoning regulations and building codes which have been promulgated in the public interest and which are worthy of uniform application.

We recommend to the Committee the elimination of Section 203(b). Appropriately, Section 203(a) allows the Corporation to seek variances from zoning regulations and building codes through the normal procedures available to private persons. Section 308, requiring an annual report, might be amended to include the Corporation's recommendations for streamlining the zoning process, updating building codes, etc. The Mayor and City Council, at that time, can give consideration to any such recommendations.

FUNDING

Prototypically, public development corporations have the power to issue bonds and debentures, and they frequently are recipients of Federal or private grants, all in an effort to raise sufficient revenue to carry out a program. The Board of Trade believes this to be an appropriate and sound approach for the Corporation. The soundness derives from the absence of any burden on the City's existing revenue base and the avoidance of dreaded increases in the City's debt obligations. The Home Rule Bill places restrictions on the District's borrowing authority to encourage the maintenance of a fiscally sound budget. Therefore, any borrowing done by the new City government can be earmarked for the City's regular capital improvements program which includes projects far removed from the expected projects undertaken by the Corporation. We recommend, then, that the Committee retain the Corporation's bonding authority, an authority which will be exercised only after extensive analysis and consideration of the projected applications of the revenue generated, thereby. Section 202 requires the Corporation to present, annually, its financing plan to the City government for approval prior to an issuance of bonds.

Section 301 calls for the establishment of a capital reserve fund and delineates a reimbursement process from the City in the event the fund falls below a desig-

nated level given the lack of a "full faith and credit" provision from the City or Federal governments, this process is clearly warranted. We have been informed by professionals in the municipal bond business, as to the importance of the existence of a reimbursement procedure when marketing such bonds. While City government concern regarding this procedure cannot be unexpected we urge consideration of the following perspective to assuage some of the concern. The Corporation is to be operated on a business-like basis with three board members appointed from the City government. The Corporation will regularly seek Mayor and City Council approval for its financing plan and, hopefully, fund reimbursement from the City will be an extremely rare phenomenon.

CONCLUSION

Lastly, we believe that with H.R. 15363, a unique opportunity is presented to set in motion a solution to a myriad of the City's major problems with little or no cost to the resident taxpayers.

Other provisions of the Act which we wish to single out as especially forward-looking and significant are:

Section 201(c) (6) which addresses the critical issue of housing subsidies for low and moderate income families, and

Section 201(b) (9) which speaks to a serious constraint to the higher and better use of the District's land resources, namely, the assembling of suitable tracts of land. Residential, commercial and industrial development has been stymied by the difficulties associated with assemblage. The Corporation can assemble land, as well as ready ground for sale or lease to others.

Finally, it is important to pass H.R. 15363, now, in that it can reasonably be expected that the Corporation will need 12-18 months to become functional. The Act before you does not usurp the powers or authority of the new District government. The Corporation and the City government will share a similar view of the future Nation's Capital and, will, no doubt, work in the closest harmony, to see that vision actualized. Delay in passing the Act, we feel, can serve no useful purpose and will be detrimental to the needs of the community. We urge this passage, thank you.

THE METROPOLITAN WASHINGTON BOARD OF TRADE,
ECONOMIC DEVELOPMENT BUREAU,
Washington, D.C., October 15, 1973.

To: Board of Directors, Metropolitan Washington Board of Trade.

From: Steering Committee, Economic Development Bureau.

Subject: Recommended Position, Public Development Corporation.

In view of the various proposals for a District of Columbia Public Development Corporation that have been generated in recent months, the Board of Trade has evaluated both the need for such an organization and the various specific proposals. Based on this evaluation, the Economic Development Bureau Steering Committee recommends the Board adopt the following statement of position:

The Metropolitan Washington Board of Trade supports the creation of a public development corporation for the District of Columbia that would be:

- A new organization totally separate from, and independent of, RLA.
- Accountable to a working Board of Directors comprised of both public and private representatives.
- A developer of last resort that would specifically avoid activities that the private sector is able and willing to undertake.
- A development catalyst whose primary role would be to initiate development that is in the public interest and which will stimulate related private investment and development.
- Limited geographically to designated, high priority areas in the city.
- Publicly responsible and accountable but operates as a private development organization in cooperation with existing city agencies who should retain, and exercise where appropriate, the powers of zoning, condemnation, and eminent domain.
- Financed initially at a modest level with the understanding that expanded resources would be made available only after a clear demonstration of successful performance.

RECOMMENDED CHANGES IN LANGUAGE OF H.R. 15363

Section 102(4), Rewrite the last sentence to read: The term "project" as used herein, shall include, *but not be limited to*, necessary studies, surveys, plans and specifications.

Section 201(b) (9), reword to: "Borrow from public or private sources for the specific purpose of acquiring land to be held for future development in accordance with the city's comprehensive planning and community development objectives; if use or uses. . ."

Section 201(c) (6), following "paragraph (1)" add the word "above".

Section 202(a), reword the start of the second sentence to: "Such program shall include, *but not be limited to*, the corporation's proposed annual budget. . ."

Section 202(c), following the first sentence add this new sentence: "The corporation shall make a preliminary review of private enterprise and nonprofit group interest in the specific project." Continue rest of paragraph.

Section 202(d), reword to read: ". . . the Mayor and Council shall make a final determination. . ."

Mr. FAUNTROY. I would like to move down to Mr. Albert R. Hopkins of the Anacostia Economic Development Corporation, and then Dr. Ruess, before we go back to the Chairman.

Mr. HOPKINS. I thank you.

I represent the Anacostia Economic Development Corporation, which is a local business development organization located in the Anacostia and Congress Heights area of Washington, D.C., funded by the Office of Minority Business Enterprise.

Basically, the AEC and myself support and encourage the overall concept and need for a District of Columbia community development corporation as spelled out by this particular bill.

AMENDMENTS PROPOSED

There are a couple of reservations that I had which are stated in my testimony, and basically they relate to the safeguards for the property owners and citizens of the District of Columbia. I was sort of disappointed when I learned that the section dealing with subsidiaries has been deleted from the bill. Basically, it is my understanding of that section that as the CDC moved into various sections of the city it would take on a sort of role with subsidiary corporations in particular areas of the city comprised of property owners and citizens of that section, and they would become involved in the planning and determination of what was to be done in their particular areas. And I think that one thing should be quite clear to the citizens and to the leaders of Washington, D.C.:

This city is divided into service areas, and some time ago the D.C. Bicentennial Committee asked each service area to come forth with proposals that they wanted to see done in their areas. And just about each one requested the apparatus and expertise to develop a community planning function in their areas. And I think it is quite evident that the people of this city are very much interested in what happens in their neighborhoods and areas. And I think if they are going to use the term community development corporation, we should pay attention to what that means.

It carries the idea that the residents of that community are going to benefit from this type of development concept, and that their fortunes would be greatly benefited, more so than if it was not done by a community development corporation language in the bill.

AMENDMENTS PROPOSED

FINDINGS AND POLICY

I believe that another section dealing with Congressional findings and declaration of policy has also been omitted from the bill. I think that basically gives the history of the Act and the purposes and the reasons for the development or establishment of the CDC, and if that is so I would certainly like to see some language detailing why Congress deemed it appropriate that there should be a District of Columbia community development corporation, which would also enable the citizens and residents to know exactly what type of projects the corporation might or could become involved in.

INDEPENDENT AGENCY

I would like to also see this agency be a new independent agency, bringing in fresh leadership and expertise and recommendations and utilizing the expertise and valuable assistance that National Capital Housing would give, the Office of Housing Programs, and also RLA as it is being reorganized under the home rule bill by the mayor, and those are basically my reservations.

But I think if anyone should say that they support this bill, I think it is someone from the Anacostia and Congress Heights area, which has for so long experienced the apathy on the part of private interests and the inability on the part of the District government to tackle the type of development that should be tackled in that part of the city.

Thank you, Mr. Chairman.

Mr. FAUNTROY. Thank you, Mr. Hopkins.

[The prepared statement of Mr. Hopkins follows:]

STATEMENT OF ALBERT R. HOPKINS, JR., EXECUTIVE DIRECTOR, ANACOSTIA
ECONOMIC DEVELOPMENT CORPORATION

Mr. Chairman and members of the Subcommittee on Business, Commerce and Taxation of the House Committee on the District of Columbia, I am Albert R. Hopkins, Jr., Executive Director of the Anacostia Economic Development Corporation, a local business development organization, funded by the Office of Minority Business Enterprise of the Department of Commerce. It is located in the Anacostia/Congress Heights area of Washington, D.C.

NEED FOR LEGISLATION

There exists in the District of Columbia a special need for the creation of a development corporation. There are many potential projects, such as, housing for low to moderate income residents and establishment of light industrial parks and/or commercial parks, which need the spark of public involvement in order to create enough interest in the private market to encourage it to assist in the creation of these projects.

In Anacostia/Congress Heights many potential projects have remained on the drawing board because of the inability of the District government to assist in the acquisition of the necessary land and/or the financing of the development costs, and because of the apathy of the private market with regard to the Anacostia/Congress Heights community. But this apathy on the part of the private market or the lack of capability on the part of the District government is not limited to the Anacostia/Congress Heights area. It is experienced throughout the District, in the 14th Street corridor, the H Street corridor, the Shaw area, the Mount Pleasant area, and even the downtown corridor of our city. As the Nation's capitol, Washington, D.C., should certainly have the same authority

and capacity as other American cities have to establish those projects deemed worthy by its citizens.

AMENDMENTS PROPOSED

While I encourage the overall concept and need for a District of Columbia Community Development Corporation as reported in H.R. 15363, I, nevertheless, feel that it is essential that certain safeguards for the citizens and property owners of the District of Columbia be established. I was disappointed to learn that the section establishing "subsidiaries" has been omitted from the version of the bill which is being considered today. The "subsidiaries" appeared to insure that the areas under consideration for development by the CDC would have their residents participate in the planned development of the area, rather than react to proposals for the planning of the particular areas. One thing should be quite evident to the leaders of Washington, D.C., and, that is, that the people of this city, as identified by "service areas", desire the capability of suggesting projects and assisting in the planned development of their particular service area. I strongly urge this committee to insert language guaranteeing that the citizens of our city will have an opportunity to participate in the development concepts planned for their areas. It is essential that we remember that the term "community development corporation" conveys the belief that community representation in, and control of, the economic development process will result in greater ultimate benefits for the residents than a strategy which lacks such an orientation. If it is intended that the name of this corporation be the District of Columbia Community Development Corporation then let us give the Corporation such an orientation, for certainly the citizens will expect such an orientation.

If it is not intended that the corporation have a community focus which will make it possible for the increased incomes of individuals to be retained within the community and multiplied: which will insure that the jobs offered by firms will be responsive to considerations advantageous to both the workers and the residents of the community in which the firm is located: and which will give the residents the ability to achieve parity with the majority of Americans in wages, savings, and investments, then let us not call the corporation a community development corporation. Maybe we should call it an urban development corporation or the District of Columbia Development Administration.

I am also distressed to learn that this version of the bill has deleted from it the section detailing the "congressional findings and declaration of policy". That to me was the purpose for the creation of a District of Columbia Community Development Corporation. It was the guideline for determining which type of projects the corporation would or could become involved in. I believe it is important that we have within the act language detailing the need and purpose for the creation of a community development corporation for the District of Columbia.

Finally, it is my belief that this new agency, the District of Columbia Community Development Corporation, should be a new and independent agency of the District of Columbia government. That the agency should work closely with the Redevelopment Land Agency (RLA), the National Capitol Housing Authority (NCHA), the Office of Housing Programs and perhaps one day in the future, the District of Columbia Housing Finance Agency. Although RLA will be reorganized by the Mayor under the House Rule Bill on July first of this year, I believe that if there is created a corporation under this bill, then that corporation should be separate and distinct from RLA. New expertise, ideas, recommendations and leadership should be brought to bear upon the economic problems of Washington, D.C. RLA, NCHA, and the Office of Housing programs certainly have invaluable knowledge and expertise to assist the CDC in its role and should therefore be utilized in that capacity. But, let us make a fresh new thrust at attacking and solving the economic problems of the city with a fresh new independent agency, the District of Columbia Community Development Corporation.

Again let me say that I support the overall concept and need for this act and I hope that this committee will give thought and consideration to my reservations.

I would like to take this opportunity to thank the chairman and members of the subcommittee for allowing me the opportunity to present testimony on behalf of the Anacostia Economic Development Corporation on H.R. 15363.

Thank you.

Mr. FAUNTROY. Dr. Reuss?

Dr. REUSS. Thank you.

I represent the Housing and Community Development Task Force, which is essentially an arm of the D.C. Council. We have two basic concerns, one with the responsiveness of the CDC to the new to-be-elected government and citizens, and secondly, the direction of the corporation's residential activities to meeting the needs of low and moderate income families.

In terms of specific changes, we would prefer a requirement that all members of the corporation's board be residents of the District of Columbia instead of the majority. The reason for that is we expect resident board members to be more sensitive than nonresidents to the social costs which are often imposed by development for private benefit. We have had a certain amount of experience in that.

And second, once the city government is elected and a Department of Housing and Community Development is established, we believe this corporation should be fitted into that framework or related to that framework closely, so that the Department would prepare the annual development program and the corporation be implementing a financing and implementing authority. We have had so much experience with planning in the city divorced from the power and responsibility to implement, and all of the problems that creates.

But we are very concerned that the mayor and city government have a definite, clear responsibility to the point of implementation by the corporation. Specifically, in Section 202 we are concerned with the sequence on project approval. We believe that before any specific project plans are submitted to the mayor and with his approval to the city council—and that is Section 202(b)—that plan should be submitted to the relevant advisory neighborhood council or councils, if it overlaps, for review and response within a specified period of time, and the ANC's comments should be submitted along with the plan to the mayor and city council. We recognize what has been said about the dangers of delays and the costs that are consequent upon delays due to citizen, checking with the citizenry, and hearings all along through the process. It seems to us that the time for that is early, when the plans are being originated. Then, after that they can go forward more expeditiously, and we are getting an accepted mechanism for that kind of citizen consultation in the ANC's and I think they should be used at that specific time.

SUBSIDIARY CORPORATIONS

We also were disappointed that the section on the subsidiary corporations was dropped or moved to another section to minimize because we felt that that gave an opportunity on those subsidiary corporations for citizen membership, neighborhood membership on the board, that was important.

LOW AND MODERATE HOUSING

Finally, the most serious deficiency in the bill—though we think it is a great bill, in general—is, in our eyes, on page 13, Section 201(c)(6). That seems to have the only mention of low and moderate income hous-

ing. Now, we feel that if unguided the instinct of the corporation would be to produce market rate housing, and we may merely, by creating the corporation, have given a powerful assist to the already strong middle income demand for urban living space. I think many of us have not changed our thinking in the light of the great speculative boom in some of the inner city neighborhoods that is going on, and if we do not take that into account we will get more disruptive neighborhoods and the creation of new ghettos. Therefore, we urge the corporation be required to ensure that there be a substantial percentage of units for low and moderate income households in any market housing constructed with the corporation's assistance. A fair share requirement, in other words.

That is really the essence of what we had to say.

Thank you very much.

Mr. FAUNTROY. Thank you so much, Dr. Reuss. I want to especially thank you and Mr. Hopkins for raising for us the very important question of citizen involvement which we certainly need to assure that we address specifically the areas of need which are very considerable in this community in the low and moderate income range.

I think at this point we will just ask any questions we may of the panel.

Mr. GUDE. I just had one question, Mr. Chairman.

Dr. Reuss, on page five you state you would prefer to see the development corporation established by act of the soon to be elected city council, and I was wondering if the proposal by the city in the suggested amendment that the mayor have the power of removal of the board would change the attitude of your organization, that you would feel this would make it more responsive to the fathers of the city than the bill presently drawn?

Dr. REUSS. I think that is true. I think one of the concerns is of consciousness also. But there are many ways you could get this consciousness, and of course one of the advantages of council creation of the corporation would be the council's original involvement. What the council created the council would be more clearly in final control of, if you want to call it that.

Mr. GUDE. If you established lines, close lines of communication between the mayor and the ward initially, you could have a fairly good transition into the home rule situation where the council could go ahead and legislate and change. But you immediately, by giving the mayor the power of removal, you would immediately give a very close link to the city government.

Dr. REUSS. And you define their responsibilities. That is the one thing we suffer from so much as citizens, the dispersal of responsibility where it can never be tracked down, and this would do it. I agree.

Mr. GUDE. Thank you.

Mr. FAUNTROY. Thank you.

[The prepared statement of Dr. Reuss follows:]

STATEMENT OF DR. MARGARET REUSS OF THE DISTRICT OF COLUMBIA HEALTH AND WELFARE COUNCIL

Mr. Chairman and Members of the Committee:

I am Dr. Margaret Reuss, a member of the D. C. Health and Welfare Council and of the Housing and Community Development Task Force which I represent today.

The D. C. Health and Welfare Council has a primary interest in comprehensive planning. To that end, it has acted as a coordinator in bringing together representatives of D. C. government, local private and voluntary agencies and residents of the community into task forces concerned with the problems of education, employment and economic development, public safety and criminal justice, health, and housing and community development.

Our Housing Task Force, which involved many persons in the development of this statement, represents the cross-sectional coalition which DC HWC was attempting to develop. A list of both the Council members of DC HWC and the Housing and Community Development Task Force is appended.

Our aim as a task force has been to develop a consensus among our diverse participants on a coherent set of policies to improve the supply and condition of the housing available to low and moderate income families in the District, and to act to see that those policies are put into effect.

Housing opportunities for these families are bad and are rapidly becoming worse. In 1970, we had 9,000 substandard units and 32,000 overcrowded units. Four years of further deterioration have elapsed—many units have been demolished by public agencies and by private landlords, many rental units have been converted to condominiums for a higher income market and many have been sold in the speculative boom going on in certain inner city neighborhoods. Even without this attrition in the housing stock available to lower income people, soaring interest rates and prices, inadequate mortgage financing, and the elimination of the federal housing subsidy programs, would have put most housing beyond the reach of those families. It is clear that the city must quickly acquire the machinery to stimulate housing development and rehabilitation, and to do its own development, if we are to avoid continued re-creation of the slums which urban renewal was designed to eradicate.

This bill provides the types of instrumentality which is needed. It gives it extensive power—to plan, to condemn and acquire by eminent domain, to construct, rehabilitate, operate or lease, to bank land, to petition for exemption from the zoning and building codes, to borrow, lend, insure and guarantee loans, and to provide subsidies.

AMENDMENTS PROPOSED

An independent corporation with such an array of powers must be responsive and accountable to the residents of the city. We think its responsiveness should be strengthened:

1. We would prefer a requirement that *all* members of the board be residents of the District of Columbia, instead of merely that a majority live in or conduct business in D. C. We would expect resident board members to be more sensitive than non-residents to the social costs which are imposed by some types of development for private benefit.

2. We believe that the corporation's annual program should be consistent with the goals of any comprehensive plan officially adopted, and with any more specific plans drawn up by the projected Department of Housing and Community Development. When the city government is reorganized after next November's elections, consideration should be given to relating the development corporation to the framework of the Department of Housing and Community Development in such a way that the Department would prepare the annual development program leaving the corporation to be the implementing authority. We have had too much experience in this city with planning divorced from the responsibility and power to implement. Citizens make elaborate efforts to contribute to the planning process only to find that the plan is a meaningless piece of paper.

The Home Rule bill charges the Mayor with responsibility for municipal planning "which may include land use elements, urban renewal and redevelopment elements—" etc. and charges him "to establish procedures for citizen involvement in the planning process". That responsibility should not be just for the broad brush strokes of a comprehensive plan but should extend down through various stages of specificity until the stage of implementation is reached.

3. We are troubled by the sequence in Sec. 202 concerning project approval. *Before* any specific project plan is submitted to the Mayor and, with his approval, to the City Council as provided in Sec. 202(b), that plan should be submitted to the relevant Advisory Neighborhood Council or Councils for review and for response within a specified period of time. The ANC's comments should be submitted *along with* the plan to the Mayor and City Council. Lacking an ANC

structure, the project plan should be the occasion of a public hearing within the Ward concerned. Some of the worst delays in planning and development have been occasioned by the lack of an accepted mechanism for early community consultation without which, citizens reactions are often conflicting and counter-productive.

HOUSING FOR LOW INCOME PERSONS

The most serious deficiency in the bill in our eyes is that it is only on page 13, Sec. 201, (c) (6) that we find any mention of the goal of providing housing for low and moderate income persons. If unguided, the instinct of the corporation will be to produce market-rate housing, and we may merely have given a powerful assist to the already strong middle-income demand for urban living space, with the classic consequences of disrupted neighborhoods and the creation of new ghettos. Therefore, we urge that the corporation be required to ensure that there be a substantial percentage of units for low and moderate income households in any market-rate housing constructed with the corporation's assistance.

To reach those low income households, the District government will have to provide subsidies if the federal government does not.

COUNCIL ACTION REFERRED

Finally, in view of the historic grant of Home Rule this year, we would prefer to see the development corporation established by act of the soon-to-be-elected City Council. This would give our citizens a chance to participate in the debate and develop an understanding of the extraordinary potential of such a development entity. However, our housing plight is so grave, and becoming graver so rapidly, that we welcome any Congressional action which will accelerate our acquisition of the tools needed for a massive attack on housing rehabilitation and construction. These hearings are contributing significantly to that result by bringing the expertise of your subcommittee, of the City government and other agencies and citizens to bear on refining the nature of development entity which will be most effective in our circumstances and in meeting our needs.

For this opportunity, we are very grateful to this subcommittee.

DISTRICT OF COLUMBIA HEALTH AND WELFARE COUNCIL

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Dario C. Ferreira, Ph.D.	Margaret Reuss, Ph. D.
Mrs. Gilbert Hahn, Jr.	Mr. Stuart Philip Ross
Rev. Edward Hailes	Mrs. Mary Royster
Mrs. Scott Heuer, Jr.	Mr. Edward F. Ryan
Mrs. Etta M. Horn	Mr. Jonathan W. Sloat
Arthur H. Hoyte, M.D.	Eddie G. Smith, Jr., D.D.S.
Mr. James Hudson	Mr. Odell Walker
Mrs. Jehu L. Hunter	Mrs. Mildred Wood
Mrs. Blanche Ingram	

HOUSING AND COMMUNITY DEVELOPMENT TASK FORCE

Dr. Margaret Reuss, Chairman

Mr. Henry Alston
Center City Community Center

Mr. James G. Banks
National Capital Housing Authority

Mr. Louis Bohraus
Board of Trade

Mr. Jerry Brittingham
D/HUD

Mrs. Beatrice Brooks, DC HWC

Mr. Charles I. Bryant, DC HWC

Mrs. Illia Bullock
City-Wide Learning Center

Mr. James R. Conaway
Junior Citizens Corps

Hon. H. R. Crawford
Assistant Secretary for
Housing Management, D/HUD

Mrs. Ruth Crone—COG

Mrs. Martha Dashiell
Far East Community Services

Mrs. Millicent M. Davis
Washington Urban League

Mrs. John B. Duncan, DC HWC

Mrs. Orderee G. Elland
Girl Scout Council

Mrs. Aliene B. Ewell
Ionia R. Whipper Home

Mr. Leon B. Fields
Southwest Community House

Rev. Ernest R. Gibson
Council of Churches

Mrs. Mary Gregory
Phyllis Wheatley YWCA

Mrs. Gilbert Hahn, DC HWC

Mrs. Ethel G. Harvey
Girl Scout Council

Mr. Luther Hemmons
Redevelopment Land Agency

Mr. Ignatius Herman
Northwest Settlement House

Mrs. Scott Heuer, Jr., DC HWC

Miss Catherine C. Hiatt
Travelers Aid Society

Mrs. Etta Horn, DC HWC

Mrs. Jehu L. Hunter, DC HWC

Mr. Isaac Ivery
Boy Scouts of America—NCA

Mr. Monteria Ivey
NCHA

Mr. Clarence Jackson
Southwest Community House

Mr. Samuel C. Jackson
DC HWC

Mrs. Yvonne Kelley
Children's Hospital

Mrs. Peggy Klaus
Signs of the Times
Cultural Workshop

Mr. Melvin A. Mister
Redevelopment Land Agency

Mr. Francis W. Mulcahy
Davis Memorial Goodwill Ind.

Mr. Sam Parker, Metropolitan
Washington Planning & Housing
Association

Mr. Benjamin H. Renshaw
Office of Criminal Justice Plans
and Analysis

Mr. Charles Richardson
D.C. Model Cities Commission

Mr. Calvin W. Rolark
United Black Fund

Mr. William C. Saunders
Deaf Pride, Inc.

Mrs. Marion Shocket
Lutheran Social Services

Mrs. Eugene Slusher
The Salvation Army

Mrs. Mary Smallwood
Southwest Community House

Mr. Odell Walker
DC HWC

Mr. FAUNTROY. Other questions?

Mr. HOGAN. Thank you, Mr. Chairman.

FINANCING

Mr. Miels, you have had some experience, I gather, in this area of financing, and you are familiar with other areas of financing.

What is your reaction to the fact that possibly the prospective cost of financing the corporation, that this may run eight percent or better?

Mr. MIELDS. It is a very sobering thought. But I have just returned from two weeks in England looking at English new towns, and there they are paying 13 percent. They are providing rather good housing for low and moderate income families, without question with substantial subsidy from the central government. But interest costs are—

Mr. HOGAN. That is a point here, I think, is it not, because if you have—the New York State corporation, according to the prospectus here, is currently operating at a loss of five million dollars a year. The partnership in the National Corporation for Housing Partnership had a deficit last year of eight million dollars, and that is the calendar year, and I guess there the fiscal year is the same as the calendar year for 1973, over \$5 million for 1972. And the provisions of this bill indicate that if there is a deficit, an inability to meet the payments on bonds, and there are other operating costs, that they will then come to the council and ask the council to make up the difference through appropriations, so that they can meet their expenses and have a balancing operating statement as far as that goes.

So that what they are doing in England, according to you, is, they are getting a large national subsidy through the national government to underwrite these things. And I suppose, then, what you are saying is, if it goes eight, nine, ten percent, and they are running into a deficit, they will have to go, the council, the council will have to come to the Congress for the additional funds to balance out the operation of the corporation.

Mr. MIELDS. That is correct, and I would think that the corporation would in most instances—I would say inevitably—anticipate, assuming it was run by competent people, which I assume it will be, would anticipate that certain subsidies will be in order to meet the deficits that would be a direct result of their operations in areas where we traditionally accept subsidy.

BONDS

Mr. HOGAN. I wonder if anyone has done a projection here as to an assumption of what the cost of the bonding would be and what their expenses would be projected, let us say, five years in advance, so that we would have some idea of where they were going, so that assuming that this thing is reported out of Committee, that someone could say to the other members of the House, here is how we project the operations of this corporation after they are formed.

Mr. MISTER. I think there are a couple of points I would like to make. One of them is that as far as housing finances is concerned, which is one of the functions of the corporation, the experience of the New York State Urban Development Corporation is not typical. Most of the housing finance agencies that have been formed started out with loans, and those loans were paid off or they had the capacity to pay them off very quickly. A lot of the activities in the New York State Urban Development Corporation—and I think Mr. Comings was trying to

make this point, also—are development activities, and many of those activities do require subsidy. And, as I think Mr. Banks indicated, we are hoping that if we get community development legislation nationally some of those subsidies will be made out through community development subsidies.

HOUSING FINANCE

But the housing finance activities in most of the states—and I would like to include in the record a Chapter Five of the report done by HUD on housing finance agencies around the country. There was a report on housing in the 1970's, an exhaustive study done by the Department of Housing and Urban Development which shows clearly that the housing finance function makes it.

The crucial issue, even with respect to housing finance, is the one that Dr. Ruess put her finger on. If you want to get housing for low and moderate income people, it is going to require subsidy, and this subsidy to make it possible for low and moderate income people to move into the housing that may be constructed at interest rates of seven or eight percent has to come from somewhere, either from the local government or from the Federal Government.

We are hoping that with the passage of this new of this new national legislation, the provision of the low and moderate income housing will be provided through Federal subsidies as it has been done in the past, through public housing or other things. Now, the experience nationally for the state housing finance agencies has been that their borrowing rates have varied between five and seven percent.

The extent to which they are going to go above that in this inflationary period, we just do not know. The national legislation, the House bill at least, would provide enough subsidy through the newly-expanded leasing program so that regardless of the interest rates that are to be paid by the state housing finance agencies—interest rates which would be less than the market interest rate—sufficient subsidies would be provided so that people with low and moderate incomes could move into the housing.

And so, I think one of the reasons we feel at RLA that it is urgent that we get this bill enacted now is so that when the new national legislation becomes effective, the city in doing its reorganization and so on now, with the new government, will be able to immediately take advantage of the new programs which will include Federal support for cities, we think. We think there are some problems, but we think there are enough goodies in it to make it a good bill.

So I think the New York State Housing Development Corporation, which has done a lot in the field and so on, and combines these two issues, it seems to me—it is still true that each year under this proposal, unlike the New York State thing, there is a lot more control for the local government built into this bill than is the case in the New York State Housing Development Corporation bill, and I think each year this annual review of the financing, the kind of project approval, however that gets worked out, will put the responsibility where it should be, with the mayor and city council, and anything that is needed to change that we certainly support, because we think that is where the responsibility ought to be.

But again, as far as the partnership is concerned, their financing is really not comparable because the partnership is in effect selling a

tax shelter, and those losses are one of the reasons, as I understand it, that people invest in the partnership because those losses can be spread around. The people invest and they get tax shelter for it. And that is built in the law and it is a good thing because it does get more investment into low- and moderate-income housings. So, I do not think it is fair to compare the partnerships down on the sheet with that of a corporation in the New York State Urban Development Corporation. And we would like to provide for the record, we will try to get some experience from around in this area, because the State of Virginia just formed a housing finance agency and they just went out and borrowed \$75 million worth of bonds. Unfortunately, I do not know what the interest rate is, but we will supply that. I would expect that it would be less than 8 percent.

Mr. FAUNTROY. Would you also supply for the record Chapter 5?

Mr. MIELDS. We have it here.

Mr. FAUNTROY. Without objection, that will be inserted in the record at this point.

[The information referred to was not received in time to be included in the record.]

LINTON, MIELDS & COSTON, INC.,
Washington, D.C., June 8, 1973.

Mr. MELVIN A. MISTER,
Executive Director, Redevelopment Land Agency,
Washington, D.C.

DEAR MEL, in accordance with your request of last January, we have undertaken a study and prepared a report for you and your Board re the potential usefulness of a Community Development Corporation to meet the development objectives of the District of Columbia. The report is enclosed in the form of a memorandum "The Case for a Community Development Corporation for the District of Columbia." Accompanying the memorandum is a suggested Section-by-Section Summary of a bill which provides for the creation of the Corporation for the District of Columbia by the Congress of the United States.

We hope that you and your Board will agree with us that the prompt creation of a CDC would be timely and supportable, and that it would provide the effective and efficient mechanism for implementing development programs and activities sorely needed by the District in meeting its overall housing and development goals.

As you know, the President in February 1972 announced his objectives for the District in connection with the Bicentennial celebration set for 1976. In our judgment, the best if not the only hope the District has to attain many of the Bicentennial objectives will lie in its ability to utilize a CDC with the powers, capabilities and resources we have proposed.

We recommend that the RLA Board seek the creation of the CDC as outlined in the Section-by-Section Summary, and take such action as may be appropriate to urge prompt enactment by the Congress of the necessary legislation.

We will be happy to furnish any further information that you may require concerning the substance of the report, and to work with you in furtherance of the proposal.

Sincerely,

HUGH MIELDS, Jr.

MEMORANDUM

JUNE 6, 1973.

To: Melvin Mister.

From: Hugh Mields.

Subject: The Case for a Community Development Corporation for the District of Columbia.

The absence of a strong city-wide development organization has been identified as a major constraint to housing production by a number of individuals and com-

missions familiar with the development problems of the District. There is general agreement on the need for a development organization with public powers, with facility for drawing upon a wide range of sources for financing, and with ability to undertake programs that are neighborhood-wide in scale, in order to insure an adequate upgrading impact in problem areas. Currently, the District has no active or proposed organizations that meet these criteria; such organizations as do exist are either too restricted in their powers, scope of activity, or financial resources.

Linton, Miels & Coston's August 1971 report "Recommended Actions to Increase Housing in NDP Areas" explored the field of possible existing potential developers, and verified that none were capable of addressing the particular development needs of the inner city.

Subsequently, in 1971 Congressman Fauntroy introduced his bill, H.R. 12301, which was designed to establish a development corporation for the District of Columbia, patterned after the New York State Urban Development Corporation. The New York State Urban Development Corporation has been extremely successful and is currently the largest single corporate developer of assisted housing for low and moderate income families in the United States. Congressman Fauntroy introduced a similar bill, H.R. 3265, earlier this year.

In August of 1972, the Commission on the Organization of the Government of the District of Columbia, under the Chairmanship of Congressman Ancher Nelsen, endorsed the idea of a Community Development Corporation, and included a staff paper on the subject in their final report. (Appendix IV-2, "Establishment of a Housing and Community Development Authority," copy attached.)

In September of 1972, the Special Citizens Advisory Commission to the D.C. City Council, under the Chairmanship of Reuben Clark, esq., also endorsed the idea of creating a development corporation for the District of Columbia for basically the same reasons as were stated in the Linton, Miels & Coston study and the Nelsen Commission report. (Excerpt from the Report of the Advisory Commission is attached.)

While the current set of recommendations proposing a development corporation vary somewhat as to the specific powers of the corporation, all agree that the corporation would have to be fully responsive to the public needs of the City as expressed by the Mayor and the City Council. In any event, the differences in approach taken by the various proponents of the corporation idea are not, in our opinion, so substantive that a consensus on a final model would be difficult to achieve.

One aspect of our proposal that is unique, however, is that we are recommending that the Redevelopment Land Agency itself be absorbed into the Community Development Corporation. Given the fact that the authority and functions to be assigned to the Community Development Corporation include the existing functions and responsibilities of RLA, we see no need to create a CDC in addition to RLA. On the contrary, we think the experience RLA has accumulated will be essential to assuring the fast start of CDC's activities we deem critical if the District's current development objectives are to be met.

We do wish to note here, however, that we have most strongly taken the position that the corporation should not be a part of the Federal or District civil service. To function properly with a strong production orientation, considerable discretion in meeting personnel needs will be required on the part of the CDC. We do feel, however, that existing RLA personnel should be protected and that the legislation establishing the CDC should provide for the preservation of certain rights and prerogatives of RLA personnel for as long as they choose to remain with the corporation.

The District's Development Objectives

We feel that immediate action should be taken to create a CDC for the following reasons:

The District's development objectives for the Bicentennial in 1976 include completion of substantial redevelopment of specific sub-areas on each of the riot-corridors and Downtown, completion of a substantial part of the development of Fort Lincoln, as well as completion of the Northwest One and Southwest redevelopment areas. All in all, the production of several thousand units of housing and new construction over the next four years approaching \$500 million is at stake. Achievement of these goals would contribute substantially to the President's objectives of making Washington "an exemplary living city" by 1976.

Considerable progress toward meeting these goals has already been made. Urban renewal plans have been approved. Allocations of substantial Federal grant funds have been made. Acquisition of much of the land required for development, and actual development or advanced development planning and marketing efforts on many sites is well underway. However, continued intensive efforts should result in substantial development by the Bicentennial year, such as:

1. *Riot-Corridor Rebuilding.*—Rebuilding of inner-city neighborhoods should be evident in the Shaw, 14th Street and H Street, N.E. areas. Approved plans provide sites for over 5,000 units of new housing, several thousand units of rehabilitation, and supportive public and commercial uses in these three NDP projects. By 1976, renewal of specific subareas within these large areas is expected to be complete. The Shaw balanced development will be substantially complete in two subareas along the 7th Street riot corridor—around 7th and M Streets and around the Shaw School area at 7th and Rhode Island.

2. *Downtown.*—Revitalization will be evident through the development of combined office-retail buildings at METRO entrances along G Street at 12th and 7th Streets, and public mall improvements along F and G Streets, and the Eisenhower Civic Center.

3. *Northwest No. 1.*—The renewal of this inner-city neighborhood along North Capitol Street is expected to include more than 1,800 units of new and rehabilitated housing units, shopping, schools and recreation areas, air-rights housing, and an expanded Government Printing Office. In the Northeast No. 1 area across North Capitol Street from N.W. #1, and behind the proposed National Visitors Center, there will be a substantial new office and employment area.

4. *Southwest.*—Renewal of this residential and federal office area should be complete. Added to the existing development will be the new Southwest waterfront area, which will provide a special attraction combining commercial activities and well-designed public parks and boating marinas. In addition, completion of the Southwest employment areas, running along the Mall, is projected.

These Bicentennial objectives can be largely achieved, in our view, if the District is provided with expanded authority such as the authority to act as a developer of last resort on a city-wide basis. The District must have the power to build—on its own initiative—housing, commercial and supporting facilities where development objectives cannot be accomplished through the normal operation of the private enterprise system. This authority, together with existing statutory authority for urban renewal and development, should be organized as we are recommending in a multi-purpose public development corporation, subject in all important respects to the authority of the Mayor and the City Council.

Public Development Corporation for the District of Columbia

The pace of redevelopment in inner-city areas is largely determined by (1) the types of financing and other subsidies available for the construction and rehabilitation of housing, and (2) the willingness of private enterprise to invest in commercial and related facilities in inner-city areas, given the comparatively higher risks involved in relation to other investment opportunities in the metropolitan area.

Expected changes in the national housing and community development legislation, which would have the effect of providing more flexibility in the public subsidies for these programs, would greatly benefit the District of Columbia in meeting its objectives. However, the District of Columbia needs additional tools to promote development, with or without changes in national legislation. These needs could be met in large measure by the creation of the new public development corporation we are recommending with the essential authority.

The corporation we have designed has the authority to plan, finance, develop and operate residential, commercial, and related facilities in high risk areas, where development is not possible through the normal operation of the private enterprise system.

The purpose of last resort authority is not to substitute public for private action, but to create the basic conditions necessary to stimulate further private investment in areas which would otherwise fail to attract such investment on a shorter-term basis.

The main features of the proposed new corporation would be:

The new corporation would, as we have already noted, replace and embody the present authority of the RLA.

The corporation would operate on a District-wide basis rather than a project area basis, and have as additional purposes, the creation of employment oppor-

tunities, the provision of housing, together with social, cultural, and public facilities necessary to the District's development.

It could construct, maintain and operate new residential and non-residential structures for private and public use, and finance the construction and rehabilitation of private structures by others. It should be emphasized that the main function of the corporation is to achieve development; the management of housing and other facilities would be undertaken only where necessary to support this objective.

The CDC is designed to be a part of the District government from the standpoint of overall policy and executive control, but a separate entity for administrative and financing purposes. The powers and responsibilities of the corporation, and its activities, will be carried out in accordance with plans approved by the Mayor and the City Council. The establishment of the CDC would be compatible with the creation of a city Department of Housing and Community Development acting as a policymaking arm of the Mayor.

The corporation is authorized to accept and utilize all forms of federal financial assistance available under existing legislation. The corporation would also provide the District with the kind of authority required to make effective use of the more flexible assistance which community development revenue sharing would provide, if enacted by the Congress.

In addition to assistance available under national legislation, the corporation would have the authority to borrow funds. These obligations would be secured by its own assets, as well as some form of guarantees, District or federal, to the extent necessary and to the extent such guarantees may be available, in order to assure the necessary funds for its operations. In addition, the corporation would have the authority to undertake municipal projects funded either entirely through Congressional appropriations or a combination of appropriations and revenues produced by the facility. The corporation would also be in a position to undertake projects in conjunction with private developers, utilizing where appropriate private resources advanced to the corporation.

APPENDIX IV-2

ESTABLISHMENT OF A HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

(A Staff Paper)

ORGANIZATION OF THE AUTHORITY

It is suggested that the Authority might best be established as a corporation which would be declared to be not an agency or instrumentality of the government of the United States or the District of Columbia. The corporation would be headed by, and its functions and powers would be vested in, a Board of Directors.

A majority of the Board should probably be appointed by the Mayor-Commissioner. Consistent with the general concept, it would probably be best that none of these members serve *ex officio*, nor should any of them be officers or employees of the United States or of the District of Columbia. A specified number of those members so appointed might be required to be either *bona fide* residents of the District, or persons engaged full-time in the practice of a profession, business, or regular employment in the District.

In recognition of the magnitude of the Federal interest in the District, a stipulated minority of the Board should be appointed by the President. At the discretion of the President, these members could be appointed from private life or by designation of such officers or employees of the Executive Branch as the President might choose.

In order to provide an effective means of involving local leadership representative of the business community, civic organizations and citizen groups, a somewhat larger Board is suggested that might be necessary simply for business convenience. As a basis for discussion, a Board of 15 members is suggested.

POWERS OF THE AUTHORITY

Such an Authority should, of course, have the ordinary and normal complement of corporate powers, such as power to adopt by-laws, adopt a corporate seal, appoint officers, select employees and fix their compensation, sue and be

sued, etc. In addition, it should have a variety of special powers, including the following:

1. Power to acquire land and interests in land, by purchase or lease, through negotiation or the exercise of eminent domain. In the latter case, specific provision should be made for the right of immediate possession and use of property where the purchase price is at issue and condemnation proceedings are involved in the acquisition. To avoid hardship, provision should be made to permit the condemnnee to draw down most or all of the estimated purchase price deposited in escrow at the time of taking.

The term "land" should be defined broadly enough to include land under water and air rights above streets, rights of way, bridges and similar situations and structures (as well as improvements on the land and interests less than fee simple title).

2. Power to improve, own, rehabilitate, manage, and operate land and improvements thereon, and to dispose of land, buildings, and other improvements by sale or lease on such terms and conditions as may be fixed by the Authority, including the power to sell and take back a purchase money mortgage as part of the consideration.

3. Power to borrow money; to accept gifts, donations and bequests; and to invest monies of the Authority subject to appropriate restrictions.

4. Power to enter into contracts with the D.C. Government for provision of such municipal services and facilities as may be necessary to the accomplishment of the Authority's program.

5. Power to enter into contracts to act as agent for the D.C. Government in any matters within the competence of the Authority. This would permit the Authority, for example, to provide city-wide relocation services for families and persons displaced by public action (as RLA does now), or to serve as developer for such additional public housing as may be constructed or otherwise provided, turning such housing when available for occupancy over to the City Department of Housing and Community Development.

6. Power to act as a legal public agency within the meaning of applicable statutes for the purpose of accepting and utilizing Federal financial assistance under the urban-renewal program and such other Federal community development programs as may be necessary to carry out the Authority's program.

7. Power to act as a local public agency within the meaning of applicable which the Commission supports and expects to be established; to borrow money from the Bank; and to enter into joint ventures with the Bank.

8. Other essential business powers, including power to lend money, to mortgage property, to enter into consortiums or other forms of joint ventures with private sponsors or developers, and to enter into participations with private lenders for financing development undertakings.

FUNDING AND EFFECT ON BUDGET

In order to be able to undertake development projects of sufficient size to have the desired impact on the economy of the District, the Authority should have access to substantial funds. It is suggested that the Authority have the power to issue its notes and bonds in the general capital market in an aggregate maximum amount to be determined by the Congress, which should be large enough to assure that the Authority can undertake and carry through programs and projects of sufficient scope and magnitude to accomplish the basic purpose of setting it up. It should be emphasized that if the program of such an agency were unduly constricted because of limited financial capacity, it might well prove to be no more than marginally effective. Obligations of the Authority would be fully taxable, and would be guaranteed as to principal and interest by the United States. Under present rules, they would not add to the public debt under limitation.

In addition to this borrowing authority, the financial resources of the Authority would include loans and grants in connection with Federally assisted projects; rents and revenues from property owned and operated by it; proceeds from sales of property; income from mortgages and other loans made by it; and income from its funds while temporarily invested.

The financial objective of the Authority's operations would be to break even *over the long term*. This objective, however, should be understood as applying to the program as a whole. Thus, it should not be viewed as precluding temporary

impairments of capital (which should not be required to be currently restored), nor as preventing the Authority from making loans in some cases at less than market rates of interest or selling properties at less than maximum economic value when necessary to the accomplishment of the program objectives.

Under this financing plan, the operation of the Authority would have no direct impact on the budget for the District of Columbia. Additional D.C. expenditures would be involved, of course, for the provision of ordinary municipal services to the Authority's projects; by the same token, since all of the Authority's projects would be fully taxable by the District, they should, over time, become a substantial source of tax revenue.

Operations of the Authority funded by its guaranteed borrowings would have no impact on the Federal budget until such time, if ever, as the Treasury might be required to make good its guarantee of specific obligations becoming due. Any such amounts actually paid by the Treasury would be budget outlays in the fiscal years in which payment was made. However, since the Authority should have power to issue refinancing obligations, this circumstance could not reasonably arise for many years.

Assuming adequate management, it is unlikely that any Treasury expenditure could be called for sooner than 10-20 years after the corporation began operations. Since most of the Authority's expenditures would be for the acquisition of assets with substantial economic value (in many cases involving considerable growth potential), the net loss which might ultimately be sustained by the Treasury should, in the worst case, be minor in relation to the total financing involved. Assuming a moderate degree of success in the overall program, there should be no long term loss and, hence, no Federal burden.

TYPES OF PROJECTS

It is proposed that such an Authority would be authorized to undertake "development projects" which could be of four general types: (a) industrial projects; (b) commercial projects; (c) residential projects; and (d) multi-purpose projects, which would combine two or more of the other types.

While an individual project might (or might not) be homogenous in character, the general mandate of the charter should require the Authority to undertake a diversified program looking toward the balanced provision of housing to serve all income levels, necessary supporting commercial and public facilities, and income- and job-producing activities sufficient to create and maintain a viable economy for the development area as a whole.

Development projects could consist in whole or in part of slum and blighted areas, but would not be suited to such areas. To the extent that all or part of a "development project" might be proposed also as an urban-renewal project, its authorization and planning would, of course, have to conform to urban-renewal procedures and requirements.

DEVELOPMENT POLICY

The charter proposed to be adopted by Congress might well spell out a development policy to guide the Authority which could emphasize an order of preference something like the following:

1. Development, where feasible, entirely by the private sector, including financing, sponsorship and operation. In projects of this kind, the role of the Authority would be essentially that of formulating the basic concepts and plans for the project, assembling and improving the necessary land, and assisting in arranging for the provision of essential public facilities and services.
2. Development by the private sector with financing provided by the Authority where private investment capital is not available, with authority later to dispose of this investment in the private market.
3. Joint development by the Authority and private investors and sponsors, through any of a variety of combinations, such as participations in financing, joint ventures in sponsorship, and similar combinations.
4. Where necessary, development and temporary operation by the Authority as prime sponsor, with the objective of disposing of the operation—whether residential, commercial or industrial—in the private market as soon as enough development or redevelopment has been accomplished in the area to establish market feasibility and confidence, and to permit disposition on reasonable and acceptable terms.

However this sort of development policy is expressed, it would be important that the powers of the corporation be sufficiently broad and flexible to permit it to adapt its approach in a particular area to the physical and economic circumstances of that area, rather than being confined to any specific and rigid format for its operations.

RELATIONSHIP TO DISTRICT OF COLUMBIA GOVERNMENT

It would seem essential that the authorizing legislation be so drawn as to assure appropriate municipal control and a proper relationship between the Authority's programs and the City's goals and objectives. This would involve establishing some such formal arrangements as the following:

1. As noted above, a majority of the Board of Directors might be required to be appointed by the Mayor-Commissioner.
2. The Authority could be directed to prepare complete general plans for proposed development projects, accompanied by demographic studies, cost estimates, and feasibility studies. A project proposal would then be submitted to the Mayor-Commissioner, who would distribute it for review and comment to appropriate agencies of the D.C. Government and also to NCPD for an evaluation of its relationship to the Federal interest. A specific finding at this stage would presumably be that the proposal is in conformance with comprehensive planning for the development of the District as a whole (a finding which, under other recommendations of the Commission, the Office of the Mayor-Commissioner would be equipped to make).
3. On his approval, the Mayor-Commissioner would lay the proposed development before the Council for consideration. If the Council failed to act within a stipulated period—for example, 30 days—the proposal would be deemed to stand approved. The Council, by resolution or ordinance, could approve or disapprove the proposal, or could return it to the Authority with requests for modification; however, it is suggested that the Council should not itself have authority to modify the proposal.

In order to avoid duplication of effort and confusion as to responsibility, the operating functions of the District's Department of Housing and Community Development for urban renewal and related activities should, on the establishment of the Authority, either be gradually phased out and assumed by the Authority, or alternatively, transferred from the Department to the Authority. The Department would then serve as the City's liaison office with the Authority for program planning and development, and would provide staff assistance to the Mayor-Commissioner and Council for the review and evaluation of development projects proposed by the Authority. It would also retain its operating functions at least in the custody and management of the public-housing program.

H. A Public Development Corporation should be created.

We believe that there is a clear need to create a well-staffed and adequately-funded public development corporation to undertake housing and commercial development, both within and outside of renewal areas, where private enterprise is unable to take the risk. We ought to acknowledge that public action must extend beyond the boundaries of a renewal area. Anacostia and Far Northeast offer the best examples of a need for public intervention short of formal urban renewal.

We mistakenly expect RLA to produce brick and mortar results when that agency, like urban renewal agencies everywhere, has no power to construct. We fail to recognize that private capital usually enters deteriorated neighborhoods only when publicly-stimulated improvements have begun to create a new environment. It is for the want of a developer that almost one-third of all the land cleared for urban renewal in the country, from the inception of the program in 1949 up to the present, has continued to lie fallow. This situation has now been spectacularly reversed in New York State, where a state-chartered development agency, the Urban Development Corporation, issuing its own state-guaranteed bonds to finance construction, has in the last few years shown a remarkable construction record in urban renewal areas.

Our recommendation is to create a public development corporation: a non-profit, non-governmental development company that can undertake redevelopment where the risks are highest—preferably acting with and through locally-

based neighborhood corporations. As in the case of New York State's Urban Development Corporation, it should be financed through issuance of its own government-guaranteed bonds and be able to qualify for Federal guarantee assistance, and other forms of aid, as a "new community" developer.

A public development corporation would bridge the gap between government, where the power of planning and land assembly should lie, and private enterprise, whether profit or non-profit, where the power of development should lie. Legislation to create this corporation is obviously required; a bill to this effect has already been introduced in the Congress by Delegate Walter Fauntroy.

A public development corporation could establish neighborhood corporations to develop housing and commercial centers in defined geographic areas. Our 14th Street Task Force recommends a development corporation for the 14th Street corridor modeled on the Bedford-Stuyvesant Corporation in New York City. It is clear to us that without some public incentives, private developers will be reluctant to make a major commitment in an area such as 14th Street and Park Road. Even more importantly, a public entity is necessary to ensure a measure of local citizen control over the economic development of the area.

In our view, the public development corporation ought to be a corporate entity outside of governmental personnel policies in order to permit flexibility in operations, but closely tied to the city government so there is assurance that its projects will be carried out in the public interest. The Mayor, with the consent of the Council, should appoint the board, with Service Area representation.

The Corporation should not possess the power of condemnation; the right to exercise this aspect of public sovereignty should, in our judgment, be reserved for the Department of Community Development. However, consideration should be given in any legislation creating this public corporation to expanding the condemnation power of the Department in order more effectively to achieve the delivery of subsidized housing and related amenities.¹

I. A Bicentennial Corporation should be created for the immediate development of Pennsylvania Avenue but only if it is to achieve residential as well as commercial development and will have substantial local representation on its board.

The Commission believes that the Pennsylvania Avenue Bicentennial Development Corporation should be brought into existence under legislation authorizing a special-purpose public development corporation. This corporation should possess the power of condemnation and the authority to issue its own bonds to restore the area adjacent to Pennsylvania Avenue between the Capitol and the White House to a condition befitting one of the most historic areas of the nation. However, the Commission believes that it would be most unfortunate if such a corporation were to redevelop this area as a monumental series of office buildings, like the existing Federal Triangle, wholly deserted in the evenings and after dark.

Mr. HOGAN. Chapter 5 only refers to the organizations, is that right?

Mr. MISTER. It covers the renewal agency, too. Most of the 31 or so states that have housing finance agencies in some cases do have development powers as well. But again, it is almost like looking at the balance sheet for the Redevelopment Land Agency, where each year we run at a loss and that loss is made up by a Federal grant under the Urban Renewal program.

The difficulties of one of these operations getting out of control is a real one, and that is one of the reasons, from our standpoint, that we felt that the borrowing should not be full faith and credit of the District of Columbia Government for the reasons that Mr. Miels has outlined before. If the New York State Urban Development Corporation is having trouble borrowing money on the private market, that is one of the most certain and surest ways of evaluating the performance of that corporation. We think that if a guy knows he is going to get

¹ Submitted as Exhibit 7 is a staff memorandum on public development corporations.

bailed out by the local government without going through an appropriation process, we think that puts a different kind of incentive on the managers of that corporation. But again, that is one of those things which either way would work.

We have a preference. We lean in one way and other people lean in another way. But I think that the corporation, combining these two responsibilities, are desirable. We also think that the housing finance thing is creditable on a citywide basis. We also think that the development stuff has to be tied to it. We also think it is going to be essential that every year the city provides some money, either from the Federal Government or from its own resources, to provide the subsidies that are necessary in order to make the program benefit the people of low and moderate income.

Mr. HOGAN. Would that be a reimbursement basis, or would that be strictly a subsidy of the corporation?

Mr. MISTER. We hope that a significant amount of the subsidy would come from the New Community Development Corporation which we would hope and expect to be enacted by the Congress to replace Urban Renewal, Model Cities, Open Space and so on, so that those Federal grant-in-aid monies go to the city that has the responsibility; and the city then decides how much of that money should go to this corporation, how much of it should go to RLA, if it still exists, or how much of it should go to some subsidiary corporation.

EXPERIENCE IN STATES

Mr. HOGAN. Well, we certainly would welcome the information on Virginia, what the rate was. But it will not be helpful to this Committee. If the Committee is going to enact a law calling for corporations, the greatest corollary to the situation here will be those states that have corporations. Now, Virginia does not have development authority. I have the law here and I have gone through it, and I do not see development authority in the State of Virginia as law. And if you are talking about housing agencies going out into the market and borrowing money and then loaning that money to others at a higher interest rate, I could not agree with you more. But that is not what we are talking about. We are talking about a corporation. And the history of the corporations, especially the history of the corporations in the State of New York, was one of losses every year and making up those losses by going to the state legislature. They have got now some \$77 million borrowed from the state, \$22 million of which are straight, outright appropriations not to be repaid; \$55 million of which, presumably, will be repaid, if they have the power to repay them, as they go along. But the projection now is that they will not get into a position where they can repay those things, as I understand it, until 1979.

Mr. MISTER. I think what I would try to do, if the Committee would like us to, is to produce something quickly which deals with the problems that are more comparable, because there are some other states that have development powers. At the same, the prospectus you mentioned involves issuing general obligation bonds. It is possible for corporation issued bonds simply to finance housing.

BUDGET

Mr. HOGAN. Turning again, Mr. Miels, to your statement that you want this act of Council—you do not care for that provision. If the Council does not do this by enactment unless there is some consolidated review of this, some total budget review by the Congress, there will be costs coming up here to the Congress through the appropriation process.

Mr. MIELDS. Which I would assume would follow the usual procedures in anticipated deficit if that is what it is going to be or expenditure on a line item for the corporation which, as I understand it, the Congress would have authority to and will act on and will have to approve.

CORPORATION AUTHORITY

Mr. HOGAN. Yes, but you see, Mr. Miels, that gives the corporation more authority than the City Council or the District Government itself has.

Mr. MIELDS. It is not a contract authority.

Mr. HOGAN. I beg your pardon?

Mr. MIELDS. I am not suggesting that it is contract authority, but the corporation can obligate itself without having a prior approval from the Congress.

Mr. HOGAN. Well, what are you saying?

Mr. MIELDS. I am saying that you are saying that the corporation has more power than the District of Columbia, and I am saying that there is no way under the law as it has been introduced that this corporation can go to Congress and say, we have incurred obligations which you must pay.

Mr. HOGAN. Well, if they have a deficit and the Council has to make that up and the Council has to submit that to Congress, and yet the Council has no control over what the corporation does, is that not greater authority than the Council now has?

Mr. MIELDS. If the corporation anticipates that it is going to have a deficit, it is going to have to get that approved by the Council before it occurs as a line item in its budgetary request. It cannot incur that deficit without having a prior approval. That is contract authority which the Congress has dispensed with in large measure for most programs back in the late '50's. You are suggesting that the corporation under this law has the power to incur a deficit without a prior approval, and I am suggesting that is not the way I interpret this law.

Mr. HOGAN. Then tell me, because I interpret it differently. As I see it, the corporation could incur the deficit. They would then submit it to the Council and the Council would have to submit it to Congress.

Mr. FAUNTROY. Mr. Linowes would like to respond to that.

Mr. LINOWES. They may incur the deficit for that year, of course, but for any further approvals or any further action, the Mayor and Council has to act. Sure, there may be a deficit for that particular period and the D.C. Government is going to have to assume the responsibility to make up the difference. But from there on in, it cannot be a continual kind of situation such as occurs in New York. Each

year the Council will have to take affirmative action to approve any additional programs.

But let me add one other thing, if I may, just briefly. Most of the discussion today here has been only with, or primarily and substantially with low-income housing. No one is suggesting that if we are going to have a program that is going to be primarily low-income housing that it can be done without a subsidy. That is not really the major function. It is a function of the corporation, but not the major function. There are a lot of other things that were discussed, and Mr. Fauntroy, you pointed a couple of these out in your discussion with Mr. Stuckey: the question of the opportunity to develop service facilities, retail facilities, small shopping areas and shopping facilities in areas which are now unacceptable to the average lending institution. I think you will find in a recent report that was submitted and prepared on behalf of the Council on Commercial and Industrial Development found clearly that there was a very great market for retail facilities, for service facilities in a great many areas around D.C.—in Anacostia, for example, the need was overwhelming. But you could not encourage the private lending institution who had become so overwhelmed by the fear of the inner city to put their money in that kind of development in that kind of a program. The market was there. Facts proved that they were there. Now we have got to find some way to provide that kind of service. This corporation can do it and the return would be profitable.

No one is suggesting that those kinds of businesses would go in there and not pay their fair share and perhaps a bit more. That is one aspect of it. The other aspect of it is in various parcels where there have been developers, private developers who have been interested in developing and creating a new project, a new concept. It has not been able to be done. Why? Because it has not fallen within the purview of the RLA. It cannot be declared a slum area and acquired for that purpose, but it is pretty much on the border and is going to slide that way. And that is going to be the end of it for a while. Before that happens, it is necessary to take the action, it is necessary to have a means and entity that can go in and acquire those particular areas and then develop them before the area completely deteriorates.

Now, that is the major and, I think, as an important a function of this corporation as low-income housing. You have other agencies that can provide low-income housing. You have the Federal Government with the subsidy to provide low-income housing, and you have several city agencies. But what you need is that third element, and that third element is this corporation. And I respectfully suggest, sir, that in your review of various development corporation statements around the country you will find not the same situation that you have seen in this particular instance. In the New York State situation, that was directed to housing. That is primarily to supply this kind of an opportunity, and no one ever really expected that it was going to be totally self-supporting.

I think it can be done in other areas; the development corporations have done it. In Baltimore it has done it, and I think it can be done in Washington, and done very, very well. And I think this bill provides a means of doing it.

Mr. HOGAN. What do they have in Baltimore?

Mr. LINOWES. They have a corporation which is a private development corporation, Charles Center, which is done under the constitutional amendment which permitted the creation of a corporation which has the general powers adopted by Baltimore City—and Baltimore County has it, too.

Mr. HOGAN. Charles Center is just in the center city. It is redevelopment downtown, is it not?

Mr. LINOWES. They are moving farther out and going into other situations as well. It is not just that one situation.

Mr. HOGAN. I would be glad to contact it.

One more question, if I may.

Mr. Mielsds, you indicate that you want the overall provision in this bill as it relates to local law here, and you say that all that the bill need require is the Mayor and Council must satisfy themselves of the appropriation that program projects and planning conform to local planning and all of this kind of thing. How are they going to do that if they do not have the authority to lay a hand on them to require conformity? What are they going to do? Look at it and say, we think it is wrong, and expect the corporation to comply?

Mr. MIELDS. Mr. Hogan, I do not think the two are related. First of all, the manner in which the corporation develops a program and the series of projects and the manner in which it submits those programs and projects to the Mayor and to the Council is an area which I think needs and should be resolved between the corporation and the Council and the Mayor at the appropriate time when that first program and projects are developed. The manner in which they seek approval, the detail in which they propose specific programs and projects are questions which I think cannot be resolved in the law, should not be resolved in the law, but should be resolved through an administrative action in the corporation, in the Council and the Mayor.

ZONING AND BUILDING CODES

Now, with reference to the securing of zoning changes or zoning permissions, building codes, permits and so on, I am simply suggesting here, in all deference to the Board of Trade, that the position that I am taking is not really a defensive position on the part of a quasi-public entity who may not be able to hack it with the local bureaucrats. What I am saying is, and I look at this very much in an institutional sense, we have heard a great deal about how unresponsive local government is, state government and the Federal Government. We have heard a great deal about how difficult it is to deal with government at all levels. My experience is that in large measure those are pretty accurate reflections of the way government works. There are legitimate delays that are incurred in any kind of action between the private side and the government that relate very legitimately to the need for checks and balances, the need for protecting various interests who are involved. But I submit to you that more often than not these checks and balances get elongated and wind up proving very burdensome on the individual businesses involved, and as a result, incur excessive, in my view, costs, which are always laid on the consumer. No developer assumes them. I have suggested that the proviso that an overwrite is possible by action of the Board is in effect an appellate process which

I do not think, as I have suggested in my statement, will be used. But I do think that it will certainly make the local bureaucrats a good deal more alert and more concerned about the way they deal with developers than they have been in the past. And I say that, and add that some of my best friends are in the District Government.

Mr. FAUNTROY. Thank you so much. You have all been very helpful to us in this hearing today.

Before closing the record for today, Mr. Banks has requested that the attached article be made a part of his statement and will be inserted in the record at the appropriate place.

We look forward to resuming the hearings tomorrow morning at 9:30 a.m., and I want to thank again each of you.

(Whereupon, at 11:20 a.m., the subcommittee recessed, to reconvene at 9:30 a.m. the following morning, Thursday, June 20, 1974.)

DISTRICT OF COLUMBIA COMMUNITY DEVELOPMENT CORPORATION

THURSDAY, JUNE 20, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON BUSINESS, COMMERCE, AND TAXATION
OF THE COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:00 a.m. in room 1310, Longworth House Office Building, Hon. William S. Stuckey, Jr. (chairman of the subcommittee) presiding.

Present: Representative Stuckey, Delegate Fauntroy and Representative Gude.

Also present: James T. Clark, Legislative Counsel; John Hogan, Minority Counsel; Daniel Freeman, Assistant Counsel; Rebecca Moore, Subcommittee Clerk; and Leonard O. Hilder and Ralph Ulmer, Professional Staff.

Mr. STUCKEY. The committee will be in session.

This morning we will continue the witnesses testifying on H.R. 15363. Chairman Nevius was supposed to have been with us this morning. He had to be at a Metro meeting, and his statement will be made a part of the record.

Mr. STUCKEY. I would also like to add that the record will be held open for two weeks for anyone who has any statements which they might wish to submit.

I would like to start off our witnesses this morning with Clifford L. Alexander, Jr. The reason we are doing that, I understand, is because he is in somewhat of a time crunch. I guess he has some activities we are all interested in and has to get back downtown.

I would like to add we are delighted to have you here this morning, Mr. Alexander.

STATEMENT OF CLIFFORD L. ALEXANDER, JR.

Mr. ALEXANDER. Thank you, Congressman Stuckey.

I want to thank the committee for the opportunity to appear here today to testify in support of a Community Development Corporation for the District of Columbia.

As a resident of the District and as a candidate for Mayor of this city, I regard the creation of such a development corporation as one of the most important measures the Congress could enact for the benefit of the Nation's capital.

A Community Development Corporation would make a major contribution to the healthy growth and development, the stability, and the improvement of the neighborhood environments of this city.

As an introduction to my views on H.R. 15363, let us look at some hard facts. An earlier version of the present bill, H.R. 3265, set forth certain legislative findings and a declaration of Congressional policy. Those findings are worth examining.

LEGISLATIVE FINDINGS AND DECLARATION OF POLICY

Section 102. (a) It is hereby found that:

(1) There exists in the District of Columbia a condition of substantial and persistent unemployment and under-employment, particularly acute for members of minority groups, adversely affecting the health and welfare of all its inhabitants.

Many existing industrial, manufacturing, and commercial facilities are obsolete, inefficient dilapidated, without adequate public services, or inaccessible to the places of residence of substantial numbers of unemployed persons.

The unaided efforts of private enterprise have not met and cannot meet the need for providing new industrial and commercial facilities and relieving unemployment and underemployment because of difficulties in assembling suitable building sites, raising private capital, and coordinating such sites with suitable residential and adequate public service facilities.

(2) There further exists in the District of Columbia structures which are vacant, derelict, obsolete, substandard or insanitary, or in danger of becoming substandard or insanitary; vacant land; ethnic and economic segregation; unplanned, unsuitable, or inefficient development; an inadequate choice of housing opportunities for persons and families of varying income levels.

These conditions constitute an increasing urban blight injurious to the health, welfare, and safety of all the inhabitants of the District of Columbia.

The unaided efforts of private enterprise have not and cannot develop or redevelop these areas because of difficulties in assembling suitable sites, raising private capital, provision of adequate public services and facilities.

(3) There further exists in the District of Columbia a serious need for adequate and additional educational, recreational, cultural, and other community facilities, the lack of which adversely affects the health and welfare of its inhabitants.

Both private enterprise and public works have failed and will continue to fail to meet this need because of difficulties in assembling suitable sites, raising private capital, increasing public revenues, and coordinating such facilities with the provision of other public services and facilities.

(4) There further exists in the District of Columbia a seriously inadequate supply of convenient, standard housing for persons of low and moderate income, especially for families of larger size, at prices and rentals they can afford.

This condition is detrimental to the health and welfare of all inhabitants of the District of Columbia. The ordinary operations of private enterprise have not provided and cannot provide an

adequate supply of such housing within the financial reach of low- and moderate-income persons because of difficulties in assembling sites, high development and operating costs, the unavailability of private capital and difficulties in providing new and rehabilitated housing developments with adequate public services and facilities.

(5) These detrimental conditions cannot be relieved without the exercise of powers and utilization of resources, as herein provided.

Sec. 102. (b) Congress hereby declares it to be the policy of the District of Columbia:

(1) to promote the health, safety, and welfare of its inhabitants by the creation of a corporate and public body to be known as the District of Columbia Urban Development Corporation.

The purposes for which the corporation will operate shall be the acquisition, construction, reconstruction, rehabilitation, or improvement of residential, industrial, civic facilities, and new communities, and the clearance, planning, replanning, construction, reconstruction, and rehabilitation of substandard, insanitary, or vacant areas.

Such purposes are hereby declared to be public purposes for which public monies may be spent, and private property acquired through the exercise of the power of eminent domain;

(2) that the corporation created pursuant to this Act, the District of Columbia Government and the Federal Government shall consult, cooperate, and coordinate their activities so that local, metropolitan, and national goals for the Capital City may be fulfilled by activities carried on pursuant to this Act;

(3) that the corporation shall encourage and promote local initiative, partnership, and employment in and management and ownership of projects undertaken pursuant to this Act by residents of such project areas; and

(4) that the corporation encourage and require a high standard of design and the creation of humane living environments in all projects undertaken pursuant to this Act.

Mr. Chairman, these findings were accurate in December 1971 when an earlier bill, H.R. 12301, was introduced in the 92d Congress. This description of housing conditions in the District was true 18 months ago when H.R. 3265 was introduced in this Congress in January 1973, and these findings remain true today, June 1974.

NEED FOR LEGISLATION

This is the background against which the need for a Community Development Corporation for the District of Columbia must be considered:

- A serious and persistent deficit of adequate housing.
- Inadequate maintenance of thousands of government-owned housing units. Existing housing, owned by both the District and the Federal Governments, is dilapidated, obsolete, substandard, and unsanitary.
- Failure to enforce the Housing Code of the District.
- No comprehensive strategy to handle the development of housing and planning agencies within the new Home Rule Gov-

ernment of the District, or, if such plans exist, failure to give the public notice and provide for adequate public discussion.

—No other subject needs more public discussion and understanding, and yet we have heard nothing from the present City Government about plans in this vital area, with only a few weeks ahead of us before Home Rule begins in the District.

—Poor coordination of plans for Metro with plans for overall District development.

—No known plans for allocating Federal funds received under the proposed Community Development Revenue Sharing Programs among the various needs of the District for housing and development funds.

Stated simply, the needs and the problems of housing and urban development in Washington are too big and too complex for the solutions that thus far have been attempted.

There have been numerous studies, plans, commissions, et cetera. Some of them have been quite good. There have been many promises; some of them realistic, and some pure moonshine.

But the net effect has been failure; failure to provide leadership and to guide the growth of the city; failure to meet even those minimum housing and community development goals that Washington residents have a right to expect.

There is an urgent need for positive action now; action to revitalize existing programs and agencies and action to create new tools for tackling the job of assuring adequate housing and healthy growth in this city.

The creation of a Community Development Corporation would be a giant step toward this goal. No other single measure holds greater promise of achieving solid results.

The initiative for the creation of a Development Corporation should, of course, have come originally from the Mayor and the District Government and should have been followed by strong, sustained support here on the Hill.

District leadership should have sought Congressional action years ago. Mayor Washington's professional expertise and experience is in the field of housing. Why isn't he here today?

We cannot, however, permit this failure of leadership to excuse any further delay. The time for favorable Congressional action is now.

NATURE AND SCOPE OF DEVELOPMENT CORPORATION

I am convinced that a Public Development Corporation, armed with a broad range of powers and soundly administered with creative energy and imagination, would be a powerful tool for the new, elected government of the District.

Drawing on the experience of some 30 States with finance and development corporations, I believe Congress should create a new corporation with carefully defined, independent powers which would assure the flexibility that a governmental agency somehow can never achieve.

The corporation should be empowered to borrow money in the private market and to undertake development on a broad scale—to build

housing, commercial structure, schools, medical clinics, parks, recreation facilities, libraries, daycare centers, and multipurpose projects.

Development projects undertaken by this corporation would stimulate banking and commercial activity, create jobs, and direct construction toward community development and away from the construction of individual office and commercial buildings that give such a monotonous character to certain areas of our city.

A development corporation is not a panacea, but the practical experience of several States, most notably New York, has demonstrated that such a corporation can be a most effective tool for meeting the complex problems of urban growth and development.

AMENDMENTS PROPOSED

Turning now to the text of H.R. 15363:

In preparing for this hearing I originally studied H.R. 3265, which, as you know, was extensively modified just a few days ago to produce the bill before us this morning.

It was my considered judgment that, except on one basic point, H.R. 3265 was generally acceptable, and I was prepared to suggest several changes and urge favorable committee action and early enactment by the Congress.

Unlike H.R. 3265, I believe H.R. 15363 in its present form raises again a fundamental question. What kind of new instrumentality does the District need to effectively meet the problems of housing and community development?

The entity created by H.R. 15363 would be a development corporation in name only. The corporation would have none of the unique advantages that enable a public development corporation as a legal hybrid to combine the resources and expertise of private enterprise with governmental resources and expertise.

Lacking flexibility and independence in its planning, management, and financial functions, the corporation created by H.R. 15363 would be merely another layer in the municipal housing bureaucracy. I believe the government of the District does not need such a creature.

H.R. 3265 was a carefully designed bill, and it should not be hastily scrapped. I strongly recommend that in preparing a bill for the Congress this committee give serious consideration to the earlier bill and perhaps use it as a basis for committee deliberations.

CORPORATE POWERS

There are a number of problems with H.R. 15363. One of the most serious relates to the powers of the corporation. Instead of an action corporation with broad independent powers, under the bill the development powers of the corporation may be exercised only after approval by the Mayor and City Council.

Specific approval is required not only for each annual program of development plans and projects but also for the details of each individual project that would be undertaken by the corporation.

The elaborate project approval process set forth in Section 202 will inevitably require some sort of review and approval bureau or office

to support the Mayor and the Council in discharging the extensive approval responsibilities imposed on them by this bill. I foresee, therefore, not only one but two additional layers inserted into the city's housing and development bureaucracy.

The financial provisions of H.R. 15363 would, I fear, strangle the new corporation. I don't propose to comment here in detail on these provisions, but I am persuaded that if the corporation is not granted the power to issue bonds backed by the full faith and credit of the Federal Government, or the municipal government—preferably with both as alternative sources of backing—the corporation will never attract the necessary capital in the private money market.

For these reasons I urge the committee to turn back to H.R. 3265. And, in conclusion, I would like to present briefly some comments and suggestions on that bill. These points will be relevant to your deliberations on either H.R. 15363 or H.R. 3265.

FINANCING

The amount of money the corporation is authorized to borrow is completely inadequate. The proposed ceiling of \$75 million would not even approach the amount of money needed for the level of development we require in our city.

Taking into account the pressing needs of the District, current construction costs that continue to escalate at tremendous rates, and the pressures of inflation, a substantially higher ceiling on its borrowing authority is essential in order to assure that the corporation will get off the ground.

Section 401(e) of H.R. 3265 would place the authority to guarantee the bonds of the corporation in HUD. This is an unwise provision. It brings the HUD bureaucracy into the corporation's planning and development process.

This requirement would stifle energetic and imaginative pursuit of corporation goals and unnecessarily insert a degree of Federal supervision that is inconsistent with the role of the new corporation.

The guarantee and grant authority proposed in this section should be placed with the Secretary of the Treasury. The corporation should also be given the alternative power to issue, within its debt limit, its own tax exempt bonds, guaranteed by the full faith and credit of the District Government.

BOARD OF DIRECTORS

A District Development Corporation will depend on the support of all groups in our city. The statutory regulation of the board should provide for ex officio representation of the principal concerned District agencies plus a number of appointed private citizens.

The Mayor should appoint to the board persons with the skills and community knowledge required to help the corporation achieve its goals.

I think also it would be wise to have the individuals serve at the pleasure of the Mayor. These people, of course, would be confirmed by the City Council.

CORPORATE POWERS

While it is a technical point, I believe that a provision should be added to give the new corporation all those powers accorded a business corporation under D.C. law.

NEW COMMUNITIES

Section 306(a) (4) would require that 40 percent of the housing in a proposed community be made available to persons "who qualify for Federal subsidized housing." Incorporating Federal standards in this manner is risky.

Federal standards and programs may change and cause unforeseen consequences under the statutory standards governing a development corporation.

I recommend instead that the bill require that the maximum feasible amount of housing for persons and families of low- and moderate-income be provided in all of the corporation's housing projects, utilizing all forms of available subsidies. The Federal standards should be a minimum percentage for our city.

PROJECT APPROVAL

It is important that provisions governing the approval of corporation projects preserve a careful balance, assuring, on the one hand, that citizen interests are considered and taken into account during all stages of a project, including management of a completed project; and on the other, avoiding administrative requirements which serve no useful purpose.

I believe a carefully prepared statement of legislative intent on this point would be useful.

SUBSIDIARIES

I suggest that the representation requirements be strengthened to assure representation for low- and middle-income people from affected neighborhoods on the boards of subsidiaries.

It is essential I believe that the neighborhood board that would be directly affected by it have an input and that the input be made through a subsidy of the Community Development Corporation.

RECEIVERSHIP

The concept behind Section 312 is good but the requirements are complex and do not relate to corporation activities. They should instead be included in separate legislation enacted by the City Council.

RELOCATION REQUIREMENTS

Provisions for the protection of persons displaced by projects should be strengthened to provide for temporary relocation near the site. Such a provision would be especially appropriate for residents who desire to remain in their neighborhood during construction.

I hope these comments have been helpful. Thank you for this opportunity to testify on this significant legislative proposal. I will be happy to answer any questions you have at this time.

Mr. STUCKEY. Thank you, Mr. Alexander. We certainly appreciate your testimony this morning.

I would ask that some of the proposed amendments you have suggested, if you would make these available to the committee so we can give them consideration when we do start marking up the bill.

Mr. ALEXANDER. Fine.

[The information to be furnished was not received in time to be included in the record.]

RECOMMENDS LEGISLATION NOW

Mr. STUCKEY. I would like to ask you one question. Would you find it would be an advantage in having Congress authorize the establishment of the Community Development Corporation now rather than waiting until after January 1975 when the elected City Council takes office?

Mr. ALEXANDER. I think this would be an advantage. I think an obvious and somewhat superficial argument can be made for waiting until the elected government takes office, that the guts of this bill and the guts of getting potential funding from the private money market is the full faith and credit of the Treasury and the government.

In order to get that at any stage it would be essential to come to the Congress for this kind of legislation. It could not be done independently by our newly elected City Council.

I think, too, the urgent need that anyone who walks around or drives around or sees in our city for the clearing out of many parts of this city, the urgent development needs are there. When one looks at the Fort Lincoln project that was proposed in 1967, it is beautiful, but nothing takes place.

I don't mean to put too much of a negative stress on the RLA and some of the other agencies because many of them have tried, but the bureaucratic tie-ups, the interrelationship with HUD and other parts of the government, I think have put a strangle hold on the commercial development in the city.

I think there is a real sense of urgency. That is why I am here urging it today. I think a City Council would act. Some have presented arguments that are not very good because housing in our city is an urgent issue, and particularly housing for poor and lower income people in our city.

I think we are going to have to have, in order to make this kind of housing development corporation work, the kind of full faith and credit of the Federal Government that we need. I think you gentlemen are the ones to give it.

Mr. STUCKEY. I tend to agree with you.

TYPE OF DEVELOPMENT CORPORATION

Mr. Alexander, another question. How do you visualize the structure of the new CDC as far as the city government is concerned? Do you visualize it operating pretty much independent of existing pro-

grams which the city already has or do you visualize it will sort of be interwoven with them?

Mr. ALEXANDER. I believe it is essential that a new development corporation should, of course, be consistent with all of the planning needs of the city.

While we don't have any to amount to anything at the present time, there urgently needs to be that kind of future planning. I do believe it is essential, however, that a new corporation, the vitality of such a corporation, is itself independent of a city bureaucracy in its capacity to move quickly to get something done.

In a recent study, the average time to approve a HUD project was found to be 34 months. With a corporation like this it was 14 months. That 20 months differential gives an indication of how rapidly it can move. Because of the vital need of new construction in the city, it seems to me we need as many units as feasible to work constructively toward housing and commercial development goals.

In the City of New York, as an example, where a development corporation I guess has been most successful—there are probably, as I understand, six or seven housing finance or development kind of operations within the city structure—all of them are trying to develop new monies, bring new monies in and new development in.

Again, a consistency with an overall plan for the city is I think essential. But I think the urgency of the private corporation, the way it can approach it, or this kind of community development corporation, the way it can approach District Government, is in a sense, partially outside of this. Of course, the Mayor would be in a position to appoint people to the board.

I would find the problem, as I have indicated in my testimony, of just amalgamating it into the District Government. What that would call for in terms of new stages of approval would be in the District Government itself.

CORPORATION AUTHORITY

Mr. STUCKEY. Should the corporation be responsible to the Mayor and City Council? You mentioned the two tiers would be one on top of the other.

Mr. ALEXANDER. I think the accountability would come in with appointment of the board and approval of the City Council. If we get to the position as you indicated in the new bill, almost each line item that would come under the Community Development Corporation would have to be approved by the Mayor and the City Council.

One doesn't get the sense of flexibility that exists in most urban development corporations throughout the country. One has to presume I think that the new Mayor and a new City Council will appoint people to the board, new people, heading the various entities that recommend to various housing projects in the city.

The board must be consistent with the interest of the city and consistent with developing much, much more housing and rehabilitating more housing and managing housing better in the city than in the past.

But to add arduous steps I think just duplicates what we have now. If you look at 14th Street, 7th Street, and Fort Lincoln, all we see is stalling and what we don't see is an urgency to move ahead.

I think the city wants that. I think the private sector wants that as well. This kind of development corporation would be an assist to them as well.

FUNDING

Mr. STUCKEY. You stated earlier you felt that the fund would have to have the full faith and credit of the United States Treasury behind it to make it successful. Do you think there would be a problem with selling these bonds if it were not so?

Mr. ALEXANDER. I think it would be an inordinate problem if these bonds were in today's money market and the market of the foreseeable future.

If these fundamental revenue bonds premised on whatever the jurisdiction of the corporation was and had no full faith and credit either from the Federal or District Governments, they would be in a competitive market where I don't think they would get any attention at all.

It is certainly true that with the full faith and credit of the Federal Government the people who lend money to this society are going to pay close attention to bonds issued by such a development corporation. I think without that there is little they would do.

Mr. STUCKEY. Would you support the bill if it did not have the full faith and credit of the United States Treasury behind the bonds?

Mr. ALEXANDER. I support the concept of it. I think it would be misleading to the city if we did that to the people of the city.

What they would see is what looks like a good and is in fact a good idea but without the capacity to carry it out. If one has a shell and there is no nut inside, I don't think it tastes very good.

Mr. STUCKEY. Thank you, Mr. Alexander.

Mr. Gude?

RECOMMENDS LEGISLATION NOW

Mr. GUDE. Mr. Alexander, do you feel that we should go ahead and act on this legislation and this will not in any way interfere with the smooth transition to Home Rule such as we have under the legislation that is passed? You don't think we should delay on the question, that this might somehow interfere with the soft government that is involved?

Mr. ALEXANDER. I don't, Congressman Gude. I think, actually, the legislation that we happily received in the District did include, even if Home Rule did not become a reality, the transfer of RLA and CHA to the government.

This is going to take place as of July of this year, within a few weeks. The spirit is clearly there to try to do something about housing within our city and commercial development. I also believe we have been waiting now for some consideration of such a bill since 1971.

The most recent in 1973 is an urgent kind to come before us. Also, once we do have an elected government, according to what I feel ought to be a part of this, the full faith and credit of the United States Treasury, it would mean it would be necessary to come to the Congress in order to gain that kind of gut authority that would make this work.

So I don't think we are running against the spirit of an independent city run, as it will fortunately be, by an elected government come January 1975.

Mr. GUDE. I ask you this because some people have suggested it because of the soft government.

Mr. ALEXANDER. There has been kind of a tendency, particularly in the city, of how do you feel about waiting until tomorrow. When one walks around the city as I have done and I am sure you have I think we need every tool available as rapidly as possible.

I don't know that there are many people who are interested in the field of housing that have a problem with some form of development corporation.

It is the clear experience of either 30 or 31 States and many local jurisdictions that this is a help tool; not an inconsistent tool with the development of better housing, better commercial development in the city, stimulation of new money, stimulation of jobs. That can't come too soon for the District.

It would seem to me if such a project were approved, the clear authority for the appointment certainly would be with an elected Mayor. The actual ex officio people who sat on the board of the corporation would relate to a newly organized government so there would be the clear input of the new government within the Community Development Corporation as proposed.

Mr. GUDE. Thank you, Mr. Chairman.

Mr. STUCKEY. Does counsel have any questions?

FUNDING

Mr. HOGAN. I would like to ask Mr. Alexander about the \$75 million as an inadequate figure. If I read the bill correctly, there is the initial bonding authorization in the corporation under the provisions of the bill that virtually will leave unlimited authority for bonding if they so desire.

Maybe we disagree on the interpretation, but I think that is the way it is intended.

Mr. ALEXANDER. I hope you are right on your interpretation of it. But I do believe the mentioning of a figure, the \$75 million figure, first of all, is important, as you well know and understand, but I think it gets kind of lost.

We are talking about a guarantee of the government. This is not an appropriation by the government.

Mr. HOGAN. There is no guarantee in this bill now. It is your recommendation?

Mr. ALEXANDER. This is my proposal, right.

Mr. HOGAN. It is your recommendation there be a recommendation of full faith and credit of the United States to the corporation?

BOND AUTHORITY

Mr. ALEXANDER. Yes, sir. The \$75 million is not an appropriation of the Congress.

Mr. HOGAN. What figure would you have? I think 1971 called for \$500 million. Is that the figure you endorse?

Mr. ALEXANDER. I would endorse that as a minimum figure.

Mr. HOGAN. \$500 million?

Mr. ALEXANDER. Yes. It is, of course, hard to give exact reasons for a dollar figure of that size. If I may make an analogy to the Eisenhower Center and its cost. It was estimated some months ago it would be \$71 million, to initially start off with \$82 million, and over 30 years a payment of \$165 million that would have been required.

Presuming our upper limit of \$75 million, something of that size would pretty much end all of that. It is estimated in the RLA budget—the last one I could find was '72 but it was about \$45 million at that stage.

They certainly by their own statements don't feel they can come near touching developments of this kind. The figures I have read in the newspaper concerning the development of Fort Lincoln indicated \$62 million in that kind of development.

As I remember, the dollar amount for the Urban Development Corporation in New York when it first got started was well over \$3 billion just with that one of six in New York City. Even scaling down our city population-wise, compared to a city of a little less than eight million, it seemed to me that half a billion would be a better kind of a figure against a potential guarantee or the use of perhaps a subsidy for the differential between tax exempt and non-tax exempt.

Mr. HOGAN. As you know, Mr. Alexander, on the Home Rule bill for the bonding authority, the authority would hold the government to 14 percent. My understanding is that the chairman of the committee more or less cleared that figure with the chairman of the Subcommittee on D.C. Appropriations.

If we are to create a corporation that would increase the bonding authority for, in effect, the local government, an instrumentality of the local government, by \$500 million, I don't know what the position of the chairman of that particular subcommittee would take on the floor with respect to the bill.

Mr. ALEXANDER. Sir, I don't think it would be considered circumvention in the legislation as I recommend it. I am talking about full faith and credit of the Federal Government.

As you indicated, there is a 14 percent and 2 percent on the emergency funding under Home Rule. I don't feel an urban development or community development corporation should press into that kind of debt structure that the city will be getting under in the Home Rule bill.

There is enough that needs to be done under that. That is why it seemed to me if we have the instrumentality over that and the capacity to raise a good deal more money from the private sector, this is new and added money; almost found money for the people of the District. Therefore found jobs; therefore found housing; therefore found commercial development.

Therefore, I would not propose this, either, for the capacity of the District Government to raise 14 percent of the anticipated revenues. That should continue, but as I would see it, it would be excellent for the urban development corporation to go into the private government, with the Federal Government standing its full faith and credit behind these bonds.

Mr. HOGAN. Presumably these would be competing with the logical government bonding authority in the market to have these bonds issued by the corporation with the full faith and credit of the United States.

You would have the District Government bonds with the full faith and credit of the District of Columbia. I think the District Government came up yesterday and suggested that perhaps it should go through the District and it should be implicitly the authority of the Congress behind it by an enactment of the local council, but not explicitly a full faith and credit of the United States Treasury.

Mr. ALEXANDER. I think that is kind of a myopic view. It seems to me any major city in our Nation has its bonding capacity. The States have theirs; the urban development corporation has theirs.

Anyone who looks at the bond market looks at bond after bond after bond from the State, bond after bond after bond from the city, and bond after bond after bond for the urban development corporation.

D. C. intends in its new structure of the money market to absorb bonds for good, forward-looking kinds of projects. I don't think we ought to be constrained at this time of new opportunity for the city. It seems to me we ought to be trying to develop and utilize every potential for the creation of new buildings, not with the dislocation of people, but with much of the vacant space with the creation of new buildings within the city.

It is a very, very essential ingredient in the redevelopment of some parts of our city. I do think that to just have everything flow through the District Government raises quite properly the points you brought up.

Let's say we have anticipated revenues at a billion dollars, and 14 percent would come out to \$440 million for a given year. There are a lot of things that need to be done in the city with that money and that bonding authority.

To edge in on that sort of runs counter to the purpose of an urban development corporation, which would allow us to get more money to stimulate new activity in the city.

Mr. HOGAN. I suggest this may be difficult to sell on the floor. The committee has to go to the floor with this item. It may appear to Congress to the contrary to the Home Rule bill. They wanted to go to their own. Plus the fact there is a hearing next Thursday, as I understand it, before one of the subcommittees that would call for the payment of the balance due on bonds for the D. C. Stadium and calls for the Federal Government to pick up and pay 50 percent of those bonds.

If both bills were to go to the floor at the same time, you could imagine the problem this bill would encounter.

Mr. ALEXANDER. Mr. Hogan, don't you think the Congress ought to pick up the money for the stadium? That is one we have been carrying since 1960.

Mr. HOGAN. That is a policy question for the members, and if you want to come and testify next Thursday, you can certainly urge them to do that.

BONDS

Mr. STUCKEY. If the gentleman will yield for a second, I think we all share the same concern on the bond market right now. I think it would be very difficult to have the bonds without the full faith and credit of the United States Treasury. I think we would probably have a difficult time to get it passed with that provision in it. Maybe the bond market will improve in the meantime.

One thing I would like to add. We have heard figures up to \$500 million. This is an estimate rather than an actual dollar figure.

Mr. HOGAN. Just one further question. Do you favor this override of local law to be given to this independent corporation?

Mr. ALEXANDER. You mean the override?

ZONING

Mr. HOGAN. Zoning and any other laws, as I understand it. One of the problems that the committee had in coming up with a Home Rule bill was, for instance, the authority of the local government as it relates to planning and zoning and the authority of the National Capital Planning Commission.

If I understand this bill correctly, the corporation could do something that was outside of the comprehensive plan for the District of Columbia.

Mr. ALEXANDER. It seems to me, now I am not clear whether it is the new bill or the old bill, that there is a provision for a hearing within the bill before any steps were taken.

I think that as far as zoning is concerned that the provision is presented in one of the versions of the bill indicating that one would go directly to the City Council and, if no action were taken on a proposed development corporation within 60 days, then it could move ahead. There would still be a check and balance built into the process.

No, I would not be for an urban development corporation that could helter-skelter against general plans and no checking at all. I do believe there is some provision for a check into the City Council and the City Council can act negatively within a period of 60 days. That may be in the first version of the bill.

I think doing it that way is kind of important because one of the benefits of the urban development corporation, or the community development corporation, is the capacity to move with some rapidity where in the past governmental agencies have not.

Again, on the average period with which their projects get done. Not beginning to move completely independently but to move and cut through some of the red tape that presently exists.

I think that some provision that allows for public hearings, and also the input of the subsidy, as I would see it, should have community involvement on its board; that a public hearing would certainly create the input necessary from the community or neighborhood affected by the proposed project.

Long delays in the zoning board and throughout the housing bureaucracy is one thing I think might be cut through and might in fact bring about competitive stimulus for some of the bureaucratic housing authorities in the city.

Mr. HOGAN. Thank you, Mr. Chairman. Thank you, Mr. Alexander.

Mr. STUCKEY. Thank you, Mr. Alexander. If you will make available to the committee the proposed amendments, we would appreciate it.

Mr. ALEXANDER. Thank you.

Mr. STUCKEY. Mr. Fauntroy?

Mr. FAUNTROY. I simply want to take this opportunity to welcome Mr. Alexander to our committee and to thank him for his testimony.

I simply wanted to comment on the last issue raised by counsel with respect to the full faith and credit of the Federal Government behind the bonds that would be circulated.

We are hopeful that the present formulation of the Banking and Currency Committee of the Community Development Act prevails and that we will have access to Federal guarantees for the community development programs in which this corporation may engage.

While Mr. Hogan may have some concern about our being able to get it through the House District Committee and through the full House on this bill, I think there is still hope we may have it available.

Mr. ALEXANDER. May I take this opportunity, Mr. Fauntroy, to thank you for starting the ball rolling way back when on this item. And I want to thank Congressman Stuckey and Congressman Gude for making it available as soon as possible for the citizens of the District.

Mr. STUCKEY. Thank you.

Our next witness is Mr. Mallory Walker, Jr., Chairman of the Urban Renewal Committee.

STATEMENT OF MALLORY WALKER, JR., CHAIRMAN, URBAN RENEWAL COMMITTEE, WASHINGTON BOARD OF REALTORS, ACCOMPANIED BY DONALD ROSINSKI, PAST CHAIRMAN, URBAN RENEWAL AND CITY PLANNING COMMITTEE.

Mr. WALKER. My name is Mallory Walker. I am Executive Vice President of Walker & Dunlop, Inc., and appear before you as Chairman of the Urban Renewal and City Planning Committee of the Washington Board of Realtors.

With me is Donald Rosinski, a partner in Carl Rosinski Company and past chairman of the Urban Renewal and City Planning Committee of the Board.

SUPPORT OF LEGISLATION

The Washington Board of Realtors strongly supports the creation of a Community Development Corporation along the lines which I will outline. It is our opinion that such a corporation can have a major impact on the viability and attractiveness of the city as a place to work and live. It is one of the steps that must be taken to eliminate impediments which affect development and rehabilitation in the District of Columbia.

The processes for development in this city have never been so weak, yet the demand for development so strong. We live in a metropolitan area which has no sewer capacity and which has decided that the growth of the post-war era must be slowed.

The District, on the other hand, has sewer capacity and there appears to be a resurgence in demand for central city living and jobs. These pluses are negated by an archaic system of zoning, building plans approval and general planning in areas not occupied by the Federal Government. This can be changed and must be changed.

H.R. 15363

Now for our specific comments on H.R. 15363. Naturally, since this bill deals with a subject on which we are most familiar, we may have other comments which will be passed along to your staff.

This morning, however, I would like to concentrate on three areas of utmost importance. They are the purpose of the corporation, the makeup of the board, and the ability of the corporation to receive advantages not available to private developers.

AMENDMENTS PROPOSED

We believe the corporation should be a developer of last resort. We note that in H.R. 15363 there is no introductory section of Congressional findings and declaration of policy.

We think there should be such a section and that it should indicate that the corporation is a developer of last resort. There are many areas of the city which would now be developed by private enterprise except for the planning and zoning roadblocks created by the city or Federal Government.

We feel that it would be inappropriate for the corporation to involve itself in these areas. There are many areas, however, where it would be highly appropriate for the corporation to take an active role such as the 14th Street corridor, Bolling Anacostia, and New York Avenue Industrial corridor.

We would also like to have stated in the purpose section of the bill that the corporation is a production-oriented arm of the District Government; not another layer of administrative authority, or a dispenser of services such as relocation or general planning. These can best be handled by existing departments within the city government.

The corporation should take the approved program for development and proceed with developing it as efficiently and expeditiously as any private developer. The corporation will not serve the public interest if it ends up five years from now with plans but no development.

BOARD OF DIRECTORS

The next area of concern is the makeup of the board of directors. We strongly urge you to restrict membership on the board to individuals with knowledge in the disciplines required, and should serve at the pleasure of the Mayor without tenure. The chairman should not be an employee of the city in any other capacity.

We feel the development corporation should not have any special privileges to waive or bypass city zoning regulations or building codes. The corporation should and could spearhead an effort to streamline these procedures and some of its funds should be devoted to this area.

To illustrate our point, we submit for the record charts from a study commissioned by the city government which outlines the laborious process of seeking zoning and building plans approval. We commend the D. C. Government for its initiative in this area but unfortunately more study and funding is necessary for implementation.

FINANCING

Section 301 relates to financing the corporation's projects. Thirty-one States have such authority and it seems wise to allow private developers to avail themselves of low interest rate loans to finance subsidized housing and other projects approved by the corporation.

In conclusion, the Washington Board of Realtors feels no time should be wasted in creating a Community Development Corporation for the District. There seems to be broad support for the idea and every day that passes delays the benefits this corporation can render the citizens of the District of Columbia,

Thank you.

Mr. FAUNTROY (presiding). Thank you very much, Mr. Walker, for your testimony.

ZONING AND BUILDING CODES

You mentioned, among other things, that you feel that the corporation should not have any special privileges in bypassing city zoning regulations and building codes.

Do you think that the private sector and the corporation could somehow run together to accomplish the comprehensive building code changes you recognize as a problem?

Mr. WALKER. We do, and we think that the private industry and this corporation together could seek and gain change which has not been possible up to this point. We very much think as partners they can do it.

Mr. ROSINSKI. I have nothing to add.

BONDING AUTHORITY

Mr. FAUNTROY. On the question of the bonding authority which has already been raised, what is your view on that?

Mr. WALKER. Are you asking specifically?

Mr. FAUNTROY. I guess specifically I want to know how much authority. Would the limit be feasible, do you think, or should it be higher or lower?

Mr. WALKER. I think a comment was made that it was a leverage situation. I don't want to comment on a specific figure. I think we will work on a leverage capacity as all corporations do, and I agree with that.

The whole question of how it raises its money is one which is obviously going to take further study. It is also going to be subject to the market at the time it goes out.

I think it is difficult at best to say now this is exactly how the financing mechanism is going to work. I think we would have to say that there has to be some form of backup for those bonds. Where we would certainly prefer a Federal guarantee, there are some other methods.

Virginia, the neighboring State, as I understand their law, the State merely pledged to meet the interest rates on the bond for one year. All the bonds are outside the State budget. This is the pledge and guarantee of the one year's interest of the State which makes them salable.

There has been some feeling that that no longer is going to work, that the bond market has tightened up. Who knows when this corporation goes to the market what is going to be acceptable. There are many alternatives.

Mr. FAUNTROY. Mr. Gude?

Mr. GUDE. No questions.

Mr. FAUNTROY. Counsel Hogan?

Mr. HOGAN. Thank you, Mr. Chairman.

FUNDING

What funding figure do you envisage for this corporation as far as the initial funding, or should there be a limit, or should they have unlimited authority to obtain their bond? Should it be outside of the 14-percent limitation on the District Government?

Mr. WALKER. Let me take the last part first. I think clearly it should be outside of the 14-percent limitation. The corporation, if it is limited to that, won't be able to accomplish its purpose.

All of the other States that have such corporations, it is, as I understand it, outside of the limitation or the borrowing limits of that State. I think to tie this corporation to the D.C. budget process would be a big mistake.

What is the right level? I don't think we have taken a position and I don't think we know that. I would agree with some other thoughts here it is expensive business and it takes a great deal of capital and that that depends on how successful the corporation really is in accomplishing the purpose.

BONDS

Mr. ROSINSKI. I think the marketplace will determine the level of acceptance of the bond. If we have a successful corporation that is doing a good job, the bonds will be marketable.

Now, they are going to be marketable depending on market conditions that are unknown to us at this time. Certainly this question of guarantee is going to play a part in it.

You have raised the very obvious political questions that are before the House today in terms of guarantee. But I certainly agree with what Mallory has said with respect to its being outside of the 14-percent limitation.

I do think it should be open-ended in the sense that the corporation ought to demonstrate whether it can do the job, can do it effectively, and that its effectiveness will be weighed and judged in the marketplace.

Mr. HOGAN. The marketplace now is approximately 8 percent for this kind of bond. The State of New York bid at 7 percent for \$100 million of their bond.

They withdrew their offering. They withdrew it apparently at the 8 percent level because they felt they couldn't operate effectively or efficiently or looking ahead to whatever the financial picture would be in the future. They couldn't afford that additional 1 percent. So that is the market right now. Whether it changes in the foreseeable future is hard to tell.

Mr. WALKER. I don't think I can agree with that. New York State has some problems of its own. You can't say that is the market because

one State went out for bonds without looking very closely at that bond issue. There have been other bond issues sold at a much lower interest rate.

Mr. HOGAN. A development corporation bond?

Mr. WALKER. Yes.

Mr. HOGAN. Which one?

Mr. WALKER. State financing agency bond of Virginia.

Mr. HOGAN. No. That is a housing agency and that is different from the kind of corporation you are talking about here. The State of Virginia had a housing agency which is an entirely different situation.

If you want this bill to reflect that kind of authority, then we have to change the structure of this bill. The State of Virginia did go to the market and they got a lower rate, but they got it for a State housing financing agency, which is an entirely different bill.

Mr. WALKER. Do we not have in front of us a bill of a development corporation and State finance corporation?

Mr. HOGAN. That is correct.

Mr. WALKER. Are they that separate?

Mr. HOGAN. They are different in the sense that exactly what you have here is a bill very carefully tailored, it seems to me, after the New York urban development corporation. They do both things. They do development and housing finance work. But what the State of Virginia does, what the State of Minnesota does, is housing finance.

They go out and they can get a rate of interest and they can buy up loans. They can loan money or they can do a number of things, but they know the housing market is paying 10, 11 percent. They know the bonding knows they are not incurring deficits. The State of New York is incurring by and large about \$5 million or \$6 million deficit a year.

Mr. WALKER. Isn't it true that in New York the reason they are having difficulties selling bonds at the attractive rate of interest is because of a very high interest rate? A number of projects they have moved swiftly and committed them to a number of projects assigned to Federal financing and Federal financing is not now available.

They have a large inventory of land plans and working processes which they are going to the State Treasury to help finance.

Mr. HOGAN. You tell me how the District is going to be in any different situation. The State is right up here in the Congress. If they are going to get State help, they are going to have to get it from Congress.

The Federal programs are cut off now, as I think you will agree. Local corporations will have to come to the Congress for help.

Mr. WALKER. I don't see the corporation extending it like in the State of New York. New York City was the first in the Nation. There is no reason to think they are going to repeat that in the District of Columbia, that this corporation is going to learn from the State of New York. I just think you can't assume that when you look at the legislation.

Mr. HOGAN. I have the offering here and the underwriter's notice for \$100 million for the offering. We will put it in the record.

Mr. HOGAN. It doesn't appear they particularly over-extended. It is true, the Federal subsidies have been curtailed appreciably. That is true for the corporation as well.

Unless title V of the new housing corporation bill passes—we don't know the situation with respect to that—I think we have to be

realistic here when the committee goes to the floor and tries to support the particular bill and funding.

Mr. FAUNTROY. Counsel, we will have an opportunity to continue this colloquy when we come to mark-up.

I do want to thank Mr. Walker so very much for the expert testimony he provided us on the bill. If there are no further questions, we will go on to the next witness.

Mr. HOGAN. Thank you, Mr. Walker.

Mr. WALKER. Thank you.

Mr. FAUNTROY. Our next witness is Mr. Bowles Ford, Executive Director, Metropolitan Washington Planning and Housing Association.

STATEMENT OF BOWLES C. FORD, EXECUTIVE DIRECTOR, METROPOLITAN WASHINGTON PLANNING AND HOUSING ASSOCIATION, ACCOMPANIED BY RICHARD FISHMAN, ATTORNEY

Mr. FORD. My name is Bowles Ford and I am Executive Director of the Metropolitan Washington Planning and Housing Association. I am not a bonding expert nor an expert in public development authority.

I have with me Mr. Richard Fishman of the American Bar Association who has rendered us priceless technical assistance in developing our proposal as well as our testimony.

I want to compliment the subcommittee on the importance it has obviously placed on the establishment of an Urban Development Corporation for the District of Columbia.

WPHA is a private, non-profit, advocacy agency that has for 40 years been in the forefront of the struggle for increased housing opportunities and responsible planning in the District of Columbia.

WPHA is also testifying today as spokesman for the City-Wide Housing Coalition, a Washington-based citizens' organization which represents virtually all segments of the housing market, including tenants, senior citizens, urban renewal area residents, the Spanish-speaking community, and community organizations in all nine service areas of the city.

The group was formed to bring the combined efforts of the citizens of Washington to bear on the housing crisis which exists today in the District of Columbia.

Both the Coalition and the Association recognize the existence of a broad spectrum of social and economic deficiencies in the Nation's capital, and the inability of private enterprise alone to alleviate those deficiencies.

NEED FOR LEGISLATION

WPHA has, from the formative stages of the Urban Development Corporation proposition, been an active proponent of public acquisition and development of land for the optimum benefit of all the citizens of the District of Columbia.

Development and redevelopment programs under public control could do much toward addressing the wide range of debilitating factors which include:

1. substantial and persistent minority unemployment and underemployment;
2. an insufficient number of modern industrial, manufacturing and commercial facilities, accessible to areas of high unemployment and underemployment;
3. selected areas of urban blight, made up of vacant, obsolete, substandard or unsanitary structures, unplanned and unsuitable developments, and vacant lots;
4. inadequate educational, recreational, cultural and other community facilities throughout our city;
5. the serious and growing problem of inadequate housing for persons of low- and moderate-income.

AMENDMENTS PROPOSED

The Association has since 1971 consistently supported the concept of an Urban Development Corporation for the District. While we agree with the subcommittee on the importance of such a vehicle, we must express strong reservation with regard to the bill that is before the subcommittee.

WPHA feels that, in light of recently acquired Home Rule status and the necessity to loosen the Federal umbilical cord, the District itself should have the prerogative of creating its own development mechanism.

Presently, over 30 States throughout the country have established such an entity. Research conducted by WPHA on programs in other jurisdictions has provided considerable insight into the mechanics involved in creating a development authority, and has resulted in comprehensive legislation to be presented to the District of Columbia for this purpose.

We have discussed the proposal with a number of city officials, and considerable optimism has been expressed in all quarters of the city.

In its basic form, the D.C. Housing Finance Agency being proposed by WPHA would be a city authority, which would raise funds by issuing revenue bonds. It would not, as a matter of fact, go against the debt ceiling of the city.

The authority would make or purchase mortgage loans, as well as provide development loans for ancillary facilities to support newly constructed housing. Below-market interest rate loans would also be offered for rehabilitation and home improvement.

Several features of WPHA's bill are:

1. A means of reducing the impact of the cutback of Federal housing programs.
2. Home improvement loans which could be applied to units under the Urban Homesteading Programs.
3. A city residential land banking mechanism.
4. Rehabilitation and construction loans for housing units and community facilities.
5. A provision for 25 percent low income units per multi-family project *when Federal funds are available*.

The Association has formulated its D.C. Housing Finance Agency proposal over the past months, drawing from the experience of other

programs, experts in the field of mortgage finance and urban development, and in consultation with a number of community groups and organizations.

We have found not only overwhelming support for the concept itself, but also a consensus that the District's own City Council should be the creator of such an agency.

The concept is continually being refined to provide the most viable alternative possible to a Federally created, Federally dependent program.

WPHA and the City-Wide Housing Coalition urges that the committee weigh carefully the need within the city to establish fiscal as well as programmatic self-reliance, and endorse the concept of a City Council-created development mechanism.

Mr. FAUNTROY. Thank you.

First of all, Mr. Ford, I wonder if you care to indicate the differences between your D.C. housing finance agency and the corporation as proposed in this bill.

FINANCING BY TAX-FREE BONDS

Mr. FORD. I would suggest that perhaps the major difference is the fact we are calling for the issuance of tax-free revenue bonds that would not have the full faith and credit of the Treasury or the District of Columbia.

This would require some sort of reserve fund to be established. The way it looks now Congress would indeed have to do that.

We are looking at other ways of doing it, such as perhaps using revenue sharing funds and things like that. We don't know whether it is a feasible way to do it. We are not sure yet, but we are working on it.

Mr. FAUNTROY. You are aware there is less call for such funds established in that way.

Mr. FORD. Yes, sir. There may be another major difference in that we are calling for this agency to be able to issue its own bonds. In other words, they would not be the District of Columbia. They would be D.C. housing finance authority bonds, which poses another unique problem.

We are trying to work this out. The D.C. Charter apparently doesn't allow the Mayor and the D.C. Council to issue that authority to such an agency. It appears that on the face it can issue its own bonds. We think there is a way around that.

Mr. FAUNTROY. Of course, that is what our bill proposes to do, also.

I wonder if you would care to tell me, are the bonds issued by your D.C. housing agency tax exempt? Is it a public corporation or an agency of the District Government?

Mr. FORD. Richard could perhaps answer that better than I can. It is an agency of the District Government.

Mr. FISHMAN. More properly, it would be what you consider a quasi-public corporation. The bond would not technically be the bond of the city. It would be the bond of this independent entity which would pledge its own full faith and credit beyond the bond. They would not be technically revenue bonds of the city.

Mr. FAUNTROY. Therefore, they are not under the 14 percent limitation.

Mr. FISHMAN. Not at all under the limitation, no.

Mr. FAUNTROY. What would be the significant difference between an agency created by the D.C. Council, the city's own council, and this corporation as created obviously in advance of the yet to be elected City Council? What would the essential difference in the functions be?

Mr. FORD. Our position of the Association is that this would be an agency that would be created and controlled. It could be done away with, if you will, by the City Council should it not do the things it sets out to do.

In other words, we feel that the major difference is having it within the District Government and having control over it there. Beyond that, the features are pretty much the same.

Mr. FAUNTROY. I would just remind the gentlemen that under the home charter the new government would have the authority to do that anyway; that is, to dissolve this corporation if it felt it was not really effective.

Counsel?

Mr. HOGAN. I would only say that I certainly agree with your interpretation of the Home Rule bill, Mr. Ford. It does limit the authorization of the issuance of revenue bonds. But it is your thought that this could be done for this kind of agency?

Mr. FORD. Yes. There seems to be some feeling, particularly within the New York firm we used to draft this, that in fact you can find a way to handle it. Again, we don't know what that way is yet, but in about two weeks we are going to be meeting to try to work it out.

We think it may require a court test and we think further that there is probably sufficient precedent throughout the other States to warrant favorable interpretation.

We don't know that. We just have to study it a little more. It may require coming back to Congress to amend the charter.

Mr. HOGAN. Again I assume that one of the principal differences between your agency and what is proposed here is that you wouldn't be involved so much in the development, other than housing. Yours would be principally housing.

Mr. FORD. We would have development powers to do the same kinds of things the bill we are considering today has. I think the difference is one of spirit. We feel housing is sufficiently high enough in priority not to be pushed in the background.

If you are going to build another kind of facility, you ought to look at some opportunity to produce housing along with it and not ignore that.

Mr. HOGAN. Have you given your draft to the committee?

Mr. FORD. No, we haven't. We are revising it to reflect minority participation. We don't have a finished draft of it today, but I can get it for you.

Mr. HOGAN. Thank you, Mr. Chairman.

Mr. FAUNTROY. May I say in conclusion the record will remain open for two additional weeks, so you are able to put that in.

Mr. FORD. It is in the typist pool, if you will.

Mr. FAUNTROY. We will have the benefit of that by that time.

Thank you so very much, Mr. Ford.

Our next witness is Mr. Thornton Owen, Chairman of the Housing and Urban Development Committee, Federal City Council, and he is accompanied by Ms. Marjorie M. Lawson, Counsel, Federal City Housing Corporation.

STATEMENT OF THORNTON OWEN, CHAIRMAN, HOUSING AND URBAN DEVELOPMENT COMMITTEE, FEDERAL CITY COUNCIL, ACCOMPANIED BY MARJORIE M. LAWSON, COUNSEL, FEDERAL CITY HOUSING CORPORATION

Mr. OWEN. Thank you for the opportunity to appear here and give you our testimony.

My name is Thornton W. Owen. I am Vice President of the Federal City Council and Chairman of its Committee on Housing and Urban Development.

The Federal City Council is a non-profit, non-partisan organization dedicated to improving the Nation's capital. Composed of and financed by 100 business, professional, educational and civic leaders, the Council has been active for 20 years promoting community development in Washington, D.C.

Since the late 1960's the Council has tried to help community organizations and the District Government find ways to rehabilitate moderate and low income housing.

In 1970 and 1971 the Council played a part in obtaining recognition for Washington as a "Project Rehab" city. Under Project Rehab more than 2,000 units of housing were rehabilitated in little over a year.

As a result of that experience, Secretary Romney in March of 1972 challenged the Council to work with the Department of Housing and Urban Development and the District Government in building a model inner-city neighborhood in the 14th Street corridor.

In June of that year a Four-Party Agreement was signed by Secretary Romney, Mayor Washington, George DeFranceaux, representing the National Corporation for Housing Partnerships and L. A. Jennings, on behalf of the Federal City Council.

Under that agreement, the Secretary pledged housing subsidies for the rehabilitation of 1,000 units a year through 1970.

FEDERAL CITY HOUSING CORPORATION

The parties recognized that to carry out a program of such magnitude a special organizational arrangement would be required. A non-profit housing corporation known as the Federal City Housing Corporation was created to help coordinate this endeavor. The new housing corporation was composed of many of the community's most knowledgeable citizens in urban housing.

Under a supplemental agreement between the Federal City Housing Corporation and the National Corporation for Housing Partnerships, the new group could purchase at cost up to 75 percent of the interest in any project.

It might then sell its interest at premium rates to investors interested in the rapid, five-year depreciation as provided by current tax laws. Those funds, ordinarily the developer's profit, were to be captured for use in the community. The so-called rip-off in the Federal program was now harnessed for neighborhood improvement.

We had high hopes that this new organizational and financial mechanism could make existing Federal housing programs functional in the more blighted neighborhoods of the District of Columbia.

After two years of frustrating effort, we can now testify that the present array of Federal programs and community institutions, no matter how well-intentioned, cannot at this time rehabilitate housing for low and moderate income people on any scale.

During these two years we have been exposed to the conditions under which developers, public and private, profit and non-profit, work in this city.

These conditions at best are problem-ridden, time-consuming, and frustrating. At worst, they are impossible and result in total enervation of even the most dedicated and ambitious among us.

EXPERIENCE IN THE DISTRICT

As you ponder the merits of the proposed Community Development Corporation, you might want to consider what our experience has been. It is fair to say that we have learned at least four lessons.

(1) Rehabilitation costs in Washington are such that the existing Federal programs do not work for persons of moderate income. Each of the major cost areas—acquisition, construction, and operations—contributes to the high costs of rehabilitation. Those persons too rich for public housing and too poor for luxury units receive little help from the present subsidy programs.

(2) Decision-making is too fragmented. The present system requires close cooperation between the Federal and local government and a variety of independent agencies. This kind of cooperation we found all too lacking. Most often we found the Federal and local agencies acting as adversaries rather than as partners.

(3) The Department of Housing and Urban Development's processing of applications, although much improved, remains tedious and cumbersome. Most private developers would not be bothered if given a choice and the pro bono groups become totally exhausted from the rigamarole.

Also, uncertainty plagues the funding process. For example, during 1973 our program like others across the country was arbitrarily halted for nine months while Secretary Lynn reviewed Federal subsidy programs. This despite a firm written commitment from Secretary Romney a few months earlier.

Even now, what progress we have made is threatened by likely expiration of Section 167K of the Internal Revenue Code, which provides for rapid depreciation of rehabilitated properties.

(4) Subsidized housing is an inadequate tool to rehabilitate inner-city neighborhoods. If business enterprises, professional services and non-subsidized housing cannot be developed simultaneously, we cannot honestly call the result a neighborhood.

We have reviewed the draft bill under discussion today. We think it shows promise of alleviating many of the problems we encountered during the past few years.

Its reliance on local as opposed to Federal financing is particularly desirable. We also believe that it is important that there be created a special organization to serve as developer of the last resort, should private resources be inadequate.

Our present ad hoc arrangements, while helpful, cannot be expected to produce substantial results on a continuing basis.

We commend you for pursuing this legislation and for taking such special interest in the District of Columbia. With me today is Mrs. Marjorie M. Lawson who is Counsel to the Federal City Housing Corporation and who has had extensive development experience.

We would be happy to answer any questions you might have with respect to our testimony.

Thank you.

Mr. FAUNTROY. Thank you so very much, Mr. Owen, for your truly expert testimony on the problems that we hope to solve through in part the work of this Community Development Corporation. Your clear recitation of those problems, at least the background of your painful experience, is certainly instructive for this committee.

I want also to welcome Judge Lawson who has perhaps more than any other person in this city become exhausted in the process of trying to develop both new and rehabilitated housing for the low and moderate income people, which your testimony indicates is perhaps our most serious problem area in the community. I am just thrilled at the expertness of this testimony.

I want to know, first of all, from both you and Mrs. Lawson whether you favor Congress moving ahead on this legislation rather than waiting until 1975.

Mr. OWEN. We feel definitely the Congress should move head on it. It will give the Congress greater status.

BONDING LIMITS

Mr. FAUNTROY. On the question of the bonding limits we set, do you think it is adequate?

Mr. OWEN. It is a beginning. I think Congressman Stuckey stated it is a leverage in the financial analysis.

The \$75 million proposed is not going to be entirely sunk in any particular project. It will furnish the seed money. It will come from commercial organizations, bank financing, real estate financing, and savings and loan financing, depending on the type of project. This will be the seed money for the equity to get the project rolled over.

Mr. FAUNTROY. Therefore, I take it that your position on the Federal or District Government guarantee is what?

Mr. OWEN. I firmly feel the bonds should stand upon themselves. They are revenue bonds. If the corporation is well organized and operates successfully, there will be a demand for the bonds. I don't think you should ask the government to guarantee the bonds. I don't think the District Government should do so.

EMINENT DOMAIN

Mr. FAUNTROY. Judge Lawson, you have a good deal of urban renewal development experience. To what extent do you think the eminent domain authority which this bill gives to the corporation is proper? Or do you think that it ought to remain exclusively with the functions of the District Government?

Mrs. LAWSON. Mr. Chairman, without knowing how the reorganized planning and urban renewal activities will be formulated under the new government, it is hard to say.

But I think that the experience of New York is instructive in this regard in that some land acquisition authority ought to exist here, maybe of a sort that would say "Let's do it and then wait to see whether the District Government would have any objections."

Waiting until somebody else takes the initiative might result in nothing getting done. I think it should have an inherent power subject to some kind of review by the District Government.

ZONING AND BUILDING CODES

Mr. FAUNTROY. You are quite familiar with inordinate delays that often develop in housing. You have heard some discussion this morning of whether or not the corporation should have the authority to override zoning and building code regulations in the city. What is your view on that?

Mrs. LAWSON. Again I think we should turn to the experience of New York. They have had the authority. They have used it very gingerly. They found out there was a lot of community resistance.

You have to move with the express approval of the community that they want this particular thing done and then the tool becomes a very useful instrument.

Mr. FAUNTROY. So the checks are already there.

Mrs. LAWSON. The checks are built in, yes. I think the authority ought to be there, but there should be sensitivity on how the tool is used.

One of the most important things in this kind of an agency I think is to provide leadership and coordination. Much of the difficulty between RLA and the District planning agencies and the Federal Government subsidy programs has been that nobody has coordinated them in giving leadership and moving ahead and doing the next thing to be done.

If this agency could give this kind of assistance—it is spoken of as the agency of developer of the last resort—I think it should be developer of the first resort because many developers will not go into an inner-city area unless someone takes the chance and risk.

LOW AND MODERATE INCOME HOUSING

Mr. FAUNTROY. I take it from your comments, then, that you quite despair of our ability to develop low and moderate income housing in the areas of need without such a corporation.

Mrs. LAWSON. I think it is very greatly needed. But I also despair of our being able to do much of anything else unless we have the

Federal subsidy programs back in place which are really essential to the undergirding.

If additional efforts are made on the part of the community, we must have the Federal presence and Federal money. There is no way a local program can really do the job.

I think that doesn't get said enough anymore. People seem to be so intimidated by what has happened to the Federal programs. By and large, the subsidy programs have been a great success and have provided thousands of houses for low and moderate income families.

If something like that is not put back in place, we are going to see a continuing deterioration of our inner-city.

Mr. FAUNTROY. You certainly make an eloquent point there. I wish you could be on the floor of the House when that question is considered today.

Mrs. LAWSON. I wish I could, too.

Mr. FAUNTROY. Mr. Gude?

Mr. GUDE. No questions.

Mr. FAUNTROY. Counsel?

Mr. HOGAN. Thank you, Mr. Chairman.

Mr. Owen and Judge Lawson, I advised Congressman Nelsen you were going to be here today. He expressed his regret. He served with Judge Lawson on the Nelsen commission and he has high regard for her view and knows she is an expert on housing.

FUNDING AUTHORITY

I don't know whether I understood fully what your recommendation would be as to the funding level for this type of corporation. Do you endorse the \$75 million initial authorization for this particular corporation?

Mrs. LAWSON. Mr. Hogan, I agree with what Mr. Owen has said about the funding level. I think it is a beginning. It is front-end money. It is not to be sunk into a particular project.

The risk that is involved for a developer is to go in and acquire the land, or an option on the land, to provide for architectural plans or drawings and surveys and soil tests and building permits; doing all that before he has any idea he is really going to get his financing or whether the market is going to be there.

That is the kind of risk that a private developer is not willing to take, so nothing happens. But if someone will go in there and demonstrate that it can be done, that the market will respond, then that can be rolled over to the private developer at a later date.

It is this first effort, this first courageous move, that has to be made. I think this is beginning figure and it is adequate.

Mr. HOGAN. As far as the override is concerned, I assume you endorse that then, also?

Mrs. LAWSON. Yes, I think so.

Mr. HOGAN. Could it operate that some expedited procedure could be put in the bill that would require the District Government to respond to requests within a specified period of time and perhaps that would address some of these problems so the local law need not be overridden in particular cases.

Mr. OWEN. The zoning provision does require that. The District has 60 days to respond. If the District says nay, nothing can be done. If they say yes, it will go through.

Mrs. LAWSON. One of the most difficult things developers encounter is to get any part of the government to respond within a particular period of time to a proposal, and time is money in development.

If you can't get a hearing before the Zoning Commission, if you can't get an answer from them, if you can't get your building permits, you are losing money every day. So the 60 day provision is very important. At least it means they will get themselves together and tell you something.

Mr. HOGAN. We have several recommendations that were made yesterday by Mr. Banks on behalf of the District Government. I don't know whether either of you would like to respond independently to those comments, but if you would, perhaps the committee could invite a response.

Mr. OWEN. We haven't had an opportunity to read his comments.

Mr. HOGAN. We could provide you with a copy. If you would like to comment, fine. If you choose not to, you can avoid it.

Mr. OWEN. Sure.

[The information to be furnished was not received in time to be included in the record.]

Mr. FAUNTROY. I would second that request. We will keep the record open for two additional weeks. I think we would be helped by your comments on that.

Mrs. LAWSON. We would be happy to do so.

I think it should be pointed out the efforts of the Federal City Council to carry out the Four-Party Agreement is amazing. Here are people who can lift the phone and call anybody, including Secretary Lynn. Here is a whole array of city leaders working on a proposal for two years and not being able to get HUD to respond positively to their effort in spite of all the declarations of all the people involved that this is indeed something they intend to do and signed contracts to do and yet it does not get done.

You cannot imagine the frustration. All these bank presidents and people working on a proposal consider if they cannot get it done, what happens to the private developer?

Mr. OWEN. Instead of telling you how it can be turned around and work, all they do is throw roadblocks.

Mr. FAUNTROY. I know that is not happening in this Administration.

Mr. HOGAN. I don't know that it applies to any Administration but probably to all Administrations.

Mr. FAUNTROY. That is probably true.

Mr. OWEN. The fellows on the top are willing. At the second, third, and fourth levels it dies.

Mr. FAUNTROY. Thank you so much for your very useful testimony.

Mr. OWEN. Thank you.

Mrs. LAWSON. Thank you.

Mr. FAUNTROY. Our next witness is Mrs. Mary Lela Sherburne. We welcome you to our hearing.

STATEMENT OF MARY LELA SHERBURNE, CANDIDATE FOR CITY COUNCIL, WARD 3

Mrs. SHERBURNE. Thank you very much, Congressman Fauntroy. I have a prepared statement, but I know you are coming to the end and I hope I will not duplicate too many things which have been said. So I will try to summarize for you briefly and insert the statement in the record.

[The statement follows:]

TESTIMONY ON H.R. 15363—A BILL TO ESTABLISH A DISTRICT OF COLUMBIA COMMUNITY DEVELOPMENT CORPORATION, AND FOR OTHER PURPOSES

[By Mary Lela Sherburne]

Mr. Chairman and members of the Subcommittee. My name is Mary Lela Sherburne. I am pleased to have this opportunity to make brief comments on Bill H.R. 15363. I am basing my brief comments on working with front-end planning for the Urban Development Corporation for Welfare Island, now Roosevelt Island, and community development for UDC in Buffalo. More recently I have developed a training course for managers of low income subsidized housing and edited the first comprehensive book on the management of such properties at the resident and property management levels. As a candidate for the Democratic nomination for City Council person from Ward 3 I am also directly in touch with some of the citizen needs in housing. I am in favor of creating such an implementing body for the city. There are some considerations which I would like to articulate since there is experience available to serve us.

The inherent purposes of the bill are no doubt understood by those who drafted the legislation and some who plan to use it. However, purposes get lost if not stated. Urban Development Corporations can build buildings for their own sake and adopt measures of success based on criteria of starts and produced units. To create instrumentalities without designating some clear societal intentions leads to misuse, unreal expectations of the public, future policy and administrative conflict, and continuous bureaucratic searching for goals. I am assuming that the purpose of this bill is to enable the city of Washington to deal more effectively with its problems of physical deterioration, economic stagnation, and its mounting housing crisis for persons of low, moderate, and middle income in the city. If that is so, I think the bill should so state the intent.

The collaboration between the government and its citizens today is not always solicitous; there is a sense of powerlessness among people regarding officialdom, which is both frustrating and detrimental to our governmental processes. While no one solution will cure it, some interventions can bring the people and government closer together. One of these is to simply state what the purposes and aims are for our legislative efforts. This should be part of the bill.

Judgment about the efficacy of provisions must be made against purposes. If this instrumentality is to so serve the people the make-up and procedural appointments of the nine members of the Board of Directors is important. Provision to appoint these by the Mayor with the approval of the majority of the Council should be modified. The board of such a corporation should have some mandated representation. This is true of many of the 31 state agencies and of UDC. In that instance, the heads of relevant agencies, in planning and in banking and finance, are incorporated by law as ex officio members. I think this should be the case in Washington also, with the head of the office of planning and of the new housing division serving as ex officio members. They would naturally and rightfully be part of the deliberations and available for input, but not faced with conflict of interest between policy and implementation which is true if they sit as officially designated members of the board.

There should also be a provision that two or three of the directors would represent citizen interests, either through the designated appointment from at least one Neighborhood Advisory Council and perhaps two City Council members.

Both the composition and powers of the Board of Directors are of vital concern to the people of the city. Since such a corporation has extensive and vast domain for action, as it should in order to move fast and effectively, there must

be provisions for generalized elected citizen representation over and above those individuals appointed for their knowledge in planning, real estate, construction, property management, finance, and even community organization.

The members of the Board of Directors should be residents of the District of Columbia. Provisions should be made for a specialist from out of the metropolitan region to serve if needed. However, I do not think individuals, no matter how enlightened, who do not live in the city, participate in its government, travel its streets, or pay taxes for its services, should sit on a board which will make as far-reaching decisions as those which potentially can be made by an Urban Development Corporation of this city. Having a business investment or gaining income from the city alone is not a sufficient criterion to guarantee personal commitment to a vital citizen life in this city.

Studies in other states with housing finance agencies have shown the variable of property tax rates is one of the most significant in contributing to the continued viability of public and subsidized properties. The tension which can always be expected to be a by-product of Section 307 will be much reduced by a guaranteed wise selection and representation on the Board of Directors, so that tax issues can continually have policy level input from directors who represent various citizen interests.

In Section 202, page 13, line 16, under "Project Approval," I find a conflict. Perhaps it would not exist in my mind if a clearly stated purpose for the corporation had been made earlier. In this section it is stated, "In accordance with the comprehensive planning and community development objectives adopted from time to time, by the Mayor and Council, the corporation shall prepare, and submit to the Mayor who shall, if he approves, submit it to the Council for a public hearing and approval by resolution an annual program, describing the activities it proposes to carry out during the subsequent year."

It is my understanding, and has been my experience in working with UDC and housing agencies that they are not first comprehensive planning agencies; they are created to be efficient, fast-tracking, rapidly functioning, and in many instances free wheeling operations whose main purpose and objective is to get things done. My concept of how successful state agencies function, and my view of how UDC has succeeded in some of its best moments, is in no way similar to the process of describing an annual program of proposed activities, and going to the Mayor and Council for approval. It rather should work the other way. The Mayor and the Council, using their instrumentalities of municipal planning and appropriate processes of input, decide that certain areas, planned units, corridors, or segments of the city have needs which comprehensive development can respond to. The Urban Development Corporation is a tool which they call upon to develop and provide a one-stop service in accomplishing a given objective from front-end efforts to management. An organization such as this Urban Development Corporation will function best when it is approached by community groups, coalitions, private industry, and the city government, which has a job to be done and wants to find a way of channeling that growth efficiently and in a process that does not drag out for a decade. In no sense should we assume that the creation of another agency redeems us from our present lack of a comprehensive plan or vision for Washington as a city.

This section on process indicates a lack of clarity of purposes for the corporation.

Another example. On page 15, Section 203, the UDC must comply with all local zoning laws and regulations. This is certainly putting new wine in old bottles. Planning and abolition of zoning laws which positively will not work must be dealt with in very up-front stages long before programs have become projects. In fact, one of UDC's most controversial but important powers has been associated with its unencumbered approach to zoning.

A final comment. I hope citizens of the District will have access to full and detailed explanation of what this particular bill can and cannot do.

As you all know, we are in the midst of a housing crisis in the District for low and moderate income housing where hundreds of units are being converted to condominiums and many renters cannot afford purchase of housing.

At this particular juncture I think it is important that citizens understand that this bill is *only a mechanism and not an answer*.

Even with the revenue generated from corporation-sponsored projects and the issuing of an upward limit of \$75 million in federally guaranteed bonds we are

in trouble. Without federal subsidies there is no hope in sight of helping out the poor, moderate, and even middle income families. The Thomas Lippman article cited in the *Washington Post* last week cites the New York UDC's phenomenal record of construction of 33,000 apartments and 6,000 houses. Little of this could have been built or operated without federal subsidies to make up the difference in interest rates or to provide rent supplements and operating subsidies.

My special concern at the moment is for the elderly in the District of Columbia, many of whom are in substandard housing and a large number of the 20,000 in Ward 3 threatened by out-of-sight rentals and condominium conversion.

This is not a time for political blue skying. The Urban Development Corporation is a beautiful tool. It will not work solely on a power to issue bonds, or encourage private development. This bill without appropriate commitment everywhere for subsidy money or revenue is only a dream, and is only a machine. Let's pass the bill, but recognize and let people know what the *real* housing issues are!

Mrs. SHERBURNE. I would like to thank you very much for the opportunity to make some brief comments and to tell you on what I am basing these.

I am basing them on the fact that I worked extensively in front planning with the Urban Development Corporation in planning and also in community development in the Buffalo project, so there is some experience to bring to that.

I have also for the last year-and-a-half been developing a training program for managers of low income subsidized housing and just finished editing the first comprehensive book on the management of this low income housing.

I based some of my comments on the bill about that. I first would like to say I am very much in favor of it because the kind of powers which come with this bill can certainly help us in the District Government.

PURPOSE OF BILL

However, I would like to make one comment on the fact that I think we do need a stated purpose. Inherent purposes in bills disturb me a little bit because quite often after the fact bureaucracies spend time searching for what the goals are.

I think the purpose is to enable the city to deal more effectively with the problems we have in deterioration, economic stagnation, and our mounting housing crisis, and especially for low, moderate, and middle income people, in the city. If that is so, we should make that intent very clear in the bill.

I think this is important because our collaboration between citizens in the city and between our government is in the crisis state. People have a lack of confidence and one way to improve that is to be clear to people what we are trying to do with the new legislation we are bringing about.

BOARD OF DIRECTORS

The next thing is I think in order to make judgments about the efficacy of the bill and whether it will do what we want it to do, we do need to look at it in terms of its purpose.

If this instrumentally is to serve us, I think there are some very important considerations. My first one is about the makeup of the board of directors.

The board of such a corporation should have mandated representation. If you look at the 31 State agencies already created, and particularly UDC, you find that relevant agencies are mandated members.

In other words, in our city I suppose the new head of the hosting agency, the Office of Planning and so forth, should serve as ex officio members. So they are there all the time and are not on the board of directors as voting members simply to be dealing with their continued conflict of interest between policy and implementation. It should be clear they will be there at all times.

I think there should also be a provision that directors would represent citizens' interests either through designating one member who will be from the Neighborhood Advisory Council or perhaps two members from the City Council itself.

I think this is important because the powers of an urban development corporation are enormous and they must be in order for us to have what we want, which is fast, effective action, and in order to have sound representation at the policy-making level.

We must think very seriously about the composition of the board. The members of this board should be residents of the District of Columbia. I feel very strongly, and many people to whom I have talked, that provisions should be made for a specialist from out of the metropolitan to serve if needed.

However, I do not think any individual, no matter how enlightened, who does not live in this city, who does not participate in its government, who does not travel its streets at night and at day, who does not pay taxes for its services, should sit on a board which makes such far-reaching decisions this one can make for the city.

PROJECT APPROVAL

Having a business interest in this city is not merely sufficient. I would like to emphasize that. In Section 202, page 13, line 16, under "Project Approval," I have a concern which I think attends to the same one that Judge Lawson was testifying about and I am sure you have heard much testimony on. Perhaps it would be cleared up with a more clearly stated purpose.

Here we read that "In accordance with the comprehensive planning and community development objectives adopted from time to time, by the Mayor and Council, the corporation shall prepare, and submit to the Mayor who shall, if he approves, submit to the Council for a public hearing and approval by resolution an annual program, describing the activities it proposes to carry out during the subsequent year."

I think we have the cart before the horse here. UDC, and Urban Development Corporation, is not a planning agency. It is a mechanism that is efficient, fast-tracking, and rapidly functioning.

My concept of how successful State agencies function, and my view of how UDC has succeeded in some of its best moments, is that it does not go and present a plan. Rather, it would be the role of the City Council and the Office of Planning, which develops a comprehensive plan and vision of what the city should be, to designate the areas in

which the UDC must come forward with a plan and a plan of action to do something.

In reading this bill I am not so sure we haven't written in provisions which interpret it as a bureaucratic agency rather than as an active, ongoing instrumentality. I think some discussion should be made as to how this is cleared up.

ZONING

For example, another example is on page 15, Section 203, in the statement that it was to comply with all local zoning laws and regulations. This is kind of a way of putting our new wine into old bottles, again because planning and abolition of zoning laws which will not work must be dealt with if your Urban Development Corporation is to work at the front-end stage much before you get down to the project level.

If you look at UDC in New York, which has been very successful, it is most controversial but its most important power has been that it has unencumbered approach to zoning.

They have recently had their wings clipped on that. This must be dealt with early and not later after your coming to people with the plan. It must be looked at very early, and I wonder about that section.

A final comment. I do hope we can have more information to citizens of the city as to what this bill can actually do. If we study our State finance agency and UDC again in New York, while they have a phenomenal record of constructing apartments and housing units, this record could not have occurred, they could not be operating the present properties, without subsidies; both subsidies in the development stage to compensate interest rate and operating rent supplements.

So it is only a mechanism and not an answer to the crisis in the city. I am a little alarmed that people don't understand that. Mr. Lippman's article in the Post the other day gave us to understand this would alleviate our tremendous problems.

I think we must maintain this is one mechanism and it does take money, and that merely issuing bonds will not do it. Housing is expensive.

I have said too much already, but I am really for it and I really do hope we can look to it to do what it should do.

Mr. FAUNTROY. Thank you so very much, Mrs. Sherburne. You have certainly given us a thorough dose of expert testimony on the bill. In the course of your testimony you answered many of the queries that have been on our minds with respect to zoning, but the requirement and need for subsidies, and the bonding limitation.

I would just simply request of you if in the next two weeks you would likewise give us your reaction to the District Government's formulation of how it would like to see this done for our guidance.

Mrs. SHERBURNE. Certainly.

Mr. FAUNTROY. Thank you very much.

[The information to be furnished was not received in time to be included in the record.]

Mr. FAUNTROY. Counsel?

BOARD OF DIRECTORS

Mr. HOGAN. Mrs. Sherburne, you said you didn't want any D.C. non-residents on this board. I assume you would have no objection if the bonds were bought by non-residents?

Mrs. SHERBURNE. I think that is all right. But I don't know that these two things equate. We are really in a crisis at the moment of getting people involved with living in this city and living up to the needs of it.

I feel very strongly. I don't want to be parochial and I don't want to say we don't need the rest of the country. But we must have people understand we have to care about Washington and I think that means living with its problems and living with everything that is here.

Mr. HOGAN. The problem that you have I think with something like that is that you are a little diamond here within a larger cluster of diamonds. The little diamond is getting smaller all the time.

Your recommendation does go towards parochialism. You obviously would have no objection to some private enterprise with money and resources available from going in and joining with any project a corporation would want to undertake, would you?

Mrs. SHERBURNE. Not at all. But I would want people who sit on that corporation to live in the city and know we can't just make the city a group of offices that people come in and out of. We are going to have to make this city and every place around it a place for people to live; not just offices.

Mr. HOGAN. Just to make it clear, you do agree then with the local law override of this corporation?

Mrs. SHERBURNE. Yes.

Mr. HOGAN. You favor that?

Mrs. SHERBURNE. Yes.

Mr. HOGAN. Thank you.

Mr. FAUNTROY. Thank you again, Mrs. Sherburne.

Our next witness is not here, nor, apparently, is the Chairman of the Bicentennial Commission. Mr. James O. Gibson.

Are there other witnesses who wish to present testimony at this time?

May I then submit for the record the statement of Mr. James O. Gibson and the statement entitled "Voice" which is the voice of informed community expression.

[The statements submitted follow:]

VOICE,

Washington, D.C., June 18, 1974.

Hon. W. S. STUCKEY,

Chairman, Business, Commerce, and Taxation Subcommittee, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.

DEAR MR. STUCKEY: The Voice of Informed Community Expression (VOICE), an organization of approximately 100 business, professional, labor, church, and civic leaders from throughout Metropolitan Washington who are active in the community interest, endorses and strongly supports the bill to establish a District of Columbia Community Development Corporation, H.R. 15363. The corporation is needed to continue and to advance significant development programs which have been initiated by public bodies, and to help carry out those programs which may be identified in the future as vital to the achievement of public objectives and purposes.

A substantial change in governance is soon to be instituted within the District of Columbia. Also, major shifts are in the offing in the manner of Federal financial assistance to municipalities as community development revenue sharing replaces the categorical grant programs which have been available in the past. The proposed community development corporation would provide a mechanism to maintain the momentum for development which has been painstakingly built up in the District of Columbia. Furthermore, it could help to achieve the additional advances necessary to the physical and economic viability of the city, and to an improved quality of life for all residents.

VOICE supports the concept that the corporation be empowered to act throughout the District of Columbia in accordance with public policies established by the elected Mayor and City Council. Firm in the position that the corporation must be an effective action body, VOICE concurs in the proposed composition of the corporation board of directors, and in the powers, responsibilities, and constraints of the corporation as set forth in H.R. 15363. VOICE strongly favors as a guiding principle that the corporation function in situations when private initiative and action could not be expected or would not be feasible.

Mr. Chairman, as you know, the need for a community development corporation has been identified by the Nelsen Commission, on which I was privileged to serve as Vice Chairman, and by two independent citizen study commissions established by the D.C. City Council. Broad community consensus on this proposal emerged during the workshops on the Nelsen Commission recommendations sponsored by VOICE and other community groups last year. Our strong support for H.R. 15363, the bill to establish the District of Columbia Community Development Corporation, reflects this positive consensus.

We respectfully request the inclusion of this letter in the record of your subcommittee hearings.

Sincerely yours,

JOHN B. DUNCAN, *President.*

Mr. FAUNTROY. With that, we will call this hearing to a close.

[Whereupon, at 11:45 a.m., the subcommittee recessed, subject to the call of the Chair.]

[Subsequently the following materials were received for the record:]

DOWNTOWN PROGRESS,
Washington, D.C., June 20, 1974.

Hon. W. S. STUCKEY,
Chairman, Business, Commerce, and Taxation Subcommittee, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.

DEAR MR. STUCKEY: Downtown Progress strongly supports H.R. 15363, the bill to establish a District of Columbia Community Development Corporation and requests that this letter be entered in the record. The need for the community development corporation is clear. Such a corporation is essential to the continuation of development momentum within the District of Columbia.

Deriving policy guidance from the soon-to-be-elected municipal government, but administratively separate from normal municipal operations, the corporation should be able to act promptly and effectively to stimulate and advance significant development efforts in the public interest. It is our understanding—and it is our position—that the corporation would not engage in activities directly competitive with private enterprise, which could be carried out better through private enterprise alone. Rather the corporation should concentrate its activities in those situations where private enterprise is unable or unwilling, because of the start-up risk involved, to undertake important assembly and/or development consonant with public objectives and policies.

We endorse the full range of functional authority which the legislation would establish for the proposed corporation. We see this range as essential to the physical and economic well-being and viability of the District of Columbia, including the continued revitalization of Downtown between The White House and The Capitol. A copy of DOWNTOWN PROGRESS, our most recent annual report, is enclosed. It describes development activities already underway in Downtown together with proposed future actions. The corporation might be especially useful in bringing about the proposed residential development in Downtown. Also enclosed is the RESOLUTION IN SUPPORT OF A PUBLIC DEVELOPMENT CORPORATION FOR THE DISTRICT OF COLUMBIA, adopted by our

organization in May 1973 when the concept of a community development corporation for the District of Columbia first came to be discussed widely.

Mr. Chairman, the need for the community development corporation to serve the District of Columbia is manifest. We urge prompt Congressional approval of H.R. 15363 so that the corporation can begin working with District Government officials from the outset of locally-elected government in the city.

Our best wishes to you.

Sincerely,

THORNTON W. OWEN, *President.*

Enclosures.

MAY 24, 1973.

RESOLUTION IN SUPPORT OF A PUBLIC DEVELOPMENT CORPORATION FOR THE
DISTRICT OF COLUMBIA

Whereas, development of residential, industrial, and commercial facilities in accordance with public plans and policies is necessary and appropriate in Downtown and throughout the District of Columbia; and

Whereas, such residential, industrial, and commercial development is essential to the physical, social, and economic health of residents and businesses in the District of Columbia; and

Whereas, the importance of residential, industrial, and commercial development to the District of Columbia requires that the present momentum be sustained and increased to the extent possible; and

Whereas, sustaining and increasing the current momentum of residential, industrial, and commercial development is contingent, in part, upon improving the means for carrying out public plans and policies and for inducing reciprocal private actions; and

Whereas, to be practicable and effective in these tasks, the mechanism for carrying out public development objectives must have the capacity to assemble land, to issue bonds, to utilize available government grants-in-aid and special Federal revenue sharing, and to serve as developer of last resort; and

Whereas, this range of capacities does not exist to the degree required in any one instrumentality of the District of Columbia Government; and

Whereas, both the Commission on the Organization of the Government of the District of Columbia (Nelsen Commission) and the District of Columbia City Council Advisory Commission (Clark Commission) reports call for the creation of a public development corporation; Now therefore be it

RESOLVED, That the National Capital Downtown Committee, Inc.—DOWNTOWN PROGRESS—strongly supports and urges the creation of a public development corporation responsive to the policy direction of the District of Columbia Mayor-Commissioner and City Council and having the necessary and appropriate powers and authority to carry out residential, industrial, and commercial development to accomplish desirable physical, social, and economic objectives within Downtown and elsewhere in the District of Columbia.

FEDERATION OF CITIZENS ASSOCIATIONS
OF THE DISTRICT OF COLUMBIA.

Washington, D.C., June 27, 1974.

Subject: H.R. 15363.

Hon. W. S. STUCKEY,

Chairman, Business, Commerce and Taxation Subcommittee, District of Columbia Committee, House of Representatives.

DEAR MR. STUCKEY: We are submitting herewith the following statement concerning subject bill and request that it be considered by your Subcommittee and made part of the hearing record.

The Federation of Citizens Associations of the District of Columbia opposes H.R. 15363 dated June 13, 1974, a "Bill to Establish a District of Columbia Community Development Corporation" on which we understand hearings were held on June 19-20, 1974.* Our reasons are as follows:

*We protest the action by the Subcommittee to hold these hearings without notice to interested citizens organizations such as this Federation.

1. We object to H.R. 15363 in the first place because it is inconsistent with the previous action by the Congress in transferring responsibility for the governance of the District of Columbia to an elected Mayor/City Council. Any consideration of a new corporation such as this should await a recommendation by the elected District government after it takes office next January.

2. Further, we believe that with the transfer of the RLA and NCHA to the District government scheduled for July 1, 1974, the way will be open for reorganization of those agencies. Such reorganization should permit them to accomplish the objectives of H.R. 15363 sooner and just as efficiently.

3. We find the bill incomplete in that its objectives are not well defined. We must refer to Delegate Fauntroy's statement of June 19th to learn that its main purpose is "to combat the severe housing and economic crisis confronting the District of Columbia". We acknowledge that a severe housing problem exists but we do not agree that the District faces an economic crisis of the magnitude implied by the Fauntroy statement.

4. One of the principal reasons contained in Mr. Fauntroy's statement in support of the bill is the rosy prediction that the proposed Corporation will be able to move more swiftly in initiating projects than the present governmental agencies. We do not see how this is possible when the procedure spelled out in the bill calls for preparation, submission to and approval by the Mayor and City Council of a preliminary plan on an annual basis, which must be followed by similar steps leading to approval of each specific project, public hearings, and sale of bonds to finance those plans. These safeguards, which we agree are necessary, seem to us to completely negate the claimed advantages of faster action by the proposed Community Development Corporation.

5. As District taxpayers we are very concerned that one of the principal intents of the bill which is to finance "risk" projects will result in operating losses for the proposed Corporation which must be made up by subsidies from the city which in turn will increase our taxes. We recommend that before this bill is considered by the full District Committee that detailed financial estimates be made to determine whether the Corporation can operate on a break-even basis.

6. We are also concerned that the establishment of a third agency concerned with redevelopment in the District (the RLA and the NCHA being the other two) will increase overhead costs excessively and unnecessarily. If the District Committee favors this Development Corporation approach then it should consider abolishing the RLA and NCHA.

7. We are also very concerned with the proposed granting of the power of eminent domain to the Corporation. Further we question the procedure for obtaining zoning variations and the authority for the City Council to provide indirect subsidy to Corporation projects by waiving taxes.

Summary.—In summary we believe that H.R. 15363 is untimely, unnecessary, and of doubtful financial solvency. We therefore recommend that its consideration by the District of Columbia Committee be dropped, and that the problems which it attempts to solve be referred back to the District government which itself will have new tools following the transfer from the Federal government of the RLA and the NCHA.

GEORGE W. BRADY,
*Chairman, City Planning
and Zoning Committee.*

RICHARD N. WOLF,
Washington, D.C., July 1, 1974.

Re: H.R. 15363.

HON. W. S. STUCKEY,
*Chairman, Subcommittee on Business, Commerce and Taxation, Committee on
the District of Columbia, U.S. House of Representatives, Washington, D.C.*

DEAR MR. STUCKEY: We wish to register for the record of your Subcommittee's hearings on proposed legislation for a District of Columbia Development Corporation these comments of a group of citizens who have taken active roles in recent zoning and planning issues in the District of Columbia. Our names and organizational affiliations appear at the end of this letter.

Let us say at the outset that there two aspects of the handling of this important legislation that give us concern. One is the fact that public notice of the

hearings appeared, as far as we can tell, on June 13 for hearings to begin on June 19. When we sought on June 17 to be placed on the witness list, it was already closed. Obviously there was insufficient notice regarding these hearings and even though there was short notice, there were many who did want to testify. Unfortunately, few of the witnesses appearing represented citizens groups, such as ours, which have been deeply concerned with planning and zoning matters in the District of Columbia.

Second, we believe that consideration by the Congress of a Bill such as this one, which can so affect planning and zoning in the District as well as touching on crucial questions concerning the effectiveness of such agencies as the Redevelopment Land Agency and the National Capital Housing Authority, is inappropriate in view of the home rule legislation enacted by the Congress which gives the District of Columbia government responsibility for these agencies and a mandate to develop new comprehensive plans for the District. We believe that an elected Mayor and City Council, rather than the Congress, are the appropriate political bodies to consider a development corporation such as here proposed.

Although we are not taking a position against the concept of a development corporation, we have a number of reservations and concerns with the substance of H.R. 15363. These are as follows:

1. There is no statement of purpose anywhere in the Bill. Instead, it empowers the corporation to engage in virtually an unlimited variety of real estate related activities, including mortgage banking and the buying and selling of real estate. We believe that somewhere there should be a clear statement of the corporation's purpose and how it relates to the general welfare of the District of Columbia.

2. Although there is a requirement for the corporation's programs to be approved each year by the City Council, the approval is not clearly tied-in as a requirement to the Corporation's Activities.

3. There is no clear requirement for the corporation's activities to be subject to audit by a public agency. As the Bill is written, this is only permissive. Not only should the corporation be subject to a yearly audit by the District's auditors, but at the request of the Mayor or the City Council, the corporation should be subject to audit by the General Accounting Office.

4. The Bill should also require that all records and activities should be subject to disclosure to the general public on request, much as is now required by the Freedom of Information Act. The Bill now lists only certain documents and transactions as being open to inspection.

5. The eminent domain provision gives the corporation carte blanche anywhere in the city, irrespective of the need for development.

6. The corporation has only a nominal obligation under this Bill to conduct its activities consistent with the Comprehensive Plans and Zoning Regulations of the District of Columbia. With its powers of condemnation and authority to override zoning requirements, except where the City Council takes a negative position, the corporation has much greater powers than the District Government or any private enterprise to do what it wants without restraint.

Thus, the possible enactment of this Bill with the problems described above gives many of us who fought over the years to assure sound planning and adherence to proper legal procedures, great concern. The Bill would grant great power and very limited accountability to the corporation. Before making a grant of such broad authority, we would like to know what are the problems that require this kind of approach and why existing agencies can't do the job. We believe these questions need to be thoroughly reviewed by a locally elected D. C. Government before this Bill, or anything like it, is enacted.

This statement is endorsed by the following persons (organizational affiliations are for identification purposes only):

John P. Barry, Immediate Past Chairman, Wisconsin Avenue Corridor Committee.

Mary C. Barry, Corresponding Secretary and Former Legislative Coordinator, Wisconsin Avenue Corridor Committee.

Grosvenor Chapman, President, Citizens Association of Georgetown.

Charles J. Clinton, Chairman, Wisconsin Avenue Corridor Committee.

Harriet B. Hubbard, Executive Committee, D. C. Federation of Citizens Associations, Adams-Morgan Organization, Dupont Circle Citizens Association, and North Dupont Circle Community Association.

Helen Leavitt, Chairman, Committee on Community Environmental Concerns, North Cleveland Park Citizens Association.

Rosamond E. Mack, Chairman, Zoning Committee, Burleith Citizens Association.
 C. N. Mason, Executive Committee and Former President, Chevy Chase Citizens Association, Treasurer, Friendship Neighborhood Coalition, and Treasure, Wisconsin Avenue Corridor Committee.
 Lawrence A. Monaco, Jr., Chairman, Zoning Committee and Former President, Capitol Hill Restoration Society.
 Peter G. Powers, Immediate Past President, Capitol Hill Restoration Society.
 Carol M. C. Santos, President and Former Chairman of Zoning and Committee, Capitol Hill Restoration Society.
 Richard N. Wolf, Vice President and chairman, City Planning Committee, Capitol Hill Restoration Society.
 Franz M. Oppenheimer, Chairman, Zoning Committee, Committee of 100 on the Federal City.
 Thomas P. Rooney and Angela Rooney, Upper Northeast Coordinating Council.
 Kay Campbell McGrath, President, Citizens for City Living.
 Helen Wood, President, Friendship Heights Neighborhood Coalition.
 Jack Heller, Legal Counsel for Wisconsin Avenue Corridor Committee.



